

# ABOUT THE TAX CREDIT SCHOLARSHIP PROGRAM

## INVEST IN KIDS ACT.

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Illinois enacted the Invest In Kids Scholarship Tax Credit Program in 2017. This program offers a 75 percent income tax credit to individuals and businesses that contribute to qualified Scholarship Granting Organizations (SGOs). The SGOs then provide scholarships for students whose families meet the income requirements to attend qualified, non-public schools in Illinois.

## TAX CREDIT SCHOLARSHIPS.

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The Tax Credit Scholarship will cover up to 100% of private school tuition up to a maximum of the average Illinois cost to educate which is roughly \$13,000.

Students with unique learning needs, including those who are gifted, English language learners, or those with special education qualifications, will receive larger scholarships — up to double— roughly \$26,000. Key information about the program and donating to these scholarships can be found below.

## EMPOWER ILLINOIS.

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Empower Illinois is an independent 501(c)(3) non-profit SGO responsible for serving approximately 80% of participating private schools statewide; including all of Illinois' Catholic Dioceses, most area Jewish schools, Lutheran Schools, secular schools and many more. Empower Illinois is responsible for:

- Processing donations from individuals and corporations;
- Accepting scholarship applications from students/families; and
- Distributing scholarships to eligible students/families in accordance with the law.

## TAX CREDITS.

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Individual and corporate donors may receive a credit for their Illinois state taxes equal to 75 percent of donations to an SGO.

- A taxpayer donates \$10,000 to an SGO; they are eligible to claim a \$7,500 tax credit on their 2018 taxes.

Tax credits are capped at \$1 million per taxpayer per year; a donor can contribute about \$1.33 million to receive the maximum tax credit allowed. Donors cannot receive a federal deduction for gifts made through this program, but the net tax benefit to all donors is expected to be greater than ordinary charitable donations of an equal amount. Total tax credits are capped at \$75 million per year statewide, which equates to \$100 million in donations and scholarships. Please consult a tax professional to determine how such gifts will affect tax liability.

## DESIGNATING DONATIONS.

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Individuals may direct their donations to a particular school or subset of schools, but not to an individual student or group of students. Corporate donors cannot designate their donations to a particular school.

## DONATION PROCESS.

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Donors can begin the process by registering with [mytax.illinois.gov](http://mytax.illinois.gov). After the registration process, which can take up to 10 business days, donors will be ready to reserve their tax credit on a first-come, first served basis. When reserving their tax credit, donors should select Empower Illinois as the Scholarship Granting Organization. Once their credit has been reserved, they have 60 days to make their donation to an SGO.

## SCHOLARSHIP ELIGIBILITY.

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To be considered for a 2018-2019 scholarship, K-12 students must come from a household with income below 300 percent of the federal poverty level (\$73,800 for family of four). Prior to April 1, priority will be given to:

- Students from households below 185 percent of the federal poverty level (\$45,510 for family of four)
- Students who reside in a "focus district" (low-performing public schools)



# DONOR

## FREQUENTLY ASKED QUESTIONS

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### How much is the credit worth and how much can I donate?

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An individual or corporate donor will receive a 75% credit on their donation. This means that if a donor contributes \$10,000, they will receive a state tax credit of \$7,500. Donations by both individual and corporate donors are capped at \$1.33 million, i.e. a per-donor tax credit of \$1 million. Individual donors can direct their donations to a school or subset of schools of their choice. Corporate donors cannot designate funds. The credit is non-refundable, but can be carried forward for five years.

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

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Yes. The program is capped at \$75 million in state tax credits per year. This means that in order for the \$75 million cap to be hit, \$100 million will have to be donated. A maximum of \$100 million in scholarships will be awarded through this program annually to students throughout Illinois.

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### What is a Scholarship Granting Organization?

