

Diocese of Arlington Scholarship Foundation Highlights

- The Virginia Education Improvement Scholarship Tax Credit Program awards a 65% tax credit to individuals or businesses that make a monetary donation to an approved foundation.
- The Diocese of Arlington Scholarship Foundation is now an approved foundation under this program.
- The donation will be used to provide scholarships to low income new students to our Catholic schools.
- These donations, in addition to giving you, the donor, a tax benefit, will provide a life-changing education for our new students.



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Giving a Student the Gift of Catholic Education



Diocese of Arlington Scholarship Foundation

*Tax Credit FAQ
Donor Information*

Frequently Asked Questions About How to Donate

Who is eligible for the tax credit?

An individual or business entity may receive a tax credit for eligible donations.

What kind of donations qualify for the credit?

Currently eligible donations include monetary donations by cash, checks, credit card or marketable securities. Donations of goods, services or property are not eligible for the tax credit.

How are donations limited?

In order to receive a tax credit donors must contribute a minimum of \$500. For individuals, including married couples, eligible maximum donation is \$125,000 per taxable year. Therefore, the maximum tax credit of an individual's donation is \$81,250.

Business entities, including sole proprietorships, have no maximum donation amount.

How does a donor apply for a tax credit?

In order to qualify for a tax credit, donors must request pre-authorization from the Department of Education. Donations made without pre-authorization will not be eligible for the tax credit. Pre-authorization requests are processed on a first come, first served basis. Pre-authorization requests will only be granted for the first 25 million dollars in total donations. The Department of Education will issue a preauthorization notice to the donor indicating approval of the donation

How does a donor obtain a Pre-authorization form?

The Pre-authorization form can be downloaded from the Department of Education website - http://www.doe.virginia.gov/school_finance/scholarships_tax_credits/index.shtml - or obtained from the Diocese of Arlington Development Office. The Development Office may be reached at (703) 841-3896.

Once the donation amount is authorized through the preauthorization notice from the Department of Education, how should the donor proceed?

Donors have 180 days to submit their donation in the form of cash, check, credit card or marketable securities to the Diocese of Arlington Scholarship Foundation. The pre-authorization notice must accompany the donation. Donors may wish to consult with the Scholarship Foundation regarding optimal times to submit donations.

How does a donor claim the tax credit?

After the donation is made to the Diocese of Arlington Scholarship Foundation, the donor will receive a certificate verifying the donation. In the taxable year following the donation, the donor may claim the credit on his tax return. The certificate must accompany the tax return.

How much may a donor claim through a tax credit?

Donors may claim 65% of the donation made during the previous tax year. Credits received may not exceed the taxpayer's liability, but any excess may be claimed over the next 5 successive tax years.



Two Year Sample of Scholarship Tax Credit (Based on tax law as of 2012)

Individuals

<u>Contribution</u>	<u>No Contribution</u>	
Income before contribution	\$100,000	\$100,000
Contribution	0	<u>\$1,000</u>
Taxable Income	\$100,000	\$99,000
<u>Virginia Taxes:</u>		
Virginia Personal Tax Rate (5.75%)	\$5,750	\$5,692
(1st year) VA Personal Tax Savings	0	\$58
(2nd year) VA Scholarship Tax Credit	0	\$650
Total VA Tax Savings	0	\$708
<u>Federal Taxes:</u>		
Federal taxable income	\$100,000	\$99,000
Add back:		
Reduction of state tax deduction	0	<u>\$708</u>
Net Federal Taxable income	\$100,000	\$99,708
Federal taxes (25% marginal rate)	25,000	\$24,927
Federal Tax Savings	0	73
Total Tax Savings		\$781
Net cost to contribute \$1,000		\$219

Corporations

<u>Contribution</u>	<u>No Contribution</u>	
Income before contribution	\$1,000,000	
\$1,000,000		
Contribution	0	<u>\$10,000</u>
Taxable Income	\$1,000,000	\$990,000
<u>Virginia Taxes:</u>		
Virginia Corporate Tax Rate (6%)	\$60,000	\$59,400
(1st year) VA Corporate Tax Savings	0	\$600
(2nd year) VA Scholarship Tax Credit	0	<u>\$6,500</u>
Total VA Tax Savings	0	\$7,100
<u>Federal Taxes:</u>		
Federal taxable income	\$1,000,000	\$990,000
Add back:		
Reduction of state tax deduction	0	<u>\$7,100</u>
Net Federal Taxable income	\$1,000,000	\$997,100
Federal taxes (34% marginal rate)	340,000	\$339,014
Federal Tax Savings	0	986
Total Tax Savings		\$8,086
Net cost to contribute \$10,000		\$1,914

Note: Illustrative tax calculation

Please consult your tax advisor for specifics based on your situation.