



SCHOLARSHIPS
— *for* **KIDS** —



2024 ANNUAL REPORT
EMPOWERING EDUCATION IN ALABAMA



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SCAN OR VISIT [BIT.LY/SCHOLARSHIPS4KIDS](https://bit.ly/scholarships4kids)
TO SEE HOW SCHOLARSHIPS FOR KIDS IS
TRANSFORMING LIVES AT MONTGOMERY
CHRISTIAN SCHOOL.

BOARD OF DIRECTORS

BOARD CHAIR: JOEL DAVIS

THOMAS H. BRIGHAM, JR.

BRIAN CHRISTINE, MD

KELLIE HOPE

MIKE FLINK

GRANT MORGAN

ADAM WEST



LETTER FROM THE EXECUTIVE DIRECTOR

Just last month, we sent out over 2,700 scholarships across Alabama! These students at 85 different schools have school choice opportunities thanks to you. Scholarships for Kids remains Alabama's best-kept secret: an opportunity for Alabama taxpayers to have a say in how their tax dollars are spent, at no cost to them, while having a tremendous impact on the lives of our students. It is our hope that by telling your friends and coworkers how easy it is to give to SFK, it won't stay a secret any longer!

Since our founding in 2013, SFK has invested over \$100 million in Alabama's youth to create generational opportunities. As our state invests resources in improving our workforce participation rates, SFK students are better prepared to have a positive impact in developing Alabama's future workforce. This is the easiest investment you can make: redirecting 100% of your state taxes (capped at \$100,000 per taxpayer) for the future of our great state.

We recognize and celebrate the life of long-time board member Tommy Wells, who passed earlier this year. Tommy, like so many things in his life, poured himself into serving our students. In honor of his leadership, wisdom, and selflessness, we are pleased to announce an annual scholarship to give to one of SFK's graduating seniors each year.

Thank you again for your support in the past, and we hope to have your support again before December 31!

A handwritten signature in black ink that reads "Stephen Bridgers".

Stephen Bridgers
Executive Director

CORPORATE DONATIONS

BUSINESS EXPENSE DEDUCTION + STATE TAX CREDIT

Recently released Federal tax regulations provide a potential dual benefit for individual owners of specified pass-through business entities (PTEs) who donate to scholarship-granting organizations (SGOs).

Under the Final Regulations, a payment made by C corporations and PTEs to a charitable organization may qualify as an ordinary and necessary business expense deduction. By characterizing a charitable donation to an SGO as a business expense, C corporations and PTEs reduce their taxable income at the entity level, and the individual owners of PTEs receive state and local tax ("SALT") credits. The SALT credit generated by the business's donation can be applied to the individual's state tax liability, providing possible relief from the federal cap of \$10,000 on the SALT deduction.

WHEN DOES A CHARITABLE DONATION QUALIFY AS A BUSINESS EXPENSE?

If the payment is a reasonable, ordinary, and necessary expenditure incurred in carrying on the trade or business and the entity "reasonably believes the program will generate a significant degree of name recognition and goodwill in the communities where it operates and thereby increase its revenue," then the donation may qualify as a business expense.

The Regulations provide an example stating that a business may be entitled to a business expense deduction for payments made "for use in projects that improve conditions in the state." Therefore, a donation to an SGO may be deductible as a business expense since the payment assists in providing greater educational opportunities, and greater educational opportunities improve educational outcomes. Improved educational outcomes in the state allow for fiscal and economic savings and attract business to the state.



REDIRECT 100% OF YOUR ALABAMA TAX LIABILITY UP TO \$100,000!

1 RESERVE

Sign in, or set up your My Alabama Taxes (MAT) account online* at myalabamataxes.alabama.gov, report a donation to an SGO, and choose **SCHOLARSHIPS FOR KIDS**.

2 DONATE

You have 30 days to remit your payment to Scholarships for Kids. The donation will be verified with the State.

3 RECEIVE

A receipt will be available in the "Correspondence" folder in your MAT account. You will also be mailed a receipt from Scholarships for Kids for federal income tax purposes.

**Because of the cap on Alabama tax credits (\$40 million in 2024), tax credits must be reserved through the Alabama Department of Revenue's ("ADOR") online reservation system.*

SCENARIO

The following scenario demonstrates the potential tax benefit of a \$16,000 contribution to Scholarships for Kids. This example shows the Alabama income tax credit when the contribution payment qualifies as a business expense of the pass-through entity owned by the donor.

