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Dear PG Calc Client,

I am very pleased to announce the release of **Planned Giving Manager version 7.3**. *PGM 7.3* is a tax law update that focuses on adjustments we make each calendar year to keep *PGM* up-to-date with indexing of tax schedules and exemptions.

As a *PGM* client, you are also eligible to use *PGM Anywhere*, our online version of *PGM* that is optimized for the tablet, laptop, and desktop, for no additional charge. If you haven't signed up for *PGM Anywhere*, please go to <http://marketing.pgcalc.com/pgm-anywhere-provisioning> today!

PGM 7.3 features the enhancements listed below, as well as fixes to a number of bugs discovered since the last release:

- * Tax tables updated with 2016 indexing for inflation, including the \$5,450,000 estate and gift tax exemption amount for 2016
- * Revised question and note to reflect Section 344 of PATH Act of 2015 when using PLR 200725044 methodology to compute the income interest in a net income CRUT
- * Added information to the Deduction for Gift Annuity Termination chart when computing a deduction for the reassignment of an annuity to charity

Learn more about *PGM 7.3*'s new features on the following pages.

As always, our Client Services team stands ready to answer your questions about using the new features and the software in general. Call Client Services toll free at 888-474-2252 or email support@pgcalc.com anytime. We look forward to helping you use *PGM 7.3* to support your donors and further your mission.

Sincerely,

Gary M. Pforzheimer

Summary of Enhancements

Tax Law Changes

- **Federal gift, estate, and generation skipping tax rates and exemption for 2016**

The exemption for federal gift, estate, and generation skipping tax (GST) made permanent by the American Taxpayer Relief Act of 2012 was \$5 million in 2011. This amount is indexed annually for inflation and is \$5,450,000 in 2016. We have updated *PGM* with the indexed amount for 2016.

This change affects the following illustrations:

- 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

- **Federal income tax schedule for estates and trusts in 2016**

Lead Trust Projections uses the federal income tax table for estates and trusts when it computes the income tax owed by a lead trust or regular irrevocable trust each year. *PGM 7.3* incorporates for this purpose the federal income tax schedule for estates and trusts for 2015. Lead Trust Projections also uses this income tax schedule to determine when to apply the 3.8% Medicare surtax to lead trust taxable income (this threshold in 2016 is \$12,400 of taxable income).

- **IRS discount rates updated through February 2016**

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 7.3* incorporates discount rates through February 2016.

- **Tax tables in *PGM* Help updated for 2016**

PGM Help includes numerous federal income, estate, and gift tax tables for reference. Where appropriate, these tables have been updated to include indexed values for 2016. See *PGM* Help – Contents – Tables – Federal Income Tax and *PGM* Help – Contents – Tables – Federal Gift and Estate Tax to review all of these tables.

- **PLR 200725044 income interest valuation methodology superseded by PATH Act**

Private letter ruling 200725044 included a “reasonable method” for valuing the income interest in a terminated net income CRUT that used the lesser of the net income CRUT’s payout rate and the current IRS discount rate. Section 344 of the PATH Act of 2015 makes clear that this computation should be done using the payout rate of the net income CRUT irrespective of the current IRS discount rate, effective for terminations after 12/18/2015. When you select a CRUT in *PGM* that includes a net income component, the wording of the question that references PLR 200725044 indicates that the ruling is not applicable for terminations after 12/18/2015. The help topic for this question now includes an explanation of why PLR 200725044 no longer applies. We’ve kept the question so that users can recreate old calculations, if needed.

Other Enhancements

- **Added information to Deduction for Gift Annuity Termination chart**

We have added some information to the Deduction for Gift Annuity Termination chart when computing the deduction for the reassignment of an annuity to charity.

- The note at the bottom of the chart now references section 170(e)(1)(A) so as to provide the tax law basis for the deduction amount displayed on the chart.
- For gift annuities funded with appreciated property, the chart now shows the breakdown of the deduction amount between undistributed tax-free and undistributed capital gain portions.

- **Reportable capital gain note revised to not reference life expectancy**

A client observed recently that the number of years over which a gift annuity donor may report capital gain is based on a 1983 IRS mortality table that predicts shorter life expectancies than more current mortality tables do. Taking the client's comment to heart, we have changed the note that appears at the bottom of the Summary of Benefits and Taxation of Gift Annuity Payments chart so that it no longer references "life expectancy," and therefore avoids needlessly discouraging a potential donor. For example, "Total reportable capital gain of \$____ must be reported over __ years, the life expectancy of the annuitant" now reads "Total reportable capital gain of \$____ must be reported over __ years (donor age __ is primary annuitant)."

- **Narrative source code synchronized with *PGM Anywhere***

We recently updated *PGM Anywhere*, our browser-based planned gift illustration software for tablets and the desktop, so that it can produce all of the narratives that *PGM* can produce. With one exception, we have now synchronized the code used to produce narratives in the two products so that it is identical for each narrative. The exception: in *PGM Anywhere*, the Acknowledgement Letter and Gift Information Summary are two separate narratives; in *PGM*, these two documents continue to be produced by a single Acknowledgement Letter/Gift Summary narrative.

- **Gift annuity payment amounts rounded to nearest dollar in narratives**

In the Description and/or Example, Long Description and/or Example, Comparative Description, and Proposal Letter narratives, we have changed the display of the capital gain, tax-free, and ordinary income portions of gift annuity payments so that they are rounded to the nearest dollar rather than expressed to the cent. This way, all values in these narratives are shown to the nearest dollar.

Gift Annuity Agreement Changes - None

Bug Fixes

- **Narratives**

- Acknowledgement Letter/Gift Summary – "Name of fund/trust" could be asked twice when trust and non-trust gift were both selected. Now this question is always asked just once.
- Comparative Description – Fixed formatting of gift asset information when comparing different principal amounts and added a warning message that the Comparative Description is not available for bequests to charity.