



Wildwood Christian Academy

New IRA Law Offers Donors Several Advantages

On August 17, President Bush signed a law which creates an important new opportunity for making gifts to *Wildwood Christian Academy* and other charities. The Pension Protection Act of 2006 is good news for many donors who can afford to make charitable gifts using their IRA accounts.

For the first time ever, from now through December 31, 2007, individuals age 70 1/2 and older may make gifts from their IRA accounts directly to *Wildwood Christian Academy* and other qualified charities without being subject to Federal income tax on the IRA withdrawal.

Moreover, IRA gifts count towards the annual Minimum Required Distribution.

There are several things of significance that you should know about the new IRA Provision:

1. The IRA Provision is in effect for two years. This year and next donors can make charitable gifts up to \$100,000 per year from their IRA accounts for a maximum amount of \$200,000 (that is, \$100,000 between now and December 31, 2006, and \$100,000 in calendar year 2007).

Practical consideration: Keep in mind that the date of gift is the date received, not the date that you send transfer instructions to your IRA Administrator. Gifts must be received by *Wildwood Christian Academy* and other charities before December 31 to be qualified in that year. There may be a high volume of year-end gifts to be processed by your IRA Administrator. Allow time for your IRA Administrator to act on your transfer instructions.

2. Donors must be age 70 1/2 or older **at the time of their gifts.**

3. Gifts must be made from the IRA Administrator directly to the charity. Please be sure to have your IRA Administrator identify you as the donor when transferring a gift to *Wildwood Christian Academy*, and notify *Wildwood Christian Academy* before the transfer so we can identify your gift.

4. Amounts withdrawn from an IRA account are removed from the donor's taxable estate. For donors with estates subject to Federal taxes, this law presents an opportunity to avoid "double taxation" of their IRAs.

5. Giving directly to *Wildwood Christian Academy* or to other charities from your IRA is simpler than withdrawing the amounts to be contributed, paying income tax on them, and then contributing them to the charity. There are several reasons why most donors will save more taxes by a qualified IRA gift: they will avoid the phase out of itemized deductions for income over \$150,000; they will avoid restrictions on deductions for taxpayers subject to the Alternative Minimum Tax; and they will avoid restrictions or prohibitions imposed by some states on income tax deductions for charitable gifts.

6. Qualified IRA gifts are not subject to percentage limitations regarding charitable contributions.

7. The amounts withdrawn from an IRA and transferred to *Wildwood Christian Academy* and other charities are not reportable as income for Federal income tax purposes or for Social Security income. For most states, the amounts withdrawn are also not subject to state income taxes. See your tax advisor for specific advice on state taxes.

8. Donors of qualified IRA gifts do not receive a Federal income tax deduction for such gifts as they are not being taxed on the withdrawal.

9. Donors who do not itemize their Federal income tax returns may make qualified IRA gifts and exclude such gifts from their reportable income.

10. The amounts transferred from an IRA to *Wildwood Christian Academy* and other charities may be counted towards the Minimum Required Distribution (MRD) for a donor's IRA accounts.

11. Please note that only gifts directly to a public charity will qualify. Gifts through a charitable remainder trust, lead trust, pooled income fund, or charitable gift annuity are not eligible under this new law. Gifts to a private foundation, donor-advised fund, or supporting organization are not eligible. Gifts for which the donor receives a substantial benefit that reduces the donor's tax deduction (such as tickets for a special performance or dinner) are not eligible.

Also, gifts from retirement accounts other than an IRA are not eligible under the law. Donors may be able to make qualified transfers of money from their pension or profit-sharing retirement accounts to their IRA, and then makes a charitable gift from their IRA Account.

This is not intended to be legal or tax advice. We encourage you to consult your own legal or tax advisor to see how you may be affected by the new law.

Questions? Please call Larry Ruff, Gift Planning Office at *Wildwood Christian Academy* at 770-893-3300.