

TUITION DONATION CREDIT (TDC)



What is the Tuition Donation Credit Program (TDC)?

The TDC empowers families with the financial resources 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 organizations 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.

In 2019, the IRS finalized rules governing federal deductions for the portion of a contribution that earns state tax credits. Do these rules mean I cannot get a full federal tax deduction?

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 (rules may vary for organizations other than C corporations).

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. 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 low-income students access any schools you or your family may have attended, this is a way to have an impact in those areas at a minimal cost.

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 18 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 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 creating access to a quality education for all children. In 19 years, ACE has provided over 35,000 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.

