



# Planned Giving Manager Suite

## Planned Giving Manager/Mini Manager/Gift Annuity Manager

### Windows Version 6.7 Update

#### February 2013

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Dear PGM Client,

I am pleased to announce the release of **Planned Giving Manager version 6.7**.

PGM 6.7 includes multiple enhancements to accommodate the American Taxpayer Relief Act that became law at the beginning of January, as well as:

- \* Changes to accommodate the new Medicare surtax
- \* Increased control of presentation print order
- \* Comparisons of gift annuity benefits under all three available IRS discount rates
- \* Automatic selection of the "best" IRS discount rate for all gift types in Basic Gift Illustrations
- \* Smart default date of first payment for deferred gift annuities
- \* Tax tables updated with 2013 indexing for inflation
- \* Miscellaneous additional enhancements

These enhancements are detailed on the following pages. Please review them before you use your updated software.

If you have any questions about the software, please do not hesitate to call Client Services toll free at 888-474-2252. We look forward to helping you get the most out of PGM 6.7.

Sincerely,

A handwritten signature in blue ink, appearing to read "Gary M. Pforzheimer".

Gary M. Pforzheimer

P.S. See our blog posts for detailed information about how the American Taxpayer Relief Act of 2012 (ATRA) and the Medicare surtax affect planned gifts.

ATRA: <http://info.pgcalc.com/blog/bid/168677>

Medicare surtax: <http://info.pgcalc.com/blog/bid/167400>

# Summary of Enhancements

## Tax Law Changes

- **Default income tax and capital gain tax rates increased**

The American Taxpayer Relief Act (ATRA) raises the top federal income tax rate from 35% to 39.6% and the top capital gain tax rate from 15% to 20%. PGM always sets default income tax and capital gain tax rates to the highest federal rate for each, so these rates are now 39.6% and 20%, respectively. These highest rates kick in for a married couple filing jointly with over \$450,000 of taxable income. If you prefer lower default rates, you can set them using PGM's File – Startup Defaults feature. These top rates are now also the default tax rates for all Templates, which are not affected by PGM's Startup Default settings.

- **Net investment income tax (Medicare surtax)**

This 3.8% tax was created under the Affordable Care Act of 2010, but went into effect on January 1, 2013. PGM can add this tax rate on top of the income tax and capital gain tax rates you enter for a donor or beneficiary, if you wish. By default, PGM applies the 3.8% surtax, which is consistent with the default income tax rate of 39.6%.

***Important:** This means that the default income tax rates PGM applies to ordinary income and capital gain income, such as from life income payments, is 43.4% and 23.8%, respectively, not 39.6% and 20%. Furthermore, since charitable deductions cannot be taken against the surtax, including the surtax in PGM calculations does not increase the default 39.6% tax rate used to compute the tax savings from a charitable deduction.*

- **Gift, estate, and generation skipping tax rates and exemption for 2013**

The exemption for gift, estate, and generation skipping tax (GST) made permanent by ATRA was \$5 million in 2011. This amount is indexed for inflation and is \$5,250,000 in 2013. We have updated PGM with the indexed amount for 2013. We also have updated PGM to reflect ATRA increases to the top gift tax and estate tax rate, as well as to the GST rate, from 35% to 40%.

These changes will affect the following calculations:

- Non-grantor lead trusts in Basic Gift Illustrations
- Gift tax, testamentary, and estate plan models in Life Income Projections
- Non-grantor, testamentary, and super grantor lead trusts in Lead Trust Projections
- Estate Tax and Gift Tax functions in the Tools menu.

- **Annual gift tax exclusion default increased to \$14,000**

The annual gift tax exclusion increased from \$13,000 in 2012 to \$14,000 in 2013. We've increased the default for the annual gift tax exclusion, accordingly. This value is entered in the Gift Tax on Life Income Model in Life Income Projections.

- **Indexed trust and estate income tax schedules applied in Lead Trust Projections**

Lead Trust Projections uses the federal income tax table for estates and trusts when it computes the income tax on a lead trust's or regular irrevocable trust's taxable income. PGM 6.7 incorporates for this purpose the federal income tax schedule for estates and trusts for 2013. Lead Trust Projections now also uses this income tax schedule to determine when to apply the new Medicare surtax to lead trust taxable income.

- **IRS discount rates updated through February 2013**

As with every update, we have included all monthly IRS discount rates up to the month of release in order to ensure their accuracy. PGM 6.7 incorporates discount rates through February 2013.

## Other Enhancements

- **Presentation order revised**

We have revised the order of presentations so that they print in a more natural sequence. For example, diagrams always appear before graphs and the Proposal Cover Page, by default, appears immediately after the Proposal Letter (see the next two bullets for more on Narrative order of appearance).

- **Produce Narratives in any order or suppress selected ones**

You can customize the order in which Narratives are produced by specifying the menu position of each one in Customize – Narratives. You also can suppress from the Narratives menu selected Narratives that you never use. For example, if you use a custom gift annuity agreement created for you by PG Calc, you can use these new features to suppress PGM's standard gift annuity agreement and insert your custom agreement in your preferred position in the Narratives menu.

