Invested in your mission

10 IRS Rules You Need to Know to Help Your Donors Make Great Gifts

PG CALC WEBINAR

AUGUST 27, 2020

Presented by:

Jeffrey Frye, Senior Client Services Advisor
PG Calc
129 Mt. Auburn St.
Cambridge, MA 02138
617-497-4900
jfrye@pgcalc.com

Introduction

Life is full of rules, and planned giving is certainly no exception. When we talk about IRS rules and planned giving, we mean not only specific sections of the federal tax code, but also IRS rulings, conditions, guidance, limitations, and the like. Below are 10 “IRS Rules” that we think are some of the most important ones to consider. They are not organized or sorted in any deliberate order; some are fairly simple, while others are fairly complex. We hope that you are able to learn some new concepts as we walk through this list.

1. Make a transfer of appreciated assets between spouses prior to creating a charitable gift annuity: Federal tax laws allow assets to be transferred between spouses without triggering capital gains or other transfer taxes. In some cases, it may be beneficial for assets to be transferred between spouses prior to establishing a split interest gift arrangement. For example, the capital gains due on a gift annuity is spread over the life expectancy of the donor, that is, the person who owned the donated asset. If one spouse in a married couple uses his separate appreciated assets to establish a 2-life gift annuity for both of them, his reportable capital gain will be spread ratably over his life expectancy. The non-property owner spouse will owe their pro-rata share of the reportable gain, <u>in the year of the gift</u>! If both spouses jointly own the appreciated property, however, the reportable capital gains is spread ratably over the life expectancy of both spouses. The result is that capital gains is spread out over more years and therefore reported more slowly.

This first “rule” is actually a combination of rules, so let’s break it down into bite-sized pieces. The underlying premise is basic, which is that charitable gift annuities, when funded with appreciated marketable securities, allow for a portion of the capital gains to be forgiven. In the calculations that we run for a charitable gift annuity (CGA), we determine not only the charitable income tax deduction and the amount of payments, but we also determine how much of those payments is excluded from taxation as ordinary income, and if funded with appreciated property, how much of each annuity payment is reportable as capital gains. Here’s a simple example: a 72-year-old donor establishes a CGA on August 27, 2020, with $25,000 of long-term appreciated stock. He purchased the stock many years ago for $10,000, which means that he has $15,000 in long-term appreciation in the stock.

The donor is entitled to a 4.9% payout rate, according to the rates recommended by the American Council on Gift Annuities (ACGA) effective July 1, 2020. His charitable deduction will be $9,911.50, and his annuity will be $1,225.00. That is the total of the payments he will receive each full calendar year (the first partial year is prorated, so the amount is different). Out of that total, $184.98 will be reported as ordinary income (taxed at his marginal income tax bracket); $624.02 will be taxed as long-term capital gains (taxed at either 15 or 20%, depending on which income tax bracket he is in); and $416.00 will be reported as tax-free income (Appendix I).

How do we arrive at those numbers? In PG Calc’s Actuarial Calculations chart, we show the complete set of calculations for the gift annuity. As part of those calculations, we show the determination of the exclusion ratio (how much income is “excluded” from taxation), which in this case is 84.9%. This means that 84.9% of the donor's annuity will be excluded from being taxed as ordinary income. Only 15.1% will be reported as ordinary income. And in our example, those numbers match exactly: $184.98 is 15.1% of the total annuity of $1,225.00.

So, what does that mean for the rest of the annuity? If 84.9% of the annuity is not taxed as ordinary income, that means $1,040.02 will be categorized as something else. If the gift annuity were funded with $25,000 in cash, the $1,040.02 would be reported as tax-free income. But in this example, we have long-term capital gains thrown into the mix. To determine how much capital gain is reportable the CGA calculation compute the "bargain sale ratio." That ratio drives how much of the CGA funding amount is a charitable gift, and how much of the donor's funding asset is in exchange for the non-charitable annuity payments.

In this example, the bargain sale ratio is 0.60354; this means that about 60% of the total capital gain will be considered as "reportable capital gain." Where did that come from? To understand it a little better, we need to review exactly how much total capital gain is involved. If the donor purchased the stock a number of years ago for $10,000, and it is now worth $25,000 on the traded exchange, that means there is a total of $15,000 of long-term appreciation in the value of the stock. The disposition, by sale or gift, triggers the long-term appreciation as realized long-term capital gain. In the case of a gift annuity, some of that capital gain is forgiven because it is associated with the gift portion of the annuity. Some of the capital gains must be reported because it is associated with the annuity contract purchased from the charity.

In transferring the stock to the charitable organization for the establishment of a gift annuity, a portion of the long-term gain is permanently forgiven. The IRS allows us to use the bargain sale ratio to determine how much of the total capital gain is considered reportable. In our example, the bargain sale ratio of 0.60354 means that $9,053.10 (60.354%) of the total $15,000 in long-term capital gain is taxable through the gift annuity arrangement. Based on the donor's date of birth and the applicable mortality table (dictated by the IRS), the calculations determine that the donor's estimated remaining life expectancy is 14.5 years. That means the $9,053.10 is divided by 14.5 to determine how much of each annuity payment is reportable as capital gains income.

The result is that $624.02 of the annual annuity will be reported as long-term capital gains in the full calendar years of the donor's 14.5 years of life expectancy. The tax-free amount of $416.00 is computed by subtracting $624.02 from the $1,040.02.

This is how it works when the donor is the annuitant. What if the donor wants to establish a gift annuity for his wife, who is, for the convenience of our discussion, also 72 years old? That creates a quite different outcome. When the annuitant (the person receiving the payments) is not the donor (the person who owns the donated asset) of an appreciated asset, the reportable capital gains are taxable in the year of the gift transaction. So, in our example, the donor would have to pay tax on the $9,053.10 (60.543% of the $15,000 of capital gain) of realized long-term capital gains when he files his tax return for 2020 (Appendix II).

So, what it the donor decides, instead, to establish a 2-life gift annuity for himself and his wife with the husband's separate property? That would certainly muddy the waters; under the IRS rules, the 50% of the annuity that the donor establishes for himself would work just like our original example; one-half of the $9,053.10 would taxable over the husband's life expectancy.

But the reportable gain for the 50% of the annuity that the donor establishes for his wife would be taxable in the year of the gift.

If the donor truly wishes to establish a gift annuity for both of them, the best solution might be to transfer the long-term stock to an account in joint name. The tax laws allow for unlimited transfers between spouses, and the transfers are not subject to any capital gains taxes or transfer taxes. The donor's original cost basis and acquisition date (for the 50% of the stock) become his wife's cost basis and acquisition date immediate upon completion of the transfer. That means that the couple can establish a gift annuity, funded with jointly owned appreciated stock, there will be no immediate capital gain tax liability. The annuity payments could be paid jointly or consecutively for the rest of their lives, and all of the reportable capital gains would be allocated across their life expectancies (Appendix III).

2. Related use rule of gifts of tangible property: In addition to cash, securities, and real estate, some individuals prefer to make charitable gifts of tangible personal property. Such property consists of physical items such as jewelry, artwork, collections, and antiques. The income tax charitable deduction for a gift of tangible personal property is typically limited to the cost basis, the amount the donor paid for the property. But if the charity puts the property to a use that is related to the organization's charitable purposes, the deduction may be for the full fair market value generally documented in a qualified independent appraisal.

This rule is not quite so complicated as the previous one. In the real world, contributions to non-profit organizations are by no means limited to cash or marketable securities, but the charitable deductions generated by gifts of other assets are based on some vastly different rules. Tangible property is the term for physical items that can be seen and touched, and there is a lot of confusion about this area of charitable giving. The gift of appreciated artwork, in some cases, will result in a charitable deduction much smaller than the deduction for cash or securities of the same value. This is because of the related use rule, which only allows a charitable deduction for the full market value of the asset when the object itself is related to the general mission and activities of the organization.

The gift of an appreciated painting is a good example; if the donor acquired the painting for $25,000 many years ago, and it has appreciated to a current fair market value of $1,000,000, it would certainly make a very nice gift for any charitable organization. But if the donor gave it to the local food bank, the charitable deduction would only be for $25,000 – the donor's original cost basis because the food bank will likely sell the painting and not use it in their charitable mission. Even though the charity will likely realize a gift of $1,000,000 when they sell it, the deduction is limited to what the donor paid for the artwork. If the donor, however, gives the painting to an art museum that intends to display the work as part of their collection, the charitable deduction would be for the full $1,000,000, because the painting is related to and used in the charity's activities.

These divergent calculation methods for charitable deductions also extend to calculations for life-income gift arrangements. If the donor establishes a $1,000,000 charitable gift annuity using the painting as the funding asset, and the sponsoring charitable organization is an art museum that will put the painting to a related use, the deduction will be based on the $1,000,000 – but of course, it will be a portion of that value because of the split-interest nature of the gift arrangement (Appendix IV). If the donor establishes the gift annuity with the local food bank, on the other hand, the charitable deduction will be calculated on the donor's cost basis; that is, it will only be a portion of the $25,000 (Appendix V). Selling tangible personal property is always considered an unrelated use by the charity.

We should always keep in mind that the donor may not be able to use the larger deduction; since the Tax Act of 2017, only a relatively small number of Americans file itemized tax returns. If the donor doesn't itemize, and doesn't wish to start itemizing, the charitable deduction is of no consequence. The donor might also be in a position where he or she has already accumulated a number of charitable deductions that are being carried forward from year to year. This is why – even if the donor's income is generally high enough to suggest a need for larger charitable deductions – the gift planning professional should always have a conversation with the donor specifically about whether or not the larger deduction is useful. And regardless of the deduction, a gift annuity payout is based on the FMV of the gift times the payout rate.

