



2014 QUALIFIED EDUCATION EXPENSE TAX CREDIT

The Qualified Education Expense Credit Cap for Calendar Year 2014 is \$58,000,000.00

The 2014 Qualified Education Expense Credit cap of \$58 million was reached on January 22, 2014. We are still in the process of mailing out pre-approval letters for applications received between January 8th and January 22nd; and denial letters for applications received after the cap was reached.

All applications received on or before January 21, 2014 should be approved for the requested amount totaling \$57,783,317.30. The remainder of the cap, \$216,682.70, will be prorated to all applications received on January 22, 2014. The Department received applications totaling \$1,884,904.00 on January 22, 2014, which will be pro-rated down to the \$216,682.70.

***Please note that the totals above are tentative and are subject to change as our pre-approval process continues.**

Thank you for your interest in the Qualified Education Expense Credit program. You may begin submitting applications for 2015 tax year on January 1, 2015.

Quartile Information (updated 12-2-14)

HB 283 requires SSOs to report certain information based on each quartile of Georgia adjusted gross income. For scholarship recipients in the 2014 calendar year (for purposes of the Form IT-QEE-SSO2 due on January 12, 2015), the 2013 Georgia adjusted gross income quartile information is as follows:

First quartile: Up to \$13,500

Second quartile: From \$13,501 to \$29,483

Third quartile: From \$29,484 to \$61,952

Fourth quartile: \$61,953 and above

Other Qualified Education Expense Information

Effective January 1, 2014

Electronic Mandate for the Georgia Form IT-QEE-TP1

The Qualified Education Expense Credit Preapproval Form must be submitted through our Self-Service Portal, Georgia Tax Center (GTC) at <https://gtc.dor.ga.gov> .

If you have never filed a return with the State of Georgia you must call the Taxpayer Services Call Center at 1-877-423-6711 to get registered, receive a web logon and a temporary password for GTC.

Current filers, with the State of Georgia, that do not already have a GTC log on can visit our informational page by choosing Instructional Documents and GTC Quick Reference Guide on www.gataxinfo.org website.

Listed below are a few additional items as it relates to the Department of Revenue's QEE application process:

1. Pre-approval letters will be mailed directly to the taxpayer and the SSO. Taxpayers should make sure that the correct address is on file before applying for the credit. Additionally, letters can now be viewed and printed by the taxpayer via GTC.

2. If a taxpayer does not make their contribution within the 60-day window of pre-approval, the taxpayer will need to re-apply for the QEE credit.

If you have any questions regarding the electronic submission of Qualified Education Expense Credit applications, you can contact the Tax Credits & Incentives Unit at 1-877-423-6711.

Please read the following instructions before submitting your request for preapproval on GTC:

Instructions

- The contribution must be preapproved by the end of the calendar year. Also, the contribution must be made within 60 days of the date of the preapproval notice or by the end of the calendar year in which it was preapproved, whichever is earlier.
- The taxpayer must add back to Georgia taxable income the amount of any federal charitable contribution deduction taken on a federal return for which a Georgia qualified education expense credit is allowed.
- The tax credit shall not be allowed if the taxpayer designates the taxpayer's qualified education expense for a particular individual.
- The student scholarship organization must be on the Department of Education's website before preapproval is submitted through GTC.

The Official Code of Georgia Annotated Section **48-7-29.16** establishes an income tax credit for qualified education expenses.

A credit is allowed for the expenditure of funds by the taxpayer to a student scholarship organization, operating pursuant to Chapter 2A of Title 20, which uses the contribution for tuition and fees for a qualified school or program.

