



WISCONSIN LEGISLATIVE COUNCIL ACT MEMO

2013 Wisconsin Act 271
[2013 Senate Bill 152]

**Exemption From Regulation for
Certain Gift Annuities**

2013 Wisconsin Act 271 relates to the regulation of qualified charitable gift annuities. An annuity is a contract under which a payer agrees to pay a person (the annuitant) periodic payments for a set period or for an indefinite period, such as the remainder of the annuitant's life. The Act defines a "qualified charitable gift annuity" as an annuity established under a transaction that is treated, for federal income tax purposes, partly as a charitable contribution and partly as an investment in an annuity contract, and that meets certain other Internal Revenue Code requirements.

Under prior law, the Office of the Commissioner of Insurance (OCI) regulated the sale of qualified charitable gift annuities. Before a qualified charitable gift annuity could be issued, prior law required OCI to certify that the payer was "in a position properly to negotiate, execute and safeguard such annuity contracts," and required the payer to maintain a segregated account for its gift annuities equal to the greater of \$100,000 or the sum of the reserves on its outstanding annuities plus a surplus of 10% of the reserves.

The Act prohibits a charitable organization from issuing a qualified charitable gift annuity unless the organization has been in existence for at least three years.

In addition, the Act provides that qualified charitable gift annuities issued by charitable organizations that have been in existence for longer than three years are exempt from the OCI regulation referred to above. The Act further provides that an agreement for a qualified charitable gift annuity must disclose that the annuity is not insurance, is not subject to regulation by OCI, and is not protected by an insurance guaranty fund or association.

This memo provides a brief description of the Act. For more detailed information, consult the text of the law and related legislative documents at the Legislature's Web site at: <http://www.legis.wisconsin.gov>.

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Also, the Act requires a person who issued an existing qualified charitable gift annuity prior to the effective date of the Act to provide notice to the policy owner or beneficiary of the Act's provisions relating to qualified charitable gift annuities.

Effective date: April 18, 2014.

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