

Use Your IRA as Never Before

On August 17, 2006, President Bush signed into law new tax incentives for charitable gifts from donors who are 70½ or older. The Pension Protection Act of 2006 encourages financial support of charitable organizations across the United States.

Under the law, you can make a lifetime gift using funds from your individual retirement account (IRA) without undesirable tax effects. Previously you would have had to report any amount taken from your IRA as taxable income, then take a charitable deduction for the gift, but only up to 50 percent of your adjusted gross income. In effect, this caused some donors to pay more in income taxes than if they didn't make a gift at all.

Fortunately, now these IRA gifts can be accomplished simply and without tax complications. Plus, you can make the gift now—while you are living and able to witness the benefits of your generosity.

You may contribute funds this way if:

- You are age 70½ or older
- The gift is \$100,000 or less each year
- You make the gift on or before Dec. 31, 2007
- You transfer funds directly from an IRA or Rollover IRA
- You transfer the gift outright to one or more public charities, but not supporting organizations or donor advised funds

How The New Law Works

Susan, aged 75, has \$350,000 in an IRA and has pledged to donate \$2,000 this year to the Mountain Goat Trail Alliance. If Susan transfers \$2,000 from the IRA, she will avoid paying income tax on that amount. She cannot, however, claim a charitable deduction—it is a pure “wash.” Susan has found an easy way to benefit charity without tax complications.

If she desired, Susan could give more than \$100,000. The legislation allows a maximum \$100,000 gift in both the 2006 and 2007 tax years. So Susan could give \$100,000 each year. If her spouse has an IRA and is 70½ or older, he can also give up to \$100,000 each year.

How to Make a Gift

Contact your IRA custodian to transfer your desired gift amount to an eligible organization.

For More Information

It is wise to consult tax professionals if you are contemplating a gift under the new law. Please feel free to call MGTA Treasurer Gray M. Campbell at 404-355-4445 or grayc@mindspring.com with any questions.