**SUMMARY OF ACCOUNTING AND TAX INFORMATION**

**GIFT ANNUITY**

**Name of donor(s): \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Gift completion date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Value of property contributed: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Annuity Payments**

***The wording below may need to be modified for certain situations, such as those involving deferred annuity payments or annuities established for someone other   
than, or in addition to, the donor.***

Your first payment, prorated from the date of your gift to the end of the first payment period, will be for $\_\_\_\_\_\_\_\_\_\_, and will be made on *(date)*. Thereafter, you will receive *(monthly/quarterly/semi-annual/annual)* payments of $\_\_\_\_\_\_\_\_\_ at the end of each payment period.

**Income Tax Charitable Deduction**

Your contribution creates an income tax charitable deduction of $[amount] that you may be able to use in full or in part depending on your situation and applicable tax rules. Consult your own tax advisor on how these rules may affect the tax benefits of your gift.

**Substantiating Your Deduction (Form 1040)**

***If gift was either cash/ordinary income property or long-term capital gain property:***

To substantiate your income tax charitable deduction, we recommend that you file one copy of *[the/each of the]* enclosed charitable deduction calculation *[sheet(s)]* and one copy of the gift annuity agreement with your *(gift year)* federal income tax return (IRS Form 1040).

***If gift included both cash/ordinary income property and long-term capital gain property:***

To substantiate your income tax charitable deduction, we recommend that you file copies of the enclosed deduction calculation sheets for both the cash and *(securities/real estate/ other)* contributions, and one copy of the gift annuity agreement with your *(gift year)* federal income tax return (IRS Form 1040).

***Include next paragraph for all annuity gifts:***

Apart from the annuity described above, the present value of which is $[*amount*], you have received no goods or services in return for this gift. Keep your original annuity agreement and this Summary of Accounting and Tax Information in your files as your acknowledgement for this gift.

***Include next section only if a previous month's discount rate was used in calculating the charitable deduction.***

**Applicable Federal Midterm Rate Election**

In valuing your gift, we were able to apply the [*month, year*] discount rate, resulting in a larger [*income tax charitable deduction for you/tax-free portion of the annuity for you*]. In order to substantiate this higher [*deduction/ tax-free portion of the annuity*], you must also sign and attach to your tax return the enclosed Applicable Federal Midterm Rate Election.

***Include next section if applicable:***

**Reporting Noncash Gifts (Form 8283)**

Because you have transferred non-cash assets, you may need to complete Form 8283 (Noncash Charitable Contributions) to be filed with your [*gift year*] income tax return. You should seek your tax advisor's assistance in completing this form.

***Include this section if donor’s(s’) gift(s) to the charity during the year totaled more than [gift tax annual exclusion amount in year of gift] and/or if the donor(s) has/have made a taxable gift to an annuitant. When joint/community property is contributed, each spouse will have to file a gift tax return depending on the size and nature of his or her one-half of the gift.***

**Federal Gift Tax Return (Form 709)**

If you are required to complete IRS Form 709 (Federal Gift Tax Return), you should report a charitable gift in the amount of $[*amount*] to [*Charity*].

***Include the applicable variation of the next section when (1) one or two person(s) other than the donor and spouse has (have) been named as initial annuitant(s) of an immediate annuity and the present value of annuity payments to any such person exceeds $[gift tax annual exclusion amount in year of gift], (2) a person other than the donor has been named as successor annuitant, or (3) the annuity is deferred, and a person other than the donor will be an initial annuitant. However, if the donor has retained the right, exercisable during the donor’s life or by testamentary instrument, to revoke the annuitant’s(s’) payments, do not include the next section, unless the annual annuity payment exceeds the gift tax annual exclusion amount; in that case, include the last provision.***

***To be used when one person, who is not a donor, has been named as annuitant:*** You should [also] report a gift in the amount of $[*amount*] to [*name of annuitant*]. Since this is a present-interest gift it qualifies for the $[*amount*] gift tax annual exclusion. You may or may not owe a gift tax, depending on the size of the gift and whether you have previously used your lifetime unified gift and estate tax exemption. *[****Note:*** *Delete second sentence of this paragraph, referring to gift tax annual exclusion, in the case of a deferred annuity.]*

***To be used when a donor is the first annuitant and a non-donor is the successor annuitant:*** You should [also] report a gift in the amount of $[*amount*] to [*name of annuitant*]. You may or may not owe a gift tax, depending on the size of the gift and whether you have previously used your lifetime unified gift and estate tax exemption.

***To be used when two persons, neither of whom is a donor, have been named as annuitants:*** You should [also] report a gift in the amount of $[*amount*] to [*name of annuitant*] and a gift in the amount of $[*amount*] to [*name of annuitant*]. The gift to the first of two successive annuitants [*in the case of a joint-and-survivor annuity indicate “each of the annuitants”*] qualifies for the $[*amount*] gift tax annual exclusion. You may or may not owe a gift tax, depending on the size of the gift and whether you have previously used your lifetime unified gift and estate tax exemption. [***Note:*** *Delete second sentence of this paragraph, referring to gift tax annual exclusion, in the case of a deferred annuity.*]

***To be used when the power to revoke has been retained, but the amount of the annuity payment each year exceeds the annual exclusion amount:*** Since you have retained the right to revoke the annuity payments for the annuitant(s), the full present value of the lifetime annuity stream is not considered a taxable gift this year. However, in any year in which the amount of the annuity payments to the annuitant(s) exceeds the gift tax annual exclusion amount (currently $[*amount*], though it may increase in future years), there may be a need file a Form 709 and report a taxable gift. You may or may not owe a gift tax, depending on the size of the gift and whether you have previously used your lifetime unified gift and estate tax exemption.

