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for more information about estate planning strategies as well as additional information about other services provided by our firm.

## NEW CHARITABLE IRA ROLLOVER ACT

Congress recently passed the Pension Protection Act of 2006. Part of that act is the Charitable IRA Rollover Act ("CIR"), which provides a new method for making charitable gifts. CIR provides for a person age 70 and 1/2 or older to make charitable contributions during his or her lifetime directly from an Individual Retirement Account ("IRA") up to a maximum of \$100,000.00 per year. The major benefit of CIR is that the IRA distribution does not have to be reported as taxable income.

Of course, before CIR was passed, an individual could take a distribution from his IRA and then contribute some or all of it to charity. However, in this situation, the distribution from the IRA to the individual was taxed as income.

Because of CIR, in years 2006 and 2007 only, charitable contributions can be made directly from your IRA to a charity, without paying income tax on the IRA distribution. How-

ever, it must be noted that if the donor takes advantage of CIR, a charitable income tax deduction cannot be claimed as one normally would.

Another useful feature of CIR is that eligible IRA owners can use the charitable gift from their IRA as their annual minimum required distribution. For example, a 76 year old man who would normally be required to receive a taxable distribution of 5% from his IRA could contribute 4% to a charity and receive a 1% distribution. In this situation, only the 1% distribution is taxable as income. The 4% contribution passes to the charity tax free to the donor.

The people who benefit most from the passage of CIR are IRA owners at least 70 and 1/2 years old who are charitable donors and who do not itemize their tax deductions. While common sense might tell you that this class of people should be a small one, the IRS estimates that there are 5.7 million higher-income taxpay-

ers who do not itemize their deductions. Most of that 5.7 million live in states with no state income tax, such as Tennessee.

As with many tax code modifications, there are many potential pitfalls you may not consider that could cause your charitable distribution to be disqualified from CIR. For instance, a charity's specific tax classification could disqualify your gift from CIR. Also, there are very stringent guidelines on the age requirement that must be followed.

Charitable gifts have long been a part of a sound estate plan. The passage of CIR allows charitable giving to be a more cost effective part of your estate plan. We have years of experience designing estate plans that include charitable giving as an integral part. If you are interested in learning more about charitable planned giving or would like to consider taking advantage of CIR, please contact our office.

## THE SPECIAL NEEDS TRUST

Many people have loved ones who are physically or mentally disabled. Most disabled people are eligible for and receive government assistance in the form of Social Security Income ("SSI") and/or Medicaid. For the most part, these government benefits are only available to those disabled individuals with very limited assets.

For example, if you have a disabled brother to whom you wish to leave an inheritance, a difficult situation arises. The inherited assets that you leave him may disqualify him from the government assistance he is receiving

or will be eligible to receive in the future.

Including a Special Needs Trust ("SNT") in your estate plan prevents the need to take such a gamble with your disabled brother's financial future.

Assets that are held in a properly designed SNT would not be considered your brother's assets when deciding eligibility for SSI or Medicaid. Therefore, with a SNT in place, your brother would be able to keep his government benefits and have the added security of an inheritance from a concerned sibling.

To achieve this goal, the

SNT must explicitly state its purpose to be supplemental to government benefits. Also, the provisions of the SNT must not duplicate any government-provided benefits.

It is very important to know that if the SNT is designed properly, the trustee will have complete control over the distributions of the assets of the trust. Therefore, if you are considering a SNT, please contemplate carefully who should serve as trustee.

Please contact us if you would like to discuss the use of a SNT in your estate plan.



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## OUR FIRM WELCOMES LINDSAY JONES

We are pleased to announce that Lindsay Jones has joined our firm. In supporting the estate planning practice of the firm, she will focus her practice on estate administration including the Probate administration of Last Wills and the post-death administration of revocable living trusts.

Lindsay graduated from the University of Memphis School of Law with honors with a joint

law degree and Masters of Business Administration. While in law school, Lindsay received the Herbert Herff Trustees Scholarship and the Dean's Award for Best Appellate Brief.

Lindsay earned her Bachelor of Business Administration undergraduate degree with honors from the University of Memphis where she was a member of the University of Memphis Pom



Pon squad. She earned the Cecil C. Humphreys Full Scholarship and the National Merit Scholarship.

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