

Virginia's Education Improvement Scholarships Tax Credits: EISTC





WHAT IS THE **EISTC** PROGRAM?

- Enacted by the 2012 Virginia General Assembly, the ***Education Improvement Scholarships Tax Credits*** program provides Virginia tax credits for individuals or businesses making monetary or marketable securities donations to approved scholarship foundations that provide scholarships to eligible students for qualified educational expenses incurred in attending eligible nonpublic schools.
- Other states with education tax credits programs:
 - Alabama
 - Arizona
 - Florida
 - Georgia
 - Illinois
 - Indiana
 - Iowa
 - Kansas
 - Louisiana
 - Minnesota
 - Montana
 - New Hampshire
 - Nevada
 - Oklahoma
 - Pennsylvania
 - Rhode Island
 - South Carolina
 - South Dakota

WHAT MAKES **EISTC** SO ATTRACTIVE?

- **EISTC** returns 65% of each contribution back to the donor in Virginia tax credits.
- In addition, donors who itemize ALSO receive federal and Virginia tax deductions for the full value of their contributions.
- Both individuals and businesses can receive these tax credits.
- Non-Virginia residents and corporations with Virginia tax liability can participate.
- By law, at least 90% of each donation must be used to provide scholarships.
 - The McMahon Parater Scholarship Foundation distributes 91.1% of each donation as scholarships.



WHAT IMPACT HAS EISTC HAD AT ALL SAINTS CATHOLIC SCHOOL?

- New access to an accredited private school education for moderate- to lower-income families.
 - Students from families with limited incomes can now afford to send their children to All Saints Catholic School.
- In the 2017-18 school year, 72 students whose families could not have afforded tuition were able to attend All Saints Catholic School thanks to \$245,484 in EISTC scholarships.
- However, the amount needed to provide full scholarships to all eligible students was \$385,375.

EISTC Program Description





What is a **Tax Credit**?

A tax credit allows you to subtract the amount of the credit – dollar-for-dollar – from the total you owe in Virginia taxes, not from taxable income.

Tax Credits directly reduce tax bills.

Use the certificate like a coupon when you prepare your taxes.

If tax credits will be claimed for additional years after the initial claim, copies of the Certificate should be kept on file to submit with future tax returns.

COMMONWEALTH of VIRGINIA
DEPARTMENT OF EDUCATION
P.O. BOX 2120
RICHMOND, VA 23218-2120

J. Q. Donor
812 Street Road
Williamsburg, VA 23145

Education Improvement Scholarships Tax Credit Program

TIME:
Type of Contribution: Marketable Securities
Date of Contribution: 12/10/2015
Amount of Contribution: \$8,793.48
Name of Scholarship Foundation: McKelton-Pariser Foundation for Education

CERTIFICATION OF TAX CREDIT
N221UQ
\$8,395.75
2015

Preauthorization Notice #:
Approved Tax Credit:
Tax Year:
Entity Type:

Approving Authority: Kent C. Dickey, Deputy Superintendent
Finance and Operations
20000000
12/31/2015

Certificate Number:
Issue Date:

Attach this certification to the appropriate Virginia tax return.

It is not necessary to itemize in order to use tax credits.



EISTC BASICS

- To receive tax credits for an EISTC donation:
 - The minimum donation for individuals is \$500; the annual maximum is \$125,000.
 - No limits on donations from businesses, including sole proprietorships.
 - May donate cash or marketable securities.
 - Donors who itemize may claim deductions for the full value of donations on state and federal taxes, in addition to receiving Virginia tax credits.
- Donations must be made to scholarship foundations approved by the Virginia Department of Education (DOE).
 - Donations made directly to a school do not qualify for tax credits.
 - Donors may not direct their funds to support a specific student.



PREAUTHORIZATION REQUIRED

- A Preauthorization Request form is required by the DOE before a donation is made to confirm that sufficient tax credits are available.
- DOE then mails an Approval Letter to the donor.
 - The donor must sign and include the Approval Letter with the donation to the foundation.
- Preauthorizations are valid for 180 days from the date on the Approval Letter.
- Foundations must distribute donations as scholarships by the end of the fiscal year following the fiscal year of the donation.

