

**HB**

**121**

# FISCAL NOTE

**STATE OF ALASKA**  
**2001 LEGISLATIVE SESSION**

Fiscal Note Number: 1  
 Bill Version: CSHB 121(L&C)  
 (H) Publish Date: 3/26/01

Revision Date/Time(Note if Correction) 03/09/2001 2:30p.m. Dept. Affected: DCED  
 Title: An Act relating to the issuance of qualified BRU: Insurance Operations  
charitable gift annuities. Component: Insurance  
 Sponsor: Representative Murkowski  
 Requester: House Labor & Commerce Component Number: 354

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
<b>CHANGE IN REVENUES ( )</b>						

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2001) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2002 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

This bill has no fiscal impact on this component.

Prepared by: Robert A. Lohr Phone 907-269-7900  
 Division: Insurance Date/Time 03/09/2001 2:30p.m.  
 Approved by: Commissioner Deborah B. Sedwick Date 3/9/2001  
 Agency: Department of Community & Economic Development

For distribution information, call the Governor's Legislative Office

COMMITTEE COPY

# ALASKA STATE LEGISLATURE

*Chair:*  
LABOR AND COMMERCE

*Member:*  
MILITARY AND VETERANS AFFAIRS  
COMMUNITY AND REGIONAL AFFAIRS  
LEGISLATIVE COUNCIL  
JOINT ARMED SERVICES



**REPRESENTATIVE LISA MURKOWSKI**  
Government Hill • Elmendorf • East Anchorage

*Session:*  
ALASKA STATE CAPITOL  
JUNEAU, AK 99801-1182  
PHONE: (907) 465-3783  
FAX: (907) 465-2293  
Representative\_Lisa\_Murkowski@legis.state.ak.us

*Interim:*  
716 WEST 4TH AVENUE  
ANCHORAGE, AK 99501-2133  
PHONE: (907) 269-0174  
FAX: (907) 269-0177

## Sponsor Statement House Bill 121 Charitable Gift Annuities

Charitable gift annuities can be an important way for charities to raise funds. If a donor wishes to make a charitable gift but also wants to reserve income for the future, gift annuities provide a legal contract between charity and donor (so in exchange for a donor making a gift, the charity provides an annuity to the donor).

Based on model legislation developed by the National Association of Insurance Commissioners, House Bill 121 defines and clarifies a charitable gift annuity, states that gift annuities are not insurance, provides minimum unrestricted cash requirements, and sets out specific requirements for the issuance of gift annuities. The Act protects both donors and charities by providing that notice be given to donors and provides that organizations notify the Division of Insurance when entering into their first qualified charitable gift annuity.

The model legislation has been successfully passed in over 30 states and has been approved by the American Council of Gift Annuities and the National Council of Planned Giving. I urge your considered and favorable support.

Last Updated March 30, 2001  
Staff Contact: Army Erickson 465-4954

Sponsor  
Statement/Sectional

320C Providence Drive  
P.O. Box 196604  
Anchorage, Alaska  
99519-6604

Tel 907.562.2211



September 25, 2000

Honorable Brian S. Porter  
Speaker of the House  
Alaska State legislature  
3430 Fordham Drive  
Anchorage, AK 99508

Dear Speaker of the House;

On behalf of Providence Alaska Foundation, I am submitting this letter in support of the Charitable Gift Annuities Exemption Model Act. Providence supports this legislative bill for the benefit of Alaskan charities and their donors. The Model Act which defines charitable gift annuities has been successfully passed in over than 30 states. The Exemption Act has also been approved by the National Association of Insurance Commissioners (NAIC) and has the approval of the American Council of Gift Annuities.

This legislative bill simply defines charitable gift annuities and states that gift annuities are not insurance and that the issuance of a charitable gift annuity does not constitute engaging in the business of insurance in this state. The Model Act requires notice to donors and would require charities that issues gift annuities to notify the commissioner when it enters into the organization's first qualified charitable gift annuity. It would thereby benefit the state in tracking such data. Passing the Model Act protects both charities and donors alike.

The Model Act serves to define charitable gift annuities, provides minimum unrestricted cash requirements and sets out specific requirements for the issuance of charitable gift annuities. Providence feels privileged in promoting such legislation in protecting charitable gift annuities in our state.

