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## ***Re: Pension Protection Act of 2006***

### ***More Information on Transferring Funds from an IRA to Charity***

Our August newsletter stated that the Pension Protection Act of 2006 allows tax-free distributions from IRAs for charitable purposes. Certain qualifications must be met to make tax-free distributions from an IRA. These qualifications include:

- *Type of Plan.* Tax-free treatment of charitable distributions applies to traditional IRAs and Roth IRAs only.
- *Age of Owner.* The owner must be 70 ½ by the date of contribution.
- *Amount of Distribution.* The owner can exclude up to \$100,000 from the owner's income. Thus, a married couple could exclude up to \$200,000, assuming that each spouse owns an IRA and all other conditions are met. An owner's charitable distributions can be applied toward the minimum required distribution from the IRA for the year.
- *Timing of Distribution.* This exclusion is available for two tax years only - 2006 and 2007.
- *Type of Charity.* The charity receiving the gift must be a "qualified charity." In general, "qualified charities" include 501(c)(3) organizations; certain veterans' organizations, fraternal societies, and cemetery companies; and Federal, State, or local governmental entities for exclusively public purposes.

These rules about making a distribution from an IRA are new and the IRS has not issued guidance on how to claim the exemption. See page 2 for a sample letter that you might use when requesting that your IRA make a distribution to a qualified charity.

### ***New Rules for Retirement Funds Add Choices and Complexity***

The Pension Protection Act of 2006 gives taxpayers more flexibility in deciding how to invest their tax-favored retirement funds, including qualified plans, IRAs, and Roth IRAs. The Act expands the choices available to taxpayers who want to roll their funds from one type of plan to another.

While more choices for taxpayers is good news, the rollover choices and the conditions attached to them are complex. The IRS has posted a Rollover Chart online, available at [http://www.irs.gov/pub/irs-tege/rollover\\_chart.pdf](http://www.irs.gov/pub/irs-tege/rollover_chart.pdf). The chart summarizes rollover choices for each type of tax-favored retirement plan, and the basic conditions that may apply.

### ***Sample Letter Requesting Transfer of Funds from an IRA to Charity***

**IRS Circular 230 Disclosure:** To ensure compliance with requirements imposed by the IRS, we inform you that any U.S. federal tax advice contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing, or recommending to another party any transaction or matter addressed herein.

Dear Sir or Madam:

Please accept this letter as my request to make a direct charitable distribution from my Individual Retirement Account # (Account Number) as provided by Sec. 1201 of the Pension Protection Act of 2006 and Sec. 408(d)(8) of the Internal Revenue Code of 1986, as amended.

Please issue a check in the amount of \$\_\_\_\_\_ payable to the following organization:

(Legal Name of Charity)  
Address  
City, State, Zip Code  
Attn: Name

In your transmittal to the charity, please memorialize my name and address as the donor of record in connection with this transfer. Please send me a copy of the transmittal.

*(The following paragraph is optional, for requests occurring close to the end of the year).*

It is my intention to have this transfer qualify for exclusion during the (year) tax year. Therefore, it is imperative that this distribution be postmarked no later than December 31, 200\_.

Please call me if you have any questions. You can reach me at (telephone number).

Sincerely,

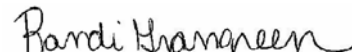
(Plan Owner)

We hope that you found this information helpful. Please contact us if you have any questions.

*If you would prefer to have our newsletter sent via email in the future, please send an email to [gg@gelntaxlaw.com](mailto:gg@gelntaxlaw.com) with the subject line "newsletter."*

Very truly yours,

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