Definitions: For purposes of the credit, the term:

- (1) "Eligible student" means a student who is a Georgia resident who, immediately prior to receiving a scholarship or tuition grant under Code Section 20-2A-2 and enrolling in a qualified school or program, was enrolled in and attended for at least six weeks a Georgia secondary or primary public school or who is eligible to enroll in a qualified first grade, kindergarten program, or pre-kindergarten program; provided, however, that if a student is deemed an eligible student pursuant to O.C.G.A. § 20-2A-1(1), he or she shall continue to qualify as such until he or she graduates, reaches the age of 20, or returns to a public school, whichever occurs first; and provided, further, that the enrollment and six-week public school attendance requirements shall be waived in the case of a student who, based on the school attendance zone of his or her primary residence, is or would be assigned to a public school that the Office of Student Achievement determines to be a low-performing school, who is the subject of officially documented cases of school based physical violence or student related verbal abuse threatening physical harm, or who was enrolled in a home study program meeting the requirements of subsection (c) of Code Section 20-2-690 for at least one year immediately prior to receiving a scholarship or tuition grant under Code Section 20-2A-2.
- (2) "Qualified school or program" means a nonpublic pre-kindergarten program, primary school or secondary school that:
 - (A) Is accredited or in the process of becoming accredited by one or more entities listed in subparagraph (A) of paragraph (6) of Code Section 20-3-519; and
 - (B) is located in this state, adheres to the provisions of the federal Civil Rights of 1964, and satisfies the requirements prescribed by law for private schools in this state.

The total amount of credits granted to all taxpayers per calendar year cannot exceed \$58 million. Amounts are allowed on a first come, first served basis. Before making a contribution to a student scholarship organization, the taxpayer

must notify the Department of Revenue using GTC of the amount that the taxpayer intends to contribute to the student scholarship organization. The Department will then preapprove or deny the requested amount within 30 days after receiving the request from the taxpayer. The Department will mail the preapproval or denial to both the taxpayer and the student scholarship organization. Once preapproval is received, the taxpayer must make the contribution to the student scholarship organization within 60 days of the date of the preapproval notice received from the Department, and within the calendar year in which it was preapproved.

Credit Limits

Individual Taxpayers

An individual taxpayer is allowed a credit for qualified education expenses as follows:

- (1) In the case of a single individual or a head of household, the actual amount expended or \$1,000.00 per tax year, whichever is less; or
- (2) In the case of married couple filing a joint return, the actual amount expended or \$2,500.00 per tax year, whichever is less; or
- (3) In the case of a married couple filing a separate return, the actual amount expended or \$1,250.00 per tax year, whichever is less.

For an individual taxpayer the credit is further limited and may not exceed the taxpayer's income tax liability. The amount of the credit that exceeds the taxpayer's income tax liability can be used against the next succeeding five years' tax liability.

Individual Taxpayers who are Members of a Limited Liability Company, Shareholders of a Subchapter S Corporation, or Partners in a Partnership

For an individual taxpayer who is a member of a limited liability company duly formed under state law (including a member who owns a single member limited liability company that is disregarded for income tax purposes), a shareholder of a Subchapter 'S' corporation, or a partner in a partnership, the credit is limited to the lesser of the actual amount expended or \$10,000 per tax year, whichever is less; provided, however, that the tax credits shall only be allowed for the Georgia income on which such tax was actually paid by such member of a limited liability company, shareholder of a Subchapter 'S' corporation, or partner in a partnership. If the individual taxpayer is a member, partner, or shareholder in more than one pass through entity, the total credit allowed cannot exceed \$10,000; the individual taxpayer decides which pass through entities to include when computing Georgia income for purposes of the qualified education expense credit. All Georgia income, loss, and expense from the taxpayer selected pass through entities will be combined to determine Georgia income for purposes of the qualified education expense credit. Such combined Georgia income shall be multiplied by 6% to determine the tax that was actually paid. If the taxpayer is filing a joint return, the taxpayer's spouse may also claim a credit for their ownership interests and shall separately be eligible for a credit as provided in this paragraph. If the taxpayer(s) chooses to be preapproved pursuant to this paragraph, for all purposes of claiming the credit they shall be subject to the provisions of this paragraph and shall not be entitled to claim any other amounts provided in O.C.G.A. § 48-7-29.16 and Regulation 560-7-8-.47. If the taxpayer is preapproved for an amount that exceeds the amount that is calculated as allowed when the return is filed, the excess amount cannot be claimed by the taxpayer and cannot be carried forward.