3. Tax-free portion of gift annuity payments with low IRS discount rates: In the current atmosphere of historically low IRS discount rates, we hear a lot about the negative effect of lower income tax charitable deductions for gift annuities. While this is true and not likely to change in the near future, there is a flip side to the bad news; the tax-free portions of gift annuity payments are higher when the discount rate is low. This can be especially attractive to non-itemizers and donors with low AGI who have more deductions than they can use.

In the calculations for a charitable gift annuity, we determine the exclusion ratio, as mentioned above in Rule #1. The exclusion ratio is determined at the end of a series of mathematical formulae, which depend on a number of input variables including the IRS discount rate. The higher the IRS discount rate, the lower the exclusion ratio, and the lower the IRS discount rate, the higher the exclusion ratio. The sum of the two will always equal the funding amount of the annuity. Using our previous example, when the 72-year-old donor established a 4.9% charitable gift annuity in August of 2020, the exclusion ratio is 0.849 based on the 0.6% IRS discount rate. But when the discount rate drops to 0.4%, as it will do in September of 2020, the exclusion ratio increases to 0.864. The net effect is that the amount of tax-free income increases to $423.35 with the slightly lower discount rate, compared to $416.00 with the slightly higher discount rate (Appendix VI).

It's not a huge difference, but with far fewer donors filing itemized tax returns, it certainly bears mentioning. Planned giving professionals should run gift annuity calculations using the lowest available discount rate in situations where the donors have already indicated that they won't be using the charitable deduction.

4. Additions may be made to charitable remainder unitrusts: In contrast to charitable gift annuities and charitable remainder annuity trusts, it is possible for donors to make additional contributions to charitable remainder unitrusts. This might be especially helpful

to donors who wish to build up significant values in their trusts incrementally over the long run. Donors with a low AGI may want to space out their gifts so they can take the full income tax charitable deduction in the year of the gift.

Charitable Remainder Unitrusts are an efficient and effective means of providing significant income to donors during lives and distributing sizable remainders to charities at death. Unlike gift annuities and charitable remainder annuity trusts, CRUT distributions to life-income beneficiaries are adjusted annually, based on the market values at the beginning of each calendar year. This means that as principal grows in value over time, the beneficiary payments increase over time. Of course, there are the exception years, when the principal values decline, and in turn, payments to beneficiaries go down as well. But overall, the typical pattern is for beneficiary payments to be significantly larger in the later years of the trust operation than in the early years.

CRUTs and CRATs are generally funded with larger amounts than gift annuities, in large part because the management and administrative expenses to establish and operate trusts only make these trusts worthwhile with six figure gift amounts. Donors also need to retain private legal counsel in order to establish a trust, although some larger charitable organizations do much of the anticipatory legwork. Yet there is one additional distinction about CRUTs that sets them apart from CGAs and even CRATs – the ability to make additional contributions to the trust over time. Aside from Pooled Income Funds, CRUTs are the only life-income gift vehicle that allows for additional contributions without executing a new gift or trust agreement.

This is obviously beneficial to both interest parties in the long-run, simply by the likelihood that additional funding transactions will increase the value of the CRUT over time – possibly even more than increases in value from the appreciation of assets. The larger the trust corpus, the higher the distributions to the life-income beneficiaries and the higher the residuum to charity upon the death of the final income beneficiary. But there is an added benefit specifically for the donors who wish to make additional contributions to their CRUTs, which is that it allows them to spread their charitable deductions out over time and the resultant sequencing of charitable deductions (Appendix VII).

The current U.S. tax system allows individuals who file itemized tax returns to use charitable income tax deductions to offset their taxable income – but only to a certain point. There are limits on how much each person can use in any given year, based on percentages of Adjust Gross Income (AGI). Since the tax reform act of 2017, charitable deductions based on gifts of marketable securities can be applied up to 30% of the donor's AGI, and charitable deductions based on cash gifts can be applied up to 60% of the donor's AGI. The CARES Act of 2020 took it a step further and said that for 2020 only, deductions for cash gifts can be applied up to 100% of a donor's AGI.

If a taxpayer cannot use all of his or her deductions in the current year, the IRS allows for 5 additional carry-forward years in which to use the remainder of the deductions. The donor cannot strategically choose which year or years to take the deductions, however; if the donor is able to take all of the deductions in the current year, the donor must use all of the deductions in the current year. The 5 additional carry-forward years are available only if the donor cannot use the deductions this year, due to the percentage limits explained above.

This means that a donor may want to make additional contributions to CRUTs in future years – either additions in each year going forward, or additions in specific years going forward in order to avoid the income percentage limitations. The ability to spread out the charitable deductions means that the donor can decide strategically when to make those additional contributions.

5. Bargain sales and capital gains: One of the appealing aspects of bargain sale arrangements is that donors can partially escape the realizing long-term capital gains and receive a charitable income tax deduction. A bargain sale is the sale of property to the charity for less than fair market value. The net effect is that the bargain sale includes a gift of a portion of the property along with the sale for the balance of the purchase price. Bargain sale properties typically have significant long-term appreciation; the proportion of the capital gains attributed to the charitable gift portion of the property is permanently forgiven, and the donor pays taxes only on the portion of the property that is sold. The charitable income tax deduction for the gift portion of the bargain sale offsets (at least partially) the tax on the reportable capital gains.

Bargain sale arrangements are one of the oldest and simplest forms of split interest gift arrangements. When a donor is able and willing to sell a property to a charitable organization for less than its full market value, the donor is making a charitable gift of the value not included in the sale. Typically, the donor is allowed to claim a charitable income tax deduction for that value. The other benefit for the donor is that a portion of the long-term capital gains are permanently forgiven; the capital gains are divided between the portion attributed to the sale and the portion attributed to the gain. In some cases, the tax deduction for the gift portion will offset much (if not all) of the tax on the realized gains attributed to the sale portion. With careful planning the income tax deduction can exactly offset the capital gain tax realized resulting in a zero-tax solution.

(For a simple example of how this works, see Appendix VIII.)

6. Retained Life Estates with low IRS discount rates: The retained life estate is a split interest gift of the donor's home or farm, and as such, there is a charitable portion and a non-charitable portion. The value of the charity's eventual right to sell or use the property is the charitable portion, while the value of the donor's life tenancy is the non-charitable portion. When one goes up, the other goes down. The value of each year's life tenancy is computed in part by using the IRS discount rate. If the discount rate is low, the value of the life tenancy is low, therefore, the value of the charitable portion is high.

The retained life estate may be the oldest form of split-interest gift arrangements; there is evidence that such agreements go back hundreds of years in Europe. There was no need for complex tax calculations in the days prior to the existence of income taxation; simply a meeting of the minds that a person – typically an older person – would remain in a residence until their time of passing, and then the property would transfer to the other party. The remainder beneficiary might be the local wealthy landowner, or it might be the church, in whatever form it existed then.

Nowadays, we have the added appeal of generating an income tax deduction for naming our favorite charity as the remainder beneficiary. Our computerized calculations determine how much of the value of the home or farm is attributable to the charitable gift, based on the overall value of the property, the life tenant's life expectancy, and the current IRS discount rate. Unlike most split interest gifts, the historically low IRS discount rate is actually a good thing when creating RLEs. The discount rate in this case signifies what is essentially the annual value of the life tenancy, which could also be thought of simply as annual rent. When the discount rate is exceptionally low, it means the value of life tenancy or rent is also relatively low. That in turn means the remaining value of the property projected to go to charity is relatively higher.

(Please see 2 examples in Appendix IX and X.)

7. CRAT Special Rule from 2016: Charitable remainder annuity trusts must pass a minimum 10% charitable interest test, like charitable gift annuities, pooled income funds, and charitable remainder unitrusts. But the CRAT must pass an additional probability of exhaustion test (probability of corpus exhaustion may not be greater than 5.0%). Depending on the ages of the beneficiaries, it can be difficult for CRATs to pass the probability of exhaustion test when the IRS discount rate is relatively low. A ruling was issued in 2016 allowing the insertion of a special clause in the governing documents of new CRATs; the provision calls for the trust to terminate in favor of the charity if the trust corpus falls below 10% of its initial value plus 0.8% interest.

A charitable remainder annuity trust may be a good option when the donor is seeking a constant stream of unchanging payments and wants to leave a generous residuum for charitable purposes. On the plus side, the CRAT ensures that the beneficiary will always receive the same dollar amount of payments – provided that the trust doesn't run out of money during the life term or term of years. On the downside, they never allow for beneficiary payments to go up or match the rate of inflation, regardless of how much the CRAT assets increase in value over time. CRATs like CRUTs tend to be funded with a minimum of six figures, since they are more expensive to establish and administer.

But one aspect that is unique to CRATs has been particularly discouraging in recent years: that of the probability of exhaustion test. Because the payment amounts for CRATs never change – even if the market value starts to decline from year to year – there may be a significant risk that the trust will run out of money before the beneficiary passes or the term of years expires. For this reason, the IRS requires a special test for the CRAT – in addition to the calculated 10% remainder for charity (at least a 10% deduction), the CRAT must pass a probability of exhaustion test to prove there is little likelihood of the corpus being depleted. The CRAT exhaustion test involves computer simulations of possible future outcomes, and if more that 5% of those simulations show the trust running out of money, the trust will not be qualified as a charitable remainder annuity trust. There would be no charitable tax deduction and the trust would be considered a taxable trust.