Examples of Specific Tax Benefits



2018 TAX BENEFITS – EXAMPLE 1

Any Taxpayer earning any amount per year who DOES NOT Itemize	Any Federal Tax Bracket	WITHOUT TAX CREDITS
Donation Amount	\$5,000	\$5,000
Virginia Tax Credit	-\$3,250	--
Virginia Tax Savings (5.75%)	--	--
Federal Tax Savings (charitable deduction)	--	--
Total Tax Savings	-\$3,250	--
NET COST OF \$5,000 DONATION	\$1,750	\$5,000

*For illustration purposes only.
Individual circumstances vary. Please consult your tax professional.*

2018 TAX BENEFITS – EXAMPLE 2

Married Taxpayer earning \$80,000 per year who Itemizes	New Federal Tax Rate (12%)	WITHOUT TAX CREDITS
Donation Amount	\$5,000	\$5,000
Virginia Tax Credit	-\$3,250	--
Virginia Tax Savings (5.75%)	-\$288	-\$288
Federal Tax Savings (charitable deduction)	-\$600	-\$600
Total Tax Savings	-\$4,138	-\$888
NET COST OF \$5,000 DONATION	\$862	\$4,112

*For illustration purposes only.
Individual circumstances vary. Please consult your tax professional.*

2018 TAX BENEFITS – EXAMPLE 3

Married Taxpayer earning \$160,000 per year who Itemizes	New Federal Tax Rate (25%)	WITHOUT TAX CREDITS
Donation Amount	\$5,000	\$5,000
Virginia Tax Credit	-\$3,250	--
Virginia Tax Savings (5.75%)	-\$288	-\$288
Federal Tax Savings (charitable deduction)	-\$1,250	-\$1,250
Total Tax Savings	-\$4,788	-\$1,538
NET COST OF \$5,000 DONATION	\$212	\$3,462

*For illustration purposes only.
Individual circumstances vary. Please consult your tax professional.*

2018 TAX BENEFITS – EXAMPLE 4

Married Taxpayer earning \$500,000 per year who Itemizes	New Federal Tax Rate (35%)	WITHOUT TAX CREDITS
Donation Amount	\$5,000	\$5,000
Virginia Tax Credit	-\$3,250	--
Virginia Tax Savings (5.75%)	-\$288	-\$288
Federal Tax Savings (charitable deduction)	-\$1,750	-\$1,750
Total Tax Savings	-\$5,288	-\$2,038
NET COST OF \$5,000 DONATION	(\$288)	\$2,962

*For illustration purposes only.
Individual circumstances vary. Please consult your tax professional.*

DONATING APPRECIATED STOCK 2018

	Non-Itemizer	Itemizer-25% rate
Market Value of Donated Appreciated Stock	\$10,000	\$10,000
Cost Basis of Stock	<u>3,000</u>	<u>3,000</u>
Long-Term Capital Gains	7,000	7,000
Savings from Not Having to Pay Long-Term Capital Gains Tax:		
Federal Tax Savings (20% Rate)	1,400	1,400
Virginia Tax Savings (5.75% Rate)	<u>403</u>	<u>403</u>
Total Capital Gains Tax Savings	1,803	1,803
Tax Savings from Donation – In Addition to Capital Gains Tax Savings		
Virginia Tax Credit (65%)	6,500	6,500
Virginia Tax Savings (at 5.75% Rate)	0	575
Federal Tax Savings (at 25% Rate)	0	2,500
Total Savings from Donation (Excluding Capital Gains Savings)	6,500	9,575
Total Saved by Donating Appreciated Stock	8,303	11,378
Tax Savings Above Market Value of Stock	(\$1,697)	\$1,378

*For illustration purposes only.
Individual circumstances vary. Please consult your tax professional.*

Students Eligible to Receive EISTC Scholarships





SCHOLARSHIP ELIGIBILITY

- Students must be Virginia residents, and:
 - Eligible to enter Kindergarten or 1st Grade, **OR**
 - Attended a Virginia public school for at least half of the current or prior school year, **OR**
 - Were not Virginia residents during the preceding school year, **OR**
 - Previously received an EISTC scholarship.
- Annual household income must be less than 300% of the poverty guideline, or 400% if the student has a disability.

<u>2017 Federal Poverty Guidelines & EISTC Household Income Eligibility Limits</u>			
Persons in household	Federal Poverty Guideline	EISTC Eligibility: 300% of Federal Poverty Guideline	Students with Disabilities: 400% of Federal Poverty Guideline
2	\$16,240	\$48,720	\$64,960
3	\$20,420	\$61,260	\$81,680
4	\$24,600	\$73,800	\$98,400
5	\$28,780	\$86,340	\$115,120

RECAP: How to Receive EISTC Tax Credits for Your Donation





THE FORMS TO GET STARTED

Virginia Department of Education
Education Improvement Scholarships Tax Credits Program
PREAUTHORIZATION REQUEST FOR TAX CREDITS
(Keep a copy of this form for your records.)