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A Scholarship Granting Organization (SGO) is an independent 501(c)(3) non-profit organization whose primary aim is to give scholarships to students. Among SGO responsibilities are:

- Receiving donations from individuals and corporations;
- Receiving and processing scholarship applications from students/families; and
- Distributing scholarships to eligible students/families in accordance with the law.
- Determining whether students meet the income eligibility requirements to receive a scholarship and must distribute scholarships to eligible students on a first-come, first-served basis. SGOs must honor restrictions placed on donations from individuals, if any.

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### How does the donation process work?

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Before reserving their tax credit, donors must first establish an account via [mytax.illinois.gov](http://mytax.illinois.gov). This may take up to 10 days. After creating an account, individual and corporate donors will be able to reserve tax credits. When reserving their tax credit, donors should select Empower Illinois as the Scholarship Granting Organization.

Donors will then have 60 days to donate the amount reserved to a scholarship granting organization (SGO) of their choice. After donating, they will receive a certificate of receipt from the SGO and the Department of Revenue will be notified that a donation was made.

If a donation is not made, or is less than the reserved tax credit with the Department of Revenue, NO tax credit will be awarded. All unused tax credits will be put back into the program until the cap is hit.

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### Can donations be directed to a certain school or individual?

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Individuals may direct donations to a particular school or subset of schools, but NOT to an individual student or group of students. Corporate donors cannot restrict their donations.

Individuals will direct their donations to the school or schools of their choice when they make a donation to the SGO after they have reserved their credit. However, when reserving a tax credit with the IL Department of Revenue, donors will need to select the region in which their designated school or schools are located in.

## What regulations are SCOs held to?

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- An SGO must be approved by the Department of Revenue before donors can receive a tax credit for donating to it.
- An SGO may not use more than 5% of annual donations on administrative costs.
- An SGO must distribute at least 75% of money raised in the form of scholarships each school year.
- An SGO cannot be operated by an individual who owns or operates a school that participates in the program or who has a relative who is a paid staff or board member of a school that participates in the program.
- An SGO must only give scholarships to eligible students attending participating schools.

## Who is eligible to receive a scholarship?

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K-12 students from families with limited financial resources, up to 300 percent of the federal poverty level, are eligible to receive a Tax Credit Scholarship. From January to April, priority will be given to students from each of the following categories:

- Students who are members of a household whose previous year's total annual income does not exceed 185% of the federal poverty level; and
- Students who reside within a focus district.

After April 1, all other qualifying students will be considered for scholarships.

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

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In order to qualify for a scholarship, a student's family will have to give official documentation of their household income.

- For students whose household income is less than 185% the Federal Poverty Level, the scholarship will be 100% of tuition and necessary fees;
- For students whose household income is between 185% of and 250%, scholarships will be 75% of tuition and necessary fees; and
- For students whose household income is between 250% and 300%, scholarships will be 50% of tuition and necessary fees.

The maximum scholarship equals tuition and necessary fees or the statewide average operating expense per student, whichever is lower.

- For the 2018-2019 school year, the statewide average operating expense per student is \$12,973.
- Students identified as gifted and talented can receive up to \$14,270 annually.
- Students identified as English Language Learners can receive up to \$15,567 annually.
- Students identified as eligible to receive services under the federal Individuals with Disabilities Education Act can receive up to \$25,946 annually.
- The scholarships are commitments for 1 year and will follow the student to a new school, subject to the availability of funds.

## How will program benefits be monitored and assessed?

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All students who receive scholarships will be required to take the state assessment beginning in 2019-2020. 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 will be responsible for assessment costs, and SGOs will be responsible for the costs of the annual study.

## **Can a taxpayer make a tax-credited contribution to a Scholarship Granting Organization from a donor advised fund?**

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No. A donor advised fund is a charitable giving vehicle administered by a public charity created to manage charitable donations on behalf of organizations or individuals. Payments to Scholarship Granting Organizations are not treated as charitable contributions for federal income tax purposes and therefore payments from a donor advised fund do not qualify for the tax credit. The payment of tax-credited scholarship donations to a Scholarship Granting Organization must come directly from the individual or corporate taxpayer.

