



## APPENDIX E STATE TAX CREDIT

# Investing in Pre-K !!!



### The Importance of High-Quality Pre-K in Mississippi

When children start school without important skills, it becomes harder and harder for them to achieve their potential without considerable intervention. These challenges can often lead children to face more severe issues, such as being retained in a grade, experiencing discipline troubles, and failing to finish high school. Mississippi must help families get their children ready to succeed in school.



### Mississippi's Investment in High-Quality Pre-K

In 2013, the State of Mississippi took a historic step by passing the *Early Learning Collaborative Act of 2013*. The law established a collaborative delivery, state-funded pre-K program in which private or parochial schools, private childcare centers, and/or Head Start centers may join with a local public school district and compete for state funds in order to provide pre-kindergarten services to a specific community. In the first cohort, 11 collaboratives were funded, representing the first-ever investment the State of Mississippi has made in pre-K. All funded collaboratives will adhere to state regulations requiring that they meet nationally recognized standards of quality.



### Costs for Providing Pre-K

Under the *Early Learning Collaborative Act of 2013*, the costs for providing pre-kindergarten services to four-year-old children amount to \$4,300 per child enrolled in full-day programs and \$2,150 per child enrolled in half-day programs. The State of Mississippi provides half of these costs (\$2,150 per child enrolled in full-day pre-K and \$1,075 per child enrolled in half-day pre-K). However, the State requires that the other half be provided by local matching funds, which may include local tax dollars, federal dollars (as allowed), parent tuition, philanthropic contributions, or in-kind donations of facilities, equipment, and services required as part of the program, such as food service or health screenings.



### The State Tax Credit

Individuals or corporations who make a contribution to support the local matching fund of an approved early learning collaborative may be eligible to receive a state tax credit for the donated amount up to \$1,000,000. The Mississippi Department of Revenue can approve 1:1 tax credits up to the amount the legislature appropriates to the *Early Learning Collaborative Act* each year. For 2018, the legislature appropriated \$6.5 million; therefore, the sum of the donations eligible for the tax credit may not exceed \$6.5 million. If you make a donation after the cap has been reached, you will not be eligible to receive the tax credit.



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## Securing the Tax Credit

To donate to a collaborative and receive the state tax credit, follow these steps:

- 1 Contact the Lead Partner for the collaborative to which you wish to donate. A list of all the approved early learning collaboratives is found below, along with contact information for the person responsible for collecting donations.
- 2 The Mississippi Department of Education tracks qualifying donations towards the cap. They will share this information with all the Lead Partners of the collaboratives. When contacting the Lead Partner, verify that the cap has not been reached.
- 3 After you make a donation, the Mississippi Department of Education will issue you a donation certificate documenting that you have contributed to the local matching funds of an approved collaborative.
- 4 Indicate your donation when you file your state taxes. Use form 80-401, which can be found on the Department of Revenue's website.

MDE-Approved Collaboratives			
Collaborative	Lead Partner	Contact Person	Contact Info.
Clarke County Early Learning Partnership	Quitman School District	Lacia Donald	601-775-3754
Coahoma County Pre-K Collaborative	Clarksdale Municipal School District	Dr. Toya Matthews	662-627-8500
Corinth-Alcorn-Prentiss Early Learning Collaborative	Corinth School District	Tanya Nelson	662-287-2425
Lamar County Early Learning Collaborative	Lamar County School District	Teresa Jenny	601-794-1030
McComb Community Collaborative for Early Learning Success	McComb School District	Betty Wilson	601-684-4661
Monroe Early Learning Collaborative	Calvert's ABC Preschool and Nursery	Jennifer Calvert	662-257-6474
Petal Early Learning Collaborative	Petal School District	DeDe Smith	601-584-4704
Picayune School District Early Head Start	Picayune School District	Pamela Thomas	601-799-4702
Sunflower County Early Learning Collaborative	Sunflower Consolidated School District	Leigh Ann Reynolds	662-887-4888
Tallahatchie Early Learning Alliance	Tallahatchie River Foundation	Jessica Benson	662-313-3093
Canton Early Learning Collaborative	Agape Community Development Center	Margaret Chapman	601-859-8868
Starkville Oktibbeha Early Learning Collaborative	Starkville Oktibbeha Consolidated School District	Ellen Goodman	662-615-0033
Greenwood – Leflore County Early Learning Collaborative	Greenwood Public Schools	Shemica S. Pitts	662-455-7440
Grenada Early Learning Collaborative	Grenada School District	Kim Ezelle	662-226-1606
Cleveland Early Learning Collaborative	Cleveland School District	Patsy Clerk	662-843-3529
Hattiesburg Early Learning Collaborative	Hattiesburg Public School District	Carrie Hornsby	601-582-5078
George County Early Learning Collaborative	George County School District	Kristi Kirkwood	601-947-8447
Marion County and Columbia Early Learning Collaborative	Marion County School District	Michael Day	601-736-7193
Lafayette-Oxford Early Learning Collaborative	Oxford School District	Tamara Hillmer	662-234-3541



# APPENDIX E STATE TAX CREDIT FAQs!!!

## 1. How do I make a qualifying donation to a pre-K collaborative?

Contact the Lead Partner for the collaborative to which you wish to donate. A list of all the approved early learning collaboratives is found below, along with contact information for the person responsible for collecting donations. You may donate to the collaborative as a whole or to a specific provider within the collaborative. Collaboratives always welcome cash donations. However, you can also donate in-kind resources, such as goods or services. Contact the collaborative first to see if the goods or services will be accepted. Once you have made a donation, the Mississippi Department of Education (MDE) will issue you a donation certificate to allow you to claim the tax credit when you file your taxes.

