

# **North Dakota Tax Credit for Charitable Giving**

## **Expansion of State Tax Credit for Endowment Gifts**

In 2011, legislation was passed that created a North Dakota tax credit for a contribution of \$5,000 or more (lump sum or aggregate in one year) to a qualified endowment fund. The tax credit is 40% of the charitable deduction allowed by the IRS up to a maximum credit of \$10,000 per year, per taxpayer or \$20,000 per year, per couple filing jointly (contribution maximums of \$25,000 and \$50,000).

## **State Tax Credit using the IRA Rollover Provision**

For 2015, you can utilize the federal IRA Rollover provision to:

- Direct your IRA/retirement account manager to distribute funds to a qualified endowment fund.
- The funds will come out of your IRA/retirement account without being taxed.
- The distributed funds will be eligible for the 40% N.D. tax credit.

The maximum that can come out of an IRA/retirement account this year is \$100,000, and you must be aged 70½ or older to utilize the IRA Rollover provision. However, the maximum tax credit for IRA contributions is also limited to \$25,000 per person or \$50,000 per couple. In addition to the various tax benefits, the distribution qualifies for your Required Minimum Distribution from your IRA/retirement account.

## **State Tax Credit for Planned or Deferred Gifts**

Individuals may receive a state tax credit for a planned gift (e.g., charitable remainder trusts, charitable gift annuities, life insurance policies, etc.) to a qualified N.D. charitable nonprofit or a qualified N.D. endowment. The tax credit is 40% of the charitable deduction allowed by the IRS up to a maximum credit of \$10,000 per year, per taxpayer or \$20,000 per year, per couple filing jointly.

## **State Tax Credit for Endowment Gifts from Businesses**

Businesses (C corporations, S corporations, estates, limited liability companies, trusts and financial institutions) that pay state income tax may receive a 40% credit up to a maximum credit of \$10,000 for contributions to a qualified N.D. endowment. This credit has been effective for taxable years starting in 2007; however, it became **effective for financial institutions in 2011**.

## **Non-Itemizers and Carry Forward Provisions**

You don't need to itemize to take advantage of the tax credit. Any unused credit can be carried forward for another three (3) years.

### **Definitions under State Law**

*Qualified nonprofit organization* – a N.D. incorporated or established 501(c)(3) organization to which contributions qualify for federal charitable income tax deductions with an established business presence or location in North Dakota.

*Qualified endowment* – a permanent, irrevocable fund (comprising cash, securities, mutual funds or other investment assets established for a specific charitable, religious or educational purpose and invested for the production or growth of income, or both, which may either be added to principal or expended) held by a qualified nonprofit organization, a community foundation or a bank or trust company holding the fund on behalf of a qualified nonprofit organization.

See N.D. Century Code 57-38-01.21 and 57-35.3 for details.

***This information is provided for educational purposes only.  
Please consult your own attorney, accountant or financial advisor  
for advice on your situation.***

***BSC Foundation – 1255 Schafer St  
PO Box 5587 – Bismarck, ND 58506-5587  
(701)224-5700***