



Ask the experts

How Can You Reactivate Lapsed Donors?

What's the best way to motivate lapsed donors to give again?

Q: Can you give us some advice on how we can bring lapsed donors back into the fold?

A: The basic principle in lapsed donor reactivation is this: Treat lapses as what they are, noting that “we haven’t heard from you in awhile” and probing for an indication that they really do want to continue supporting you. In this vein, it’s a good idea to include a short questionnaire, fishing for donors’ reasons for not having given recently. ■

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Tax Reporting for Gifts of Annuities

When people donate annuities, what type of tax reporting is required?

Q: I’m about to assume responsibility for an annuity program, and I’ve never managed one before. What type of tax reporting is necessary for our annuitants?

A: Organizations that run a gift annuity program have to send a 1099R to each annuitant by January 31. As you know, the payment from a gift annuity could be reported by the annuitant in up to three tiers: ordinary income, tax-free return of principal, and long-term capital gain if the gift was funded with appreciated long-term property. The planned giving software you’re using has a module that breaks down the tiers for you when you enter the variables for the gift. For gift annuities you accept today and in the future, the tax-free portion of the payment ends once

the annuitants reach life expectancy. Thereafter, the entire payment is fully taxable. If annuitants predecease their life expectancy, their estate is entitled to an income-tax deduction for the amount of the unrecovered principal. For annuities written before 1987, annuitants can continue to report their tax-free portion even if they outlive their life expectancies. ■

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Note: Debra Ashton is the author of the newly revised third edition of The Complete Guide to Planned Giving, available at www.debraashton.com.

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