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## **TAX LAW CHANGE ALLOWS SIGNIFICANT PLANNING OPPORTUNITY FOR SENIORS**

On August 17, 2006, President Bush signed into law the Pension Protection Act of 2006. There were several provisions impacting charitable giving in the law, one of which provides a significant opportunity for Manatee County seniors to help the community's service agencies. At this time of year all agencies, including ours, are striving to make sure potential donors maximize the tax impact of their year end giving, and this exciting new provision is worth serious consideration for every senior planning to make, considering or actually making a significant charitable donation in 2006 or 2007.

This new law allows individuals 70½ or older to make direct transfers (or “rollovers”) of Individual Retirement Account assets to qualified charities without having to declare such transfers as income and without additional forms to file. The transferred amount will not be included in the donor’s adjusted gross income (or subject to tax withholding) nor will the donor receive a deduction for the gift.

Previously, withdrawals from IRA’s were always subject to income taxes and income tax withholding which significantly reduced the ease and desirability of the transfer as well as the value of the gift to charity. The new rule allows transfers from both regular and Roth IRA’s to qualified charities but not to gifts from other types of retirement plans.

The particular requirements are as follows:

- This is effective only for **transfers occurring in 2006 and 2007**.
- Applies only to **individual donors who have reached the age of 70½** at the time the donation is made.
- Donations under the new rule are limited to **\$100,000 per individual each year**.
- Transfers must be to **qualified public charities** like *Meals on Wheels PLUS*. Private Foundations, supporting organizations and donor advised funds do not qualify.
- The transfer may be used to **satisfy the donor’s IRA required minimum distributions** in 2006 and 2007.
- The transfer amount **will not be subject to withholding or included in the donor’s adjusted gross income, nor will the donor receive a tax deduction for the transfer**. Because the transfer does not affect the donor’s gross income, it can be made in addition to any other charitable gifts the donor was intending or has already made.

### ***THANKS TO OUR ANNUAL CORPORATE SPONSORS:***

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As you can see, there is a significant advantage to those individual donors who have reached 70½ to direct donations from their Individual Retirement Accounts rather than make gifts directly. Not only does it save on recordkeeping and income tax withholding, it will relieve you from having to take additional distributions in the year of the donation, thus potentially reducing your taxable income. If significant enough, it can also avoid the individual limitations on deductibility of charitable gifts.

If you intend to take advantage of the provision, make sure that your chosen charity is one of those who will qualify under the new law. We at Meals on Wheels PLUS would be happy to work with you as a chosen charity if that is your wish. However, if there is any question about the charity or the impact of the provision on your particular situation, please consult with your tax advisor.

Happy holidays and best wishes,

Haskell Gates,  
Vice President/CFO  
Meals on Wheels PLUS of Manatee, Inc.