2024 FEDERAL INCOME TAX			2024 ALABAMA INCOME TAX		
	NO CREDIT	WITH CREDIT		NO CREDIT	WITH CREDIT
WAGES	90,000	90,000	WAGES	90,000	90,000
SCHEDULE E - S CORP	327,000	311,000 ⁽¹⁾	SCHEDULE E - S CORP	327,000	327,000 ⁽³⁾
ADJUSTED GROSS INCOME	417,000	401,000	ADJUSTED GROSS INCOME	417,000	417,000
20% QBI DEDUCTION	(65,400)	(62,200)	FEDERAL TAX DEDUCTION	(65,400)	(62,263)
STATE INCOME TAXES PAID	(10,000)	(10,000)	FICA/MEDICARE TAX DEDUCTION	(6,885)	(6,885)
REAL ESTATE TAXES	(3,000)	(3,000)	REAL ESTATE TAXES	(3,000)	(3,000)
MORTGAGE INTEREST	(12,500)	(12,500)	MORTGAGE INTEREST	(12,500)	(12,500)
CHARITABLE CONTRIBUTIONS	(2,500)	(2,500)	CHARITABLE CONTRIBUTIONS	(2,500)	(2,500)
ITEMIZED DEDUCTIONS	(28,000)	(28,000)	ITEMIZED DEDUCTIONS	(24,885)	(24,885)
PERSONAL EXEMPTIONS	-	-	PERSONAL EXEMPTIONS	(3,000)	(3,000)
TAXABLE INCOME	323,600	310,800	TAXABLE INCOME	323,780	326,852
INCOME TAX	65,335	62,263 ⁽²⁾	INCOME TAX	16,109	16,262.60 ⁽²⁾
TAX CREDIT - DONATION TO SFK	-	-	TAX CREDIT - DONATION TO SFK	-	16,000
INCOME TAX WITHHELD	25,000	25,000	INCOME TAX WITHHELD	-	-
ESTIMATED PAYMENTS	15,000	15,000	ESTIMATED PAYMENTS	-	-
INCOME TAXES PAID 2024	40,000	40,000	INCOME TAXES PAID 2024	-	16,000
TAXES OWED (REFUNDED) 2024	25,335	22,263	TAXES OWED (REFUNDED) 2024	16,109	262.60

\$2,918.40 TOTAL SAVINGS

WITHOUT DONATION

Federal Taxes: \$65,335
State Taxes: \$16,109
Donation: \$0

TOTAL: \$81,444

WITH DONATION

Federal Taxes: \$62,263
State Taxes: \$262.60 ⁽³⁾
Donation: \$16,000

TOTAL: \$78,525.60

⁽¹⁾ Reduced by donation of \$16,000 to Scholarships for Kids as an ordinary business expense

⁽²⁾ Using Filing Status of Married Filing Joint

⁽³⁾ Assuming the \$16,000 donation deducted as a business expense by the S Corp for federal tax purposes must be added back for state income tax purposes in order to receive the tax credit against the Alabama income tax liability

The projections above are for illustrative purposes only, and not intended as tax advice applicable to an actual situation. Please consult your tax advisor.



PASS-THROUGH ENTITIES

Donating to Scholarships for Kids through a pass-through entity, and then claiming an individual tax credit against individual Alabama State income taxes, requires just a few simple steps, as follows.

STEP 1: Register your entity with the online portal of The Alabama Department of Revenue (the Department), called My Alabama Taxes (MAT).

STEP 2: Designate online at MAT, Scholarships for Kids, then follow a short series of instructions/steps online at MAT to record the donation and reserve a portion of the Remaining Alabama Scholarship Reserve.

STEP 3: Cause your entity to make its donation to the SGO. Note – Checks must be written on the entity account.

STEP 4: The SGO will process your donation and send written confirmation of the gift. You will need this acknowledgment letter to attach in the next step.

STEP 5: The pass-through entity will submit a credit claim on their MAT account to be processed by the Department of Revenue.

STEP 6: The individual owners of the entity will claim the credit on their individual tax returns, pro rata to their ownership.

Note – The Alabama Accountability Act limits individual taxpayers claiming credits to \$100,000 per year.

