

Partners in Education Tax Credit Program Scholarship Granting Organization Starter Packet

The Partners in Education Program (“Program”) was established by [Senate Bill 159](#), passed during the 2016 Legislative Session and is codified in [SDCL Chapter 13-65](#). The Program allows for insurance companies to claim a tax credit for making authorized contributions to scholarship granting organizations (“SGOs”). The program allows contributions to scholarship granting organizations to be used to provide educational scholarships to eligible students attending primary or secondary nonpublic qualifying schools in South Dakota.

Starter packet contents:

- Initial Application
- Application Instructions
- FAQs for SGOs

The initial application should be completed by SGOs wanting to participate in the Program. The completed application must be filed with the South Dakota Division of Insurance (“Division”) to register their intent to participate in the program prior to accepting any contribution from an insurance company seeking tax credit.

The completed application or questions on Program participation may be directed to the Division by email at SDInsuranceTaxCredit@state.sd.us. This email will be used to address any questions or to receive any Division filings required under this program.

Scholarship granting organizations completing the application process will be issued an identification number by the Division. This identification number should be referenced in any correspondence or contact with the Division.

Participating SGOs are encouraged to review the Program requirements as found in codified law from the Legislative Research Council website at <http://sdlegislature.gov/>.

Additional information and reporting forms are available on the Division’s website at <http://dlr.sd.gov/insurance>.

Partners in Education Tax Credit Program Scholarship Granting Organization Initial Application

SGOID#:

Date Rec'd:

Rec'd/Rc'd by:

For SD DOI use only

This application provides notification to the South Dakota Division of Insurance ("Division") that the petitioning Scholarship Granting Organization (SGO) will participate in the Partners in Education Tax Credit Program ("Program"). The SGO is required to provide annual notification to the Division of its intent to participate in the Program.

Section I: Scholarship Granting Organization Information: (Use tab key, arrow keys, or mouse click to navigate form fields.)

The South Dakota Division of Insurance will publish the scholarship granting organization's name and business contact information on the Division's website while the organization is participating in the Partners in Education Tax Credit Program.

Part A: SGO Basic Information

Scholarship Granting Organization Name		Federal Employer Identification Number	
Business Street Address	City	State SD	ZIP
Mailing Address: <input type="checkbox"/> (check if mailing address is same as principal address)	City	State SD	ZIP
Primary Contact		Position/Title	
Primary Contact Email	Phone	Fax	
Organization Website	Organization Public Email (if different from email provided for primary contact)		

Part B: Additional Scholarship Granting Organization Management, Officers and Employees Information (proof of background checks for each must be attached)

Name:	Name:	Name:
Position/Title:	Position/Title:	Position/Title:
Name:	Name:	Name:
Position/Title:	Position/Title:	Position/Title:

Part C: Scholarship Granting Organization Board Member Information: (proof of background checks for each must be attached)

Name:		Name:		Name:	
Address:		Address:		Address:	
City/State/ZIP SD	State of Residency SD	City/State/ZIP SD	State of Residency SD	City/State/ZIP SD	State of Residency SD
Telephone:		Telephone:		Telephone:	
Date of Appointment	Term of Service	Date of Appointment	Term of Service	Date of Appointment	Term of Service
Name:		Name:		Name:	
Address:		Address:		Address:	
City/State/ZIP SD	State of Residency SD	City/State/ZIP SD	State of Residency SD	City/State/ZIP SD	State of Residency SD
Telephone:		Telephone:		Telephone:	
Date of Appointment	Term of Service	Date of Appointment	Term of Service	Date of Appointment	Term of Service

Part D: Other

Date 501(c)(3) status was awarded by United States Internal Revenue Service (IRS):

This SGO operates on financial (fiscal) year that runs from

This SGO will first provide Program educational scholarships in the school year running from

	to	
	to	

Section II: Scholarship Granting Organization Supporting Documentation:

The above named SGO has included the following required attachments with the completed application:

- ☐ Proof that background checks have been conducted on the organization's employees, management and officers.
 - ☐ Proof that background checks have been conducted on the organization's board members.
 - ☐ Proof of 501(c)(3) status from the United States Internal Revenue Service.
 - ☐ Proof of the organization's financial year as defined in the SGO's governing documents.
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Section III: Scholarship Granting Organization Affirmations:

I affirm, on behalf of the above named SGO as its authorized representative, this Application and supporting documentation represent a true and correct intent to participate in the Program. The SGO will adhere to and complete all Program requirements, including but not limited to:

- a) Providing scholarships to eligible students in compliance with the Program;
- b) Complying with all guidelines for determining qualifying schools and eligible students;
- c) Entering into participation agreements with 20% of the qualifying schools in the state in order to accept contributions from insurance companies seeking premium tax credit for their contribution;
- d) Complying with all guidelines for scholarship distribution and ensuring portability of scholarships;
- e) Submitting all necessary forms, information, notifications, and reports to the Division of Insurance, the Office of the Auditor General, and any other office in compliance with state and/or federal law;
- f) Maintaining Internal Revenue Code 501(c)(3) status;
- g) Conducting background checks on all employees, managers, officers and board members and excluding any person who might reasonably pose a risk to the appropriate use of contributed funds and informing the Division of Insurance of any changes;
- h) Complying with all guidelines for determining if tax credit for contribution is available;
- i) Contacting the Division to receive authorization for any contribution for which a tax credit may be sought prior to accepting those contributions;
- j) Providing approved receipt when accepting a contribution from an insurance company seeking to claim a tax credit and notify the Division of Insurance of any funds accepted;
- k) Managing revenues/contributions and organization recordkeeping as required by the Program;
- l) Securing the services of a certified public accountant to prepare required reports;
- m) Maintain confidentiality of the identity of any insurance company participating in the Program for premium tax credit purposes unless permission to disclose is granted in writing by the contributing company.

