

Teach Initiative

Part of the
Rhode Island Tax Credit Program
for Contributions to
Scholarship Organizations

In order to participate in the RI Tax Credit Scholarship Program, St. Michael's Country Day School and Rocky Hill Country Day School created a separate 501(c)(3) organization, Teach Initiative, whose sole purpose is to grant scholarships to qualified students attending our schools whose families demonstrate need. All contributions made to Teach Initiative will support tuition assistance for our students.

1. What is the purpose of the RI Scholarship Tax Credit Program?

In tax-credit scholarship programs, the state provides full or partial tax credits to businesses, and sometimes individuals, who donate to scholarship-granting organizations. These organizations, which are usually non-profits, then award scholarships to students to attend private or parochial schools. Currently, 18 states, including Rhode Island, have scholarship tax credit programs.

The Rhode Island Scholarship Tax Credit Program allows RI business entities to contribute scholarship support to low-income RI students attending approved private or parochial RI schools. They do this by designating their contribution to a scholarship-granting organization (SGO).

2. Which type of business may apply?

Rhode Island C-corporations, S-corporations, limited liability partnerships and limited liability corporations, and business entities operating as a pass-through entity, may use the tax credit against income tax filings.

3. How does the tax credit work?

Eligible businesses can choose to make a one- or two-year commitment to the scholarship tax credit program. A one-year commitment results in a 75% tax credit, while a two-year commitment results in a 90% tax credit, with a maximum credit of \$100,000 (therefore, a business can contribute up to \$111,111 per year). Donors can also claim the contribution as an itemized deduction on federal tax returns.

4. What is the total credit cap of the RI Scholarship Tax Credit Program?

The scholarship tax credit program currently (2021) has a total tax credit cap of \$1.5 million dollars, meaning once the program has reached \$1.5 million in approved tax credits, no further tax credit applications will be accepted until the start of the next fiscal year.

5. *How can an eligible business participate?*

Businesses must apply for qualified tax credits – up to \$100K annually – through the [RI Division of Taxation](http://www.tax.ri.gov/credits/) (<http://www.tax.ri.gov/credits/>). Within 30 days of the application submittal due date (which is July 1 every year), approval or denial will be granted from the Division of Taxation. A lottery is then conducted every July to determine which of the approved businesses will receive the tax credit. Approved businesses then have 120 days to make the contribution to their selected SGO(s). The contributions must be distributed by the SGO in the same calendar year.