

Frequently Asked Questions

Updated as of October 1, 2018

1. What is the history and purpose of the tuition tax credit legislation that gave rise to Learning to Serve?

In 2008, the Georgia General Assembly passed the Qualified Education Expense (QEE) Tax Credit bill (HB 1133), and Governor Sonny Perdue signed it into law. The legislation was further amended in 2011 (HB 325), 2013 (HB 283), and 2018 (HB 217). The law provides for the creation of student scholarship organizations (SSOs) to which Georgia individual and corporate taxpayers can contribute in exchange for a state income tax credit and possible federal charitable income tax deduction. The SSOs use the contributions to award scholarships to students from K-12 public schools so that they can attend the private schools chosen by their parents. Learning to Serve has participated as a qualified SSO since 2008.

2. What Schools Does Learning to Serve partner with?

Learning to Serve does not partner directly with schools. Learning to Serve partners with students and families all across the State of Georgia. We assist students in funding their education at qualified schools chosen to best fit the educational needs of the student. All Georgia schools that are qualified, accredited schools are eligible to receive funds from Learning to Serve.

3. How does the Qualified Education Expense Tax Credit work?

Because there are limited tax credits available each year (\$100 million for 2019), a taxpayer who is interested in contributing to Learning to Serve must be pre-approved by the Georgia Department of Revenue ("DOR"). This simply means that the DOR sets aside a certain amount of the available tax credits specifically for the respective taxpayer.

So, the taxpayer will submit his or her 2019 tax credit application to Learning to Serve via online electronic application. Then, Learning to Serve will take care of every remaining step, and will remind the taxpayer when action is required. Each step in the process is outlined below:

- a. Learning to Serve Submits Taxpayer Application to DOR: On the first business day of January 2019, Learning to Serve will submit the taxpayer's request for a 2019 tax credit to the DOR. Shortly thereafter, Learning to Serve will notify taxpayer by email that the application has been submitted.
- b. DOR Informs Taxpayer of Approval: Taxpayer will receive a DOR Approval Letter within 30 days after Learning to Serve submits the application, indicating the amount for which he or she is approved and the deadline for making payment to Learning to Serve.

c. DOR Informs Learning to Serve of Taxpayer Approval: Learning to Serve also receives notice of taxpayer's DOR approval, and Learning to Serve will email taxpayer detailed instructions regarding payment deadline and options.

d. Taxpayer Makes Payment to Learning to Serve: When notified of DOR approval (by DOR Approval Letter or email from Learning to Serve), taxpayer must submit payment to Learning to Serve before his or her 60-day payment deadline.

e. Learning to Serve Emails Taxpayer Tax Receipt: Learning to Serve will send taxpayer an acknowledgement letter and tax receipt (Form IT-QEE-SSO1), in June 2019.

f. Taxpayer Claims Georgia Income Tax Credit: When taxpayer files their 2019 taxes, he or she will take a 100% Georgia income tax credit.

4. What is the maximum amount that an individual can contribute to Learning to Serve in exchange for a Georgia education expense tax credit?

Each calendar year, until the annual cap on available education expense credits is reached:

- A married couple filing a joint return can redirect up to \$2,500 of their income tax payments to Learning to Serve.
- A married couple filing separate returns can redirect up to \$1,250 (each) of their income tax payments to Learning to Serve.
- A single individual can redirect up to \$1,000 of his or her income tax payments to Learning to Serve.
- An individual who is a member of a limited liability company, shareholder of an "S" Corporation, or partner in a partnership (pass-through entities) is allowed a Georgia income tax credit for up to \$10,000 of the amount they contribute to a SSO, so long as they would have paid Georgia income tax in that amount on their share of taxable income from the pass-through entity. (See Q&A items [34. through 38.](#) for more information for owners of pass-through entities.)

5. Do I have to donate (redirect) the full amount allowed?

You may donate as little or as much as you want up to the following limits: \$2,500 for a married couple filing jointly, \$1,250 for married people filing separately, \$1,000 for an individual filing singly, and \$10,000 for an individual owner of a pass through entity. Importantly, please note that if taxpayer is pre-approved by DOR for an amount greater than the amount taxpayer actually contributes, the "excess" of the amount pre-approved over the amount contributed is lost from the available tax credits for the year, and will not be made available to other taxpayers.

