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Memorandum

To: Revenue and Transportation Interim Committee

From: Aaron McNay, Economist *AM*
Tax Policy and Research, Montana Department of Revenue

Date: April 16, 2018

Subject: Annual 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 nine 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.

Based on tax records, the Charitable Endowment Credit was claimed on 651 personal income tax forms for tax year 2016, an increase over the previous year's 627 claims. The total credit amount also increased in 2016 and was \$2,742,871, which required approximately \$6.86 million in private gifts to qualified charitable organizations. From 2015 to 2016, the average credit amount claimed by each individual increased from \$3,979 to \$4,213, which is its highest level for at least the previous eight years.

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
2013	\$2,124,379	602	\$3,529	40%	\$5,310,948
2014	\$2,511,011	628	\$3,998	40%	\$6,277,528
2015	\$2,494,926	627	\$3,979	40%	\$6,237,315
2016	\$2,742,871	651	\$4,213	40%	\$6,857,178

In 2015, tax records indicate that 19 corporations claimed the tax credit on their corporate tax forms.¹ With a total credit amount of \$37,766, corporations received significantly less from the tax credit than individual taxpayers did. 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 the amount claimed by individual taxpayers, with an average credit amount of nearly \$2,000 in 2015.

Figure 2			
Year Return Filed	Credit Amount	Corporations	Average Corporation Credit Amount
2004	\$120,498	38	\$3,171
2005	\$161,321	43	\$3,752
2006	\$206,893	51	\$4,057
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
2012	\$40,799	13	\$3,138
2013	\$58,795	21	\$2,800
2014	\$47,124	27	\$1,745
2015	\$37,766	19	\$1,988

¹ Tax records for 2016 are not currently available, due to some corporations functioning on fiscal years that do not align with the tax year.