Sincerely,

Douglas Bruce  
Chief Executive  
Providence Health System in Alaska



President  
*Douglas M. North*

# Alaska Pacific University

November 13, 2000

Honorable Brian S. Porter  
Speaker of the House  
Alaska State Legislature  
3430 Fordham Drive  
Anchorage, AK 99508

## Board of Trustees

John Ayers  
Chairman

Edward Rasmuson  
Vice Chairman

John Seawell  
Secretary

Ray Debenham  
Treasurer

Daniel Alex  
Bill Allen  
Elaine Atwood  
Barbara Baugh  
David Beal  
Mary Bellis  
Richard Block  
Kent Boothman  
Carl Brady, Jr.  
John Cairns  
Gabriella Campbell  
Larry Carr  
Larry Cash  
Melphine Evans  
James Flood  
Lydia Hays  
Patricia Brown Heller  
Karen Hunt  
Francis Hurley  
Donald Kell, Jr.  
James Kross  
Carl Marrs  
Robert McMillen  
Bonnie Mehner  
James Palmer  
Edward Paup  
Leah Peterson  
Barbara Dadd Shaffer  
William Sheffield  
Donald Willson  
Phoebe Wood

Dear Speaker of the House;

On behalf of Alaska Pacific University, I am submitting this letter in support of the Charitable Gift Annuities Exemption Model Act. The University supports this legislative bill for the benefit of Alaskan charities and their donors. The Model Act defines charitable gift annuities and has successfully passed in over 30 states. The Exemption Act has also been approved by the National Association of Insurance Commissioners (NAIC) and has the approval of the American Council of Gift Annuities.

This simple legislative bill simply defines charitable gift annuities and states that gift annuities are not insurance and that the issuance of a charitable gift annuity does not constitute engaging in the business of insurance in this state. The Model Act requires notice be given to donors and would require charities that issues gift annuities to notify the commissioner when it enters into the organization's first qualified charitable gift annuity. It would thereby benefit the state in tracking such data. Passing the Model Act protects both charities and donors alike.

The Model Act serves to define charitable gift annuities, provides minimum unrestricted cash requirements and sets out specific requirements for the issuance of charitable gift annuities. Alaska Pacific University feels privileged in promoting such legislation and would appreciate your help in protecting charitable gift annuities in our state. Thank you for your support.

Sincerely,

Douglas M. North, President  
Alaska Pacific University



# The Salvation Army

## Alaska Divisional Headquarters

Mailing Address: P.O. Box 101459  
 143 E. Ninth Avenue • Anchorage, Alaska 99510-1459  
 (907) 276-2515 • FAX (907) 276-1424

Founded in 1865  
 By William Booth  
 John Gowans  
 General  
 David Edwards  
 Territorial Commander  
 Terry W. Griffin  
 Divisional Commander

November 27, 2000

Honorable Brian Porter  
 Speaker of the House


Dear Speaker of the House,

On behalf of The Salvation Army, I am submitting this letter in support of the Charitable Gift Annuities Exemption Model Act. The Salvation Army supports this legislative bill for the benefit of Alaskan charities and their donors. The Model Act, which defines charitable gift annuities, has been successfully passed in over 30 states. The Exemption Act has also been approved by the National Association of Insurance Commissioners (NAIC) and has the approval of the American Council of Gift Annuities.

This simple legislative bill defines charitable gift annuities and states that gift annuities are not insurance and that the issuance of a charitable gift annuity does not constitute engaging in the business of insurance in this state. The Model Act requires notice be given to donors and would require charities that issue gift annuities to notify the commissioner when it enters into the organization's first qualified charitable gift annuity. It would thereby benefit the state in tracking such data. Passing the Model Act protects both charities and donors alike.

The Model Act serves to define charitable gift annuities, provides minimum unrestricted cash requirements and sets out specific requirements for the issuance of charitable gift annuities. The Salvation Army feels privileged in promoting such legislation and would appreciate your help in protecting charitable gift annuities in our state. Thank you for your support.

Sincerely,

  
 Terry W. Griffin, Lt. Colonel  
 DIVISIONAL COMMANDER

cc: Douglas Bruce, Chief Executive  
 Providence Health Care System, Alaska

**100**  
 1865-1965

*Into a Second Century of Service*



Check  
the rate of  
appreciation  
on your  
next gift.

**Gift Annuities through Providence Health Systems**

Families young and old benefit when you give to the Sisters of Providence. You receive guaranteed income from your gift and your gift helps us save lives, limbs, and livelihoods - all outcomes of the good work we do with your support. Payments you receive from a Providence Gift Annuity supplements your income for life, and allows you a charitable income tax deduction at the time the gift is made.

**Example for a \$10,000 Gift Annuity**

Age	Annuity Rate	Tax Deduction
70	7.5%	4,080
75	8.2%	4,480
80	9.2%	4,884
85	10.5%	5,334
90	12.0%	5,807

\*approximate deduction, actual may vary slightly

To learn what your benefits from a gift annuity might be, please return the form below. Or call Jon Calder at 907-261-4943.

