

It's now possible to make a greater impact in North Dakota for less. A \$5,000 endowment* at a North Dakota college or university may cost only \$1,250.

*Additionally, you can make a qualified deferred gift (such as a charitable trust or gift annuity) and benefit from a state tax credit on your charitable contribution, and a gift of appreciation property can further leverage your tax benefits

How it might work:*

Step 1

You donate a minimum Of \$5,000 to a qualified endowment (Or any amount to a qualified deferred gift)

Step 2

You get a federal tax deduction of \$1,750

Step 3

And your North Dakota income tax credit is \$2,000 (40% of your charitable gift)

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|----------------------------|---------|----------|----------|
| Gift Amount | \$5,000 | \$25,000 | \$50,000 |
| Federal Tax Deduction | \$1,750 | \$8,750 | \$17,500 |
| ND State Income Tax Credit | \$2,000 | \$10,000 | \$20,000 |
| Net Cost of Gift | \$1,250 | \$6,250 | \$12,500 |

*Assumes you are in the 35% tax bracket

2011 Expansion of State Tax Credit for Endowment Gifts

The Minot State University Foundation, North Dakota Association of Nonprofit Organizations and North Dakota Community Foundation, working closely with state legislators and other nonprofit leaders across the state, successfully led the effort to expand the state tax credit for contributions to endowments during the 2011 legislative session (SB 2160).

Charitable giving by individuals and businesses in North Dakota builds communities and enriches the lives of North Dakotans by supporting the work of the state's 3,300 charitable nonprofit organizations. Expansion of the state endowment tax credit benefits North Dakota by the following:

- Empowering North Dakotans to give more and have greater impact in our state.
- Keeping money in North Dakota to help meet the needs of our state's citizens and communities.
- Building nonprofit sustainability to maximize resources for an organization's charitable mission.
- Strengthening North Dakota's quality of life by supporting the essential work of the state nonprofit sector.

North Dakota endowments are investments in North Dakota that provide long-term benefits for our state and its citizens.

State Tax Credit for Planned or Deferred Gifts

Individuals may receive a state tax credit for a planned gift (e.g., charitable remainder trusts, charitable gift annuities, life insurance policies, etc.) to a qualified N.D. charitable nonprofit or a qualified N.D. endowment. The tax credit is 40% of the charitable deduction 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. *Effective for taxable years starting in 2007.*

State Tax Credit for Endowment Gifts

Businesses (C corporations, S corporations, estates, limited liability companies, trusts and financial institutions) that pay state income tax may receive a 40% credit up to a maximum credit of \$10,000 for contributions to a qualified N.D. endowment.

Effective for taxable years starting in 2007, effective for financial institutions in 2011.

Individuals may receive a state tax credit for a contribution of \$5,000 or more (lump sum or aggregate in one year) to a qualified N.D. endowment. The tax credit is 40% of the charitable deduction 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.

Effective for taxable years starting in 2011.

Definitions under State Law

Qualified nonprofit organization – a N.D. incorporated or established 501(c)(3) organization to which contributions qualify for federal charitable income tax deductions with an established business presence or location in North Dakota.

Qualified endowment – a permanent, irrevocable fund (comprising cash, securities, mutual funds or other investment assets established for a specific charitable, religious or educational purpose and invested for the production or growth of income, or both, which may either be added to principal or expended) held by a qualified nonprofit organization, a community foundation or a bank or trust company holding the fund on behalf of a qualified nonprofit organization.

See N.D. Century Code 57-38-01.21 and 57-35.3 for details.

This information is provided for educational purposes only.

Please consult your own attorney, accountant or financial advisor for advice on your situation.