



MONTANA
DEPARTMENT OF
REVENUE

Tax Credits for
Qualified Education Contributions

**Student Scholarship Organization and
Innovative Educational Program Tax Credits**

Contents

- What’s New.....1
- Introduction..... 1
- Tax Credits..... 1
 - Thresholds for the Tax Credits 2
 - Aggregate Threshold 2
 - Per Taxpayer Threshold..... 2
 - Preapproval of Tax Credits 3
 - Tax Credit Invalidation 3
- Education Donation Portal..... 4
 - PSD Registration..... 4
 - SSO Registration..... 4
 - Reporting Donations for Preapproval 5
- Student Scholarship Organizations 5
 - SSO Reporting Requirements 6
- Innovative Educational Program 7

What's New

The 2023 Montana Legislature passed House Bill 408, making changes to the tax credits addressed in this guide. These changes are effective January 1, 2024.

- The aggregate total of each credit increases to \$5,000,000, with the potential to increase further in subsequent years.
- Capital improvements and equipment are approved expenditures of IEC donations, if such improvements or equipment are necessary to support the innovative educational program.
- Public School Districts are required to remit to the superintendent of public instruction the amounts of donations exceeding a newly established threshold.

For more details on these legislative changes, see the corresponding sections of this guide.

Introduction

Montana has two similar tax credits for qualified education contributions. These credits are the Student Scholarship Organization Tax Credit and the Innovative Educational Program Tax Credit. They are both available to individual and business taxpayers who make donations to eligible education organizations.

The two types of eligible education organizations are approved student scholarship organizations (SSOs) and Montana public school districts (PSDs). A list of approved SSOs and Montana PSDs can be found on the Department of Revenue's (department) Education Donations Portal at EducationDonations.mt.gov.

Each credit is equal to the amount a taxpayer donates to SSOs and PSDs, up to \$200,000 per taxpayer per credit. Both credits are subject to an aggregate threshold during each tax year.

These credits are not refundable, but each can be carried forward for up to three years.

Tax Credits

The Student Scholarship Organization Tax Credit is available to taxpayers who donate to approved Student Scholarship Organizations to provide scholarships for eligible students to attend instruction offered by a qualified education provider.

The Innovative Educational Program Tax Credit is available to taxpayers who donate to Montana public school districts (PSD) for the purpose of providing supplemental funding to the school districts for innovative educational programs (IEC).

Both of these tax credits are available to individuals, estates or trusts, corporations, partnerships, and LLCs. The amount of each credit is equal to the amount of the donation, up to \$200,000 for each credit. Taxpayers may claim both credits in a single year.

Taxpayers cannot claim these credits and deduct the same amount as a charitable contribution. However, any amount that exceeds the amount of credit claimed may be used as a charitable

deduction.

Thresholds for the Tax Credits

Both credits are subject to two thresholds. First, each credit is limited to its own aggregate threshold of the total amount of tax credit that may be taken by all taxpayers in a given tax year. Second, each tax credit is limited to a per-taxpayer threshold of \$200,000.

Aggregate Threshold

In 2024, the aggregate amount that can be claimed by taxpayers for each tax credit is \$5,000,000. In 2025 and beyond, if 80% of the previous year's credits are claimed, the aggregate amount will increase by 20%; otherwise, the aggregate amount will remain the same as the previous year.

Student Scholarship Tax Credit Threshold	
Tax Year	Threshold Amount
2024	\$5,000,000
2025 and beyond	If 80% of previous year's aggregate amount is claimed, the credit increases by 20%. If not, the threshold remains the same as the previous year.

Innovative Educational Program Threshold	
Tax Year	Threshold Amount
2024	\$5,000,000
2025 and beyond	If 80% of previous year's aggregate amount is claimed, the credit increases by 20%. If not, the threshold remains the same as the previous year.

The total aggregate amount of each tax credit is available on a first-come, first-served basis, as determined by the timestamp of the SSO's and PSD's reporting of the donation to the department for preapproval of the credits. The timing of the actual donation to the SSO or PSD does not control when preapproval for the tax credit is granted. For example: Taxpayer A donates \$10,000 to a PSD on January 10, and the PSD reports this donation on March 1.