*Yes, I would like more information about Providence Gift Annuities.*

NAME \_\_\_\_\_ AGE(S) \_\_\_\_\_

ADDRESS \_\_\_\_\_

CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP \_\_\_\_\_

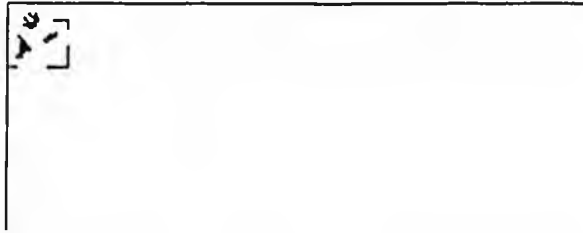
PHONE (\_\_\_\_) \_\_\_\_\_ E-MAIL \_\_\_\_\_

Please contact Jon Calder, Annual & Planned Giving Director  
(907) 261-4943 • fax 261-3048 • jcalder@provak.org  
P.O. Box 186604 • Anchorage, AK 99519



**INFORMATION  
STATEMENT**

W  
Th  
N  
L  
S  
Modn  
and  
Fr  
Sat  
S  
C  
Pr  
E  
A  
F  
Mo  
G  
N  
T  
Mo  
7



## Charitable Gift Annuity

---

### A Charitable Gift Annuity . . . A Wise Investment!

It allows you to make a charitable contribution to The National Heritage Foundation or to one of our many foundations, while providing a fixed and guaranteed lifetime income for you and/or a loved one. In addition, you will receive certain tax advantages which make your gift even more valuable.

You may specify that your gift be used for the greatest needs of The National Heritage Foundation at that time. Or, as a supporter of a particular work of one or more foundations at NHF, you may direct that your gift be used for future needs of one or more specific programs.

It is not necessary for you to have a foundation at The National Heritage Foundation in order to obtain the benefits of your own Charitable Gift Annuity, although many of the donor/advisors with their own foundation accounts find that the Gift Annuity is a valuable personal benefit.

There are some who've left a name so that tomorrow will see their light . . .  
and some who will perish as though they never lived.

---

Continue



## The Tangible Benefits are Numerous

---

Among the many benefits you will receive are:

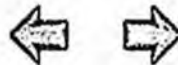
- ◇ Guaranteed income with your annual payment backed by all the assets of The National Heritage Foundation, plus your gift is set aside in a separate reserve account for your lifetime to back up the annuity payments to you and/or your loved one.
- ◇ An immediate charitable deduction of a portion of your gift.
- ◇ A tax savings on capital gains if your gift is funded with appreciated property such as stocks, bonds or mutual funds.
- ◇ Tax free income on a portion of your annual income payments for a number of years.
- ◇ Deferred income if you wish to begin receiving payments at a later date, such as at the start of retirement, which will earn higher interest.
- ◇ Your choice of income recipients with payments to the donor only, the donor and a surviving beneficiary, or a person other than the donor.

You Receive Long Term, Intangible Benefits as Well!

In addition to many real benefits, your Charitable Gift Annuity investment in the National Heritage Foundation or one of its foundations will result in significant intangible and long-term benefits.

The beneficiaries and supporters of The National Heritage Foundation become partners with us as we go forth to promote the Heritage of our Nation. You walk with us in our effort to undertake a piece of the grand task of restoring, maintaining and extending our precious heritage of people making life more meaningful for each other, and helping you live a life of love and good works.

---



## How does the Charitable Gift Annuity Work?

---

First, the donor of the gift and the secondary beneficiary, if any, must be at least 35 years old. The minimum single gift is \$5,000, and annual gifts may start with as little as \$2,000. The gifts may be in the form of cash or stocks, bonds or mutual funds. Many annuitants roll over a matured certificate of deposit into a charitable gift annuity, or they provide a gift of stock and avoid taxes on part of the capital gain.

As an example, Mr. and Mrs. Jones invested a matured certificate of deposit earning 5.5% annual interest into a gift annuity paying them 7.5%. About half of this income will not be taxable to them over their life expectancies.

They made a significant contribution to The National Heritage Foundation, or perhaps to their own foundation, while at the same time, earning a greater rate of return. In addition, they earned certain charitable deductions which a certificate of deposit does not offer. The earned interest rate of a charitable gift annuity is based on the annuitant's age at the time of the gift along with other considerations.

