Virginia's Education Improvement Scholarships Tax Credits – EISTC

What makes Education Improvement Scholarships Tax Credits (EISTC) so Appealing?

- **EISTC** returns ***65%*** of each contribution back to you in Virginia tax credits.
- If you itemize, you will ***ALSO*** receive 35% federal and 100% Virginia tax *deductions* for your contribution.
- Both individuals and businesses can receive these tax credits.
- Non-Virginia residents and corporations with Virginia tax liability can participate.

What Impact has EISTC had on the Peninsula?At OLMC School?

- 2017-18 School Year
  - 30 students (11% of student body) received EISTC scholarships
  - Total amount awarded $68,627 in scholarships to Our Lady of Mount Carmel School.
- 2018-19 School Year
  - 35 students are receiving EISTC scholarships
  - Total amount awarded $51,875 for first semester

EISTC Program Description

What is a **Tax Credit**?

Subtract the amount of the tax credit, dollar-for-dollar, from your Virginia tax liability, not from taxable income.

COMMONWEALTH of VIRGINIA
DEPARTMENT OF EDUCATION
P.O. BOX 2120
RICHMOND, VA 23218-2120

J. Q. Donor
612 Street Road
Williamsburg, VA 12345

Education Improvement Scholarships Tax Credit Program

COPY

TIN#: Marketable Securities
Type of Contribution: 12/10/2015
Date of Contribution: $9,793.46
Amount of Contribution: McMahon-Parater Foundation for Education
Name of Scholarship Foundation:

CERTIFICATION OF TAX CREDIT

Preauthorization Notice #: IWZNJQ
Approved Tax Credit: $6,365.75
Tax Year: 2015
Entity Type:

Approving Authority: Kent C. Dickey, Deputy Superintendent Finance and Operations

Certificate Number: 20000000
Issue Date: 12/31/2015

Attach this certification to the appropriate Virginia tax return.

Tax Credits directly reduce tax bills. Use the certificate like a coupon when you prepare your taxes.

Retain a copy of the certificate to submit in subsequent years if you do not use all credits this year.

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

Gifts to the Tax Credit Program

Gifts through the Tax Credit program can be made in a variety of ways. Payments should be made with a copy of the DOE Preauthorization form to ensure proper documentation.

Paid in full by check or credit card.

Monthly payments by check or credit card.

Scheduled payments by check or credit card.

Keep in mind the entire amount needs to be paid by 180 days from the date on the DOE Pre Authorization letter to receive the full benefit of your tax credit.

EISTC Basics

- To receive tax credits for an EISTC donation:
  - The minimum donation for individuals is $500; the annual maximum is $125,000.
  - No limits on business donations, including sole proprietorships.
  - May donate cash or marketable securities.
  - Donors who itemize may claim deductions for their donations at 100% for state and 35% for federal taxes, in addition to receiving Virginia tax credits.
- Donations must be made to scholarship foundations approved by the Virginia Department of Education (DOE).
  - Donations made directly to a school do not qualify for tax credits.
  - Donors may not direct their funds to support a specific student.

Preauthorization Required

- A Preauthorization Request form is required by the DOE ***before a donation is made*** to confirm that sufficient tax credits are available.
- DOE then mails an Approval Letter to the donor.
  - The donor must sign and include the Approval Letter with the donation to the foundation.
- Preauthorizations are valid for 180 days from the date on the Approval Letter.
- Foundations must distribute donations as scholarships by the end of the fiscal year following the fiscal year of the donation.

Examples of Specific Tax Benefits

2018 Tax Benefits

Married Taxpayer with taxable income of $165,000 per year who Itemizes	Taxpayer who itemizes	Does not itemize
Donation Amount	$10,000	$10,000
Virginia Tax Credit	-$6,500	-$6,500
Subtotal	**$3,500**	**$3,500**
Virginia Tax Savings (5.75% of $10,000)	-$575	$0
Federal Tax Savings (24% of $3,500)	-$840	$0
Subtotal – tax savings for itemizing charitable donation	**-1,415**	**$0**
Total Tax Savings of Donation	-$7,915	-$6,500
Net Cost of $10,000 Donation	**$2,085**	**$3,500**

For illustration purposes only.

