

Pension Protection Act of 2006

An important provision in the Pension Protection Act of 2006 potentially affects all taxpayers filing Schedule A in their 2006 U.S. Individual Federal Income Tax Return. Signed into law on August 17, 2006, the following provision is effective the date of enactment:

Charitable Contributions

Charitable Contribution deductions will be disallowed for any monetary contributions cash or check, unless the donor maintains a record of the contribution. The record must be in the form of a bank record, cancelled check or a written communication from the donee showing the name of the donee organization, the date of the contribution, and the amount of the contribution. There is no "amount" limit on this provision.

Non-Cash Contributions

- For an individual, partnership or S corporation, no charitable deduction is allowed for any contribution of clothing or of household items unless the clothing or household item is in good, used condition or better. IRS is authorized to issue regulations denying a charitable deduction for any contribution of clothing or a household item that has minimal monetary value including used socks and undergarments.
- The taxpayer may claim a charitable deduction even if the contributed clothing or household item is not in good used condition if the claimed deduction is for over \$500 and the taxpayer includes a qualified appraisal for the property.

Effective for contributions made after August 17, 2006.