Tongue Twister: OBBBA, IRAs, QCDs, and FAQs

If your head is spinning, it's for a good reason! Let's face it–the rules for using IRAs to give to charity were complicated before the OBBBA got thrown into the mix. Let's address five frequently asked questions we've been hearing from attorneys, CPAs, and financial advisors as you counsel your charitable clients.

"I have a lot of clients who are 70 ½ and older. I know the new tax laws are a big deal. Did the rules change for Qualified Charitable Distributions?"
This is a great question, and it's super important. The short answer is no–the One Big Beautiful Bill Act did not directly change the IRS's rules for Qualified Charitable Distributions, or "QCDs." Through a QCD, a taxpayer who is over the age of 70 ½ can direct up to $108,000 (2025 limit) from an IRA to an eligible charity, including some types of funds at the Community Foundation.

"I can tell there's more to the story. What else should I know to best guide my clients who are 70½ and older?"
We are glad you asked! QCDs are even more tax-savvy after the One Big Beautiful Bill Act because they bypass the new 0.5% adjusted gross income floor that will apply to itemized charitable deductions starting in 2026. Unlike other gifts, QCDs also avoid the 35% cap on deduction value for high-income taxpayers, preserving their full tax benefit. Because they reduce taxable income directly without requiring itemization, QCDs provide retirees a simple, consistent way to maximize charitable impact in a more restrictive tax environment.

"When should I call the Chester County Community Foundation if I have a client who is a good candidate for a QCD?"
Anytime! Several types of funds at the Community Foundation are eligible recipients of Qualified Charitable Distributions, including field-of-interest funds, designated funds, and unrestricted funds. Although your client's donor-advised fund is not a permissible QCD recipient under IRS rules, our team is happy to work with you and your client to establish another type of fund alongside an existing donor-advised fund and set in motion an overall strategy that meets both the client's financial and estate planning goals as well as the client's goals for community impact.

"Remind me again why IRAs are such powerful legacy gifts to charity?"
Clearly, IRAs are tax-savvy savings vehicles during a client's lifetime because contributions to traditional IRAs may be tax-deductible. Plus, the assets inside the account grow tax-deferred, allowing returns to compound. Leaving an IRA to charity at death, such as to a client's fund at the Community Foundation, is also tax-savvy. The assets avoid income tax because the charity, unlike heirs, can withdraw the funds tax-free. The assets also escape estate tax because charitable bequests are fully deductible from the taxable estate.

"Does the whole QCD have to go directly to the charity?"
No! A special type of QCD allows your client to make a "split interest" gift to either a charitable remainder trust (CRT) or charitable gift annuity (CGA). The 2025 per-taxpayer limit for this so-called "legacy IRA" is $54,000. Note that the CGA option may be the most attractive option for your clients because of the significantly greater administrative burdens of setting up a CRT.

Please reach out to the Chester County Community Foundation anytime. We are happy to set up a charitable giving plan that allows your client to make QCDs to help achieve their charitable goals.

For more information, contact the Chester County Community Foundation:
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