

Montana Endowment Tax Credit

This valuable credit allows donors to pay less in Montana state income taxes when they give to a permanent endowment fund.

The law encourages donations to qualified endowments at a Montana charity (such as those at the Foundation). There are significant tax savings (up to \$10,000 or \$20,000 for married filers) for Montana businesses and individuals that pay Montana income tax.

The Basics

For **businesses**, a direct gift qualifies for a 20% tax credit. So, on a \$10,000 gift from a business, a credit of \$2,000 is available on the Montana tax return, reducing the “cost” of the gift to \$8,000.

For **individuals**, the credit is higher—40%—but the gift must take the form of a qualified “planned gift.”

By far, the majority of Montanans accessing this valuable credit do so through a **deferred gift annuity**.

Minimum annuity gift amount is \$2,500. To receive a no-obligation illustration, simply complete and return the Gift Annuity Information Request Form available at www.fдох.org.

Example*

John and Jane Smith, age 71 and 68, donated \$25,000 to the Foundation through a deferred gift annuity to benefit their parish endowment fund. To maximize tax savings, annuity payments to the Smiths were deferred far into the future. The numbers played out as follows:

* Federal tax deduction: \$22,210 (based on actuarial calculations and tax laws)

* Montana Endowment Tax Credit: \$8,884 (40% of the federal tax deduction)

* **The Smiths’ “cost” of the \$25,000 gift nets to \$10,564**, after federal tax savings of \$5,552 (assuming a 25% federal tax bracket) and Montana tax savings of \$8,884.

The Montana Endowment Tax Credit is a valuable tool. It may sound complicated, but the Foundation makes it easy. With the minimum gift annuity amount of \$2,500, many households can participate. Let us help you access these tax savings while providing perpetual financial support to the Catholic ministries you love!



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**names changed. This information is not intended as tax advice; please discuss with your tax advisor.*

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WHAT IS A GIFT ANNUITY?

A gift annuity is a simple contract between you and the Foundation for the Diocese of Helena (FDH). In exchange for your irrevocable gift of cash, securities, or other assets, FDH agrees to pay one or two annuitants you name a fixed sum each year for life. The older your designated annuitants are at the time of gift and the longer payments are deferred, the greater the fixed payments FDH can agree to pay.

In most cases, part of each payment is tax-free, increasing each payment's after-tax value. If you give appreciated property you will pay capital gains tax on only part of the appreciation. In addition, if you name yourself as the first or only annuitant the capital gains tax will be spread out over many years and the first installment will not be due until you receive your first annuity payment. Payments are usually made annually, semiannually, or quarterly. The minimum amount we can accept for a deferred gift annuity is \$2,500.

After five years has passed since the date of the gift, you can rescind your rights to the annuity payments (e.g., voluntarily cancel the annuity contract). If you choose to do so, the value of the annuity at the date of early cancellation (gift plus investment performance less expenses) will be placed into the endowment fund designated as beneficiary of your annuity. FDH will contact you after five years from the date of your gift to ask if you would like to voluntarily cancel the annuity. Alternatively, the value of the annuity will be placed into the endowment fund at the death of the annuitant(s).

BENEFITS INCLUDE:

- 1) You will qualify for a federal income tax deduction. Note that deductions for gifts of long term appreciated property will be limited to 30% of your adjusted gross income. Gifts of cash, short term appreciated property, ordinary income property, and non-appreciated property will be limited to 50% of your adjusted gross income. You may, if necessary, take unused deductions of either kind over the next five years, subject to the same 30% or 50% limitation.
- 2) When you select a permanent endowment within the Foundation for the Diocese of Helena as the beneficiary of your charitable gift annuity, you qualify for the Montana Endowment Tax Credit. The tax credit is calculated at 40% of the federal income tax deduction amount, up to \$10,000 per person (if filing married, you can claim up to \$20,000 credit for both husband and wife). You can select from numerous endowments within the Foundation for the Diocese of Helena. Your local parish within the Diocese of Helena has an endowment with the Foundation, as well as several endowments supporting diocesan ministries.

Please note that the Montana Endowment Tax Credit is a "nonrefundable" tax credit, which means that it reduces your Montana tax liability. If you do not pay Montana state income taxes, you will not benefit from the Montana Endowment Tax Credit. Any unused portion of the credit cannot be carried forward to next year.

- 3) If you fund the annuity with a long term appreciated asset (one you have held for more than one year), 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 and the first installment will not be due until after you receive your first payment.
- 4) The annuitants you name will receive fixed annual payments for life, backed by the general resources of FDH, starting in the year you choose.
- 5) Your estate may enjoy reduced probate costs and estate taxes.
- 6) You will provide generous support to Catholic ministries.