



Answers to frequently asked questions about Endow IA Income Tax Credits

What is the Endow Iowa Income 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 any federal income tax deduction for a charitable donation and is contingent upon state appropriation.

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?

An endowed fund is a permanent charitable fund that distributes a percentage of the fund annually in grants. To receive a tax credit, the donor makes a gift to a permanently endowed fund at a qualified community foundation that supports charitable activities or scholarships in Iowa.

Is there a maximum gift under this tax credit program?

Tax credits are 25% of the gifted amount, but an individual is limited annually to \$100,000 in tax credits for a \$400,000 gift and a couple is limited to \$200,000 in tax credits for a \$800,000 gift (if both are Iowa taxpayers). The Community Foundation has set a \$100 minimum per gift to process applications.

How do I treat this tax credit on my taxes?

Donors who take the standard federal 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 income tax liability.

Donors who itemize must 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 \$1,000 charitable donation to an Endow Iowa fund would receive a \$250 (25%) state tax credit. When filing federal taxes, the taxpayer can 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. If an Endow Iowa income tax credit is received for a gift, no Iowa income tax deduction for the same gift is allowed. We recommend donors consult their own tax professionals regarding their own eligibility and tax treatment.

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 and submit an application for the tax credit within 12 months of the donation date. The Iowa Economic Development Authority will issue the donor a letter with the amount of the tax credit. If the donor cannot use the entire credit in the year it was accepted, it may be carried forward for up to five years. The tax credit is not transferable. A gift of appreciated securities provides even greater tax savings of capital gains tax that would be payable if the same securities were sold and then gifted.

If I do an IRA Charitable Rollover, is it eligible for an Endow Iowa Tax Credit?

If an individual aged 70 ½ years or older donates up to \$105,000 in a calendar year, 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.

How does this impact my Retirement Income?

Effective January 1, 2023, a new law exempts Iowa taxation on all “retirement income” for those who are disabled or 55 years of age or older. It also exempts retirement income received by surviving spouses. Retirement income includes, but is not limited, to 401(k), 403(b) and Individual 401(k) Plan Distributions. **This change may impact the income tax liability of some donors and their eligibility to receive an Endow Iowa tax credit. Consult your tax professional for your own eligibility.**

Where can I get additional information on the Endow Iowa Tax Credit program?

You can call the Community Foundation at 563/326-2840 or contact us by email at info@qccommunityfoundation.org.

You can also call the Iowa Economic Development Authority at 515/725-3082 or visit the Iowa Economic Development website: <https://www.iowaeda.com/endow-iowa/>.

ENDOW IOWA TAX CREDIT ILLUSTRATION

Gift Amount	\$1,000	\$10,000	\$100,000	\$400,000	\$800,000 (married couples)
Endow Iowa Tax Credit (25%)	(\$250)	(\$2,500)	(\$25,000)	(\$100,000)	(\$200,000)
Net Federal Deduction Gift	\$750	\$7,500	\$75,000	\$300,000	\$600,000
Federal Tax Savings (37%)*	(\$262.50)	(\$2,625)	(\$26,250)	(\$105,000)	(\$210,000)
Net Cost of Gift	\$487.50	\$4,875	\$48,750	\$195,000	\$390,000

*For ease of illustration, the examples above do not factor in the federal/state net tax effect. Examples assume the donor is in the 35% tax bracket and plans to claim a charitable deduction on the federal tax return.