



September 22, 2010

Dear Georgia Taxpayer:

I am writing to inform you about an opportunity under Georgia law to redirect a portion of your Georgia state tax liability to private school scholarships. The Georgia Private School Tax Credit Law allows eligible Georgia citizens and corporations to receive tax credits for donations they make to Georgia Student Scholarship Organizations (“SSO(s)”), which are non-profit organizations that administer such funds. The SSOs, in turn, use those funds to provide K-12 scholarships to children to help cover the cost of private school education in the state of Georgia.

In other words, if you owe Georgia income taxes, *you can receive a dollar-for-dollar tax CREDIT (not merely an income tax deduction) against your Georgia income tax liability for amounts contributed to an SSO.* For example, a \$2,500 contribution to an SSO can benefit a participating private school of your choice and can reduce your current year Georgia income tax by \$2,500!

There are several conditions to taking advantage of this law, including:

- Taxpayers must first apply for approval. Credits are allocated on a first-come, first-served basis to Georgia taxpayers, and only \$50 million is allocated each calendar year for the program. Once funds are exhausted for a given year, no additional credits are available for the remainder of that calendar year. Thus, early application for approval is important.
- There are limits to the tax credit available to Georgia taxpayers. Those limits are:

TAXPAYER STATUS	MAXIMUM CREDIT AVAILABLE
Single individual or head of household	\$1,000
Married filing separate return	\$1,250
Married couple filing joint return	\$2,500
C-corporation	75% of C-corporation’s 2010 Georgia income tax
S-corporation, LLC and LLP	Credit “flows through” separately for each shareholder, partner or member and limits are calculated subject to individual tax credit limitations above

- The **2010 DEADLINE** to ensure timely response by Georgia: **DECEMBER 1, 2010**

To learn more about this potential tax credit and/or for assistance in claiming the credit or other personal or business income tax planning and compliance needs, please contact me at the phone number shown below or via email to [michael@sutecpa.com](mailto:michael@sutecpa.com).

Sincerely,

**MICHAEL G. SUTE, CPA**



## **ADDENDUM TO LETTER REGARDING GEORGIA PRIVATE SCHOOL TAX CREDIT LAW**

### **HIGHLIGHTS**

- Dollar-for-dollar nonrefundable tax credit against your Georgia income tax liability
- Georgia-approved Student Scholarship Organizations administer the process
- Donations benefit a participating private school of your choice
- Advance approval is required; Deadline to request approval is December 1, 2010
- Payment must be made within 30 days of approval (but no later than December 31, 2010)
- Credit limits apply (\$2,500 for married-filing-joint taxpayers; \$1,200 for married-filing-separate taxpayers; \$1,000 for single taxpayers; 75% of Georgia tax for C-corporations)
- S-corporations, LLCs and LLPs can contribute but individual limits apply to allocable credits

### **APPLICATION AND CREDIT PROCESS**

- 1) Contact the Georgia private school of your choice and inquire as to which SSO they have selected.
- 2) Contact the SSO and express intent to make contribution. Obtain their federal identification number.
- 3) File Georgia Form IT-QEE-TP1, Georgia Qualified Education Expense Credit Preapproval Form, with the Department of Revenue (DOR). *This form is used to notify the DOR of the total amount you intend to donate to the SSO and request pre-approval of the credit.*
- 4) Within 30 days, the Department of Revenue pre-approves, denies, or reduces the requested amount based on the availability of tax credits remaining.
- 5) Once approved, you must make the contribution to the SSO within 30 days of the date printed on the DOR approval notice. Be sure to designate the school's name on the memo section of your check.
- 6) SSO provides you a letter confirming the dollar amount of your contribution using Georgia Form IT-QEE-SSO1, Georgia Qualified Education Expense Credit Letter of Confirmation. You will need to file this letter with your tax return. (Special rules apply for electronic filings.)
- 7) Compute the credit using Georgia Form IT-QEE-TP2, Georgia Qualified Education Expense Credit Computation, and claim the credit on your 2010 State of Georgia Income Tax Return.
- 8) Claim the Georgia credit as a charitable contribution on Schedule A, Itemized Deduction, of your 2010 Federal Income Tax Return. In order to prevent you from "double dipping," *you are prohibited from claiming this credit as a charitable contribution for Georgia purposes; therefore, a special adjustment (i.e., add-back) is required on your Georgia return in the amount of the allowable federal charitable deduction attributable to the credit.*

**How to Learn More...** To learn more about this potential tax credit and/or for assistance in claiming the credit or other personal or business income tax planning and compliance needs, please contact me at the phone number shown below or via email to [michael@sutecpa.com](mailto:michael@sutecpa.com).



