



California-Hawaii Elks Major Project, Inc.



The More You Know...

An Informative Message from Your District
Bequests and Living Trusts Committee Chairman

New Tax Law Encourages Giving To Charities

On Aug. 17, 2006, President Bush signed into law new tax incentives for charitable gifts from donors who are 70½ or older. The Pension Protection Act of 2006 encourages financial support of charitable organizations across the United States.

The New Law

Under the law, you can make a lifetime gift using funds from your individual retirement account (IRA) without undesirable tax effects. Previously you would have had to report any amount taken from your IRA as taxable income, then, take a charitable deduction for the gift, but only up to 50 percent of your adjusted gross income. In effect, this caused some donors to pay more in income taxes than if they didn't make a gift at all.

Fortunately, now these IRA gifts can be accomplished simply and without tax complications. Plus, you can make the gift now—while you are living and able to witness the benefits of your generosity.

You may contribute funds this way if:

- You are age 70½ or older
- The gift is \$100,000 or less each year
- You make the gift on or before Dec. 31, 2007
- You transfer funds directly from an IRA or Rollover IRA
- You transfer the gift outright to one or more public charities, but not supporting organizations or donor advised funds

How The New Law Works

Mr. Elk, aged 80, has \$450,000 in an IRA and wants to give \$75,000 to charity. If Mr. Elk transfers \$75,000 from the IRA directly to the California-Hawaii Elks Major Project, he will avoid paying income tax on that amount. He cannot, however, claim a charitable deduction—it is a pure “wash.” Prior to this new law, he has to pay income tax on the entire amount that he is giving away, and may or may not be able to deduct it all from his income for income tax purpose. Mr. Elk has found an easy way to benefit our Major Project without tax complications.

The legislation allows a maximum \$100,000 gift in both the 2006 and 2007 tax years. So if Mr. Elk missed the opportunity to give in 2006, he could still give up to \$100,000 before the end of 2007. If his wife, Mrs. Elk, has an IRA and is 70½ or older, she too can give up to \$100,000 before the end of 2007.

How to Make a Gift

Contact your IRA custodian to transfer your desired gift amount directly to the California-Hawaii Elks Major Project.