



**Mike Kadas**  
Director

# Montana Department of Revenue



**Steve Bullock**  
Governor

## Memorandum

**To:** Revenue and Transportation Interim Committee

**From:** Aaron McNay, Economist  
Tax Policy and Research, Montana Department of Revenue

**Date:** August 18, 2014

**Subject:** Annual Report on Charitable Endowment Credit

Each year the Department of Revenue is required by 15-1-230, MCA, to make a report to the Revenue and Transportation Interim Committee on the Charitable Endowment Credit. This memorandum briefly describes the Charitable Endowment Credit and reports on the use of the credit over the previous six years.

Enacted in 1997, the Charitable Endowment Credit is designed to increase charitable donations by individuals and corporations by providing an income, or corporation license, tax credit to individuals and corporations that donate a planned gift to a charitable 501(c)(3) organization. The credit for an individual is 40% of the present value of the planned gift, with the credit currently being limited to \$10,000 for either an individual, or corporation.

Based on preliminary tax records, the Charitable Endowment Credit was claimed on 488 personal income tax forms for tax year 2013, a decrease over the previous year's 588 claims. The total credit amount also decreased in 2013 and was \$1,600,904, which required approximately \$4 million in private gifts to qualified charitable organizations. From 2012 to 2013, the average credit amount claimed by each individual decreased from \$3,525 to \$3,281, which is slightly less than the 2010 recession level of \$3,298. While the preliminary credit amount claimed in 2013 is at its lowest point in over five years, the final claim amount for the tax year is likely to increase as taxpayers file late and amended returns.

Figure 1					
Tax Year	Credit Amount	Number	Average Individual Credit Amount	Credit Percentage	Gift Amount Used to Claim Credit
2008	\$1,990,411	554	\$3,593	40%	\$4,976,028
2009	\$1,808,443	533	\$3,393	40%	\$4,521,108
2010	\$1,827,181	554	\$3,298	40%	\$4,567,953
2011	\$1,784,717	514	\$3,472	40%	\$4,461,793
2012	\$2,072,754	588	\$3,525	40%	\$5,181,885
2013*	\$1,600,904	488	\$3,281	40%	\$4,002,260

\* Preliminary Estimate for Tax Year 2013

In 2012, preliminary tax records indicate that 13 corporations claimed the tax credit on their corporate tax forms.<sup>1</sup> With a total credit amount of \$40,797, corporations received significantly less from the tax credit than individuals. The credit amount received by corporations is also significantly more volatile than the credit received by individuals. From 2009 to 2010, the credit amount claimed by corporations declined from \$100,189 to \$29,530, a decrease of approximately 70%. However, the volatility of the credit appears to have declined since tax year 2011, with credits averaging \$45,000 each tax year. The average credit amount for each corporation is also significantly less than those claimed by individuals, with an average credit amount only \$3,138 in 2012.

Figure 2			
Year Return Filed	Credit Amount	Corporations	Average Corporation Credit Amount
2007	\$131,675	38	\$3,465
2008	\$41,316	18	\$2,295
2009	\$100,189	29	\$3,455
2010	\$29,530	14	\$2,109
2011	\$47,340	16	\$2,959
2011	\$47,340	16	\$2,959
2012*	\$40,797	13	\$3,138

\* Preliminary Estimate for Tax Year 2012

<sup>1</sup> Tax records for 2013 are not currently available, due to some corporations functioning on fiscal years that do not align with the tax year.