



*i*nformational Bulletin

Invest in Kids Act of 2017

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To: All Illinois taxpayers

This bulletin is written to inform you of recent changes; it does not replace statutes, rules and regulations, or court decisions.

What is the Invest in Kids Act?

Public Act 100-0465 created the Invest in Kids Act (35 ILCS 40/1). This Act allows income tax credits for taxpayers who make authorized contributions to a Scholarship Granting Organization (SGO). The SGOs, in turn, provide scholarships for eligible Illinois students to attend non-public schools in Illinois.

How many credits are available?

The Department can issue up to \$75 million in tax credits per calendar year.

How are credits awarded?

Credits shall be awarded on a first-come, first-served basis in a manner that is geographically proportionate to enrollment in recognized non-public schools in Illinois.

For information visit our website:
tax.illinois.gov

What are the geographic boundaries?

For the purpose of awarding credits, Illinois will be divided into five regions whose boundaries are the same as the Illinois Appellate court districts. For a listing of counties in each court district, visit illinoiscourts.gov.

Email questions to us at:
REV.PR.D@illinois.gov

Which schools are eligible to participate?

The Illinois State Board of Education (ISBE) will provide a list of non-public schools, recognized under Section 2-3.250 of the School Code, to the Department each year. This list will be used to determine the calculations for the geographic distribution of the credits and identifies the schools eligible for participation in the program. Visit ISBE's website at isbe.net for more information.

Who is an eligible student?

Eligible students are members of a household whose federal adjusted gross income the year before he or she initially receives a scholarship under this program, as determined by IDOR, does not exceed 300% of the federal poverty level and, once the child receives a scholarship, does not exceed 400% of the federal poverty level. The student must be eligible to attend a public elementary school or high school in Illinois in the semester immediately preceding the semester for which he or she first receives a scholarship or is starting school in Illinois for the first time when he or she first receives a scholarship. Students must reside in Illinois while receiving a scholarship.

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Taxpayer Information

What benefits are received by taxpayers for making a qualified contribution?

Illinois taxpayers who are approved can receive state income tax credits in the amount of 75% of their total qualified contributions made to one or more SGOs during a taxable year. Credits cannot exceed \$1 million per taxpayer, per year.

Example: A taxpayer makes a qualified contribution of \$10,000 to an approved SGO. The taxpayer will be eligible to claim a \$7,500 tax credit.

How do I get approved for the credit?

Taxpayers must **first** apply to the Department for approval to make such contributions. You must apply online through MyTax Illinois, our free, online tax portal, at tax.illinois.gov. Approval is granted automatically as long as the regional and statewide thresholds have not been met. Taxpayers must include the name of the SGO and the region the taxpayer directs their contribution to benefit.

Example: A taxpayer files an online application indicating they intend to contribute \$1,000 to Children Benefit from Education Scholarship Organization, SGO number 123456, Region 4. As long as the regional, or the total statewide maximums have not been reached, the taxpayer will receive a Contribution Authorization Certificate (CAC) from the Department authorizing their \$1,000 contribution to the SGO which equates to a \$750 tax credit.

Important: You must have a registered MyTax Illinois account in order to apply for the credit. If you want to apply for the credit approval, you are encouraged to create a MyTax Illinois account as soon as possible to avoid any processing delays when the application system goes live.

When can I submit an application to be approved for the tax credit?

The Invest in Kids tax credit application for individual and business taxpayers will be available through MyTax Illinois on January 2, 2018, and tax credits are awarded on a first-come, first-served basis. Approved credits may be taken, beginning with the filing of your 2018 income tax return.

What do I need in order to claim my credit?

Once approved, taxpayers are issued a Contribution Authorization Certificate (CAC) by the Department. Within 60 days, you must provide a copy of this CAC, along with your full contribution to the SGO.

The SGO will issue you a Certificate of Receipt (COR) within 30 days of receiving your contribution.

What if I don't need all of my tax credit?

Any credit amount that exceeds your tax liability for the year may be carried forward and applied to your tax liability in the subsequent five taxable years. Credits are applied to the earliest year for which there is a tax liability. Credits cannot be carried back to a prior tax year.

Please note: You must apply in January of each year to be approved for a new Invest in Kids tax credit. If you are claiming unused credits from a prior year, approval for use of these credits is not required.

Are there limitations on the credit?

No credit shall be taken under this Act for any qualified contribution for which the taxpayer claims a federal income tax deduction.

SGO Information

What is a Scholarship Granting Organization?

SGOs are non-profits who, after approval by the Department, can receive qualified contributions from individuals and businesses to be disbursed to qualified, non-public schools in Illinois in the form of scholarships to eligible students.

What are the requirements to be an SGO?

SGOs must be exempt from tax under Section 501(c)(3) of the Internal Revenue Code. In addition, they must use at least 95% of the qualified contributions received for scholarships; provide scholarships to students according to the Act; deposit and hold the qualified contributions and any income derived from the contributions in an account that is separate from the organization's operating fund or other funds until contributions or income are withdrawn for use; and meet additional requirements under the Act. SGOs must be approved by the Department before issuing Certificates of Receipt (CORs) to donors.

How does an organization apply to become an SGO?

Applications must be submitted electronically through MyTax Illinois, available on the Department's website at tax.illinois.gov.

When are applications accepted?

Organizations that want to be approved as an SGO for the 2018 tax year can apply beginning December 1, 2017. The application deadline for the 2018-19 school year is January 15, 2018. Organizations must apply for renewal each year as an SGO.

When can SGOs begin granting scholarships?

SGOs may begin as soon as they are approved as an SGO, but no later than February 1 preceding the school year for which the scholarship is sought. Scholarships are paid directly to the qualified school by the SGO on behalf of the student.