

Endow Kentucky Tax Credit Program



WHAT IS ENDOW KENTUCKY?

Authorized by the General Assembly in 2010, the Endow Kentucky Tax Credit program offers taxpayers an opportunity to help their community and receive a tax credit toward their Kentucky Income Tax! For a contribution to endowed permanent funds at qualified community foundations, a taxpayer may receive 20 percent income tax credit not to exceed \$10,000 per donor per taxable year. \$500,000 in tax credits was authorized for fiscal years 2011 and 2012.

WHAT WAS THE CATALYST FOR THE LEGISLATION?

The purpose of the legislation is to spur the development and growth of philanthropy, particularly in underserved, rural parts of the Commonwealth. Blue Grass Community Foundation helped sponsor the Transfer of Wealth Kentucky report that was published in September of 2010. The report found the following:

“Over the next 50 years, Kentuckians will likely transfer \$707 billion to the next generation. This intergenerational Transfer of Wealth offers an unprecedented opportunity to create a profound legacy – if we count our communities among our heirs.”

WHAT DOES IT MEAN FOR US LOCALLY?

“Over the next 20 years, the Blue Grass Region will see a Transfer of Wealth opportunity of \$32 billion, one of the highest in the Commonwealth. If just 5 percent of that opportunity - \$1.6 billion – could be applied to community endowments, the investments over time would create a payout of more than \$80 million a year to the community economic and quality of life priorities of the Blue Grass.”

Transfer of Wealth Opportunity over the next 20 Years

County	2010 Net Worth	Transfer of Wealth	5%	2010 Households
Anderson	\$1.21 billion	\$0.77 billion	\$38.74 million	8,612
Bourbon	\$1.39 billion	\$0.76 billion	\$38.24 million	7,881
Boyle	\$1.87 billion	\$0.93 billion	\$46.58 million	10,987
Clark	\$3.13 billion	\$1.83 billion	\$91.29 million	14,223
Fayette	\$30.65 billion	\$15.49 billion	\$774.62 million	117,507
Franklin	\$3.69 billion	\$1.97 billion	\$98.64 million	20,386
Harrison	\$0.94 billion	\$0.58 billion	\$29.12 million	7,228
Jessamine	\$3.15 billion	\$1.90 billion	\$94.84 million	17,307
Madison	\$3.81 billion	\$2.32 billion	\$115.92 million	32,365
Montgomery	\$1.34 billion	\$0.33 billion	\$16.39 million	10,268
Scott	\$2.46 billion	\$1.34 billion	\$66.78 million	16,944
Woodford	\$2.44 billion	\$1.32 billion	\$66.24 million	9,486

*Excerpted from the full Transfer of Wealth technical report which is available online at www.kyphilanthropy.org

HOW IS BLUE GRASS COMMUNITY FOUNDATION INVOLVED?

Blue Grass Community Foundation has been approved as a qualified community foundation participating in the Endow Kentucky Tax Credit program.

WHAT'S THE PROCESS FOR RECEIVING THE TAX CREDIT?

To determine the impact of a tax credit, a donor should consult his/her financial advisor/accountant.

Donors, including individuals and corporations, who contribute money to permanent endowment funds at Blue Grass Community Foundation may be eligible for a 20 percent income tax credit up to \$10,000 per donor per taxable year. **The credit may be taken against individual income tax, corporate income tax and the limited liability entity tax, in addition to the federal charitable tax deduction value of the gift.** This tax credit may be carried forward for up to five years. The tax credit benefit is in addition to the federal charitable tax deduction value of the gift.

To apply, a Kentucky taxpayer must file an application for preliminary authorization of the tax credit with the Department of Revenue (DOR). Instructions and an application for preliminary approval are available online at www.revenue.ky.gov/endowedkytaxcredit.htm. For questions or more information about the Endow Kentucky Program tax credits, please call our office or the Department of Revenue at 502-564-8139.

To claim the tax credit, the taxpayer, including an individual, partner, member or shareholder or beneficiary of an estate or trust, will be advised as to the correct attachment to their tax return.

HOW SHOULD AN INTERESTED DONOR PROCEED?

The tax credit for donations to endowed charitable funds can be obtained the following ways at Blue Grass Community Foundation:

- Establish or add to an endowed charitable fund (donor-advised, competitive grantmaking or field of interest fund)
- Establish or add to an endowed scholarship fund
- Establish or add to a designated endowment fund for a Kentucky nonprofit that is important to the donor
- Donate to one of the Community Foundation's existing endowment funds, including the Blue Grass Community Grants Endowment or Operating Endowment Funds.

The minimum contribution to open an endowed charitable fund is \$10,000 for an individual and \$2,500 for a nonprofit organization. The minimum to establish an endowed scholarship fund is \$50,000. The Endow Kentucky tax credit program offers a very unique opportunity to incentivize charitable giving. Combined with the benefit of the federal charitable tax deduction, it ensures that your philanthropic dollars are maximized.

For questions or assistance, contact Allison Lankford or Lisa Adkins (859.225.3343), alankford@bgcf.org or ladkins@bgcf.org.