## **Are these scholarships only for Catholic schools?**

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No. The scholarships can be used to cover the tuition and eligible fees for any non-public school in Illinois officially recognized by the Illinois State Board of Education.

## **How do I get help with the donation process?**

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You may contact Empower Illinois directly at [info@empowerillinois.org](mailto:info@empowerillinois.org) or call the Donor Helpline at (309) 644-4524.

## **Can I use a credit card for my tax credit scholarship donation?**

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No, credit cards are not an accepted form of payment for your tax credit scholarship donation. ACH payments to our bank is the preferred form of payment. You can also pay for your tax credit scholarship donation by mailing a check to our lockbox account.

## **Can donation credits be applied against Illinois' personal property replacement tax that corporations (including Subchapter S corporations), partnerships and trusts are subject to?**

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No. The tax credit scholarship statute and regulations prohibit this.

## **Can donations be anonymous?**

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Yes, all donations can be anonymous if the individual or corporation chooses them to be.

## **What should I do if I am out of state?**

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If you're out of state and would like to donate, you will still need a My Tax account. Please call 217-785-3707 for assistance.

## **I cannot donate to the school I want to designate to. What should I do?**

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First, make sure that you have chosen the correct region in the drop-down menu. It should be where the school is located, not your home address.

A map of the regions is available here: <http://www.revenue.state.il.us/InvestInKids/Regions.htm>

If you are still unable to find the school you want to donate to, it may be because the school is not "recognized" by the Illinois State Board of Education (ISBE); contact your school to determine if they have been "recognized" by ISBE. Schools that have registered with the ISBE and are pursuing "recognition" status may be listed at a later date.

## **How do I choose the region for my donation?**

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There are 5 regions.

When reserving your tax credit on the Illinois Department of Revenue website, it is important that you choose the region in which your designee(s) are located, not the region of your home address. Please check the following [LINK](#) to determine the region your designated school or organization is located in. For example, you may live in one region but you may want to designate Schools, School Systems and Scholarship Funds outside the region in which you live. In that case, you must choose the region in which your designees are located.

If your designees are in different regions, you must make separate reservations for each region in the amounts for each donation you seek to make.

Information about choosing the region can be found here: <http://www.revenue.state.il.us/InvestInKids/Regions.htm>.

After you have made your tax credit reservation, the "Contribution Authorization Certificate" issued to you will show the region you have chosen.

## **Does Empower Illinois accept distributions from Individual Retirement Accounts (IRAs)?**

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At this time, there is significant uncertainty as to whether a donation of assets other than cash can qualify for the tax credit. That said, Empower Illinois is indifferent to the source of funds that are donated, except that the source of funds must be owned by the taxpayer. Any penalties or tax liabilities incurred by the donor for an IRA distribution are solely the responsibility of the donor. Potential donors considering making a donation from their IRA should consult a tax advisor before doing so, as individual circumstances could dictate the implications of their donation. If the source of funds is not owned by the taxpayer, they do not technically satisfy their tax reservation.

## **Can donors use marketable securities such as stocks and bonds to donate to Empower Illinois to fund student scholarships or must a student scholarship donation be made in cash?**

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Empower Illinois accepts marketable securities as tax-credited donations. Empower Illinois converts donated securities into cash, per our gift policy. If the liquidated value of the donated securities does not cover the amount of the tax credit reservation, donors must make up the difference by sending an ACH payment to Empower Illinois or by mailing a check to our lockbox. If the liquidated value of the donated securities exceeds the amount of the tax credit reservation, the difference would be used by Empower Illinois as an unrestricted donation. In addition, donors should complete the PDF donation form and mail to the indicated address or email to [donationprocessing@empowerillinois.org](mailto:donationprocessing@empowerillinois.org) a completed donation form and a copy of both pages of the Contribution Authorization Certificate.

## **What are the Security Delivery instructions for using marketable securities to make donation payments to Empower Illinois?**

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For Account Name: Empower Illinois  
Account Number: 001051000080

### **To deposit any Fed-eligible security into a U.S. Bank Trust account:**

Including but not limited to Equities, Corporate and Municipal Bonds, Commercial Paper, Medium-Term Notes, Collateralized Mortgage Issues, and Zero Coupon Bonds.

