

THE RISELING REPORT

EXCLUSIVELY FOR THE ESTATE PLANNING PROFESSIONAL

NEW IRA AND RETIREMENT PLAN RULES— 2007 AND LATER YEARS

On October 17, 2006, President Bush signed the Pension Protection Act of 2006. This new law contains several very beneficial changes in the law. Here is a brief rundown:

1. Under the new law, any person at least 70 ½ years old at time of gift, can make a lifetime gift to charity not exceeding \$100,000.00 from his or her IRA. This is a trial only; the rule only applies for gifts made in 2006 and 2007. Gifts can only be made to a public charity or a conduit private foundation and **CANNOT** be made to a donor advised fund, a supporting organization or a private foundation. The gift must be made outright to charity, directly from the IRA. The gifts cannot exceed \$100,000.00 in any year; to take maximum advantage of this law, a qualifying gift could be made in 2006 and another in 2007. The gift also satisfies the minimum distribution rules and does not affect the annual limitation of 50% of A.G.I.

2. Departing employees that have had a tax sheltered annuity (typically the type of plan for school districts and government employees) or government 457 plans can directly roll over both the pre-tax and after-tax amounts to an IRA.

3. If you wish to establish a ROTH IRA from a company account, effective January 1, 2008, you no longer have to roll over a company account into a regular IRA and then into a ROTH IRA. You can roll over directly to the ROTH. Remember, the \$100,000 A.G.I. limitation which still applies until 12-31-2009. See item no. 5.

4. A non-spouse beneficiary will be permitted to roll over money from a qualified plan (not an IRA) to an inherited IRA after 2006. Example: If father dies with son as beneficiary of his 401(k), the son can now do a Trustee to Trustee transfer of father's 401(k) account into an inherited IRA. **IMPORTANT NOTE:** The non-spouse beneficiary cannot actually take possession of the money—there is no 60 day rollover period. In addition, if a non-spouse beneficiary has previously elected the 5 year distribution rule, the IRA rollover can be accomplished in 2007 for the remaining money. This rollover rule is effective January 1, 2007. **CAVEAT:** Do not confuse this opportunity with spousal rollover, the tax law is not the same.

5. Starting in the year 2010, the \$100,000.00 adjusted gross income limitation on ROTH IRA conversions is repealed. This means that people to whom the ROTH IRA conversion might be most appealing will be able to do a ROTH conversion without limitation if done in 2010 or later; the income tax can also be spread so that half is paid in 2011 and half in 2012.

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