



The Pension Protection Act (PPA) of 2006—Highlights of Charitable Giving Provisions

PPA Provision	Description
New substantiation requirements for charitable donations made after January 1, 2007	In order to receive a deduction for a contribution to charity, the donor will be required to provide a cancelled check, bank statement or receipt from the charity memorializing the name of the charity and the date and amount of the gift. Thus, the onus has shifted to taxpayers to substantiate small charitable cash contributions that have been made without documentation in the past (for example, periodic cash contributions to a church).
New requirements for donations of clothing or household items after August 17, 2006	The taxpayer seeking a deduction for donations of clothing or household items will be required to demonstrate that the donated items were in "good" used condition or better. It is still possible to receive a deduction for clothing or items which are not in "good" condition if the donor can produce a qualified appraisal confirming that the value of the donated item is in excess of \$500.
First time definition of a Donor Advised Fund and new restrictions	The PPA defines a donor advised fund and mandates a one-year study by the Treasury to determine the additional rules that should be imposed on donor advised funds. The PPA restricts the types of grants donor advised funds can make, particularly those to Supporting Organizations (charitable organizations whose purpose is to support other charities). It also creates penalties for any transactions that benefit the donor to a donor advised fund. There are additional reporting requirements for donor advised funds, and the private foundation excise tax on excess business holdings now applies to donor advised funds.
Sweeping provisions on Supporting Organizations	In addition to calling for a Treasury study on Supporting Organizations, there are several new rules. The new rules impose excise taxes on any payments made by a Supporting Organization to a broad range of disqualified persons. Certain Supporting Organizations are now subject to excess business holdings rules and are prohibited from supporting foreign charities.
Three changes that affect Private Foundations	<ol style="list-style-type: none">1. Doubled the penalties for violating the private foundation excise tax rules2. Broadened the types of income that are subject to the 2% excise income tax3. Imposed new restrictions on grants to certain (but not all) Supporting Organizations. The consequence of the new grant restrictions for private foundations is that it increases the "due diligence" that must be done before making a grant in order to protect the foundation and its fiduciaries from liability for penalty taxes.