

TAX RELIEF ACT EXTENDS IRA OWNERS' OPPORTUNITY

TO MAKE TAX-ADVANTAGED DIRECT GIFTS TO CHARITY

If you have an individual retirement account (IRA) and have reached age 70-1/2, the Tax Relief Act passed in December 2010 provides you with a special tax-advantaged way to support America On Wheels. A tax incentive that previously expired at the end of 2009 is now extended through the end of this year.

In general terms, an IRA account owner who is at least 70-1/2 years old may distribute up to \$100,000 per year by direct gift from his or her IRA to a qualifying charity. The benefit is that this direct gift will not be included in the donor's income for tax purposes, but will count toward satisfying his or her minimum required distribution (the amount that must be withdrawn from one's IRA each year to avoid penalty).

If the direct gift is made by January 31, 2011, the donor may elect to treat it as made in 2010, which has two potential advantages: (1) it can count toward satisfying his or her minimum required distribution for 2010, and (2) it permits him or her to make a second contribution up to \$100,000 for 2011. If a husband and wife have separate IRAs, each one may make a direct gift up to this limit.

Generally the direct gift must be made from a traditional IRA, and may not be made from a qualified plan or a 403(b) plan. (In unusual circumstances, it may be possible to use a Roth IRA, but you would need to contact your tax adviser about this.)

Only certain charities qualify to receive direct gifts. America On Wheels does qualify, but direct gifts may not be made to donor advised funds, most private foundations, and "supporting organizations". And, of course, the correct procedure must be followed -- the IRA trustee must make the payment directly to the charity, and the donor must receive the necessary substantiation.

This technique offers significant advantages over withdrawing funds from one's IRA and donating them to charity. While at first glance the income and deduction may appear to be a "wash", it isn't necessarily so. Some taxpayers use the standard deduction, and do not itemize. Some taxpayers who itemize receive only limited tax benefits from their itemized deductions. Others may lose tax benefits by taking the IRA withdrawal into income, even if they turn around and give it to charity. The technical rules go beyond what we can discuss here, but your tax adviser will be able to explain.

If you are eligible to use this tax incentive, and would like to take advantage of the opportunity to support America On Wheels and its exhibits that educate the public about the history of over-the-road transportation in the United States, contact your tax advisor for further details.