#### Instruct current custodian to deliver to:

The Depository Trust Company  
Participant Account 2803  
For credit to account name and number referenced above

### **To deposit any Fed-eligible security:**

Including all Fed-eligible Bonds, Bills, Notes, and agencies, including GNMA's.

#### Instruct current custodian to deliver to:

Federal Reserve Bank of Cleveland  
For: U.S. Bank, N.A., Trust  
ABA 042-000-013  
1050/TRUST  
For Account Number: 001051000080

In addition, donors should complete the PDF donation form and mail to the indicated address or email to [donationprocessing@empowerillinois.org](mailto:donationprocessing@empowerillinois.org) a completed donation form and copy of the Contribution Authorization Certificate to the address indicated.

If you have any questions about this process, please call 309-644-4524.

## **Can donations be directed to a school that is not recognized by the Illinois State Board of Education (ISBE)?**

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Donations can be directed to schools that are recognized or in the process of being recognized by ISBE. However, only schools recognized by ISBE are eligible to receive donations to be used for scholarships under the Invest in Kids Act. Schools in the process of being recognized by ISBE are marked with "PENDING RECOGNITION" on the Empower Illinois website. If a school marked with "PENDING RECOGNITION" is not recognized by the earlier of (1) August 1st, 2018 or (2) a date specified by the state of Illinois, donations directed to any such school will be recharacterized as undesignated donations for the same region in which the school marked with "PENDING RECOGNITION" is located and made available to eligible students on a first come, first served basis. There can be no guarantees as to whether a school marked with "PENDING RECOGNITION" will be recognized by ISBE in the future and be eligible to receive scholarship money under the program.

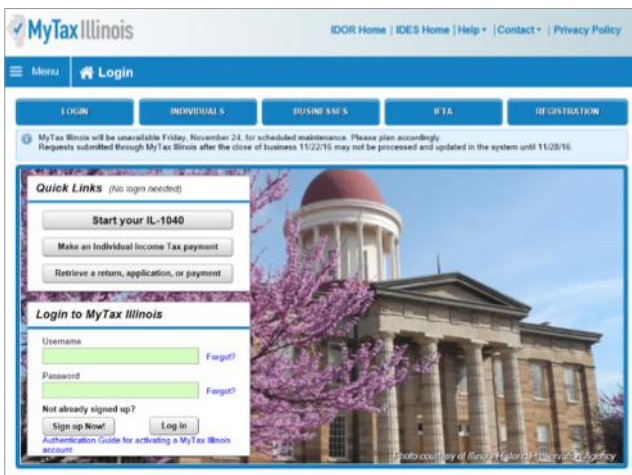
# HOW TO DONATE TAX CREDIT SCHOLARSHIP PROGRAM

The Illinois Tax Credit Scholarship Program (TCS) will help low-income and working-class students receive a high-quality private education while offering a 75 percent income tax credit to individuals and businesses that contribute to a qualified Scholarship Granting Organization like Empower Illinois. To take advantage of this opportunity, you will need to visit [mytax.illinois.gov](http://mytax.illinois.gov) to apply for the tax credit. The steps below provide instructions for signing up/activating your account once you receive your Letter ID. Please contact [info@empowerillinois.org](mailto:info@empowerillinois.org) for assistance.

## REQUEST LETTER ID

### 01. Log on to [mytax.illinois.gov](http://mytax.illinois.gov)

- If you already have an account, enter your username and password to verify
- If you do NOT have an account, click the 'Individuals' tab



### 02. Click on 'Request a Letter ID'; under the 'Miscellaneous' section

**03.** Enter your Social Security Number and one of the following:

- IL-PIN
- 2016 Adjusted Gross Income
- IL Driver's License Number
- IL State Identification Number

The screenshot shows a web form titled "Request" with a sub-header "IL-PIN Inquiry". The form contains the following fields and options:

- 1. Social Security number: [Redacted]
- 2. Please enter ONE of the following and confirm your entry using the checkbox:
  - Adjusted Gross Income (from most recently filed return)
  - Illinois Driver's License Number: [Redacted]
  - Illinois State Identification Number
- I confirm that this information is associated with my Social Security number.
- Conduct Inquiry button

**04.** Click 'Submit' and enter and confirm your email address; then click 'OK' to submit and receive your confirmation.

