



The Charitable IRA Rollover (“qualified charitable distribution”) provision contained in the Pension Protection Act of 2006

On August 17, 2006 President Bush signed into law the Pension Protection Act of 2006 (“PPA”). The PPA is over 900 pages in length, covers a broad range of pension and tax reforms, and includes a charitable IRA rollover provision (a “qualified charitable distribution”). Consider these points:

- (1) The **charitable IRA rollover is only available for gifts from an IRA** (traditional or Roth) and not from any other type of retirement plan (e.g., 401(k), 403(b), SEP, Keogh, ESOP, etc.). In some cases, a donor may transfer assets from another type of retirement account into an IRA in order to be able to make a tax-free IRA rollover to a charity.
- (2) It is only available for **years 2006 and 2007**—a relatively brief window of opportunity.
- (3) It is only allowed for **outright gifts to a qualified public charity like The Philadelphia Orchestra Association** for which the donor receives no benefits. It is not allowed for a charitable remainder trust, lead trust, gift annuity, pooled income fund, donor advised fund, supporting organization, family foundation, etc.
- (4) It is only allowed for donors who are **at least 70½ years of age on the date of the gift**.
- (5) Charitable IRA rollovers are limited to **no more than \$100,000** in total during each year (2006 and 2007 only) from the donor’s IRA or IRAs (allowed for traditional or Roth). If the spouse also has \$100,000 in an IRA, the spouse can make a separate IRA rollover contribution.
- (6) There is **no income realized** and **no income tax deduction** for the donors making a charitable IRA rollover unless the rollover is made with documented taxable contributions. This is far more beneficial for virtually all donors when compared to a taxable IRA distribution followed by a charitable deduction. The rollover also negates the I.R.C. Section 68 partial phase out of itemized deduction, eliminates issues related to the carryover of existing charitable deductions, results in no self-employment or Social Security taxes and, in most cases, no state income tax is applicable to the rollover.

- (7) **The charitable IRA rollover should be directly transferred from the plan administrator (a.k.a. custodian or trustee) of the IRA to the charity.** The donor should not accept any distribution of funds intended for a charitable IRA rollover. It may be advisable to direct the rollover well before year end to allow for unexpected delays.
- (8) The charitable IRA rollover **can count toward the donor's required IRA distribution for the year of the gift.**
- (9) **A testamentary gift of an IRA to The Philadelphia Orchestra Association may be more appropriate for donors** who do not have sufficient assets to comfortably consider a lifetime charitable IRA rollover. This can be done by naming The Philadelphia Orchestra Association as a primary or contingent beneficiary of the IRA.

For questions or to notify The Philadelphia Orchestra about a charitable IRA rollover and gift use, please contact:

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