

MAKING CHARITABLE GIFTS THROUGH YOUR IRA

If you are over age 70½, and have an IRA, a change to the Federal tax law this year provides a new, tax-favorable opportunity to make charitable contributions from that IRA.

Under prior law, it was necessary to take a distribution from your IRA (which would be included on your personal tax return as income, potentially increasing your taxes), and make your contribution from what was left after paying taxes. Under the new law, for calendar years 2006 and 2007 only (the law "sunsets"), you can now instruct your IRA custodian (bank, broker, etc.) to transfer cash or other assets (such as stocks) directly from your IRA to the charity of your choice. Although IRA's are the only type of retirement plan that qualifies, the advantages of using this method of making charitable contributions include:

- Since the gift from the IRA is not counted as income, it cannot create additional income tax liability on your personal return.
- Any amount of the IRA distribution which, if distributed to you, would be used for taxes (up to 35%), now all goes to the charity.
- The amount of the charitable gift counts toward (or can be all of) your minimum required distribution.

Additional rules under this new law include a limit of \$100,000 of annual contributions, and a prohibition against contributions to charitable remainder trusts, donor-advised funds or private foundations. Also, remember that since the contribution is not included in your income, it does not qualify as an itemized deduction on your personal return.

This two-year window provides a unique opportunity for many individuals who would otherwise be making one or more charitable contributions, particularly for individuals who are taking their minimum annual distribution only because they are required to do so, and would otherwise make a charitable contribution.

If you have questions or need additional information regarding this opportunity, please contact your tax advisor.