

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)

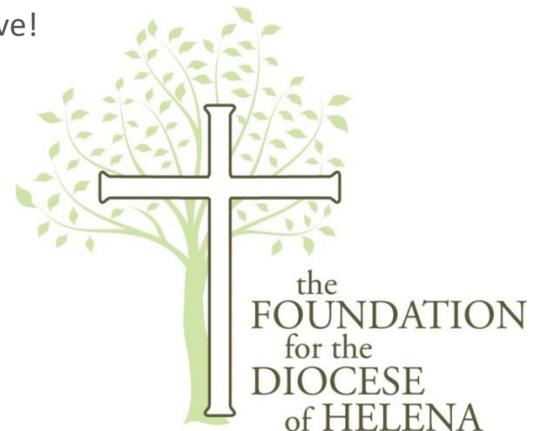
* Montana Endowment Tax Credit: \$8,884 (40% of the federal tax deduction)

* **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, with payments starting at least one year after your gift. 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 gift annuity is \$2,500.

NOTE: 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).

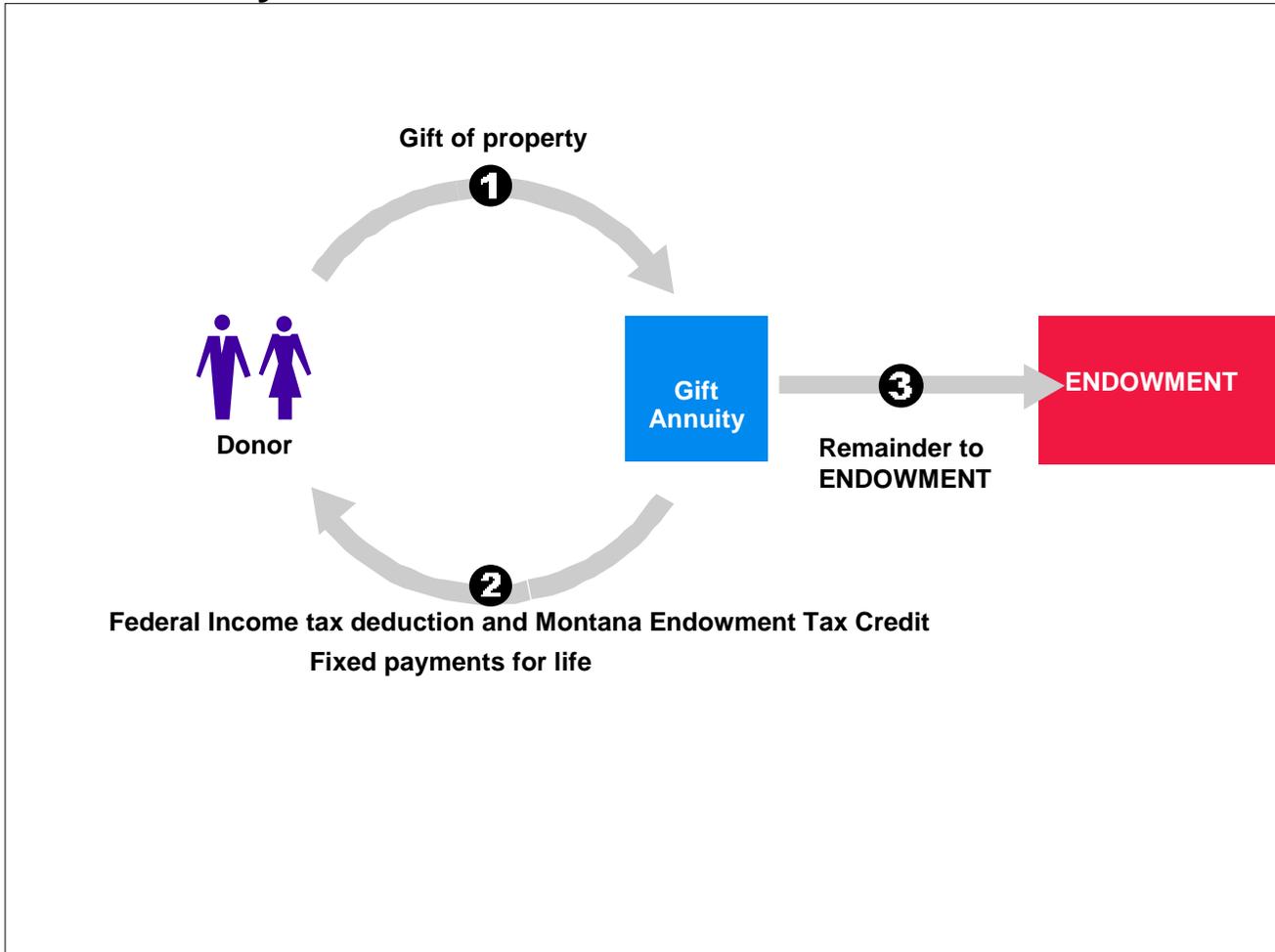
BENEFITS INCLUDE:

