



Endow Iowa Tax Credits

A Report to the Legislative Tax Expenditure Committee



Submitted by the Iowa Economic Development Authority
December 4, 2013

Program Description

The Endow Iowa Tax Credit is a charitable giving incentive program administered by the Iowa Economic Development Authority (IEDA). The Endow Iowa Tax Credit Program was established in 2003 to encourage individuals, businesses and organizations to make lasting investments in their communities when they establish permanent, endowed funds at an Iowa community foundation.

Purpose of Program

The purpose is to enhance the quality of life for Iowans through increased philanthropic activity by providing capital to new and existing citizen groups of this state organized to establish endowment funds that will address community needs. The purpose is also to encourage individuals, businesses and organizations to invest in community foundations. See 15E.302

Program Overview

The Endow Iowa Tax Credit is a 25 percent tax credit available to all Iowa taxpayers (individuals, businesses and financial institutions) who make a qualifying charitable contribution. To qualify, gifts must be made to a permanent endowment fund, established for the benefit of an Iowa charitable cause, at a qualified community foundation (or an affiliate of a qualified community foundation). Gifts can be of any size. Credits are awarded by the IEDA on a first-come, first-served basis. They are nonrefundable but can be carried forward for up to five years. As of June 2013, \$6 million in Endow Iowa Tax Credits are available each year overall; the maximum number of credits available per taxpayer each year is \$300,000.

History of the Endow Iowa Tax Credit Cap

Since the inception of the program in 2003, funding allocations and tax credit caps associated with the program have changed. During the first year of existence, the Endow Iowa tax credit equaled 20 percent of a taxpayer's endowment gift to a qualified community foundation. The credit was limited to \$2 million in the aggregate for the 2003 and 2004 tax years and limited to \$2 million for each year 2005 through 2007. For 2008 and 2009, the cap was \$2 million per year plus a percentage of gaming revenues.

For 2010, the cap was increased to \$2.7 million plus a percentage of gaming revenues. For 2011, the cap was increased to \$3.5 million plus a percentage of gaming revenues which was \$1,023,397 for that year. For 2012 and subsequent years, the cap is fixed at \$6 million. The maximum credit available to any one taxpayer is 5 percent of the aggregate amount of credits available in any one year. In addition, for 2010 and subsequent years, the credit is 25 percent of the endowment gift to a qualified community foundation. Also, starting in 2010, the endowment gift is not allowed as a deduction for Iowa tax purposes.

	Tax Credit Cap	+ Additional Gambling Revenues	Maximum Credit % of gift (up to 5% of the total cap*)	Donation allowed as a deduction on Iowa return
2003 & 2004 combined	\$2 million		20%	Yes
2005	\$2 million		20%	Yes
2006	\$2 million		20%	Yes
2007	\$2 million		20%	Yes
2008	\$2 million	\$1,176,854	20%	Yes
2009	\$2 million	\$394,446	20%	Yes
2010	\$2.7 million	\$957,620	25%	No
2011	\$3.5 million	\$1,023,397	25%	No
2012 and subsequent years	\$6 million	No further tie to gaming revenues	25% of endowment gift up to \$300,000*	No

* 5% of the aggregate amount of tax credit available

How the Program Works

Iowa Code creates the structure to operate the Endow Iowa Tax Credit program.

15E.305(1) A tax credit shall be allowed only for an endowment gift made to an **endow Iowa qualified community foundation** for a permanent endowment fund established to benefit a charitable cause in this state.

15E.303(3) "**endow Iowa qualified community foundation**" means a community foundation organized and operating in the state that substantially complies with the national standards for U.S. community foundations established by the National Council on Foundations as determined by the department in collaboration with the Iowa Council of Foundations.

What is a Community Foundation?

Typically a community foundation is a tax exempt, non-profit, publicly supported philanthropic organization with the long-term goal of building permanent, named funds for the broad-based public benefit of the residents of a given area. Community foundations carry out this very broad mission by building permanent endowment funds and using a portion of the annual income to support a variety of local nonprofit agencies, programs and projects in fields such as education, health, human services, the arts, community development, historic preservation and the environment.

