

# MONTANA ENDOWMENT TAX CREDIT

The Montana Endowment Tax Credit allows donors to pay less in Montana state income taxes when they give a qualifying planned gift to a qualified Montana charitable endowment.

The incentive is 40% of the value of the gift, up to a maximum \$10,000 tax credit in one year for individuals, and a credit of 20% of a direct gift by a qualified business, up to a maximum of \$10,000 in one year.

*Example: A donor, 65, purchases a \$10,000 charitable gift annuity with a certificate of deposit that has matured. As income beneficiary, the donor will receive 6.0% or \$600 per year for life. The donor names the endowment of the Glacier Symphony and Chorale as the remainder beneficiary of the annuity. Therefore, the donor is eligible for the Montana Endowment Tax Credit. The federal charitable deduction for the gift is \$3,553 and the qualifying amount of the Montana Endowment Tax credit is \$1,421 or 40% of the present value of the planned gift. (Assumes and IRS discount rate of 5%. Example provided by the Montana Community Foundation).*

# IRA CHARITABLE ROLLOVER

If a taxpayer is over 70 1/2, a contribution up to \$100,000 can be made from an IRA to the GSC and the withdrawal will be excluded from your taxable income.

Therefore, no income tax is paid on the IRA distribution. Likewise, the taxpayer does not take the contribution as a charitable deduction on Schedule A of their federal income tax return.

The reason this provision is so helpful is that in the past if funds were distributed from your IRA and then given to a charity, you were required to include the IRA distribution amount in your taxable income. The amount contributed to the charitable organization was deductible on Schedule A, but the deduction very rarely equaled the taxable income due to the limits on total Schedule A deductions. Therefore, under old provisions, the taxable income created was not offset 100% by the charitable deduction. These new provisions eliminate the taxation and deduction, allowing all of the IRA distribution given to the GSC (up to \$100,000) to be free of income tax.

This opportunity currently exists through December 31, 2009.