This screenshot shows the same "IL-PIN Inquiry" form as above, but with a red circle around the "IL-PIN" field, which contains a redacted value. A "Back" button is visible below the form.

This screenshot shows two forms side-by-side:

- Web Contact Information:**
  - Your Name: Charles
  - Contact Phone: (832)742-2150
  - Email: charles.pajys@gmail.com
  - Alternate Phone: [Redacted]
- Web Ligon Information:**
  - Pick a username, you'll use this to login to MyTax Illinois: spajys
  - Pick your password: [Redacted]
  - In case you forget your password: In what city does your nearest sibling live? Chicago
  - Confirm Important Information:
    - Confirm Email: charles.pajys@gmail.com
    - Confirm Password: [Redacted]

**05.** Your Letter ID will be mailed to the address on your last year's tax return. You should receive it within 7-10 business days.



# AFTER YOU HAVE RECEIVED YOUR LETTER ID ACTIVATE YOUR ACCOUNT

**06.** Log on to mytax.illinois.gov and click 'Sign Up Now'



**07.** Select SSN, enter your Social Security Number and click submit; then click 'Yes' to begin activating your account

- Enter your Letter ID and either your Individual IL Pin or your 2016 Adjusted Gross Income (AGI). If you choose your IL PIN click on 'Look Up My IL PIN' and go to Step 8. If you choose your 2016 AGI go directly to Step 9.

A screenshot of the 'NEW ACTIVATION' page on MyTax Illinois. The page is titled 'Activation Summary' and asks the user to select a taxpayer ID type. The 'SSN' option is selected and circled in red. Below this, there are fields for Sales Account Id, License Number (with a checkmark), and Service Bureau ID. A question asks if the user is activating for Individual Income Tax, with 'Yes' selected. A note states that the Letter ID must have been issued within the last 90 days. The Letter ID field contains '0N00021264532295'. Below this, there are two options: 'Individual IL PIN Look up my IL PIN' (with a field containing '17244502') and 'Prior Year Adjusted Gross Income' (with a field containing '0.00'), both circled in red. The 'OR' separator is between the two options. At the bottom, there is a 'Web Contact Information' section with fields for Your Name (Charles), Contact Phone (830/745-2150), Email, and Alternate Phone.

**08.** If you choose to look up your Individual IL PIN click on 'Look Up My IL PIN'

- Enter your SSN and either your IL Driver's License or your Adjusted Gross Income from 2016
- Click 'Conduct Inquiry'
- Copy your IL PIN and then click 'Back'

The screenshot shows a 'Request' window titled 'IL-PIN Inquiry'. It contains the following text: 'Enter the information below to get your IL-PIN. If you are married filing jointly, you will have to enter your spouse's information separately.' Below this are two numbered steps: 1. Social Security number (with a masked input field). 2. Please enter ONE of the following and confirm your entry using the checkbox. There are three radio button options: 'Adjusted Gross Income (from most recently filed return)', 'Illinois Driver's License Number' (which is selected), and 'Illinois State Identification Number'. A checkbox is checked with the text 'I confirm that this information is associated with my Social Security number.' At the bottom is a 'Conduct Inquiry' button.

This screenshot shows the same 'Request' window after the inquiry. The 'IL-PIN' field is now populated with a masked value and is circled in red. A 'Back' button is visible below the field.

