



# ***Grace Children with Catholic Education By Redirecting Your Taxes***



“Catholic schools draw their life’s breath from their roots in the Catholic community and they in turn breathe new life into the church.”

- 1991 National Congress on Catholic schools in the 21st century

## Highlights of Georgia Law Passed in 2008

- **100% percent**, dollar-for-dollar tax credit allows tax payers to “redirect” (move your tax payment) to scholarships for students
- Allows a total of **\$50 mm/year in tax credits**
- Credits go to individuals/corporation who donate to qualified **Student Scholarship Organizations (SSOs)**- maximum is \$2,500/joint return; \$1,000/single return; 75% of state tax liability/ “C” Corporation
- **Scholarships** must be **granted to new entrants** into the school system (i.e. 9<sup>th</sup> grade, kindergarten, accredited pre-kindergarten or transfer)

## Highlights of G.R.A.C.E. Scholars

- A qualified **Student Scholarship Organization (SSO)** established in 2008 by the **Archdiocese of Atlanta and Diocese of Savannah**
- Dedicated to **providing tuition assistance** to children entering the Catholic Education system in Georgia
- **Donors can designate which school gets the tuition assistance**
- **Scholarship is for child’s school “career”**-money set aside year one and paid out annually- assuming continued eligibility
- For more information, please visit [www.gracescholars.org](http://www.gracescholars.org)

## **Financial Impact – Example**

*Assume \$75,000 federal/state taxable income on joint return; \$300 donation; no change in state withholding during the year of donation (i.e. final state tax payment is reduced or refund calculated)*

	<u><b>Before</b></u>	<u><b>After</b></u>	<u><b>Cash In (Out)</b></u>
Donation		\$300	(\$300)
Fed. Tax. Income	\$75,000	\$74,700	(1)
Federal Tax	\$11,600	\$11,525	\$75 (2)
State Tax. Income	\$75,000	\$75,000	(3)
State Tax	\$4,000	\$4,000	
<u><b>State Credit</b></u>	\$0	(\$300)	(4)
Net State Tax	\$4,000	\$3,700	\$300
Net Total			\$75 (5)

- (1) Donation **increases charitable contributions**
- (2) Marginal rate of 25%
- (3) Donation is **not a deduction** for state calculation
- (4) Donation is a **credit** against state taxes
- (5) In following year, because state taxes have been reduced, federal taxes would increase by \$75 and state taxes would increase by \$18 (6% of donation). Total cost over two years is \$18 or 6% of the donation made

**Please note:**

*AMT status or limitations on itemized deductions can change an individual's federal and state tax calculations.*

*Individuals should consult with their tax advisors regarding their specific circumstances.*

## **Donation Process (Redirection)**

- Individuals submit approval form to State in **mid-October**  
↓
  - List GRACE as the SSO and the intended donation amount.  
*(NOTE: Donation can't exceed \$2,500 for joint return and \$1,000 for single or total Georgia tax liability)*  
↓
  - State will approve and return form in 30 days  
↓
  - Upon receipt of State approval, **donation must be made within 30 days** to GRACE. Donors may designate specific schools by using the GRACE Designation Form  
↓
  - GRACE will send back a tax form acknowledging receipt  
↓
  - For Federal return list as charitable contribution  
↓
  - Add back charitable contribution on GA Form 500, Line 12b. Claim credit on GA Form 500, Schedule 2: Company name—GRACE Scholars, Credit type code—125, FEIN#—263237980. Then list amount donated as credit. *NOTE: Federal return may be electronic; please check on State electronic status when filing*  
↓
- Please consult with your tax advisor on all directions.**



“Scholarships are awarded to new Catholic school students with financial need. Donations to GRACE Scholars are eligible for a 100% state tax credit. What a wonderful opportunity to make Catholic education accessible to all.”

– Archbishop Wilton D. Gregory, SLD