Since the IRS discount rate serves as a proxy for the assumed investment return in the official calculations, the probability of exhaustion test was not a problem during the years of relatively high IRS discount rates. Relatively high, of course, has come to mean something markedly different now than it was 20 years ago. But with the IRS discount rate falling to below 2% for sustained periods of time between 2011 and 2016, it became much more difficult for charitable remainder annuity trusts to pass the 5% probably of exhaustion test. In 2016, a special rule issued by the IRS provided an alternative to the 5% probability test. The contingency in the trust agreement directs the early termination of the CRAT upon the occurrence of a contingency. The contingency provides that if the annuity amount would result in the value of the trust corpus, when multiplied by a specified discount factor, being less than 10 percent of the value of the initial trust corpus the trust terminates and distributes its remaining principal to charity.

(See calculations for a CRAT in Appendix XI.)

8. Deductions are high for PIF contributions right now: The charitable income tax deduction for a contribution to a pooled income fund is based partly on the highest "PIF Rate of Return" of the past 3 calendar years (the so-called PIF Rate of Return is really just a slightly-adjusted measure of income yield). When the "PIF rates of return" are relatively low, that means the calculation assumes extraordinarily little income will go to the income beneficiaries, suggesting that relatively more will be left for the remainder charities in the end. While the deductions for PIF contributions are not tied directly to the IRS discount rate, the "PIF Rate of Return" tends to move in parallel with the prevailing IRS discount rates.

Pooled income funds (PIFs) don't get much attention these days, and typically, there are no or few new gifts being made. The vehicle was extremely popular in the 1980's and 1990's in the era of high interest rates, but as interest rates declined over the past twenty years, they are no longer popular. About the only thing we hear about lately in the world of PIFs is how few participants there are left in any given fund. Sponsoring organizations generally seem to be waiting for the final participants to pass, so that the entire PIFs can be finally closed. But there is an occasional rumbling on this front, in particular, with the concept of starting up completely new PIFs.

Why would anybody in their right mind establish a new Pooled Income Fund right now? The answer is for the charitable deduction – the charitable income tax deductions right now are enormous for contributions to new PIFs. For existing PIFs, the deductions are calculated based on the highest "Pooled Income Fund Annual Rate of Return" for the past 3 calendar years. But for PIFs that were created within the past 3 years, the IRS issues a special PIF interest rate to be used in calculating the charitable deductions. For 2020, this special PIF interest rate is only 2.2%. With such a tiny interest rate, the calculations assume very little income will be going to the participants, and therefore, most of the principal will end up as residuum for the benefit of remainder charities. The charitable deduction, remember, is an estimate of the remainder left for the charity, discounted to present value, so if the assumed PIF interest rate is tiny, the deduction will be huge.

(We show a simple example in Appendix XII.)

9. Relinquishing split interest gifts: Life-income gift arrangements (CGAs, CRTs, and PIFs) are mostly written for the life expectancy of named beneficiaries. If a beneficiary of one of these gift vehicles decides the income is no longer needed or wanted, he or she may permanently relinquish the life-income benefit in favor of the charitable remainder organization. The same action may be taken with a retained life estate. This essentially accelerates the remainder gifts to charities, but the beneficiary or life tenant is giving up something of value; he or she may be entitled to an additional income tax charitable deduction for the additional gift to charity. A qualified independent appraisal is required if the value of the interest being relinquished is more than $5,000.

When donors establish life-income gift arrangements, they typically envision receiving the required payments for the rest of their lives. With gift annuities and pooled income funds, these gift vehicles may only be measured by the life expectancy of the income beneficiaries. CRATs and CRUTs may be written such that the payment obligation is for a term of years not to exceed 20, or the lives and/or a term of years, but in most cases, the trusts are written for the lifetimes of the named beneficiaries. Even in the case of Retained Life Estates, the donors generally expect to remain in the residences for the rest of their lives. It’s fair to say that these gift plans are not created with an eye toward early termination.

But in real life, people’s circumstances change. In the case of retained life estates, it is not unusual for the aging donors to reach a point where they can no longer remain in the home, in many cases because of increasing physical and other limitations. If a donor gave his or her personal residence to a charitable organization, and reserved the right to live in the residence for the rest of his or life, but later decides to give up that right to life tenancy, the donor is giving up something of substantial value. The life tenancy is worth a certain monetary value, and giving it up before death generally entitles the donor to receive an additional income tax deduction.

In the case of life-income gift arrangements, rather than giving up life tenancy, a donor may decide to relinquish the right to receive income for life. The life-income gift vehicles and the complex calculations tied to them are based on estimates of future value, discounted to present value. The donor’s life-income stream of payments is worth a certain amount – that’s why the charitable deduction is not for 100% of the remaining gift principal.

(For an example of the relinquishment of a charitable gift annuity, please see Appendix XIII.)

(For an example of the relinquishment of a retained life estate, please see Appendix XIV.)

10. QCDs are still attractive: No current discussion of planned gifts would be complete without mentioning the ubiquitous Qualified Charitable Distributions (QCDs) from traditional IRAs. The so-called “IRA Rollover” allows for persons who are 70 ½ years or older to transfer up to $100,000 each calendar year directly from traditional IRAs to qualified charitable organizations. There are no charitable income tax deductions for these gifts. Nonetheless a donor may choose to make a QCD because they will escape taxation that would otherwise be due on distributions of qualified retirement funds. This is especially attractive for non-itemizers, those that don’t derive benefit from additional charitable tax deductions, and those seeking to minimize their taxable income.

Recent tax law changes have added to the already-existing confusion about the so called "Charitable IRA Rollover." The CARES Act of 2020 did not actually change the details of the QCDs provision, but it further muddied the waters regarding the relationship between the special provision and the beginning age at which IRA owners must start taking required minimum distributions (RMDs). Prior to the CARES Act, the minimum age for RMDs was 70 ½, which was also the age at which persons could start taking QCDs. Now the minimum age for RMD is 72, but the beginning age for QCDs is still 70 ½.

What does that actually mean? It means that IRA owners can wait until they are 72 to start withdrawing money from their IRAs, but they may start making QCDs upon reaching 70 ½. The only change is that IRA owners have another 18 months before they MUST start taking distributions, but that doesn't stop them from doing QCDs at 70 ½. Why would anyone make a QCD if they weren't required to take a distribution from their IRA? Easy. The doubling of the standard deduction means that millions of taxpayers no longer itemize. The tax impact of taking a QCD is equivalent to taking a fully income tax deductible charitable deduction, even though the donor doesn't itemize.

(For a comparison between a regular withdrawal from a traditional IRA that is used for a charitable gift and a Qualified Charitable Distribution from a traditional IRA, please see Appendix XV.)

Conclusion

The one thing all of these rules have in common is that they exist now, but we have no guarantees that any one of them in particular will exist a year from now, or two years from now, or five years from now. All tax laws and provisions are subject to change, and especially with each presidential election cycle. There will be a new Congress in January of 2021, and we cannot know their priorities in advance, or how they will choose to govern. We simply try to understand the ground rules at this point in time, and we strive to help donors make the best charitable decisions possible.

Thank you for your time and attention. We hope this presentation has been helpful. We encourage you to contact us with any questions you have, or if you would like to discuss any of these topics in greater detail. And as always, we wish you the best in all of your planned giving endeavors.

Jeffrey Frye
Senior Client Services Advisor

Appendix I

THE CHARITY

Prepared for:
Sample donor
August 27, 2020

Summary of Benefits — ESTIMATES

4.9% Charitable Gift Annuity

ASSUMPTIONS:

Annuitant	72
Principal Donated	$25,000.00
Cost Basis of Property	$10,000.00
Payout Rate from ACGA2020A Table	4.9%
Payment Schedule	quarterly at end

BENEFITS:

Charitable Deduction	**$9,911.50**
Annuity	**$1,225.00**
Tax-free Portion	$416.00
Capital Gain Income	$624.02
Ordinary Income	$184.98

Total reportable capital gain of $9,053.10 must be reported over 14.5 years (donor age 72 is primary annuitant).

After 14.5 years, the entire annuity becomes ordinary income.

The charitable deduction displayed above is based on an IRS discount rate for a month prior to the month of gift. To take your deduction based on this rate, you must specify it in an election statement that you file with your tax return.

Basic Gift Illustrations
Prepared by: PG Calc (JBF) — IRS Discount Rate is 0.6%

These calculations are for illustration purposes only and should not be considered legal, accounting, or other professional advice. Your actual benefits may vary depending on several factors, including the timing of your gift.

Appendix I (continued)

THE CHARITY

Prepared for:
Sample donor
August 27, 2020

Taxation of Gift Annuity Payments ESTIMATES

4.9% Charitable Gift Annuity

ASSUMPTIONS:

Annuitant	72
Date of Gift	8/27/2020
Principal Donated	$25,000.00
Cost Basis of Property	$10,000.00
Payout Rate from ACGA2020A Table	4.9%
Payment Schedule	quarterly at end

CALCULATIONS:

Charitable Deduction	$9,911.50
Number of Payments in First Year	2
Days in First Quarterly Period (7/1/2020 to 9/30/2020)	92
Days of Payment Credit in First Quarterly Period (8/27/2020 to 9/30/2020)	35
Annuity	$1,225.00
Quarterly Payment	$306.25
First Partial Payment on 9/30/2020 (35/92 x $306.25)	$116.51

BREAKDOWN OF ANNUITY:

	Capital Gain	Tax-Free Portion	Ordinary Income	Total Annuity
2020 to 2020	215.36	143.56	63.84	422.76
2021 to 2034	624.02	416.00	184.98	1,225.00
2035 to 2035	101.46	67.84	1,055.70	1,225.00
2036 onward	0.00	0.00	1,225.00	1,225.00

Total reportable capital gain of $9,053.10 must be reported over 14.5 years (donor age 72 is primary annuitant).

