Montana Department of REVENUE

MONTANA
QEC
Rev 06 15

2015 Qualified Endowment Credit

15-30-2327 through 15-30-2329, 15-31-161 and 15-31-162, MCA

Name (as it appears on your Montana tax return)

Social Security Number ☐☐☐ – ☐☐ – ☐☐☐☐ *OR* Federal Employer Identification Number ☐☐ – ☐☐☐☐☐☐☐

Part I. Gift Information

1. In order to claim this credit, you must include a receipt for your contribution with this form. Please indicate if you have included this receipt (see instructions). ☐ Yes ☐ No

   If you marked No, please explain why _____

2. Enter the date the qualified contribution was made _____

3. Provide the name and address of (mark only one):

   ☐ The tax-exempt Montana organization, qualified under 26 U.S.C. 501(c)(3), that is holding the qualified endowment.
   ☐ The trustee of the trust that is administering the planned gift.
   ☐ The Montana bank or trust company that is holding the qualified endowment on behalf of a tax-exempt organization.

   Name _____

   Address _____

   City, State, Zip _____

4. If the gift was a planned gift, mark the appropriate box indicating the type of gift contributed.

   ☐ Charitable remainder unitrust ☐ Charitable lead unitrust ☐ Paid-up life insurance policy
   ☐ Charitable remainder annuity trust ☐ Charitable lead annuity trust ☐ Charitable gift annuity
   ☐ Pooled income fund trust ☐ Charitable life estate agreement ☐ Deferred charitable gift annuity

Part II. Credit Calculation

Complete only one column. If the gift you are claiming the credit for was a planned gift, complete Column A. If it was an outright gift, complete Column B.

	Column A Planned Gift	Column B Outright Gift
5. Enter the present value of the aggregate amount of the charitable gift portion of your planned gift, or your outright charitable contribution (the charitable deduction amount) in the corresponding column. If you are calculating the credit based on a qualified contribution made by a pass-through entity, enter your share of the contribution and also provide the following information for the pass-through entity: Business name _____ Federal employer identification number ☐☐ – ☐☐☐☐☐☐☐		
6. Entered here is the percentage of credit you can receive for your contribution based on whether it was a planned gift or an outright gift.	40% (0.40)	20% (0.20)
7. Multiply line 5 by the percentage on line 6, but do not enter more than $10,000. In the case of a married couple making a joint contribution, do not enter more than $20,000. **This is your qualified endowment credit.**		

Where to Report Your Credit

- ►Individuals: Form 2, Schedule V
- ►C corporations: Form CIT, Schedule C
- ►Estate or Trusts: Form FID-3, Line 32

If you file your Montana tax return electronically, you do not need to mail this form to us unless we ask you for a copy. When you file electronically, you represent that you have retained the required documents in your tax records and will provide them upon the department's request.

Form QEC Instructions

Reminder! As of April 26, 2013, the definition of permanent, irrevocable fund changed. The definition now states, in general, that appropriation of the fund must follow the Uniform Prudent Management of Institutional Funds Act, provided for in Title 72, chapter 30, MCA. Also in effect as of April 26, a deferred charitable gift annuity can be considered a planned gift only if the annuity rate to be paid is five percent or more.

What is a qualified endowment?

A qualified endowment is a permanent, irrevocable fund established for a specific charitable, religious, educational, or eleemosynary (philanthropic) purpose that is held by:

- A tax-exempt 501(c)(3) corporation formed under the laws of Montana, or
- A bank or trust company holding an endowment fund on behalf of a Montana or foreign 501(c)(3) organization.

What is a permanent irrevocable fund?

This is a fund that is comprised of one or more assets that are managed, invested, and appropriated pursuant to the Uniform Prudent Management of Institutional Funds Act provided for in Title 72, chapter 30, MCA. Investment assets may include cash, securities, mutual funds, or other investment assets. A "building fund" or other fund that is used to accumulate contributions that will be expended is not a permanent irrevocable fund. A fund from which contributions are expended directly for constructing, renovating or purchasing operational assets, such as buildings or equipment, is not a permanent irrevocable fund.

Who is entitled to the qualified endowment credit and how much is the credit?

Individuals. You are entitled to a credit against your tax liability equal to 40% of the present value of the charitable gift portion of a planned gift. Only the contributions you make in the form of a planned gift qualify for the credit.

The maximum credit you may claim against your individual income tax liability for all contributions you make or are passed through to you from a pass-through entity is $10,000, whether you are single or married.

C corporations. If you are a C corporation engaged in an active trade or business, you are entitled to a credit equal to 20% of your charitable contributions to a qualified endowment. Your contributions do not have to be in the form of a planned gift.

