

Taxation Tidbits

New Rules Affecting Charitable Donations

Parman R. Green, MU Extension Ag Business Mgmt. Specialist

Our income tax code got a few new wrinkles on August 17th with the signing into law the “Pension Protection Act of 2006”. This Act, in addition to pension tax law changes, contains some new provisions that will have ramifications for charitable donations.

First, the Act eliminates a tax deduction for used clothing and household items donated to charities – unless the items are in “good” condition. Unfortunately, or perhaps fortunately, the Act fails to define what is to be considered good condition. This change is effective for donations after August 17.

The Act is more definitive regarding the substantiation of cash contributions. Effective after August 17th cash donations of any amount must be substantiated by a cancelled check, bank record or written documentation from the charity verifying the amount and date of the contribution.

On a more positive note, the Act allows taxpayers 70 ½ of age or older to make tax-free distributions from their IRAs for charitable purposes. This provision is available through 2007 and has a \$100,000 maximum annual limit.

Finally, another provision included in the Act which will be of interest to some landowners is the increase in annual charitable deduction limits for qualified conservation easements. For years 2006 and 2007 the deduction as a percentage of adjusted gross income is increased from 30 percent to 50 percent. For qualified farmers and ranchers the deduction is increased to 100 percent of adjusted gross income provided the property remains available for agricultural production.