## 2. If I want to donate to a specific provider instead of the whole collaborative, how do I do that?

Follow the same steps that you would to donate to the collaborative, except tell the Lead Partner that you want your donation to be earmarked for a specific provider.

## 3. Is there a limit on how much of a tax credit I can claim?

You can donate an unlimited amount to a collaborative or specific provider. However, any individual or organization can only receive a credit of up to \$1,000,000.00 in a single year.

## 4. How do I claim the pre-K tax credit?

When you file your taxes, you must fill out form 80-401, which can be found on the Department of Revenue's website each year. The Department of Revenue will verify your eligibility through MDE. Keep your donation certificate as your documentation.

## 5. What is the total amount of credits available for this tax year?

The Mississippi Department of Revenue can approve 1:1 tax credits up to the amount the legislature appropriates to the *Early Learning Collaborative Act* each year. For fiscal year 2018, the legislature appropriated \$6.5 million; therefore, the sum of the donations in this calendar year eligible for the tax credit may not exceed \$6.5 million.

## 6. When do I need to make my donation in order to claim the tax credit?

Donations must be made during the calendar year for which a tax return is filed. For tax returns filed during next calendar year, the donation must be made this calendar year.

## 7. How will the Department of Revenue determine who receives the tax credit if the cap is reached?

MDE issues a donation certificate to donors in the order that donations are received to ensure that the tax credit is available at the time of donation. As long as you have a donation certificate, you can claim the tax credit, regardless of the order in which you file your state taxes. This new process incentivizes donors to donate early in the year, rather than wait until December.

## 8. As an individual, if I have too much money withheld from my income and I make a qualifying donation in order to claim the tax credit, how much money will I get in a refund?

A tax credit reduces the amount of taxes that a person owes. The Department of Revenue (DOR) will first calculate the amount of taxes you owe based on your income. This is called your tax liability. DOR will subtract from your tax liability any tax credits you can claim. Then, your withholdings (money that you had withheld for taxes from your paycheck each pay period), if any, will be applied to the amount of remaining tax liability after subtracting your tax credits. If you have had more taxes withheld from your paycheck than your remaining tax liability after subtracting your tax credits, you will qualify for a refund for the amount of withholdings that you overpaid.



For example, let's assume that you earned \$50,000 in taxable income in a year, and you are required to pay 20% in taxes, or \$10,000. (In other words, your tax liability is \$10,000.) During the tax year, you also made a qualifying donation of \$2,000 to your local collaborative. This donation means you can claim a \$2,000 tax credit, which will reduce your tax liability to \$8,000.

**Tax liability of \$10,000 - Tax credit of \$2,000 = Remaining tax liability of \$8,000.**

Let's also assume that you had \$8,500 withheld from your paycheck over the course of the year. Because your withholdings were greater than your remaining tax liability, you would qualify for a refund in the amount of the overpayment:

**Remaining tax liability of \$8,000 - Withholdings of \$8,500 = Overpayment of \$500 = Refund of \$500**

It is very important to note that while your withholdings are refundable,

the tax credit itself is not refundable. This means that if you make a qualifying donation that is greater than your tax liability, you will not get a “refund” for the amount of the donation greater than your liability.

For example, let’s assume again that your tax liability is \$10,000, but this time, you make a qualifying donation of \$15,000. Since the tax credit is not “refundable,” you will not receive the \$5,000 as a refund; instead, your current year tax liability has been reduced to \$0. Since your tax liability is \$0 in this example, any withholdings from your earnings will be returned to you as a refund.

What happens to the \$5,000 from our example above? The pre-K law allows donors to “carry forward” unused portions of the tax credit. In other words, if you can claim a tax credit that is greater than your tax liability in the year you donated, you can “carry forward” the unused portion for the next three years to apply to future taxes. As in our example, if you donated \$15,000 but only owed \$10,000, you can apply the \$5,000 extra that you donated in this tax year to your taxes for next year. Tax credits that are “carried forward” do not count against the cap, so if you donate extra this year and the cap is reached next year, you can still use your remaining tax credit next year.

### 9. If my company pays too much in its quarterly estimated tax payments and makes a qualifying donation in order to claim the tax credit, how much money will the company receive in a refund?

See the answer to #8. The process to calculate a refund would be the same, except instead of withholdings, a company should substitute its estimated tax payments.

### 10. Is the tax credit refundable?

No. See the answer to #8 to understand what refunds you might qualify for.

### 11. How will I know when the tax credit cap is reached if

### I want to donate?

Your local collaborative can tell you what remains of the tax credit at the time you wish to donate. Remember, regardless of when or if the cap is reached, the Department of Revenue will award the tax credit to donors with a donation certificate when they file their taxes.

### 12. Do I need to file my taxes quickly in order to claim the tax credit?

No, because MDE is now tracking tax credit eligibility in real time, donors with a donation certificate will receive the credit regardless of when they file. The Department of Revenue publishes the forms and instructions for state taxes in January of each year. As soon as the new form is out for claiming a tax credit, you can file your tax return.

### 13. Can I claim the state tax credit and a federal tax deduction for the same qualifying donation?

The state tax credit is available to any person or organization that makes a qualifying donation, regardless of whether that donation has been used to claim a federal tax deduction. To learn more about federal tax deductions for charitable contributions, go to <http://www.irs.gov/uac/Eight-Tips-for-Deducting-Charitable-Contributions>.

### 14. How will I know what the cap is every year?

The legislature must annually appropriate money to fund the pre-K program. The tax credit cap is dependent upon this annual appropriation. Your local collaborative can tell you what money was appropriated and, therefore, what the cap is.

### 15. What if I am eligible for a state tax credit larger than what I owe in state taxes?

You can “carry forward” unused portions of the tax credit for up to three years. See the answer to #8 for more explanation.

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