Iowa is unique in that it has two legislated programs focused on increasing philanthropic activity to enhance the quality of life for Iowans. Both programs, the Endow Iowa Tax Credit Program and the County Endowment Fund Program, are implemented through local community foundations. The County Endowment Funds Program legislation created a community foundation presence in every Iowa County that does not receive gaming revenues from a local casino. A county foundation may participate in the programs as either an **Endow Iowa qualified foundation** or as a **community affiliate** organization.

An **Endow Iowa qualified community foundation** serves as a host foundation to provide investment and administrative expertise to "**community affiliate organizations.**"

"**Community affiliate organization**" means a group of five or more community leaders or advocates organized for the purpose of increasing philanthropic activity in an identified community or geographic area in the state with the intention of establishing a community affiliate endowment fund.

Benefits of Affiliation with an Endow Iowa Qualified Foundation

- The affiliate may operate under the 501(c)3 status and tax ID of the qualified foundation – therefore the affiliate does not have to file to get its own separate nonprofit incorporation or 501(c)3 exemption. Affiliate funds are established for the support of a variety of charitable purposes and organizations within a specific community or county.
- A local advisory board is appointed within each affiliate community and/or county and has grantmaking and fundraising responsibility for that area.
- An annual independent audit is part of the qualified foundation's audit, not the affiliate.
- The affiliate receives information, support and training from their host foundation regarding changes in national standards and best practices. Endow Iowa.

Iowa has over 130 community foundations and affiliates representing both urban and rural areas across the state. By implementing the Endow Iowa Tax Credit Program through the state's community foundation network, it is accessible to all Iowa taxpayers statewide and can be used in support of a variety of local charitable causes.

See Appendix 2 for a list of Endow Iowa qualified community foundations and their affiliates.

15E.305(1) A tax credit shall be allowed only for an **endowment gift** made to an endow Iowa qualified community foundation for a **permanent endowment fund established** to benefit a charitable cause in this state.

15E.303(4) "**endowment gift**" means an irrevocable contribution to a permanent endowment held by an endow Iowa qualified community foundation.

261-47.2(15E) "**permanent endowment funds**" means funds held in an endow Iowa qualifying community foundation to provide benefit to charitable causes in the state of Iowa. Endowed funds are intended to exist in perpetuity, and to implement an annual spend rate not to exceed 5 percent.

What is a Permanent Endow Iowa Fund

An essential component of the work of community foundations is building a permanent collection of endowment funds through contributions made by many donors. These contributions are carefully invested for maximum return and growth, ensuring the funds will exist in perpetuity. The group of endowment funds and the income earned help provide the grant dollars necessary to carry out the charitable objectives of the donors who established them. Endowed funds held at local community foundations typically have a granting policy in the range of 5 percent. This means that over time, more grant dollars are available to the community, and the endowment fund itself continues to grow.

As one of the leading states with citizens 75 years and older, Iowa has put in place strategies to ensure wealth stays in Iowa when it transfers from one generation to the next. Permanent endowment funds are a useful tool in wealth transfer. Annually, Iowans transfer more than \$4.9 billion through probate estates, with each estate averaging \$274,425. It is projected that if Iowans would gift even 5 percent of their estates annually into community foundations, more than \$245 million each year would be reinvested into community-based endowment funds.

The availability of the Endow Iowa Tax Credit has helped incent charitable giving at the local level all across Iowa. Because these gifts are directed to permanent endowment funds, the earnings from these funds are, in turn, used to meet local community needs in perpetuity. Appendix 1 is an example of a typical endowment fund and how such a fund can grow over time.

15E.305(1) A tax credit shall be allowed only for an endowment gift made to an endow Iowa qualified community foundation for a permanent endowment fund established to benefit a **charitable cause** in this state.

15E.311(4) (c) "**charitable purpose**" means a purpose described in section 501(c) (3) of the Internal Revenue Code, or a benevolent, educational, philanthropic, humane, scientific, patriotic, social welfare or advocacy, public health environmental conservation, civic or other eleemosynary objective.