- **Narratives can appear before charts, diagrams, and graphs**

You can configure PGM to produce Narratives before charts, diagrams, and graphs with a setting under Customize – Chart Format Options. Doing so will cause the Proposal Letter and Proposal Cover Page to print before all other presentations, not just other narratives.

- **Compare gift annuity benefits under all three available IRS discount rates**

Some gift planners like to show gift annuity benefits under all three available IRS discount rates because the lowest rate maximizes tax-free payments while the highest rate maximizes the charitable deduction. Now you can show gift annuity benefits under all three available rates by making a choice in the Gift Date - IRS Discount Rate window of Basic Gift Illustrations and then producing a Summary of Benefits chart.

- **Automatic selection of the “best” IRS discount rate in Basic Gift Illustrations**

For most gift types, the highest available IRS discount rate results in the highest deduction, but for charitable lead trusts and retained life estates, the lowest available rate is “best.” Given the selected gift type, Basic Gift Illustrations (Program 1) now offers to change to the best IRS discount rate whenever the best one isn't already selected. It also issues a warning whenever you compare gift types that have different “best” IRS discount rates.

- **Smart default date of first payment for deferred gift annuities**

Based on how PGM is configured, the default date for a deferred gift annuity's date of first payment is now either the last day of the calendar period in which the anniversary date of the gift falls and the annuitant turns 65 (or turns one year older if already at least 65), or the first day of the following calendar period. This approach improves the likelihood that PGM will choose the right date of first payment for you.

- **Blended tax rates computed for all relevant presentations**

We have added state tax rate and net investment income tax (Medicare surtax) questions to all windows where tax rate questions are asked. PGM uses this information to determine the blended income tax and capital gain tax rates to apply in its calculations, taking into account the deductibility of state tax where appropriate. *PGM's Blended Federal and State Tax Rates tool can be very helpful in understanding blended tax rate calculations.*

As mentioned earlier, PGM applies the Medicare surtax by default, which increases the blended income tax and capital gains tax rates. By default, state tax rates are set to 0% so that they don't affect results unless you enter state rates greater than 0%.

- **Calculations explained within tax tool charts**

We have added line numbers to the charts produced by the Income Tax, Capital Gains Tax, and Blended Federal and State Tax Rates tools. This change allows these charts to include on each line of their Results section an equation that explains how that line was calculated. This enhancement makes the application of federal and state taxes and the Medicare surtax much easier to understand.

- **Option to enter range of FGA payment start years as a number of years**

The flexible gift annuity includes a schedule of payment start dates from which the annuitant may elect. Now, you can define this range of payment start dates by entering the first payment start year and the number of years in the range rather than the first and last payment start year. To enter a number of years in the range, enter a value of 1 – 75 as the last payment year in range. Otherwise, enter a four-digit year.

- **Taxable gift/estate line added to Benefits and Tax Consequences chart in LTP**

The Benefits and Tax Consequences chart in Lead Trust Projections now includes a Taxable Gift line for non-grantor lead trusts. This line clarifies the Gift Tax amount below it. Similarly, the chart includes a Taxable Estate line for testamentary lead trusts that clarifies the Federal Estate Tax amount below it.

- **Tax Transition Rules options removed**

Since ATRA makes gift, estate, and generation skipping tax (GST) schedules and exemptions permanent, we have removed the Tax Transition Rules option under Customize – Calculation Options. This menu allowed you to assume that transfer taxes in 2013 and beyond would revert to 2001 schedules and exemptions, continue 2012 schedules and exemptions, or repeal estate tax and GST entirely (as happened in 2010).

- **State Death Tax Credit not applied when gift date in 2013 or later**

ATRA permanently replaces the state death tax credit with a state death tax deduction. Consequently, if the gift date is 2013 or later, the Testamentary Gift of Retirement Plan or IRD model in Life Income Projections no longer asks if state death tax (sponge tax) applies.

- **Improvements to the Gift Summary**

- **Gift Annuity Agreement and Gift Summary social security #s rationalized**

If both donors are annuitants in a Gift Annuity Agreement and donor #2 is also identified as beneficiary #2 in the Gift Summary, then donor #2 and beneficiary #2 share the same social security number. These narratives did not share this information in previous versions.

- **Gift Summary can handle all permutations of 2 donors and 2 beneficiaries**  
The Gift Summary can now accept legal and payment address information for all four possible permutations of the relationship between two donors and two beneficiaries.
- **Gift Summary can include donor email addresses**  
We've added email address fields to the contact information the Gift Summary collects on each donor.
- **Updated Help content**  
We have updated PGM Online Help to reflect all changes in the software. We also have updated all tax tables with schedules for the 2013 tax year.

## **Gift Annuity Agreement Changes**

### **Wisconsin is always the governing law state for Wisconsin agreements**

Regulators in Wisconsin have made it known that they require annuity agreements with Wisconsin residents to be governed by Wisconsin law. Now, PGM will choose Wisconsin as the governing law state whenever you produce a gift annuity agreement for a Wisconsin resident, even when PGM is set up under Customize – Organization Information to use your charity's state as the governing law state.

### **Officer title printed under officer name in charity signature lines**

We have moved the officer title underneath the officer name in order to allow longer officer titles to fit beneath the charity's signature line(s) at the bottom of agreements.