PPA 2006 (also known as HR 4) Demystified
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The Pension Protection Act of 2006 is *not* just about IRA rollovers.

John Taylor, principal, Advancement Solutions (Decatur, GA), explains: "From a charitable giving perspective, PPA 2006 was a big deal for us and our donors! One of its features allows certain donors (age 70 ½ or older at the time of the donation) to withdraw up to $100,000 each calendar year from their qualified IRA and transfer that to a qualified nonprofit without paying the normal taxes on the withdrawal."

Taylor points out, however, that these are *not* tax-deductible donations and cannot be receipted as such, "although there are special acknowledgement requirements. "Do note," says Taylor, "that even though these rollovers do not qualify as gifts in the IRS sense, they may be counted in official fund-raising totals per CASE & CAE."

So that's all there is to PPA 2006, right? "Far from it," says Taylor. "In fact there over 17 additional provisions of the act that severely restricts certain types of donations – particularly in-kind. And unlike the rollover provision that expires 12/31/07, these new contribution restrictions have no end date."

According to Taylor, some of the more substantive additional provisions include:

- Limiting a donor's deduction for an in-kind gift to only their cost-basis unless they have proof from the charity that the gift was used for mission related purposes.
- If sold within one year of the gift (this includes charity auctions) the donor's deduction (unless used for mission-related purposes) is limited to the lesser of the donor's cost basis or the sales price.
- If sold after one but fewer than three years and was not used for related purposes, the donor must treat the difference between the claimed deduction and either the cost basis or sales price as income **(**and we must report this to the donor).
- A new $10,000 penalty on donors who claim something was used for related purposes but was not (we must substantiate exactly how the gift was so used).
- For in-kind donations of $500 or more that are subsequently sold, the nonprofit responsibility to file an 8282 has been changed from two to three years after the date of gift.
- Fractional in-kind gifts must now be fully transferred within 10 years or upon the donor's death.

"The above is just a primer on the myriad of changes," John concludes. "We need to do all that we can to learn more about these new rules for both our donor's protection as well as our own."