

Special Charitable Giving Incentives for 2005

For many taxpayers, the charitable contribution deduction limitation means not being able to fully realize the tax benefits of charitable contributions in the year that they are made. The IRS reports that over 428,000 taxpayers have contributed more than they could deduct. If some of your clients have been affected by the charitable deduction limitation in the past, they could benefit not only from learning about the special tax-saving opportunity that is available to them in 2005 but also utilizing a fund at the Oklahoma City Community Foundation to help them with this opportunity.

With the passage of the Katrina Emergency Tax Relief Act of 2005 ("KETRA"), charitable cash gifts made by individuals to any public charity (with two exceptions) for any charitable purpose between Aug. 28, 2005 and Dec. 31, 2005 will not be subject to the 50% adjusted gross income limitations for charitable contributions. The two exceptions include contributions to a donor advised fund or to a IRC Section 509(a)(3) supporting organization. Additionally, the charitable contributions will

not be subject to the 3% phase-out required for higher income taxpayers (taxpayers with adjusted gross income over \$145,950).

The legislation also provides an opportunity for corporations by exempting cash contributions made by corporations for Hurricane Katrina relief from the 10% corporation charitable contribution limitation.

It is important to note that the waiver of charitable contribution limitations does not apply to gifts of publicly traded stock and most gifts to grant-making private foundations.

While gifts to donor advised funds and supporting organizations do not qualify for the KETRA legislation, the Oklahoma City Community Foundation offer several fund options that qualify for this special deduction. Your clients can take advantage of this one-time opportunity with cash gifts to both charitable organization endowments and scholarship and award funds at the Oklahoma City Community Foundation. Please visit www.occf.org for a complete listing of the more than 260 chari-

table organization endowments and 82 scholarship and award funds we administer. Please contact us at 405/235-5603 to discuss how we can help you serve your clients' charitable giving needs.

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Save the Date for 2006 Seminar

Christopher R. Hoyt

Professor of Law at the University of Missouri, Kansas City to be seminar speaker

The 8th annual Professional Advisors Seminar is set for the afternoon of Tuesday, June 6, 2006 at the Oklahoma City Community College. The event is free and open on a first come, first serve basis to CPAs, financial planners and attorneys. Popular speaker Chris Hoyt

will discuss the latest developments in charitable giving. Chris is widely quoted in publications such as The Wall Street Journal, Forbes and The Washington Post and has presented at past seminars.

Application will be made for 3 hours of continuing education credit for CPAs, CFPs and attorneys. The seminar brochure and registration form will be mailed to you in April 2006.

Advised Funds Offer Many Advantages for Year-end Giving

Through our Advised Funds program, the Oklahoma City Community Foundation offers several options that may be attractive to your clients looking for year-end tax benefits. All three funds listed below can be established with a variety of assets.

expressfund

An Express Fund is a perfect vehicle for your clients who want to make a year-end gift of appreciated stock or another non-cash asset to benefit one or more charities. An Express Fund can be established with a minimum gift of \$1,000. Because the entire amount of an Express Fund is spendable, there are no fees or income allocated and grants of any size can be made from the fund at any time.

giftfund

A Gift Fund is ideal for those clients who want investment performance but desire the ability to distribute the total fund amount to charity. A Gift Fund can be established with a minimum of \$10,000 and is a less expensive and more effective alternative to commercial gift funds. The Gift Fund also provides your clients with a higher level of service than offered by commercial funds, thanks to the expertise and availability of our staff.

legacyfund

A Legacy Fund is the best alternative for families or individuals who are considering establishing a private foundation or who want to create a charitable legacy. With a required minimum balance of \$10,000, a Legacy Fund offers both our excellent pooled investment management as well as the handling of all required reporting and administrative details. Legacy Fund donors advise on the distributions from the fund and, because it is a permanent fund, donors may name successor advisors to continue the distribution process well into the future.

Note: If you are licensed to sell securities and are not familiar with our Merrill Lynch and American Funds partnerships, please contact us.

