

Schedule
ND-1QEC

North Dakota Office of State Tax Commissioner
**Qualified Endowment Fund
Tax Credit**



2016

Attach to Form ND-1

| | |
|------------------------------------|-----------------------------|
| Taxpayer's name as shown on return | Your social security number |
|------------------------------------|-----------------------------|

▶ If you are only carrying over an unused credit from 2015, skip lines 1 through 5, and go to line 6.

Qualified endowment fund information

1. Enter the name, address, and the total amount contributed for each qualified endowment fund to which you contributed at least \$5,000 during the 2016 tax year. **Do not enter the information for a qualified endowment fund to which you contributed less than \$5,000 during the tax year.**

| (a) Name of qualified endowment fund | (b) Address (number, street, city, state, ZIP code) | (c) Border state organization | (d) Total amount contributed |
|---|---|----------------------------------|---------------------------------|
| _____ | _____ | <input type="radio"/> | _____ |
| _____ | _____ | <input type="radio"/> | _____ |
| _____ | _____ | <input type="radio"/> | _____ |

Calculation of credit

- | | |
|---|---------|
| 2. Total amount contributed. Add the amounts in column (d) of line 1 ----- | 2 _____ |
| 3. Maximum contribution eligible for credit. If married filing jointly, enter \$50,000; otherwise, enter \$25,000 ----- | 3 _____ |
| 4. Amount of contribution eligible for credit. Enter smaller of line 2 or line 3 ----- | 4 _____ |
| 5. 2016 credit. Multiply line 4 by 40% (.40) ----- | 5 _____ |
| 6. Unused credit carryover, if any, from prior tax year(s) ----- | 6 _____ |
| 7. Total available credit. Add lines 5 and 6 ----- | 7 _____ |
| 8. Amount of line 7 used to reduce tax in 2016. See instructions. Enter this amount on Schedule ND-1TC, line 17 ----- | 8 _____ |
| 9. Unused credit carryover to 2017 tax year ----- | 9 _____ |

Adjustment to North Dakota taxable income

▶ If you are only carrying over an unused credit from 2015, do not complete lines 10 through 15. However, see "Adjustment to taxable income" in instructions.

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|--|----------|
| 10. If you used Form 1040 and itemized your deductions on Schedule A for 2016, did you deduct the qualified endowment contribution (entered on line 2 of Schedule ND-1QEC) as a charitable contribution on Schedule A? <input type="radio"/> No. Skip lines 10 and 11, enter -0- on line 12, and go to line 13. <input type="radio"/> Yes. Enter the amount from Schedule A (Form 1040), line 29 ----- | 10 _____ |
| 11. Enter the federal standard deduction that you would have been allowed on your 2016 Form 1040 had you not itemized deductions on Schedule A (Form 1040). See the instructions to the 2016 Form 1040, line 40, for amount to enter on this line ----- | 11 _____ |
| 12. Subtract line 11 from line 10. If result is less than zero, enter -0- ----- | 12 _____ |
| 13. If line 2 includes an amount transferred from an individual retirement account (IRA) to a qualified endowment fund under Internal Revenue Code section 408(d), enter that amount on this line; otherwise, enter zero. See instructions ----- | 13 _____ |
| 14. Add lines 12 and 13 ----- | 14 _____ |
| 15. Adjustment amount. Enter the smaller of line 4 or line 14. Enter this amount on Form ND-1, line 4a ----- | 15 _____ |

General instructions

An individual is allowed an income tax credit for making one or more charitable contributions totaling at least \$5,000 to a qualified endowment fund.

If the entire credit cannot be used on the 2016 return, the unused portion may be carried over and used on subsequent tax years' returns for up to three years.

Adjustment to taxable income—North Dakota taxable income must be increased by the amount of the charitable contribution upon which the credit is computed to the extent that the contribution results in a reduction to federal taxable income. See the instructions to the 2016 Form ND-1, line 4a.