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Georgia Form IT-QEE-TP1 (Last Rev. 5/10)

Qualified Education Expense Credit Preapproval Form

Georgia Department of Revenue Version 10

Please print your numbers like this in black or blue ink:



This form is the first step in applying for the income tax credit for qualified education expenses. The form is filed by the taxpayer and is used to request preapproval of an intended contribution to a student scholarship organization.

Enter for Contributor:

- Individual filing single or head of household, Individual filing a married joint return, Individual filing married separate return, C Corporation, Subchapter S Corporation for Georgia purposes, partnership, or limited liability company.

Form fields for First Name or Name of Entity, MI, and Taxpayer Identification Number.

DEPARTMENT USE ONLY box

Form fields for Last Name if Individual and Suffix.

Form fields for IF Individual Filing Joint, First Name of Joint Filer, MI, and I.D. # of Joint Filer.

Form fields for Last Name of Joint Filer and Suffix.

Form field for Address (Number and Street or P.O. Box).

Form fields for City, State, and Zip Code.

Form fields for Tax Year End of Contributor and Calendar Year in which Contribution will be Made.

Form fields for Contact Person (for contributions by entities) and Telephone Number.

- Contribution must be preapproved and donation made by end of calendar year.
Taxpayer must add back to Georgia taxable income the amount of any federal charitable contribution deduction taken on a federal return for which a Georgia qualified education expense credit is allowed.
The tax credit shall not be allowed if the taxpayer designates the taxpayer's qualified education expense for a particular individual.
The student scholarship organization must be on the Department of Education's website before this form is filed.

A. CONTRIBUTION AMOUNT

- 1. The amount of the contribution the taxpayer intends to make...
2. [For corporate contributors only] Enter 75% of the corporation's estimated income tax liability...
3. Name of student scholarship organization listed on the Department of Education's website.
4. Taxpayer I.D.# of student scholarship organization...



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**Georgia Form IT-QEE-TP1 (Last Rev. 5/10)**

Qualified Education Expense Credit Preapproval Form

Georgia Department of Revenue **Version 10**

Taxpayer Identification Number --

**B. ADDITIONAL INFORMATION FOR CONTRIBUTORS WHICH ARE SUBCHAPTER S CORPORATIONS FOR GEORGIA PURPOSES, PARTNERSHIPS, OR LIMITED LIABILITY COMPANIES**

The contribution limits for these entities are calculated separately for each shareholder, partner, or member. As such on a separate schedule, the contributor must provide the following information for each shareholder, partner, or member.

1. Name, address and taxpayer identification number
2. Type of taxpayer (i.e. corporation, individual, etc.)
3. If individual, filing status (joint, married filing separate, single, or head of household)
4. If individual filing a joint return, the name and identification number of the joint filer
5. If corporation, 75% of estimated GA income tax liability
6. Tax Year end
7. Profit/loss percentage
8. Amount of intended contribution allocated to each shareholder, partner, or member based on the profit/loss percentage.

**C. CERTIFICATION BY APPLICANT**

Applicant certifies that all information contained above is true to his/her best knowledge and belief and is submitted for the purpose of obtaining preapproval from the Commissioner.

Date: --

Applicant: Printed Name of Contributor (individual or entity)

Signature of Contributor (if an entity, an authorized officer or tax matters person)

If Contributor is an entity: Printed Name and Title of Person Signing for Entity:

Name:

Title:

Phone Number: --

Submit page 1 and page 2 to:  
Georgia Department of Revenue  
Qualified Education Expense Credit  
1800 Century Blvd NE  
Suite 8301  
Atlanta, GA 30345

**D. FOR DEPARTMENT USE ONLY**

DATE RECEIVED --

Based on the fifty million dollar cap and your intended contribution amount, you have been preapproved and

allocated , , .<sup>00</sup> of qualified education expense credit for calendar

year  Approved by \_\_\_\_\_ Date --

## Georgia Form IT-QEE-TP1 (Last Rev. 5/10)

Qualified Education Expense Credit Preapproval Form

Georgia Department of Revenue **Version 10**

### Instructions

The Official Code of Georgia Annotated Section **48-7-29.16** establishes an income tax credit for qualified education expenses.

