

TUITION DONATION CREDIT (TDC)



What is the Tuition Donation Credit Program (TDC)?

The TDC empowers families with the financial resource to choose the school that best prepares their child for college and careers. This program, established by the Louisiana Legislature, authorizes School Tuition Organizations (STO's) to collect and use taxpayer donations to provide scholarships for those that meet the program's income requirements to attend nonpublic schools. All STOs are tax-exempt, not-for-profit organization with 501(c)(3) status. Taxpayers receive a credit toward their Louisiana state taxes after their donation has been assigned to provide scholarships for specific students by the STO and that information has been submitted to the Louisiana Department of Education.

So you're saying that a taxpayer can make a donation to ACE Scholarships and receive both a state income tax credit and a federal deduction?

Yes! Taxpayers may claim both a 95-percent state tax credit and a federal charitable contribution deduction for contributions to ACE Scholarships. Per the Treasury Department, it is a 5% federal deduction for individuals and a full federal deduction for corporations.

In August 2018, the IRS issued proposed regulations indicating that the agency will limit state efforts to circumvent the new \$10,000 cap on state and local tax deductions (SALT) introduced by the Tax Cuts and Jobs Act.

Does this mean I cannot get a full federal tax deduction anymore?

*For businesses, namely C-corporations, the IRS has explicitly allowed for the **full federal deduction**, in addition to the full state benefit, for donations to programs like ACE.*

*For an individual, the taxpayer **still receives a 95% tax credit on state income taxes and, should one itemize, a 5% federal deduction, resulting in a minimal expense.** For example, you could turn your \$10,000 in income taxes into a scholarship and allow a child to pursue a quality education at the school of the parents' choice, and it would only cost around 3% (itemizing) to 5% (not itemizing). If you or your client care about the state of education in Louisiana, about workforce development and investing in a skilled workforce, or simply desire to help any schools you or your family may have attended, this is a way to have an impact in those areas and for almost no cost.*

Additionally, the credit is uncapped. Nearly all benefactors take the amount of incomes taxes they would be obligated to pay to the state, and they add 5% on top and donate it to ACE. Thus, they eliminate ALL of their state tax burden and receive a federal deduction on top.

When was this passed? Is it just for Louisiana or for other states too?

The TDC replaced the state's older tuition donation rebate program in 2017 (ACT 377). Louisiana's program is limited to Louisiana taxpayers, but similar scholarship tax credit programs exist in 17 other states across America. The first such program was enacted in Arizona in 1997.

How can this tax credit make sense when the state has been in a budget crisis? Doesn't this cost the state money?

Quite the opposite. For essentially every child that receives an ACE Scholarship, that is one less child that taxpayers foot the tuition bill for in a public school. And because of legal limitations on maximum scholarship sizes, it costs the state less to educate a student in a private school under the TDC program. As a result, Louisiana actually saves money for every student who takes an ACE Scholarship, to the K-12 private school of their choice, rather than attending a public school.

Who is ACE and who gets these scholarships?

ACE Scholarships is a 501(c)(3) that, since 2000, has committed to create access to a quality education for all children. In 18 years, ACE has provided over 28,000 need-based tuition scholarships for K-12 students from low-income families to attend the school that best prepares them for college, for careers, and for life.

Does ACE choose the kids or do I?

ACE awards the scholarships to students on a first-come, first-served basis. The donor cannot choose a specific child, unless that child qualifies for an ACE scholarship and has a particular learning or emotional disability.

Which schools can they take these scholarships to?

ACE currently partners with over 180 private schools in Louisiana. An ACE partner school must at least be approved by the Board of Elementary and Secondary Education and meet a specific list of criteria in order to qualify.

Does my donation need to be spent before I can claim the credit?

A donation must be "used", meaning it is spent or set aside for future scholarships for qualified students. Due to the volume of the children we serve, a donor easily earns the credit with a donation to ACE.

How long do I need to wait before I receive my tax credit?

The credit is earned the year in which the donation is made. The taxpayer will receive a tax credit receipt from the LA Department of Education.

Is this credit refundable or transferable?

It is non-transferable and non-refundable, but the credit can be carried forward for up to three years if it exceeds the amount of a taxpayer's liability in a single year.

I've participated in other credits. Does this one have a lot of strings or paperwork attached to it?

Completely the opposite. This tax credit is incredibly simple. It requires three pieces of paper: 1) The ACE donation pledge form, 2) The tax receipt from ACE acknowledging the taxpayer's donation (this is used to claim the federal charitable contribution deduction), 3) The tax credit receipt from the LA Department of Education (this is used to claim the state income tax credit)

When can I donate?

We accept donations throughout the year. A taxpayer can redirect his estimated quarterly tax payments to ACE, can donate monthly, or in one lump sum. A taxpayer may donate at whatever frequency she desires, so long as the full donation is made before December 31st in order to claim the tax credit for this tax year.

How do I donate?

It is remarkably easy. You simply fill out the ACE donation pledge form and send it in with your payment. You can pay by check, credit card, or wire transfer—whichever is easiest for you or your client.

Who can I contact for more information?

Please contact Arthur Dupré, ACE Louisiana President at adupre@acescholarships.org or 504-710-1132 for more information on Louisiana's TDC program or for how to make a donation.