



GOVERNOR GREG GIANFORTE  
DIRECTOR BRENDAN BEATTY

TO: Revenue Interim Committee

FROM: Aaron McNay, Tax Policy and Research

DATE: January 29, 2026

RE: Report on the Qualified Endowment Credit

CC:

The Department of Revenue is required by 15-1-230, MCA, to make a report to the Revenue Interim Committee on the Qualified Endowment Credit. This memorandum briefly describes the Qualified Endowment Credit and reports on the use of the credit in the recent past.

Created in 1997, the Qualified Endowment Credit is designed to increase charitable donations by individuals and corporations by providing an income tax credit to individuals and corporations that donate a planned gift to a qualified endowment. The credit is 40% of the present value of the planned gift for the personal income tax. For the corporate income tax, the credit is equal to 20% of the present value of outright charitable contributions and 40% for planned gifts. The maximum credit amount was \$10,000 per taxpayer through tax year 2023. The maximum credit amount increased to \$15,000 per taxpayer starting tax year 2024.

For the credit, a qualified endowment is a permanent irrevocable fund held by, or on behalf of, a 501(c)(3) charitable organization. To qualify as a planned gift, any gift must be one of the nine types of arrangements specified by IRS code, which requires the donor to place the assets in a trust that provides income to the donor for life, or a set period, after which the remainder goes to the charitable organization.

Based on personal income tax returns received and processed by the department through February 2026, the Qualified Endowment Credit was claimed on 653 personal income tax returns for tax year 2024. The total credit amount claimed on the returns for 2024 was \$4,552,833. The number of credits claimed in tax year 2024 was an increase from the previous years. In tax years 2022 and 2023, a total of \$3,539,875 and \$3,483,855 in credits were claimed, respectively.

The Qualified Endowment Credit is non-refundable. This means that all of the credits reported on each taxpayer's return may not be used if the taxpayer lacked sufficient tax liabilities. Because of this, the actual revenue impact to the state can be less than the total number of credits reported on returns. When compared to each taxpayer's tax liability, the total number of usable credits for tax year 2024 decreased from \$4,552,833 to \$4,243,337, a decrease of more than \$300,000. There

is no carryback or carryforward for this credit, so any unused credits each tax year will remain unused.

C-Corporate income tax returns received and processed by the department through February 2026 reported nearly \$140,00 in credits for tax years 2020 through 2024. The total number of returns claiming the credit were less than 10 each tax year. Unlike individual income tax returns, the total number of credits reported on C-Corporation returns are already adjusted to match the taxpayer tax liability, so the entire \$139,917 in credits for the five tax years were usable to taxpayers.

Figure 1						
Tax Year	Individual Income Tax Credits Claimed				C-Corporation Income Tax Credits Claimed	
	Returns	Total Credits	Usable Credits	Unused Credits	Returns	Total Credits Claimed
2020	739	\$2,898,158	\$2,533,362	\$364,796	*	\$24,626
2021	813	\$3,857,708	\$3,588,104	\$269,604	*	\$19,176
2022	763	\$3,539,875	\$3,234,808	\$305,067	*	\$47,526
2023	716	\$3,483,855	\$3,230,686	\$253,169	*	\$23,939
2024	653	\$4,552,833	\$4,243,337	\$309,496	*	\$24,650

\* Not Disclosed Due to Confidentiality Requirements

Finally, taxpayers are required to report any recovered gift amounts received by the taxpayer as taxable income. Several personal income tax returns did report credit recapture amounts during the 2020 through 2024 tax period, with \$1,619 in reported credits recovered over the five year period. No significant amount of credits were re-captured from corporate income tax returns during this period.