Partners in Education Tax Credit Program
Frequently Asked Questions (FAQs)
General Program Information

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

What is a Scholarship Granting Organization?
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 participating in the Program can receive a tax credit.

What students are eligible for a scholarship?
Students have to meet eligibility criteria to receive a scholarship from an SGO including household income, residency, and admission to a qualifying primary or secondary nonpublic school in the state or tribally controlled school on a federally recognized Indian reservation that operates within the boundaries of South Dakota. A student remains eligible for a scholarship from an SGO for three years or the duration of high school, with exceptions. Specific questions on student eligibility should be referred to a participating SGO.

What schools can a student attend under this Program?
Qualifying schools must be accredited by the South Dakota Department of Education to offer elementary and high school education. Public schools that receive a majority of revenue from the State of South Dakota are not qualifying schools and cannot participate in the Program. Specific questions on which schools qualify for the Program should be referred to an SGO.

How much are the student’s scholarships?
The number and size of scholarships awarded by an SGO will vary and can be impacted by many factors, including the scholarship funds available from contributions received. Questions on the amount of scholarships should be referred to the SGO.

What are the responsibilities of students and parents under the Program?
An eligible student and their parents must select a qualifying school and apply for admission, comply with school policy, and the student must remain in attendance throughout the school year at the qualifying school, among other requirements. Specific questions on student and parent responsibility should be referred to the SGO.

Which schools are qualifying schools?
Any nonpublic school or tribally controlled school on a federally recognized Indian reservation that operates within the boundaries of South Dakota that is accredited by the Department of Education and provides education to elementary or secondary students. The school must notify a scholarship granting organization of its intention to participate in the Program and comply with the Program requirements. Schools that receive a majority of its revenues from public funds are not eligible to participate.
What are an SGO’s responsibilities under the Program?
An SGO must comply with all Program requirements, including distribute scholarships to eligible students, collect and provide documentation on schools and donors, verify information, provide receipts to insurance companies seeking a premium tax credit for contributions, manage administrative costs and revenues from year to year, provide annual reports to the South Dakota Division of Insurance (“Division”) and the Auditor General, and cooperate with the Division and other SGOs. Questions on the premium tax credit limits and authorization procedures can be referred to the Division of Insurance at SDInsuranceTaxCredit@state.sd.us.

How do I form an SGO in order to participate in the Program?
Any SGO participating in the Program must have 501(c)(3) designation from the United States Internal Revenue Service (“IRS”), may need to register with the Secretary of State, and must complete the initial application for filing with the South Dakota Division of Insurance (“Division”). You may want to consider consulting with an attorney or seeking professional advice to assist you in establishing an SGO.

How do I donate to an SGO?
Individuals or businesses can donate to SGOs to fund student scholarships. Insurance companies seeking a premium tax credit for contributions made to an SGO participating in the Program have to follow certain procedures to receive the premium tax credit.

How much tax credit can an insurance company claim for contributions to a participating SGO?
An insurance company can receive a state premium tax credit up to 100% of contributions to participating SGOs, subject to an annual cumulative tax credit limit for all insurance companies of $2,000,000 and authorization by the Division. The credit claimed cannot be applied to taxes collected for the Workers’ Compensation Advisory Council or the tax on fire insurance premiums. Specific questions on the amount of premium tax credit can be referred to the Division.

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 http://dlr.sd.gov/insurance.

What insurance companies have contributed to the Program?
Premium tax returns and related data submitted by taxpayers are confidential.