



INFORMATION FOR ATTORNEYS AND FINANCIAL PLANNERS



*Let your legacy
make a difference in
Chester County*

DONATIONS DIRECTLY FROM IRAs

The Pension Protection Act of 2006 (H.R. 4) was signed into law by President Bush on August 17. The Pension Act covers more than just pensions. This article summarizes the most significant provision of this act related to charities—donations directly from IRAs.

Previously, if an individual wanted to use IRA funds for a charitable contribution, one had to withdraw money from their IRA and then contribute it. The amount withdrawn was taxable, and the deduction for the contribution may or may not have offset the tax.

The Pension Act includes a 2-year pilot provision, under which:

- Donors, aged 70¹/₂ and older, can make direct, tax-free charitable transfers up to \$100,000 from their Individual Retirement Accounts (IRAs).
- Donations made under this provision, between 8/17/2006 and 12/31/2007, are not counted as taxable income.
- There is a \$100,000 annual cap on this privilege. Because this qualified charitable distribution is federal income tax-free, donors don't get any federal income tax deduction. But, tax-free treatment for the distribution is effectively the same as a 100% write off.
- This new rule benefits seniors who don't itemize as well as seniors who would be adversely affected by the normal restrictions on itemized charitable contribution deductions.
- Funds transferred from the IRA to a charity count towards the mandatory withdrawal.
- The IRA money must be paid out directly to a qualifying tax-exempt charity.
- Gifts made to donor-advised funds and supporting organizations do not qualify.
- Rollovers made to fund a life income gift, such as a gift annuity or a charitable remainder trust, do not qualify.
- Outright distributions to a charity from employer-sponsored retirement plans, such as Simple IRAs, 401(k)s and 403(b)s do not qualify.
- The donor must direct the IRA administrator to transfer funds directly to the charity.

The Lincoln Building
28 W. Market Street | West Chester, PA 19382
(610) 696-8211 voice | (610) 696-8213 fax | info@chescof.org
www.chescof.org

At the Community Foundation, qualifying charitable options include gifts to:

- Community Foundation Operating Fund and Operating Endowment
- Grant Fund for Chester County
- Community Scholarship Funds
- Field of Interest Funds and/or
- Nonprofit-Designated Funds.

Making charitable contributions from an IRA rather than other assets will be especially appropriate for those who:

- Do not itemize deductions
- Would not be able to deduct all of their charitable contributions because of deduction limitations
- May lose some of their itemized deductions because of their income level, or
- Are required to take distributions but do not need them for living expenses.

This charitable rollover provision is a limited-time offer: the window is open now, but it will close in 2007 unless Congress extends it. For anyone interested in establishing a permanent legacy in their community, this is the opportunity of a lifetime to make the gift of a lifetime.

Through our philanthropic services, strategic investments and community leadership, it is the Community Foundation's mission to inspire and to help individuals leave philanthropic legacies. We are excited by the implications of this new law, which provides further incentives for those interested in establishing a permanent legacy. For more information, contact the Community Foundation at (610) 696-8211.

TIMETABLE FOR TAX DEDUCTIBLE YEAR-END CONTRIBUTIONS

Please notify the Community Foundation of any wire transfers, stock transfers, and mutual fund transfers, so that we may track them and allocate them to the appropriate fund.

| Contribution Method | Deadline | Special Details |
|---|---|---|
| Check | Postmarked by 12/31/06. | Mail to CCCF. |
| Wire transfer of cash | We recommend that you initiate a wire transfer through your bank prior to 12/27/06 so that it is received by CCCF by 12/31/06. | 1st National Bank Acct # 40072001 West Chester, PA ABA Routing # 031904395 (484) 881-4440 |
| Publicly traded stock held by your broker | We recommend you initiate a stock transfer through your broker prior to 12/15/06 so that it is received by CCCF's brokerage account by 12/31/06. | Chester County Community Foundation account at Merrill Lynch DTC# 5198 Acct # 878-04009 Joanne Shanaman (610) 594-1179 |
| Mutual funds | We recommend you initiate a transfer through your broker prior to 12/1/06, so that it is received by CCCF's brokerage account by 12/31/06. Not all mutual funds are transferable. | Chester County Community Foundation account at Merrill Lynch DTC# 5198 Acct # 878-04009 Joanne Shanaman (610) 594-1179 |
| Funds held at a Charitable Gift Fund | Postmarked by 12/31/06. | Mail to CCCF. |
| Funds held by a Private Foundation | Postmarked by 12/31/06. | Mail to CCCF. |