After 14.5 years, the entire annuity becomes ordinary income.

The charitable deduction displayed above is based on an IRS discount rate for a month prior to the month of gift. To take your deduction based on this rate, you must specify it in an election statement that you file with your tax return.

Basic Gift Illustrations
Prepared by: PG Calc (JBF) IRS Discount Rate is 0.6%

These calculations are for illustration purposes only and should not be considered legal, accounting, or other professional advice. Your actual benefits may vary depending on several factors, including the timing of your gift.

Appendix I (continued)

THE CHARITY

Prepared for:
Sample donor
August 27, 2020

Actuarial Calculations — ESTIMATES

4.9% Charitable Gift Annuity

ASSUMPTIONS:

[1]	Annuitant		72
	Date of Gift		8/27/2020
[2]	Principal Donated		$25,000.00
[3]	Cost Basis of Property		$10,000.00
[4]	Payout Rate from ACGA2020A Table		4.9%
[5]	Payment Schedule		quarterly at end
[6]	Discount Rate under IRC Section 7520(a) for 7/2020		0.6%

CALCULATIONS:

[7]	Annuity ([2] x [4])		$1,225.00
[8]	[a]	Value of $1 for age on [1], rate on [6] (Table S in IRS Publication 1457 (5-2009))	12.2901
	[b]	Adjustment for schedule on [5], rate on [6] (Table K in IRS Publication 1457 (5-2009))	1.0022
	[c]	Adj. Value of $1 ([8a] x [8b])	12.3171
[9]	Investment in Contract ([7] x [8c])		$15,088.50
[10]	**CHARITABLE DEDUCTION** ([2] - [9]) **$9,911.50**		
[11]	[a]	Expected Return for age on [1] (Table V in Reg. 1.72-9)	14.6
	[b]	Adjustment for payment schedule on [5] (Reg. 1.72-5(a)(2)(i))	-0.1
	[c]	Expected Return per $1 ([11a] + [11b])	14.5
[12]	Expected Return ([7] x [11c])		$17,762.50
[13]	Exclusion Ratio ([9] / [12]) (Regs. 1.72-4, 1.1011-2(c) Example (8))		0.849
[14]	Bargain Sale Ratio ([9] / [2]) (Regs. 1.170A-1(d), 1.1011-2(b))		0.60354
[15]	Cost Basis Allocable to Sale Portion ([14] x [3])		$6,035.40
[16]	Total Reportable Capital Gain ([14] x ([2] - [3]))		$9,053.10
[17]	Years to Report Gain (life expectancy of donor age 72) (Reg. 1.1011-2(a)(4)(ii))		14.5

The charitable deduction displayed above is based on an IRS discount rate for a month prior to the month of gift. To take your deduction based on this rate, you must specify it in an election statement that you file with your tax return.

Prepared by: PG Calc (JBF) Basic Gift Illustrations

These calculations are for illustration purposes only and should not be considered legal, accounting, or other professional advice. Your actual benefits may vary depending on several factors, including the timing of your gift.

Appendix II

THE CHARITY

Prepared for:
Sample donor
August 27, 2020

Summary of Benefits — ESTIMATES

4.9% Charitable Gift Annuity

ASSUMPTIONS:

Annuitant	72
Principal Donated	$25,000.00
Cost Basis of Property	$10,000.00
Payout Rate from ACGA2020A Table	4.9%
Payment Schedule	quarterly at end

BENEFITS:

Charitable Deduction	**$9,911.50**
Annuity	**$1,225.00**
Tax-free Portion	$1,040.02
Ordinary Income	$184.98

Total reportable capital gain of $9,053.10 must be reported in the year of the gift.

After 14.5 years, the entire annuity becomes ordinary income.

The charitable deduction displayed above is based on an IRS discount rate for a month prior to the month of gift. To take your deduction based on this rate, you must specify it in an election statement that you file with your tax return.

Basic Gift Illustrations
Prepared by: PG Calc (JBF) — IRS Discount Rate is 0.6%

These calculations are for illustration purposes only and should not be considered legal, accounting, or other professional advice. Your actual benefits may vary depending on several factors, including the timing of your gift.

Appendix II (continued)

THE CHARITY

Prepared for:
Sample donor
August 27, 2020

Taxation of Gift Annuity Payments ESTIMATES

4.9% Charitable Gift Annuity

ASSUMPTIONS:

Annuitant	72
Date of Gift	8/27/2020
Principal Donated	$25,000.00
Cost Basis of Property	$10,000.00
Payout Rate from ACGA2020A Table	4.9%
Payment Schedule	quarterly at end

CALCULATIONS:

Charitable Deduction	$9,911.50
Number of Payments in First Year	2
Days in First Quarterly Period (7/1/2020 to 9/30/2020)	92
Days of Payment Credit in First Quarterly Period (8/27/2020 to 9/30/2020)	35
Annuity	$1,225.00
Quarterly Payment	$306.25
First Partial Payment on 9/30/2020 (35/92 x $306.25)	$116.51

BREAKDOWN OF ANNUITY:

	Tax-free Portion	Ordinary Income	Total Annuity
2020 to 2020	358.92	63.84	422.76
2021 to 2034	1,040.02	184.98	1,225.00
2035 to 2035	169.30	1,055.70	1,225.00
2036 onward	0.00	1,225.00	1,225.00

Total reportable capital gain of $9,053.10 must be reported in the year of the gift.

After 14.5 years, the entire annuity becomes ordinary income.

The charitable deduction displayed above is based on an IRS discount rate for a month prior to the month of gift. To take your deduction based on this rate, you must specify it in an election statement that you file with your tax return.

Basic Gift Illustrations
Prepared by: PG Calc (JBF) IRS Discount Rate is 0.6%

These calculations are for illustration purposes only and should not be considered legal, accounting, or other professional advice. Your actual benefits may vary depending on several factors, including the timing of your gift.

Appendix II (continued)

THE CHARITY

Prepared for:
Sample donor
August 27, 2020

Actuarial Calculations

ESTIMATES

4.9% Charitable Gift Annuity

ASSUMPTIONS:

[1]	Annuitant		72
	Date of Gift		8/27/2020
[2]	Principal Donated		$25,000.00
[3]	Cost Basis of Property		$10,000.00
[4]	Payout Rate from ACGA2020A Table		4.9%
[5]	Payment Schedule		quarterly at end
[6]	Discount Rate under IRC Section 7520(a) for 7/2020		0.6%

CALCULATIONS:

[7]	Annuity ([2] x [4])		$1,225.00
[8]	[a]	Value of $1 for age on [1], rate on [6] (Table S in IRS Publication 1457 (5-2009))	12.2901
	[b]	Adjustment for schedule on [5], rate on [6] (Table K in IRS Publication 1457 (5-2009))	1.0022
	[c]	Adj. Value of $1 ([8a] x [8b])	12.3171
[9]	Investment in Contract ([7] x [8c])		$15,088.50
[10]	**CHARITABLE DEDUCTION** ([2] - [9]) **$9,911.50**		
[11]	[a]	Expected Return for age on [1] (Table V in Reg. 1.72-9)	14.6
	[b]	Adjustment for payment schedule on [5] (Reg. 1.72-5(a)(2)(i))	-0.1
	[c]	Expected Return per $1 ([11a] + [11b])	14.5
[12]	Expected Return ([7] x [11c])		$17,762.50
[13]	Exclusion Ratio ([9] / [12]) (Regs. 1.72-4, 1.1011-2(c) Example (8))		0.849
[14]	Bargain Sale Ratio ([9] / [2]) (Regs. 1.170A-1(d), 1.1011-2(b))		0.60354
[15]	Cost Basis Allocable to Sale Portion ([14] x [3])		$6,035.40
[16]	Total Reportable Capital Gain ([14] x ([2] - [3]))		$9,053.10

The charitable deduction displayed above is based on an IRS discount rate for a month prior to the month of gift. To take your deduction based on this rate, you must specify it in an election statement that you file with your tax return.

Prepared by: PG Calc (JBF) Basic Gift Illustrations

These calculations are for illustration purposes only and should not be considered legal, accounting, or other professional advice. Your actual benefits may vary depending on several factors, including the timing of your gift.

Appendix III

THE CHARITY

Prepared for:
Sample donors
August 27, 2020

Summary of Benefits — ESTIMATES

4.3% Charitable Gift Annuity

ASSUMPTIONS:

Annuitants	72 72
Principal Donated	$25,000.00
Cost Basis of Property	$10,000.00
Payout Rate from ACGA2020A Table	4.3%
Payment Schedule	quarterly at end

BENEFITS:

Charitable Deduction	**$7,626.50**
Annuity	**$1,075.00**
Tax-free Portion	$369.80
Capital Gain Income	$554.70
Ordinary Income	$150.50

Total reportable capital gain of $10,424.10 must be reported over 18.8 years (joint donors are joint annuitants).

