



ENDOW IOWA Q & A

1. What is the Endow Iowa Tax Credit Program?

It's a state program to encourage permanent endowment to benefit Iowa. This program gives an Iowa income tax credit of 25% to donors for endowment gifts to qualified community foundations. The endowed Fund receiving the gift must support charitable activities in Iowa. The Iowa tax credit is in addition to the federal income tax deduction for a charitable donation, and is contingent upon the state legislature continuing to fund the program.

2. What is a qualified community foundation?

A qualified community foundation complies with the standards set forth by the Council on Foundations. The Quad Cities Community Foundation (the Community Foundation) has met these standards.

3. Are gifts to Geographic Affiliate Funds qualified?

Yes. Gifts to endowed funds associated with an Iowa Geographic Affiliate of the Community Foundation are qualified.

4. What is an endowment gift?

To receive a tax credit, the donor makes a gift to an endowed fund that supports charitable activities in Iowa. An endowed fund is a permanent charitable fund that distributes a percentage of the fund annually in grants.

5. Is there a maximum gift under this tax credit program?

Tax credits are 25% of the gifted amount, but an individual is limited to \$300,000 in tax credits for a \$1.2 million gift and a couple is limited to \$600,000 in tax credits for a \$2.4 million gift (if both are Iowa taxpayers).

6. Is there a minimum gift under this tax credit program?

The legislation does not set a minimum. Practical considerations should inform the donor on a minimum gift size. The Community Foundation has set a \$100 minimum per gift.

7. What kind of taxpayer can receive a tax credit?

An individual or a business creating individual tax liability (partnership, LLC, S Corp., estate or trust) is eligible to receive a tax credit as long as they pay taxes in Iowa. A "C" Corporation may also receive a tax credit under this program.

8. What is the amount of tax credit available?

\$6 million in Endow Iowa tax credits are made available annually.

9. How do you apply for this tax credit?

Make a gift to an endowed Fund that meets the Endow Iowa criteria. The Community Foundation will provide you with an application for the tax credit. You fill in Section I or II and return it to the Community Foundation. The Community Foundation fills in Section III and sends it to the Iowa Economic Development Authority, which issues a letter and sends it to you with the amount of your tax credit. The Community Foundation also receives a copy of the award letter.

10. How do you use this tax credit?

You take the tax credit on your Iowa income tax return. If you cannot use the entire credit in the year it was accepted, you can carry it over for up to five years. The tax credit is not transferable. If an Iowa tax credit is received for a gift, no Iowa income tax deduction for the same gift is allowed.

11. What happens if tax credits run out of the year?

Currently, there are \$6 million in tax credits available each year. The tax credits typically run out before the year is over. Once this happens, donors wishing to receive a tax credit are placed on a waiting list, in the order they are received, for tax credits in the next calendar year.

12. If I do an IRA Charitable Rollover, is it eligible for an Endow Iowa tax credit?

Signed into legislation December 18, 2015; if an individual aged 70 ½ years or older donates up to \$100,000 from an Individual Retirement Account (IRA) to qualified charities, the donor can do so without having to count the distributions as taxable income. The donation is also eligible for an Endow Iowa tax credit if the donor is an Iowa taxpayer and the check goes directly to the Community Foundation for an endowed fund.

13. Where can you get additional information on the Iowa tax credit program?

You can visit the Iowa Economic Development website:

<http://www.iowaeconomicdevelopment.com/CommunityDevelopment/Philanthropic> or call the Iowa Economic Development Authority at 515/725-3082. You can also call the Community Foundation at 563/326-2840 or contact us by email at info@cfgrb.org.

Endow Iowa Tax Credit Illustration

Cash Gift

Starting in 2005, the State of Iowa authorized a certain amount of money to be used for tax credits as an incentive for giving to endowed Funds established at qualified community foundations, such as the Community Foundation.

That tax credit currently is equal to 25% of a gift. In other words, 25% of the value of your gift comes right off the top of your state tax bill. The following is an example of the federal and state tax effect of making an endowment gift using some common assumptions.

Assumptions

Gift	\$10,000
Federal Tax Bracket	35%
State Tax Credit	25%

Illustration

Charitable Gift to Endowment	\$10,000
Federal Charitable Deduction	(3,500) (35%)
State Tax Credit	(2,500) (25%)
Net Cost of Gift	\$4,000
Adjustment on Federal Taxes to reflect the State Tax Credit received	\$700
Final Net Cost of Giving \$10,000	\$4,700

Even More Benefits with a Gift of Appreciated Securities

The Endow Iowa Tax Credit also applies to gifts of appreciated securities. Choosing appreciated securities as a way to make a charitable gift to an endowed Fund is tax-wise because it is possible to save taxes three times. Not only do you receive your federal income tax deduction, but you also avoid capital gains tax that would be payable if you were to sell those same securities. Finally, you receive the 25% Endow Iowa tax credit for the gift. The following is an example of the federal and state tax effect of a gift of appreciated securities using some common assumptions.

Assumptions

Gift	\$10,000
Basis	\$2,000
Federal Tax Bracket	35%
Federal Capital Gain Tax Rate	15%
State Tax Credit	25%

Illustration

Charitable Gift to Endowment	\$10,000
Federal Charitable Deduction	(3,500) (35%)
Federal Capital Gain Tax Savings	(1,200) (\$8,000 gain x 15%)
State Tax Credit	(2,500) (25%)
Net Cost of Gift	\$2,800
Adjustment on Federal Taxes to reflect the Tax Credit received	\$700
Final Net Cost of Gifting \$10,000 of appreciated securities	\$3,500