



129 Mount Auburn Street  
Cambridge, MA 02138  
Tel: 617-497-4970  
Fax: 617-497-4974  
[www.pgcalc.com](http://www.pgcalc.com)

January 2017

Dear PG Calc Client,

I am very pleased to announce the release of **Planned Giving Manager version 7.4**. *PGM 7.4* 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 7.4* features the enhancements listed below, as well as fixes to a number of bugs discovered since the last release:

- Tax tables updated with 2017 indexing for inflation, including the \$5,490,000 estate and gift tax exemption amount for 2017.
- Warning for a CRAT that fails the 5% probability of exhaustion test references early termination language provided in Revenue Procedure 2016-42 as a solution.
- Flexible gift annuity elective dates, rates, and taxation schedules can be exported to GiftWrap via a GiftWrap Gift Information File.

Learn more about *PGM 7.4*'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](mailto:support@pgcalc.com) anytime. We look forward to helping you use *PGM 7.4* 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 2017**

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 \$5,490,000 in 2017. We have updated *PGM* with the indexed amount for 2017.

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 2017**

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 7.4* incorporates for this purpose the federal income tax schedule for estates and trusts for 2017. 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 2017 is \$12,500 of taxable income).

- **IRS discount rates updated through January 2017**

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 7.4* incorporates discount rates through January 2017.

- **Tax tables in *PGM* Help updated for 2017**

*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 2017. See *PGM* Help – Contents – Tables – Federal Income Tax and *PGM* Help – Contents – Tables – Federal Gift and Estate Tax to review all of these tables.

- **Revenue Procedure 2016-42**

In Revenue Procedure 2016-42, the IRS provides early termination language that makes the 5% probability of exhaustion test inapplicable when this language is included in a charitable remainder annuity trust (CRAT) agreement. The language requires the CRAT to terminate immediately and distribute its assets to its designated charitable beneficiary(ies) if a payment to its income beneficiaries would reduce the trust principal to less than 10% of the original funding amount plus interest. *PGM* now references this new revenue procedure in the warning it issues whenever a CRAT fails the 5% test. This warning also is printed at the bottom of the Summary of Benefits chart and in the body of several narratives. The full text of the revenue procedure has been added to the Help system.

## Other Enhancements

- **Flexible gift annuity elective rates, dates, and taxation can be exported to GiftWrap**  
The most recent update of GiftWrap, PG Calc's planned gift administration software, is able to store complete information on a flexible gift annuity's (FGA) schedule of elective start dates and annuity rates and how each of these potential annuities will be taxed. In PGM 7.4, we have added this information to the GiftWrap Gift Information File. Now, you can illustrate a FGA in PGM, save comprehensive information on the FGA in a GiftWrap Gift Information File, and then use GiftWrap's Add Gift feature to import all of this information into GiftWrap. Note that GiftWrap's Add Gift / Person from File feature will not be able to import FGA elective start date information until a future GiftWrap release.
- **2012 IAR is the default mortality table for Life Expectancy and PV of Future Bequest tools**  
The 2012 IAR mortality table is now the default mortality table for performing calculations in the Life Expectancy and PV of Future Bequest tools. This mortality table was adopted by the National Association of Insurance Commissioners in 2012 for valuing annuity life interests and is now required by several states for computing gift annuity reserves. We've made it the default choice in these two tools because we think it will, in general, predict the longevity of planned gift donors more accurately than the other mortality tables available in these tools, for example 2000CM, which is required for computing the charitable deduction for many planned gifts.
- **Taxation in final year on Deduction for Gift Annuity Termination chart not shown when \$0**  
We have added logic to the Deduction for Gift Annuity Termination chart that suppresses the "Taxation of Annuity in Final Year" section when the payment in the final year of the gift annuity is \$0. This situation occurs when a deferred gift annuity terminates before payments have begun or the last annuitant dies early in the year, before any payments have been made that year.
- **"Income from Tax Savings" omitted when Rate of Return on Tax Savings is 0%**  
When you enter 0% as the Rate of Return on Tax Savings in First Year Analysis, the "Income from Tax Savings" and "Total Payments" lines are now omitted from the Return Based on Total Payments from Plan chart. In this case, these values do not affect the "Equivalent Payments" values.
- **Two columns removed from Non-Charitable Interest Actuarials chart for flexible gift annuities**  
We have removed the Exclusion Ratio, Years for Exp. Return, and Years for Capital Gain columns from the Non-Charitable Interest Actuarials chart for flexible gift annuities. These values are fixed at the time of the gift, but this chart typically is used to compute life interest values well after the date of gift. In this context, the eliminated values are typically incorrect. They are also immaterial for determining the value of a flexible gift annuity life interest.

## Gift Annuity Agreement Changes

- **Period was missing in first sentence of Irrevocability paragraph for NY**  
Due to a logic flaw, the period (".") was missing from the end of the first sentence of the "Irrevocability; Non-assignability; Termination" paragraph for New York agreements only. This period now appears.

## Other Narratives

- **Added question about Rev. Proc. 2016-42 provision to Acknowledgement Letter/Gift Summary**  
When producing an Acknowledgement Letter and/or a Gift Summary for a charitable remainder annuity trust (CRAT), a new narrative follow-up question is asked: “Does the CRAT include the early termination provision from Rev. Proc. 2016-42?” If answered “Yes,” these documents include a positive deduction value and do not reference the 5% probability of exhaustion test, whether or not the CRAT fails this test. If answered “No,” these documents display a \$0.00 deduction and reference failure of the 5% probability of exhaustion test when the CRAT fails this test.
- **Paragraph on electronic filing added to IRS Discount Rate Election Statement**  
We have added a paragraph to the IRS Discount Rate Election Statement narrative that explains that a donor who wishes to file electronically can submit the statement on paper using Form 8453. Otherwise, he will have to file his entire return on paper.

## Bug Fixes

- **PGM could crash when Return Based on Total Payments from Plan chart produced**  
When you selected the Return Based on Total Payments from Plan chart in First Year Analysis (Program 2) and selected three gift options, where the third option was Sold and Reinvested, PGM would crash when you attempted to view or print the chart. PGM now produces the chart successfully in this situation.