



If you pay income taxes to the State of Rhode Island, you may be eligible to participate in The Rhode Island Corporate Scholarship Tax Credit program. *Wouldn't you like to decide who your tax money will benefit?*

What is the Rhode Island Corporate Scholarship Tax Credit?

The Rhode Island Corporate Scholarship Tax Credit enables qualified businesses to help low-income families afford an independent school education. In return, businesses earn a substantial tax credit as well as the public recognition associated with charitable giving.

What is STEPS?

Scholarships to Economically Poor Students (STEPS) is one of four Scholarship Granting Organization (SGO) which benefits from this tax credit. The Grace School is a member of STEPS, receiving 25% of designated STEPS monies.

The process is simple, the benefits significant.

Qualifying businesses may earn up-to \$100,000 in tax credits annually by contributing to STEPS. Your contribution to the tax credit program will directly benefit hundreds of low-income students in Providence. Last year, STEPS received more than \$500k in contributions made through this program, providing vital scholarships to nearly 100 students.

The Grace School at Meeting Street fosters academic excellence and individual growth in children of all abilities. Our commitment to fully inclusive classrooms ensures a culture of compassion for students in Kindergarten through Grade 8.

Please consider supporting STEPS through the RI Corporate Scholarship Tax Credit Program to give low-income students the educational opportunities they deserve. Talk to your CFO, accountant, or business advisor to determine if the program will provide you or your business with a tax benefit.

For more information, please contact:

Lori Sousa at (401) 533-9223 or lsousa@meetingstreet.org



You can join other Rhode Island businesses who have contributed to STEPS, such as:

Aaronson Lavoie Streitfeld Diaz & Co.
Amica Insurance
Atlantic Furniture
Barreto & Schwartz Psychology Assoc.
Community Matters LLC

Delta Dental of Rhode Island
Federal Properties of RI LLC
FM Global
Gemiluth Chasidim, LLC
GPS Investment Advisors LLC

Taco/White Family Foundation
Nova Cleaning Systems LLC
Scott Motors
Webster Bank
Weybosset Research & Management



If your business pays income taxes to the State of Rhode Island, you may be eligible to participate in the Rhode Island Corporate Scholarship Tax Credit program. Here’s what you need to know to ensure maximum tax benefits—while helping out a worthy cause.

What is the Rhode Island Corporate Scholarship Tax Credit?

The RI Corporate Scholarship Tax Credit enables qualified businesses to help low-income families afford an independent school education. In return, businesses earn a substantial tax credit as well as the public recognition associated with charitable giving.

Funds contributed to the Scholarship Tax Credit are distributed to certified Scholarship Granting Organizations (SGOs)—charitable organizations which represent two or more private schools and administer scholarships to eligible students. Scholarships to Economically Poor Students (STEPS) is one of four SGOs in Rhode Island. STEPS member schools are Community Preparatory School, the San Miguel School, Sophia Academy, and The Grace School at Meeting Street.

Which businesses can participate?

C-Corporations, S-Corporations, Limited Liability Partnerships, and Limited Liability Corporations. All must have a Rhode Island Income Tax liability.

How might my business benefit?

Qualifying businesses may earn up to a **\$100,000 tax credit annually** for a donation to a certified scholarship-granting organization. How much of a benefit you receive depends on the length of your commitment. Businesses can make a 1-year or 2-year commitment. A 1-year commitment results in a 75% tax credit; a 2-year commitment results in a 90% credit. The maximum credit is \$100,000, meaning a business can contribute up to \$111,111 per year.

You can also claim the contribution as an itemized deduction on federal returns, although the state deduction will be reduced since you are paying less tax. Taxpayers subject to the Alternative Minimum Tax may realize even greater benefit.

Here are a few examples of the tax credit benefit for a taxpayer in the 33% bracket:

\$ Amount of Business Contribution	Estimated net cost after 75% tax credit (1-year commitment)	Estimated net cost after 90% tax credit (2-year commitment)	Estimated net cost after 90% tax credit (2-year commitment) plus federal tax credit
\$100,000	\$25,000	\$10,000	\$6,700
\$50,000	\$12,500	\$5,000	\$3,350
\$5,000	\$1,250	\$500	\$335

What do we have to do in order to participate?

