

### PURPOSE & SCOPE:

A tax credit is available for voluntary cash contributions to an eligible charitable organization. The tax credit may be carried forward for five (5) years. The amount of the credit is limited to 50% of the total tax liability of the taxpayer. Five million dollars (\$5,000,000) of the tax credits allocated during a calendar year may be allocated for contributions to ECOs focused on foster care and adoption and no more than one million two hundred and fifty thousand dollars (\$1,250,000) of such credits may be allocated for contributions to a single ECO. Another five million dollars (\$5,000,000) of tax credits may be allocated for contributions to ECOs certified by the Department as educational services, job training, or workforce development charitable organizations and no more than two hundred and fifty thousand dollars (\$250,000) of such credits may be allocated for contributions to a single ECO.

### REFERENCES:

*Miss Code Ann. Section 27-7-22.41*

### OVERVIEW:

A tax credit is available for voluntary cash contributions to an eligible charitable organization. The tax credit is only available to a taxpayer who is a business enterprise engaged in commercial, industrial or professional activities and operating as a corporation, limited liability company, partnership, or sole proprietorship. The credit is allowed against income tax, insurance premium tax, and insurance premium retaliatory tax. A contribution to an eligible charitable organization used for the Eligible Charitable Business Contribution Tax Credit cannot be used for the Charitable Business Contribution Tax Credit or Foster Care Charitable Tax Credit. A contribution, for which an Eligible Charitable Business Contribution Tax Credit is claimed, may not be used as a deduction by the taxpayer for state income tax purposes.

### **How To Qualify as an Eligible Charitable Organization**

To qualify as an eligible charitable organization, the organization must submit a letter ruling request including the following:

1. Contact information including phone number, email address, mailing address, and physical location if different.
2. A statement, signed by an officer of the organization under penalties of perjury, that the organization meets all criteria to be considered an eligible charitable organization.
3. A copy of the exemption letter from the IRS verifying the organization qualifies under Section 501(c)(3) of the Internal Revenue Code.
4. A statement that the organization does not provide, pay for or provide coverage of abortions

and does not financially support any other entity that provides, pays for or provides coverage of abortions.

5. Documentation that the organization is:

- (i) Licensed by or under contract or agreement with the Department of Child Protection Services and provides services for the following:
  - a. The prevention and diversion of children from custody with the Department of Child Protection Services,
  - b. The safety, care and well-being of children in custody with the Department of Child Protection Services, or
  - c. The express purpose of creating permanency for children through adoption.

**OR**

- (ii) An educational services, job training, or workforce development charitable organization that provides services to:
  - a. Children in a foster care placement program established by the Department of Child Protection Services, children placed under the Safe Families for Children model, or children at significant risk of entering a foster care placement program established by the Department of Child Protections Services,
  - b. Children who have a chronic illness or physical, intellectual, developmental or emotional disability, or
  - c. Children eligible for free or reduced price meals programs under Section 37-11-7, or selected for participation in the Promise Neighborhoods Program sponsored by the U.S. Department of Education.

### **How to Qualify as an Educational Services Charitable Organization**

Educating children must be the primary goal of an educational services charitable organization.

An educational services charitable organization provides instruction, tutoring or training delivered by teachers or instructors that explain, tell, demonstrate, supervise, and direct to help students learn. They may provide opportunities for academic enrichment activities during non-school hours or periods when school is not in session, such as before and after school or during summer recess. Services can be provided through diverse means including internet or other electronic and distance learning methods as well as sign language.

Providing scholarships, day-care, therapy or treatment does not qualify as educational services.

To qualify as an Educational Services Charitable Organization please submit the following:

1. The information requested in numbers 1 through 4 under “How to Qualify as an Eligible Charitable Organization,” as provided above.
2. The number of students served in Mississippi in each category in number 5(ii) a-c, above.
3. The total number of students served in Mississippi.
4. The total number of individuals served in Mississippi.
5. A list of services provided by the organization.

### **How to Qualify as a Job Training Charitable Organization**

The primary goal of a job training charitable organization is to teach job-seeking individuals relevant skills on how to obtain and maintain jobs through job search skills training, specialized

career-training programs, employment coaching, internships or on-the-job training.

To qualify as a Job Training Charitable Organization please submit the following:

1. The information requested in numbers 1 through 4 under “How to Qualify as an Eligible Charitable Organization,” as provided above.
2. The number of individuals served in Mississippi in each category in number 5(ii) a-c, above.
3. The total number of individuals receiving job training in Mississippi.
4. The total number of individuals served by the organization in Mississippi.
5. A list of services provided by the organization.

### **How to Qualify as a Workforce Development Charitable Organization**

The primary goal of a workforce development charitable organization is to position individuals for success in the workforce through a combination of social services, community supports, job training and education.

To qualify as a Workforce Development Charitable Organization please submit the following:

1. The information requested in numbers 1 through 4 under “How to Qualify as an Eligible Charitable Organization,” as provided above.
2. The number of individuals served in Mississippi in each category in number 5(ii) a-c, above.
3. The total number of individuals receiving workforce development in Mississippi.
4. The total number of individuals served by the organization in Mississippi.
5. A list of services provided by the organization.

A letter acknowledging the approval or denial of the organization as an eligible charitable organization will be issued. Please see our webpage concerning letter rulings for more information at <http://www.dor.ms.gov/Pages/Office-of-Tax-Policy.aspx>.

The MDOR maintains a webpage that lists all of the approved eligible charitable organizations located at <https://www.dor.ms.gov/Business/Pages/Eligible-Charitable-Organizations.aspx>.

The organization must notify the MDOR of any changes that may affect any of the qualifications above.

### **How To Apply For The Credit**

A taxpayer can apply to be pre-approved for allocation credits with the MDOR using the Application for Allocation of Business Contributions Made to Eligible Charitable Organizations located at <https://www.dor.ms.gov/Business/Pages/Eligible-Charitable-Organizations.aspx>. A letter response to the application will be sent within 30 days after receipt.

If seeking pre-approval or if the contribution has not been made at the time of the application, the MDOR will issue an allocation letter requesting that the applicant provide documentation that confirms the contribution to be made (i.e. a letter or receipt that includes the name of the organization, date of contribution, amount of contribution, and a statement of to whether any good and/or services was provided in exchange). The applicant has 60 days from the date of the allocation approval letter or by December 31 of the current year, whichever occurs first, to make the contribution. If the contribution is not made and/or if the MDOR has not been notified within a specified timeframe, the credit amount allocated will be cancelled and made available for

allocation to other taxpayers.

If the contribution has been made, please attach the documentation from the ECO verifying the details of the contribution with this application.

Once both the application and documentation have been received, the Department will issue an allocation approval or denial letter.

Due to the per ECO caps in place this year the time it will take to receive an approval or denial could be prolonged if payment or documentation for the payment to an ECO is delayed.

Pass-through entities awarded credits must provide the Department with a schedule of amounts allocated to its members by the end of the taxable year.

All contributions must be completed during the calendar year in order to be claimed on the return.

When filing the state income tax return claiming the credit, the taxpayer must attach the Mississippi Tax Credit Summary Schedule showing all credits taken and any credit carryforward, and indicate the name of the qualified organization. The Eligible Charitable Business Contribution tax credit code is 36.

Credits claimed on the Insurance Premium Tax Return are to be reported on the appropriate line. Documentation must be maintained by the taxpayer and provided upon request.