

# ENDOW KENTUCKY TAX CREDIT PROGRAM

## \$1 Million Tax Credit Pool Available July 1!

The Endow Kentucky Tax Credit program allows donors to receive a charitable deduction AND a credit against Kentucky state taxes by making a contribution to an endowment fund at Blue Grass Community Foundation. A pool of \$1 million in tax credits is available to taxpayers, individual and corporate, through the Endow Kentucky Tax Credit Program each year on July 1. Eligible donors will receive a 20% income tax credit (not to exceed \$10,000) per taxable 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. 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

The minimum to open an endowed charitable fund is \$10,000 for an individual and \$10,000 for a nonprofit organization. The minimum to establish an endowed scholarship fund is \$250,000.

### HOW TO APPLY

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

1. File an application for preliminary authorization with the Department of Revenue.
2. After receiving the approved preliminary authorization form please mail, fax (859.243.0770) or email (maddie@bgcf.org) a copy to Blue Grass Community Foundation and keep a copy for your records.
3. Make a contribution to an endowment fund at Blue Grass Community Foundation within 30 days of receiving the approval letter from the Department of Revenue.
4. 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.

We are happy to assist with your Endow Kentucky Tax Credit application! Contact us today:

**Lisa Adkins**  
President/CEO  
ladkins@bgcf.org

**Scott Fitzpatrick**  
VP/Advancement  
sfitzpatrick@bgcf.org

**Halee Cunningham**  
General Counsel/Director of Planned Giving  
halee@bgcf.org

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

# ENDOW KENTUCKY TAX CREDIT PROGRAM

## Frequently Asked Questions

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### WHEN DO I NEED TO SUBMIT MY APPLICATION?

The Kentucky Department of Revenue will not accept applications until July 1. You may send your completed application to us before July 1, and we will submit it on your behalf on July 1.

### HOW DO I SUBMIT MY APPLICATION?

Applications can be submitted via email, fax or hand-delivery. Do not mail your application to the Department of Revenue. You can either send your application to us on or before July 1, and we will ensure it is properly submitted to the Kentucky Department of Revenue, or you can submit your application directly to the Department of Revenue beginning July 1.

### WHEN WILL I KNOW IF MY APPLICATION WAS APPROVED?

The Department of Revenue will send an approval letter via certified mail to the address you entered on the application form within two to three weeks from the time you apply (after July 1).

### IS THERE A MINIMUM CONTRIBUTION TO TAKE ADVANTAGE OF THE TAX CREDIT?

No, there is no minimum gift size to contribute to an endowment fund and qualify for a tax credit.

### IS THERE A MAXIMUM CONTRIBUTION THAT I CAN GIVE?

Yes, the maximum gift allowed under the Endow Kentucky tax credit program is \$50,000.

### DO I SEND MY GIFT IN WITH MY APPLICATION?

No, do not send in your gift until you receive approval from the Department of Revenue.

### WHEN DO I NEED TO MAKE MY ENDOW KENTUCKY GIFT?

You must make your gift within 30 days of the date you receive your approval letter.

### WHERE DO I SEND MY GIFT?

Send your check to BGCF. Make checks payable to Blue Grass Community Foundation, and indicate the endowment fund to receive the gift in the check memo line.

### CAN I CONTRIBUTE OTHER ASSETS?

Yes, you can contribute using publicly traded securities, life insurance policies, IRA qualified charitable distributions and real estate. Contact us to discuss a donation of complex assets.

### CAN I GIVE TO MORE THAN ONE ENDOWMENT FUND?

Yes, however, you may only apply for the tax credit for a maximum gift of \$50,000. Contact us if you would like to allocate your contribution toward multiple endowment funds.

### WHICH ENDOWMENT FUNDS ARE ELIGIBLE TO RECEIVE TAX CREDIT GIFTS?

A list of endowment funds eligible to receive Endow Kentucky gifts can be found at [www.bgcf.org/endowKY](http://www.bgcf.org/endowKY). Contact us if you would like to open your own endowment fund.

### AM I GUARANTEED TO RECEIVE A 20% CREDIT?

All applications received between July 1 and July 7 will receive a prorated portion of the credit pool, with a maximum credit of 20%. Any remaining credits will be allocated on a first-come, first-served basis, with a maximum credit of 20%.

# WHAT TO GIVE

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Blue Grass Community Foundation accepts many types of assets, including those listed below. If you are interested in donating an asset that you do not see listed, contact us and we will be happy to work with you to meet your individual needs.

