



MONTANA
COMMUNITY
FOUNDATION

The Montana Endowment Tax Credit



“

My clients continue to be excited and very pleased to be able to permanently support the Montana charities of their choosing through planned gifts that provide large income tax savings up front and a potential income stream at retirement. I'm a big fan of the Montana Endowment Tax Credit, as are many of my clients and professional colleagues.”

— Ron Yates, CPA

A way to make the most of your money for you and Montana.

What if there was a way to get up to a \$10,000 credit on your taxes? What if we told you by getting this credit, you'd not only benefit yourself, but also benefit Montana? And what if we told you Montana is one of just a few states to offer a credit like this?

What is the Montana Endowment Tax Credit (METC)?

The credit was established in 1997 to encourage individuals, businesses and organizations to make lasting investments in their communities. This opportunity offers you a credit of 40 percent of a qualifying planned gift's federal charitable deduction, up to a maximum of \$10,000, per year, per individual, or \$20,000 per year for couples filing jointly. It also allows a credit of 20 percent of a gift's federal charitable deduction for a direct gift by a qualified business up to a maximum of \$10,000 per year.

What is a planned gift?

Planned gifts are a way of giving that allows donors to maintain access to income during their lifetime, provide estate and tax planning tools, and build permanent wealth for Montana's charities, nonprofit organizations and local community foundations. Things like gift annuities, charitable trusts and some estate gifts fall into this category.

What is the difference between a charitable deduction and a credit?

Charitable deductions can be itemized to help lower your taxable income, and thereby the amount of tax you owe. However, they do not provide a dollar-for-dollar tax savings. The METC, on the other hand, provides a direct credit toward your Montana taxes. Every dollar of METC you qualify for is \$1 less that you will owe the state. While a gift for which you are claiming the METC can only be used as an itemized charitable deduction on your federal tax return, not state, the dollar-for-dollar tax credit generally provides a much greater benefit on your state tax return than itemizing the gift would yield. Additionally, should you choose not to itemize the gift on your federal tax return, you are still eligible to claim the METC on your state taxes.

What does this look like in the real world?

Here's an example. A planned giving donor 60 years of age creates a deferred charitable gift annuity (DGA) with a gift of \$10,000. This results in an \$8,912 federal charitable tax deduction and a Montana Endowment Tax Credit of \$3,565. To maximize tax benefits, annuity payments are deferred until a date just prior to the donor's life expectancy, after which the donor will receive \$500 per year for the remainder of their life. If the donor does not wish to receive any future income, they can relinquish their beneficial interest in the annuity after five years from the date of the gift and receive another smaller federal tax deduction at that time. The money from the annuity, (which has been growing through investment), is then transferred to the charitable endowment(s) designated as the beneficiary of the gift. If a donor chooses not to relinquish, the annuity will continue to be held in their name until their death, at which point the balance is transferred to the benefiting endowment(s). And remember, this is just one example of a planned gift; there are many more ways to structure gifts that make the most sense for your personal needs and charitable goals.

*The information in this publication is not intended as legal or tax advice. For legal or tax advice, please consult your attorney and/or tax professional. These calculations are for illustration purposes only and should not be considered legal, accounting, or other professional advice. Your actual benefits may vary depending on several factors including your age and size of your gift.

33 S Last Chance Gulch, Ste. 2A Helena, MT 59624 110 W Front Street, Missoula, MT 59802

p 406.443.8313 f 406.442.0482 e info@mtcf.org www.mtcf.org

©2018 Montana Community Foundation. All rights reserved. 04/2018