



What Tax Credits Could Do for Your Education Foundation

You may be asking yourself “Why should I care about donors getting tax credits for gifts to our public education foundation.” Here is some background information to, hopefully, help education foundation leaders understand the topic of tax credits for public education foundations.

How are tax credits different than tax deductions?

Tax credits offer dollar-for-dollar reductions in a taxpayer’s income tax liability. Tax deductions lower your taxable income. The [Indiana Department of Revenue site](#) helps explain it. We are advocating for tax credits to your Indiana state tax liability. This would not affect your federal taxes.

Why would Indiana’s legislators give tax credits for donations to public education foundations/education?

Ideally, legislators see the value in public education. We are approaching the request for tax credits as a tool to impact public education and also as a way to level the playing field in K-12 education funding. Tax credits have been given for donations made to any of the state’s [higher education institutions](#) for a number of years and tax credits have also been offered for donations made to [scholarship granting organizations \(SGOs\)](#) which fund scholarships for eligible voucher students to private Indiana schools. These two tax credit opportunities are very different and have different requirements and rules associated with them. At present, there is proposed legislation in the State Senate of each of these tax credit opportunities that would apply to donations to public education foundations. INAPEF is not advocating for the specific language in either of the versions. In either version, Indiana’s public school children and districts would benefit, which is our goal.

As each public school district has recognized, it is difficult to create innovative, forward-thinking opportunities on public tax dollars alone. Education foundations have been successful in helping raise private funds to help create opportunities for school districts to go above and beyond in providing opportunities for all public school students. The tax credits would be another way to provide state and local assistance for public education.

How could tax credits benefit our public education foundation, school and children?

Tax credits are an incentive to donors and potential donors that allow them to reduce their state income tax liability. As noted above, tax credits are an even bigger incentive than tax deductions because they give taxpayers a way to pay less in Indiana state taxes which also provides more motivation for donors giving to education to improve and make a quality education attainable for students in public education, too.

Currently, public schools are dependent on per pupil state and local tax funding. In 2017-2018, Indiana is experiencing the ramification when the estimated number of public education students that was used to determine the state's biennial budget was set nearly two years ago. Private donations can help in these situations should the state not be able to honor the funding levels that schools had previously expected.

By allowing donors to benefit from tax credits similar to those offered for higher education and scholarship granting organizations in Indiana, public education foundations would have the necessary tools to attract donors to support programs and students in their local communities.

Education foundations serve an important role in funding special classroom initiatives, teacher grants, literacy programs, attendance and truancy prevention programs, one-time programs or initiatives of school corporations and, in some instances, scholarships given to students. The majority of public education foundations are also going beyond these traditional roles and making an impact district-wide for innovative initiatives.

Public education foundations serve as a funding source for school corporations and are and can be an alternative to school corporations choosing a referendum as their only revenue enhancement strategy.

By establishing a tax credit program, there would be an increase in the number of school districts that have a partner education foundation helping support children's public education.

By the Numbers

- There are 1,002,740 students in traditional public schools in Indiana. (Indiana Department of Education website, 2016-2017 statistics)
- An estimated 573,939 of those public education students are represented by K-12 public education foundations in Indiana.
- Indiana public education foundations currently raise an estimated \$13 million in private funds annually to support public school districts.