

Endow Kentucky Tax Credit Program

\$500,000 In Tax Credits Are Available July 1!

WHAT IS ENDOW KENTUCKY?

The Endow Kentucky Tax Credit Program offers you a unique opportunity to receive a state tax credit toward your Kentucky Income Tax after making a contribution to endowed permanent funds at qualified community foundations. A total of \$500,000 is available to taxpayers, individual and corporate, through the Endow Kentucky Tax Credit Program. You are eligible to receive up to a 20% income tax credit (not to exceed \$10,000) per taxable year. **A new allotment of tax credits are available on July 1 each year.**

IMPACT OF THE TAX CREDIT

To determine the personal impact of receiving your tax credit, you should consult your financial advisor or accountant. **In addition to the federal charitable tax deduction value of the gift, the tax credit may be taken against individual income tax, corporate income tax and the limited liability entity tax.** Any tax credit that cannot be used by the taxpayer during a particular taxable year may be carried forward for use in subsequent taxable year(s) for a period not to exceed five years. This is a tax credit, not a deduction. A tax credit lowers your tax bill dollar for dollar regardless of your tax bracket.

WHAT GIFTS QUALIFY FOR THE ENDOW KENTUCKY TAX CREDIT?

Gifts can be cash or appreciated assets, and must be made to a qualified community foundation or affiliate.

Below is a list of options that qualify as gifts for Endow Kentucky Tax Credit at Blue Grass Community Foundation:

- Establish or add to an endowed charitable fund (community funds or donor advised funds)
- Establish or add to an endowed scholarship fund
- Establish or add to a designated endowment fund for a Kentucky nonprofit
- Donate to one of the Community Foundation's existing endowment funds including Blue Grass Community Foundation's Endowment Fund or the Operating Endowment Fund.

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.

HOW IS BLUE GRASS COMMUNITY FOUNDATION INVOLVED?

Blue Grass Community Foundation has been approved by the Endow Kentucky Commission as a qualified community foundation to participate in the Endow Kentucky Tax Credit program. We are happy to assist you with this opportunity in making a lasting commitment to the community. Contact Lisa Adkins (lajkins@bgcf.org) or Allison Lankford (alankford@bgcf.org) at 859.225.3343 to get started today.

APPLYING FOR THE ENDOW KENTUCKY TAX CREDIT

Applying for your Endow Kentucky Tax Credit is simple. Please use the following steps to ensure you receive your Endow Kentucky Tax Credit.

ONE:

You must **file an application for preliminary authorization of the tax credit with the Department of Revenue (DOR)**. For additional information visit: www.revenue.ky.gov/endowedkytaxcredit.htm or call 502.564.8139. We are also happy to assist you with any questions you may have.

TWO:

After receiving the approved preliminary authorization form please **mail, fax or email a copy to Blue Grass Community Foundation (859.243.0770) or Brian Dineen (bdineen@bgcf.org)**. Please keep a copy for your records.

THREE:

Within 30 days of receiving the approval letter from the Department of Revenue, you must **make the contribution** to an endowment fund at the Community Foundation.

FOUR:

Within 10 days of making the gift, Blue Grass Community Foundation will send proof of the gift to the Department of Revenue by filing the Notice of Endow Kentucky Tax Credit and Certification form. The Department of Revenue will then review the provided proof and issue a letter of final approval.

Don't miss out on this unique opportunity to spur development and growth in Kentucky.

141.438 Endow Kentucky tax credit.

- (1) For taxable years beginning on or after January 1, 2011, there is hereby established the Endow Kentucky tax credit.
- (2) A taxpayer providing an endowment gift to a permanent endowment fund of a qualified community foundation, or county-specific component fund, or affiliate community foundation, which has been certified under KRS 147A.325, and meeting the requirements of subsection (7) of this section, may claim a credit against the taxes imposed by KRS 141.020 or 141.040 and 141.0401. The ordering of the credit shall be as provided in KRS 141.0205.
- (3) The credit shall be equal to twenty percent (20%) of the value of the endowment gift provided by the taxpayer, not to exceed ten thousand dollars (\$10,000).
- (4) The credit shall be nonrefundable, but any amount of credit that a taxpayer is not able to utilize during a particular taxable year may be carried forward for use in a subsequent taxable year, for a period not to exceed five (5) years.
- (5) No tax credit claimed under this section may be sold or transferred. If the taxpayer is a pass-through entity not subject to tax under KRS 141.040, the amount of approved credit shall be applied against the tax imposed by KRS 141.0401 at the entity level, and shall also be distributed to each partner, member, or shareholder based on the partner's, member's, or shareholder's distributive share of the income of the pass-through entity.
- (6) The total amount of tax credit that may be awarded under this section shall be limited to five hundred thousand dollars (\$500,000) in each fiscal year.
- (7) A taxpayer pursuing a tax credit under this section shall:
 - (a) File an application for preliminary authorization of the tax credit with the department;
 - (b) After receiving preliminary authorization from the department, provide an endowment gift to a qualified community foundation, county-specific component fund, or affiliate community foundation which has been certified under KRS 147A.325 within thirty (30) days of the date of the notice of authorization for the tax credit from the department; and
 - (c) Within ten (10) days of making the gift, report to the department proof of the endowment gift.
- (8) (a) The department shall:
 1. Create the application required to be filed by the taxpayer seeking preliminary approval for the tax credit; and
 2. Publish on its Web site the amount of total credit allocated to date, the date the last processed application for preliminary approval was received, and the remaining credit available.
- (b)
 1. Upon receipt of an application for preliminary approval submitted under subsection (7) of this section, the department shall review the application and, if approved, the department shall issue a notice of preliminary approval to the requesting taxpayer.
 2. The notice of preliminary approval shall include the amount of credit, shall notify the taxpayer that the proposed gift must be made within

thirty (30) days of the date reflected on the notice of authorization, and that the taxpayer must notify the department that the gift has been made, in the form and format determined by the department, within ten (10) days of making the gift.

3. Upon preliminary approval of an application for credit, the department shall reduce the outstanding available credit cap amount to reflect the preliminary approved credit.
- (c) Upon timely receipt of notification from a taxpayer preliminarily approved for a credit that the investment has been timely made, the department shall verify the information provided and, if the information is accurate, the department shall issue a final tax credit letter to the taxpayer.
 - (d) If a taxpayer fails to make the required investment or provide proof of the investment to the department within the time frames established by this subsection and subsection (7) of this section, the department shall void the preliminary approval and shall restore the allocated amounts to the tax credit cap.

Effective: June 4, 2010

History: Created 2010 (1st Extra. Sess.) Ky. Acts ch.2, sec.14, effective June 4, 2010.