A credit is allowed for the expenditure of funds by the taxpayer to a student scholarship organization, operating pursuant to Chapter 2A of Title 20, which uses the contribution for tuition and fees for a qualified school or program.

**Definitions:** For purposes of the credit, the term:

- (1) "Student scholarship organization" means a charitable organization in this state that:
  - (A) Is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code and allocates 90 percent of its annual revenue for scholarships or tuition grants to allow students to attend any qualified school of their parents' choice; and
  - (B) Provides educational scholarships or tuition grants to eligible students without limiting availability to only students of one school.
- (2) "Eligible student" means a student who is a Georgia resident enrolled in a Georgia secondary or primary public school or eligible to enroll in a qualified kindergarten program or pre-kindergarten program.
- (3) "Qualified school or program" means a nonpublic primary school or secondary school that:
  - (A) Is accredited or in the process of becoming accredited by one or more entities listed in subparagraph (A) of paragraph (6) of Code Section 20-3-519; and
  - (B) Is located in this state, adheres to the provisions of the federal Civil Rights Act of 1964, and satisfies the requirements prescribed by law for private schools in this state.

**Requirements:** Each student scholarship organization:

- (1) Must obligate 90 percent of its annual revenue for scholarships or tuition grants; however, up to 25 percent of this amount may be carried forward for the next fiscal year;
- (2) Must maintain separate accounts for scholarship funds and operating funds;
- (3) May transfer funds to another student scholarship organization;
- (4) Must have an audit conducted of its accounts by an independent certified public accountant within 120 days after the completion of the student scholarship organization's fiscal year and provide such audit to the Department of Revenue in accordance with Code Section 20-2A-3;
- (5) Must report to the Department of Revenue, on a form provided by the Department of Revenue, by January 12 of each calendar year the following:
  - (A) The total number and dollar value of contributions and tax credits approved
  - (B) A list of donors, including the dollar value of each donation and the dollar value of each approved tax credit; and
  - (C) A copy of the audit of the student scholarship organization referenced in (4), above.

## Georgia Form IT-QEE-TP1 (Last Rev. 5/10)

Qualified Education Expense Credit Preapproval Form

Georgia Department of Revenue **Version 10**

### Preapproval Required

The total amount of credits granted to all taxpayers per calendar year cannot exceed \$50 million. Amounts are allowed on a first come, first served basis. Before making a contribution to a student scholarship organization, the taxpayer must notify the Department of Revenue of the amount that the taxpayer intends to contribute to the student scholarship organization. The Department will then preapprove or deny the requested amount within 30 days after receiving the request from the taxpayer. Once preapproval is received, the taxpayer must make the contribution to the student scholarship organization within 30 days of the date of the preapproval notice received from the Department, and within the calendar year in which it was preapproved. A copy of the preapproval notice should be sent to the student scholarship organization along with the contribution.

### Credit Limits

#### Individual Taxpayers

An individual taxpayer is allowed a credit for qualified education expenses as follows:

- (1) In the case of a single individual or a head of household, the actual amount expended or \$1,000.00 per tax year, whichever is less; or
- (2) In the case of a married couple filing a joint return, the actual amount expended or \$2,500.00 per tax year, whichever is less; or
- (3) In the case of a married couple filing a separate return, the actual amount expended or \$1,250.00 per tax year, whichever is less.

For an individual taxpayer the credit is further limited and may not exceed the taxpayer's income tax liability. The amount of the credit that exceeds the taxpayer's income tax liability can be used against the next succeeding five years' tax liability.

#### Corporate Taxpayers

A corporation is allowed a credit for qualified education expenses in an amount not to exceed the lesser of the actual amount expended or 75 percent of the corporation's income tax liability for the tax year, of the corporation, in which the contribution will be made. Any of this lesser amount (amount expended or 75% of the corporation's income tax liability) that is not used can be used against the succeeding five years' tax liability.

#### Claiming the Credit

Please attach Form IT-QEE-SSO1 and Form IT-QEE-TP2 to your Georgia income tax return when claiming the credit.

#### Electronic Filing

Electronic Filing is available for taxpayers claiming this credit. Individual taxpayers that electronically file their tax return do not have to submit Form IT-QEE-SSO1. Form IT-QEE-SSO1 shall be maintained by the taxpayer and made available upon request by the Commissioner.