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Call Business Editor Jo Dee Black, 406-791-6502 or 800-438-6600, or email the editorial board at tribletters@greatfallstribune.com

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Renew tax credit to help local charities

KURT ALME
Guest opinion

Twin tidal waves are coming.

When they hit, they will keep government from being able to fund the core charitable needs of Montana communities, including the needs of the poor, the mentally ill and others less fortunate. To ensure that our ability to care for the truly needy does not get washed away, we need to continue the Endowment Tax Credit to encourage Montanans to invest in the permanent endowments of charities that serve our communities.

The first wave is actually a series of waves. Restrained economic growth for the foreseeable future will limit tax collections and erode the amount government has to spend.

The second wave is the baby boomer crest washing into Social Security, Medicare and Medicaid programs. Boomers in those programs will likely receive a larger share of government tax revenue.

The Endowment Tax Credit is our best defense. Recommended by then-Gov. Marc Racicot's bipartisan Task Force on Endowments and Philanthropy, it was passed by the Legislature in 1997, and renewed in 2001 and 2007. Unless it is renewed, it will expire at the end of this year. Since its initial passage, it has benefited charitable causes across Montana and has been imitated by two of our neighboring states.

By providing a 40 percent income tax credit for certain gifts to the permanent endowments of Montana charities, it encourages Montanans to give in a way that will provide for future needs. Well over $130 million has been contributed to Montana endowments to date, in large part because of the credit's incentives. These growing endowments will allow charities to fund more of the care and services they provide to Montanans each year.

However, they need to grow more. We are still only 48th out of 50 states in foundation assets.

Financial pressure on government will require us to get back to our roots as a country and take more responsibility for our neighbors and our community, rather than just expecting government to do so. In 1835, Frenchman Alexis de Tocqueville famously noted that while government was behind charitable undertakings in France, in the United States, people banded together to take care of each other.

In contrast to 1835, today, more than half of Americans have never volunteered and a quarter have never made even a single gift to charity. The credit will help us reverse that trend.

Unlike many tax credits and deductions, the Endowment Tax Credit is effective and efficient. Its effectiveness is shown by the more than $130 million contributed to Montana endowments. It is efficient in that its cost is much less than its benefit.

Each gift involving the credit can cost the government at most only $2 for every $5 given.

But the cost to government is actually much less because the value of gifts made to qualify for the credit often far exceeds the amount that qualifies for the $10,000 credit maximum.

It is also efficient by allowing people to give directly to charity without the cost of the government middleman and by allowing Montanans, who know their Montana charities, to decide how best to spend their money rather than having government decide.

Government will not be able to meet all the needs it has met in the past. In the future, we will each need to do more to care for our neighbors and our community. The Endowment Tax Credit encourages that selfless action, and will help us invest money now, so we are ready to meet the needs to come.

Kurt Alme is president of the Yellowstone Boys and Girls Ranch Foundation in Billings and is the former director of the Montana Department of Revenue.