A C corporation's credit cannot exceed the lower of its corporate income tax liability or $10,000.

S corporations, partnerships and limited liability companies. If you are an S corporation, partnership, or limited liability company, do not complete this form.

The contributions of an S corporation, partnership, or limited liability company are passed through to shareholders, partners, or members in the same proportion used to report the corporation's, partnership's or limited liability company's income or loss for Montana tax purposes; this amount should be reported to owners on Montana Schedule K-1.

The pass-through entity's contributions do not have to be in the form of a planned gift.

Estates and trusts. The credit you may claim, and unused amounts your beneficiaries may claim, depend on the form of contribution you make. If your contribution is a planned gift, you may claim the 40% amount and if it is a direct contribution to a permanent endowment, you may claim the 20% amount. The maximum credit for an estate or trust is $10,000.

Any amount not used by an estate or trust can be attributed to each beneficiary in the same proportion used to report the beneficiary's income for Montana income tax purposes. This amount should be reported to the beneficiary on Montana Schedule K-1.

What information do I have to include with my tax return when I claim this credit?

Individuals. If you are filing a paper return, include a copy of Form QEC and receipt with your individual income tax return.

C corporations. If you are filing a paper return, include a copy of Form QEC and receipt with your corporate income tax return.

Estates and trusts. If you are filing a paper return, include a copy of Form QEC and receipt with your income tax return for estates and trusts.

You will need to complete a separate Form QEC for each gift you are claiming the credit for. For example, if you are a partner in a partnership that makes a qualifying contribution, and you, as an individual, also make a qualifying contribution, you would need to complete two forms. You would then combine the credit amounts from both forms to calculate your total credit on your income tax return. The maximum total credit that you can claim is $10,000.

If you file electronically, you do not need to mail this form to us unless we contact you for a copy.

If I claim the qualified endowment credit, can I also take a charitable deduction for the amount of the gift?

No. The amount of your contribution that is used to calculate your qualified endowment credit cannot also be claimed as a charitable contribution on your Montana tax return. You can claim a charitable deduction for that portion of the contribution not used to calculate this credit.

What happens if I recover my charitable gift this year?

If a charitable gift is recovered in the current year, you will have to include as income the amount previously deducted, to the extent it reduced your individual income tax or corporate income tax. You will also need to increase the amount of tax due by the amount of the credit previously allowed.

Part I. Gift Information

Line 1. In order to claim the qualified endowment credit, you are required to include a receipt for your contribution with this form. The receipt must be from the tax-exempt organization holding the qualified endowment receiving the contribution, the trustee of the trust administering the planned gift, or the Montana bank or trust company holding the qualified endowment on behalf of the tax-exempt organization. The receipt must contain all of the following information:

- The amount of the allowable contribution;
- The date the contribution was made to the qualified endowment or the planned gift;
- A confirmation from the 501(c)(3) organization, trust, or bank that the contribution was placed in a permanent irrevocable fund;
- The name of the organization incorporated or established in Montana holding the qualified endowment fund or the name of the tax-exempt organization on behalf of which the qualified endowment is held; and
- A description of the type of gift.

In the case of a charitable trust where the charity is yet to be named, the donor must include a copy of the disposition clause of the charitable trust which gives evidence that a qualified endowment fund has been created.

If you file electronically, you do not need to mail this receipt to us unless we contact you for a copy.

Line 2. Enter the date the qualified contribution was made.

Line 3. Mark the box next to the statement that applies:

- A tax-exempt Montana organization, qualified under 26 U.S.C. 501(c)(3), is holding the qualified endowment;
- A trustee of the trust is administering the planned gift; or
- A Montana bank or trust company is holding the qualified endowment on behalf of a tax-exempt organization.

Provide the name and address of the entity you selected.

Line 4. If the gift you are claiming the qualified endowment credit for was a planned gift, mark the appropriate box indicating the type of gift contributed. If the gift was an outright gift, skip to line 5.

The types of planned gifts that qualify for this credit are irrevocable contributions to a permanent endowment held by or for a tax exempt organization when the contribution uses any of the following:

Charitable remainder unitrust. This is a trust in which property is transferred and invested by the trustee who each year pays a fixed percent of the unitrust value, revalued annually, to one or more private income beneficiaries for the life of beneficiaries, a term of years, or both, with the remainder interest in the trust transferring to, or for the use of the charity, or retained by the trust for the use of the charity. The trust agreement must provide that the trust may not terminate and the beneficiaries' interest in the trust may not be assigned or contributed to the qualified endowment sooner than the earlier of the date of death of the beneficiaries or five years from the date of the contribution.

