



What You Need to Know About the “Invest in Kids” Tax Credit Scholarship Fact Sheet for Donors

Through the “Invest in Kids Act,” Illinois children enrolled in private schools will have access to new scholarships. Donors who contribute to the scholarship program will receive a 75% Illinois tax credit for the donation. Below is more information on how this program will work.

Tax credit: The new law allows individuals and corporations to donate to scholarship granting organizations (SGO) and receive a 75% credit on their state taxes in return. The SGO can then use this money to grant tuition scholarships to qualifying students in grades K-12. Our partner SGO is Empower Illinois (www.empowerillinois.org).

All of the scholarships are income based and designed to help provide educational choices to families that do not have the means to do so themselves. This program is **not** a *tuition* tax credit. It does not allow parents to get a tax credit for tuition paid on behalf of their own child.

Individual Donors: Any individual donor is eligible to apply for a 75% tax credit for a donation up to a \$1.3 million dollars (limit of \$1 million tax credit). For example, if a donor donates \$10,000 to the SGO, they can receive a tax credit worth \$7,500 for the State of Illinois. The credit is non-refundable, (meaning it cannot take a taxpayers’ liability below zero), but it can be carried forward for five years.

Individuals may direct their donation to a specific school or subset of schools (ie: St. Mary’s Catholic School or Catholic Schools in the Diocese of Rockford).

Corporate Donors: Corporations are also eligible to apply for a 75% tax credit for a donation up to \$1.3 million dollars (limit of \$1 million tax credit). The tax credit is applied to the corporate tax liability. Corporations may not direct their donation to any specific school or subset of schools.

Application process:

- ✓ **Create** a MyTax.Illinois.gov account. Information on how to do this is on the Empower Illinois website www.empowerillinois.org
- ✓ **Reserve** the tax credit by applying through the Illinois Department of Revenue (IDOR) website. IDOR will approve tax credits based on what is available. The tax credits are capped at \$75 million dollars per year.
- ✓ **Donate** to Empower Illinois. Once a tax credit is reserved and a verification letter is issued, the donor has 60 days to donate the money to the SGO. The SGO will also issue a letter indicating that the donation was received and notify IDOR. If a donor doesn’t donate in time or rescinds their donation, the credit will be returned to the program. If a donor gives less than they indicated to the Department of Revenue, they will only receive a credit for the portion given. *All unused tax credits will be returned to the program until the cap is reached.*

Application deadline: Tax credits will be awarded on a *first come, first serve basis* starting January 2, 2018, so it is very important that you apply early. We do not know how quickly the tax credit cap will be reached. Tax credits may also become available throughout the year if donations are rescinded.

Federal Donation Deduction: This legislation specifically states that in order to receive the tax credit, the donation is not eligible for the federal deduction. Since this is the regulation, it is advisable for donors to consult with their tax expert to determine the impact of this provision on their overall tax liability.

Duration: The tax credit program has an automatic sunset clause on December 31, 2022, unless the state legislature alters the law.

To learn more, please visit ceorockford.org or contact Elizabeth Heitkamp from the Catholic Education Office at heitkamp@rockforddiocese.org or 815-399-4300.