Taxpayer B donates \$10,000 to a PSD on February 15 and the PSD reports the donation on February 16. If the aggregate threshold is reached on February 20, only Taxpayer B will be preapproved for an IEC credit. Taxpayer A's donation will not be preapproved, and Taxpayer A will be unable to claim their \$10,000 donation as an IEC credit on their tax return.

Once an aggregate threshold is reached for a credit, subsequent donations made for that credit will be unavailable as a Montana credit but can be claimed as an itemized deduction for a charitable contribution.

Per Taxpayer Threshold

A taxpayer's credit is equal to the taxpayer's donation, not to exceed \$200,000 for each credit. Married taxpayers filing jointly may take a tax credit of up to \$400,000 for each tax credit.

The total credit claimed by a partnership, S corporation, or LLC may not exceed \$200,000 for each tax credit. Partners, S corporation shareholders, and members of an LLC may take a credit that is equal to their ownership percentage. The amount of credit attributed to a partner, S corporation

shareholder, or LLC member is counted towards that taxpayer's \$200,000 threshold.

A pass-through entity's donation must be attributed to its owners using the same proportion used to report the entity's income or loss. If the owner receives a portion of a tax credit from the entity and wishes to contribute individually, the owner is still subject to a tax credit threshold of \$200,000.

For example, if an owner receives a credit of \$150,000 from a pass-through entity for a donation to a PSD, the owner would only be able to donate an additional \$50,000 to a PSD and claim a total credit of \$200,000 on the owner's tax return.

Any credit not used by an estate or trust may be attributed to its beneficiary in the same proportion as used to report the beneficiary's income from the estate or trust.

Preapproval of Tax Credits

The department must preapprove all credits before a taxpayer may claim a tax credit. To obtain preapproval, taxpayers donate directly to the SSO or PSD. Then, the SSO or PSD must timely report the donation on the [Education Donation Portal](#) to reserve a tax credit for the taxpayer. If there is enough aggregate credit available and the taxpayer has not already met the donation threshold, it is automatically preapproved.

Upon preapproval, the credit is reserved for the taxpayer's exclusive use on their Montana tax return. Taxpayers preapproved for the credit will receive a donation receipt that includes a confirmation number. This number must be reported on the taxpayer's tax return when claiming the tax credit.

Individuals report the credit on the Form 2, Nonrefundable Credits Schedule. Partnerships and S corporations report the credit on Form PTE, Schedule II. Estates or trusts report the credit on Form FID-3, page 2. Corporations report the credit on Form CIT, Schedule C.

If there is less than \$200,000 remaining in the tax credit's aggregate threshold, the maximum donation for a tax credit is limited to the remaining amount. For example, if \$1,900,000 of the 2023 SSO Tax Credit has been reserved, the maximum amount of donation eligible for the SSO tax credit is \$100,000. If this occurs, the [Education Donation Portal](#) will report, in real-time, to the SSO or PSD user preregistering the credit for the donor, the remaining total amount of credit available.

Tax Credit Invalidation

A preapproved tax credit may become invalid during the year if a donation amount was recorded incorrectly, or a donation was returned to a donor. If a preapproved credit is no longer valid, the amount of credit is put back in the pool of available credits. Other taxpayers then have an opportunity to donate to receive a credit for the tax year in which the donation is made. Any invalid preapproved credits will become available on the portal at 9:00 am MDT on the first Wednesday of October each tax year.

Education Donation Portal

The credit's aggregate threshold is tracked on the department's [Education Donation Portal](#) homepage at [EducationDonations.mt.gov](#). The homepage displays how much of the credit has been reserved, how much is available, and how much is pending. The homepage also contains contact information for SSOs and PSDs as well as a list of qualified education providers who have received scholarships from SSOs.

Taxpayers cannot register for an account on the Education Donation Portal. Access is only available to approved SSOs and Montana PSDs.

