

Partners in Education Tax Credit Program Frequently Asked Questions (FAQ) for Insurance Companies Seeking Tax Credit

This FAQ addresses common questions for insurance companies seeking a tax credit. The Partners in Education Tax Credit Program (“Program”) established by SB 159, passed in the 2016 Legislative Session and codified in SDCL Chapter 13-65, allows insurance companies to make contributions to scholarship granting organizations (SGOs) to provide scholarships for South Dakota students attending primary or secondary nonpublic schools in South Dakota. Insurance companies can receive a premium tax credit for their contributions.

What is an SGO?

An SGO is a nonprofit 501(c)(3) organization that receives contributions from donors and grants educational scholarships to eligible students in South Dakota. Insurance companies that contribute to SGOs can receive a premium tax credit.

How does an insurance company qualify to participate in the Program?

An insurance company licensed to operate in South Dakota and liable to pay the insurance company premium and annuity tax, pursuant to § 10-44-2 is qualified to participate in the Program.

How does an insurance company contribute to the Program?

An insurance company seeking tax credit must work directly with a participating SGO to complete an educational scholarship contribution.

What SGOs are participating in the Program?

SGOs participating in the Program that have allowed the Division to release their contact information can be found on the Division’s website at dlr.sd.gov/insurance.

Is there a minimum or maximum contribution required for an insurance company to seek a tax credit through the Program?

There is no minimum contribution. The annual cumulative tax credit available to be claimed for Partners in Education contributions by all insurance companies is limited to a total tax credit of \$5,000,000.

What happens when an insurance company seeking a tax credit makes a contribution?

Prior to accepting a contribution from an insurance company seeking tax credit, the SGO must contact the Division to verify that tax credit is available and the annual tax credit limit has not been met. If tax credit is available and authorized by the Division, the contribution transaction can be completed.

How does the authorization process work?

When the SGO contacts the Division, it must provide pertinent information about the contribution, including but not limited to information about the contributing insurance company, the proposed contribution amount and the quarterly or annual tax return on which the tax credit would be claimed. When funds are received from the insurance company, the SGO will provide a receipt to the insurance company and notify the Division within thirty days the transaction is complete.

How much of the insurance company contribution can be claimed as a tax credit?

An insurance company can claim up to 100% of the total contribution as a tax credit on their premium tax return, if authorized by the Division. No tax credit may be claimed for the portion of the tax that is collected for workers' compensation coverage as provided in SDCL 10-44-2(4) or the fire premium tax.

How does the insurance company claim the tax credit awarded with the contribution? At

the time the contribution is made to an SGO, an insurance company must identify on which quarterly or annual premium tax return the tax credit will be claimed. An insurance company with an authorized contribution will claim the approved tax credit on the identified quarterly or annual premium tax return filed with the Division. The contribution receipt(s) provided by the SGO to the insurance company must accompany the premium tax return to validate the tax credit claim.

Where do I go with questions?

Questions on the Program can be directed to the Division by email at SDInsuranceTaxCredit@state.sd.us or by phone at 605.773.3563.