



Development & Alumni Relations

The Pension Protection Act of 2006 IRA Charitable Rollover

On August 17, 2006, the President signed into law the Pension Protection Act of 2006 (PPA). Included in this legislation was a two year IRA charitable rollover, allowing individuals age 70½ and older to make direct transfers of up to \$100,000 per year in 2006 and 2007 to the charity or charities of their choice, without having to count the transfers as income.

Who qualifies? Individuals who are age 70½ or older at the time of the contribution (you have to wait until your actual 70 ½th birthday to make the transfer).

How much can I transfer? \$100,000 per year in 2006 and 2007, at which time the provision expires.

From what accounts can I make transfers? Transfers must come from your IRAs directly to charity. If you have retirement assets in a 401(k), 403(b) etc., you must first roll those funds into an IRA, and then you can direct the IRA provider to transfer the funds from the IRA directly to PENN Medicine.

To what charities can I make gifts? You can make gifts to all tax exempt organizations, like PENN Medicine, to which deductible contributions can be made.

Can I use the transfer to fund life-income gifts (CRTs, CGAs, PIFs or the like)? Unfortunately, you cannot use the transfer to fund life-income gift vehicles; they are all ineligible for the transfer.

Can I use the transfers to fund donor advised funds or supporting organizations? No, Donor advised funds are all ineligible for the transfer.

How will PENN Medicine count the gift? PENN Medicine will give you full credit for the entire gift amount.

What are the tax implications to me?

- Federal – You do not recognize the transfer to PENN Medicine as income, provided it goes directly from the IRA provider to PENN Medicine. However, you are not entitled to an income tax charitable deduction for your gift.
- State – Each state has different laws, so you will need to consult with your own advisors. Some states have a state income tax and will include this transfer as income. Within those states, some will allow for a state income tax charitable

deduction and others will not. Other states base their state income tax on the federal income or federal tax paid. Still other states have no income tax at all. Please check with your advisors for guidance on this issue.

Does this transfer qualify as my minimum required distribution? Once you reach age 70½, you are required to take minimum distributions from your retirement plans each year, according to a federal formula. IRA charitable rollovers qualify as these minimum required distributions.

How do I know if an IRA charitable rollover is right for me? The IRA charitable rollover might be right for you if you are 70½ years old or older, AND

- You do not need the additional income necessitated by our minimum required distribution, **OR**
- Your charitable gifts already equal 50% of your adjusted gross income, so you do not benefit from an income tax charitable deduction for additional gifts, **OR**
- You are subject to the 2% rule that reduces your itemized deductions, **OR**
- You do not itemize deductions.

What is the procedure to execute an IRA charitable rollover? Because the legislation is so new, you will need to contact your plan provider for directions specific to your plan.

For more information, contact the Office of Planned Giving at (215) 898-9486, via e-mail mmerz@ben.dev.upenn.edu, or visit our website, <http://med.upenn.planyourlegacy.org>