### Examples at Various Ages:

Single Life		Two Lives	
Age on Gift Date	Annuity Rate	Ages on Gift Date	Annuity Rate
55	6.7%	55/55	6.5%
60	6.9%	60/60	6.6%
65	7.2%	65/65	6.8%
70	7.7%	75/75	7.1%
75	8.4%	75/75	7.5%
80	9.4%	80/80	8.2%
85	10.5%	85/85	9.2%
90	12.0%	90/90	10.8%



[FAQ on Charitable Gift Annuities](#)

## Frequently Asked Questions:

---

**Q: What is a Charitable Gift Annuity?**

**A:** The charitable gift annuity is a simple contract between you and The National Heritage Foundation. In exchange for your irrevocable gift of cash, securities, or other assets, NHF agrees to pay one or two annuitants, which the donor names, a fixed sum each year for life. Payments are usually made in annual, semiannual, or quarterly installments. The payments are guaranteed by the general resources of NHF, and are backed by separate reserve accounts in which the original gift amounts are held, less any expenses and/or income payouts.

**Q: How is the payout rate determined?**

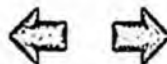
**A:** The payout rate is determined by the age(s) of the annuitant(s) at the time of the gift. The older the age(s) of the annuitant(s) the more income the NHF can agree to pay.

**Q: Is the donor entitled to a current charitable income tax deduction?**

**A:** The donor can claim an income tax deduction for the portion of the Gift Annuity that represents the charitable gift. The tax deduction is claimed in the year the gift is made, however, if income is insufficient to use the entire deduction in one year, the unused portion can be carried forward for an additional five years.

**Q: Are there any other tax benefits?**

**A:** In most cases, part of each payment is tax free, increasing each payment's after-tax value. The tax-free portion is greatest when the annuity is funded with cash. If you give appreciated property, some of the income you receive will be treated as a partial capital gain.



Example

## Charitable Gift Annuities

---

### EXAMPLE:

Mary Sharp is 82 years old and has been investing primarily in fixed income investments to supplement her pension and social security income. With interest rates dropping the last several years, investments that used to pay her 8% to 9% are now only paying her 6%.

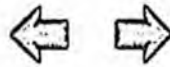
As a supporter of The National Heritage Foundation, Mary saw some information about income producing gift plans, but never associated the idea with her situation. When her last \$20,000 Certificate of Deposit came due and she was offered a reinvestment rate of 6%, Mary decided to give her Philanthropic Development Officer at NHF a call.

At Mary's age, The NHF was able to create a gift annuity that will pay her 9.8% annually on her \$20,000.

Mary received the following benefits for creating her NHF Charitable Gift Annuity:

Annuity Income:	\$1,960
Tax Free Portion:	1,190*
Taxable Portion:	770
Income Tax Deduction:	10,660
Tax Savings at 28% Bracket:	2,968 (This reduced the cost of her gift to \$17,032) (The effective after-tax yield is therefore 11.5%) (The effective pre-tax yield is 14.2% @ 28% bracket)
Estate Tax Savings:	up to 55% of the \$20,000 gift
Probate Savings:	up to 6% to 8% of the \$20,000 gift
Lifetime Support of the NHF:	Mary named her son to work for her own foundation

\*After 8.5 years the entire annuity becomes ordinary income



The Benefits

## The Charitable Gift Annuity:

---

### **BENEFITS INCLUDE:**

**You will qualify for a federal income tax deduction.**

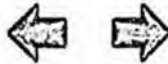
**The annuitants you name will receive fixed annual income for life, guaranteed by the general resources of the National Heritage Foundation.**

**If you fund the annuity with an appreciated asset, you will incur tax on only part of the gain. If you name yourself as an annuitant, this tax will be spread out over many years. Your estate may enjoy reduced probate and estate taxes.**

**You will provide generous support of the National Heritage Foundation to help us continue our efforts to extend our precious heritage.**

**You can pass on to your heirs, through your own foundation at NHF, a rich and rewarding philanthropic vocation which will provide them with the resources to achieve their own charitable objectives.**

---



**How we can help**

**How we can help:**

The National Heritage Foundation can provide you with a personalized confidential illustration you can share with your financial advisor. NHF will draft the contract and prepare the 1099R form for you. For further information and a special illustration, please contact the NHF Charitable Gift Annuity Administrator at 1-800-822-6711 or write to the gift administrator at the address below.

You should consult your attorney and/or tax advisor about the applicability to your own situation of the legal and tax principles contained herein.

NHF Gift Annuity Administrator  
P. O. Box 605  
Colmar, PA 18915  
1-800-822-6711  
215-822-6601

email: [advisor@pobox.com](mailto:advisor@pobox.com)



There are some who've left a name so that tomorrow will see their light...  
and some who will perish as though they never lived.