Illustrations assume that the individual taxpayer has state and local income taxes in excess of $10,000 after subtracting the 65% EISTC state income tax credit.

Individual circumstances vary. Please consult your tax professional.

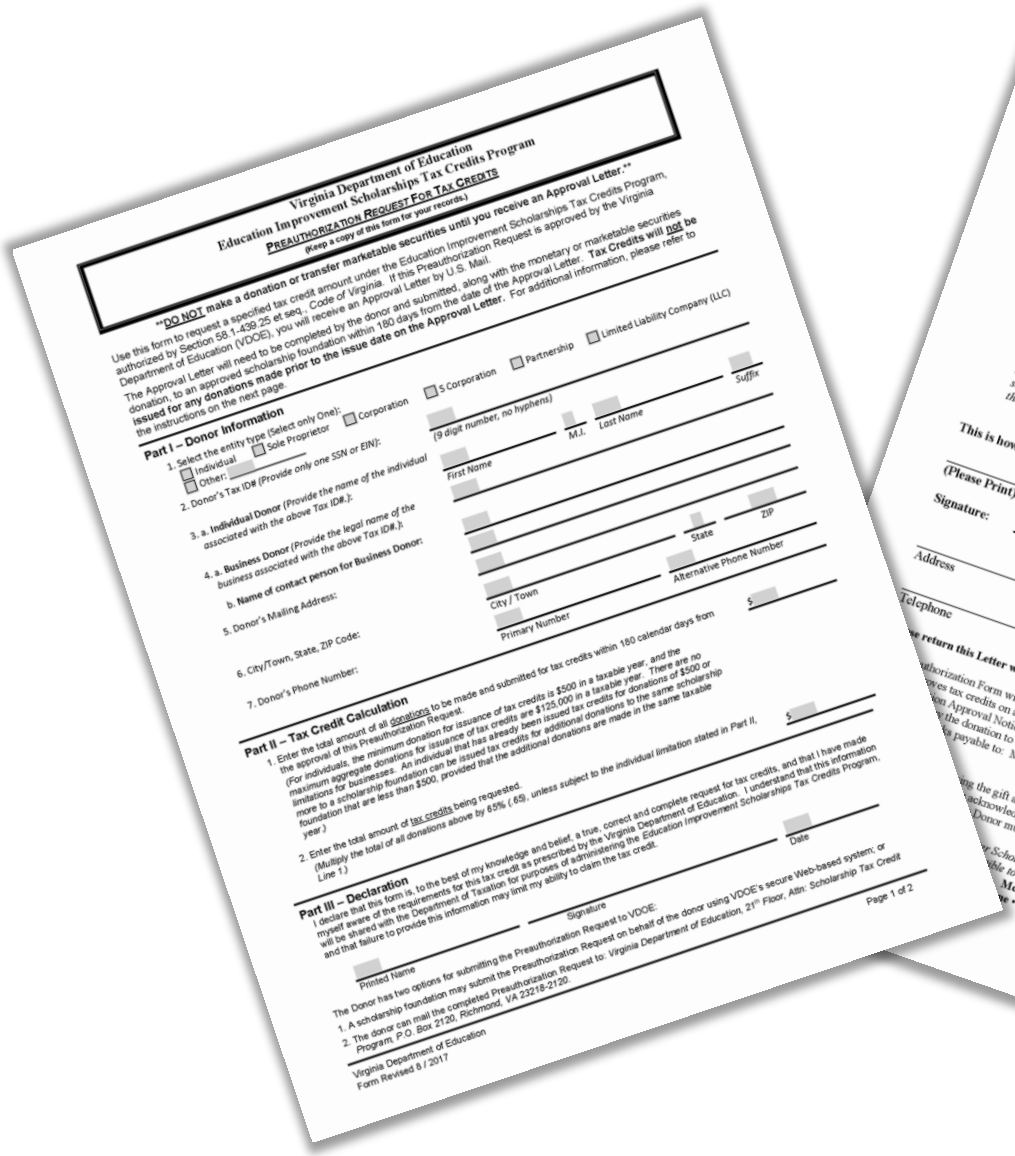
Donating Appreciated Stock 2018

	Taxpayer at 24% who does itemize	Taxpayer who does not itemize
Market Value of Donated Appreciated Stock	$10,000	$10,000
Cost Basis of Stock	$ 1,000	$ 1,000
Long-Term Capital Gains	$9,000	$9,000
Federal Capital Gains Tax Savings (20% of $9,000)	-$1,800	-$1,800
Virginia Capital Gains Tax Savings (5.75% of $9,000)	-$518	-$518
Subtotal Capital Gains Tax Savings	**-$2,318**	**-$2,318**
Added to – Tax Savings of Donation	**-$7,915**	**-$6,500**
Total Tax Savings for $10,000 gift of Appreciated Stock	**-$10,233**	**-$8,818**
Net Cost of $10,000 Appreciated Stock Donation	**($233)**	**$1,182**

For illustration purposes only.
Individual circumstances vary. Please consult your tax professional.

RECAP: How to Receive EISTC Tax Credits for Your Donation

The Forms to Get Started



Virginia Department of Education
Education Improvement Scholarships Tax Credits Program
PREAUTHORIZATION REQUEST FOR TAX CREDITS
(Keep a copy of this form for your records.)

DO NOT make a donation or transfer marketable securities until you receive an Approval Letter.

Use this form to request a specified tax credit amount under the Education Improvement Scholarships Tax Credits Program, authorized by Section 58.1-439.25 et seq., Code of Virginia. If this Preauthorization Request is approved by the Virginia Department of Education (VDOE), you will receive an Approval Letter by U.S. Mail.

