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# Help Schools While Saving Taxes

by Senator Brent Hill

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Idaho is offering a huge income tax break that will save you taxes and help our local schools: a temporary tax credit for contributions to schools located within the state. In some cases, the credit can eliminate more than half of your state income taxes and save on your federal taxes too. This is too good of an opportunity to pass up. But to take advantage of the tax credit for this year, the donation must be made before the year ends.

The Idaho tax credit equals 50% of the contribution and is limited to 50% of an individual taxpayer’s state income tax liability. The maximum annual amount of the credit is \$1,000 on a jointly filed return and \$500 for a single taxpayer. Corporations are entitled to even greater tax savings up to \$5,000, but the credit is limited to 10% of the corporation’s state tax.

Here’s how it works: A husband and wife contribute \$1,000 to their child’s school. They file a joint income tax return in which they itemize their deductions and they are in the 15% federal income tax bracket. The donation is fully tax deductible, resulting in combined federal and state income tax savings of \$228. **In addition**, their Idaho income taxes are reduced another \$500 by the education tax credit (50% of the \$1,000 donation). As a result, the \$1,000 donation to the school only costs them \$272 out of pocket. (Please note that tax savings may differ depending on income tax brackets and whether or not the donors itemize their deductions.) People who once thought they could only afford to give \$250 to the school can now give \$1,000 and not have it cost them much more than the \$250 they were planning to give up.

Cash donations to Parent-Teacher Organizations, education foundations and public or private colleges and universities within the state qualify for the tax credit. Contributions can also be designated for the school district as a whole, for individual schools or even for specific programs such as the orchestra or athletics.

Our schools are facing dwindling financial resources affecting classrooms and activities. The Idaho Education Credit is a powerful and effective tool designed to help our school system. Our classrooms can enjoy much-needed assistance at a small cost to us. We must not let this opportunity pass.

More details, including answers to frequently-asked questions about this Education Tax Credit can be found online [here](#).



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# Education Tax Credits

by Senator Brent Hill

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The Idaho Legislature has passed legislation that significantly enhances the income tax credits for donations to Idaho schools and other organizations beginning in 2011.

Contributions to public and nonprofit private K-12 schools and universities, Idaho Public Broadcasting, the State Historical Society, and libraries and museums qualify for the tax credit if they are located in Idaho. The law also temporarily adds the Idaho Commission of Hispanic Affairs, Commission for the Blind, Council on Developmental Disabilities, Independent Living Council, and Council for the Deaf to the list of eligible donees.

As illustrated in the chart below, the tax credit equals 50% of the contribution and is limited to 50% (rather than 20% under prior law) of an individual taxpayer's total Idaho income tax liability. The maximum annual amount of the credit is increased from \$100 (\$200 on a jointly filed return) to \$500 (\$1,000 on a joint return).

	2010	<b>2011</b>
Maximum credit allowed:		
Single taxpayer	\$100	<b>\$500</b>
Joint return	\$200	<b>\$1,000</b>
Corporation	\$1,000	<b>\$5,000</b>
Tax liability limitation:		
Individuals	20%	<b>50%</b>
Corporations	10%	10%

**Example:**

A husband and wife file a joint income tax return in which they itemize their deductions. Their taxable income (after deductions) is between \$17,000 and \$68,000. They decide to contribute \$1,000 to a local school.

As a result of being able to deduct the contribution, their federal and state income taxes are reduced by \$228. (Savings may be more or less depending on their income tax bracket.) **In addition**, their Idaho income tax credit saves them another \$500 (50% of the \$1,000 donation). As a result, the \$1,000 donation to

the school only costs them \$272 out of pocket. Please note that people who do not itemize their deductions would not realize the \$228 tax savings, but would still get the \$500 credit.

A donor who once thought he could only afford to give, say, \$100 to the school could now give \$400 and not have it cost him much more than the \$100 he was willing to give up.

### **QUESTIONS & ANSWERS**

Q: May I request that my contribution be used for a specific educational purpose and still get the credit?

A: Yes. Contributions can be designated to go to the Parent-Teacher Organization, to the school district as a whole, to individual schools, or even to specific programs such as the orchestra or athletics.

Q: Am I only entitled to the tax credit once?

A: No. The credits are available each year contributions are made. A couple can contribute up to \$2,000 this year and another \$2,000 next year and qualify for the credits both years. However, the amount of the credit is scheduled to greatly decrease after 2015.

Q: Can I claim multiple credits for donations to several organizations?

A: Your contributions can be to a number of different organizations, but the combined credit cannot exceed the annual limits.

Q: If I cannot claim the full credit because it exceeds 50% of my Idaho tax liability, can I carry the excess over and claim it in a subsequent year?

A: No. Unused credits cannot be carried over.

Q: If my business is not a regular corporation, but is a partnership, limited liability company (LLC), or S-corporation, does it qualify for the \$5,000 credit?

A: No. These "pass-through" entities do not pay taxes, but each owner may take the credit personally for his proportionate share of the donation. For instance, if an LLC owned equally by three persons contributes \$3,000, each of the three owners would claim a \$1,000 donation on his personal return.

Q: Do I get the credit for contributions of merchandise and other goods or services?

A: No. The credit is only available for "monetary contributions," including cash, checks, and credit cards. Other donations may qualify as charitable deductions, but not for the tax credit.

Q: What if I get something in return for my donation such as event tickets, a jacket or advertising?

A: Qualified donations must always be reduced by the value of any benefit received in return such as food, entertainment or merchandise.

Q: Do I need a receipt for my contribution?

A: Yes. The donation must be substantiated by a contemporaneous written acknowledgment from the donee organization.