****DO NOT make a donation or transfer marketable securities until you receive an Approval Letter.****
Use this form to request a specified tax credit amount under the Education Improvement Scholarships Tax Credits Program authorized by Section 58.1-439.25 et seq., Code of Virginia. If this Preauthorization Request is approved by the Virginia Department of Education (VDOE), you will receive an Approval Letter by U.S. Mail.
The Approval Letter will need to be completed by the donor and submitted, along with the monetary or marketable securities donation, to an approved scholarship foundation within 180 days from the date of the Approval Letter. Tax Credits will **not** be issued for any donations made prior to the issue date on the Approval Letter. For additional information, please refer to the instructions on the next page.

Part I – Donor Information

1. Select the entity type (Select only One):
☐ Individual
☐ Other: _____

2. Donor's Tax ID# (Provide only one SSN or EIN):
☐ Sole Proprietor ☐ Corporation ☐ Partnership ☐ Limited Liability Company (LLC)

3. a. Individual Donor (Provide the legal name of the associated with the above Tax ID#):
First Name _____ M.I. _____ Last Name _____ Suffix _____
(9 digit number, no hyphens)

4. a. Business Donor (Provide the legal name of the business associated with the above Tax ID#):
b. Name of contact person for Business Donor: _____
c. Name of contact person for Business Donor: _____
City / Town _____ State _____ ZIP _____
Primary Number _____ Alternative Phone Number _____

5. Donor's Mailing Address: _____
City/Town, State, ZIP Code: _____
6. City/Town, State, ZIP Code: _____
7. Donor's Phone Number: _____

Part II – Tax Credit Calculation

1. Enter the total amount of all donations to be made and submitted for tax credits within 180 calendar days from the approval of this Preauthorization Request.
(For individuals, the minimum donation for issuance of tax credits is \$500 in a taxable year, and there are no maximum aggregate donations for issuance of tax credits are \$125,000 in a taxable year. There are no limitations for businesses. An individual that has already been issued tax credits for donations of \$500 or more to a scholarship foundation can be issued tax credits for additional donations to the same scholarship foundation that are less than \$500, provided that the additional donations are made in the same taxable year.)

2. Enter the total amount of tax credits being requested.
(Multiply the total of all donations above by 65% (.65), unless subject to the individual limitation stated in Part II, Line 1.)

Part III – Declaration

I declare that this form is, to the best of my knowledge and belief, a true, correct and complete request for tax credits, and that I have made myself aware of the requirements for this tax credit as prescribed by the Virginia Department of Education. I understand that this information will be shared with the Department of Taxation for purposes of administering the Education Improvement Scholarships Tax Credits Program, and that failure to provide this information may limit my ability to claim the tax credit.

Printed Name _____ Signature _____ Date _____

The Donor has two options for submitting the Preauthorization Request to VDOE:
1. A scholarship foundation may submit the Preauthorization Request to VDOE:
2. The donor can mail the completed Preauthorization Request to: Virginia Department of Education, 21st Floor, Attn: Scholarship Tax Credit Program, P.O. Box 2120, Richmond, VA 23218-2120.

Virginia Department of Education
Form Revised 8 / 2017

MCMAHON PARATER SCHOLARSHIP FOUNDATION
Education Improvement Scholarships Tax Credits
LETTER OF INTENT

In support of Catholic education in the Diocese of Richmond, in accordance with the requirements of the Virginia Department of Education, I/we commit:

Total Amount of Gift to be made and submitted for Tax Credits: \$ _____

OPTIONAL: To the extent permitted under the Education Improvements Scholarship Tax Credits Program, I would like this gift to be used for scholarships at the following schools:

I understand that the Education Improvement Scholarship Tax Credits Program requires that my donation be used to provide scholarships to eligible students for qualified educational expenses incurred in attending eligible nonpublic schools. In the event that the schools named above do not have sufficient qualified applicants for these scholarships, the McMahon Parater Scholarship Foundation will distribute these funds, within the provisions of the statute, to qualified students at other eligible Catholic schools within the Diocese of Richmond.

This is how I/we would like my/our name(s) listed in donor recognition:

(Please Print)
Signature: _____
Address: _____
Telephone: _____
E-Mail: _____
City, State, Zip: _____

Date: _____

Please return this Letter with the Tax Credit Preauthorization Form to the McMahon Parater Scholarship Foundation.