The Approval Letter will need to be completed by the donor and submitted, along with the monetary or marketable securities donation, to an approved scholarship foundation within 180 days from the date of the Approval Letter. **Tax Credits will not be issued for any donations made prior to the issue date on the Approval Letter.** For additional information, please refer to the instructions on the next page.

Part I – Donor Information

1. Select the entity type (Select only One): ☐ Individual ☐ Other: ☐ Sole Proprietor ☐ Corporation ☐ S Corporation ☐ Partnership ☐ Limited Liability Company (LLC)
2. Donor's Tax ID# (Provide only one SSN or EIN): (9 digit number, no hyphens)
3. a. **Individual Donor** (Provide the name of the individual associated with the above Tax ID#.): First Name M.I. Last Name Suffix
4. a. **Business Donor** (Provide the legal name of the business associated with the above Tax ID#.):
   b. **Name of contact person for Business Donor:**
5. Donor's Mailing Address: City / Town State ZIP
6. City/Town, State, ZIP Code: Primary Number Alternative Phone Number
7. Donor's Phone Number:

Part II – Tax Credit Calculation

1. Enter the total amount of all donations to be made and submitted for tax credits within 180 calendar days from the approval of this Preauthorization Request. $
   (For individuals, the minimum donation for issuance of tax credits is $500 in a taxable year, and the maximum aggregate donations for issuance of tax credits are $125,000 in a taxable year. There are no limitations for businesses. An individual that has already been issued tax credits for donations of $500 or more to a scholarship foundation can be issued tax credits for additional donations to the same scholarship foundation that are less than $500, provided that the additional donations are made in the same taxable year.)
2. Enter the total amount of tax credits being requested. $
   (Multiply the total of all donations above by 65% (.65), unless subject to the individual limitation stated in Part II, Line 1.)