After 18.8 years, the entire annuity becomes ordinary income.

The charitable deduction displayed above is based on an IRS discount rate for a month prior to the month of gift. To take your deduction based on this rate, you must specify it in an election statement that you file with your tax return.

Basic Gift Illustrations
Prepared by: PG Calc (JBF) — IRS Discount Rate is 0.6%

These calculations are for illustration purposes only and should not be considered legal, accounting, or other professional advice. Your actual benefits may vary depending on several factors, including the timing of your gift.

Appendix III (continued)

THE CHARITY

Prepared for:
Sample donors
August 27, 2020

Taxation of Gift Annuity Payments — ESTIMATES

4.3% Charitable Gift Annuity

ASSUMPTIONS:

Annuitants	72 72
Date of Gift	8/27/2020
Principal Donated	$25,000.00
Cost Basis of Property	$10,000.00
Payout Rate from ACGA2020A Table	4.3%
Payment Schedule	quarterly at end

CALCULATIONS:

Charitable Deduction	$7,626.50
Number of Payments in First Year	2
Days in First Quarterly Period (7/1/2020 to 9/30/2020)	92
Days of Payment Credit in First Quarterly Period (8/27/2020 to 9/30/2020)	35
Annuity	$1,075.00
Quarterly Payment	$268.75
First Partial Payment on 9/30/2020 (35/92 x $268.75)	$102.24

BREAKDOWN OF ANNUITY:

	Capital Gain	Tax-free Portion	Ordinary Income	Total Annuity
2020 to 2020	191.43	127.62	51.94	370.99
2021 to 2038	554.70	369.80	150.50	1,075.00
2039 to 2039	248.07	165.38	661.55	1,075.00
2040 onward	0.00	0.00	1,075.00	1,075.00

Total reportable capital gain of $10,424.10 must be reported over 18.8 years (joint donors are joint annuitants).

After 18.8 years, the entire annuity becomes ordinary income.

The charitable deduction displayed above is based on an IRS discount rate for a month prior to the month of gift. To take your deduction based on this rate, you must specify it in an election statement that you file with your tax return.

Basic Gift Illustrations
Prepared by: PG Calc (JBF) — IRS Discount Rate is 0.6%

These calculations are for illustration purposes only and should not be considered legal, accounting, or other professional advice. Your actual benefits may vary depending on several factors, including the timing of your gift.

Appendix III (continued)

THE CHARITY

Prepared for:
Sample donors
August 27, 2020

Actuarial Calculations — ESTIMATES

4.3% Charitable Gift Annuity

ASSUMPTIONS:

[1]	Annuitants		72 72
	Date of Gift		8/27/2020
[2]	Principal Donated		$25,000.00
[3]	Cost Basis of Property		$10,000.00
[4]	Payout Rate from ACGA2020A Table		4.3%
[5]	Payment Schedule		quarterly at end
[6]	Discount Rate under IRC Section 7520(a) for 7/2020		0.6%

CALCULATIONS:

[7]	Annuity ([2] x [4])		$1,075.00
[8]	[a]	Value of $1 for ages on [1], rate on [6] (Table R(2) in IRS Publication 1457 (5-2009))	16.1259
	[b]	Adjustment for schedule on [5], rate on [6] (Table K in IRS Publication 1457 (5-2009))	1.0022
	[c]	Adj. Value of $1 ([8a] x [8b])	16.1614
[9]	Investment in Contract ([7] x [8c])		$17,373.50
[10]	**CHARITABLE DEDUCTION** ([2] - [9]) **$7,626.50**		
[11]	[a]	Expected Return for ages on [1] (Table VI in Reg. 1.72-9)	18.9
	[b]	Adjustment for payment schedule on [5] (Reg. 1.72-5(a)(2)(i))	-0.1
	[c]	Expected Return per $1 ([11a] + [11b])	18.8
[12]	Expected Return ([7] x [11c])		$20,210.00
[13]	Exclusion Ratio ([9] / [12]) (Regs. 1.72-4, 1.1011-2(c) Example (8))		0.860
[14]	Bargain Sale Ratio ([9] / [2]) (Regs. 1.170A-1(d), 1.1011-2(b))		0.69494
[15]	Cost Basis Allocable to Sale Portion ([14] x [3])		$6,949.40
[16]	Total Reportable Capital Gain ([14] x ([2] - [3]))		$10,424.10
[17]	Years to Report Gain (life expectancy of both donors) (Reg. 1.1011-2(a)(4)(ii))		18.8

The charitable deduction displayed above is based on an IRS discount rate for a month prior to the month of gift. To take your deduction based on this rate, you must specify it in an election statement that you file with your tax return.

Prepared by: PG Calc (JBF) Basic Gift Illustrations

These calculations are for illustration purposes only and should not be considered legal, accounting, or other professional advice. Your actual benefits may vary depending on several factors, including the timing of your gift.

Appendix IV

THE CHARITY

Prepared for:
Sample donor
August 27, 2020

Summary of Benefits — ESTIMATES

4.9% Charitable Gift Annuity

ASSUMPTIONS:

Annuitant	72
Principal Donated	$1,000,000.00
Cost Basis of Property	$25,000.00
Payout Rate from ACGA2020A Table	4.9%
Payment Schedule	quarterly at end

BENEFITS:

Charitable Deduction	**$396,460.00**
Annuity	**$49,000.00**
Tax-free Portion	$1,040.02
Capital Gain Income	$40,560.98
Ordinary Income	$7,399.00

Total reportable capital gain of $588,451.50 must be reported over 14.5 years (donor age 72 is primary annuitant).

After 14.5 years, the entire annuity becomes ordinary income.

The charitable deduction displayed above is based on an IRS discount rate for a month prior to the month of gift. To take your deduction based on this rate, you must specify it in an election statement that you file with your tax return.

Basic Gift Illustrations
Prepared by: PG Calc (JBF) — IRS Discount Rate is 0.6%

These calculations are for illustration purposes only and should not be considered legal, accounting, or other professional advice. Your actual benefits may vary depending on several factors, including the timing of your gift.

Appendix V

THE CHARITY

Prepared for:
Sample donor
August 27, 2020

Summary of Benefits — ESTIMATES

4.9% Charitable Gift Annuity

ASSUMPTIONS:

Annuitant	72
Principal Donated	$1,000,000.00
Cost Basis of Ordinary Income Property	$25,000.00
Payout Rate from ACGA2020A Table	4.9%
Payment Schedule	quarterly at end

BENEFITS:

Charitable Deduction	**$9,911.50**
Annuity	**$49,000.00**
Tax-free Portion	$1,040.02
Ordinary Income	$47,959.98

Total reportable ordinary gain of $588,451.50 must be reported as ordinary income over 14.5 years (donor age 72 is primary annuitant).

After 14.5 years, the entire annuity becomes ordinary income.

The charitable deduction displayed above is based on an IRS discount rate for a month prior to the month of gift. To take your deduction based on this rate, you must specify it in an election statement that you file with your tax return.

Basic Gift Illustrations
Prepared by: PG Calc (JBF) — IRS Discount Rate is 0.6%

These calculations are for illustration purposes only and should not be considered legal, accounting, or other professional advice. Your actual benefits may vary depending on several factors, including the timing of your gift.

Appendix VI

THE CHARITY

Prepared for:
Sample donor
August 27, 2020

Summary of Benefits ESTIMATES

4.9% Charitable Gift Annuity

ASSUMPTIONS:

Annuitant	72
Principal Donated	$25,000.00
Cost Basis of Property	$10,000.00
Payout Rate from ACGA2020A Table	4.9%
Payment Schedule	quarterly at end

BENEFITS:

Charitable Deduction	**$9,654.00**
Annuity	**$1,225.00**
Tax-free Portion	$423.35
Capital Gain Income	$635.05
Ordinary Income	$166.60

Total reportable capital gain of $9,207.60 must be reported over 14.5 years (donor age 72 is primary annuitant).

After 14.5 years, the entire annuity becomes ordinary income.

Basic Gift Illustrations
Prepared by: PG Calc (JBF) IRS Discount Rate is 0.4%

These calculations are for illustration purposes only and should not be considered legal, accounting, or other professional advice. Your actual benefits may vary depending on several factors, including the timing of your gift.

Appendix VI (continued)

THE CHARITY

Prepared for:
Sample donor
August 27, 2020

Taxation of Gift Annuity Payments ESTIMATES

4.9% Charitable Gift Annuity

ASSUMPTIONS:

Annuitant	72
Date of Gift	8/27/2020
Principal Donated	$25,000.00
Cost Basis of Property	$10,000.00
Payout Rate from ACGA2020A Table	4.9%
Payment Schedule	quarterly at end

CALCULATIONS:

Charitable Deduction	$9,654.00
Number of Payments in First Year	2
Days in First Quarterly Period (7/1/2020 to 9/30/2020)	92
Days of Payment Credit in First Quarterly Period (8/27/2020 to 9/30/2020)	35
Annuity	$1,225.00
Quarterly Payment	$306.25
First Partial Payment on 9/30/2020 (35/92 x $306.25)	$116.51

BREAKDOWN OF ANNUITY:

	Capital Gain	Tax-free Portion	Ordinary Income	Total Annuity
2020 to 2020	219.16	146.10	57.50	422.76
2021 to 2034	635.05	423.35	116.60	1,225.00
2035 to 2035	97.74	65.40	1,061.86	1,225.00
2036 onward	0.00	0.00	1,225.00	1,225.00

Total reportable capital gain of $9,207.60 must be reported over 14.5 years (donor age 72 is primary annuitant).