SSOs and PSDs must register for an account on the [Education Donation Portal](#) to accept donations eligible for either of the tax credits. Once registered, SSOs and PSDs report donations so that the taxpayer may be preapproved to claim the credit, subject to the aggregate thresholds and tax credit donor cap. SSO or PSD administrative users can also view and print donation receipts while logged into their account.

PSD Registration

Each Montana PSD must designate an administrative user, and that individual must sign up for an account on the [Education Donation Portal](#). This administrative user will need the county, district name, and user's contact information to complete the registration. Once registration is complete, the administrative user will receive a confirmation email from the department.

The administrative user is responsible for maintaining the PSD's account, ensuring donations are timely reported in the portal, and that taxpayers receive tax credit receipts for their donations. The administrative user may create additional users who can also report and view donations, edit account attributes, and print tax credit receipts.

SSO Registration

Each approved SSO must designate an administrative user, and that individual must register at the [Education Donation Portal](#). This user is responsible for maintaining the SSO's account. The SSO must report the following when registering for an account:

- SSO's legal name
- Federal Employer Identification Number (FEIN)
- Address
- Phone number
- Email address
- Website
- SSO officer
- SSO contact person
- 501(c)(3) Exemption Letter from the Internal Revenue Service (IRS)

Once registration is complete, the administrative user will receive a confirmation email from the department.

The administrative user is responsible for ensuring donations are timely reported in the portal and that taxpayers receive tax credit receipts for their donation. The administrative user may create additional users who can also report and view donations, edit account attributes, and print tax credit receipts.

Reporting Donations for Preapproval

Users can begin reporting new donations once the [Education Donations Portal](#) opens for the tax year. For example, the portal opens in calendar year 2024 for users to report donations for Tax Year 2024. The opening date is the third Wednesday of January at 10:00 am MST. For Tax Year 2024, this will be January 17.

Once a donation is made, the SSO or PSD administrative user (or additional users) must log into the portal to report the following donor information:

- Donation amount
- Name
- Last four digits of the Social Security Number (SSN) or Federal Employer Identification Number (FEIN)
- Mailing address
- Physical address
- Email address

This information is used to preapprove the donor's tax credit, monitor the amount of the aggregate threshold and donor cap, and verify tax credits are reported correctly on the donor's tax returns. The donor's information is confidential tax information and cannot be shared publicly.

Once the donation is preapproved, the user will provide the donor with a confirmation number and a tax credit receipt that includes the amount of the approved credit. These donors must report the confirmation number and include the receipt when they file their tax return.

Tax credits cannot be preapproved if there are not enough remaining credits available or if a taxpayer has already donated \$200,000. If either threshold is met, the credit may no longer be claimed for that tax year and the taxpayer must wait for the following year to make a donation that is eligible for the tax credit. Any donations in excess of \$200,000 cannot be recorded on the Education Donations Portal.

Student Scholarship Organizations

An SSO is a 501(c)(3) tax-exempt entity that receives donations from individuals and businesses to provide scholarships to eligible students for use at a qualified education provider (QEP). SSOs must allocate at least 90% of their annual revenues from donations eligible for the tax credit to providing the scholarships.

Only QEPs can receive scholarships from SSOs on behalf of eligible students. A QEP is an accredited or nonaccredited private education provider that qualifies for an exemption from compulsory

enrollment under sections [20-5-102\(2\)\(e\), MCA](#) and [20-5-109, MCA](#) and is not considered a home school under section [20-5-102\(2\)\(e\), MCA](#). QEPs must meet the health and safety requirements for private schools in Montana.

Students eligible to receive scholarships from SSOs are Montana residents over the age of five on or before September 10, but not older than 19, of the year of attendance at the QEP.

SSOs maintain their own application processes under which applications are accepted, reviewed, approved, and denied. Any eligible student may apply with the SSO for a scholarship to any QEP of the parent or legal guardian's choice. A scholarship may not exceed the per-pupil average of total public school expenditures calculated in section [20-9-570, MCA](#). The per-pupil average of total public school expenditures is calculated by the Office of Public Instruction. More information about the calculation and amount can be found on their website at opi.mt.gov.