**Note:** The gift tax annual exclusion is indexed for inflation and increases by $1,000 increments. For example, it increased from $18,000 in 2024 to $19,000 in 2025.

**Tax Reports**

***Use this wording if (1) the donor is the sole annuitant, (2) the donor is the first of two successive annuitants, or (3) if the annuity is joint and survivor funded with a husband’s and wife’s jointly-owned or community property (or with one spouse’s separate property, although – if long-term capital gain assets are used to fund the annuity - this is not advisable and will make it necessary as well to identify the portion of the capital gain that must be reported in the year of the gift, as noted later in this document):***

The ABC Charity will prepare an IRS Form 1099-R showing the amount of taxable income you received during the year and send it to you by January 31 of the following year. For your information, the portions of payments received each year that are taxable as ordinary income, taxable as capital gain, and tax-free are shown in the table below. The same numbers will appear on Form 1099-R.

***Substitute the following language if annuity payments are deferred:***

When your annuity payments begin, the ABC Charity will prepare an IRS Form 1099-R showing the amount of taxable income you received during the year and send it to you by January 31 of the following year. Based on current IRS Expected Return Multiple Tables, the portions of payments received each year that are taxable as ordinary income, taxable as capital gain, and tax-free are shown in the table below. If the IRS Expected Return Multiple Tables should change before your payments begin, it may be necessary to recalculate how your payments are taxed. [If there are two annuitants, add as well: “Also, if one of you should die before the payments begin, it will definitely be necessary to recalculate how the payments will be taxed.”] In any event, however, the total amount paid would be unaffected.

***Substitute the following language if the annuitant(s) is (are) a person(s) other than the donor:***

The ABC Charity will prepare an IRS Form 1099-R showing the amount of taxable income [*name/s of annuitant/s*] received during the year and send it to [*him/her/them*] by January 31 of the following year. For your information, the portions of payments received each year that are taxable as ordinary income and tax-free are shown in the table below. The same numbers will appear on Form 1099-R.

Use this wording if annuity payments are deferred and the annuitant(s) is (are) a person(s) other than the donor:

When annuity payments to [*name/s of annuitant/s*] begin, the ABC Charity will prepare an IRS Form 1099-R showing the amount of taxable income [*he/she/they*] received during the year and send it to [*him/her/them*] by January 31 of the following year. Based on current IRS Expected Return Multiple Tables, the portions of payments received each year that are taxable as ordinary income and tax-free are shown in the table below. If the IRS Expected Return Multiple Tables should change before payments begin, it may be necessary to recalculate how payments are taxed. [If there are two annuitants, add as well: “Also, if one of the annuitants should die before the payments begin, it will definitely be necessary to recalculate how the payments will be taxed.”] In any event, however, the total amount paid would be unaffected.

*[****Note:*** *Whether payments are immediate or deferred, if the gift consisted of cash or ordinary income property, the reference to capital gain should be eliminated.]*

***Insert proper numbers. For example...***

# Number of Total Ordinary Tax-free Long-term

Year Payments Annuity Income Return of Cap. Cap. Gain

2024 1 part, 1 full $1,550.27 $ 325.56 $ 489.88 $ 734.83

2025-2032 4 3,500.00 735.00 1,106.00 1,659.00

2033 4 3,500.00 2,527.21 389.12 583.67

2034+ 4 3,500.00 3,500.00 0.00 0.00

***Include this section only if the annuity was funded with long-term capital gain property and the annuitant(s) is (are) a person(s) other than the donor:***

Since you funded the gift annuity with capital gain property and named as [*annuitant/s) (a) person/s*] other than yourself, you must recognize in the year of the gift capital gain in the amount of $[*amount*]. This is the gain allocated to the present value of the annuity payments, and it cannot be prorated over life expectancy as it could have been had you [*or you and your spouse*] been the annuitant(s).

***Note:*** *This situation arises rarely, and the donor should have been advised of the capital gains implications before completing the gift. See Chapter 5 for a discussion of reporting capital gain when the annuitant is someone other than the donor. If, because someone else is named as annuitant, the gain must be recognized in the year of the gift, then the annuity payments will be partially taxable as ordinary income and partially tax-free. Typically, no part of the payments will consist of capital gain since the gain will already have been recognized. An exception to this general rule occurs, however, if a joint and survivor annuity is funded with property owned by only one of the annuitants. In this case some taxable capital gain must be recognized in the year of the gift, with the rest of the taxable capital gain being spread over the donor-annuitant’s life expectancy.*

**Notice Concerning Tax and Accounting Information**

**This tax information is provided to you as a service of the ABC Charity. However, we are not providing legal or tax advice to you. You should give this information to your accountant or tax advisor and have that person confirm the accuracy of our computations and determine the scope of these and other reporting requirements that may apply.**