**09.** Enter your Letter ID and your IL PIN. When the screen expands, enter:

- Your contact information
- A username and password
- A security question and answer
- Confirmation of your email and password; and then click submit

The screenshot shows the 'Web Contact Information' section with fields for 'Your Name' (Charles), 'Contact Phone' (830/740-2150), 'Email' (charles.pajis@gmail.com), and 'Alternate Phone'. Below is the 'Web Ligon Information' section with fields for 'Pick a username, you'll use this to login to MyTax Illinois:' (spajis), 'Pick your password:', 'In case you forget your password: In what city does your nearest sibling live?' (Chicago), and 'Confirm Important Information:' with 'Confirm Email' (charles.pajis@gmail.com) and 'Confirm Password'.

The screenshot shows the 'NEW ACTIVATION' page on MyTax Illinois. It includes a 'Submit' button circled in red. Below the button is an 'Activation Summary' section with the text: 'Select the taxpayer ID type you want to use to activate your MyTax Illinois account:'.

**10.** Click 'OK' on the next screen. You will receive email confirmation that your account was activated

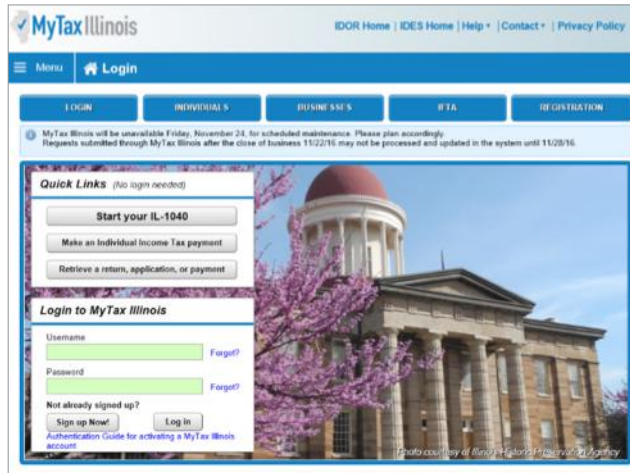
The screenshot shows a dialog box titled 'Are you trying to Submit Activation Summary for Charles?'. It contains an 'Important' notice about establishing a primary user account. At the bottom, there are 'OK' and 'Cancel' buttons, with 'OK' circled in red.

The screenshot shows the 'Confirmation' page on MyTax Illinois. It displays a 'Congratulations!' message and provides details such as 'Your confirmation number', 'Submitted on: 11/14/2017 4:05:15 PM (Central Time)', and 'Request type: MyTax Illinois Activation'. It also includes a 'Printable Confirmation' button and an 'OK' button at the bottom.

# RESERVE YOUR CREDIT

Donors who have activated an account with the Illinois Department of Revenue will be able to reserve a Tax Credit.

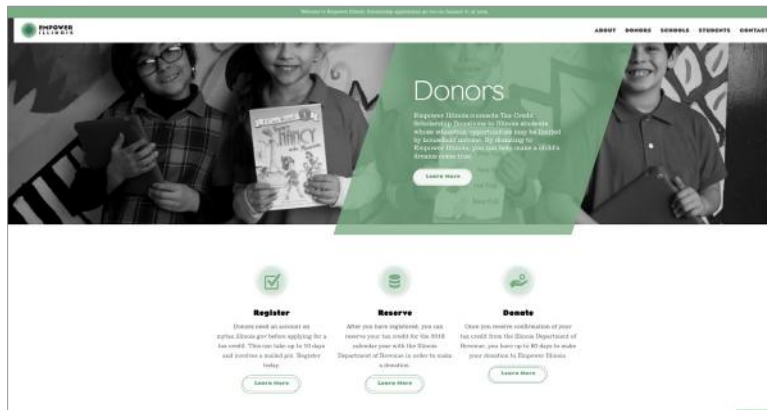
- 11. Visit [mytax.illinois.gov](http://mytax.illinois.gov) and login



# MAKE YOUR DONATION

- 12. Visit [EmpowerIllinois.org](http://EmpowerIllinois.org)

- Click on the Donor tab and follow the prompts



For more information or questions, contact Empower Illinois at [info@empowerillinois.org](mailto:info@empowerillinois.org).