6. Can corporations contribute to the Learning to Serve?

Yes, corporations can receive a tax credit for amounts contributed to Learning to Serve, and many corporations have done so. For "C" corporations, the tax credit is available up to 75% of their annual Georgia income tax liability. Members of limited liability companies, shareholders of "S" Corporations, and partners in partnerships are allowed a Georgia income tax credit for up to \$10,000 of the amount they contribute to a SSO, so long as they would have paid Georgia income tax in that amount on their share of taxable income. Importantly, please note that if taxpayer is pre-approved by DOR for an amount greater than the amount taxpayer actually contributes, the "excess" of the amount pre-approved over the amount contributed is lost from the available tax credits for the year, and will not be made available to other taxpayers.

7. What forms of payment does Learning to Serve take for donations?

Learning to Serve currently only accepts checks.

8. Is there an age or other restriction on who can participate in this program?

There are no age restrictions on who can participate in this program. As long as you pay state taxes, you can redirect your Georgia income taxes to Learning to Serve.

9. How does a tax credit differ from a deduction?

A tax credit is significantly more beneficial than a deduction. A credit reduces your Georgia taxes dollar-for-dollar while a deduction reduces the taxable income upon which taxes are calculated.

10. How do I know what my Georgia income tax liability is?

Your Georgia income tax liability is typically Georgia's marginal tax rate (5.75% for 2019) multiplied by your Adjusted Gross Income (AGI). If your income and deductions will not change much from the prior year, you can look at Line 16 of your Georgia income tax return (Form 500) for your income tax liability for the prior tax year and estimate your tax liability accordingly. Of course, only an accountant or other tax professional can provide you with a solid estimate of your upcoming Georgia income tax liability.

11. If an individual has paid all of his or her estimated Georgia income taxes for a particular tax year and makes a contribution to Learning to Serve in that year, will he or she still receive a Georgia income tax credit for the amount contributed to Learning to Serve?

Yes. If, after applying the tax credit against the Georgia income tax due and applying all estimated tax payments and withheld income taxes, there is an overpayment, the taxpayer can elect to have all or a portion of the overpayment paid to him or her.

12. Can I reduce my Georgia income tax withholdings so that I can recoup my funds earlier than I would at tax filing time?

Yes. If you pay your Georgia income taxes by having an amount withheld each pay period from your paycheck, by reducing the amount of Georgia income tax that is withheld from your paycheck each pay period, you can recoup your contribution to Learning to Serve evenly over the remainder of the tax year. The portion by which you should reduce your withholdings is the amount of your contribution to Learning to Serve divided by the remaining pay periods in the year. This results in greater take-home pay throughout the year, as opposed to a potential refund at tax filing time.

For example: If you are paid twice per month and contribute \$1,200 to Learning to Serve in mid-March, and you adjust your Georgia income tax withholdings in time to take effect for your March 31st paycheck, as of March 31st, there are 19 pay periods remaining for the year. You may reduce your withholdings by \$63.16 per pay period, which is \$1,200 divided by the 19 remaining pay periods for 2019. The additional amount of "take home pay" will total \$1,200 by the end of 2019.

13. I usually get a refund from Georgia. What happens if I donate to Learning to Serve?

For taxpayers who contribute to Learning to Serve as individuals who are single, married filing separate, or married filing jointly, if your Georgia income tax liability is at least as much as your Learning to Serve contribution, your refund will increase by the amount of your donation. If on the other hand, your state income tax liability is less than the amount of your contribution to Learning to Serve, the amount of the unused credit can be carried forward for 5 years.

14. Will this trigger an audit of my return?

No. The credit is applied against your Georgia income tax liability, and is preapproved by the state of Georgia. It is treated just like additional withholding tax. Learning to Serve has developed a solid line of communication with DOR officials responsible for administration of the Georgia Education Expense Credit and works closely with them to ensure the fair and responsive administration of this program.

15. If I redirect some of my Georgia income tax payment to Learning to Serve, can I designate that it be used to provide scholarships at a specific school?

Yes. The designation of a particular school (or multiple schools) is permissible, and, as long as the school(s) meets the legal requirement that all funds raised in one calendar year must be fully allocated to specific student recipients by the end of the following calendar year, the donor's donation will be obligated to provide scholarships to eligible students to attend the designated school(s).

16. If I redirect some of my Georgia tax payments to Learning to Serve, can I designate the student who will benefit from the financial assistance?

No. Although a donor to Learning to Serve may designate a school, no designation of individual students is permitted. Per most recently amended legislation (HB 283): "(1) The tax credit shall not be allowed if the taxpayer designates the taxpayer's qualified education expense for the direct benefit of any particular individual, whether or not such individual is a dependent of the taxpayer. (2) In soliciting contributions, a student scholarship organization shall not represent, or direct a qualified private school to represent, that, in exchange for contributing to the student scholarship organization, a taxpayer shall receive a scholarship for the direct benefit of any particular individual, whether or not such individual is a dependent of the taxpayer. The status as a student scholarship organization shall be revoked for any such organization which violates this paragraph."

