

North Dakota Income Tax Credit for Charitable Giving

Gifts to Endowment

North Dakota Law allows for a 40% tax credit for gifts to “qualified ND endowment funds”. The purpose of the tax credit is to give North Dakota taxpayers the opportunity to make meaningful gifts to charity and to reduce their ND income tax bill. The credit may be carried forward for three years if it cannot all be used in one year. You do not need to itemize on your federal tax return to receive the credit.

For Individuals: An individual may receive a ND income tax credit for a contribution of \$5,000 or more (lump sum or aggregate in one year) to a qualified North Dakota endowment fund. The Bismarck Library Foundation, Inc.’s endowment is a qualified ND endowment fund. The tax credit is 40 percent of the gift, up to a maximum credit of \$10,000 per year per taxpayer or \$20,000 per year per couple filing jointly. For donors in a 28 percent federal tax bracket, the tax benefits may look like this:

Gift Amount:	\$5,000	\$10,000	\$25,000	\$50,000
Federal Tax deduction -	- 840	- 1,680	- 4,200	- 8,400
N.D. state income tax credit	-2,000	- 4,000	- 10,000	- 20,000
Net Cost of Gift	\$2,160	\$4,320	\$10,800	\$21,600

For Businesses and Financial Institutions: C corporations, S corporations, partnerships, estates, limited liability companies and trusts that make gifts of any amount to a qualified ND endowment may qualify for a state income tax credit equal to 40 percent of the value of the gift, up to a maximum credit of \$10,000 per year.

IRA Rollovers: Congress has authorized Charitable IRA rollovers for those over age 70½. You may direct your IRA/retirement account distribution to any qualified charitable organization. Funds coming out of your IRA/retirement account won’t be taxed but will count towards your required minimum distribution if you are over age 72. The distributed funds are also eligible for the 40 percent ND Income Tax Credit if they go to a qualified ND endowment fund. You may rollover up to a maximum of \$100,000 per year.

Definitions:

A “qualified endowment” is a permanent, irrevocable fund held by a qualified North Dakota nonprofit organization or a bank or trust company holding the fund on behalf of a qualified nonprofit organization.

A “permanent irrevocable fund” is comprised of cash, securities, mutual funds, or other investment assets established for a specific charitable organization and invested in the production and/or growth of income, which may either be added to principal or expended.

For more specific legal information about charitable tax credits, contact your tax advisor or the North Dakota Tax Department at 701-328-7088 or www.nd.gov/tax.

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