

# AHLBECK & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

## FINANCIAL & BUSINESS INFORMATION

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### Is The Red Kettle Obsolete?

The Pension Protection Act of 2006 made major changes to the charitable contribution rules.

#### Cash Contributions

As of January 1, 2007, if you contribute **cash** you will need a receipt from the charity or a cancelled check (or credit card statement) to deduct your contribution. If your contribution is \$250 or more, a receipt is *required*. No more deductions for the \$20 bill tossed into the weekly collection plate. In the case of churches, use the envelopes provided so they can give you a year-end receipt. Have we seen the last of the red kettles, the red poppies and the bags of peanuts? Only time will tell!

#### Household Goods and Non-Cash Items

As of August 17, 2006, charitable contributions of **clothing and household goods** will be deductible only if they are in "good" condition. The IRS has promised to define "good condition" by year-end.

This change is further complicated by the requirement that any item worth over \$500 must be appraised in order to be deductible. Previously, only items over \$5,000 were required to be appraised. You might consider selling that furniture or painting, contributing the cash and saving the cost of the appraisal.

There has been no change from 2005 rules regarding donation of vehicles.

#### IRA Contributions to Charities

Finally, for 2006 and 2007, a taxpayer at least age 70 ½ can contribute up to \$100,000 from his IRA **directly** to a qualified charity without paying tax on the money. The money is excluded from taxable income (and thus not deductible), but it does count toward required minimum distributions. What is the point? If you have substantial Adjusted Gross Income on your tax return, it is probable that your itemized deductions are limited. This method of contribution effectively bypasses the tax return entirely. Be careful - you cannot withdraw the money and then contribute it. It *must* be a direct transfer.

If you have any questions, please contact a member of our firm for additional information.

**Reminder: If you make estimated tax payments, the next estimate is due January 16!**

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