Charitable remainder annuity trust. This is a trust in which property is transferred and invested by the trustee who each year pays a fixed dollar amount to one or more private income beneficiaries for the life of the beneficiaries, a term of years, or both, with the remainder interest in the trust then transferring to, or for the use of the charity, or retained by the trust for the use of the charity. The trust agreement must provide that the trust may not terminate and the beneficiaries' interest in the trust may not be assigned or contributed to the qualified endowment sooner than the earlier of the date of death of the beneficiaries or five years from the date of the contribution.

Pooled income fund trust. This is a trust in which property contributed by donors is pooled together with other investors. All the assets transferred to the fund are added together and invested. This pooled fund creates a diversified portfolio in which all participants receive a share of the earnings.

Charitable lead unitrust. This is a trust in which property is transferred and invested by the trustee who each year pays a fixed percentage of the unitrust value, revalued annually, to the charity for a term of years or during the lives of specified linear descendants, with the remainder interest then transferring to private beneficiaries named by the donor.

Charitable lead annuity trust. This is a trust in which property is transferred and invested by the trustee who each year pays a fixed dollar amount to the charity for a term of years or lifetime(s), with the remainder interest then transferring to private beneficiaries named by the donor.

Charitable life estate agreement. This is a gift to a charity of a personal residence that is subject to a reserved life estate.

Paid-up life insurance policy. This is a life insurance policy in which all the premiums have been paid that usually entitles the donor to a current deduction equal

to the cost of replacing the policy with a single premium life insurance policy at the donor's current age.

For the following two annuities to qualify for a charitable deduction or the qualified endowment credit, these annuities have to be given to a charitable organization that has met the following requirements at the time the annuity is issued:

- Have a minimum of $300,000 net worth or a minimum $100,000 in unrestricted cash, cash equivalent or public traded securities;
- Have been in business for at least three years;
- Have one-half of the outstanding annuity maintained in a separate annuity fund.

If the above requirements are not met, the gift annuity must be commercially insured by a licensed insurance company qualified to do business in Montana.

Charitable gift annuity. This is the transfer of cash or property to a charity in exchange for the charity's promise to pay the donor and, if applicable, the surviving annuitant, a lifetime annuity. This type of annuity is considered a bargain sale that results in part taxable gain and a charitable deduction. The annuity agreement must provide that the interest of the annuitant(s) in the gift annuity may not be assigned to the qualified endowment sooner than the earlier of the date of death of the annuitant(s) or five years after the date of the contribution. The charitable organization issuing the annuity must also meet additional requirements imposed in 33-20-701, MCA that are administered by the Montana Commissioner of Insurance.

Deferred charitable gift annuity. This is an annuity in which payments to the donor do not begin until a future date. Deferred charitable gift annuities are subject to the same requirements as charitable gift annuities. In addition, the first partial or full-year payment of the annuity has to begin within the life expectancy of the annuitant or of the joint life expectancies of multiple annuitants, and the annuity rate to be paid must be at least 5%.

Part II. Credit Calculation

If the gift you are claiming the credit for was a planned gift, complete Column A. If it was an outright gift, complete Column B. Do not complete both columns.

Line 5. Enter the present value of the aggregate amount of the charitable gift portion of your planned gift, or your outright charitable contribution (the charitable deduction amount) in the corresponding column.

If you are an individual and are not receiving the credit from a pass-through entity, you should only complete column A. In this situation, only the contributions you make in the form of a planned gift qualify for the credit.

If you are receiving the credit from a pass-through entity, enter your distributable share of the contribution made by the pass-through entity. You will also need to enter the pass-through entity's business name and federal employer identification number (FEIN) in the space provided.

Line 6. The percentage of credit you can receive for your contribution is based on whether it was a planned gift or an outright gift.

The credit allowed against corporate income tax or income tax liability for a contribution of a planned gift is 40% of the present value of the allowable contribution.

The credit allowed against corporate income tax or income tax liability for a direct contribution is equal to 20% of the charitable contribution.

Line 7. Multiply the amount on line 5 by the percentage on line 6. Do not enter more than $10,000.

Please note the following limitations on the qualified endowment credit:

- The maximum credit that may be claimed by an individual taxpayer for contributions made from all sources in a year is $10,000.
- In the case of a married couple that makes a joint contribution, the contribution is assumed split equally with each person limited to $10,000.
- The credit may not exceed the taxpayer's income tax liability.
- There is no carryback or carryforward of the credit.
- The credit must be applied to the tax year in which the contribution is made.

Administrative Rules of Montana: 42.4.2701 through 42.4.2708

Questions? Please call us toll free at (866) 859-2254 (in Helena, 444-6900).