

ACSI CTF Frequently Asked Questions

Q: *What is the ACSI CTF?*

A: Sponsored and coordinated by the Association of Christian Schools International (ACSI) Southeast Regional Office, the Children's Tuition Fund (CTF) of Virginia is a scholarship program that provides tuition assistance for families with low to moderate incomes.

Q: *Where do the scholarship dollars come from?*

A: The ACSI CTF scholarship fund consists of tax credit contributions from Virginia-based corporations, businesses and individuals.

Q: *What is the EITCP legislation?*

A: The Educational Improvement Tax Credit (EITCP) legislation of 2012 established tax credits for Virginia-based corporations, businesses and individuals that make contributions to approved scholarship organizations. Individual monetary donations must be at least \$500 in order to qualify for the tax credit program and a maximum of \$125,000 in a taxable year. This limitation does not apply to credits issued to any business entity, including a sole proprietorship.

Q: *How can the ACSI CTF benefit my school?*

A: Qualifying ACSI member schools and eligible families can receive scholarship monies for their students that are enrolled in grades K–12 programs if they are currently enrolled in public education or are just entering kindergarten or first grade. In subsequent years, scholarships may be renewed for students still qualified and receiving funds in previous years as long as they remain enrolled in the member school.

Q: *What are the eligibility requirements for schools?*

A:

- An ACSI member in good standing
- Engaged in a formal school improvement plan
- Compliant with the ACSI CTF guidelines

Q: *What are the eligibility requirements for participating families?*

A: For scholarships awarded by the ACSI CTF, families are required to meet the guidelines established by the State of Virginia of not exceeding 300% of the Federal poverty level in family income. Students must also meet the admissions requirements of the ACSI member school of their choice.

Q: *What are the tax savings?*

A: In addition to a 65 percent tax credit, individuals and businesses can also receive a deduction for a charitable contribution, and therefore achieve tax savings in two ways –

1. For the year of the donation, the donor may take a deduction against net income as a charitable donation on both their federal and state income taxes. The tax reduction equals the contribution amount times the tax rate of the applicable tax (federal or state).
2. For the year following the donation, the donor may take a credit against Virginia taxes. Tax reduction equals 65 percent of the amount of the donation. Credit is non-transferable. Credit may not exceed the tax liability but may be carried over for five succeeding years.

On the following page is one illustration of the tax savings. These calculations do not include computations for Alternative Minimum Tax or other tax circumstances that may or may not apply to each individual situation. Please consult your tax advisor for specifics to the donor's overall situation.

**Two Year Effect of Scholarship Tax Credit
(based on tax law as of 2012)**

Individuals

	No Contribution	Contribution
Income before contribution	\$100,000	\$100,000
Contribution	<u>0</u>	<u>\$1,000</u>
Taxable Income	\$100,000	\$99,000
 <u>Virginia Taxes:</u>		
Virginia Personal Tax Rate (5.75%)	\$5,750	\$5,692
(1 st year) VA Personal Tax Savings	0	\$58
(2 nd year) VA Scholarship Tax Credit	<u>0</u>	<u>\$650</u>
Total VA Tax Savings	0	\$708
 <u>Federal Taxes:</u>		
Federal Taxable income	\$100,000	\$99,000
Add back: Reduction of state tax deduction	<u>0</u>	<u>\$708</u>
Net Federal Taxable income	\$100,000	\$99,708
Federal Taxes (25% marginal rate)	\$25,000	\$24,927
Federal Tax Savings	0	\$73
 Total Tax Savings		\$781
Net Cost to contribute \$1000		\$219

Corporations

	No Contribution	Contribution
Income before contribution	\$1,000,000	\$1,000,000
Contribution	<u>0</u>	<u>\$10,000</u>
Taxable Income	\$1,000,000	\$990,000
 <u>Virginia Taxes:</u>		
Virginia Corporate Tax Rate (6%)	\$60,000	\$59,400
(1 st year) VA Corporate Tax Savings	0	\$600
(2 nd year) VA Scholarship Tax Credit	0	\$6,500
Total VA Tax Savings	0	\$7,100
 <u>Federal Taxes:</u>		
Federal Taxable income	\$1,000,000	\$990,000
Add back: Reduction of state tax deduction	0	\$7,100
Net Federal Taxable income	\$1,000,000	\$997,100
Federal taxes (34% marginal rate)	\$340,000	\$339,014
Federal Tax Savings	0	\$986
 Total Tax Savings		\$8,086
Net cost to contribute \$10,000		\$1,914

Special thanks to Jim McIntyre, Certified Public Accountant, and the Thomas Jefferson Institute for their assistance in compiling and reviewing this information.

Q: *How can businesses benefit from the tax credits?*

A: Business can claim the Education Improvement Scholarships Tax Credits against:

- Corporate Income Taxes
- Virginia Bank Franchise Tax
- Virginia Insurance Premiums License Tax
- Virginia Public Service Corporations Tax
- Personal Income Taxes via pass-through entities such as S-Corporations, LLCs and Partnerships

Q: *How much has Virginia allocated in tax credits for this program?*

A: The total amount of tax credits that may be granted each program year (i.e., state fiscal year) may not exceed \$25 million.

Q: *Can I donate securities or real property under this program and receive tax credits?*

A: At this time, in order to qualify for this program, the contribution must be monetary or marketable securities.

Q: *Can I designate that my donation be used to support students of a specific school?*

A: Yes, however, in the event that the designated school does not have sufficient qualified applicants for these scholarships, the ACSI Children's Tuition Fund will distribute these funds, within the provisions of the statute, to qualified students at another eligible ACSI school in Virginia.

Q: *Can I donate a scholarship directly to an individual or a school under this program?*

A: No, donations must be made to approved scholarship foundations, such as the ACSI Children's Tuition Fund, that provide scholarships to eligible students for qualified educational expenses incurred in attending eligible non-public schools.

Q: *Can a school be proactive in seeking designated tax credit contributions?*

A: Yes! Schools are greatly encouraged to make contacts with corporations, businesses and individuals who pay Virginia state taxes and to ask the party to **designate** its contribution to the school, while using the ACSI CTF as its scholarship organization. Contact the ACSI regional office for strategic support.

Q: *Will 100% of my donation be used to provide scholarships?*

A: By statute, the Foundation is required to disburse at least 90 percent of any donated amount for scholarships. While the Foundation may retain up to 10% of the donation for the costs of administering the scholarship program, it is the intention of the ACSI Children's Tuition Fund to limit administrative costs to 5%.

Q: *What is the process for obtaining tax credits?*

A: Please follow these steps:

1. Complete the Virginia Department of Education Preauthorization Form
 2. Return the completed form to ACSI CTF. ACSI will submit the Preauthorization Form to the DOE for approval.
 3. The DOE will mail the donor a Preauthorization Notice, which will indicate that the tax credits have been approved. The DOE will respond within 30 days.
 4. Return the Preauthorization Notice with your check to the ACSI CTF within 180 days of the date of the Notice. Make checks payable to ACSI CTF.
- Memo: Scholarship Tax Credits Program. Any unpaid amount becomes void for tax credits 180 days after issuance of the Preauthorization Notice.

5. ACSI CTF will, within 20 days of receiving the gift and Notice, submit documentation of receipt to the DOE, and will send the donor an acknowledgement of the gift.
6. Upon receipt of the documentation, the DOE will issue the donor a Tax Credit Certificate

Q: *Whom do I contact with questions?*

A: Contact Mame McMillan at the ACSI Southeast Regional Office at 770 985-5840 or mame_mcmillan@acsi.org.