Part III – Declaration

I declare that this form is, to the best of my knowledge and belief, a true, correct and complete request for tax credits, and that I have made myself aware of the requirements for this tax credit as prescribed by the Virginia Department of Education. I understand that this information will be shared with the Department of Taxation for purposes of administering the Education Improvement Scholarships Tax Credits Program, and that failure to provide this information may limit my ability to claim the tax credit.

Printed Name Signature Date

The Donor has two options for submitting the Preauthorization Request to VDOE:

1. A scholarship foundation may submit the Preauthorization Request on behalf of the donor using VDOE's secure Web-based system; or
2. The donor can mail the completed Preauthorization Request to: Virginia Department of Education, 21st Floor, Attn: Scholarship Tax Credit Program, P.O. Box 2120, Richmond, VA 23218-2120.

Virginia Department of Education
Form Revised 8 / 2017

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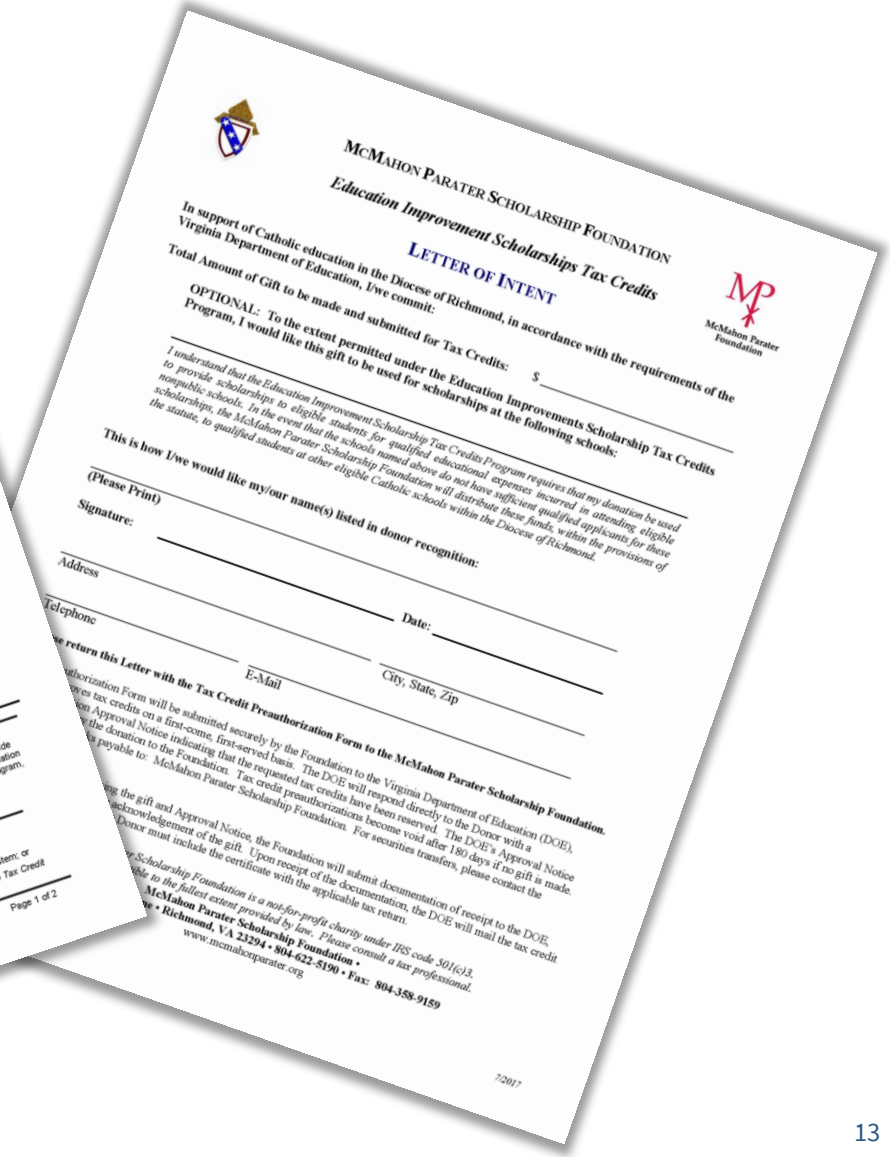


