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# Illinois Tax Credit Scholarship Program Overview

In August 2017, with bipartisan support, the House and Senate passed a comprehensive education funding bill that was signed into law by the governor. The law includes a provision for tax credit scholarships, which provide strong incentives for donors to support non-public school scholarships for low-income students in the state. Illinois students from low-income families may use these new scholarships to attend a non-public school of their choice.

This legislation represents a major step forward that will help create more equity in school funding throughout Illinois, and for the first time provide real school choice for students and their families.

## **What is a Tax Credit Scholarship Program?**

A Tax Credit Scholarship Program allows taxpayers – individuals, corporations, partnerships or trusts – to donate to Scholarship Granting Organizations (SGO) and receive a credit on their state taxes in return. Currently, there are two SGOs, **Empower Illinois** and **Big Shoulders Fund**. **Big Shoulders and Empower Illinois** will then use the donations to grant scholarships to qualifying students to attend a qualifying nonpublic school. **However, we are asking donors to designate St. Joseph High School when submitting your application for donation to the State of Illinois.** This insures that your tax credit donation will provide financial assistance to a St. Joseph High School student.

## **Who is eligible to receive a scholarship?**

Current St. Joseph and incoming students from families with limited financial resources are eligible to receive a tax credit scholarship. See "Tax Credit Info for Applicants" section for more specific information on eligibility.

## **Who can support the Tax Credit Scholarship Program?**

Corporate and individual St. Joseph High School donors as well as incoming and current families are eligible to participate in this new program from the State of Illinois and support St. Joseph High School by selecting the proper designations on their applications.

- **Corporate donors** will need to designate Region I, of which St. Joseph High School is a member, on their application form.
- **Individual donors** will need to designate St. Joseph High School/Region I on their application form.

# Illinois Tax Credit Scholarship Information for Donors

## **What is a Tax Credit Scholarship Program?**

A Tax Credit Scholarship Program allows taxpayers – individuals, corporations, partnerships or trusts – to donate to Scholarship Granting Organizations (SGO) and receive a credit on their state taxes in return. Currently, the SGOs are **Empower Illinois and Big Shoulders Fund**.

**Big Shoulders and Empower Illinois** will then use the donations to grant scholarships to qualifying students to attend a qualifying nonpublic school. **However, we are asking individual donors to designate St. Joseph High School when submitting your application to the State of Illinois. This insures that your tax credit donation will provide financial assistance to a St. Joseph High School student.**

**All tax credits will be authorized through the IL Department of Revenue.**

**Support St. Joseph High School when you sign up with Big Shoulders or Empower Illinois (SGOs). Please be sure to designate St. Joseph High School (individual donors or Region I (Corporate Donors)) when you apply for the State of Illinois Tax Credit.**

## **TAX CREDIT**

Any donating taxpayer will receive a 75% credit. This means that if a donor donates \$10,000, they will receive a state tax credit of \$7,500.

- Donations by a single taxpayer are capped at \$1 million.
- Individuals can direct their donations to a school or subset of schools of their choice but not to particular students. It is important for you to designate your donation to **St. Joseph High School and designate Region I** which is the region in which St. Joseph High School resides.
- Corporations cannot designate their donations to a specific schools or students but Corporations can designate their donations to a specific region. **St. Joseph High School is in Region I.**
- The credit is non-refundable (meaning it cannot take a taxpayers liability below zero), but it can be carried forward for five years.

## **Can a donor receive a federal tax deduction in addition to a state tax credit for the same donation?**

No. The legislation specifically prohibits this.

## **What is the benefit of this program if I cannot take a federal tax deduction?**

While you will not be able to claim a federal tax deduction, a donor will be able to realize a reduced tax liability.

### **Is there a program cap? If so, what is it?**

Yes, there is a cap. It is \$75 million per year.

- The cap sets the amount of tax credits that can be handed out; it does not cap the amount of scholarships that can be distributed under the program.
- In order for the \$75 million cap to be hit, \$100 million will have to be donated.