## **CASH**

The most popular and easiest way to give to a charitable fund is by check. In addition, you can also give by credit card via our website.

## **REAL ESTATE**

These gifts can include a house or other personal residence, farm, commercial building, or income- or non-income producing land.

## **LIFE INSURANCE**

This is a great way to make a significant future gift at a relatively minor current cost. You can name the Community Foundation as the beneficiary of an existing policy, or you can purchase a new policy naming the Foundation as owner and beneficiary.

## **PUBLICLY TRADED STOCKS AND MUTUAL FUNDS**

These assets, particularly ones that have appreciated in value, can help you avoid capital gains while also receiving a charitable deduction. Your tax deduction will be based on the average of the high and low of the market on the date of donation.

## **CLOSELY HELD STOCK**

You can contribute shares you hold in a privately owned business stock outright to the Community Foundation, and your deduction is based on the appraised market value.

## **TANGIBLE PERSONAL ASSETS**

Gifts of personal property (such as jewelry, antiques, collectibles, artwork, vehicles and boats) may be considered on a case-by-case basis.

## **IRA CHARITABLE ROLLOVER**

Donors 70 ½ and older may direct up to \$100,000 of their IRA Required Minimum Distribution to a fund at the Community Foundation without having to include the RMD as part of their income (note: donor advised funds do not currently qualify for IRA rollover gifts).

## **CRYPTOCURRENCY**

BGCF can accept gifts of cryptocurrency, such as Bitcoin, Ethereum and more. Please contact the Community Foundation and we can facilitate a customized cryptocurrency donation plan.

## **INCOME PRODUCING GIFTS**

Those who wish to receive a steady stream of income for the remainder of their lifetime can establish a Charitable Gift Annuity or a Charitable Remainder Trust. You can receive tax benefits at the time the gift is made along with income payments annually. After your lifetime the remainder benefits the charitable fund of your choice.

## **ESTATE GIFTS**

You can use a charitable fund to organize your charitable giving after your lifetime. Gifts via a bequest in your will or trust can ensure a legacy of giving in perpetuity.

# Nonprofit Endowments: Frequently Asked Questions

## What is the legal definition of an endowment?

A nonprofit endowment is a permanent fund not wholly expendable on a current basis under the terms of the gift instrument. Endowments at the Community Foundation are component funds and are professionally managed to ensure the funds remain strong over time and comply with all state laws and regulations, such as UPMIFA. Currently, nonprofit endowment funds annually allow a payout of 5.5% of the rolling twenty quarter average, less fees.

## How does an endowment fit into an organization's overall financial plan?

To be healthy and stable, an organization must meet its current operating budget without depleting all its assets. Organizations should also have an operating reserve that covers between half to all its expenses in an emergency. Once these criteria are met, organizations may consider establishing and building an endowment to provide for long-term support.

## Does having an endowment conflict with current donor giving?

No. Having an endowment shows your donors that you are committed to planning for a stable financial future. Experience demonstrates that dedicated donors do not choose among ways to support their favorite charities, but frequently participate in all of them.

## Who gives to endowments?

Anyone can contribute to the organization's future with an endowment gift of any size. The best candidates are often current board and committee members and reoccurring annual supporters.

## What is the Endow Kentucky Tax Credit and why should you care?

Donors, including individuals and corporations, who contribute money to permanent endowment funds at Blue Grass Community Foundation, including nonprofit endowments, may be eligible for a 20 percent tax credit up to \$10,000 per donor per taxable year. The tax credit benefit is in addition to the federal and state charitable tax deduction value of the gift.

## Should all organizations have an endowment?

No. Organizations formed for short-term causes and/or events don't need endowments. Organizations in financial crisis or that do not have a donor base and a history of accomplishments should not have endowments.

## What happens if you have an emergency and need the endowment money?

Ideally, the emergency should be solved with other financial resources. However, under certain conditions, the Community Foundation does allow for the emergency withdrawal of endowment funds.

## What happens to your endowment if the organization goes out of business?

For endowments held at Blue Grass Community Foundation, charitable earnings will be redirected to the most similar cause that can be found.

## Should you set up an independent foundation to hold the endowment?

Establishing a new nonprofit organization to hold an endowment creates extra work, expense and reporting requirements to the IRS for your staff. Endowments at Blue Grass Community Foundation offer competitive rates, proven investment managers, and in some cases, generous state tax credits for donors.

For more information on how Blue Grass Community Foundation can work with your agency, please email Lisa Adkins ([ladkins@bgcf.org](mailto:ladkins@bgcf.org)) or call 859-225-3343.