

CLIENT ALERT

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Maximize the Benefits of Charitable Giving by December 31, 2007

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In 2006, President Bush signed into law the Pension Protection Act of 2006 (the "Act"). The Act contains many important provisions, including a provision to exclude from an individual taxpayer's gross income qualified charitable distributions ("QCDs") made from Individual Retirement Accounts ("IRAs") for all tax years beginning before January 1, 2008. Therefore, all QCDs made through the end of calendar year 2007 will be excluded from gross income.

Before the Act went into effect, the rules relating to the tax treatment of withdrawals from IRAs would have applied, resulting in the inclusion of the amount withdrawn in gross income. The subsequent charitable contribution would then have been subject to deductibility limitations set forth in Internal Revenue Code ("IRC") Section 170.

The Act permits individuals who have attained age 70 1/2 to exclude from gross

income up to \$100,000 of QCDs per year of otherwise taxable IRA distributions, without being adversely affected by the deductibility limitations of IRC Section 170 referenced above. A "QCD" is any distribution from an IRA, by its trustee, made directly to churches, hospitals, schools, private foundations, state and local governments or unrelated and independent IRC § 501(c)(3) entities. Generally, QCDs may be made only to public charities other than supporting organizations or donor advised funds. This rule prevents QCDs from being made to private non-operating foundations.

A QCD may be of particular interest to residents of Massachusetts, where charitable donations by individuals do not qualify for any state income tax deduction. Thus, the opportunity to make a QCD provides an exclusion from gross income (because Massachusetts' state taxable income piggybacks off of federal taxable income) and the realization of a

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state tax benefit not otherwise available. Contact your adviser today to ensure that your proposed charitable donation from an IRA is properly structured, that both state and federal tax benefits from the donation are maximized, and that the donation qualifies as a QCD. Note also that a properly structured QCD is credited towards the taxpayer's annual required minimum distribution from the IRA. Remember, this unique opportunity to make a QCD is scheduled to expire on December 31, 2007.

If you have questions about this Client Alert, please contact Deborah DiNardo or David C. Morganelli for more information.

Ms. DiNardo is a Partner of the Firm and provides personal planning counsel to clients who may benefit from sophisticated planning techniques. She has extensive experience in lifetime and post-mortem planning issues, including trust and estate administration, financial planning, business succession planning and asset protection planning.

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