

2015 North Dakota Tax Credit for Charitable Giving

Gifts to Endowments

The 2011 N.D. Legislature expanded the state's charitable income tax credit options. The purpose of the tax credit is to give North Dakotans the opportunity to make meaningful gifts to charities and reduce income tax bills. The credit may be carried forward for three years if it cannot all be used in one year. You do not need to itemize to receive the credit.

For Individuals: An individual may receive a state tax credit for a contribution of \$5,000 or more (lump sum or aggregate in one year) to a qualified North Dakota endowment. The Library Foundation, Inc. is a qualified charity. The tax credit is 40 percent of the charitable reduction allowed by the IRS, up to a maximum credit of \$10,000 per year per taxpayer or \$20,000 per year per couple filing jointly. For donors in a 28 percent federal tax bracket, the tax benefits may look like this:

Gift Amount:	\$5,000	\$10,000	\$25,000	\$50,000
Federal Tax deduction	- 1,400	- 1,680	- 7,000	- 14,000
N.D. state income tax credit	- <u>2,000</u>	- <u>4,000</u>	- <u>10,000</u>	- <u>20,000</u>
Net Cost of Gift	\$1,600	\$4,320	\$8,000	\$16,000

For Businesses and Financial Institutions: C corporations, S corporations, partnerships, estates, limited liability companies and trusts that make gifts to qualified endowments may qualify for a state income tax credit, equal to 40 percent of the value of the gift, up to a maximum credit of \$10,000 per year.

IRA Rollovers: Congress may also reauthorize legislation so you can direct your IRA/retirement account distribution to a qualified endowment fund. Funds coming out of your IRA/retirement account won't be taxed. The distributed funds would also be eligible for the 40 percent ND Income Tax Credit.

You must be 70 1/2 or older to use the IRA rollover provision. You may withdraw a maximum of \$100,000. The maximum tax credit for IRA contributions is \$25,000 per person or \$50,000 per couple.

Definitions:

A "qualified endowment" is a permanent, irrevocable fund held by a qualified North Dakota nonprofit organization or a bank or trust company holding the fund on behalf of a qualified nonprofit organization.

A "permanent irrevocable fund" is comprised of cash, securities, mutual funds, or other investment assets established for a specific charitable organization and invested in the production and/or growth of income, which may either be added to principal or expended.

For more specific legal information about charitable tax credits, contact your tax advisor or the North Dakota Tax Department at 701-328-7088 or www.nd.gov/tax.



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