Answers to frequently asked questions about Endow Iowa Tax Credits

What is the Endow Iowa Tax Credit Program?
It’s a state program to encourage permanent endowment to benefit Iowa. This program gives an Iowa income tax credit of 25% to donors for endowment gifts to qualified community foundations. The endowed Fund receiving the gift must support charitable activities in Iowa. The Iowa tax credit is in addition to the federal income tax deduction for a charitable donation and is contingent upon the state legislature continuing to fund the program.

What happens if tax credits are exhausted before the end of the year?
Currently, there are $6 million in tax credits available each year. The tax credits typically run out before the year is over. Once this happens, donors wishing to receive a tax credit are placed on a waiting list, in the order they gifted, for tax credits in the next calendar year.

What is a qualified community foundation?
A qualified community foundation complies with the standards set forth by the Council on Foundations. The Quad Cities Community Foundation (the Community Foundation) has met these standards. Gifts to endowed funds associated with an Iowa Geographic Affiliate of the Community Foundation are qualified.

What is an endowment gift?
To receive a tax credit, the donor makes a gift to an existing permanent endowed fund at a qualified community foundation that supports charitable activities in Iowa or to one that you establish. An endowed fund is a permanent charitable fund that distributes a percentage of the fund annually in grants.

Is there a maximum gift under this tax credit program?
Tax credits are 25% of the gifted amount, but an individual is limited to $300,000 in tax credits for a $1.2 million gift and a couple is limited to $600,000 in tax credits for a $2.4 million gift (if both are Iowa taxpayers). The Community Foundation has set a $100 minimum per gift.

IRS regulations effective August 28, 2018, change the deductibility of gifts that claim a state tax credit.
Donors who take the standard deduction or who make an Endow Iowa qualified gift as an IRA Charitable Rollover can apply the entire 25% credit toward their State of Iowa tax liability.

Donors who itemize must now treat the Endow Iowa Tax Credit as a non-deductible amount of the charitable contribution for federal taxes. For example, a taxpayer who makes a $1000 charitable donation to an Endow Iowa fund would receive a $250 (25%) state tax credit. With the new regulation, when filing federal taxes, the taxpayer can only deduct the difference between the donation and the state tax credit, or $750 in this example. There is an opportunity to deduct the full value of the gift if you have not reached the $10,000 state and local tax (SALT) cap. We recommend donors consult their tax professionals.
What kind of taxpayer can receive a tax credit?
An individual or a business creating tax liability (partnership, LLC, S Corp., estate or trust) is eligible to receive a tax credit as long as they pay taxes in Iowa. A “C” Corporation may also receive a tax credit under this program.

How do you apply for and use this tax credit?
Make a gift to an endowed Fund that meets the Endow Iowa criteria. The Community Foundation will provide you with an application for the tax credit. You fill in Section I or II and return it to the Community Foundation. The Community Foundation fills in Section III and sends it to the Iowa Economic Development Authority, which issues a letter and sends it to you with the amount of your tax credit. The Community Foundation also receives a copy of the award letter. You take the tax credit on your Iowa tax return. If you cannot use the entire credit in the year it was accepted, you can carry it over for up to five years. The tax credit is not transferable. If an Iowa tax credit is received for a gift, no Iowa income tax deduction for the same gift is allowed. A gift of appreciated securities provides even greater tax savings because you may also avoid capital gains tax that would be payable if you were to sell those same securities.

If I do an IRA Charitable Rollover, is it eligible for an Endow Iowa Tax Credit?
Signed into legislation December 18, 2015; if an individual aged 70 ½ years or older donates up to $100,000 from an Individual Retirement Account (IRA) to qualified charities, the donor can do so without having to count the distributions as taxable income. The donation is also eligible for an Endow Iowa tax credit if the donor is an Iowa taxpayer and the check goes directly to the Community Foundation for an endowed fund. IRA Charitable Rollovers are not eligible for a federal deduction.

Where can I get additional information on the Endow Iowa Tax Credit program?
You can call the Iowa Economic Development Authority at 515/725-3082 or visit the Iowa Economic Development website: http://www.iowaeconomicdevelopment.com/CommunityDevelopment/Philanthropic. You can also call the Community Foundation at 563/326-2840 or contact us by email at info@qccommunityfoundation.org.

ENDOW IOWA TAX CREDIT ILLUSTRATION

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<tr>
<th>Gift Amount</th>
<th>$1,000</th>
<th>$10,000</th>
<th>$100,000</th>
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<tbody>
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<td>Endow Iowa Tax Credit (25%)</td>
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<tr>
<td>Federal Deduction*</td>
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<td>Federal Tax Savings (35%)**</td>
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<td>Net Cost of Gift</td>
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<td>$400,000</td>
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* For ease of illustration, the examples above do not factor in the federal/state net tax effect for donors who itemize and have reached the $10,000 state and local tax (SALT) Cap. When itemizing the donor would reduce the federal deduction by the amount of the credit. There is an opportunity to deduct the full value of the gift if you have not reached the $10,000 state and local taxes (SALT) Cap.

**Examples assume the donor is in the 35% tax bracket.