

Education
Improvement
Scholarship Tax Credits

Great News for Education in Virginia Beach



A New Day for Catholic Education

In the Diocese of Richmond,
less than three years into
Virginia's historic
Education Improvement Scholarships
Tax Credits (EISTC) program,
donors provided \$5,000,000
in new scholarships for
Catholic school students,
and...



received most of their money back
in federal and state tax savings.

What is the **EISTC** program?



- Virginia's Education Improvement Scholarships Tax Credits program offers donors 65% of their donation returned to them in Virginia tax credits.
- Donations to foundations approved by the Virginia Department of Education are distributed as scholarships for students from low-income families to attend accredited private schools.
- Virginia budgets \$25 million each year for this program, which continues until 2028.

What is a “Tax Credit”?



A tax credit allows you to subtract the amount of the credit – dollar-for-dollar – from the total you owe the state in taxes, not from taxable income.

It is not necessary to itemize in order to use tax credits.

Tax Credits directly reduce tax bills.

Use it like a coupon when you prepare your taxes.

How is this different from other scholarship programs?

- Donors receive Virginia tax *credits* for 65% of the full value of the donation.
- Donors who itemize ALSO receive federal and Virginia tax *deductions* for charitable contributions.
- Both individuals and businesses are eligible.
- Tax credits are awarded on a first-come, first-served basis, subject to Department of Education pre-authorization.
- Donations must be made to an approved scholarship foundation, not directly to a school.
- Donors can include a Letter of Intent requesting that their scholarships support Catholic school students.

Examples of Tax Benefits

Individual Taxpayer	Federal AMT Rate (28%)	Non-AMT Rate (33%)	WITHOUT TAX CREDITS
Donation Amount	\$5,000	\$5,000	\$5,000
Virginia Tax Credit	-\$3,250	-\$3,250	-
Virginia Tax Savings (5.75%)	-\$288	-\$288	-\$288
Federal Tax Savings (charitable deduction) *	-\$1,400	-\$1,650	-\$1,650
Year 2 cost of VA Tax Credits on federal taxes	n/a	+\$1,167	-
Total Tax Savings	-\$4,938	-\$4,021	-\$1,938
NET COST OF \$5,000 DONATION	\$62	\$979	\$3,062

* Pease Limitation, reinstated Jan. 1, 2013, may impact actual federal tax savings.

Individual circumstances vary. Please consult your tax professional.

A Great Deal for Taxpayers

- When an individual or business donates \$5,000:
 - A student receives a \$4,500 scholarship to an accredited private school like St. Gregory the Great.
 - The donor receives \$3,250 in tax credits.
 - Virginia saves \$1,250 in the cost to educate a child.
- The taxpayer who itemizes saves another \$590-\$1,725 in federal and state taxes.
- Donating appreciated stock also eliminates capital gains taxes, creating additional tax savings.

Using Appreciated Stock to Make the Donation

	Non-AMT Taxpayer	AMT Taxpayer
Market Value of Donated Stock	\$10,000	\$10,000
Cost Basis of Stock	3,000	3,000
Capital Gains	7,000	7,000
<u>Savings from Not Having to Pay Taxes on the Capital Gains</u>		
Federal Tax Savings (23.8% Rate)	1,666	1,666
Virginia Tax Savings (at 5.75% Rate)	<u>403</u>	<u>403</u>
Total Savings from Not Having to Pay Tax on Capital Gains	2,069	2,069
<u>Tax Savings from Donation (Excluding Savings on Capital Gains) **</u>		
Virginia Tax Credit (65%)	6,500	6,500
Federal Tax Savings (33% Rate non-AMT/28% Rate AMT)	3,300	2,800
Less – Year 2 cost of VA Tax Credits on federal taxes	(2,335)	n/a
Virginia Tax Savings (at 5.75% Rate)	<u>575</u>	<u>575</u>
Total Savings from Donation (Excluding Savings on Capital Gains)	<u>8,040</u>	<u>9,875</u>
Total Savings from Donation of Appreciated Stock	10,109	11,944
Excess of Tax Savings Over Value of Stock Donated	\$109	\$1,944