15E.305(2) The aggregate amount of tax credits awarded for 2012 and subsequent years cannot exceed \$6 million and the maximum amount of tax credits granted to a taxpayer shall not exceed 5% of \$6 million (\$300,000 for 2012).

15E.305(2) (a) 10% (\$600,000) of the tax credits are reserved for endowment gifts of \$30,000 or less. If by Sept 1 the reserved tax credits are not distributed, the remaining tax credits are available to any other eligible applicants.

15E.305(3) The tax credit is not transferable to any other taxpayer.

15E.305(4) The authority shall develop a system for registration and authorization of tax credits under this section and shall control the distribution of all tax credits to taxpayers providing an endowment gift subject to this section. The authority shall adopt administrative rules pursuant to chapter 17A for the qualification and administration of endowment gifts.

Collaboration with Iowa Council of Foundations

Since 2004, IEDA has designated the Iowa Council of Foundations (ICoF) as the **lead philanthropic entity** for the purpose of encouraging the development of qualified community foundations in the state.

The ICoF is a statewide, nonprofit organization with membership consisting of organizations such as community, corporate and private foundations whose function is making grants within the state of Iowa. (15E.304(1)(a)(b))

The ICoF serves as a liaison between the IEDA and the Endow Iowa qualified community foundations statewide. When the County Endowment Fund Program was first introduced, the ICoF coordinated the application process and made recommendations for the county community foundations that would become the recipient of future county endowment funds. Likewise, the ICoF collaborates with IEDA to identify Endow Iowa qualified community foundations.

Today, IEDA staff work with the ICoF as a resource for answering technical questions related to Endow Iowa, charitable giving vehicles and community foundations. The ICoF provides the IEDA with a platform for distributing communications through the community foundation network and in gathering the required annual board resolutions for participation in the program. The ICoF also works with the foundations to gather information needed to create the annual *Report to the Legislature and Governor on Endow Iowa and County Endowment Fund*.

Return on Investment

Quantitative

Iowa's community foundation network represents over \$650 million in total assets. Iowa's community foundation network has used the Endow Iowa Tax Credit program to leverage millions in permanent endowment funding:

- Since the inception of the Endow Iowa Tax Credit Program, Iowa Community Foundations have leveraged more than \$119 million in permanent endowment fund gifts.
- In FY 13 alone, permanent endowment assets held at Iowa Community Foundations grew 46 percent; from \$358 million as of June 30, 2012 to over \$520 million as of June 30, 2013.

Qualitative

These numbers are very compelling, but they only tell part of the story. The true impact of Iowa's community foundation network on our state can be told through the people, organizations and opportunities leveraged through their grants, through the long-term sustainability achieved from their endowment building strategies, and through the leadership taking place in communities large and small. This impact can be seen in after-school programs, scholarships for deserving students, pieces of history that have been restored, innovative community leadership programming, food pantries, transportation solutions for the disabled, and countless other ways.

Success Stories

Greater Des Moines Botanical Garden

Greater Des Moines Foundation

Description

The Greater Des Moines Botanical Garden is a botanical garden in central Iowa that has taken on a capital campaign to transform the former Botanical Center into a world-class public garden. Included in the multi-phased master plan for the property, the Botanical Garden has raised \$12 million dollars and is in the process of raising another \$6.2 million. The campaign is also establishing a \$3.6 million endowment to stabilize and support the long term operations of the Garden.



Benefit to the Community

As the endowment grows an annual distribution of up to 5 percent of future earnings are available to meet operational and programming needs.

Benefit to donors

Donors to the Endow Iowa Fund for the benefit of the Greater Des Moines Botanical Garden receive an Endow Iowa Tax Credit of 25 percent of their donation up to \$300,000 per donor.

Crescent Electric Supply Company

Community Foundation of Greater Dubuque

Description

Crescent Electric Supply Company in Dubuque has been family-owned since the company was founded in 1919. The family has a long history of serving and supporting the 120 communities where their employees work and live.



This tradition prompted the family to establish a \$1.3 million designated endowment at the Community Foundation of Greater Dubuque to underwrite the Crescent Community Health Center. The center provides health care and dentistry services to under-served populations.