HOW IT WORKS

FOR INSTRUCTION VIDEO, SCAN OR VISIT
SCHOLARSHIPSFORKIDS.ORG/DONORS



Scholarships for Kids uses a portion of your tax liability to provide tuition assistance to students who demonstrate a financial need. You're not just giving a scholarship, you're getting a tax credit. By redirecting a portion of your tax liability to Scholarships for Kids, you reduce the total amount of your tax bill by 100%. You have an opportunity to give a child access to an education they could not otherwise receive at no cost to you. So the question isn't "why," but rather, "why not?"

The Alabama Accountability Act currently establishes an annual \$40 million statewide limit on the tax credits. The credits will be awarded on a first-come, first-served basis, and may be carried forward for three years.

SCHOLARSHIPSFORKIDS.ORG/DONORS

TESTIMONIALS



My plan was to stay at a school in my home state so the costs of my education would be cheaper for myself and my mother. Now that I have support from Scholarships for Kids, I can focus on attending the school I originally chose out of state.

- **CHLOE WASHINGTON**



Scholarships for Kids has given Amerian the opportunity to see that he can do hard things. He is excited for what the future holds and furthering his education is at the top of his list.

- **AMERIAN BROWN (MOM)**



Thank you doesn't seem adequate. Our family is beyond grateful for the help of all who had a part in Emma's education, character-building, and future. Her last four years of education were made possible by Scholarships for Kids and were an answer to prayers.

- **EMMA AINSLEY (MOM)**

TOTAL 2023-2024 SCHOLARSHIP DOLLARS:

\$17,750,356

TOTAL SCHOLARSHIP DOLLARS EXPENDED: \$100M+

**ESTIMATED TOTAL DOLLARS TO BE AWARDED FOR
THE 2024-2025 ACADEMIC YEAR: \$21,400,000**

SCHOOLS WE SERVE

Alabama Christian Academy	Indian Springs School	Revelation Christian Academy
Ascension Leadership Academy	Islamic Academy of Huntsville	River Region Academy, Inc.
Banks Academy	Jackson Academy	Sacred Heart Catholic School
Bessemer Academy	Jacksonville Christian Academy	Safe Haven Christian Academy
Bright Beginnings Academy	Jefferson Christian Academy	Shoals Christian School
Brooklane Baptist Academy	John Carroll Catholic High School	Spring Valley School
Build Up	Julius R. Scruggs Academy	Springwood School
Chambers Academy	Lincoln Academy	St. Ann Catholic School
Churchill Academy	Little Flower Catholic School	St. Benedict Catholic School
Conecuh Springs Christian School	Madison Academy	St. Bernard Preparatory School
Coosa Christian School	Marion Academy	St. Francis Xavier School
Cornerstone Christian School	Mars Hill Bible School	St. James Catholic School
Cornerstone Schools of Alabama	Miracle Academy Private Christian School	St. John Paul II Catholic High School
Cullman Christian School	Mobile Christian School	St. John The Baptist Catholic School
Decatur Heritage Christian Academy	Montgomery Catholic Preparatory School	St. Joseph Regional Catholic School
Ellwood Christian Academy	Montgomery Christian School	St. Luke's Episcopal School
Emmanuel Christian School	Most Pure Heart of Mary Catholic School	St. Rose Academy
Ephesus Academy	New Life Christian Academy	Success Unlimited Academy
Evangel Christian Academy- Montgomery	Northside Methodist Academy	The American Academy of Young Professionals
Faith Academy of Mobile	Our Lady of Sorrows School	The Capitol School
Highlands School	Our Lady of The Valley Catholic School	The Islamic Academy of Alabama
Holy Family Catholic Academy	Prattville Christian Academy	The Lakeside School
Holy Family Cristo Rey Catholic High School	Prichard Preparatory School	The Montgomery Academy
Holy Family School-Huntsville	Prince of Peace Catholic School	The Rock Academy
Holy Spirit Catholic School	Randolph School	Trinity Christian Academy
Holy Spirit Regional Catholic School	Restoration Academy	Trinity Presbyterian School
Hooper Academy	Resurrection Catholic School	Tuscaloosa Academy
Hoover Christian School		Union Chapel Christian Academy
Houston Academy		Valiant Cross Academy



SCHOLARSHIPS — *for* KIDS —

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SCHOLARSHIPSFORKIDS.ORG

Under current Alabama law, a scholarship granting organization cannot award, restrict, or reserve scholarships on the basis of a donor's restriction or condition. Similarly, a taxpayer may not claim a tax credit for a contribution that is restricted or conditioned by the donor, including a restriction or condition requiring that the donor's contribution be directed to a particular student or to a particular school.