**SAMPLE LETTER ALERTING ANNUITANT(S) TO UPCOMING CHANGE IN TAXATION OF ANNUITY PAYMENTS**

[*Date*]

[*Name(s) of annuitant(s)*]

[*Address*]

[*City/state/ZIP code*]

Dear [*name(s) of annuitant(s) currently receiving payments*]:

As you have probably noticed, a portion of what has been paid to you each year by [*name of* *charity*] in connection with [*identify gift annuity, whether by serial number or by some brief phrase such as “the gift annuity you established with us in 2003”*] has been tax free thus far.

I am writing now to call to your attention the fact that beginning next year, the entire amount of each payment will be taxed as ordinary income. This is in accordance with the information regarding taxation of payments that we provided you at the time the annuity was established. [*If annuitant has multiple annuities and taxation of others will not change: “This change is specific to the annuity identified above. Payments from your other (annuity/annuities) will continue to be taxed as they have been.”*]

If you or your tax advisor has any questions regarding this letter in particular or the gift annuity in general, I encourage you to contact me. Finally, thank you once again for the support you have provided to [*name of charity*] through your gift annuity contribution.

Sincerely,

[*Name and title of contact person at charity*]

***Note:*** *The text of this letter will need to be modified if: (1) the recipient(s) (is/are) someone other than the donor(s); (2) the payments made in connection with more than one gift annuity will be taxed entirely as ordinary income starting the following year; (3) the gift annuity is a flexible deferred annuity and the taxation of the payments was originally communicated when the commencement date was elected, rather than when the annuity was established; or (4) as in Situation Three covered in Appendix 3 of Chapter 2, there was an initial period of time when no part of any payment was tax free.*