



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 SGO will process your donation and send written confirmation of gift. You will need this acknowledgement letter to attach in the next step.

Step 5:

The pass-through entity will submit a credit claim on their MAT account to be processed by the Department of Revenue.

Step 6:

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/>)

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/> /)

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, login to your account:

- Select the "Report a donation to a (SGO) Scholarship Granting Organization" link under *Tax Incentives*
- Select your way through the following options:
 1. Donor name
 2. Address (you'll have to verify your address and click "Save")
 3. Phone
 4. Select your Scholarship for Kids, Inc. as the SGO
 5. Identify your donation amount
 6. Select your donation date
 7. 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 and send you an acknowledgement letter through the mail.

Documentation (Step 5):

After receiving confirmation from the SGO, you must then submit a credit claim on your MAT Account.

- Log into your MyAlabamaTaxes account.
- Select "Submit a credit claim" link under the *Tax Incentives* section found on the bottom of your screen
- Under Credit Type, select "Alabama Accountability Act Credit – Scholarship Granting Organization (SGO)" from the dropdown box
- Next, complete the Filing Period, Credit Amount, and provide the Owner's information. ***Be sure to attach the confirmation letter received from the SGO, then click next and confirm the information is correct.***

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.