

Tax Credit Scholarships

A Winning Investment for Students and Donors



Al Hubbard

The Indiana Tax Credit Scholarship Program was created in 2009 to provide lower-income families financial assistance to send their children to participating private K-12 schools. Individuals or businesses donate to a qualified scholarship granting organization (SGO) to fund the scholarships and receive a state tax credit equal to 50% of their donation.

As a longtime donor and chairman of the Institute for Quality Education (IQE), I can honestly say firsthand this program is one of the easiest ways to make a lasting impact through philanthropy. To date, this program has helped more than 46,000 Hoosier students by awarding over \$60 million in scholarships to assist with tuition costs at more than 300 private schools statewide.

The idea that evolved into the tax credit scholarship program originated in the early 1990s. Pat Rooney, founder of Golden Rule Insurance, was concerned that many low-income, inner-city Indianapolis children did not have access to quality educational options because of where they lived. Additionally, he knew these families were not able to afford the private schools to which wealthier families were able to send their children.

Because of this inequity, and the belief that a high-quality education is a key component to breaking the cycle of poverty, Rooney began the Educational Choice Charitable Trust (ECCT).

The ECCT board of directors, comprised of Indianapolis-area business leaders – including John Ackerman, Mitch Daniels, Carol D’Amico, Fred Klipsch and myself – raised more than \$1 million and awarded thousands of low-income, Indianapolis students with scholarships to attend private schools. While pleased with the progress, Rooney was clear about the ECCT’s organizational goal: to go out of business because public support for providing scholarships to these deserving young Hoosiers had been successfully secured.

Finally, in 2009, there was a breakthrough. Under the leadership of Gov. Daniels, House Speaker Brian Bosma and Senate President Pro-Tem David Long, along with the support of organizations like IQE and the Indiana Chamber of Commerce, the Indiana Tax Credit Scholarship Program was established.

This chart illustrates the potential tax savings for a donation to IQE’s SGO.

Investments in young people today will pay dividends now and well into the future.

Contribution of \$1,000	Federal Tax Brackets			
	25%	28%	33%	35%
Indiana Tax Savings (50%)	\$500	\$500	\$500	\$500
Federal Tax Savings ⁽¹⁾	\$125	\$140	\$165	\$175
Total State and Federal Tax Savings	\$625	\$640	\$665	\$675
True Cost of Donation	\$375	\$360	\$335	\$325

(1) The federal tax savings is generally equal to the net federal deduction multiplied by the donor’s federal tax rate. The net federal deduction is equal to the donation amount less the state tax credit as state income taxes are deductible as itemized deductions for federal income tax purposes. Actual federal tax savings will vary based on your individual income tax status. Please consult your tax advisor.

AUTHOR: Al Hubbard is chairman of the Institute for Quality Education. To learn more about the tax credit scholarship program, donate or schedule an informational meeting for your business or employees, go to www.i4qed.org/sgo or call (317) 870-2532