Qualified endowment fund. A qualified endowment fund means a permanent, irrevocable fund that meets all of the following:

1. It is held by a qualified nonprofit organization (*defined below*) or by a bank or trust company on behalf of a qualified nonprofit organization.
2. It is comprised of cash, securities, mutual funds, or other investment assets.
3. It is established for a specific religious, educational, or other charitable purpose.
4. It may expend only the income generated by, or the increase in value of, the assets contributed to it.

Qualified nonprofit organization. A qualified nonprofit organization means:

- An organization incorporated or established in North Dakota that:
 - has a physical presence in North Dakota and
 - is a tax-exempt organization under I.R.C. § 501(c) that qualifies as a charitable organization under I.R.C. § 170; or
- An organization incorporated or established in a state bordering North Dakota that:
 - is a tax-exempt organization under I.R.C. § 501(c) that qualifies as a charitable organization under I.R.C. § 170 and

- supports or benefits a hospital, nursing home, or medical center, or any combination of these, that is located outside North Dakota but within five miles of a North Dakota city with a population of 5,000 or more that does not have a hospital.

No double benefit. A charitable contribution that is the basis for this credit may not be used as the basis for any other tax credit allowed for North Dakota income tax purposes.

Specific line instructions

Line 1

In columns (a) and (b), enter the name and address of each qualified endowment fund to which you made one or more charitable contributions totaling at least \$5,000 during the 2016 tax year. See below for examples of the application of the \$5,000 minimum contribution requirement. In column (c), fill in the circle if the qualified endowment fund identified in column (a) is held by a qualified nonprofit organization that is incorporated or established in a state bordering North Dakota—see “Qualified nonprofit organization” earlier in these instructions. In column (d), enter the total amount contributed to each qualified endowment fund identified in column (a).

Example 1—A taxpayer makes one or more charitable contributions totaling \$4,000 to Qualified Endowment Fund A. Because the total amount contributed is less than \$5,000, none of it qualifies for the credit. Do not enter any information for Qualified Endowment Fund A on Schedule ND-1QEC.

Example 2—A taxpayer makes one or more charitable contributions totaling \$4,000 to Qualified Endowment Fund A and one or more charitable contributions totaling \$1,000 to Qualified Endowment Fund B. Because the total amount contributed to each fund is less than \$5,000, none of the contributions qualify for the credit. Do not enter any information for either of the funds on Schedule ND-1QEC.

Example 3—A taxpayer makes one or more charitable contributions totaling \$5,000 to Qualified Endowment Fund A and one or more charitable contributions totaling \$1,000 to Qualified Endowment Fund B. Only the

\$5,000 contributed to Qualified Endowment Fund A qualifies for the credit. The \$1,000 contributed to Qualified Endowment Fund B does not qualify for the credit because it is less than \$5,000. Only enter the information for Qualified Endowment Fund A on Schedule ND-1QEC.

Example 4—A taxpayer makes a charitable contribution of \$500 at the beginning of each month to Qualified Endowment Fund A for a total contribution of \$6,000 for the tax year. Because the total amount contributed to Qualified Endowment Fund A is at least \$5,000, the tax credit is allowed on the entire \$6,000. Enter the information for Qualified Endowment Fund A on Schedule ND-1QEC.

Line 6

Enter the allowable portion of an unused qualified endowment fund credit, if any, based on contributions made in the 2013 through 2015 tax years.

Line 8

Enter on this line only that portion of the total allowable credit on line 7 that is used to reduce the tax on the 2016 return. For example, if the allowable credit on line 7 is \$1,000, but only \$400 is needed to reduce the tax to zero, enter \$400 on line 8.

Line 9

Enter the portion of an unused endowment fund tax credit, if any, based on qualified contributions made in the 2014 through 2016 tax years that is being carried over to the 2017 tax year.

Line 13

If the amount on line 2 includes a charitable contribution made to a qualified endowment fund by means of a trustee-to-donee transfer of monies from an individual retirement account (IRA) under Internal Revenue Code section 408(d), enter that amount on this line. A charitable contribution made in this manner reduces federal taxable income because the transferred monies, which would be subject to federal income tax had they not been contributed, are excluded from federal taxable income. To the extent these monies are the basis for the qualified endowment fund tax credit, they must be added back into North Dakota taxable income.