

### PURPOSE & SCOPE:

A tax credit is available for voluntary cash contributions to an eligible charitable organization. The tax credit may be carried forward for five (5) years. The amount of the credit is limited to 50% of the total tax liability of the taxpayer. The aggregate amount of the credits that may be awarded shall not exceed five million dollars (\$5,000,000). Contributions to job training, workforce development, or educational services charitable organizations shall not exceed one-half of the total amount allocated.

### REFERENCES:

*Miss Code Ann. Section 27-7-22.41*

### OVERVIEW:

A tax credit is available for voluntary cash contributions to an eligible charitable organization. The tax credit is only available to a taxpayer who is a business enterprise engaged in commercial, industrial or professional activities and operating as a corporation, limited liability company, partnership, or sole proprietorship. The credit is allowed against income tax, insurance premium tax, and insurance premium retaliatory tax. A contribution to an eligible charitable organization used for the Eligible Charitable Business Contribution Tax Credit cannot be used for the Charitable Business Contribution Tax Credit or Foster Care Charitable Tax Credit. A contribution, for which an Eligible Charitable Business Contribution Tax Credit is claimed, may not be used as a deduction by the taxpayer for state income tax purposes.

### **How To Qualify as an Eligible Charitable Organization**

To be considered as an eligible charitable organization, the organization must submit a letter ruling request including the following:

1. Contact information including phone number, email address, mailing address, and physical location is different.
2. A statement, signed by an officer of the organization under penalties of perjury, that the organization meets all criteria to be considered an eligible charitable organization.
3. A copy of the exemption letter from the IRS verifying the organization qualifies under Section 501(c)(3) of the Internal Revenue Code.
4. A statement that the organization does not provide, pay for or provide coverage of abortions and does not financially support any other entity that provides, pays for or provides coverage of abortions.

5. Documentation that the organization is:
- (i) Licensed by or under contract or agreement with the Department of Child Protection Services and provides services for the following:
    - a. The prevention and diversion of children from custody with the Department of Child Protection Services,
    - b. The safety, care and well-being of children in custody with the Department of Child Protection Services, or
    - c. The express purpose of creating permanency for children through adoption.

**OR**

- (ii) An educational services, job training, or workforce development charitable organization that provides services to:
  - a. Children in a foster care placement program established by the Department of Child Protection Services, children placed under the Safe Families for Children model, or children at significant risk of entering a foster care placement program established by the Department of Child Protections Services,
  - b. Children who have a chronic illness or physical, intellectual, developmental or emotional disability, or
  - c. Children eligible for free or reduced price meals programs under Section 37-11-7.

#### **How to Qualify as an Educational Services Charitable Organization**

Educating children must be the primary goal of an educational services charitable organization.

An educational services charitable organization provides instruction, tutoring or training delivered by teachers or instructors that explain, tell, demonstrate, supervise, and direct to help students learn. They may provide opportunities for academic enrichment activities during non-school hours or periods when school is not in session, such as before and after school or during summer recess. Services can be provided through diverse means including internet or other electronic and distance learning methods as well as sign language.

Providing scholarships, day-care, therapy or treatment does not qualify as educational services.

To qualify as an Educational Services Charitable Organization please submit the following:

1. The information requested in numbers 1 through 4 under "How to Qualify as an Eligible Charitable Organization," as provided above.
2. The number of students served in Mississippi in each category in number 5(ii) a-c, above.
3. The total number of students served in Mississippi.
4. The total number of individuals served in Mississippi.
5. A list of services provided by the organization.

#### **How to Qualify as a Job Training Charitable Organization**

The primary goal of a job training charitable organization is to teach job-seeking individuals relevant skills on how to obtain and maintain jobs through job search skills training, specialized career-training programs, employment coaching, internships or on-the-job training.

To qualify as a Job Training Charitable Organization please submit the following:

1. The information requested in numbers 1 through 4 under “How to Qualify as an Eligible Charitable Organization,” as provided above.
2. The number of individuals served in Mississippi in each category in number 5(ii) a-c, above.
3. The total number of individuals receiving job training in Mississippi.
4. The total number of individuals served by the organization in Mississippi.
5. A list of services provided by the organization.

### **How to Qualify as a Workforce Development Charitable Organization**

The primary goal of a workforce development charitable organization is to position individuals for success in the workforce through a combination of social services, community supports, job training and education.

To qualify as a Workforce Development Charitable Organization please submit the following:

1. The information requested in numbers 1 through 4 under “How to Qualify as an Eligible Charitable Organization,” as provided above.
2. The number of individuals served in Mississippi in each category in number 5(ii) a-c, above.
3. The total number of individuals receiving workforce development in Mississippi.
4. The total number of individuals served by the organization in Mississippi.
5. A list of services provided by the organization.

A letter acknowledging the approval or denial of the organization as an eligible charitable organization will be issued. Please see our webpage concerning letter rulings for more information at <http://www.dor.ms.gov/Pages/Office-of-Tax-Policy.aspx>.

The MDOR maintains a webpage that lists all of the approved eligible charitable organizations located at <http://www.dor.ms.gov/Individual/Pages/Eligible-Charitable-Organizations.aspx>.

The organization must notify the MDOR of any changes that may affect any of the qualifications above.

### **How To Apply For The Credit**

A taxpayer should apply for certification of a credit amount with the MDOR. Within thirty (30) days after the receipt of an application, the MDOR shall allocate credits based on the dollar amount of the contribution and available credits. If the requested credit amount is not available to be allocated, the MDOR shall allocate any available credits at the time of the application and notify the taxpayer if the remaining credit amount becomes available. Documentation of the contribution must be provided by the taxpayer to the MDOR within sixty (60) days of the date of certification of the allocation of credits if it was not provided with the original application. If the MDOR does not receive notice of the contribution within sixty (60) days, the allocation will be cancelled and the amount becomes available to allocate to other taxpayers.

Credits awarded to pass-through-entities are allocated to the members based on their ownership percentages or as mutually agreed upon in writing.

All contributions must be completed during the calendar year in order to be claimed on the return.

When filing the state income tax return claiming the credit, the taxpayer must attach the Mississippi Tax Credit Summary Schedule showing all credits taken and any credit carryforward, and indicate the name of the qualified organization. The Eligible Charitable Business Contribution tax credit code is 36.

Credits claimed on the Insurance Premium Tax Return are to be reported on the appropriate line. Documentation must be maintained by the taxpayer and provided upon request.