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**TO: Our Clients and Their Advisors**

**RE: Use of 2006 and 2007 Minimum Distribution Requirement for Charitable Purposes**

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The Pension Protection Act of 2006 included a provision, applicable for only 2006 and 2007, which excludes from gross income otherwise taxable IRA distributions to qualified charities for taxpayers over age 70 ½. These transfers count under the minimum distribution rules and can provide income tax savings. Unqualified cash distributions of not greater than $100,000 in either year can be made by the Trustee of a traditional or Roth IRA directly to qualified fifty (50%) percent charitable organizations described in Section 170(b)(1)(A) of the Internal Revenue Code, other than supporting organizations and donor advised funds. If less than the entire amount of the distribution would qualify as a charitable deduction this provision is not available. This benefit is not available for distributions from a SEP, Simple IRA or any other tax-favored retirement plan accounts. Due to the generally tax free character of its income, distributions from a Roth IRA will likely not provide the same income tax advantages as would distributions from a traditional IRA.

Listed below are the primary income tax advantages of this provision:

1. The amount of the direct charitable contribution is not included in the computation of adjusted gross income ("AGI"). This is offset by the fact that there is no itemized charitable deduction permitted. However this distribution results in an immediate 100% charitable deduction without the application of the charitable deduction percentage limitations.

2. AGI is reduced lowering exposure to the AGI based phase out rules which reduce the availability of itemized deductions (including charitable deductions), passive losses from rental real estate activities and personal exemption write-offs.

3. For those IRAs which include non deductible contributions, these qualified charitable distributions are deemed to use the taxable amounts of the IRA first, contrary to the usual ordering rules which would allocate the distribution between taxable and non taxable amounts.

**Our office is available to assist you or your clients in exploring these and other sophisticated gift and estate tax planning opportunities including family limited partnerships, qualified personal residence trusts and charitable scenarios which will assist in the preservation of wealth for future generations. Our other areas of specialization include real estate, tax dispute resolution, business and employment law representation and retirement planning issues.**