Benefit to Community

Revenue generated from the endowment gift ensures future generations also will benefit from the health center. Since they established their original endowment fund, the family has also set up an additional endowment fund to provide care to the many diabetic patients who visit the center.

Benefit to donor

The family previously operated its own foundation but converted the assets to a donor advised fund at the Community Foundation. According to the family, the Endow Iowa Tax Credit allowed them to increase the size of the endowment. The family continues to make annual gifts to the endowment fund, utilizing the Endow Iowa Tax Credit.

Barr Family Donor Advised Fund

Community Foundation of Marshall County

Description

In 2009, the Barr family of Marshalltown established four separate endowment funds at the Community Foundation of Marshall County. Three were created for the benefit of their favorite local charities: Emergency Food Box, Youth & Shelter Services and the Marshalltown Youth Foundation. The fourth was a donor-advised fund, a fund which would give them the flexibility to support their changing philanthropic priorities. Each year, the Barr family decides who will benefit from the endowment's annual returns.

Benefit to the Community

Each year, the Barrs' three favorite charities receive the sustaining benefit of income from the revenue generated from their respective endowment funds. Over time, other local charities have benefitted from their donor-advised fund, contributions that are directed each year to align with changing local needs.

Benefit to donor

The annual decision about how to distribute the earnings from their donor-advised fund has become a family affair for the Barrs. The discussion happens around the Thanksgiving table – a tradition that reinforces the importance of philanthropy and brings the family together in support of one cause.

A founding member of the Community Foundation of Marshall County, Carrie Barr spent years helping to build awareness about the importance of community-based philanthropy and the potential impact of Endow Iowa. According to the Barrs, Endow Iowa is simply a variation of what Iowan's have been doing for years – taking care of friends and neighbors.

Frank and Cheryle Mitvalsky

Greater Cedar Rapids Community Foundation

Description

Frank and Cheryle Mitvalsky were one of the first couples to establish an endowed fund at the Greater Cedar Rapids Community Foundation and benefit from the Endow Iowa Tax Credit. Today, the couple's donor-advised fund provides annual scholarships to Kirkwood Community College students and provides unrestricted support to the National Czech and Slovak Museum and Library, a local landmark hard hit by the floods of 2008.

Benefit to the Community

Over time, the Mitvalsky's have made higher education more accessible to many area students. The unrestricted support provided to the landmark museum helps ensure the organization has flexible resources to meet its current and future needs.

Benefit to donor

The Mitvalsky's established their fund in 2004 because they understood the impact an endowed fund could have on their community. Over the years, the couple has continued to make annual donations that qualify for Endow Iowa tax credits.

Sioux City Public Museum

Siouxland Community Foundation

Description

The Sioux City Public Museum preserves and shares the heritage of Sioux City and the surrounding region through a variety of exhibitions, educational programs and events. In 2007, the Sioux City Public Museum established a permanent endowment fund with the Siouxland Community Foundation.

Benefit to the Community

As the endowment grows the annual earnings have been primarily invested back into the fund which supports educational programming and exhibits.

Benefit to donors

To date, over \$31,000 in contributions to the museum have resulted in \$7,000 in Endow Iowa Tax Credits for museum donors.

