



Tax Credit Scholarships in Illinois Q & A

On August 31, 2017, Governor Bruce Rauner signed into law the “Invest in Kids Act,” a comprehensive education funding bill for Illinois. The law includes a provision for tax credit scholarships, which provide strong incentives for donors to support non-public school scholarships for low-income students in the state. Illinois students from low-income families may use these new scholarships to attend a non-public school of their choice.

This legislation represents a major step forward that will help create more equity in school funding throughout Illinois, and for the first time provide real school choice for students and their families.

The questions and answers below provide an overview of the scholarships, including important information for donors and scholarship-eligible families. If you have other questions, please feel free to contact Mr. Russ Courter, Director of Diocesan Parish and School Finances at rcourter@cdop.org, or Dr. Susan Stolt, Associate Superintendent of Diocesan Schools at ssolt@cdop.org.

Definition and Eligibility

What are tax credit scholarships?

Tax credit scholarships provide an Illinois state income tax *credit* (not just a deduction, like with other charitable contributions) to individuals and corporations that contribute money to a non-profit Scholarship Granting Organization (SGO). That SGO then awards scholarships to eligible students from low-income families.

What is a Scholarship Granting Organization?

A Scholarship Granting Organization (SGO) is an independent 501(c)(3) non-profit organization that is responsible for the following, among other things:

- Receiving donations from individuals and corporations;
- Receiving and processing scholarship applications from students/families; and
- Distributing scholarships to eligible students/families in accordance with the law.

SGOs must determine whether students meet the income eligibility requirements to receive a scholarship and must distribute scholarships to eligible students on a first-come, first-serve basis. SGOs must honor restrictions placed on donations from individuals, if any.



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When are the scholarships available?

Donors may make contributions and families can apply for scholarships beginning January 1, 2018. The initial scholarships will apply to the 2018/19 school year, and the program will continue for at least five years (based on the current law).

Who is eligible to receive a scholarship?

Students from families with limited financial resources are eligible to receive a tax credit scholarship.

To be considered for a scholarship, students must be from a household with income below 300 percent of the federal poverty level (\$73,800 for family of four).

However, prior to April 1, 2018 priority will be given to:

- Students from households that are below 185 percent of the federal poverty level (\$45,510 for family of four).
- Students who reside in a “focus district” (explained below).
- Siblings of scholarship students.

Beginning in 2019, priority will also be given to renewals of previous year scholarship recipients.

What age students are eligible for tax credit scholarships?

Scholarships are available for eligible students in kindergarten through 12th grade.

What is a “focus district?”

Focus districts are public school districts which have a school that: (1) has one or more subgroups in which the average student performance is at or below the state average for the lowest 10 percent of student performance in that subgroup or (2) has an average graduation rate of less than 60 percent and has not been identified for priority. A list of focus districts in the Catholic Diocese of Peoria include:

- Peoria SD 150, East Peoria CHSD 309, and South Pekin SD 137
- Rock Island SD 41, East Moline SD 37, United Township (East Moline) HSD 30, and Carbon Cliff SD 36
- Urbana SD 116, Rantoul SD 137, and Rantoul Township HSD 193
- Danville CCSD 118, Westville CUSD 2, and Georgetown-Ridge Farm CUD 4
- DePue USD 103
- Lewistown CUSD 97

Application Process and Scholarship Details

When can students apply for a tax credit scholarship?

Students can apply for scholarships beginning January 1, 2018. There has been no deadline established for application, but families should apply as early as possible since scholarships will be awarded on a first-come, first-serve basis.



How do students/families apply for tax credit scholarships?

Students/families must submit an application for scholarship directly to an SGO. There will be an application process established by each SGO after it receives Department of Revenue approval and is operational. There will likely be several SGOs operating in the state. We will share more information and details as soon as they are available.

How will schools assist students/families with the application process?

Once the Department of Revenue publishes a list of approved SGOs, school staff will help connect students/families with the SGOs and assist them with the application process. The Diocese will also provide schools, students and families with support and assistance.

Will the SGOs' application materials be available in Spanish?

We anticipate that applications will be available in Spanish, however the entire process is still being finalized. We will share more information and details as soon as they are available.

Will paper applications be available?

We believe that the application process is likely to be conducted online only, but the application process is still being finalized. If the online requirement poses a problem for some families, support will likely be provided through local schools. Again, we will share more information and details as soon as they are available.

