



ALLIANT ADVISORS

FIND DIRECTION



The Navigator

Important Markers To Guide Your Way

August 2006

Welcome! As Alliant Advisors we have the passion to help our clients Find Direction for both business and personal goals. To support this promise, we will continue to send you bits of helpful and useful information through e-mail to keep you up to date on any current changes, due date reminders or other information that may be relevant to your specific needs.

We hope you will enjoy and value this information. If you do not wish to receive this information by email please respond to this message and we will remove you from the list. For more information about any aspect of our services, visit www.alliant-advisors.com or call your local office.

The Alliant Team

Pension Protection Act of 2006

On August 17, 2006, the President signed the "Pension Protection Act of 2006" into law. Please see the details below and if you have any questions, we will be glad to discuss them with you, please contact us at 847.490.1040.

The President's signature sets the effective date for numerous Act provisions with an effective date geared to the August 17, 2006, date of enactment. While focused mainly on corporate pensions, the new law also revises key charitable giving rules and makes a number of charitable reforms.

IRA distributions donated to charity in 2006 and 2007 may be tax-free up to \$100,000 for each year.

Under the 2006 Pension Act, a taxpayer may exclude from gross income so much of the aggregate amount of his "qualified charitable distributions" not exceeding \$100,000 made in any tax beginning after December 31, and before January 1. In other words, the exclusion may not exceed \$100,000 per taxpayer, per taxable year. To constitute a "qualified charitable distribution", the distribution must be made: (1) directly by the IRA trustee to a charitable organization or a donor advised fund; and (2) on or after the date the IRA owner attains age 70 1/2.

Alliant observation: Thus, distributions from an IRA by taxpayers who are at least 70 1/2 years old donated to a charitable organization may be tax-free up to \$100,000 per year, for both 2006 and 2007.

Alliant observation: The \$100,000 annual limit is based on the aggregate amount of a taxpayer's qualified charitable distributions in a year. Thus, an individual's tax-free IRA donations may consist of one or more distributions, from one or more IRAs, donated to one or more charitable organizations, as long as the aggregate amount does not exceed \$100,000 in a year.

Alliant observation: There is no carryover provision under the 2006 Pension Act. Thus, if the aggregate amount of a taxpayer's qualified charitable distributions exceed \$100,000 in a tax year, the excess amount cannot be carried over to the following year, and must be included in the taxpayer's gross income for the tax year in which the excess distribution was made.

Alliant observation: The committee report does not indicate why the exclusion for IRA qualified charitable distributions only applies in 2006 and 2007.

Donations of clothing and household items.

For contributions made after Aug. 17, 2006, no deduction is allowed for contributions of clothing and household items that are not in good used condition or better. Household items include furniture, furnishings, electronics, appliances, linens, and other similar items, but don't include food, paintings, antiques, and other objects of art, jewelry, gems, or collections. In addition, IRS may deny a deduction for any contribution of clothing or a household item with minimal monetary value, such as used socks or undergarments. A deduction may be allowed for a contribution of an item of clothing or a household item not in good used condition or better if the amount claimed for the item is more than \$500 and the taxpayer includes with his return a qualified appraisal with respect to the property.

Modification of recordkeeping requirements for certain charitable contributions.

For contributions made in tax years beginning after Aug. 17, 2006, the Act disallows a deduction for any contribution of a cash, check, or other monetary gift unless the donor maintains as a record of the contribution a bank record or a written communication from the donee showing the name of the donee organization, the date of the contribution, and the amount of the contribution.