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Memorandum

To: Revenue and Transportation Interim Committee

From: Aaron McNay, Economist 
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Date: November 12, 2013

Subject: Statutory 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 five 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.

In 2012, the Charitable Endowment Credit was claimed on 588 personal income tax forms, an increase over the previous year's 514 claims. The total credit amount also increased in 2012 and was \$2,072,754, which required approximately \$5.5 million in private gifts to qualified charitable organizations. While the total credit amount did reach a five year peak in 2012, the claim amount is still below the peak in credit claims that occurred during the early 2000's. From 2011 to 2012, the average credit amount claimed by each individual increased from \$3,472 to \$3,525, which is slightly less than the 2007 pre-recession level of \$3,812.

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

In 2011, 16 corporations claimed the tax credit on their corporate tax forms. With a total credit amount of \$47,340, 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%. The average credit amount for each corporation is also significantly less than those claimed by individuals, with an average credit amount only \$2,959 in 2011.

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