

[Jeff Lydenberg](#) - Wed, 10/19/2016 - 00:00

The end we are talking about is the end of calendar year 2016. Are you ready? Most charities concentrate on year-end giving in the fourth quarter and for good reason. A study conducted by the Center on Philanthropy at Indiana University focused on high-net worth donors found that 42.7 percent of those surveyed gave more during the holidays than the rest of the year.

Nonetheless, in addition to soliciting and encouraging gifts at the end of the calendar year, it is also a time for planned giving departments to prepare and plan.

Tax Preparation for Life Income Gifts

If your charity issues gift annuities, you are required to report the taxation of your annual annuity payments on Form 1099-R, which must be sent to the annuitant by February 1st of the year following the year in which the annuity payments were made. Charities must also file copies of Form 1099-R with the IRS by February 28th if on paper, and March 31st if electronic. After the close of each calendar year, income beneficiaries of pooled income funds receive federal income tax Form K-1, advising them as to how much income from the pooled income fund they must report on their federal income tax returns. These forms are due to the income beneficiary by April 15th, but of course waiting this long is neither practical nor advised when donors have received most other informational forms by the beginning of February.

To be prepared to issue Forms 1099-R and Form K-1, ensure that all new gifts and all terminated gifts for 2016 have been recorded as soon as possible. PG Calc's *GiftWrap* gift administration software can prepare the 1099-R for the donor as well as produce an electronic copy of the 1099-R for submission to the IRS. *GiftWrap's Pooled Fund Module* can also prepare the Form K-1s required to report pooled fund taxation.

Determining the Adequacy of Gift Annuity Reserves for State Compliance

Certain highly regulating states require annual reporting on the adequacy of a charity's gift annuity reserve fund to comply with state imposed reserve requirements. While there is an annual reporting on the reserves in these regulated states as of a fixed point (either fiscal year end or calendar year end), the need to hold adequate reserves is ongoing throughout the year. If your charity is registered in these highly regulating states, you should monitor your reserve level in relation to

your reserve requirement periodically to ensure that the sufficiency of your reserve fund.

Alabama and North Dakota require submission of the organizations audited financials each year as the primary reporting. A charity issuing annuities in Alabama must name “restricted agents” to market gift annuities and sign annuity agreements in the state on behalf of the charity. At year-end, Alabama requires renewal of the list of “restricted agents.” Both Florida and Hawaii require submission of a form attesting to a charity’s ongoing compliance with the statutory requirements, but while Florida requires nothing additional, Hawaii does require documentation in support of the minimum asset and reserve fund requirements. Seven states (Arkansas, California, Maryland, New Jersey, New York, Tennessee, and Washington) have a more detailed annual reporting requirement, involving either use of a specific state form or a statement from a CPA (in either the audited financial statements or separate). Washington further requires that an actuary verify the reserve requirement as part of the annual filing, and in some instances, New Jersey also requires an actuarial verification.

A charity has the obligation to infuse its reserve fund with additional assets if the gift annuity reserve fund balance drops below the required reserve amount. While this is particularly critical at the end of the reporting period (whether required at the end of your fiscal year or the end of the calendar year) it is a requirement throughout the year.

Marketing Planning

Although it may be too late to plan marketing initiatives that you want to implement in the fourth quarter of 2016, it is not too late to create your gift planning marketing strategy for 2017 and set your calendar for the next year. No one wants to look at a blank sheet of paper in January and discover that good ideas may have to wait another year for funding. Planned giving marketing is a continual drip of messages encouraging the donor to include your charity in their long-term plans. Devise a marketing calendar that reminds donors at regular intervals to consider estate gifts, beneficiary designations, life income gifts, or the other ways a donor might include your charity in their estate plans. Leverage existing media to communicate planned giving messages, such as newsletters, magazines, direct mail, and events.

Determine when there are times of the year to supplement these existing media channels with planned giving-specific messaging targeting those supporters most likely to consider planned giving. As 2016 comes to a close, marshal internal support

and resources to implement planned giving-specific marketing opportunities in 2017.

Critical Year-End Issues and Reminders for Donors

As we have established, year-end generates a number of tax-influenced gifts. For those donors that want to complete a gift in 2016, the message is that it is never too early to take action, and waiting too long can lead to sub-optimal planned gifts.

IRA Charitable Rollover

The IRA Charitable Rollover became permanent law at the end of 2015. The guessing game as to whether Congress would or would not reinstate the charitable rollover is over. Nonetheless, donors and tax advisers are not uniformly aware of the tax and charitable benefits of this important giving technique. Along with other promotions, you may have been marketing charitable IRA rollovers all year.

Now is the time to be more proactive. Review your records of donors who took advantage of the IRA charitable rollover in prior years. If they have not made a charitable rollover gift for 2016, pick up the phone and call them. Remind them of the power of the IRA charitable rollover to reduce income taxes and make tax-free gifts to charity. Provide sample letters of instruction for donors to send to IRA administrators. Make it as easy as possible for donors to take advantage of this important giving technique.

Last Minute Gifts at Year-End

Remind donors that if they mail a check via the US Postal Service, the postmark date will be the gift date. Note that the day the donor deposits the check in the mailbox is not the date of gift. The gift is complete when the post office stamps the postmark. The postmark on a letter deposited in the mail late on December 31, 2016 is likely to be January 2017, and that will be the date of gift. If your donor uses a private delivery service such as FedEx or UPS, the date the check arrives at your charity is the gift date, not the date the donor gave the check to the private delivery service.

Gifts made using a credit card are complete on the transaction posting date. That is the date on the statement showing the name of the charity and when the charge was posted to the cardholder's account. In most cases, donors will receive immediate acknowledgment of credit card transactions, allowing these gifts as late as New Year's Eve. Banks may record debit cards and other electronic payments as late as a day or more after the donor initiates the gift, which could extend into 2017.

The date of gift for stock or mutual funds transferred electronically is the date the shares arrive in your organization's account. At year-end, many brokerage companies are overwhelmed with transactions. Delays in electronic transfer of securities can cause shares to arrive in your account in 2017. In that case, the donor is eligible to take the charitable deduction in 2017, not 2016.

Conclusion

Everyone in the non-profit sector knows the fourth quarter of the calendar year is always the busiest. Preparing for next year's internal compliance, reporting, and marketing, while still motivating your donors to action is a tall order. Act now so the holidays that come at the very end of the year are less stressful and more enjoyable.

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