### **How does that donation process work?**

Beginning on January 2, 2018, individual and corporate donors will be able to apply for tax credits on a Department of Revenue website. The Department will issue rules to define the application process.

- **Donors will need to set up an account at [mytax.illinois.gov](http://mytax.illinois.gov) in order to apply to participate in this program. As part of the process of creating an account, you must request a “Letter ID” from the Illinois Department of Revenue via the “individuals” menu on [mytax.illinois.gov](http://mytax.illinois.gov), which will be sent via US mail within 7 to 10 business days. Once you receive the “Letter ID,” you will be able to create an account. Taxpayers should request the “Letter ID” now, before the program goes live on January 2, to avoid processing delays. The credits are awarded on a first come, first served basis and donors must have a MyTaxIllinois account in order to reserve the credits.**
- **On January 2, 2018, log in to your MyTaxIllinois account to apply for a “Contribution Authorization Certificate” in the amount you plan to contribute toward the Scholarship Granting Organization (SGO). Also designate the region and organization to which your contribution should be directed (Big Shoulders).**
- **You will receive your Contribution Authorization Certificate via your MyTax Illinois account within three days. You then have 60 days to send your contribution and your authorization certificate to the Scholarship Granting Organization, Big Shoulders Fund.**

**We suggest that you set up your account now so that when the authorization process opens up on January 2nd, 2018 you will be able to submit your application. Again, it is important that individual donors select St. Joseph High School as their designee and corporations select Region I, of which St. Joseph High School is a member, as their designee.**

If a donor doesn't donate, rescinds their donation, or gives less than they indicated to the Department of Revenue, they will not receive ANY tax credit. All unused tax credits will be put back into the program until the cap is hit.

## **SCHOLARSHIP GRANTING ORGANIZATION (SGO)**

### **What is an SGO?**

An SGO is a 501c3 non-profit organization whose primary aim is to give scholarships to students. The current SGOs are **Empower Illinois** and **Big Shoulders Fund**.

### **SUNSET**

A taxpayer may take a credit under this Act for tax years beginning on or after January 1, 2018 and ending before January 1, 2023. A taxpayer may not take a credit pursuant to this Act for tax years beginning on or after January 1, 2023.

This Act is repealed on January 1, 2024.

# Illinois Tax Credit Scholarship Information for Applicants

## What is a Tax Credit Scholarship Program?

A Tax Credit Scholarship Program allows taxpayers – individuals, corporations, partnerships or trusts – to donate to Scholarship Granting Organizations (SGO) and receive a credit on their state taxes in return. Eligible families are able to apply for scholarships from these donated funds.

## PARENTS / STUDENTS

Current students and incoming students/families that reside in the State of Illinois are eligible to participate in this program as long as they meet the qualifications/requirements as defined by the State and listed below.

## Who qualifies for the Tax Credit Scholarship Program?

See the charts below that show how much your family could receive to cover tuition based on your household income and family size.

**Chart 1:** You could receive 100 percent of tuition and eligible fees if you fit the following:

| Number of People Living in your Household | Total Household Income (Adjusted Gross Income) per Year |
|---|---|
| 2   | \$16,240 - \$30,044                                     |
| 3   | \$20,420 - \$37,777                                     |
| 4   | \$24,600 - \$45,510                                     |
| 5   | \$28,780 - \$53,243                                     |
| 6   | \$32,960 - \$60,976                                     |
| 7   | \$37,140 - \$68,709                                     |
| 8   | \$41,320 - \$76,442                                     |

**Chart 2:** You could receive 75 percent of tuition and eligible fees if you fit the following:

| <b>Number of People Living in your Household</b> | <b>Total Household Income (Adjusted Gross Income) per Year</b> |
|--|--|
| 2  | \$30,206 - \$40,600  |
| 3  | \$37,981 - \$51,050  |
| 4  | \$45,756 - \$61,500  |
| 5  | \$53,531 - \$71,950  |
| 6  | \$61,309 - \$82,400  |
| 7  | \$69,080 - \$92,850  |
| 8  | \$76,855 - \$103,300   |