The application process is simple. A qualified business can apply for the tax credit by filling out and submitting an application, which will be available in June. Because the program is capped at \$1.5 million in approved tax credits annually, a lottery is held in July. If your business is selected in the lottery, you will be notified, and your contribution will be due within 120 days of notification. **Businesses only make their contributions if they are drawn in the lottery.**

To learn more or download the application, visit www.tax.ri.gov/Credits/index.php



1

Talk with your CFO, accountant, or other business advisor to determine if the Rhode Island Corporate Scholarship Tax Credit will provide you or your business with a tax benefit.

For more information: www.tax.ri.gov/Credits/index.php

2

Request and complete a simple application (available in early June) indicating the amount you intend to make as a donation to STEPS and if your commitment is for 1 or 2 years.

- a. A 1-year commitment will earn a 75% tax credit off your RI income taxes.
- b. A 2-year commitment earns a 90% tax credit.
- c. Your net cost could be even lower when you include federal tax benefits.

3

Someone from STEPS will collect your application and hand-deliver it to the RI Division of Taxation on July 1. You will receive a confirmation letter explaining the lottery, and you will be given an entity number.

4

The RI Division of Taxation will hold a lottery in July. **Your donation to STEPS is contingent on being selected in this lottery.**

If you are selected, you will be notified within 30 days of the lottery, and your contribution is due within 120 days of notification.

5

After contributions have been made to STEPS, scholarships are distributed to the participating member schools according to the number of eligible students at each school.

6

Apply to the Division of Taxation for your tax credit certificate, submitting certification from an independent RI certified public accountant that the contribution was made to STEPS within 120 days of the approval letter.

For more information, or to download the application, visit:
www.tax.ri.gov/Credits/index.php



What does my STEPS contribution support?

Children are eligible to receive scholarship money from the RI Corporate Scholarship Tax Credit if they are in grades K-12 with an annual household income of not more than 250% of the federal poverty level.

What is the difference between a tax credit and a tax deduction?

A tax deduction is a reduction in your taxable income; **a credit is a reduction in your taxes due.** Through the tax credit program, you can receive a credit of up to 90% of your contribution, directly reducing the amount of taxes you owe.

Why is there a lottery?

There is a cap of \$1.5 million each year on the tax credits available. A lottery is held each year because the program is oversubscribed.

How does the lottery affect STEPS contributions?

STEPS is one of four SGOs in Rhode Island. The amount of scholarship money directed to each SGO is dependent on which businesses are drawn in the lottery and to which SGO the business has designated the contribution. For this reason, it is difficult to predict the amount of money we will receive from STEPS each year. We encourage as many businesses to apply for the tax credit as possible, increasing our odds of STEPS partners being drawn in the lottery.

When do I have to make my contribution?

After the lottery, businesses will receive an approval or denial letter from the Division of Taxation. Approved businesses have 120 days to make their contribution to the SGO. Contributions are made directly to STEPS. Upon denial, businesses will receive a letter stating the reason for the denial of the application.

I own a small business, so my tax liability isn't substantial. Will my contribution even make a difference?

Yes! You do not have to contribute \$50,000 or \$100,000 to make an impact. Donations to STEPS last year ranged from \$1,000 to the \$111,000 maximum. Your gift—no matter the size—has a direct impact on our students and families.

Are pass-through entities eligible?

The credit passes through to the shareholder/member/partner pro-rata based on ownership percentages, and it can be claimed on the RI 1040 form against all of the taxpayer's Rhode Island tax. This includes spouse's income, W-2 income, investment income, etc. Taxpayers can also use an entity that has no business income and pass the credit through.

Can non-residents apply?

Non-residents do not benefit, as the credit would be reduced for tax paid to other states on their home state return.

What if I want to give to just one of the schools?

Contributions to the Scholarship Tax Credit must be distributed to SGOs, not individual schools. Any of the STEPS schools would welcome a direct contribution; however, any direct gift you make would be tax deductible and would not result in a tax credit on your RI tax return.

So what will this actually cost me?

The net cost of your contribution will depend on whether you choose to make a 1-year or 2-year commitment. For example, a \$50,000 contribution could have a net cost as low as \$3,350 when you include federal tax benefits. A contribution of \$5,000 could have a net cost as low as \$335 with federal tax benefits included. While there is an expense involved with your contribution to STEPS, the benefits outweigh the cost. If you are Alternative Minimum Tax eligible, the benefits can be even greater.