

Charitable Giving From an IRA

The Pension Protection Act of 2006, signed by President George W. Bush on August 17, 2006, includes an IRA rollover provision that permits new tax-free distributions from IRAs to charities such as First Baptist Church Friendswood.

It provides an exclusion from gross income for certain distributions of up to \$100,000 per year from an individual retirement account (traditional or Roth), which would otherwise be considered taxable income. If you have saved tax-deferred income in an IRA and must begin taking required minimum distributions from that account at age 70 ½, you will pay income tax on that amount. By making a gift to FBCF from your IRA in an amount equal to or more than the required minimum distribution for that year, you can accomplish your charitable goals and reduce your tax liability.

Please note the following parameters of the IRA rollover:

- You must be 70 ½ years of age at the time of the gift.
- You can give up to \$100,000 per year in tax years 2006 and 2007.
- Your gift must fund an outright gift (unfortunately, it cannot fund a planned gift like a charitable trust or gift annuity).
- The gift will count against your required minimum distribution.
- You will not receive a charitable deduction for your gift.
- The window to make these gifts closes on December 31, 2007.

While other planned giving options are available to FBCF, the charitable rollover may be particularly appealing if:

You have maxed out your charitable deductions. A qualified charitable distribution operates separately from the percentage rules that limit the tax benefit of individual charitable giving. Therefore, for individuals inclined to give more, the charitable IRA rollover is an ideal option.

You are a non-itemizer. Because qualified charitable distributions from IRAs do not require the donor to claim an income tax charitable deduction, non-itemizers can take the equivalent of a charitable deduction via the IRA rollover and indicate that on the front page of the IRS Form 1040 without itemizing.

Please note that the IRA rollover applies only to traditional and Roth IRAs. Other forms of retirement plans such as 401(k), 403(b) annuities, defined benefit and contribution plans, profit sharing plans, Keoghs and employer-sponsored SEPs and SIMPLE plans are not eligible. However, owners of ineligible plans may consider rolling amounts into a qualifying IRA to take advantage of the new rules. Please consult with your financial or tax advisor to discuss this option.

In order for the amount transferred from your IRA to FBCF to be a "qualified charitable distribution," current rules stipulate that the funds be transferred directly from the plan administrator of your IRA to FBCF. You must contact the plan administrator to request the transfer. You should not withdraw the funds and send them yourself to FBCF. We encourage you to inform FBCF directly of the imminent gift from you. At that time, you can designate how the funds will be used by the FBCF.
