

EXHIBIT NO. 3DATE 3-11-05BILL NO. SB 506**Aidan Myhre****From:** Scibek, John [ScibekJC@mso.umt.edu]**Sent:** Thursday, March 03, 2005 2:17 PM

To: Aidan Myhre; jtalbot11@msn.com; Amy Kelley; barba@intermountain.org; bvogel@mtsba.org; bmagee@mtnonprofit.org; lien@televar.com; petedenw@benefis.org; ddavis@safmt.org; frances.galvin@northwestern.com; Galen@Image-by-Design.com; shegstad@mt.gov; jvogelsa@carroll.edu; jmckeon@state.mt.us; jims@yellowstonefoundation.org; johnd@bkbh.com; JohnE@yellowstonefoundation.org; John Etchart; joshturner@aol.com; jheld@foundationforcommunitycare.org; uwmcwing@montana.com; lcoulston@shodair.org; lauras@mt.net; mhalligan@washcorp.com; peterw@sullivanfinancialgroup.com; ryaeger@mtcf.org; jpeters@montana.com; SIDARMSTRONG@msn.com; shegstad@state.mt.us; steve@danielfinancial.com; tim@uwlcc.com

Cc: Bill Johnston; Ratzlaff, Jane; Delaney, Ted**Subject:** RE: SB 506

100,000 ^{planned} gift = 100% ded. Fed

↳ 100,000 credit = 25,000

75,000 - ded. state

While I hate doing math in public, I thought I'd take a simple stab at what the impact of the credit reduction may be. However, someone should check my calculations.

Federal Charitable Deduction x Reduction rate = Reduction of credit

Example: \$10,000 (federal charitable deduction/value of "qualifying gift" from planned gift) x 0.07 = \$700

From existing Montana law, the tax credit would be \$4,000. With the reduction to the credit proposed by SB506, the tax credit is \$3,300, resulting in an effective 33% tax credit rate.

Is this worth the tradeoff of making the tax credit "permanent?" While I haven't seen the fiscal note on the effective tax credit rate change, I can't believe that it will mean a windfall for the state treasury. However, I do see a big downside in introducing once again confusion in what the credit rate may be. I believe that many gifts were lost because of the confusion resulting from multi-rate, phased-in changes that were passed into law several years ago, and then repealed in preference for the current 40% rate. Those changes even bred questions as to whether the endowment tax credit was still available at all. How many potential donors thought it was dead and didn't even ask?!

I think the rate reduction should be eliminated from the proposed legislation and the removal of sunset provision retained.

John

From: Aidan Myhre [mailto:myhre@gallatingroup.com]**Sent:** Thursday, March 03, 2005 1:33 PM

To: Scibek, John; jtalbot11@msn.com; Amy Kelley; barba@intermountain.org; bvogel@mtsba.org; bmagee@mtnonprofit.org; lien@televar.com; petedenw@benefis.org; ddavis@safmt.org; frances.galvin@northwestern.com; Galen@Image-by-Design.com; shegstad@mt.gov; jvogelsa@carroll.edu; jmckeon@state.mt.us; jims@yellowstonefoundation.org; johnd@bkbh.com; JohnE@yellowstonefoundation.org; John Etchart; joshturner@aol.com; jheld@foundationforcommunitycare.org; uwmcwing@montana.com; lcoulston@shodair.org; lauras@mt.net; mhalligan@washcorp.com; peterw@sullivanfinancialgroup.com; ryaeger@mtcf.org; jpeters@montana.com; SIDARMSTRONG@msn.com; shegstad@state.mt.us; steve@danielfinancial.com; tim@uwlcc.com

Subject: SB 506

SB 506 is an income tax bill recently introduced by Senator John Cobb. On page 27 of the bill, there is a modification to the Charitable Endowment Tax credit that addresses two things: 1) eliminates the sunset/expiration date; (Yeah); 2) Reduces the credit claimed by 7% of the amount of the contribution deducted in the taxpayer's federal income tax return. (??)

A hearing on the bill is set for next Friday, March 11 in the Senate Tax committee at 8am.

3/4/2005