



WHAT IS THE ECENC?

South Carolina's ECENC program helps students with special needs attend private schools. Before participating, both the students and the schools must meet certain eligibility requirements.

HOW CAN PARENTS PARTICIPATE?

There are two separate ways a parent can be helped in paying tuition at an eligible private school for their eligible child. One way is with tuition tax credits (reimbursement to the parent AFTER the parent pays tuition) and the other way is with a scholarship (a check written by a Scholarship Funding Organization directly to the school for the child's tuition).

WHICH WAY IS BETTER – TUITION TAX CREDIT OR SCHOLARSHIP?

Each way to participate in the ECENC program –tuition tax credit or scholarship– has advantages and disadvantages. There is no “best” way. Based on individual circumstances, each family will need to decide how they want to participate. Some families may choose both, so long as the total is no more than the \$10,000 per student limit.

WHO IS ELIGIBLE TO APPLY FOR THE ECENC TUITION TAX CREDITS?

Parents or guardians of students with special needs, who pay tuition for their child to attend an eligible private school, can apply to the State Department of Revenue (SCDOR) for the ECENC tuition tax credit. After paying tuition, the parent fills out a form (called TC-57A) and sends it to SCDOR. The parent can only claim a credit for actual out of pocket spending on tuition, and there is a \$10,000 per student limit. There is also a statewide cap of \$4 million in credits, reserved on a first come, first served basis.

HOW DOES THE PROCESS WORK?

First, parents make their tuition payment to an eligible school for an eligible student with special needs. Then, parents complete and submit a form TC-57A to the South Carolina Department of Revenue. They must save documentation of their child's eligibility for their own records. Next, DOR confirms the “reservation” of the family's credit (so long as the statewide \$4 million cap has not yet been met). Finally, when the family completes its state income tax filing the value of the refundable credit is applied.

HELP! I DON'T UNDERSTAND WHAT A TUITION TAX CREDIT IS.

A tax credit counts toward an individual's or family's South Carolina income tax bill. If you receive a \$100 tax credit, then that is \$100 less that you will have to pay to the SC Department of Revenue (SCDOR) for your South Carolina state taxes. Receiving a credit is a good thing. There are two types of tax credits in South Carolina – non-refundable and refundable – and you need to understand the difference.

“NON-REFUNDABLE” AND “REFUNDABLE” TAX CREDITS. WHAT'S THE DIFFERENCE?

A non-refundable tax credit means that the SCDOR will NOT write you a check if your tax credit happens to be more than your tax liability. A refundable tax credit means that the SCDOR WILL write you a check if your tax credit happens to be more than your tax liability. In general, a “refundable” tax credit is better than a “non-refundable” tax credit.

WHAT IS A “TUITION TAX CREDIT” UNDER THE ECENC PROGRAM?

Under the ECENC program, a parent can receive a refundable tax credit (from the SCDOR) for tuition paid to an eligible school for an eligible child, up to the full cost of tuition or \$10,000 (whichever is less). Example: A parents pays \$7,500 tuition (to an eligible school, for an eligible child) in August (beginning of the school year) and then fills out the appropriate paperwork with the SCDOR (a form called a TC-57A). The parent will receive the money back (in the form of a check from the SCDOR; remember it's a refundable tax credit) the next April (when the parent does his taxes for the year before, August was part of that year before).

I'M STILL NOT QUITE CLEAR ON THAT. CAN YOU GIVE ME SOME EXAMPLES?

Example 1: Based on income, the family's total SC state income tax liability is \$500. \$400 was withheld by the employer (look at your pay stubs) throughout the year. So, before, ECENC is taken into account, the taxpayer would OWE \$100 to the SCDOR. The taxpayer also has an ECENC tuition tax credit for \$7,500. So, instead of owing \$100, the taxpayer will receive a check back from the SCDOR for \$7,400.

Example 2: Based on income, the taxpayer's total SC state income tax liability is \$500. \$600 was withheld by the

employer (look at your pay stubs) throughout the year. So, before, ECENC is taken into account, the taxpayer would be due a REFUND of \$100 from the SCDOR. The taxpayer also has an ECENC tuition tax credit for \$7,500. So, instead of receiving a refund of \$100, the taxpayer will receive a check back from the SCDOR for \$7,600.

DO I HAVE TO PAY THE YEAR'S TUITION ALL AT ONCE?

No, it's not required, but it could be a good idea for some parents. If a parent pays full tuition up front (or pays up to the \$10,000 limit for schools whose tuition is greater than \$10,000), and a TC-57A is submitted to the SCDOR before the \$4million cap is reached, then the parent can plan on receiving the refundable tax credit for the full amount paid. Remember: you can not reserve a tuition tax credit for tuition that you have not yet paid!