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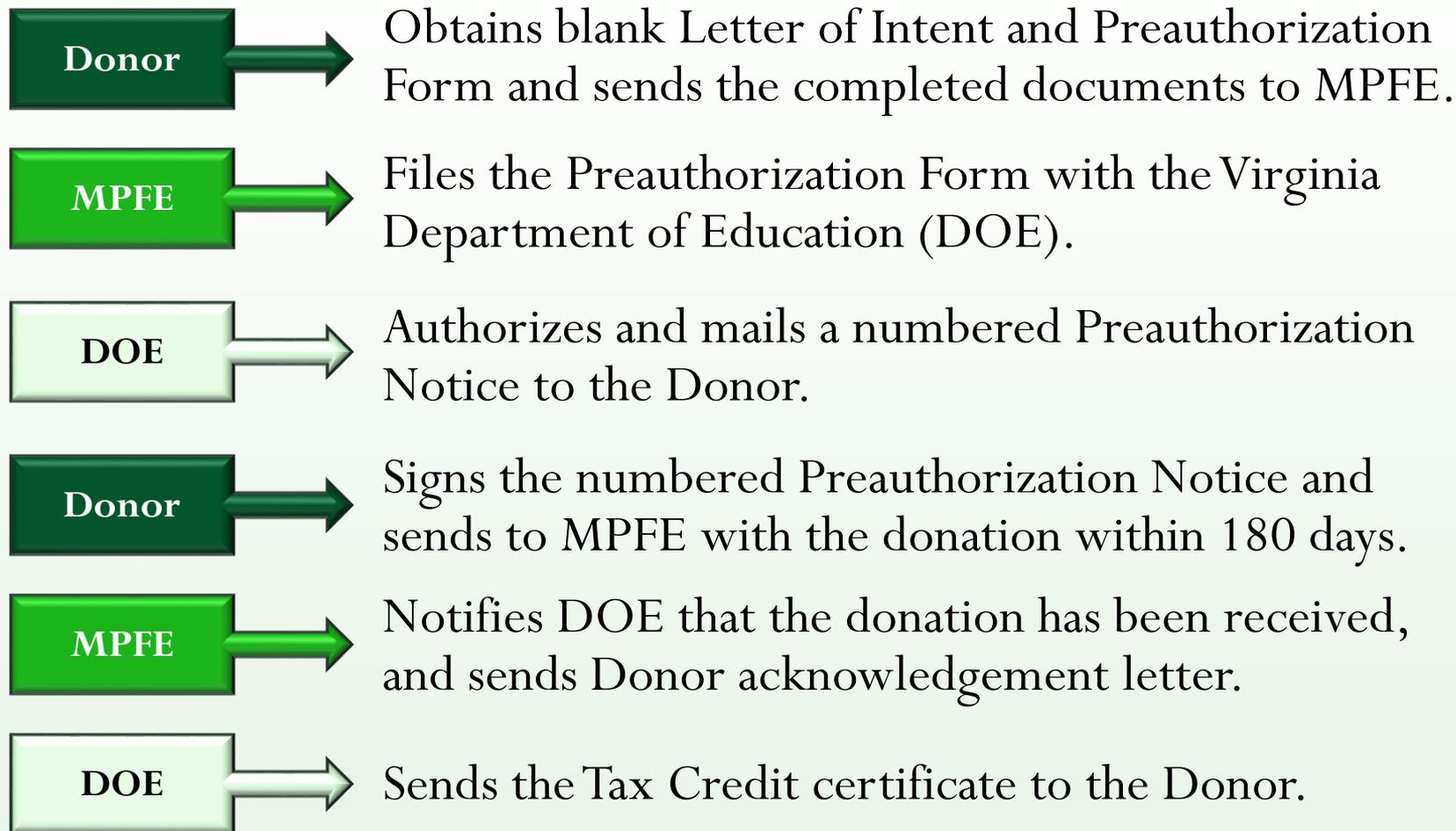
The fine print...

- A **Preauthorization Form** must be filed *before making a donation.*

This ensures that sufficient tax credits are available.

- For individuals, the minimum donation is \$500, and maximum is \$125,000 per year.
- No limits for business donations, including sole proprietorships.
- May donate cash or marketable securities.

Step by Step



For More Information

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