McMahon Parater Scholarship Foundation

Education Improvement Scholarships Tax Credits

LETTER OF INTENT

McMahon Parater Foundation

In support of Catholic education in the Diocese of Richmond, in accordance with the requirements of the Virginia Department of Education, I/we commit:

Total Amount of Gift to be made and submitted for Tax Credits: $

OPTIONAL: To the extent permitted under the Education Improvements Scholarship Tax Credits Program, I would like this gift to be used for scholarships at the following schools:

I understand that the Education Improvement Scholarship Tax Credits Program requires that my donation be used to provide scholarships to eligible students for qualified educational expenses incurred in attending eligible nonpublic schools. In the event that the schools named above do not have sufficient qualified applicants for these scholarships, the McMahon Parater Scholarship Foundation will distribute these funds, within the provisions of the statute, to qualified students at other eligible Catholic schools within the Diocese of Richmond.

This is how I/we would like my/our name(s) listed in donor recognition:

(Please Print)

Signature:

Address

Date:

Telephone

E-Mail

City, State, Zip

Please return this Letter with the Tax Credit Preauthorization Form to the McMahon Parater Scholarship Foundation.

Preauthorization Form will be submitted securely by the Foundation to the Virginia Department of Education (DOE), I/we tax credits on a first-come, first-served basis. The DOE will respond directly to the Donor with a Approval Notice indicating that the requested tax credits have been reserved. The DOE's Approval Notice the donation to the Foundation. Tax credit preauthorizations become void after 180 days if no gift is made. payable to: McMahon Parater Scholarship Foundation. For securities transfers, please contact the

the gift and Approval Notice, the Foundation will submit documentation of receipt to the DOE, acknowledgement of the gift. Upon receipt of the documentation, the DOE will mail the tax credit Donor must include the certificate with the applicable tax return.

Scholarship Foundation is a not-for-profit charity under IRS code 501(c)3, to the fullest extent provided by law. Please consult a tax professional.

McMahon Parater Scholarship Foundation •
• Richmond, VA 23294 • 804-622-5190 • Fax: 804-358-9159
www.mcmahonparater.org

7/2017

The Process: Step By Step

Donor → Obtains blank Preauthorization Request form and Letter of Intent; sends the completed documents to MPSF.

MPSF → Files the Preauthorization Request electronically with the Virginia Department of Education (DOE).

