admin - Wed, 1/8/2014 - 11:40

A portion of each annuity payment is excluded from income as a return of principal; the rest of the annuity payment is taxed as ordinary income.(1) If your projection runs beyond the life expectancy of the annuitant(s), previously tax-free income is taxed as ordinary income. If the donor qualifies to report the gain that results from the establishment of the annuity over the donor's lifetime, part of the excludable portion will be taxed as capital gain until all of the gain has been reported.(2) Capital gains tax is assessed at the lesser of the rate you enter for the beneficiary's income tax rate and the beneficiary's maximum capital gains tax rate. Ordinary income is taxed at the beneficiary's income tax rate entered by you. This is consistant with treatment of other Gift Annuities.

Footnotes:

(1) IRC Sec. 72(b).

(2) Treas. Reg. Sec. 1.1011-2(b)(4).

Print
Categories
Charitable Gift Annuity