17. What is the deadline for making contributions that qualify for the tax credit?

In order to contribute to Learning to Serve for a tax credit, an individual or corporation must receive pre-approval from the Georgia Department of Revenue. The pre-approval process must be completed and all contributions postmarked to Learning to Serve within 60 days of DOR pre-approval, and never later than December 31st of the applicable calendar year in order to be accepted.

Based on the anticipated timeline for 2019, in which all \$100 million of education expense tax credits will likely be consumed on the first day of January 2019, we estimate that most payments will be due by mid-March of 2019.

18. Why should I submit my application now for a 2019 tax credit, when it is still 2018?

In 2008, the Georgia legislature placed an annual cap on the amount of available education expense credits. Initially, the cap was set at \$50 million. Beginning in 2012, the cap was increased to reflect increases in the cost-of-living inflation rate. In 2013, the cost-of-living adjustment was replaced by an increase in the cap to \$58 million. In 2018, Georgia's elected officials nearly doubled the cap, increasing it to \$100 million per year, beginning in 2019 (for at least the next decade).

Since 2015, the entire \$58 million cap has been met on the very first business day of the year. In fact, taxpayer requests for pre-approval from the DOR for desired contributions to SSOs have exceeded \$100 million for the past three years. As a result, Georgia taxpayers are approved for a prorated percentage of their intended contribution amounts. In 2018, the DOR received more than \$105 million in 2018 Education Tax Credit applications in one day, meaning all taxpayer applications were being prorated down to a proration percentage of 54.99%. With the \$100 million cap which will be in effect in 2019, taxpayer proration will likely be much improved, and could be as high as 90% to 100%.

Once the cap is reached, although a taxpayer can still contribute to Learning to Serve, he or she will not receive an education expense tax credit for doing so. Because there are hundreds of

private schools in Georgia that are promoting the availability of the Georgia Education Expense Credit program in their school communities, it is a very competitive environment, and taxpayers need to start the process of applying for a tax credit in the year prior to the one in which they will contribute and take the tax credit.

19. Will I be approved for less than my intended contribution amount?

Even with the 2019 cap increase to \$100 million, given the popularity of the Georgia Education Expense Credit program, it is very likely that taxpayers will only be approved for a portion of their requested contribution amounts in 2019. (See Q. 18, above). However, the proration percentage should be significantly higher than in recent years, due to the cap increase.

20. What if I pay quarterly estimated taxes?

If you pay your current year's Georgia income taxes on a quarterly basis, in four equal installments, due on April 15, June 15, September 15, and January 15 (of the following year), you can reduce a portion of each quarterly estimated income tax payment if you contribute to Learning to Serve for a tax credit within the same year.

To determine the amount by which you can reduce each quarterly estimated income tax payment, divide by four the total amount that you contributed to Learning to Serve for the year and reduce each quarterly estimated tax payment accordingly.

Example: This year, you estimate that you will owe \$10,000 of Georgia income taxes for the year. Of this amount, you contribute \$1,200 to Learning to Serve in March for which you will receive a corresponding Georgia income tax credit. Normally, you would make an estimated income tax payment to the state of \$2,500 on April 15, June 15, September 15, and January 15 (of the following year). Because you will be redirecting \$1,200 of your Georgia income tax payments to Learning to Serve, you can reduce each of these estimated income tax payments by \$300 (\$1,200 divided by four), meaning that \$2,200 will be the amount of each quarterly estimated income tax payment due to the state of Georgia.

21. What if my Georgia income tax liability is less than the amount I contributed to Learning to Serve? Do I lose that money?

For taxpayers who contribute to Learning to Serve as individuals who are single, married filing separate, or married filing jointly: no, you do not lose the money. The tax credit will apply toward your taxes for up to five future years. Taxpayers who contribute to Learning to Serve as "C" Corporations or as owners of pass-through entities cannot carry-forward any education expense tax credits.

22. May I paper file my taxes and claim this credit?

No, as this credit (along with all Series 100 credits in Georgia) may only be claimed if you file your taxes electronically.

23. Can I designate that my contribution be split between multiple schools?

Yes. Simply indicate on your Learning to Serve tax credit application how much money you would like to go to each school, and Learning to Serve will ensure your contribution is allocated accordingly.

24. Can I split my contribution between SSOs?

Yes. As long as the other SSO is an approved Student Scholarship Organization ("SSO"), you can split contributions between SSOs. Learning to Serve will simply forward those funds to their SSO partner. Learning to Serve does not take any administrative fees out of the money that we forward to other SSOs.

