

Remarkable Expansion of Tax Credit Opportunity for Individuals with Ownership in S-Corps, LLCs or Partnerships (Pass-Through Entities)

Owners of S-Corps, LLCs and Partnerships may now contribute up to \$10,000 to a SSO for a tax credit.

Members of limited liability companies, shareholders of “S” Corporations, and partners in partnerships are allowed a Georgia income tax credit for up to \$10,000 of the amount they contribute to a SSO, so long as they would have paid Georgia income tax in that amount on their share of taxable income.

If husband and wife both earn income from pass-through entities, each can contribute up to the \$10,000 limit for a total of \$20,000.



How does this work if I own more than one pass-through entity?

If the individual has ownership in more than one pass-through entity, the total credit allowed cannot exceed \$10,000. The individual decides which pass-through entities to include when computing Georgia income for purposes of this tax credit and may combine all Georgia income, loss and expense regardless of ownership in multiple pass-through entities.

How do I determine whether I can take the full \$10,000 tax credit?

All Georgia income, loss and expense from the taxpayer-selected pass through entities will be combined to determine Georgia income for purposes of this credit. **Note: even W2 income from the entity may be included as well as K-1 income (i.e., salaries and profits may be counted).** Such combined Georgia income shall be multiplied by 6% to determine that tax that was actually paid.

Helpful example: the taxpayer’s Georgia income from pass through entities must be at least \$166,667 to take advantage of the full \$10,000 tax credit ($\$166,667 * 6\% = \$10,000$).

May I also claim a credit as an individual tax filer?

If the taxpayer chooses to be preapproved under this option, they are not allowed the additional amounts normally allowed an individual.

Can this tax credit be carried forward?

No. 6% of the Georgia income from pass through entity (or entities) is the maximum amount that may be claimed as a tax credit, and any excess amounts may not be claimed in the current year and may not be carried forward.

Can my payment to GOAL be made from my business (my pass-through entity)?

No. The Department of Revenue requires that payment to the SSO must come from the individual who will be claiming the tax credit.

What is the economic cost or potential economic benefit of making the full \$10,000 contribution for an Education Expense tax credit?

An “economic cost” results from Georgia law not allowing a deduction for the scholarship contribution when taking the Georgia tax credit – which would be “double dipping.”

However, when taxpayers are subject to Alternative Minimum Tax (AMT), the result is an “economic benefit!” This is because in calculating AMT for federal tax purposes, charitable contributions are allowed as a deduction and state income taxes are not. (A GOAL contribution is considered a charitable contribution for federal income tax purposes.)

Taxpayer who itemizes, not subject to AMT

\$ 600 maximum cost

Taxpayer subject to AMT

\$ 2,900 possible maximum economic benefit