**Chart 3:** You could receive 50 percent of tuition and eligible fees if you fit the following:

| <b>Number of People Living in your Household</b> | <b>Total Household Income (Adjusted Gross Income) per Year</b> |
|--|--|
| 2  | \$40,762 - \$48,720  |
| 3  | \$51,254 - \$61,260  |
| 4  | \$61,746 - \$73,800  |
| 5  | \$72,238 - \$86,340  |
| 6  | \$82,730 - \$98,880  |
| 7  | \$93,221 - \$111,420   |
| 8  | \$103,713 - \$123,960  |

**Note:** If more than eight people live in your home, add \$4,160 to the total household income per year for each additional person.

A student qualifies if his or her family earns 300% of the federal poverty level or less (\$73,800 for a family of 4) the tax year previous to first receiving a scholarship. Once a student receives a scholarship, his or her family can earn up to 400% of the federal poverty level (\$98,400 for a family of 4).

The student must also have been eligible to attend a public elementary school or high school in Illinois in the semester immediately preceding the semester for which he or she first receives a scholarship, or the student must be starting school in Illinois for the first time when he or she first receives a scholarship. Students currently enrolled in Catholic schools can qualify!

From January 1 to April 1, priority will be given to students from each of the following categories:

- students who received a scholarship from an SGO during the previous school year;
- students who are members of a household whose previous year's total annual income does not exceed 185% of the federal poverty level (\$45,510 for a family of 4);
- students who reside within a focus district (a poorly performing school district); and
- students who are siblings of students currently receiving a scholarship.

After April 1, all other qualifying students will be able to receive scholarships.

### **What are the responsibilities of the student and his or her custodian?**

To participate in the program the custodian and student:

- must select a qualified school and apply for the admission;
- ensure that the student participating in the scholarship program takes the required assessment;
- comply with the qualified school's published policies; and
- authorize the SGO to access information needed for income eligibility determinations.

### **How will it be determined whether students are benefiting from this program?**

All students who receive scholarships will be required to take the state assessment.

ISBE will select an independent research organization to conduct an annual study examining the year-to-year learning gains of students receiving scholarships and a comparison of these learning gains to public school students with similar demographic backgrounds. Participating schools must provide this organization with the assessment results of scholarship students.

The sharing and reporting of student data under this Section must be in accordance with requirements of the Family Educational Rights and Privacy Act and the Illinois School Student Records Act. All parties must preserve the confidentiality of such information as required by law. The annual report must not disaggregate data to a level that will disclose the academic level of individual students.

## **SCHOLARSHIPS**

### **What is the maximum amount of scholarship a student can receive?**

The maximum scholarship amount is either (1) tuition and necessary fees of the school to be attended or (2) the statewide average operating expense per student, whichever is lower. Tuition and necessary fees includes the customary charge for instruction in general and the additional fixed fees charged for specified purposes that are required generally of non- scholarship recipients for each academic period for which the scholarship applicant actually enrolls, including costs associated with student assessments.

- The Illinois State Board of Education is granted rule-making authority to further define the computation of necessary costs and fees.

For the current year, the statewide average operating expense per student is \$12,280. There are also scholarship multipliers for certain students:

- students identified as gifted and talented can receive a maximum scholarship amount of \$13,508;
- students identified as English Language Learners can receive a maximum scholarship amount of \$14,736;
- students identified as eligible to receive services under the federal Individuals with Disabilities Education Act can receive a maximum scholarship amount of \$24,560.

**How is the scholarship amount a student receives determined?**

In order to qualify for a scholarship, a student's family will have to give official documentation to the SGO of their annual income. Based on how a student's household income compares to the federal poverty level, a student will receive the following:

- for students whose household income is less than 185%, the scholarship will be 100% of tuition and necessary fees;
- for students whose household income is between 185% and 250%, scholarships will average 75% of tuition and necessary fees; and
- for students whose household income is above 250%, scholarships will average 50% of tuition and necessary fees.

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