After 14.5 years, the entire annuity becomes ordinary income.

Basic Gift Illustrations
Prepared by: PG Calc (JBF) IRS Discount Rate is 0.4%

These calculations are for illustration purposes only and should not be considered legal, accounting, or other professional advice. Your actual benefits may vary depending on several factors, including the timing of your gift.

Appendix VI (continued)

THE CHARITY

Prepared for:
Sample donor
August 27, 2020

Actuarial Calculations — ESTIMATES

4.9% Charitable Gift Annuity

ASSUMPTIONS:

[1]	Annuitant		72
	Date of Gift		8/27/2020
[2]	Principal Donated		$25,000.00
[3]	Cost Basis of Property		$10,000.00
[4]	Payout Rate from ACGA2020A Table		4.9%
[5]	Payment Schedule		quarterly at end
[6]	Discount Rate under IRC Section 7520(a) for 8/2020		0.4%

CALCULATIONS:

[7]	Annuity ([2] x [4])		$1,225.00
[8]	[a]	Value of $1 for age on [1], rate on [6] (Table S in IRS Publication 1457 (5-2009))	12.5086
	[b]	Adjustment for schedule on [5], rate on [6] (Table K in IRS Publication 1457 (5-2009))	1.0015
	[c]	Adj. Value of $1 ([8a] x [8b])	12.5273
[9]	Investment in Contract ([7] x [8c])		$15,346.00
[10]	**CHARITABLE DEDUCTION** ([2] - [9]) **$9,654.00**		
[11]	[a]	Expected Return for age on [1] (Table V in Reg. 1.72-9)	14.6
	[b]	Adjustment for payment schedule on [5] (Reg. 1.72-5(a)(2)(i))	-0.1
	[c]	Expected Return per $1 ([11a] + [11b])	14.5
[12]	Expected Return ([7] x [11c])		$17,762.50
[13]	Exclusion Ratio ([9] / [12]) (Regs. 1.72-4, 1.1011-2(c) Example (8))		0.864
[14]	Bargain Sale Ratio ([9] / [2]) (Regs. 1.170A-1(d), 1.1011-2(b))		0.61384
[15]	Cost Basis Allocable to Sale Portion ([14] x [3])		$6,138.40
[16]	Total Reportable Capital Gain ([14] x ([2] - [3]))		$9,207.60
[17]	Years to Report Gain (life expectancy of donor age 72) (Reg. 1.1011-2(a)(4)(ii))		14.5

Prepared by: PG Calc (JBF) — Basic Gift Illustrations

These calculations are for illustration purposes only and should not be considered legal, accounting, or other professional advice. Your actual benefits may vary depending on several factors, including the timing of your gift.

Appendix VII

THE CHARITY

Prepared for:
Sample donor
August 27, 2020

Summary of Benefits — ESTIMATES

ASSUMPTIONS:
Build-up Projection begins in 2020 and runs for 14 years.
Measuring life age 72.
For principal additions, deductions are based on age at time of addition.
Original principal is $550,000: $110,000 in 2020-2024.
Donor income tax bracket is 40.8%, 37% for tax savings, and 23.8% for capital gains.
Beneficiary income tax bracket is 40.8%, 23.8% for capital gains.

	Charitable Unitrust 5%
Gross Principal (Buildup)	$550,000
Average Annual Payment	$26,394
Total Charitable Deduction	$320,581
Total Income Tax Savings	$118,615
Cost of Gift	$431,385
Income	2.5%
Capital Appreciation	4.5%
Sell Asset in First Year	Yes
Total Before-Tax Benefit To Payment Recipient	$369,516
Total After-Tax Benefit To Payment Recipient	**$286,139**
Benefit to THE CHARITY	**$697,807**
Total Benefit	**$983,946**

Life-income Projections
Prepared by: PG Calc (JBF) — IRS Discount Rate is 0.6%

These calculations are for illustration purposes only and should not be considered legal, accounting, or other professional advice. Your actual benefits may vary depending on several factors, including the timing of your gift.

Appendix VII (continued)

THE CHARITY

Prepared for:
Sample donor
August 27, 2020

Detailed Cash Flow Analysis — ESTIMATES

ASSUMPTIONS:
Build-up Projection begins in 2020 and runs for 14 years.
Measuring life age 72.
For principal additions, deductions are based on age at time of addition.
Original principal is $550,000: $110,000 in 2020-2024.
Donor income tax bracket is 40.8%, 37% for tax savings, and 23.8% for capital gains.
Beneficiary income tax bracket is 40.8%, 23.8% for capital gains.

Build-up 5% Charitable Unitrust

Year	Year-End Principal YR	Capital Appreciation (BUILDUP)	Income (4.5%)	Before-Tax Payments (2.5%)	Tax-Free Portion	After-Tax Payments
2020	$110,000					
Sale						
2021	222,200	$4,950	$2,750	$5,500	$2,750	$4,375
2022	336,644	9,999	5,555	11,110	5,555	8,844
2023	453,377	15,149	8,416	16,832	8,416	13,398
2024	572,444	20,402	11,334	22,669	11,334	18,044
2025	583,893	25,760	14,311	28,622	13,695	22,637
2026	595,571	26,275	14,597	29,195	13,367	22,946
2027	607,483	26,801	14,889	29,779	13,047	23,265
2028	619,632	27,337	15,187	30,374	12,735	23,594
2029	632,025	27,883	15,491	30,982	12,431	23,933
2030	644,665	28,441	15,801	31,601	12,133	24,282
2031	657,559	29,010	16,117	32,233	11,843	24,641
2032	670,710	29,590	16,439	32,878	11,560	25,010
2033	684,124	30,182	16,768	33,535	11,283	25,389
2034	697,807	30,786	17,103	34,206	11,013	25,779
TOT	**$697,807**	**$332,565**	**$184,758**	**$369,516**	**$151,163**	**$286,136**

Life-income Projections
Prepared by: PG Calc (JBF) — IRS Discount Rate is 0.6%

These calculations are for illustration purposes only and should not be considered legal, accounting, or other professional advice. Your actual benefits may vary depending on several factors, including the timing of your gift.

Appendix VII (continued)

THE CHARITY

Prepared for:
Sample donor
August 27, 2020

Taxation Schedule ESTIMATES

ASSUMPTIONS:
Build-up Projection begins in 2020 and runs for 14 years.
Measuring life age 72.
For principal additions, deductions are based on age at time of addition.
Original principal is $550,000: $110,000 in 2020-2024.
Donor income tax bracket is 40.8%, 37% for tax savings, and 23.8% for capital gains.
Beneficiary income tax bracket is 40.8%, 23.8% for capital gains.
Income is 2.5%, apprec. is 4.5%. Sell asset in first year.

Build-up 5% Charitable Unitrust

	Before-Tax Payments	Ordinary Income	Ordinary Tier	Qualified Dividends	Qualified Tier	Capital Gain	Capital Tier	Tax-Free Portion	After-Tax Payments
YR		(40.8%)		(23.8%)		(23.8%)			
2021	$5,500	$2,750	$0	$0	$0	$0	$0	$2,750	$4,378
2022	11,110	5,555	0	0	0	0	0	5,555	8,844
2023	16,832	8,416	0	0	0	0	0	8,416	13,398
2024	22,669	11,334	0	0	0	0	0	11,334	18,044
2025	28,622	14,311	0	0	0	616	0	13,695	22,637
2026	29,195	14,597	0	0	0	1,230	0	13,367	22,946
2027	29,779	14,889	0	0	0	1,842	0	13,047	23,265
2028	30,374	15,187	0	0	0	2,452	0	12,735	23,594
2029	30,982	15,491	0	0	0	3,060	0	12,431	23,933
2030	31,601	15,801	0	0	0	3,667	0	12,133	24,282
2031	32,233	16,117	0	0	0	4,274	0	11,843	23,641
2032	32,878	16,439	0	0	0	4,879	0	11,560	25,010
2033	33,535	16,768	0	0	0	5,485	0	11,283	25,389
2034	34,206	17,103	0	0	0	6,090	0	11,013	25,779
TOT	$369,516	$184,758	$0	$0	$0	$33,595	$0	$151,163	$286,139

Life-income Projections
Prepared by: PG Calc (JBF) IRS Discount Rate is 0.6%

These calculations are for illustration purposes only and should not be considered legal, accounting, or other professional advice. Your actual benefits may vary depending on several factors, including the timing of your gift.

Appendix VIII

THE CHARITY

Prepared for:
Sample donor
August 27, 2020

Summary of Benefits — ESTIMATES

Bargain Sale

ASSUMPTIONS:

Value of Property	$500,000.00
Cost Basis of Property	$150,000.00
Bargain Sale Price of Property	$200,000.00

BENEFITS:

Charitable Deduction	$300,000.00
Payment to Donor	$200,000.00
Reportable Capital Gain	$140,000.00

Prepared by: PG Calc (JBF) — Basic Gift Illustrations

These calculations are for illustration purposes only and should not be considered legal, accounting, or other professional advice. Your actual benefits may vary depending on several factors, including the timing of your gift.

