



AN OVERVIEW

The Pension Protection Act of 2006 (P.L. 109-280) contains **charitable incentives** designed to stimulate charitable giving and **charitable reforms** intended to increase accountability within the charitable community. Several of the incentives and reforms will have an impact on America's Second Harvest—The Nation's Food Bank Network and its more than 200 Member food banks and food-rescue organizations.

Charitable Incentives

Many of the charitable incentives included in the Pension Protection Act of 2006 have previously passed Congress several times as part of the Care Act. There are two provisions that will have a significant impact on food relief organizations:

1) IRA Rollover Provision:

- Allows tax-free distributions from IRA's to public charities for taxpayers over 70 years;
- Estimated cost is \$856 million over ten years;
- Effective for contributions made in 2006 and 2007.

2) Food Donation Provision:

- Extends an enhanced deduction for food inventory to all business taxpayers;
- Estimated cost is \$251 million over two years;
- Effective for donations made in 2006 and 2007.

Charitable Reforms

The charitable reforms included in the legislation are based on recommendations developed by the Senate Finance Committee and the Panel on the Nonprofit Sector. The reforms are largely meant to provide additional oversight and increase tax compliance in the charitable community. The reforms that would impact food relief organizations include:

1) Notification Requirement for Entities Not Currently Required to File:

- Would establish a new annual reporting requirement for nonprofits that do not currently file an annual information return (like the 990) because their gross annual receipts do not exceed \$25,000;
- Would require a new report, filed electronically, that covers the legal name of the organization, any name it does business under, the name and address of a principal officer, evidence of the continuing basis for the organization's exemption from filing the 990, and upon termination, notice of that termination;
- Failure to file the annual notice for three consecutive years would result in revocation of tax exempt status (there are no monetary penalties for failing to file the notice);
- After revocation of tax exempt status the organization may apply to the Secretary for reinstatement;



- IRS must notify every organization of the new requirement by mail, by Internet, or by other means of outreach;
- Has a negligible revenue effect;
- Applies to notices and returns for annual periods beginning after 2006.

2) Definition of Convention or Association of Churches:

- Would provide a definition for a convention or association of churches; would allow that organization can include individual members without disqualifying the organization as a convention or association;
- Has a negligible revenue effect;
- Applies after August 17, 2006.

3) Disclosure to State Officials:

- Would allow the IRS to disclose to appropriate State officials certain information about investigations related to refusal to recognize an organization as tax exempt or revocation of tax exemption; information can only be disclosed to state officials charged with overseeing tax exempt organizations;
- Has a negligible revenue effect;
- Applies for returns filed after August 17, 2006.

4) Form 990-T:

- Would require that Form 990-T of Section 501(c)(3) organizations be made publicly available;
- Has a negligible revenue effect;
- Applies for returns filed after August 17, 2006.