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Dear PG Calc Client,

I am very pleased to announce the release of **Planned Giving Manager version 7.5**. *PGM 7.5* is a tax law update that reflects changes that went into effect on January 1, 2018 as a result of the Tax Act signed into law in December 2017.

We also have updated *PGM Anywhere*, our online version of *PGM* that is optimized for the tablet, laptop, and desktop, as needed to reflect the new tax law. As a *PGM* client, you are eligible to use *PGM Anywhere* 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 7.5* features the enhancements listed below, as well as fixes to a number of bugs discovered since the last release:

- Tax tables updated for the 2017 Tax Act, including the \$11,180,000 estate and gift tax exemption amount for 2018.
- Narratives that can reference the new 60% of AGI limit on gifts of cash.
- An option to determine blended tax rates based on a donor being able to deduct state taxes or not.
- An option to compute gift, estate, and GST taxes based on the exemption amounts established by the 2017 Tax Act expiring in 2026 or being extended beyond then.

Learn more about *PGM 7.5'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 2018**

The exemption for federal gift, estate, and generation skipping tax (GST) was nearly doubled by the Tax Act of 2017 to \$11.18 million for 2018. This amount will be indexed annually for inflation. We have updated *PGM* with the amount for 2018.

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

Note: The \$11.18 million exemption amount has not yet been confirmed by the IRS and the final amount could differ slightly. It is based on a basic exemption of \$10 million in 2011 adjusted by the Chained Consumer Price Index for All Urban Consumers through August 31, 2017.

- **Option to compute transfer tax based on new exemption amounts expiring or not after 2025**

In all places in *PGM* where you are asked for prior taxable gifts (the same list as is found in the bullet above), *PGM* now asks, where applicable, whether it should assume that the doubling of the gift, estate, and generation skipping tax exemption amounts by the Tax Act of 2017 will expire after 2025 as scheduled under the Act or continue indefinitely on the assumption that the higher amounts will be extended by Congress. For example, when you choose Tools>Estate Tax and enter a year of death of 2026 or later, you are asked "Assume doubled estate tax exemption amounts under 2017 Act will expire after 2025?" If you choose Yes, *PGM* will use a basic estate tax exemption of \$5.6 million to compute the estate tax. If you choose No, it will use a basic estate tax exemption of \$11.18 million instead.

- **Federal income tax schedule for estates and trusts in 2018**

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 7.5* incorporates the new federal income tax table for estates and trusts established in the Tax Act of 2017 for this purpose. 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 under the new schedule remains \$12,500 of taxable income). The new schedule has three rates rather than four, with a top rate of 37% rather than 39.6%.

- **IRS discount rates updated through February 2018**

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 7.5* incorporates discount rates through February 2018.

- **Tax tables in *PGM* Help updated for Tax Act of 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 2018 or new values established by the Tax Act of 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. See *PGM* Help – Contents – Reference Information – Tax rulings – Tax Act overviews to read an overview of the Tax Act of 2017 and its implications for charitable giving.
- **Proposal Letter and description narratives updated to mention 60% AGI limit on cash gifts**  
The Tax Act of 2017 increased the amount a donor can deduct for gifts of cash to public charities from 50% of adjusted gross income (AGI) to 60%. The Proposal Letter, Description and/or Example, Long Description and/or Example, and Comparative Description narratives give you the option to include information about the % of AGI deduction limitations. Where applicable, this optional text now references the 60% of AGI limitation on gifts of cash.
- **Option for state income taxes to be deductible or not deductible**  
When you enter a state income tax rate or capital gain tax rate that is greater than zero, *PGM* determines a blended federal and state tax rate that it uses in its tax computations. Recognizing that the new \$10,000 limit on deducting state and local taxes from federal taxable income will prevent many higher-income donors from deducting all of their state and local taxes, we have added a new question wherever *PGM* asks for tax rates. When you answer yes to “Assume state tax deductibility in computing donor’s blended tax rates,” the blended tax rate computed by *PGM* reflects the deductibility of state taxes from federal taxes. The result is a blended rate that is lower than the sum of its component rates. When you answer no, on the other hand, the blended tax rate is simply the sum of its component rates. *PGM* has used the “yes” method automatically in previous versions but will default to “no” in *PGM* 7.5.

## Other Enhancements

### Gift Annuity Agreement Changes

- **Revised disclosure language for NM and VA to match language in state statutes**  
Replaced "This charitable gift annuity" with "A qualified charitable gift annuity" in the disclosure paragraph that appears at the top of NM gift annuity agreements. Similarly, replaced "This charitable gift annuity" with "A qualified gift annuity" in the disclosure paragraph that appears at the top of VA gift annuity agreements. *PGM* clients will not need to re-file any prototype agreements with any state as a result of these changes.

### Bug Fixes

- **Wrong address could be saved to .biox file for export to *GiftWrap***  
When a Proposal Letter and Gift Summary were selected, and there were two donors with separate addresses, the name and address of the second donor was missing from the .biox file created when you produced a *GiftWrap* export file. Also, when creating a gift annuity agreement for successive

annuitants where the first was the donor, the address of the donor/first annuitant was also saved as the address of the second annuitant in the .biox file. Both these issues are fixed.

- **FGA values in *GiftWrap* export files could be inconsistent with annuity rate**

When you produced a *GiftWrap* export file for a flexible gift annuity, the exclusion ratio and expected return years saved in the .gftx and .biox files could be inconsistent with the annuity rate saved in these files. The annuity rate was for the first elective start date, while the exclusion ratio and expected return years were for the payment start date to show as elected by the annuitant. Now, all three values are for the first elective start date.

- **Tax savings line on First Year Analysis charts was wrong when gains tax due in year of gift**

The tax savings line on First Year Analysis charts was wrong for a gift annuity funded with appreciated property where all reportable capital gain had to be reported in the year of gift (the donor was not the annuitant). In this case, the tax on any long term gain was subtracted twice and the tax on any short term gain was not subtracted at all. Tax savings is now computed correctly in this situation.

- **First Elective Start Date value was in italics on Gift Summary**

The First Elective Start Date value that appears on the Gift Summary for a flexible gift annuity appeared in italics. It is now in regular font like all the other values.