Appendix VIII (continued)

THE CHARITY

Prepared for:
Sample donor
August 27, 2020

Actuarial Calculations ESTIMATES

Bargain Sale

ASSUMPTIONS:

[1]	Value of Property	$500,000.00
[2]	Cost Basis of Property	$150,000.00
[3]	Bargain Sale Price of Property	$200,000.00

CALCULATIONS:

[4]	Capital Gain Ratio (([1] - [2]) / [1])	0.700000
[5]	Reportable Capital Gain ([3] x [4])	$140,000.00
[6]	**CHARITABLE DEDUCTION** ([1] - [3])	**$300,000.00**

Prepared by: PG Calc (JBF) Basic Gift Illustrations

These calculations are for illustration purposes only and should not be considered legal, accounting, or other professional advice. Your actual benefits may vary depending on several factors, including the timing of your gift.

Appendix IX

THE CHARITY

Prepared for:
Sample donor
August 27, 2020

Summary of Benefits — ESTIMATES

Retained Life Estate

ASSUMPTIONS:

Life Tenant Age	72
Value of Property	$750,000.00
Cost Basis of Property	$200,000.00
Value of Building(s)	$240,000.00
Estimated Useful Life of Building(s)	45 years
Salvage Value of Building(s)	$60,000.00

BENEFITS:

Charitable Deduction	$647,833.80

The charitable deduction displayed above is based on an IRS discount rate for a month prior to the month of gift. To take your deduction based on this rate, you must specify it in an election statement that you file with your tax return.

Basic Gift Illustrations
Prepared by: PG Calc (JBF) — IRS Discount Rate is 0.6%

These calculations are for illustration purposes only and should not be considered legal, accounting, or other professional advice. Your actual benefits may vary depending on several factors, including the timing of your gift.

Appendix IX (continued)

THE CHARITY	Prepared for: Sample donor August 27, 2020

Actuarial Calculations — ESTIMATES

Retained Life Estate

ASSUMPTIONS:

[1]	Life Tenant Age Date of Gift	72 8/27/2020
[2]	Value of Property	$750,000.00
[3]	Cost Basis of Property	$200,000.00
[4]	Value of Building(s)	$240,000.00
[5]	Estimated Useful Life of Building(s)	45 years
[6]	Salvage Value of Building(s)	$60,000.00
[7]	Discount Rate under IRC Section 7520(a) for 7/2020	0.6%

CALCULATIONS:

[8]	Nondepreciable Factor for [1] and [7] (Reg. 1.170A-12(b)(1))	0.92626
[9]	Remainder Value of Net Nondepreciable Portion ([8] x ([2] - ([4] - [6])))	$527,968.20
[10]	Depreciable Factor for [1], [5] & [7] (Reg. 1.170A-12(b)(2))	0.66592
[11]	Remainder Value of Net Depreciable Portion ([10] x ([4] - [6]))	$119,865.60
[12]	**CHARITABLE DEDUCTION** ([9] + [11])	**$647,833.80**

The charitable deduction displayed above is based on an IRS discount rate for a month prior to the month of gift. To take your deduction based on this rate, you must specify it in an election statement that you file with your tax return.

Prepared by: PG Calc (JBF) Basic Gift Illustrations

These calculations are for illustration purposes only and should not be considered legal, accounting, or other professional advice. Your actual benefits may vary depending on several factors, including the timing of your gift.

Appendix X

THE CHARITY

Prepared for:
Sample donor
August 27, 2020

Summary of Benefits — ESTIMATES

Retained Life Estate

ASSUMPTIONS:

Life Tenant Age	72
Value of Property	$750,000.00
Cost Basis of Property	$200,000.00
Value of Building(s)	$240,000.00
Estimated Useful Life of Building(s)	45 years
Salvage Value of Building(s)	$60,000.00

BENEFITS:

Charitable Deduction	$664,017.90

Basic Gift Illustrations
Prepared by: PG Calc (JBF) — IRS Discount Rate is 0.4%

These calculations are for illustration purposes only and should not be considered legal, accounting, or other professional advice. Your actual benefits may vary depending on several factors, including the timing of your gift.

Appendix X (continued)

THE CHARITY	Prepared for: Sample donor August 27, 2020

Actuarial Calculations ESTIMATES

Retained Life Estate

ASSUMPTIONS:

[1]	Life Tenant Age Date of Gift	72 8/27/2020
[2]	Value of Property	$750,000.00
[3]	Cost Basis of Property	$200,000.00
[4]	Value of Building(s)	$240,000.00
[5]	Estimated Useful Life of Building(s)	45 years
[6]	Salvage Value of Building(s)	$60,000.00
[7]	Discount Rate under IRC Section 7520(a) for 8/2020	0.4%

CALCULATIONS:

[8]	Nondepreciable Factor for [1] and [7] (Reg. 1.170A-12(b)(1))	0.94997
[9]	Remainder Value of Net Nondepreciable Portion ([8] x ([2] - ([4] - [6])))	$541,482.90
[10]	Depreciable Factor for [1], [5] & [7] (Reg. 1.170A-12(b)(2))	0.68075
[11]	Remainder Value of Net Depreciable Portion ([10] x ([4] - [6]))	$122,535.00
[12]	**CHARITABLE DEDUCTION** ([9] + [11])	**$664,017.90**

Prepared by: PG Calc (JBF) Basic Gift Illustrations

These calculations are for illustration purposes only and should not be considered legal, accounting, or other professional advice. Your actual benefits may vary depending on several factors, including the timing of your gift.

Appendix XI

THE CHARITY

Prepared for:
Sample donor
August 27, 2020

Summary of Benefits — ESTIMATES

5% Charitable Annuity Trust

ASSUMPTIONS:

Beneficiary Age	72
Cash Donated	$400,000.00
Payout Rate	5%
Payment Schedule	quarterly at end

BENEFITS:

Charitable Deduction	$162,492.00
Annual Payments	$20,000.00
Probability of Corpus Exhaustion	14.22%

The charitable deduction displayed above is based on an IRS discount rate for a month prior to the month of gift. To take your deduction based on this rate, you must specify it in an election statement that you file with your tax return.

*** WARNING ***
This trust would not qualify for charitable tax benefits because its 14.22% chance of being drawn down to $0 is greater than 5% (Rev. Rul. 77-374). But the trust can qualify by including a provision to terminate in favor of charity if the trust falls below 10% of its initial value plus 0.6% interest (Rev. Proc. 2016-42).

Basic Gift Illustrations
Prepared by: PG Calc (JBF) — IRS Discount Rate is 0.6%

These calculations are for illustration purposes only and should not be considered legal, accounting, or other professional advice. Your actual benefits may vary depending on several factors, including the timing of your gift.

Appendix XI (continued)

THE CHARITY

Prepared for:
Sample donor
August 27, 2020

Actuarial Calculations — ESTIMATES

5% Charitable Annuity Trust

ASSUMPTIONS:

[1]	Beneficiary Age Date of Gift	72 8/27/2020
[2]	Cash Donated	$400,000.00
[3]	Payout Rate	5%
[4]	Payment Schedule	quarterly at end
[5]	Discount Rate under IRC Section 7520(a) for 7/2020	0.6%

CALCULATIONS:

[6]	Value of $1 for meas. lives/term on [1], years on [11] (Reg. 25.7520-3(b)(2)(v) Example 5)	11.8493
	[a] Adjustment factor for schedule on [4], rate on [5] (Table K in IRS Publication 1457 (5-2009))	1.0022
	[b] Adjusted value of $1 ([6] x [6a]) (Reg. 20.2031-7(d)(2)(iv))	11.8754
[7]	Remainder factor (1.0 - ([6b] x [3]))	0.40623
[8]	Annual Payment ([2] x [3])	$20,000.00
[9]	Value of Life Interest ([6b] x [8])	$237,508.00
[10]	**CHARITABLE DEDUCTION** ([2] - [9])	**$162,492.00**
[11]	Number of Years to Corpus Exhaustion	21.32006
[12]	Probability of Corpus Exhaustion (FAILS 5% Probability Test of Rev. Rul. 77-374)	14.22%

The charitable deduction displayed above is based on an IRS discount rate for a month prior to the month of gift. To take your deduction based on this rate, you must specify it in an election statement that you file with your tax return.

*** WARNING ***

This trust would not qualify for charitable tax benefits because its 14.22% chance of being drawn down to $0 is greater than 5% (Rev. Rul. 77-374). But the trust can qualify by including a provision to terminate in favor of charity if the trust falls below 10% of its initial value plus 0.6% interest (Rev. Proc. 2016-42).

Prepared by: PG Calc (JBF) Basic Gift Illustrations

These calculations are for illustration purposes only and should not be considered legal, accounting, or other professional advice. Your actual benefits may vary depending on several factors, including the timing of your gift.

Appendix XII

THE CHARITY

Prepared for:
Sample donor
August 27, 2020

Summary of Benefits ESTIMATES

Pooled Income Fund

ASSUMPTIONS:

Beneficiary Age	72
Cash Donated	$100,000.00
Current Estimated Income Rate	2.2%

BENEFITS:

Charitable Deduction	$76,364.00
Estimated Payments in First Full Year (future payments will vary with fund earnings)	$2,200.00

Prepared by: PG Calc (JBF) Basic Gift Illustrations

These calculations are for illustration purposes only and should not be considered legal, accounting, or other professional advice. Your actual benefits may vary depending on several factors, including the timing of your gift.