The tax credits will be submitted securely by the Foundation to the Virginia Department of Education (DOE), where tax credits are a first-come, first-served basis. The DOE will respond directly to the Donor with a Preapproval Notice indicating that the requested tax credits have been reserved. The DOE's Approval Notice to the donation to the Foundation. Tax credit preauthorizations become void after 180 days if no gift is made payable to: McMahon Parater Scholarship Foundation. For securities transfers, please contact the McMahon Parater Scholarship Foundation.

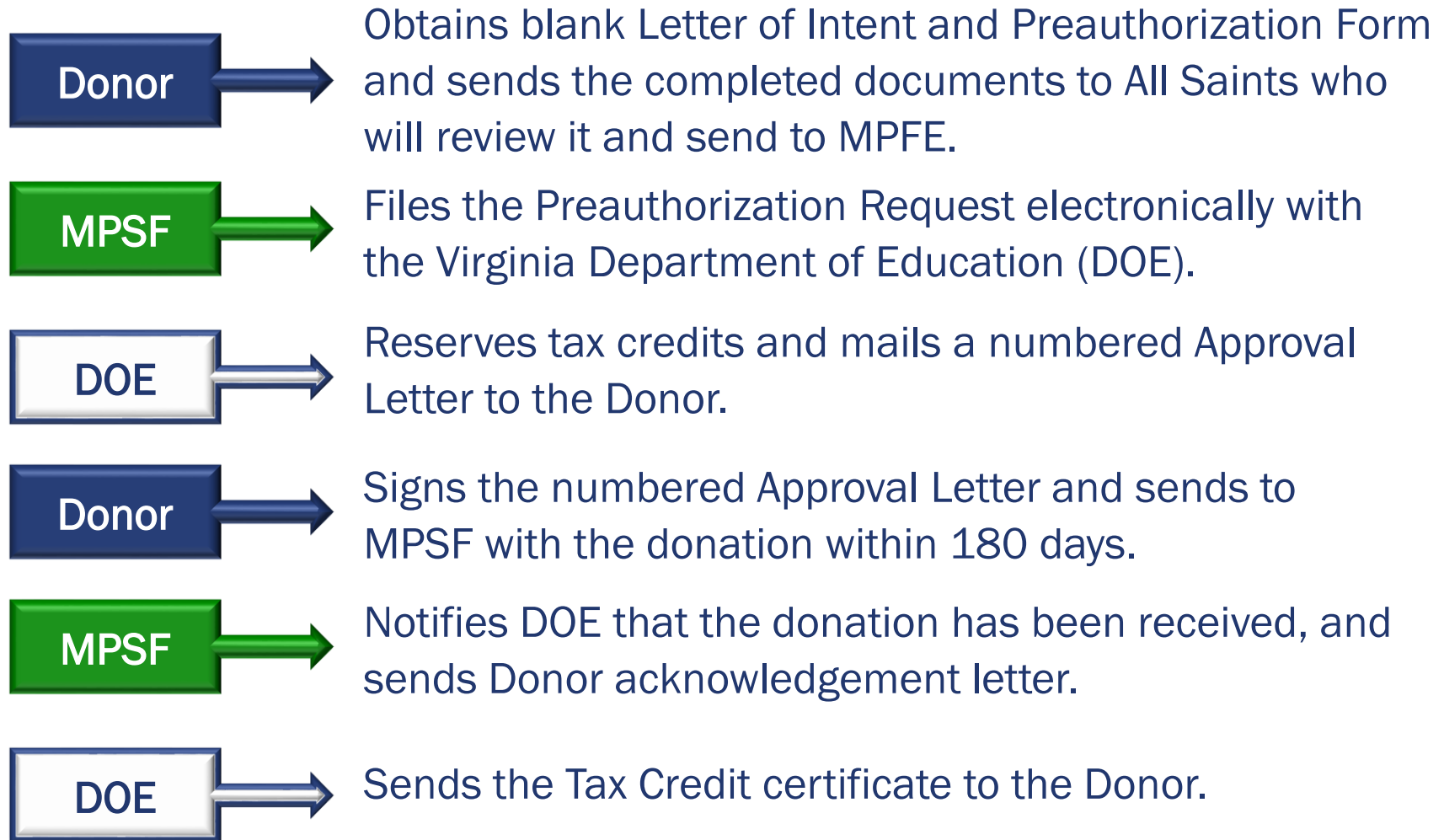
Upon receipt of the documentation, the DOE will mail the tax credit acknowledgement of the gift. Upon receipt of the documentation, the DOE will mail the tax credit acknowledgement of the gift. Upon receipt of the documentation, the DOE will mail the tax credit acknowledgement of the gift. Upon receipt of the documentation, the DOE will mail the tax credit acknowledgement of the gift.