Appendix 1

Example of Growth and Distribution available from an Endowment Fund

JOHN SMITH ENDOWMENT FOR A LOCAL HOSPITAL 6% Net Return 20 Years of \$50,000 Annual Donation					
Year	Annual Gift	Endowment Balance After Gift	Interest Earnings Based on 6% Net Return	Grant Distribution Based on 5% of Beginning Balance	Year End Principal Balance
1	\$50,000	\$50,000	\$3,000	\$2,500	\$50,500
2	\$50,000	\$100,500	\$6,030	\$5,025	\$101,505
3	\$50,000	\$151,505	\$9,090	\$7,575	\$153,020
4	\$50,000	\$203,020	\$12,181	\$10,151	\$205,050
5	\$50,000	\$255,050	\$15,303	\$12,753	\$257,601
6	\$50,000	\$307,601	\$18,456	\$15,380	\$310,677
7	\$50,000	\$360,677	\$21,641	\$18,034	\$364,284
8	\$50,000	\$414,284	\$24,857	\$20,714	\$418,426
9	\$50,000	\$468,426	\$28,106	\$23,421	\$473,111
10	\$50,000	\$523,111	\$31,387	\$26,156	\$528,342
11	\$50,000	\$578,342	\$34,701	\$28,917	\$584,125
12	\$50,000	\$634,125	\$38,048	\$31,706	\$640,466
13	\$50,000	\$690,466	\$41,428	\$34,523	\$697,371
14	\$50,000	\$747,371	\$44,842	\$37,369	\$754,845
15	\$50,000	\$804,845	\$48,291	\$40,242	\$812,893
16	\$50,000	\$862,893	\$51,774	\$43,145	\$871,522
17	\$50,000	\$921,522	\$55,291	\$46,076	\$930,737
18	\$50,000	\$980,737	\$58,844	\$49,037	\$990,545
19	\$50,000	\$1,040,545	\$62,433	\$52,027	\$1,050,950
20	\$50,000	\$1,100,950	\$66,057	\$55,048	\$1,111,960
Total Gift:	\$1,000,000		Total Grants Issued:	\$559,799	

Provided by the Community Foundation of Greater Dubuque August 13, 2013.

Appendix 2

2013 Endow Iowa Qualified Community Foundations

These Foundations have either met the National Standards for U.S. Community Foundations as determined by the National Standards Board, or substantially met those Standards as determined by IEDA and the Iowa Council of Foundations. The Iowa affiliates listed below are eligible for Endow Iowa Tax Credits.

Foundations Confirmed in Compliance as Fully Meeting the National Standards

Community Foundation of Greater Dubuque

Nancy Van Milligen
563.588.2700
nancyvanm@dbqfoundation.org

Affiliates:

Allamakee County Community Foundation
Clayton County Foundation for the Future
Foundation for the Future of Delaware County
Dyersville Area Community Foundation
Community Foundation of Jackson County
Jones County Community Foundation

Community Foundation of Greater Muscatine

Judi Holdorf
563.264.3863
cfgm@machlink.com
www.muscatinecommunityfoundation.org

Community Foundation of the Great River Bend

Susan Skora
563.326.2840
susanskora@cfgrb.org
www.cfgrb.org

Affiliates:

Community Foundation of Cedar County
Community Foundation of Des Moines County
Community Foundation of Louisa County
Community Foundation of North Lee County
Community Foundation of Van Buren County
Community Foundation of Washington
LincolnWay Community Foundation
River Bluff Community Foundation

Community Foundation of Johnson County

Contact: Mike Stoffregen
319.337.0483
mstoffregen@lowacityarea.com
communityfoundationofjohnsoncounty.org

Affiliate Funds:

Coralville Community Fund
Lone Tree Community Fund
North Liberty Community Fund
Swisher Community Fund
Tiffin Community Foundation Endowment Fund
University Heights Community Fund

Community Foundation of Northeast Iowa

Kaye Englin
319.287.9106
kenglin@cfnea.org
www.cfnea.org

Affiliates:

Ackley Community Foundation
Benton County Community Foundation
Bremer County Community Foundation
Buchanan County Community Foundation
Butler County Community Foundation
Cerro Gordo County Community Foundation
Chickasaw County Community Foundation
Community Foundation of Franklin County
Elma Area Community Foundation
Emmet County Community Foundation
Fayette County Community Foundation
Floyd County Community Foundation
Frederika Area Community Foundation
Grundy County Community Foundation
Howard County Community Foundation
Iowa County Community Foundation
Kossuth County Community Foundation
Readlyn Community Fund
Tama County Community Foundation
Waterville Community Foundation
Waverly Community Fund
Winnebago County Community Foundation
Winneshiek County Community Foundation
Worth County Community Foundation

Community Foundations of Southwest Iowa (formerly - Endowment Funds of Southwest Iowa)/Omaha Community Foundation

