



# **PENINSULA SENIORS**

## **Win-Win Charitable Giving**

(from Ann Shaw's article in the November 2006 Newsletter)

### **Win-Win Charitable Giving**

I recently learned of a new law that makes charitable giving a truly win-win situation. The Pension Protection Act of 2006, signed into law on August 17, 2006, allows individuals who are 70 ½ or older to make tax-free donations directly from their IRAs (also rollover-IRAs and Roth IRAs) to a 501(c)(3) organization such as Peninsula Seniors.

Here's how it works. The donation must be made directly from your IRA but it is not considered a distribution to you and is therefore not taxable to you. It can be considered part of your Required Minimum Distribution (MRD) from your IRA or Roll-over IRA. Here's an example. Mr. Smith must take \$5,000 from his IRA this year. He wants to give the Peninsula Seniors a \$1,000 donation. If he makes the donation directly to Peninsula Seniors through his IRA's custodian his taxable required IRA distribution will be reduced by the \$1,000 donation and he will only owe taxes on \$4,000.

Several other things you should know. This direct donation from your IRA may not be part of your itemized donations on Schedule A. Also, California law does not conform to the federal law at this time so you will have an IRA distribution of \$5,000 in the eyes of California unless state legislation is passed by the end of this year to treat the donation the same way the federal government does. This law is only in effect for 2006 and 2007, at this time. This new law does not apply to employer-sponsored pension plans such as 401(k) or 403(b) plans, or SIMPLE IRAs or SEPs.

I called the Vanguard Group, the custodian for my IRA. They are aware of the new law but are waiting for a ruling from the IRS as to how to proceed. This is an administrative problem but I would definitely check with the custodian of your IRA to make sure you are filing all the proper paperwork so that you can lower your taxes while helping your charity.

**Ann Shaw**