Endow Kentucky Tax Credit

The Endow Kentucky Tax Credit enables Kentucky income taxpayers (individuals and businesses) to receive a state tax credit of up to 20 percent of a charitable gift to an endowment at a qualified community foundation for the benefit of Kentucky-based nonprofit organizations. It’s a tax-smart way to provide sustained support to your favorite Kentucky nonprofits, including schools and religious institutions.

Endowments at GCF provide a permanent stream of annual funding to nonprofits, making them a perfect vehicle for legacy gifts to effective organizations and offering protected funding during economic downturns.

$1 million in tax credits are available statewide beginning July 1, and will deplete quickly. A one-page application to the Department of Revenue is required and should be submitted by July 7. Your experienced staff at the Greater Cincinnati Foundation is available to assist.

Since 2011, GCF has helped donors support Kentucky nonprofits with $5.3 million in tax-credited gifts to 25 endowments, including those supporting:

- Alliance for Catholic Urban Education
- Brighton Center
- Children’s Home of NKY
- Covington Partners
- Diocesan Catholic Children’s Home
- Learning Grove
- Life Learning Center
- Redwood
- St. Elizabeth Healthcare
- St. Elizabeth Hospice
- United Way, Northern Kentucky

Gifts to GCF’s Northern Kentucky Fund, which provides ongoing support to nonprofits in NKY, are also tax-credit eligible.

Jordan and Lauren Huizenga
Covington residents who support Learning Grove through a GCF endowment

“We love Endow Kentucky because we can make gifts that will last and have an impact on Northern Kentucky for a long time. The state tax credit to incentivize these gifts is so helpful in building support for important organizations in our community. It’s a win-win.”
How It Works

1. Before making a gift, the donor must file an application with the KY Department of Revenue for preliminary tax credit approval.

2. Within 30 days of the approval letter, the donor must make the gift to the GCF endowment.

3. Within 10 days of receipt, GCF will confirm the gift with the Dept., which will then issue a final approval letter to the donor.

The tax credit (up to $10,000 per taxpayer; $20,000 per married couple filing jointly) may be taken against individual income tax, corporation income tax or limited liability income tax.

The tax credit is taken off the state tax bill dollar-for-dollar, and federal and state tax deductions still apply.

The 2020 CARES Act adds new ways to leverage tax credit savings with your gift to a qualified Endow Kentucky fund at GCF:
- $300 above-the-line charitable deduction for individual taxpayers taking the standard deduction.
- Charitable deduction of cash gifts up to 100% AGI for individuals who itemize.
- Increased charitable cash contribution cap on corporate deduction from 10% to 25% of taxable income.

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GCF Endow Kentucky Tax Savings

37% Tax Bracket

<table>
<thead>
<tr>
<th>Quality cash donations (to GCF endowed fund)</th>
<th>$10,000</th>
<th>$20,000</th>
<th>$50,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal deduction 37%*</td>
<td>$(2,960)</td>
<td>$(5,920)</td>
<td>$(14,800)</td>
</tr>
<tr>
<td>State deduction 5%*</td>
<td>$(400)</td>
<td>$(800)</td>
<td>$(2,000)</td>
</tr>
<tr>
<td>Tax credit 20%*</td>
<td>$(2,000)</td>
<td>$(4,000)</td>
<td>$(10,000)</td>
</tr>
<tr>
<td>Net cost of donation*(what it costs to you)</td>
<td>$ 4,640</td>
<td>$ 9,280</td>
<td>$ 23,200</td>
</tr>
<tr>
<td>Stock gift (capital gains avoided**)20% + 3.8% NII +5% KY)</td>
<td>$(1,440)</td>
<td>$(2,880)</td>
<td>$(7,200)</td>
</tr>
<tr>
<td>Net cost of donation if contribution is appreciated stock</td>
<td>$ 3,200</td>
<td>$ 6,400</td>
<td>$16,000</td>
</tr>
</tbody>
</table>

*assuming taxpayer is in the highest tax bracket (37%) and subject to net investment tax
**capital gains calculated on assumption of 100% appreciation of stock owned for more than 1 year

This information is not a substitute for expert legal, tax or other professional advice tailored to your specific circumstances. Please consult your tax advisor.