

Recent Legislation Allows Tax-Free Giving From Your IRA

On August 17, 2006, President Bush signed the Pension Protection Act of 2006 into law. The new law includes a charitable giving provision that permits new tax-free distributions from IRAs – known as the charitable IRA rollover.

The new charitable IRA rollover provides an exclusion from gross income for distribution of up to \$100,000 from an individual retirement account (traditional or Roth), which would otherwise be considered taxable income. To qualify, the charitable gift must be made to a tax-exempt organization like the San Diego Air & Space Museum.

If you have tax-deferred income in an IRA and must begin taking required minimum distributions at 70 ½ (or if you have already started receiving required distributions), you'll pay income tax on the amount you receive. By making a gift to charity from your IRA you can accomplish your charitable goals and reduce your tax liability.

Please note the following requirements:

You must be 70 ½ years of age

Tax benefits apply to gifts up to \$100,000 per year for tax years 2006 and 2007

The provision expires December 31, 2007

The amount must be in the form of an outright gift. It may not be used to fund a life-income plan such as a charitable gift annuity or pay for a membership that confers benefits to the donor.

Who can benefit from a charitable IRA rollover?

Anyone with an IRA who is age 70 ½ at the time of the gift may benefit. While other planned giving options are available, the charitable rollover may be particularly appealing if:

You have maxed out your charitable deductions: a qualified charitable IRA distribution operates separately from the percentage rules that limit the tax benefit of individual charitable giving. Therefore, for individuals inclined to give more, the charitable IRA rollover is an ideal option. IRA rollover gifts do not count toward the 50% of adjusted gross income limitation on charitable gifts of cash.

You are a non-itemizer: Because qualified charitable distributions from IRAs do not require the donor to claim an income tax charitable deduction, non-itemizers can take the equivalent of a charitable deduction via the IRA rollover and indicate that on the front page of the IRS Form 1040 without itemizing.

You currently reside in a state that does not allow itemized charitable deductions: As a general rule, most states follow the federal income inclusion rules. That means donors in a state where the tax incentive for giving was limited by the old rules could realize an additional benefit. You should verify the impact of the charitable provisions of the new law in your state.

A two-year opportunity to make a significant IRA gift

Because as much as \$100,000 of your gift of IRA assets can be excluded from taxable income for both the 2006 and 2007 tax years, you may have an opportunity to reach even further to make gifts now that have a tremendous impact on the Museum. A gift through your IRA counts like any other outright gift and can be designated for a specific purpose, general purpose, or to establish an endowment, as well as to fulfill an outstanding pledge.

Making the gift: A few things to know

In order for the amount transferred from your IRA to the San Diego Air & Space Museum to be a qualified charitable distribution (QCD), current rules stipulate that the funds be transferred directly from the plan administrator of your IRA to the Museum. You are required to contact the plan administrator to request the transfer.

We encourage you to inform us directly if you decide to make an IRA rollover gift. By notifying us, you can designate how the funds will be used and we can assist you with the documentation. As always, you will receive a gift receipt from the San Diego Air & Space Museum confirming the amount of the gift and the date it was received.

It is important to consult tax professionals if you are contemplating a gift under the new law. In the meantime, please contact Jim Kidrick, President & CEO for the San Diego Air & Space Museum, if you require more information.

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