

New! The Katrina Emergency Tax Relief Act of 2005 (KETRA)

Recently signed into law, the Katrina Emergency Tax Relief Act of 2005 (KETRA) contains some key provisions that may benefit you if you are considering making a charitable gift before the end of the year.

Under current law, itemized deductions for gifts of cash and certain other property are limited to 50% of the donor's Adjusted Gross Income each year. KETRA temporarily suspends this deductibility ceiling for any cash gift made before December 31, 2005. In addition, the provision in the IRS code that requires that itemized deductions be reduced by 3% of the amount by which AGI exceeds \$145,950 (\$72,975 for married persons filing separately) is also waived. This may be of value to high income earners.

KETRA does not require that your gift go to a charity that is engaged in providing direct relief to Katrina victims. It applies only to gifts of cash, however. The Act does not apply to gifts of appreciated assets, such as stock, which are still subject to a deductibility ceiling of 30% of AGI. Gifts to donor advised funds, supporting organizations, private foundations, and most charitable remainder trusts and certain other life income plans are specifically excluded. On the other hand, cash gifts to charitable gift annuities appear to qualify. Gifts from IRAs and other qualified retirement plans appear to qualify as well.

Here are some giving opportunities you may want to consider:

- If you have an outstanding capital pledge, or would like to make a substantial cash gift, KETRA may allow you to pay off your pledge or make a substantial cash gift and use the full deduction without limitation this year.
- If you are considering funding a charitable gift annuity, you may be able to make a cash gift to a gift annuity before the end of the year and use the full deduction without limitation this year. Check with your tax advisor or attorney.
- If you have any stock losses, you may want to consider selling the stock, deducting the losses to the extent allowed, and gifting the cash proceeds without limit on your gift deduction.
- If you have excess funds in your IRA or other qualified plan, or you have already assigned it to charity at death, you may want to consider withdrawing funds and making a cash gift now. Although such a withdrawal would increase your adjusted gross income, your charitable deduction would not be subject to the 50% ceiling this year.

Remember, you must make your gift before December 31, 2005. Contact the Development Office for more information. Remember, be sure to consult your financial or tax advisor before making any decisions based on this information.