



SCHOLARSHIPS FOR EDUCATION CHOICE

at SAGAMORE INSTITUTE

EXPLANATION OF THE FEDERAL TAX SAVINGS ON YOUR SGO GIFT

PLEASE CONSULT A TAX ADVISOR REGARDING YOUR SPECIFIC TAX SITUATION

Recent proposed IRS rules** change how SGO donations may be claimed on the federal tax return. Below you will find some information and some general examples. Every situation is unique, and we encourage you to talk to your tax advisor for a full understanding of your tax benefits.

Everyone who itemizes and gives after 8/28 should include 50% of their SGO gift as a charitable donation. For donors who have less than \$10,000 in state and local income, sales and property taxes (SALT), your charitable deduction is going to be offset by state tax savings and you won't see a federal tax savings in the long run. For donors who have more than \$10,000 in SALT to deduct, you will see a federal tax savings and the amount will vary depending on your tax bracket (for people in this group, the federal benefit will be the same as it was in 2017 and previous years).

- All taxpayers will continue to receive a 50% state tax credit as long as credits are available for their gifts made to Indiana SGOs.
- SGO donors who do not itemize on their federal tax return do not receive additional benefits for their SGO gift on their federal return.
- Starting in 2018, taxpayers will be limited to \$10,000 in itemized deductions for state and local income, sales and property taxes (SALT). Because donors who receive a tax credit ultimately pay less in state taxes, this provision is significant for SGO donors.
- SGO donors who have less than \$10,000 in SALT deductions will be impacted differently than those who have more than \$10,000 in SALT deductions.
- For donations made on or before 8/27/2018, SGO donors who itemize will use 100% of the donation amount as a charitable donation on their 2018 federal tax return. For donations made on or after 8/28/2018, SGO donors will use 50% of the donation amount as a charitable donation on their 2018 federal tax return.
- All donors who itemize should claim the SGO donation as a charitable contribution according to the rate listed above. The net impact on your federal deduction will vary depending on the amount of your SALT deduction.

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- The charts below illustrate the potential federal tax impact for donation made on or after 8/28/2018. The “offset” amount is due to less state tax being paid when the credit is claimed.

THESE ARE ONLY ILLUSTRATIONS. PLEASE CONSULT A TAX ADVISOR FOR SPECIFIC APPLICATIONS.

\$1000 Donation - Donor with less than \$10,000 SALT	
Charitable Deduction	500
Offset on Line 9 (this year or next)	-500
NET FEDERAL DEDUCTION	0

\$1000 Donation - Donor with greater than \$10,000 SALT	
Charitable Deduction	500
Offset on Line 9 (this year or next)	0
NET FEDERAL TAX DEDUCTION*	500

Example for donor in the middle

\$1000 Donation - Donor with \$10,400 SALT	
Charitable Deduction	500
Offset on Line 9 (this year or next)	-100
NET FEDERAL DEDUCTION*	400

*NOTE: Federal savings is the net deduction multiplied by the donor's tax bracket

** The proposed rule change was published in the Federal Register on 8/27/2018 and now enters a 45-day public comment period. The effective date in the proposed rule impacts donations made after 8/27/2018.