I MAKE MONTHLY TUITION PAYMENTS TO THE SCHOOL. CAN I STILL PARTICIPATE?

If a parent can't afford to pay full tuition up front, it's still worth it to that family to submit a TC-57A to the SCDOR each time a check is written to the school (for example each time a check is written for monthly tuition). While this "month to month" process will result in a bit more paperwork to keep up with, it is a way for a parent who can't afford to pay full tuition up front to still benefit from the program. Keep in mind that when the \$4million "bucket" runs dry, no more TC-57A forms will be accepted by the SCDOR. But if a parent can receive tuition reimbursement (in the form of a refundable tax credit) for even a few month's worth of tuition, the program could be of significant financial benefit.

ARE THERE ANY OTHER PAYMENT STREAM OPTIONS?

Another option for parents who are interested in getting in as many TC-57A as possible before the \$4million runs out would be a hybrid sort of approach. Rather than an "either or" approach (either pay full tuition up front or make monthly payments), a parent could use a "hybrid" approach. In addition to making the required monthly tuition payments, the parent might choose to "pay ahead" as much as they could towards the full year's tuition assessment (up to the \$10,000 limit). Again, to increase the chances of getting each payment in under the \$4million tuition tax credit limit, the parent should submit a TC-57 each time (and as soon as) a check is written to the school.

WHAT OTHER DETAILS DO I NEED TO KNOW ABOUT TUITION TAX CREDITS?

No matter how a parent decides to structure payments to the school (and submit corresponding TC-57As to the SCDOR), the \$10,000 limit per child applies. If tuition at a school is more than \$10,000, parents MAY NOT submit TC-57's for that child for any payments beyond \$10,000.

WHAT ABOUT RECORD KEEPING?

If a parent participates in the tuition tax credit part of the ECENC program (for an eligible student at an eligible school), the parent is responsible for keeping accurate records. A good place to keep records related to ECENC tuition tax credits is in your family's "important tax papers" file. It would be reasonable to keep a copy of each check written to the school along with a copy of the corresponding TC-57 that was submitted.

Clarity and transparency are always good goals. For example, if a family has 1 child with special needs and 1 child who does not have special needs, both attending the same school, it would be a good idea to write two separate tuition checks. The goal would be to be able to easily see that THIS check is for THIS child and it corresponds to THIS TC-57A. Pretend that a stranger was looking at the paperwork in your "tax file" -- could that stranger easily understand and make sense of your paperwork? Keep in mind that the parent is also responsible for keeping paperwork that documents their child's eligibility for the program. The "tax file" would be a good place for a copy of this documentation.

WHAT IF I HAVE MORE THAN 1 CHILD WITH SPECIAL NEEDS?

The \$10,000 limit is a "per child" limit. If there are multiple children in the family with special needs, then that family is eligible to participate in the ECENC program (either scholarship or tuition tax credits) for up to \$10,000 (depending on the total cost of tuition) for EACH child (who attends an eligible school).

CAN I "BORROW" FROM ONE CHILD'S ELIGIBILITY TO "GIVE TO" OUR OTHER CHILD?

No. Example: If special needs child #1 attends an eligible school, \$7,500 tuition, the parent can participate in the program (scholarship or tuition tax credits) ONLY up \$7,500 -- because \$7,500 is the total tuition. Even if special needs child #2's tuition is more than \$10,000, that second child is still subject to the \$10,000 limit. The parent may not "borrow" the "leftover" \$2,500 from child #1 and somehow apply it to child #2. The upper limit is \$10,000 per child, period.

MUST A PARENT CHOOSE TO USE EITHER SCHOLARSHIPS OR TUITION TAX CREDITS?

No, not necessarily. While it can get a bit complicated, it is possible to use a combination of scholarships AND tuition tax credits. Keep in mind that the \$10,000 limit is a TOTAL limit per child per school year. No matter how the parent chooses to participate in the ECENC program, the combination of scholarships and tuition tax credits MAY NOT exceed \$10,000 per child, or the the actual tuition owed.

WHAT IF TUITION AT MY CHILD'S SCHOOL IS LESS THAN \$10,000?

The ECENC limit per child per school year is capped at \$10,000 or actual tuition paid, whichever is LOWER.

- If tuition paid for your eligible child at an eligible school is \$7,500, then that child's participation in the ECENC program is limited to \$7,500.
- If tuition paid for your eligible child at an eligible school is \$12,500, then that child's participation in the ECENC program is limited to \$10,000.