



OFFICE OF THE CHIEF COUNSEL

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

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The Honorable Chip Roy
Member, U.S. House of Representatives
5900 Southwest Parkway, Suite 2-201
Austin, TX 78735

Attention:

Dear Representative Roy:

I apologize for the delay responding to your inquiry dated November 12, 2020, on behalf of your constituent, . Specifically, suggested that the trustee of an individual retirement arrangement (“IRA”) report a qualified charitable distribution (“QCD”) on Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc. Currently, the IRA owner reports the QCD on Form 1040, U.S. Individual Income Tax Return.

Under Section 408(d)(8) of the Internal Revenue Code (Code), a taxpayer can exclude from gross income up to \$100,000 of QCDs each year. Section 408(d)(8)(B) of the Code defines a QCD as a distribution from an IRA, whose owner is at least age 70½, made directly to one or more specified charitable organizations, provided the distribution would be includible in the IRA owner’s gross income if it were made to the owner instead. Any deductions a taxpayer took for IRA contributions made during years they were 70½ or older, also reduce the amount available for QCDs.

Under the current rules, Form 1099-R doesn’t have special reporting for QCDs. This is because an IRA trustee does not have first-hand knowledge to decide if a particular distribution meets all the conditions to be a QCD. For example, a trustee would not know:

- If the taxpayer has already reached the \$100,000 limit with QCDs from other IRAs,
- If the distribution consisted of nontaxable money (an IRA trustee does not know if an IRA owner deducted IRA contributions), or
- If the charitable organization gave the taxpayer goods or services because of the contribution (which disqualifies a distribution from being a QCD).

In many cases, the trustee might not know if the recipient charitable organization is an eligible organization under Section 408(d)(8) of the Code.

When a taxpayer files a paper Form 1040, they can say if part or all of an IRA distribution is a QCD by writing "QCD" next to line 4b. For electronically filed returns, a drop-down box gives the taxpayer a choice of "QCD," "HFD" — to indicate a transfer to a health savings account — and "ROLLOVER."

The current method for QCD reporting effectively balances taxpayer and trustee burdens with ensuring the IRS receives enough information to determine the correct amount of tax. However, we are always looking for ways to improve reporting so these rules could change in the future.

I hope this information is helpful. If you have any questions, please call me at _____, or a member of your staff may contact _____, staff attorney, at _____.

Sincerely,

Neil Sandhu
Senior Technician Reviewer
Qualified Plans Branch 1
Office of Associate Chief Counsel
(Employee Benefits, Exempt Organizations,
and Employment Taxes)