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### **Charitable Remainder Trusts**

The 10% minimum remainder value test is a test that requires all charitable remainder trusts (CRT) funded after July 28, 1997 to have a remainder value equal to or greater than 10% of the funding amount. The remainder value equals the charitable deduction amount computed by PG Calc's Planned Giving Manager (PGM). It is determined according to the valuation tables found in Section 7520 of the IRS Code.

If a CRT fails the 10% test, it does not qualify as a charitable trust and loses all the favorable tax treatment that a qualified CRT enjoys. In short, failing the 10% test is a disaster for the trust and its donor.

This test was created by [The Taxpayer Relief Act of 1997](#).

### **Charitable Gift Annuities**

A charitable gift annuity must have a charitable value that is more than 10% of the funding amount. Otherwise, the obligation of the charity to pay the annuity may constitute "acquisition indebtedness" or commercial-type insurance. Either may give rise to unrelated debt-financed income that is taxable to the charity. This and the other requirements that a gift annuity must meet in order for the issuing charity to avoid acquisition indebtedness are described in Section 514(c)(5) of the IRS Code.

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