



Endowment Foundation

## A Montana Tax Credit for Corporations

The Montana tax credit allows corporations and estates to pay less in Montana income taxes by giving an outright gift to a Montana charitable endowment. This is an incentive of a credit of 13.3% for an outright gift by an estate or corporation up to a maximum of \$6,600.

The above percentages are temporary and will continue through June 30, 2003. For the period of July 1, 2003 through April 30, 2004 there will be a temporary increase in the allowable Montana tax credit. During that period, the Montana tax credit for corporations and pass-through entities will increase to 26.7% of the charitable gift value with a maximum credit of \$13,400.

? A **qualified endowment** is the endowment fund of any organization incorporated in Montana or established primarily for the benefit of Montana citizens or groups and certified as tax exempt by the Internal Revenue Service. Furthermore, the endowment must be **irrevocable and permanent**, and held by a Montana incorporated or established organization that:

- ✗ is a tax-exempt organization under 26 U.S.C. 501(c)(3); or
- ✗ is a bank or trust company, as defined in Title 32, chapter 1, part 1, that is holding the fund endowment on behalf of a tax-exempt organization.

? **Montana Tax Credit:** An outright gift by a corporation to the **Boys & Girls Club Endowment Foundation** is eligible for a **federal income tax deduction and a Montana Tax Credit**. In order to receive the Montana Tax Credit, the corporation must also receive a charitable deduction on federal income taxes.

### Example:

Donor Corporation, a Montana corporation, is in the 35% federal tax bracket. Donor Corporation decides to make a \$5,000 gift to the Boys & Girls Club Endowment Foundation to *Endow-a-Kid*. The corporation will receive a \$1,750 federal tax reduction and a \$665 Montana tax credit for the \$5,000 gift. The net cost to Donor Corporation is \$2,585 – just a little more than 50% of the gift!

### Points to Note:

Donors, whether individual or corporate, who wish to use the tax credit to build charitable endowments and reduce their tax bills will want to discuss its potential benefits with their financial advisors. A tax-payer may take a tax-credit or a tax-deduction on their Montana taxes for the amount being claimed, but not both.