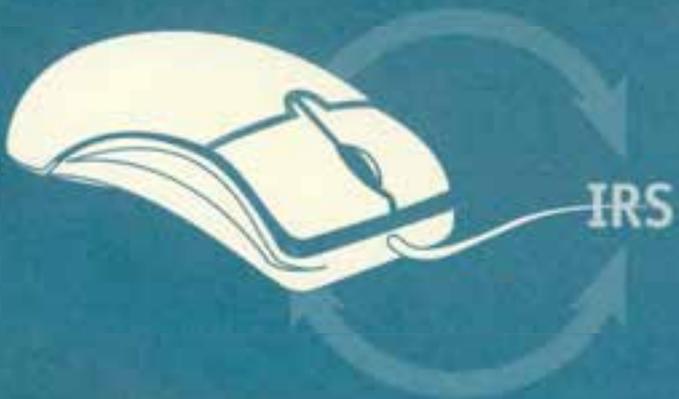
Our Advised Fund Program offers the following advantages:

- An income tax deduction in the year the fund is established while distributions from the fund can be determined at a later date.
- Because the donor advises distributions from the fund, they have the flexibility to respond to changing charitable interests.
- Our staff handles all of the paperwork including required reporting and administrative responsibilities.
- Donors who establish either a Gift Fund or Legacy Fund receive access to DonorCentral, an online service that allows donors to recommend a grant and access their fund information 24 hours a day.
- Our proven investment performance.
- Donors have the option to name their fund or remain anonymous.

For more information on the Advised Fund Program, please contact Donna McCampbell at 405/235-5603.

Contact our staff at 405/235-5603, on the web at www.occf.org or write to us at P.O. Box 1146, Oklahoma City, Oklahoma 73101-1146.

Life Cycle of a Private Foundation



During its existence, a private foundation has numerous interactions with the IRS, including the initial exemption application and annual return filings. In an effort to assist taxpayers and their practitioners with the establishment and operation of a private foundation, the IRS is providing an online guide, the Life Cycle of a Private Foundation. The web site also includes information on required filings, compliance and other significant events for a private foundation. This site complements the existing "Life Cycle of A Public Charity" site.

The web site can be found at: www.irs.gov/charities



Victims of Hurricane Katrina

Donation of Unused Leave

In an effort to aid the victims of Hurricane Katrina, in Notice 2005-68, the IRS announced that employers may allow employees to donate the cash value of accrued vacation, sick or personal leave to charitable organizations if the cash payments are made by December 31, 2005. With this program, the employees are not taxed on the value of the cash payments their employers make on their behalf. However, the employees may not claim a charitable contribution deduction for those payments, but the employers can deduct the payments as an ordinary and necessary business expense, rather than a charitable contribution.

48.5¢

Increase in Automobile Mileage Rate

The IRS announced that the standard mileage rate has increased to 48.5 cents per mile beginning September 1, 2005 and continuing until December 31, 2005. This 8 cent per mile increase is applicable for computing business expense deductions for automobile mileage. The rate for vehicle usage for medical expenses and moving expenses also increased to 22 cents per mile, a 7 cent increase. However, the rate for charitable use of a vehicle remains at 14 cents per mile.

Mandatory electronic filing for 990 and waivers issued by IRS

In January 2005, the IRS issued temporary regulations requiring certain exempt organizations to electronically file beginning with 2005 tax year returns. Below is a summary of the mandate criteria as well as waiver requests.

For additional information, visit www.IRS.gov.

Mandate Criteria

- The federal e-file mandate applies only to those exempt organizations that meet all of the following criteria:
- File federal Forms 990 or 990PF,
- File 250 returns a year, including employment/excise returns and employee information returns, AND
- Meet the following total asset criteria threshold (at year end for the mandated tax year):

For tax year:

2005—Form 990 with total assets of \$100 million or more

2006—Form 990 with \$10 million or more

2006—Form 990PF no asset threshold. All eligible 990PF are subject to the 2006 tax year mandate.

The 250 return count is determined entity by entity (per EIN number) and includes federal income tax, excise tax, employment tax and information returns such as Forms W-2, 1099, etc. Foreign reporting and tax shelter registration forms are not included as they are considered part of the federal tax return.

The 2005/2006 mandates do not apply to the extensions, Form 8868. Additionally, electronically filed form 990-T is not expected until the 2009 tax year.

Mandate Waiver Requests

- The IRS will allow exempt organizations to request a waiver from the mandate requirements based on:
- Undue economic hardship (*e.g., incremental prohibitive costs*)
- Technology issues (*e.g., unavailability of 990 e-filing software*)
- The waiver request must be in writing (*no IRS request form will be applicable/developed*)
- The waiver request content must include:

An explanation of the actual economic hardship (including a description of the incremental costs) and/or technology issue preventing compliance.

An explanation of the steps taken to comply with the mandate and why they were not successful.

A description of the steps planned to be implemented to successfully e-file in the succeeding 2006 tax year if a waiver is granted for the 2005 tax year.

Please note that waivers will be granted only in exceptional cases and the IRS will post guidance on the waivers at www.irs.gov.



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Charitable planning
made easy.

Visit the PGDC @ www.occf.org for the latest updates on the Tax Relief Act of 2005.

We will keep you informed when legislation is finalized.