

UNDERSTANDING THE TAX CREDIT.

Donors who give to Empower Illinois receive a 75% tax credit for the amount of their gift, up to \$1 million. In addition, any portion of the tax credit may be carried forward for up to five years.

Therefore, the tax credit is incentive for a donor to increase the amount they donate in tuition assistance. Someone who owes \$5,000 in state income tax and normally gives \$1,000 in tuition assistance is out of pocket \$6,000 per year. That same donor may now donate \$4,000 to Empower Illinois (earning a 75% tax credit or the equivalent of \$3,000 off their state income taxes) and will now owe the state only \$2,000 in income taxes (\$5,000 liability, minus \$3,000 tax credit). The donor is still out of pocket \$6,000 but they have quadrupled their impact. This example is illustrated below.

For a couple with a \$5,000 income tax liability

Without a gift to Empower Illinois

John and Jane **donate \$1,000** in tuition assistance to their favorite school but do not give through Empower Illinois

John and Jane **owe \$5,000 in Illinois income tax** since they receive no tax credit for their gift

John and Jane are **out of pocket \$6,000** including \$1,000 in tuition assistance and \$5,000 in income tax

With a gift to Empower Illinois

John and Jane **donate \$4,000** in tuition assistance to their favorite school via a gift to Empower Illinois

John and Jane **owe \$2,000 in Illinois income tax** since they receive a 75% income tax credit on their gift to Empower Illinois

John and Jane are out of pocket \$6,000 but have **quadrupled the amount they give in tuition assistance**