

New Charitable Donation Provisions in Pension Protection Act of 2006

The new Pension Protection Act signed into law on August 17 includes important provisions affecting charitable giving.

IRA Donations Through December 31, 2007, IRA owners over age 70 1/2 can have up to \$100,000 in IRA assets distributed directly to charitable organizations with no tax obligation to the taxpayer. Such donations can be excluded from gross income; itemizing of deductions is not required. Previously, the money would have to be received by the IRA owner as a distribution, donated to the organization, and then itemized to obtain a deduction, subject to the charitable donation limit.

Stricter Bookkeeping Rules Previously, donations of \$250 or more had to be backed by a receipt or other acknowledgement. Under the new law, a monetary gift of any amount requires “a bank record or a written communication” from the charity detailing the group’s name and the date and amount of the gift. A canceled check or credit card statement will serve as the requisite “bank record.” This provision takes effect in 2007.

Gifts of Goods A new limitation on gifts of goods means the IRS now can deny deductions for clothing and household goods that are of “minimal monetary value.” The new law requires that these items be in good used condition or better.

For a summary of the new law’s provisions pertaining to charitable giving, prepared by the Committee on Ways and Means of the U.S. House of Representatives:

<http://waysandmeans.house.gov/media/pdf/taxdocs/072806charitable.pdf>

For a summary prepared by an independent law firm:

http://www.icemiller.com/enewsletter/Bulletins/PPA_Charitable.htm