What type of expenses are covered through tax credit scholarships?

Tuition and eligible fees for any non-public school in Illinois are covered through tax credit scholarships.

How much money can students receive through a tax credit scholarship?

Scholarship amounts will vary based on the student's household income and be limited to *the lower of* actual tuition and fees for the student's school, or the statewide average expense per student among public schools (currently \$12,280). Students from households that are lower than 185 percent of the federal poverty level receive 100 percent of tuition and eligible fees.

Students from households that are 185 percent to 250 percent of the federal poverty level will receive 75 percent of tuition and eligible fees through the scholarships.

Students from households that are 250 percent to 300 percent of the federal poverty level will receive 50 percent of tuition and eligible fees through the scholarships.

When will students/families be notified if they have been granted a scholarship?

SGOs will be responsible for notifying families. The law presently requires SGOs to process applications received before April 1 within ten business days of receipt. The law does not impose an application processing deadline for applications received after April 1. However, we would anticipate that the processing timelines will be similar for all applications.



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How is a scholarship payment made?

The SGOs will manage scholarship payments. The law presently requires SGOs to distribute scholarship payments directly to the qualified school where the student is enrolled. We will share more information on this process as soon as it is available.

Do students need to be accepted to a school before they can apply for a scholarship?

This is still being determined, but we expect that the process will require earlier application to schools than has been the practice in the past. We will share more information as soon as it is available.

What if a student is already receiving a scholarship from a school or another scholarship program, should the student be encouraged to apply for a tax credit scholarship?

Yes. We encourage any student/family who thinks they may be eligible for tax credit scholarship to apply.

Are these scholarships only for Catholic schools?

No. The scholarships can be used to cover the tuition and eligible fees for any non-public school in Illinois.

If a student does not receive a tax credit scholarship, what should the family do?

The family should work with their local school to determine what other scholarships that may be available to them.

Donations

How much of a tax credit do individuals and/or corporations receive?

Individuals and corporations that donate to SGOs may receive a credit off their Illinois state taxes equal to 75 percent of the donation.

How much money can be donated to an SGO for tax credit scholarships?

Donations are capped at \$1 million per taxpayer per year. Total tax credits are capped at \$75 million per year statewide, which equates to \$100 million in donations and scholarships.

Can donations be directed to a certain school or individual?

Individuals may direct donations to a particular school or subset of schools, but NOT to an individual student or group of students. Corporate donors cannot restrict their donations at all.

How do individuals direct their donations to a certain school or subset of schools?

The process for reserving tax credits and designating a particular school or subset of schools is still being finalized by the Illinois Department of Revenue and the SGOs. Further information will be made available when these processes have been published.



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What is the process for making a donation?

Beginning January 2, 2018, donors can indicate the amount they want to donate and reserve the corresponding tax credits through the Illinois Department of Revenue's (IDOR) website. Donors will need the name of the SGO and region number to reserve their tax credit. It is recommended that donors register their account now on the IDOR website at MyTaxIllinois (www.mytax.illinois.gov) as an account must be created before a donation can be made. The Department of Revenue will grant tax credits on a first come first served basis. Donating individuals and corporations then have 60 days from the date they receive the credit authorization certificate to donate that indicated amount to the SGO of their choice.

After donating, the individual or corporation receives a receipt from the SGO, indicating the donation was made, which then generates the corresponding tax credit. If a donor fails to make all or a portion of a donation payment to the SGO by the deadline, they shall not be entitled to a certificate of receipt for any portion of the donation.

Who can I contact if I am interested in making a donation or learning more about donations?

For more information on making a donation or if you have any questions regarding the donation process, please contact Mr. Mike Buckley, Director of Diocesan Finances at mbuckley@cdop.org, or Mr. Russ Courter, Director of Diocesan Parish and School Finances at rcourter@cdop.org.

Scholarship Granting Organizations

Is the Catholic Diocese of Peoria an SGO?

No. The Catholic Diocese of Peoria is not an SGO. The Diocese is not able to be an SGO as we operate schools that participate in the tax credit scholarship program.

What are the SGOs in Illinois? Are there any in place?

The SGOs in Illinois are still being established. There will likely be several SGOs, all of which may operate independently. We will share more information on the SGOs in Illinois in the coming weeks.