Appendix XII (continued)

THE CHARITY	Prepared for: Sample donor August 27, 2020

Actuarial Calculations — ESTIMATES

Pooled Income Fund

ASSUMPTIONS:

[1]	Beneficiary Age Date of Gift	72 8/27/2020
[2]	Cash Donated	$100,000.00
[3]	Rate of Return Used for IRS Valuation (Reg. 1.642(c)-6(c)(2), 1.642(c)-6T(e)(3), or 1.642(c)-6T(e)(4))	2.2000%

CALCULATIONS:

[4]	Remainder factor for values on [1] and [3] (Table S in IRS Publication 1457 (5-2009))	0.76364
[5]	**CHARITABLE DEDUCTION** ([2] x [4])	**$76,364.00**

Prepared by: PG Calc (JBF) — Basic Gift Illustrations

These calculations are for illustration purposes only and should not be considered legal, accounting, or other professional advice. Your actual benefits may vary depending on several factors, including the timing of your gift.

Appendix XIII

THE CHARITY

Prepared for:
Sample donor
August 27, 2020

Summary of Benefits — ESTIMATES

5.4% Charitable Gift Annuity

ASSUMPTIONS:

Annuitant Age	[8/27/1944] 72
Date of Gift	8/27/2016
Cash Donated	$50,000.00
Payout Rate from ACGA2012 Table	5.4%
Payment Schedule	quarterly at end

BENEFITS:

Charitable Deduction	$19,831.00
Annuity	$2,700.00
Tax-Free Portion	$2,081.70
Ordinary Income	$618.30

After 14.5 years, the entire annuity becomes ordinary income.

The charitable deduction displayed above is based on an IRS discount rate for a month prior to the month of gift. To take your deduction based on this rate, you must specify it in an election statement that you file with your tax return.

Prepared by: PG Calc (JBF) — IRS Discount Rate for July 2016 is 1.8%

These calculations are for illustration purposes only and should not be considered legal, accounting, or other professional advice. Your actual benefits may vary depending on several factors, including the timing of your gift.

Appendix XIII (continued)

THE CHARITY

Prepared for:
Sample donor
August 27, 2020

Taxation of Gift Annuity Payments ESTIMATES

5.4% Charitable Gift Annuity

ASSUMPTIONS:

Annuitant Age	[8/27/1944] 72
Date of Gift	8/27/2016
Cash Donated	$50,000.00
Payout Rate from ACGA2012 Table	5.4%
Payment Schedule	quarterly at end

CALCULATIONS:

Charitable Deduction	$19,831.00
Number of Payments in First Year	2
Days in First Quarterly Period (7/1/2016 to 9/30/2016)	92
Days of Payment Credit in First Quarterly Period (8/27/2016 to 9/30/2016)	35
Annuity	$2,700.00
Quarterly Payment	$675.00
First Partial Payment on 9/30/2016 (35/92 x $675.00	$256.79

BREAKDOWN OF ANNUITY

	Tax-free Portion	Ordinary Income	Total Annuity
2016 to 2016	718.41	213.38	931.79
2017 to 2030	2,081.70	618.30	2,700.00
2031 to 2031	306.79	2,393.21	2,700.00
2032 onward	0.00	2,700.00	2,700.00

After 14.5 years, the entire annuity becomes ordinary income.

The charitable deduction displayed above is based on an IRS discount rate for a month prior to the month of gift. To take your deduction based on this rate, you must specify it in an election statement that you file with your tax return.

Prepared by: PG Calc (JBF) IRS Discount Rate for July 2016 is 1.8%

These calculations are for illustration purposes only and should not be considered legal, accounting, or other professional advice. Your actual benefits may vary depending on several factors, including the timing of your gift.

Appendix XIII (continued)

THE CHARITY

Prepared for:
Sample donor
August 27, 2020

Actuarial Calculations — ESTIMATES

5.4% Charitable Gift Annuity

ASSUMPTIONS:

[1]	Annuitant		[8/27/1944] 72
	Date of Gift		8/27/2016
[2]	Cash Donated		$50,000.00
[3]	Payout Rate from ACGA2012 Table		5.4%
[4]	Payment Schedule		quarterly at end
[5]	Discount Rate under IRC Section 7520(a) for 7/2016		1.8%

CALCULATIONS:

[6]	Annuity ([2] x [3])		$2,700.00
[7]	[a]	Value of $1 for age on [1], rate on [5] (Table S in IRS Publication 1457 (5-2009))	11.0993
	[b]	Adjustment for schedule on [4], rate on [5] (Table K in IRS Publication 1457 (5-2009))	11.8754
	[c]	Adj. Value of $1 ([7a] x [7b])	11.1737
[8]	Investment in Contract ([6] x [7c])		$30,169.00
[9]	**CHARITABLE DEDUCTION** ([2]-[8])		$19,831.00
[10]	[a]	Expected Return for age on [1] (Table V in Reg. 1.72-9)	14.6
	[b]	Adjustment for payment schedule on [4] (Reg. 1.72-5(a)(2)(i))	-0.1
	[c]	Expected Return per $1 ([10a] + [10b])	14.5
[11]	Expected Return ([6] x ([10c])		$39,150.00
[12]	Exclusion Ratio ([8] / [11]) (Regs. 1.72-4, 1.1011-2(c) Example (8))		0.771

The charitable deduction displayed above is based on an IRS discount rate for a month prior to the month of gift. To take your deduction based on this rate, you must specify it in an election statement that you file with your tax return.

Prepared by: PG Calc (JBF) — Basic Gift Illustrations

These calculations are for illustration purposes only and should not be considered legal, accounting, or other professional advice. Your actual benefits may vary depending on several factors, including the timing of your gift.

Appendix XIII (continued)

THE CHARITY

Prepared for:
Sample donor
August 27, 2020

Termination of Gift Annuity — ESTIMATES

5.4% - Gift of Annuity Interest

ASSUMPTIONS:

[1]	[a]	Annuitant Birth Date	8/27/1944
	[b]	Age at Date of Original Gift	[8/27/2016] 72
	[c]	Age at Date of Termination	[8/27/2020] 76
[2]		Cash Donated	$50,000.00
[3]		Payout Rate	5.4%
[4]		Payment Schedule	quarterly at end
[5]		Discount Rate for [1b] under IRC Section 7520(a) for 7/2016	1.8%
[6]		Discount Rate for [1c] under IRC Section 7520(a) for 8/2020	0.4%

BREAKDOWN OF ANNUITY

	Tax-free Portion	Ordinary Income	Total Annuity
2016 to 2016	718.41	213.38	931.79
2017 to 2030	2,081.70	618.30	2,700.00
2031 to 2031	306.79	2,393.21	2,700.00
2032 onward	0.00	2,700.00	2,700.00
2020 (termination year)	**1,040.85**	**309.15**	**1,350.00**

CALCULATIONS:

[7]		Annuity ([2] x [3])	$2,700.00
[8]	[a]	Value of $1 for age on [1c], rate on [6] (Table S in IRS Publication 1457 (5-2009))	10.2241
	[b]	Adjustment for schedule on [4], rate on [6] (Table K in IRS Publication 1457 (5-2009))	1.0015
	[c]	Adj. Value of $1 ([8a] x [8b])	10.2394
[9]		Value of Annuity Interest ([7] x [8c])	$27,646.50
[10]		Undistributed Tax-free Portion / Adjusted Cost Basis	

	((10 years x 2,081.70) + (2,081.70 - 1,040.85) + 306.79)	$22,164.64
[11]	**Charitable Deduction for Gift of Annuity Interest (lesser of [9] or [10]), see IRC 170(e)(1)(A))**	**$22,164.64**

Prepared by: PG Calc (JBF) IRS Discount Rate for July 2016 is 1.8%

These calculations are for illustration purposes only and should not be considered legal, accounting, or other professional advice. Your actual benefits may vary depending on several factors, including the timing of your gift.

Appendix XIV

Non-Charitable Interest Actuarials ESTIMATES

Retained Life Estate

ASSUMPTIONS:

[1]	Life Tenant Age	82
	Date of Gift	8/27/2020
[2]	Value of Property	$750,000.00
[3]	Cost Basis of Property	$200,000.00
[4]	Value of Building(s)	$240,000.00
[5]	Estimated Useful Life of Building(s)	45 years
[6]	Salvage Value of Building(s)	$60,000.00
[7]	Discount Rate under IRC Section 7520(a) for 7/2020	0.6%

CALCULATIONS:

[8]	Nondepreciable Factor for [1] and [7] (Reg. 1.170A-12(b)(1))	0.95667
[9]	Remainder Value of Net Nondepreciable Portion ([8] x ([2] - ([4] - [6])))	$545,301.90
[10]	Depreciable Factor for [1], [5] & [7] (Reg. 1.170A-12(b)(2))	0.80086
[11]	Remainder Value of Net Depreciable Portion ([10] x ([4] - [6]))	$144,154.80
[12]	Value of Remainder ([9] + [11])	$689,456.70
[13]	Value of Life Estate ([2] - [12])	$60,543.30

Appendix XV

THE CHARITY

Prepared for:
Sample donor
August 27, 2020

Summary of Benefits — ESTIMATES

Regular withdrawal from traditional IRA vs. QCD from traditional IRA:

Withdrawal from Traditional IRA:	$100,000.00
Federal income tax (37% plus 3.8%):	$40,800.00
Charitable Deduction	$100,000.00
Federal Tax Savings from Deduction:	$37,000.00
Net tax cost of gift:	$3,800.00
QCD from Traditional IRA:	$100,000.00
Federal income tax	$0
Charitable Deduction	$0
Federal Tax Savings from Deduction:	$0
Net tax cost of gift:	$0