

**FOR IMMEDIATE RELEASE**

**RANCHO SANTA FE FOUNDATION**

**November 11, 2005**

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**A LETTER TO THE COMMUNITY**

Recently Congress passed legislation that will encourage increased charitable giving before the end of the year. It is not legislation that will appeal to everyone, but is an issue that the Foundation wishes to bring to the attention of the community. Should this be an opportunity that would work for you, it will enable you to make a significant gift this year to a permanent fund at the Rancho Santa Fe Foundation. This could be a fund that would address a field of interest for you or your family or could be a fund that would benefit a non-profit organization for which you have a passion, in perpetuity.

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Dear Foundation Friends,

When Hurricane Katrina devastated the Gulf Coast of the United States in September, many thousands of Americans were left homeless and without jobs or schools. Thousands of people volunteered to assist with the re-building of communities hit by the hurricanes, by giving of their time or through monetary donations. It has proven to be a relief effort that surpasses anything in the history of our nation. For this we can be proud.

Congress realized, as the recovery process began, that many of the nation's non-profit organizations were going to need financial assistance, whether they were involved with the recovery effort, or seeing declining support as a result of the massive support that was going to the hurricane victims.

The Katrina Emergency Tax Relief Act of 2005 (KETRA) allows a taxpayer who itemizes their deductions to take 100% of the total charitable cash contributions donated between August 28, 2005 and December 31, 2005 as a charitable tax deduction up to 100% of their adjusted gross income.

Attached to this letter are some "questions" and "answers" that should assist you in deciding whether a taxpayer may or may not take advantage of this "one time only" legislation. Please take the time to read the attached information and if you are in a position to avail yourself of this opportunity, there are many very worthwhile non-profit organizations that will benefit.

**Finally, this is not legal advice and we suggest that you seek the advice of a qualified estate and/or tax professional to determine the consequences of your gift.**

## **KATRINA EMERGENCY TAX RELIEF ACT OF 2005 (KETRA)**

### **Frequently Asked Questions**

**Q. What does the law say?**

**A.** KETRA allows unlimited gifts to charity up to a donor's total income until the end of 2005. This provision also permits unlimited IRA withdrawals and gifts to charity. Under Sec. 301(b)(1)(A), a "qualified contribution shall be allowed only to the extent that the aggregate of such contributions does not exceed the excess of the taxpayer's contribution base (as defined in subparagraph (F) of section 170(b)(1) of such Code) over the amount of all other charitable contributions allowed under such section 170(b)(1)". Therefore, a donor may usually make gifts up to 100% of adjusted gross income (AGI).

**Q. When is this 100% gift deduction rule applicable?**

**A.** Qualifying cash gifts must be made between August 28, 2005 and December 31, 2005.

**Q. What is meant by "cash"?**

**A.** For the purposes of this opportunity, cash is defined as cash, checks or credit cards.

**Q. Are there incentives for giving from retirement plans?**

**A.** Yes. If prospective donors have accumulated funds in an Individual Retirement Account (IRA), 401(K), 403(b) plan or other similar retirement account, this may be a great source of charitable donations this year. For donors over the age of 59 1/2, funds can be withdrawn from their retirement account and donated to a qualified charity\* (although taking that withdrawal increases AGI, there is a 100% deduction offsetting the additional income claimed). Warning – some IRA custodians take two to three weeks to process withdrawal requests, so allow sufficient time so that the gift is complete no later than December 31<sup>st</sup>.

**Q. What is meant by a qualified charity\*?**

**A.** For this purpose, a qualified charity\* is most any 501(c)(3) organization but does not include donor advised funds, private foundations, supporting organizations and certain other entities.

**Q. Will both the Internal Revenue Service and the State of California recognize the current limits on charitable deductions?**

**A.** It is not yet clear if California will follow the IRS's example. Right now, this opportunity only applies to federal income tax.