

Tax Savings Opportunity for Senior Members

The "Pension Protection Act of 2006" became law in August 2006. Of potential interest to qualifying donors is one of the charitable giving incentives included in the bill: For individuals who have reached the age of 70.5 and who have Individual Retirement Accounts, tax-free distributions to non-profit organizations are now possible for a limited time.

Generally speaking, individuals 70.5 and older who are required to take IRA distributions, but who do not need or want the taxable income from that source, may find the IRA gift opportunity attractive—especially if they do not itemize deductions.

If you depend on distributions from your IRA for your livelihood, you would not want to reduce that income. But if you have sufficient income from other sources, reducing your taxable income can be a good financial strategy. Some donors deliberately seek to lower their tax bracket via their contributions. In some cases, the increased income from IRA distributions causes social security income to be taxed.

There is no charitable deduction for an IRA charitable transfer. Rather, the amount transferred is simply not considered when you calculate your taxable income.

The key points of the legislation are as follows:

- You must be at least 70.5 years old.
- Gifts must be from your traditional, rollover, or Roth IRA.
- Tax-free charitable gifts from IRAs are allowed only in 2006 and 2007.
- Charitable distributions from your IRA may not exceed \$100,000 per year.
- Distributions must be made directly from the IRA custodian to the non-profit organization.
- Distributions must be outright charitable gifts.