McMahon Parater Scholarship Foundation
2120 • Richmond, VA 23294 • 804-622-5190 • Fax: 804-368-9159
www.mcmahonparater.org

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The Process: Step By Step





Approval Letter

The Approval Letter is mailed to the donor from the DOE, indicating that tax credits have been reserved.

To receive the tax credit certificate, donors must sign and include the Approval Letter with their donation to the foundation.

VIRGINIA DEPARTMENT OF EDUCATION
EDUCATION IMPROVEMENT SCHOLARSHIPS TAX CREDITS PROGRAM

APPROVAL LETTER
You have been reserved tax credits for 180 calendar days. In order to receive a tax credit for your donation, you must complete Part I of this letter and submit it, along with your monetary donation or marketable securities transfer, to a qualified scholarship foundation within 180 calendar days from the issue date of this letter.

«Donor_Name»
«Address»
«City_Town_or_Post_Office», «State» «ZIP_Code»

ISSUE DATE: Insert Date
APPROVAL CODE: PREAUTHORIZATION

The above donor has been approved for tax credits under the Education Improvement Scholarships Tax Credits Program. The donor must make a qualified donation to an approved scholarship foundation provided on the VDOE website provided above. For each tax credit-eligible donation, the donor must complete Part I of the Approval Letter and submit it, along with the monetary or marketable securities donation, to the approved scholarship foundation. If a check is mailed to the foundation, the date of donation is the date the check is mailed, not the date it is received by the foundation. Any approved tax credits not used upon the expiration of the 180 days will become void. If the donor is making more than one donation, the donor must make the required number of copies of the Approval Letter prior to its completion. Note: The information provided by the donor below will be shared with the Virginia Department of Taxation for purposes of tracking tax credits issued under the Education Improvement Scholarships Tax Credits Program.

Part I. Scholarship Foundation. Within 40 calendar days from the date of receiving the donation and required signed Approval Letter from the donor, an authorized representative of the scholarship foundation must complete Part II, certifying the amount of the donation and the date received, and submit the completed Approval Letter and a copy of the check, credit card transaction, payroll deduction record, the donor's financial institution statement, or, for a donation of marketable securities, a brokerage firm letter and a copy of a transaction report from the donor's stock portfolio, verifying the date and value of the donation to VDOE using the secure Web-based system. For donations of marketable securities, the scholarship foundation must sell such securities and convert them into cash no more than 21 calendar days after receipt of the donation and submit additional documentation that demonstrates such securities were sold.

Part II. To be completed and signed by the Donor. (Date mailed or hand-delivered to scholarship foundation) (yyyy)
Donation Date: _____ (Date mailed or hand-delivered to scholarship foundation) (yyyy)
Amount of donation X 65% (65% = Tax credit amount)
Tax credit amount: \$ _____
Signature _____

Enter the information below, sign and date, and submit the Approval Letter along with the monetary or marketable securities donation to the approved scholarship foundation.
Amount of donation: \$ _____
Tax credit amount: \$ _____
If the donor is a business, provide the taxable year in which the donation is made if other than a calendar year: _____

Part II - To be completed and signed by the qualified scholarship foundation
I certify that the above monetary or marketable securities donation was received from the donor on _____ (mm/dd/yyyy), and the appropriate documentation supporting the date and value of the donation is attached to this completed notice pursuant to the requirements prescribed by VDOE. I also certify that for donations of marketable securities, such securities were converted into cash on _____ (mm/dd/yyyy), and the appropriate documentation supporting the conversion, or a written statement that such documentation will be submitted to VDOE, is attached to this completed approval letter.

Name of Scholarship Foundation _____
Authorized Representative's Printed Name _____
Signature _____
Date _____

More Reasons To Try EISTC

Besides the financial incentives.....

- 1) If you'd rather give your money to a good cause – not the state
- 2) If you believe that “teaching a man to fish” is better than “giving him a fish” (education is transformative for low-income families)
- 3) If you believe every child should have the opportunity to go to a quality, safe school--no matter where they are zoned
- 4) Other tax credits (like NAP) are hard to get--almost any donor can get approved for EISTC tax credits
- 5) McMahon Parater Foundation (MPF) for Education is #2 in the EISTC program (experienced)
- 6) Within MPF – All Saints assists the most students

FOR MORE INFORMATION



**McMahon Parater
Scholarship Foundation**

➤ **Alyssa McBride**

Director of Development & Marketing
All Saints Catholic School
3418 Noble Ave, Richmond, VA 23222
(804) 329-7524
amcbride@allsaintsric.org

➤ **Joyce Schreiber**

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