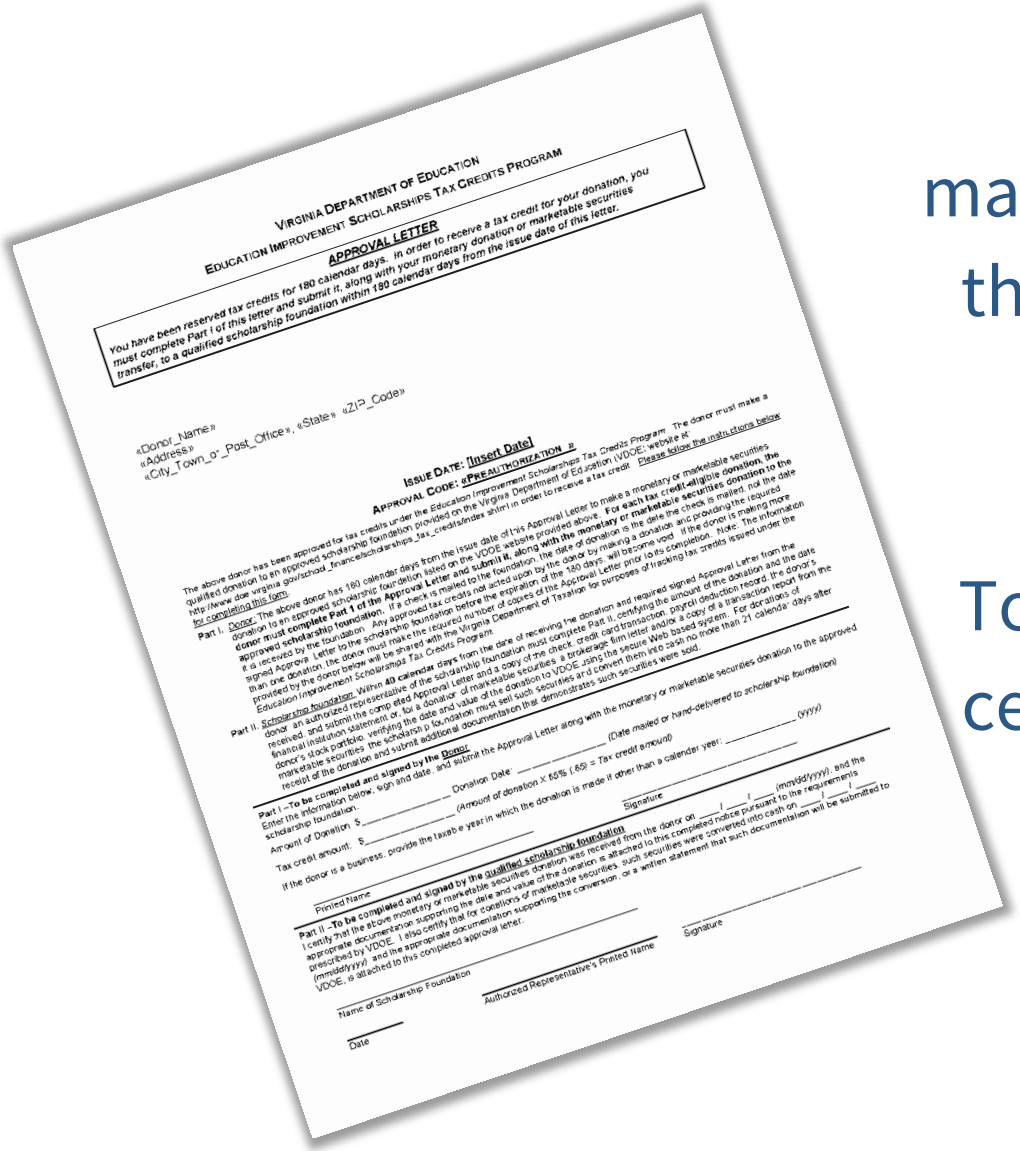
DOE → Reserves tax credits and mails a numbered Approval Letter to the Donor.

Donor → Signs the numbered Approval Letter and sends to MPSF with the donation within 180 days.

MPSF → Sends signed Approval Letter & proof of donation to DOE; sends acknowledgement letter to Donor & school.

DOE → Sends the Tax Credit certificate to the Donor.

Approval Letter



VIRGINIA DEPARTMENT OF EDUCATION

EDUCATION IMPROVEMENT SCHOLARSHIPS TAX CREDITS PROGRAM

APPROVAL LETTER

You have been reserved tax credits for 180 calendar days. In order to receive a tax credit for your donation, you must complete Part I of this letter and submit it, along with your monetary donation or marketable securities transfer, to a qualified scholarship foundation within 180 calendar days from the issue date of this letter.

«Donor_Name»
«Address»
«City_Town_or_Post_Office», «State» «ZIP_Code»

ISSUE DATE: [Insert Date]

APPROVAL CODE: «PREAUTHORIZATION_»

The above donor has been approved for tax credits under the Education Improvement Scholarships Tax Credits Program. The donor must make a qualified donation to an approved scholarship foundation provided on the Virginia Department of Education (VDOE) website at: http://www.doe.virginia.gov/school_finance/scholarships_tax_credits/index.shtml in order to receive a tax credit. Please follow the instructions below for completing this form.

