

## DEPARTMENT OF STATE REVENUE

INFORMATION BULLETIN #108  
INCOME TAX  
JUNE 2017

Effective Date: July 1, 2017  
(Replaces Information Bulletin #108 effective July 2014)

**SUBJECT:** Income Tax Credit for Contributions to a Scholarship-granting Organization

**REFERENCES:** [IC 6-3.1-30.5](#); [IC 20-51](#)

**DISCLAIMER:** Information bulletins are intended to provide nontechnical assistance to the general public. Every attempt is made to provide information that is consistent with the appropriate statutes, rules, and court decisions. Any information that is not consistent with the law, regulations, or court decisions is not binding on either the department or the taxpayer. Therefore, the information provided herein should serve only as a foundation for further investigation and study of the current law and procedures related to the subject matter covered herein.

**SUMMARY OF CHANGES**

Aside from technical, nonsubstantive changes, this bulletin is updated to reflect the updated maximum allowable tax credits and to provide the historical credit allowances.

**DEFINITIONS**

"Scholarship-granting organization" means an organization that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and conducts a school scholarship program without limiting the availability of scholarships to students of only one participating school.

"School scholarship program" means a scholarship program certified by the Department of Education under [IC 20-51](#).

"State tax liability" means a taxpayer's total tax liability that is incurred under the adjusted gross income tax, the financial institutions tax, and the insurance premium tax.

"Taxpayer" means an individual or entity that has any state tax liability.

**ENTITLEMENT TO THE CREDIT**

A taxpayer that makes a contribution to a scholarship-granting organization for use by the scholarship-granting organization in a school scholarship program is entitled to a credit against the taxpayer's state tax liability in the taxable year in which the taxpayer makes the contribution. Among other restrictions, this credit relates only to contributions that ultimately are used by public or nonpublic elementary schools (grades K-8) or high schools (grades 9-12). The credit is not available for contributions that are used by colleges, universities, or other institutions of higher education. The credit is also not available for contributions to a scholarship-granting organization that is used to provide a scholarship or assistance to a child participating in the early education grant pilot program under [IC 12-17.2-7.2](#).

The amount of the credit is equal to 50% of the contribution made to the scholarship-granting organization for a school scholarship program. For taxpayers entitled to a tax credit for a taxable year beginning before Jan. 1, 2013, the taxpayer is not entitled to a carryover, carryback, or refund of an unused credit. For taxpayers entitled to a tax credit for a taxable year beginning on or after Jan. 1, 2013, the credit can be carried forward for nine years after the year in which it is first available. For instance, a credit first available to be claimed in 2017 may be carried forward for the period 2018 to 2026.

A pass-through entity that is entitled to a credit but does not have state tax liability against which the credit may be applied may pass through the credit to a shareholder, partner, or member of the pass-through entity.

To apply a credit against the taxpayer's state tax liability, a taxpayer must claim the credit on the taxpayer's annual state tax return and must complete Schedule IN-SSC, which is available at <http://www.in.gov/dor/4657.htm> on the department's website.

A contribution to a scholarship-granting organization shall be considered as having been made for use in a school scholarship program if:

- The contribution is made directly to a school scholarship-granting organization; and
- The taxpayer, prior to or at the time of the contribution, designates in writing to the scholarship-granting organization that the contribution is to be used only for a school scholarship program; or
- The scholarship-granting organization provides the taxpayer with written confirmation that the contribution will be dedicated solely for use in a school scholarship program.

#### **MAXIMUM CREDIT**

There is no limit on the amount of credit an individual taxpayer can claim. The maximum credit for all taxpayers in a state fiscal year is limited to:

- \$2,500,000 for fiscal years 2009-2010
- \$5,000,000 for fiscal years 2011-2012
- \$7,500,000 for fiscal years 2013-2015
- \$8,500,000 for fiscal year 2016
- \$9,500,000 for fiscal year 2017
- \$12,500,000 for fiscal year 2018
- \$14,000,000 for fiscal year 2019 and later

#### **ADDITIONAL INFORMATION**

For more information concerning the school scholarship program, multiple resources are available. Information related to the application of the credit and remaining credits available to be awarded during a state fiscal year can be found on the Indiana Department of Revenue's website at <http://www.in.gov/dor/4305.htm>. Additional information from the Indiana Department of Education is available at <http://www.doe.in.gov/choice/school-scholarships>. For a complete list of scholarship-granting organizations, click the Approved SGOs link at the bottom of the Department of Education website.

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