

Charitable Gift Annuity

When a donor transfers an asset to a charity¹ in exchange for an income for one or two lives, it is called a charitable gift annuity.

The income tax deduction from this arrangement will vary depending on the age of the donor, the payout rate and the applicable (mid-term) federal rate (AFR) (which is determined monthly).

The following charts illustrate the income tax deduction at various ages and AFRs. Each example assumes a cash gift of \$100,000. The payouts vary with the age of the donor.²

Age 55 / 4.5% / \$4,500			⇐ Recommended Payout ⇐		4.9% / \$4,900 / Age 60	
AFR Table Rate	Total Charitable Deduction	Income Excluded from Taxation ³	Total Charitable Deduction	Income Excluded from Taxation ³	Total Charitable Deduction	Income Excluded from Taxation ³
4.6%	\$35,974	\$2,246	\$37,010	\$2,602	\$37,010	\$2,602
4.8%	37,318	2,201	38,196	2,553	38,196	2,553
5.2%	39,859	2,111	40,229	2,470	40,229	2,470

Age 65 / 5.4% / \$5,400			⇐ Recommended Payout ⇐		5.9% / \$5,900 / Age 70	
AFR Table Rate	Total Charitable Deduction	Income Excluded from Taxation ³	Total Charitable Deduction	Income Excluded from Taxation ³	Total Charitable Deduction	Income Excluded from Taxation ³
4.6%	\$38,598	\$3,073	\$42,336	\$3,605	\$42,336	\$3,605
4.8%	39,618	3,019	43,163	3,552	43,163	3,552
5.2%	41,565	2,921	44,750	3,452	44,750	3,452

¹ In most states, a charity must be licensed to grant a gift annuity.

² Many charities follow the suggested maximum payout rates developed by the American Council on Gift Annuities (ACGA), 5151 E. Broadway Blvd., Suite 1600, Tucson, AZ 85711. Tel: (770) 874-3355. On the internet: <https://acga.memberclicks.net/>

³ The amount shown represents that portion of the annual payment due to recovery of the donor's basis in the annuity. Once the basis has been completely recovered, all additional payments are fully taxable.

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Age 75 / 6.6% / \$6,600		⇐ Recommended Payout ⇐			7.6% / \$7,600 / Age 80	
AFR Table Rate	Total Charitable Deduction	Income Excluded from Taxation ¹	Total Charitable Deduction	Income Excluded from Taxation ¹		
4.6%	\$46,414	\$4,290	\$50,406	\$5,221		
4.8%	47,064	4,237	50,903	5,168		
5.2%	48,317	4,132	51,864	5,069		

Note: Table calculated using ACGA “recommended” Single Life Gift Annuity rates effective January 1, 2023.

¹ The amount shown represents that portion of the annual payment due to recovery of the donor’s basis in the annuity. Once the basis has been completely recovered, all additional payments are fully taxable.

Disclosure Notice

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