

NEW RULES FOR CHARITABLE GIFTS

The Pension Protection Act of 2006, signed into law by the President on August 17, 2006, impacts both charitably-inclined individuals and nonprofit organizations. Highlights of charitable rules of interest to individuals follow.

* **IRA Charitable Rollover:** Taxpayers, age 70 ½ or older, may exclude up to \$100,000 per year of otherwise taxable distributions from his or her traditional IRA or Roth IRA as "qualified charitable distributions". The distributions must be made directly from the IRA trustee to one or more public charities (donor advised funds are excluded). The new rule, effective immediately, applies for 2006 and 2007.

IRA rollovers must be made to public charities. As a qualified public charity, the Fairfield County Foundation can help donors execute the transfers and choose from several charitable fund options for their gift. Designated charitable purposes, field of interest, scholarship funds or organizational endowment fund gifts are permitted, but IRA rollovers may not be made to donor advised funds, supporting organizations or to deferred gift plans.

Only regular and Roth IRAs qualify for the rollover. Donors with other qualified retirement plans may be able to roll them over to an IRA and then use the IRA rollover to make a gift.

An added bonus is that an IRA rollover by December 31st of this year will qualify for all or part of the IRA owner's minimum distribution for 2006.

* **Recordkeeping Requirements for Cash Contributions:** A deduction for charitable contributions of money, even of small amounts, will not be allowed unless the taxpayer maintains either a bank record (cancelled check), or a written communication from the charity that shows the charitable organization's name, date and amount of the contribution. This new rule is effective for tax years beginning after Aug. 17, 2006 (meaning calendar 2007 for almost all individual donors; sooner for some entities with fiscal tax years).

Once the new rule takes effect, you won't get any write-offs for undocumented cash contributions (for example, money placed in church collections plates and cash dropped into Salvation Army kettles). Write checks instead. Prior substantiation requirements for gifts over \$250 are still in effect.

* **Recordkeeping Requirements for Contributions to Donor Advised Funds:** A deduction for a charitable contribution to a donor advised fund will not be allowed unless the taxpayer obtains (with the other required substantiation) a contemporaneous written acknowledgement from the fund's sponsoring organization stating that it has exclusive legal control over the assets contributed. This requirement applies to all contributions made 180 days or more after the law's enactment (beginning on or about February 13, 2007).

* **Stricter Rules for Donated Clothes and Household Items:** No deductions for contributions of clothing and household goods will be allowed unless the items are in "good used condition or better". An exception allows you to write off single items that are in "less than good" condition if a qualified appraisal accompanies the item and the item is worth more than \$500. This is effective for donations made after Aug. 17, 2006.

*This is intended as general information and does not represent legal or tax advice.
Individual circumstances may vary,
please consult your legal and tax advisors about your specific situation.*