

Help Lutheran Family Services of Colorado to serve the vulnerable...

with no tax consequences!

Give a portion of your individual retirement account (IRA) to help your favorite charity

On August 17, 2006, President Bush signed into law the Pension Protection Act. Before this new law, a donor had to include withdrawals as income. The donor could then make a corresponding cash contribution to charity. Although the cash contribution generally would be eligible for a charitable income tax deduction, tax rules prevented most donors from “zeroing out” their federal tax liability after the IRA distribution. Before the new law, many donors faced other adverse tax consequences after the IRA income recognition.

KEY POINTS OF THE PENSION PROTECTION ACT OF 2006:

- ▶ Taxpayer must be at least 70-1/2 when the distribution is made
- ▶ Distribution must be made directly from IRA trustee to charity
- ▶ Only applies to IRA accounts (either traditional or Roth); not employer-sponsored plans like 401(k)s
- ▶ \$100,000 limit per taxpayer per year
- ▶ Distribution counts towards the donor's minimum distribution requirement for IRAs
- ▶ Excluded from income – so NO charitable deduction
- ▶ Can NOT be used for split interest gifts (gift annuities or charitable remainder trusts) or DAFs
- ▶ New provision effective for tax years 2006 and 2007

Here's how it works.

If you are in the 40 percent tax bracket and you withdraw \$100,000 from an IRA and keep it, you will pay \$40,000 in income tax and keep the remaining \$60,000. The new Pension Protection Act allows IRA rollover gifts to be given to charity with no new income to report or taxes to pay. Rolling over \$100,000 to charity, you will pay no Federal taxes, keep none of the money and fulfill your charitable intentions by knowing \$100,000 has gone to your favorite charity.



**LUTHERAN
FAMILY SERVICES**
of Colorado

**For more information, contact Jane Pope Meehan
at development@lfsco.org or 303-217-5848.
Or find us online at www.lfsco.org.**

**We strongly encourage you to consult with your tax professionals
if you are contemplating a charitable gift under the new law.**