



GOOD NEWS:

***Your IRA has just made
a real jump in value!***

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.

Fortunately, now these IRA gifts can be accomplished simply and without tax complications. Under the new law, you can make a lifetime gift using funds from your individual retirement account (IRA) without undesirable tax effects. Plus, you can make the gift now—while you are living and able to witness the benefits of your generosity. We recognize that any IRA distribution gets taxed as income, and therefore, each dollar is really worth much less. Except for qualified charities—without taxation, we receive a **full** dollar for every dollar!

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.

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

Pat, aged 80, has \$450,000 in an IRA and has pledged to give \$75,000 this year. If Pat transfers \$75,000 from the IRA, she will avoid paying income tax on that amount. She cannot, however, claim a charitable deduction—it is a pure “wash.” Plus, if she desired, Pat could give more than \$100,000. The legislation allows a maximum \$100,000 gift in both the 2006 and 2007 tax years. So Pat could give \$100,000 each year. If her spouse has an IRA and is 70½ or older, he can also give up to \$100,000 each year.

How to Make a Gift

Contact your IRA custodian to transfer your desired gift amount to The University Foundation, CSU Chico.

For More Information

It is wise to consult your professional advisor if you are contemplating a gift under the new law. Additionally, please feel free to contact Gary Salberg, Director of Major Gifts & Planned Giving for California State University Chico at 530-898-5297 or e-mail: gsalberg@csuchico.edu.