

## To North Arkansas College Friends and Supporters:

### New Planning Opportunity for Those with IRAs

Recent legislation offers a new opportunity for you if you are:

- Age 70 ½ or older
- Own an IRA, and
- Regularly make charitable contributions.

**The new Pension Protection Act of 2006 allows you to make distributions directly from your IRA to one or more charities without the distributions being included in taxable income and subject to withholding.**

Previously, if you wanted to use IRA funds for a charitable contribution, you had to withdraw money from your IRA and then contribute it. The amount you withdrew was taxable, and the deduction for the contribution may or may not have offset the tax.

Another benefit of the new legislation is that the funds transferred from your IRA to a charity count towards your mandatory withdrawal.

**Example:** *Suppose Mary has \$700,000 in an IRA and will be required to withdraw approximately \$35,000 this year, and suppose further that Mary wants to contribute \$10,000 to a particular charity. She can authorize the trustee of the IRA to transfer \$10,000 to the charity and \$25,000 to herself. The \$10,000 distributed to charity will not be subject to tax.*

Making charitable contributions from an IRA rather than other assets will be especially appropriate for those who:

- Do not itemize deductions
- Would not be able to deduct all of their charitable contributions because of deduction limitations
- May lose some of their itemized deductions because of their income level, or
- Are required to take distributions but do not need them for living expenses.

Certain limitations apply to these non-taxable charitable distributions from an IRA:

- They cannot exceed \$100,000 per year
- They must be made to a public charity like the North Arkansas College Foundation (not a private foundation). They cannot be to a supporting organization or donor advised fund.
- The gifts must be outright; for instance, they cannot be used to establish a gift annuity or fund a charitable remainder trust
- These tax-free distributions can be made only in 2006 and 2007.

**If you would like additional information about making a charitable contribution to the North Arkansas College Foundation from an IRA, please contact Dr. Jim Stockton at 870-391-3229 or send an email to [stockton@northark.edu](mailto:stockton@northark.edu). This two year window of utilizing your IRA funds to assist public foundations is a great opportunity for you or someone you know who qualifies to support the North Arkansas College Foundation and save tax costs. Please share this information with your friends and family.**