25. How long does it usually take to receive approval from the Department of Revenue for my contribution?

Under the law, the Department of Revenue has 30 days to approve your contribution. As a result of recent automation, the DOR currently provides approval within approximately two weeks.

26. Can I contribute to Learning to Serve for a tax credit if I don't reside in the state of Georgia?

Yes. As long as you pay Georgia state income taxes you can contribute to Learning to Serve for a tax credit, even if you don't physically reside in the state of Georgia.

27. Do I have to make my entire contribution at once, or can I contribute in increments over the course of the year?

It is recommended by Learning to Serve that you apply for and make your full desired contribution at once. Due to the pace at which the cap on these tax credits is met, it is not possible to spread your payments throughout the year (all payments will be due by mid-March of 2019).

28. Can I change the designation of my contribution after I have completed the contribution process?

Once you have designated a particular SSO and the funds have been deposited into that SSOs account, you cannot change the designation of your contribution.

29. What happens if I give a donation to Learning to Serve but I find out that my school is working with another SSO?

We will process your donation as any other and will pass the full balance of the funds to the correct SSO.

30. Where is this credit explained in the Georgia Law?

The tax credit guidelines are listed in the Georgia Code Title 48 Chapter 7-29.16. The details of the qualified Student Scholarship Organization are listed in the Georgia Code Title 20 Chapter 2A. If you have any additional issues or questions, please refer the Georgia Department of Revenue website, <https://etax.dor.ga.gov/inctax/taxcredits.aspx>

31. Is Learning to Serve a government agency? What is its role?

No. Learning to Serve. is an independent 501 (c)(3) tax-exempt organization. Learning to Serve, not the state of Georgia, provides scholarships to students at qualified schools. Learning to Serve serves as an information clearinghouse for parents and schools; provides extensive contribution and scholarship processing to its donors, qualified schools, and scholarship families; monitors legal and regulatory developments; solicits contributions from corporations; and promotes the program in the CPA and financial community.

32. What is Learning to Serve's tax ID number?

Learning to Serve's tax ID number (FEIN) is 26-4196119.

33. How can I learn more about Learning to Serve?

Additional information about Learning to Serve can be found on the SSOs website – www.learningtoserve.org. Learning to Serve also operates a Facebook page.

Important information for individuals who are members of limited liability companies, shareholders of "S" Corporations, and partners in partnerships

Individuals with ownership in S-Corps, LLCs or Partnerships (pass-through entities) may contribute up to \$10,000 to Learning to Serve for a tax credit.

Members of limited liability companies, shareholders of "S" Corporations, and partners in partnerships are allowed a Georgia income tax credit for up to \$10,000 of the amount they contribute to a SSO, so long as they would have paid Georgia income tax in that amount on their share of taxable income.

If husband and wife both earn income from pass-through entities, each can contribute up to the \$10,000 limit for a total of \$20,000.

34. How does this work if I own more than one pass-through entity?

If the individual has ownership in more than one pass-through entity, the total credit allowed cannot exceed \$10,000. The individual decides which pass-through entities to include when

computing Georgia income for purposes of this tax credit and may combine all Georgia income, loss and expense regardless of ownership in multiple pass-through entities.

35. How do I determine whether I can take the full \$10,000 tax credit?

All Georgia income, loss and expense from the taxpayer-selected pass through entities will be combined to determine Georgia income for purposes of this credit. *Note: even W2 income from the entity may be included as well as K-1 income (i.e., salaries and profits may be counted).* Such combined Georgia income shall be multiplied by 5.75% (Georgia's 2019 income tax rate) to determine that tax that was actually paid.

Helpful example: the taxpayer's Georgia income from pass through entities in 2019 must be at least \$173,913 to take advantage of the full \$10,000 tax credit ($\$173,913 * 5.75\% = \$10,000$).

Proration should be much improved in 2019, due to the substantial increase in the cap (from \$58 million to \$100 million). For planning purposes, you may estimate that you will be approved for 90% to 100% of your application amount.

36. May I also claim a credit as an individual tax filer?

If the taxpayer chooses to be preapproved under this option, they are not allowed the additional amounts normally allowed an individual.

37. Can this tax credit be carried forward?

No. 5.75% of the Georgia income from pass through entity (or entities) is the maximum amount that may be claimed as a tax credit, and any excess amounts may not be claimed in the current year and may not be carried forward.

38. Can my payment to Learning to Serve be made from my business (my pass-through entity)?

No. The Department of Revenue requires that payment to the SSO must come from the individual who will be claiming the tax credit.