

employee plans news

PROTECTING RETIREMENT BENEFITS THROUGH EDUCATING CUSTOMERS

Internal Revenue Service
Tax Exempt and Government
Entities Division

A Publication of Employee Plans

Qualified Charitable Distributions for 2010 and 2011

The qualified charitable distribution provisions were renewed for 2010 and 2011, allowing individuals age 70½ or over to exclude from gross income up to \$100,000 that is paid directly from their individual retirement accounts (excluding SEP or SIMPLE IRAs) to a [qualified charity](#). The excluded amount can be used to satisfy any [required minimum distributions](#) that the individual must otherwise receive from their IRAs for 2010 and 2011. The deadline for making a 2010 QCD is January 31, 2011. The election to treat a January 2011 QCD as having been made in 2010 is made by including the QCD on the individual's 2010 income tax return.

To qualify as a QCD, the IRA trustee must make the distribution directly to the qualified charity. Any distributions, including any RMDs, which the IRA owner actually receives cannot qualify as QCDs. Likewise, any tax withholdings on behalf of the owner from an IRA distribution cannot qualify as QCDs.

IRA owners who have received their 2010 RMDs may not recontribute those distributions to an IRA to have them redistributed directly to a qualified charity as a QCD. However, if an IRA owner received a distribution in excess of his or her 2010 RMD, the owner can roll the excess to another or the same IRA within 60 days of receiving the distribution and then have the funds paid directly to the qualified charity as a QCD.

Form 1099-R Reporting

Any distributions from an IRA in 2010, including any 2010 QCDs made on or before December 31, 2010, should be reported on a [2010 Form 1099-R](#), *Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.*

Any distributions from an IRA in 2011, including any 2010 QCDs made on or before January 31, 2011, should be reported on the 2011 Form 1099-R.

2010 QCDs Made in January 2011

Satisfying 2010 RMD

A 2010 QCD made by January 31, 2011, will satisfy a 2010 RMD for the IRA owner. For example, if Joe had not taken his 2010 RMD by December 31, 2010, a QCD he makes no later than January 31, 2011, that he elects to treat as being made in 2010, will count towards satisfying Joe's 2010 RMD. However, if Joe had already taken his 2010 RMD, he will need to take another RMD for 2011 (the 2010 QCD made in January 2011 does not count towards satisfying Joe's 2011 RMD).

Calculating 2011 RMD

To determine the amount of the 2011 RMD, subtract the full amount of the 2010 QCD made in January 2011 from the total of the individual's December 31, 2010 IRA account balance(s).



Reporting on the 2010 tax return

Instructions in Publication 590, *Individual Retirement Arrangements (IRAs)*, will provide that IRA owners must report a 2010 QCD made in January 2011 on their [2010 Form 1040](#) as follows:

1. report the full amount of the QCD (even if in excess of \$100,000) made in January 2011 on line 15a; and
2. do not include any amount on line 15b, but write “QCD” next to line 15b.

IRA owners may have to file [Form 8606](#), *Nondeductible IRAs*, with their 2010 tax return if the IRA owner made the QCD from a traditional IRA in which the owner had basis and received a distribution from the IRA in 2010, other than the January 2011 QCD. If a Form 8606 needs to be filed for 2010, the value of all IRAs reported on Form 8606, line 6, must be reduced by any 2010 QCD made by January 31, 2011

New Requirements for Tax Return Preparers

[FAQs](#) updated for [Notice 2011-6](#). The notice provides guidance about the implementation of new Treasury regulations governing tax return preparers on the requirement to obtain a preparer tax identification number; forms that qualify as tax returns or claims for refund; and interim rules that apply to certain PTIN holders during the implementation phase

Exclusive Benefit Rule for Governmental Plans Participating in Group Trusts

[Revenue Ruling 2011-1](#) allows Code [§401\(a\)\(24\)](#) governmental plans that provide retirement benefits, including retiree medical plans, to participate in a group trust. Under the ruling, each plan that adopts the group trust must state in its governing documents that it will use the plan’s assets for the exclusive benefit of plan participants and their beneficiaries. A plan that participates in a group trust and that must be amended to include the exclusive benefit requirement of Revenue Ruling 2011-1, may be amended anytime during 2011 to include this requirement, retroactive to the effective date of the ruling (January 10, 2011). This amendment must be consistent with the plan’s operations.

Upcoming Correction on User Fees

The IRS will correct the user fee schedule in [Revenue Procedure 2011-8](#) (generally effective February 1, 2011) for nonmass submitter master or prototype (M&P) plans in:

- section 6.03(1): the \$12,000 user fee for the basic plan document with one adoption agreement applies to both a mass submitter and a nonmass submitter; and
- section 6.03(2): the \$9,500 fee for a M&P sponsor’s nonmass submission applies to each additional adoption agreement.

The corrected fee schedule will be published in the Internal Revenue Bulletin in late January.