



St. Vincent Healthcare  
Foundation

## The Montana Tax Credit for Endowed Philanthropy

Effective July 1, 2003 — December 31, 2013

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### Fundamentals to Remember:

The Montana tax credit allows donors to pay less in Montana income taxes by giving a qualifying planned gift to a Montana charitable endowment.

Begun 7/1/03, this is an incentive of 40% of qualifying contributions, up to a maximum \$10,000 tax credit per individual. A credit of 20% is available for an outright gift by an estate or corporation up to a maximum of \$10,000.

A tax-payer may take a Montana tax credit or a Montana tax deduction for the amount being claimed, but not both.

Donors, whether individual or corporate, who wish to use the tax credit to build charitable endowments and reduce their tax bills with this tax credit will want to discuss its potential benefits with their financial advisors.

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### Qualifying Charitable Contributions:

Qualifying charitable contributions are *irrevocable* planned gifts to any qualified endowment. Unlike annual giving, planned gifts are generally used by individuals and families to make an irrevocable commitment of a principal asset for the future benefit of charity. At the same time, the donor may retain the use of the asset during his lifetime. This tax-credit, designed to promote endowed philanthropy, encourages individuals to make substantial charitable commitments now to the future of Montana. But it is not simply for the wealthy. It is also a way for Montanans of more modest means to provide for themselves and their favorite charities.

### Planned Gifts Include:

\*Charitable Remainder Trusts \* Charitable Lead Trusts \* Charitable Gift Annuities \* Deferred Charitable Gift Annuities \* Life Estate Agreements (gift of a residence or farm) \* Paid up Life Insurance Policies

### What is a Qualified Endowment?

A qualified endowment is the endowment fund of any organization incorporated in Montana or established primarily for the benefit of Montana citizens or groups and certified as tax exempt by the Internal Revenue Service. Furthermore, the endowment must be **irrevocable and permanent**, and held by a Montana incorporated or established organization that:

is a tax-exempt organization under 26 U.S.C. 501(c)(3); or

is a bank or trust company, as defined in Title 32, chapter 1, part 1, that is holding the

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## MAKING PLANNED GIFTS USING THE MONTANA TAX CREDIT

The following examples are for illustration only. Before making any significant financial decision, please consult your financial advisor.

### Charitable Gift Annuity

Maggie is a retired nurse whose nursing career was with St. Vincent Healthcare. Maggie has accumulated a portfolio of stocks. Her income is not quite enough to cover her living expenses in the retirement village. Her stocks pay little more than 1.5% of their current market value. Maggie doesn't want to pay the large capital gains taxes that would result from her sale of the low yielding stocks.

Maggie is pleased to learn that at her age (78), she can transfer \$56,500 in market value of stock to the St. Vincent Healthcare Foundation in return for a charitable gift annuity. She originally paid \$20,000 for the stock. Maggie will:

Get a federal income tax deduction of \$24,000 (saving \$6,720 at her 28% tax bracket);  
Increase investment income from \$1,695 to \$4,407 per year for the rest of her life; *and*  
Receive a \$10,000 Montana tax credit. If Maggie can't use a \$10,000 tax credit this year, she can reduce her \$56,500 gift and use the remaining stocks to establish charitable gift annuities in following years. At her death, the remaining principal balance will be added to the St. Vincent Healthcare Foundation's permanent endowment in her name to assure, in perpetuity, the quality health care that she provided throughout her career continues through St. Vincent Healthcare.

### Deferred Gift Annuity – Deferred to Full Life Expectancy

The deferred gift annuity – deferred to full life expectancy – is an excellent gift option for all donors who wish to maximize their tax savings. A donor makes a gift to a St. Vincent Healthcare Foundation endowment fund and receives an immediate charitable income tax deduction and a Montana Tax Credit for Endowed Philanthropy for 40 percent of the charitable value of the gift – not to exceed \$10,000 per individual.

For example, if Marjorie (age 50) makes a \$10,000 gift through a deferred gift annuity (deferred to full life expectancy), she may receive a potential federal income tax deduction of \$9,735 and a Montana tax credit of \$3,895. The out-of-pocket *cost* for a deferred gift annuity (deferred to full life expectancy) is potentially only about 1/3 of the gift. A named endowment will be established in Marjorie's name and she may designate the endowment's annual earnings to a program that best expresses her personal ideals and concerns.

### Paid-up Life Insurance

John and Grace are retired with three grown children who will be the major heirs of their estates. John and Grace are concerned about the lack of accessible health care for the community's most vulnerable populations – children and seniors. They want to make a generous gift to the St. Vincent Healthcare Foundation. They have a paid-up life insurance policy on John's life with a cash value of \$10,000 and a death benefit of \$14,000.

John and Grace transfer the policy to the St. Vincent Healthcare Foundation, restricting the use of funds for the permanent endowment. They receive a \$4,000 credit on their Montana income tax liability for the year in which the gift was made. In addition, they will have at least a \$10,000 deduction on their federal income taxes, which, at a 30% rate, will cut their payment to the IRS by \$3,000. This gift of \$10,000 will actually only cost \$3,000! At John's death, our Foundation will receive \$14,000 for the health benefit of our community's most needy!