

## Checklist of Tax Credit Requirements for School Foundations:

- School foundations must be approved by the local board of education prior to accepting qualifying donations.
  
- School foundations must register with the Oklahoma Tax Commission. The online registration process is under development and will be made available soon. *In the meantime, the OTC has made a paper application available.*
  
- School foundations must work with district leaders to determine an *“innovative educational program”* to fund. The law defines an innovative educational program as: *“an advanced academic or academic improvement program that is not part of the regular coursework of a public school but that enhances the curriculum or academic program of the school or provides early childhood education programs to students”.*
  
- School foundations must determine a donor strategy for fundraising and set up procedures for tracking these donations for reporting purposes. Some things to keep in mind:
  - a. Donors wishing to receive a tax credit must provide a social security number or an EIN or tax ID number if they are a business entity.
  - b. The law creates two tax credit levels, 50% credits for a one-year gift and 75% for a two-year gift. Donors must indicate at the outset which they intend to pursue.
  - c. The law limits credits per year to \$1000 for individuals, \$2000 for taxpayers filing jointly and \$100,000 for businesses.
  - d. Each public school district is capped at \$200,000 in available tax credits. If your district surpasses the cap, each donor’s credit will be prorated. Credits that are not available in the current year due to reaching the cap will be able to be utilized in the subsequent three years.
  - d. The law requires school foundations to report how funds are spent, so they must be tracked in some way through your accounting processes.
  - e. Your foundation may want to consider developing a policy for tax credited donations. This might include setting a minimum donation amount to qualify for tax credits. A list of questions for your board to consider in setting tax credit policy are included at the end of this document.
  
- No later than ***May 1*** of each year, the Tax Commission will distribute sample forms together with the forms on which the reports are required to be made to each approved organization. School foundations must provide a report to the Oklahoma Tax

Commission by **January 10** each year with information on contributions accepted during the tax year.

School foundations must notify donors of the annual statewide tax credit cap at least once per year. This cap is \$25 million in tax credits for public schools, with a \$200,000 cap per school district.

The Oklahoma Tax Commission will publish the percentage of the contribution made in the previous year that may be claimed as a credit by contributors by **February 15** each year. School foundations are required to inform donors of this amount.

School foundations must report to the Oklahoma Tax Commission and publish on the organization's website the following by **September 1** of each year:

a. the name of the innovative educational program or programs and the total amount of the grant or grants made to those programs during the immediately preceding school year,

b. a description of how each grant was utilized during the immediately preceding school year and a description of any demonstrated or expected innovative educational improvements,

c. the names of the public school and school districts where innovative educational programs that received grants during the immediately preceding school year were implemented,

d. where the organization collects information on a county-by-county basis, and

e. the total number and total amount of grants made during the immediately preceding school year for innovative educational programs at public school by each county in which the organization made grants.

The information required will be submitted on a form provided by the Tax Commission. No later than **May 1** of each year, the Tax Commission will annually distribute sample forms together with the forms on which the reports are required to be made to each approved organization. The Tax Commission shall not require any other information be provided by an organization.

School foundations must submit an audited financial statement along with information detailing the benefits, successes or failures of the programs funded to the Oklahoma Tax Commission, the President pro Tempore of the Senate, and the Speaker of the House by **December 31, 2022**, and then once every ***four*** years.

**Breakdown of Calendar Year Deadlines:**

January 1, 2022: Law allows public school foundations to begin accepting tax credit eligible donations. School foundations must obtain school board approval and register with the Oklahoma Tax Commission before accepting tax credit eligible donations. *School foundations may be required to renew this registration annually.*

May 1, 2022 (and annually thereafter): The Tax Commission is required by law to distribute sample reporting forms to approved organizations.

December 31, 2022 (and every four years thereafter): School Foundations must submit an audited financial statement along with information detailing the benefits, successes or failures of the programs funded. These reports must be sent to the Oklahoma Tax Commission, the President pro Tempore of the Senate, and the Speaker of the House. This must be done every four years going forward.

January 10, 2023 (and annually thereafter): School foundations must provide a report to the Oklahoma Tax Commission with information on tax credit eligible contributions accepted during the tax year.

February 15, 2023 (and annually thereafter): The Oklahoma Tax Commission will publish the percentage of the contribution made in the previous year that may be claimed as a credit by contributors. School Foundations are required to inform donors of this amount.

September 1, 2023 (and annually thereafter): School Foundations must provide the required Tax Commission report and post the same reporting requirements to their website.

**Questions to Consider:**

The ability to grant tax credits under the revised Oklahoma Equal Opportunity Education Scholarship Law is an opportunity school foundations should certainly consider pursuing. However, foundations are wise to carefully consider their capacity to meet the requirements of the law, as well as a plan for how to secure, process and report tax credit eligible donations. The bullet points below represent common school foundation concerns and questions to consider and are organized by topic.

**Capacity:** Do you have adequate foundation staff or volunteer capacity (time, ability, resources) to successfully manage this program?

- Who will be in charge of managing tax credit eligible donations? Is this a function of your board treasurer duties, a finance committee task, or something the board president or foundation director will handle?
- Does your foundation already do an annual audit? Do you have the funds available to pay for an audit the first year of the program and then every four years after?
- Does your district want the school foundation to manage tax credit eligible donations? Districts have the ability to manage donations directly. If your district wishes to do so, they may choose not to approve your foundation. Credits are capped at \$200,000 for each district, including *both* district direct donations and school foundation donations. It may be difficult to communicate and manage if both the district and the foundation are trying to grant tax credits.
- Does your current banking/financial management system allow for easy tracking of tax credit eligible donations and associated spending on innovative educational programs? You will need to be able to specifically track these funds to show that what is brought in through credit-eligible donations is then spent on innovative educational programs.
- What is a reasonable “innovative educational program” for your school foundation to support?

**Donor Stewardship:** School foundations need a plan in place for how they will approach donor solicitation and management for tax credit eligible donations.

- Will your school foundation require a minimum donation to be eligible for tax credits? What would be a good minimum for individual, joint filing and business donors?
- How can you use the tax credit opportunity to attract new donors, or to move current donors to a higher giving level?
- How will you make donors aware of tax credit eligible donations?
- How can you be sure to maintain giving for other needed foundation programming and not convert all current donors (unrestricted funds) to restricted fund donors?