

2006 Pension Protection Act

New planning opportunity for those with IRAs

Recent legislation offers a new opportunity for you if you are age 70½ or older, own an IRA, and regularly make charitable contributions.

The new Pension Protection Act of 2006 allows you to make distributions directly from your IRA to one or more charities without the distributions being included in taxable income and subject to withholding. Previously, if you wanted to use IRA funds for a charitable contribution, you had to withdraw money from your IRA and then contribute it. The amount you withdrew was taxable, and the deduction for the contribution may or may not have offset the tax.

Another benefit of the new legislation is that the funds transferred from your IRA to a charity count towards your mandatory withdrawal. Example: Suppose Mary has \$700,000 in an IRA and will be required to withdraw approximately \$35,000 this year, and suppose further that Mary wants to contribute \$10,000 to her church. She can authorize the trustee of the IRA to transfer \$10,000 to her church and \$25,000 to herself. The \$10,000 distributed to the church will not be subject to tax.

Key points to keep in mind:

- Donors 70 ½ and older are eligible.
- The PPA option is available in 2006 and 2007 only.
- As much as \$100,000 can be donated EACH year.
- The gift must be 100% charitable. It can be made directly to the church or Presbyterian-related organization or used to establish a new permanent endowment fund or be added to an existing fund.
- Your IRA administrator must send the check directly to the Presbyterian Foundation, church, or charitable organization to qualify.
- The gift can satisfy minimum required distributions, reducing reportable income.
- New Covenant Trust Company can assist you in rolling over your 401(k) or 403(b) into an IRA to take advantage of this opportunity.

If you have questions or would like more details, contact Ann Earnest, Presbyterian Foundation Development Officer, at 866-746-6730 or ace@fdn.pcusa.org.