



## Step-by-Step Guide for Pass-Through Entities

Making a donation to a Scholarship Granting Organization through a pass-through entity, then claiming an individual tax credit against individual Alabama State income taxes, requires just a few simple steps, as follows.

### Overview:

#### Step 1:

Register your entity with the online portal of The Alabama Department of Revenue (the Department), called My Alabama Taxes (MAT).

#### Step 2:

Designate online at MAT the Scholarship Granting Organization (SGO) to which your entity will donate, then follow a short series of instructions/steps online at MAT to record the donation and reserve a portion of the Remaining Alabama Scholarship Reserve.

#### Step 3:

Cause your entity to make its donation to the SGO.  
Note: Checks must be written on the entity account.

#### Step 4:

The Department will review your donation and, upon approval, send written notice of approval.

#### Step 5:

The individual owners of the entity will claim the credit on their individual tax returns, pro rata to their ownership. Note: The Alabama Accountability Act limits individual taxpayers claiming credits to \$50,000 per year. (<https://revenue.alabama.gov/legal/alabama-accountabilityact/>)

#### Step 6:

The pass-through entity will document in writing an acceptable rationale for making the donation to the SGO.

Details of Individual steps on Page 2.

### **Setting up a MAT Account (Step 1):**

Reserving a tax credit requires the use of the Alabama Department of Revenue's online portal, My Alabama Taxes (MAT). Taxpayers which have not previously set up an account with MAT will need to do so.

To set up an account with MAT, call the Alabama Department of Revenue ((334) 242-1200 or (334) 242-1033) or go online at MyAlabamaTaxes

([https://myalabamataxes.alabama.gov/ /](https://myalabamataxes.alabama.gov/))

*If you set up an account by phone, you will need:*

- Federal ID Number (EIN)
- Name of company
- Caller's position with company
- Account type (Pass-through entity)

Note – If your pass-through entity is already registered (e.g., already has a Business Privilege Tax Account), the Alabama Accountability Act option can simply be added to its existing registration.

### **To Reserve Tax Credits (Step 2):**

After registering the entity, go to the MAT website:

- Select "Pass-Through Entity" option.
- Select "I want to" option.
- Select "Report a donation to an SGO".
- Select your way through the following options:
  1. Select your Scholarship for Kids as the SGO
  2. Identify your donation amount
  3. Select your donation date
  4. Identify your deductible donation claim year
- Once you have completed the process, you will be given a confirmation number

### **Making the Donation (Step 3):**

- Checks must be written on the entity account and received within 30 days of the donation registration.
- Checks should be sent to:

Scholarship for Kids, Inc.  
PO Box 10204  
Birmingham, AL 35202
- Please include a note with the check expressing your support of Cornerstone Schools.
- Once the check is received, Scholarship for Kids will verify the donation with the Department of Revenue.

### **Documentation (Step 6):**

Be sure to document in writing the business rationale for your pass-through entity's donation to an SGO.

See Maynard Cooper memorandum, dated August 24, 2020, entitled "Final Regulations Relating to Business Expense Deductions and State Tax Credits for Donations to Charitable Organizations" for an overview of the Final Regulations (T.D. 9907 (Aug. 11, 2020)). The memo is not intended to be a complete description of the laws, rules or regulations and should not be relied on as legal or tax planning advice to any particular taxpayer without a full consideration of his, her or its specific facts and circumstances. Potential donors to Scholarship Granting Organizations should consult their own tax advisors prior to making any donation that might be claimed as a deductible expense.

*Thank you!*