

SUMMARY OF PENSION PROTECTION ACT



INTRODUCTION

The Pension Protection Act of 2006 (PPA) provides certain taxpayers with the possibility of making charitable contributions of up to \$100,000 from IRA accounts in 2006 and 2007 without having to declare the withdrawals as income.

Prior to the passage of PPA, any contributions made from IRA accounts would be treated as first, a taxable distribution to the donor and second, a deductible contribution to charity, even if the funds transferred directly to the charity by the account manager. This is at best tax neutral, but a tax negative for those who do not itemize deductions on their tax returns.

PPA offers taxpayers a more enticing opportunity.



PENSION PROTECTION ACT REQUIREMENTS

Individuals who are 70½ years of age or more may make one or more gifts from either a traditional or Roth IRA totaling up to \$100,000 in 2007.

To qualify for special tax treatment, any contribution must be made by the IRA custodian directly to the charity and the charity must have immediate use of the funds (that is, the contribution cannot be for a deferred gift, such as a charitable trust).

Only gifts made on or after the date on which the donor turns 70½ qualify.

Contributions must go to a “public charity” such as La Canada Presbyterian Church. Private foundations and donor advised funds, among other entities, are not eligible.

The donor may not receive more than a token item in consideration of the gift.

The donor must also be able to substantiate the gift with clear evidence of the direct transfer of the funds to the charity and an appropriate receipt from the charity acknowledging the gift.



POTENTIAL BENEFITS

Although no charitable income tax deduction is allowed for charitable distributions under PPA, such contributions will satisfy part or the entire owner’s minimum required distribution for the year. This is especially valuable to individuals who do not rely on income from their IRA to meet living expenses.

Individuals who cannot ordinarily deduct their charitable contributions now get the equivalent of a deduction, since not being taxed on income is the same as a tax deduction.

Adjusted gross income limitations on charitable giving do not apply to qualified gifts.

Individuals with carryovers from contributions made in prior years benefit because qualified gifts are independent of the carryover rules.

Qualified gifts are not subject to the 2% reduction rule for itemized deductions for high income taxpayers.

The La Cañada Presbyterian Church provides this information for educational purposes only. The Church is neither attempting nor intending to offer financial or tax advice. Consult with your own tax advisor before making any gift from an IRA account.