Dennis Nissen
800.794.3458
Dennis@OmahaFoundation.org
www.omahafoundation.org

Affiliates:

Audubon County Community Foundation
Cass County Community Foundation
Crawford County Community Foundation
Fremont County Community Foundation
Harrison County Community Foundation
Mills County Community Foundation
Montgomery County Community Foundation
Page County Community Foundation
Shelby County Community Foundation

Foundations Confirmed in Compliance as Fully Meeting the National Standards (continued)

Community Foundation of Greater Des Moines

Kristi Knous
515.883.2703
knous@desmoinesfoundation.org
www.desmoinesfoundation.org

Affiliates:

Boone County Endowment Fund
Buena Vista County Community Foundation
Cherokee County Legacy Foundation
Clarinda Foundation
Clive Community Foundation
Community Foundation of Marshall County
Community Foundation of Osceola County
Community Foundation of Greater Plymouth County
Dallas County Foundation
Davis County Community Foundation
Dickinson County Endowment Fund
Eastern Polk County Community Foundation
Empowering Adair County Community Foundation
Endow Urbandale
Enhance Hamilton County Foundation
Enhance Henry County Foundation
Foundation for the Enhancement of Mitchell County
Greater Carlisle Community Foundation
Greater Jefferson County Community Foundation
Greater Madison County Community Foundation
Greene County Community Foundation
Guthrie County Community Foundation
Hancock County Foundation
Hardin County Community Endowment Foundation
Humboldt County Community Foundation
Jasper Community Foundation
Keokuk County Community Endowment Foundation
Madrid Community Endowment Fund
Mahaska County Community Foundation
Marion County Community Foundation
Monroe County Iowa Community Foundation
Okoboji Foundation
Pocahontas County Foundation
Polk City Community Foundation
Story County Community Foundation
Taylor County Endowment Foundation
Warren County Philanthropic Partnership
West Des Moines Community Enrichment Fund
Wright County Charitable Foundation

Greater Cedar Rapids Community Foundation

Les Garner
319.366.2862
les.garner@gcrf.org
www.gcrf.org

Affiliates:

Keokuk Area Community Foundation
Wapello County

Greater Poweshiek Community Foundation

Nicole Brua-Behrens
641.236.5518, ext 222
nicole@greaterpcf.org
www.greaterpcf.org

Affiliates:

Poweshiek County Alliance

Pella Community Foundation

Contact: Jim Brandl
641.628.2522
info@PellaCommunityFoundation.org
or jbrandl@iowatelcom.net
www.pellacommunityfoundation.org

Siouxland Community Foundation

Rebecca Krohn
712.293.3303
office@siouxlandcommunityfoundation.org
www.siouxlandcommunityfoundation.org

Affiliates:

Akron Community Foundation
Clay County Community Foundation
Community Foundation of Lyon County
Hartley Community Foundation
Hawarden Community Foundation
Ida County Community Betterment Foundation
Ireton Community Foundation
Monona County Community Partners Foundation
O'Brien County Community Foundation
Sioux County Community Foundation
Wakefield Community Foundation

South Central Iowa Community Foundation

Diane Bear
641.217.9105
scicf.diane@mediacombb.net
www.scicf.org

Affiliates/Members:

Adams County Community Fund
Appanoose County Community Foundation
Clarke County - SCICF
Decatur County- SCICF
Lucas County - SCICF
Ringgold County- SCICF
Union County- SCICF
Wayne County Community Foundation

Fort Dodge Community Foundation and United Way

Randy Kuhlman, CEO
515.573.3179
Rk1@frontier.com
www.fd-foundation.org

Affiliates:

Calhoun County Community Foundation

Foundations in “Substantial Compliance” with the National Standards

Community Foundation of Carroll County

Contact: Michel Nelson

712.792.9772

mnelson@iowasavingsbank.com

www.carrollcommunityfoundation.org

Affiliates:

Sac County Endowment Foundation



Iowa Economic Development Authority
200 East Grand Avenue
Des Moines, Iowa 50309

515.725.3000
endowiowa@iowa.gov
iowaeconomicdevelopment.com