For example: Taxpayer, an individual taxpayer, is the sole shareholder of A, Inc., an S corporation, Taxpayer is also a 50% partner, in BC Company, a partnership, and Taxpayer is also a 20% member of a limited liability company, XYZ Company, which is taxed as a partnership. Taxpayer requests preapproval for the qualified education expense credit for calendar year 2013 by submitting Form IT-QEE-TP1. On Form IT-QEE-TP1, Taxpayer estimates that the taxpayer's Georgia income from A, Inc. is \$120,000, and that Taxpayer's share of Georgia income from BC Company is \$60,000, Taxpayer chooses not to include any income from XYZ Company when estimating Georgia income for purposes of the qualified education expense credit; therefore the Department preapproves Taxpayer for \$10,000 qualified education expense credit (since \$10,000 is less than \$10,800 (6% of \$180,000)). Taxpayer makes a \$10,000 donation to the SSO within 60 days of receiving preapproval from the Department and before the end of 2013. When Taxpayer files Taxpayer's 2013 Georgia income tax return, Taxpayer received a salary from A, Inc. of \$50,000 and A, Inc.'s actual Georgia income is \$60,000; Taxpayer's actual share of Georgia income from BC Company is \$20,000 and Taxpayer received a guaranteed payment from BC Company of \$15,000; Taxpayer's actual share of Georgia income from XYZ Company is \$5,000 (the Taxpayer can choose to include this company even though it was not considered at the time of preapproval), Taxpayer can only claim \$9,000 qualified education expense

credit (which is 6% of the \$150,000 actual income from Taxpayer's selected pass through entities), and the extra \$1,000 cannot be claimed by Taxpayer and cannot be carried forward. Any amount of the \$9,000 qualified education expense credit claimed but not used on the taxpayer's 2013 Georgia income tax return shall be allowed to be carried forward to apply to the taxpayer's succeeding five years' tax liability.

Corporate and Fiduciary Taxpayers

A corporation or fiduciary is allowed a credit for qualified education expenses in an amount not to exceed the lesser of the actual amount expended or 75 percent of the corporation's or fiduciary's income tax liability for the tax year, of the corporation or fiduciary, in which the contribution will be made. Any of this lesser amount (amount expended or 75% of the corporation's or fiduciary's income tax liability) that is not used can be used against the succeeding five years' tax liability. A fiduciary cannot pass through the credit to its beneficiaries.

For example: Taxpayer, a Corporation, requests preapproval for the qualified education expense credit for calendar year 2013 by submitting Form IT-QEE-TP1. On Form IT-QEE-TP1, Taxpayer estimates its income tax liability for the 2013 tax year to be \$100,000; therefore the Department preapproves Taxpayer for \$75,000 qualified education expense credit for calendar year 2013. Taxpayer makes a \$75,000 donation to the SSO within 60 days of receiving preapproval from the Department and before the end of 2013. When Taxpayer files their 2013 Georgia income tax return, Taxpayer's income tax liability for tax year 2013 is \$80,000, Taxpayer can only claim \$60,000 of qualified education expense credit (which is 75% of their actual income tax liability for tax year 2013), and the extra \$15,000 cannot be claimed by Taxpayer and cannot be carried forward. Any amount of the \$60,000 qualified education expense credit claimed but not used on the taxpayer's 2013 Georgia income tax return shall be allowed to be carried forward to apply to the taxpayer's succeeding five years' tax liability.

Claiming the Credit

Please attach Form IT-QEE-SSO1 and Form IT-QEE-TP2 to your Georgia income tax return when claiming the credit.

Electronic Filing

Electronic Filing is available for taxpayers claiming this credit. Individual taxpayers that electronically file their tax return do not have to submit Form IT-QEE-SSO1. Form IT-QEE-SSO1 shall be maintained by the taxpayer and made available upon request by the Commissioner.