



Frequently Asked Questions

Can I really redirect up to half of my Alabama income tax (corporate or personal) to scholarships that support education for income-eligible students in Alabama?

Yes. It is now more critical than ever since last year's donations to all Scholarship Granting Organizations (SGOs) declined drastically due to lack of clarity from the IRS. Once the IRS issued new guidance in December, it was too late for all previous donors to take advantage of 2019 tax credit donations. Because of this decline, some SGOs are no longer able to provide scholarships to hundreds of families across Alabama. It is important to note you cannot designate your tax-credit donation to a certain school. But you can be certain that your donation will help students in Alabama succeed.

What do you mean "it doesn't cost anything to donate"?

Tax credit donations allow a donor to give a portion of their existing tax liability to an SGO like AOSF. Instead of sending 100% of an existing tax liability to the Alabama Department of Revenue (ADOR), contributors can donate up to 50% to directly fund scholarships and send the remainder to the ADOR. **If I owe \$30,000 in Alabama corporate income taxes, can I really send \$15,000 of it directly to scholarships to help a child succeed?** Yes. Alabama allows up to \$30 million of tax liability to be redirected directly to fund scholarships for income-eligible students. As long as credits are still available, you can donate.

Is this new?

Yes and no. Alabama tax credit scholarships are not new. However, clarifications from the IRS now mean that certain types of businesses called pass-through entities can further reduce their federal tax bill. The risk of students losing scholarships has never been greater because the IRS waited until December of 2019 to issue the clarifications which means many donors missed the opportunity to contribute last year. Make your 2020 reservations now!

Does my CPA or tax advisor know how to help me take advantage of a donation?

Yes. If your CPA or tax advisor has any questions about the new changes or how to make a reservation on your behalf, please have them reach out to us. And some pass-through-entities can take an additional federal tax deduction based on the donation as well.

Why is it urgent to reserve my tax credits and donate before April 1?

Some students currently on scholarships recently found out that their scholarships won't be renewed by their SGO next year. This will be a devastating loss for the students and the schools. Reserving tax credits now allows students and families to plan for the next school year knowing that funds will be available for their existing scholarships. For pass-through entities seeking to take advantage of the new IRS guidance, the credits are issued on a first-come, first-served basis. *Quarterly taxpayers can reduce their April 15 estimated quarterly tax payment by the amount that they donate to AOSF.*

Visit us online at
AlabamaScholarshipFund.org

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ALABAMA
OPPORTUNITY
SCHOLARSHIP FUND

What is Alabama Opportunity Scholarship Fund (AOSF)?

AOSF was established in 2013 and provides tax credited scholarships to low-income K-12 children across Alabama to attend the public or private school of their choice. Our mission is to empower families to choose the school that best fits their child's unique educational needs. AOSF provides scholarships to income-eligible, K-12 children who are not succeeding in their current environment. Scholarships are funded by the donation of corporate and individual Alabama income tax liability. AOSF leads the way statewide in providing over 1,500 low-income children the educational opportunity that will give them a successful and productive future.

Who benefits?

Income-eligible students whose families want to choose a school that best fits their child's unique educational needs.

What is the maximum amount that AOSF can raise for scholarships to help K-12 children succeed in Alabama?

Each year the Alabama Department of Revenue allocates \$30 million in tax credits. These are available on a first-come, first-served basis, so if you want to support the ability of children to thrive in a school that fits their needs, this is a great way. Head to www.myalabamataxes.gov to make a reservation to donate up to 50% of your Alabama tax-liability to AOSF or contact your tax professional.

Who do I contact for more information?

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Can I redirect my tax liability myself or do I have to have a CPA?

Visit our website at alabamascholarshipfund.org/donors for step-by-step instructions if you want to make the reservation yourself through the Department of Revenue self-service site. Once your check is received, we will verify your donation with the ADOR and send you a donation receipt. The ADOR will send you a receipt for your tax credit.

"C" Corporations can offset up to 50% of the corporation's Alabama income tax liability.

Individuals can donate up to 50% of their Alabama income tax liability capped at \$50,000 in tax credits.

Pass Through Entities ("S" Corporations, partnerships, and LLCs) can donate up to 50% of their Alabama income tax liability and may be able to claim as a business expense for federal benefit as well.

Donation payments can be made quarterly to offset quarterly estimated tax payments.

Consult your tax professional regarding specific guidance and updates.

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