Part I. Donor: The above donor has 180 calendar days from the issue date of this Approval Letter to make a monetary or marketable securities donation to an approved scholarship foundation listed on the VDOE website provided above. For each tax credit-eligible donation, the donor must complete Part I of the Approval Letter and submit it, along with the monetary or marketable securities donation to the approved scholarship foundation. If a check is mailed to the foundation, the date of donation is the date the check is mailed, not the date it is received by the foundation. Any approved tax credits not acted upon by the donor by making a donation and providing the required signed Approval Letter to the scholarship foundation before the expiration of the 180 days, will become void. If the donor is making more than one donation, the donor below will be shared with the Virginia Department of Taxation for purposes of tracking tax credits issued under the provided by the donor below will be shared with the Virginia Department of Taxation for purposes of tracking tax credits issued under the Education Improvement Scholarships Tax Credits Program.

Part II. Scholarship Foundation: Within 40 calendar days from the date of receiving the donation and required signed Approval Letter from the donor, an authorized representative of the scholarship foundation must complete Part II, certifying the amount of the donation and the date received, and submit the completed Approval Letter and a copy of the check, credit card transaction, payroll deduction record, the donor's financial institution statement, or, for a donation of marketable securities, a brokerage firm letter and/or a copy of a transaction report from the donor's stock portfolio, verifying the date and value of the donation to VDOE, using the secure Web based system. For donations of marketable securities, the scholarship foundation must sell such securities and convert them into cash no more than 21 calendar days after receipt of the donation and submit additional documentation that demonstrates such securities were sold.

Part I – To be completed and signed by the Donor:
Enter the information below, sign and date, and submit the Approval Letter along with the monetary or marketable securities donation to the approved scholarship foundation.

Amount of Donation: $_____ Donation Date: _____ (Date mailed or hand-delivered to scholarship foundation)

Tax credit amount: $_____ (Amount of donation X 65% (.65) = Tax credit amount) _____ (yyyy)

If the donor is a business: provide the taxable year in which the donation is made if other than a calendar year: _____

Printed Name _____ Signature _____

Part II – To be completed and signed by the qualified scholarship foundation:
I certify that the above monetary or marketable securities donation was received from the donor on ___/___/___ (mm/dd/yyyy), and the appropriate documentation supporting the date and value of the donation is attached to this completed notice pursuant to the requirements prescribed by VDOE. I also certify that for contributions of marketable securities, such securities were converted into cash on ___/___/___ (mm/dd/yyyy), and the appropriate documentation supporting the conversion, or a written statement that such documentation will be submitted to VDOE, is attached to this completed approval letter.

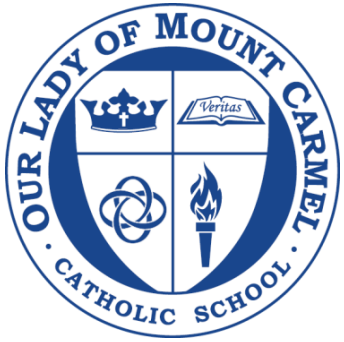
Name of Scholarship Foundation _____ Authorized Representative's Printed Name _____ Signature _____

Date _____

The Approval Letter is mailed to the donor from the DOE, indicating that tax credits have been *reserved*.

To receive the tax credit certificate, donors must sign and include the Approval Letter with their donation to the foundation.

For More Information



McMahon Parater
Scholarship Foundation

- **Sister Anna Joseph, O.P.**
  Our Lady of Mount Carmel School
  52 Harpersville Rd, Newport News, VA 23601
  (757) 596-2754
  sajoseph@olmc-school.com
- **Joyce Schreiber**
  Director
  McMahon Parater Scholarship Foundation
  7800 Carousel Ln, Richmond, VA 23294
  (804) 622-5190
  jschreiber@richmonddiocese.org