An SSO cannot choose the QEP or any particular type of QEP that the eligible student attends. Only parents or legal guardians can choose which QEP receives the eligible student's scholarship. Once an SSO approves a scholarship application, the SSO sends the scholarship to the QEP of the parent or legal guardian's choice.

If necessary, an SSO may transfer funds to another SSO.

SSO Reporting Requirements

SSOs are subject to various reporting requirements.

First, SSOs must keep a separate account for the donations received for purposes of the tax credit. At least 90% of the donations must be used to provide scholarships for eligible students. Those donations must be paid out as scholarships within 3 calendar years of when the donation was made.

Additionally, SSOs must report the QEPs they send scholarships on behalf of an eligible student on the Education Donation Portal. This information is considered public and is displayed on the [Education Donations Portal](#) homepage.

On an annual basis, SSOs are required to file a financial report with the department. SSOs can use funds out of their annual revenues from donations for the cost of the preparation of the annual financial report.

The report must be completed within 120 days of the close of the calendar year. Then, an independent certified public accountant (CPA) must complete an annual fiscal review of the SSO's accounts for each of the three most recently completed calendar years that reports the:

- the total number and dollar value of contributions it received
- the total number and dollar value of scholarships it obligated to eligible students
- the total number and dollar value of scholarships it awarded to eligible students
- the cost of the annual fiscal review

Within 150 days of the close of the calendar year, the SSO must submit the CPA's audited report to the department on the [Education Donation Portal](#). Failure to file the annual report may result in termination of the SSO's status for purposes of the tax credit program.

Innovative Educational Program

An Innovative Educational Program (IEC) is an advanced academic program that enhances the curriculum or academic program of an eligible public school and that is not part of the regular academic program of an eligible public school. The instruction, program, or other activities offered through an IEC can include any of the following:

- transformational learning ([20-7-1602, MCA](#))
- advanced opportunity ([20-7-1503, MCA](#))
- any program, service, instructional methodology, or adaptive equipment used to expand opportunity for a child with a disability ([20-7-401, MCA](#))
- any courses provided through work-based learning partnerships or for postsecondary credit or career certification
- technology enhancements
- capital improvements and equipment necessary to support innovative educational programs

PSDs accept donations for the purpose of the credit. They may not retain donations that exceed either:

- the greater of \$50,000 or 15% of the PSD's maximum general fund budget; or
- 20% of the total aggregate credit amount (\$5,000,000 in Tax Year 2024)

The PSD must deposit retained donations made for an IEC into the district's miscellaneous programs fund and must limit the expenditure of the donation to expenditures for the district's IECs.

A list of PSDs and contact information is on the Education Donation Portal website. Taxpayers may also make donations to the Montana School for Deaf and Blind and the Department of Corrections adult and youth schools that qualify for the tax credit.

Administrative Rules of Montana: [42.4.803](#) and [42.4.804](#)

Questions? Please call us at (406) 444-6900, or Montana Relay at 711 for hearing impaired.

Educational program 2024 tax credit offered

|
January 3, 2024 1:00 AM

Whitefish School District is encouraging local businesses and community members to support Whitefish Schools with a dollar-for-dollar credit on their state income taxes for donations to public schools.

“This is an innovative way to help support our schools and save significant money on your tax bill at the same time,” said Dave Means, superintendent of Whitefish Schools.

House Bill 279 allows Montana taxpayers to receive this credit to expand innovative educational programs through services and equipment for students with disabilities; work-based learning partnerships for students; post-secondary credit or career certifications for students; and technologies that improve student experiences and opportunities.

The credit is awarded on a first-come, first-served basis. The aggregate amount of tax credits that may be claimed statewide is \$5 million for 2024. Individuals and businesses can donate up to \$200,000 per year to the programs. Donated amounts may not exceed the taxpayer’s income tax liability but it may be carried forward for three years. The Montana Department of Revenue must pre-approve all credits before a taxpayer may claim a tax credit.

You can access the donation form at www.whitefishschools.org under the “News and Announcements” tab. The deadline is Jan. 16, 2024. For questions, please call Director of Business, Lucie Shea at the District Office at (406) 862-8640 x503.