- 1) You will qualify for a federal income tax deduction. Note that deductions for gifts of cash will be limited to 60% of your adjusted gross income and deductions for gifts of long term appreciated property will be limited to 30% of your adjusted gross income. Deductions for gifts of short term appreciated property and ordinary income property will be limited to 50% of your adjusted gross income and will be based on your cost basis in the property rather than its value on the date of your gift. You may, if necessary, take unused deductions over the next five years, subject to the same 30%, 50%, or 60% 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. Also, you cannot take the charitable deduction for this gift on your Montana tax return if you utilize 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.

Gift Annuity



How it works

1 You transfer cash, securities, or other property to the Foundation to fund the Annuity.

2 You receive an income tax deduction and may save capital gains tax.

FDH pays a fixed amount each year to you or to anyone you name for life. Typically, a portion of these payments is tax-free.

3 When the annuity ends, its remaining value passes to Endowment.

Gift Annuity Disclosure Statement

Description of a Gift Annuity

A gift annuity is a simple contract between the donor(s) and Foundation for the Diocese of Helena (hereinafter "FDH"). In exchange for the donor's(s') contribution, FDH promises to make fixed payments for life to one or two annuitants (usually, but not necessarily, the donor(s)). The amount paid is based on the age(s) of the annuitant(s), in accordance with FDH's rate schedule.

Not a Commercial Investment

The act of establishing a gift annuity with FDH is not, and should not be viewed as, an investment. Rather, it is a way to arrange for annuity payments while making a charitable donation. In this respect, a gift annuity issued by FDH is different from a commercial annuity. While both types of annuities make payments that are usually partially tax-free, the charitable donation aspect of establishing a gift annuity may result in additional tax benefits that are not available when purchasing a commercial annuity. These tax benefits include a current federal income tax charitable deduction (if you itemize your deductions) and possible future estate tax savings.

Gift Annuity Rates

Generally, the gift annuity rates paid by FDH are those suggested by the American Council on Gift Annuities, which is a national organization of charities that has been in existence since 1927. These rates have been calculated so as to provide attractive payments to the donor and/or other annuitant(s) and also to result in a significant portion of the contribution remaining for the charity. Because a charitable gift is involved, the rates are lower than those available through commercial annuities offered by insurance companies and other financial institutions.

Assets Backing Annuity

The annuity payments are a general obligation of FDH, and they are backed by all of our assets (subject to security interests). As of June 30, 2017, the market value of our total invested funds exceeded \$20 million, and they are invested in a conservative and disciplined manner in adherence to the socially responsible investing principles outlined by the U.S. Conference of Catholic Bishops. If FDH should ever fail financially, individuals entitled to receive annuities will qualify as general creditors of FDH.

Governance

Responsibility for governing FDH, which was established in Montana in 1978, is vested in a Board of Trustees composed of 15 persons, who are nominated and elected by the board members. Common investment funds managed by our organization are exempt from registration requirements of the federal securities laws, pursuant to the exemption for collective investment funds and similar funds maintained by charitable organizations under the Philanthropy Protection Act of 1995 (P.L. 104-62). Information in this statement is provided to you in accordance with the requirements of that Act.

Points to Remember

- A contribution for a gift annuity is irrevocable.
- The right to annuity payments may not be assigned to any person or organization, other than FDH.
- The gift date is the date when you actually transfer assets. In the case of cash, it is the date you mail or deliver a check. In the case of an electronic transfer of securities, it is the date they are received into the account of FDH. If you have certificates, it is the date they are properly endorsed and mailed or delivered.
- The gift annuity is governed by applicable state laws.

For More Information

This disclosure statement is intended to provide basic information regarding the gift annuities issued by FDH, and is not intended to serve as legal advice. We encourage you to consult with your own legal and/or financial advisor about the applicability of such a gift in your own situation. If you have additional questions concerning FDH's gift annuity program, please call or write Jeanne Saarinen at the Foundation for the Diocese of Helena, PO Box 1729, Helena MT 59624, (406) 442-5820.