I certify on behalf of the SGO that the information provided in this application and supporting documentation is accurate, complete, and current as of this date. I understand that failure to comply with the requirements and regulations of the Partners in Education Tax Credit Program may impact the scholarship granting organization's participation in the program and any insurance company premium tax credit claimed for scholarship contributions may be disallowed.

Signature of Authorized Representative of Scholarship Granting Organization

Date

Printed Name of Authorized Representative

Remit completed application and supporting documentation to the South Dakota Division of Insurance by email
with subject line "Partners in Education Tax Credit Program SGO Application"
- send to: SDInsuranceTaxCredit@state.sd.us

Partners in Education Tax Credit Program Scholarship Granting Organization Initial Application Instructions

Fill – in form: Use tab key, arrow keys or mouse click to navigate through form fields

Section I: Scholarship Granting Organization Information

⇒ Note: The SGO contact information (SGO name, address, website, phone and email) will be displayed on the Division's website as participating in the Program.

Part A: SGO Basic Information

For this category:

Enter:

Scholarship Granting Organization Name	⇒	SGO Name
Federal Employer Identification Number	⇒	FEIN as issued by Internal Revenue Service
Business Address	⇒	Office physical location for SGO
Mailing Address	⇒	Mailing address – select checkbox if Business and Mailing address are the same
Primary Contact	⇒	Name of primary contact for SGO
Position/Title	⇒	Position/Title held by primary contact
Primary Contact Email	⇒	Email address for SGO primary contact
Phone Number	⇒	Phone number for SGO
Fax Number	⇒	Fax number for SGO (if available)
Organization Website	⇒	Website address for SGO (if available)
Organization Email	⇒	Email address for SGO if different from email for primary contact

Part B: Additional Scholarship Granting Organization Management, Officers and Employees Information

For this category:

Enter:

Name	⇒	Management, Officer, or Employee's Name
Position/Title	⇒	Position/Title held by management, officer or employee

Repeat for each member of management, officer or employee. If additional space is needed, a separate page can be used.

Part C: Scholarship Granting Organization Board Member Information*

For this category:

Enter:

Name	⇒	Name of Board Member
Address	⇒	Address of Board Member
City/State/ZIP	⇒	City/State/ZIP for Board Member (state default is SD but can be altered, if needed)
State of Residency	⇒	State of Residency for Board Member (state default is SD but can be altered, if needed)
Telephone	⇒	Telephone number for Board Member
Date of Appointment	⇒	Date Board Member joined the Board
Term of Service	⇒	Length of service for Board Member, if applicable (e.g. number of months or years)

*Repeat for each member of the SGO Board. If additional space is needed, a separate page can be used.

Part D: Other

- ⇒ Enter date SGO received 501(c)(3) status
- ⇒ Enter SGO financial (fiscal) year (month to month)
- ⇒ Enter school year SGO will start awarding educational scholarships (year to year)

Section II: Scholarship Granting Organization Supporting Documentation

Check boxes to show that supporting documentation is being included with application filing for:

- ⇒ Background checks have been completed on SGO management, officers, and employees
- ⇒ Background checks have been completed on SGO Board Members
- ⇒ 501(c)(3) status
- ⇒ Governing documents that reflect SGO financial (fiscal) year

Section III: Scholarship Granting Organization Affirmations

- ⇒ Review affirmations related to Program participation and participating SGO operational requirements
- ⇒ Completing SGO Representative must sign and date form

Completed form and accompanying documentation must be submitted to
the Division by email to SDInsuranceTaxCredit@state.sd.us

Partners in Education Tax Credit Program Frequently Asked Questions (FAQs) for Scholarship Granting Organizations

This FAQ addresses common questions for scholarship granting organizations (SGOs) regarding the Partners in Education Tax Credit Program ("Program") established by [Senate Bill 159](#), passed in the 2016 Legislative Session, and codified in [SDCL Chapter 13-65](#). The Program allows contributions to SGOs which provide scholarships for South Dakota students attending primary or secondary nonpublic schools in South Dakota. Insurance companies 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 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, must have at least 5 board members who are residents of the state of South Dakota, 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.

What information must be provided in the initial application for the Program?

The initial application to participate in the Program includes basic contact information for the SGO as well as information on its management, officers, employees, and board members. An SGO will need to provide proof that background checks have been completed on the SGO's management, officers, and employees as well as board members; proof the SGO holds a 501(c)(3) status with the IRS; and proof of the SGO's financial (fiscal) year as defined in their governing documents. The initial application is available on the Division's website at www.dlr.sd.gov/insurance.

What are the general responsibilities of the SGO as part of the Program?

An SGO must comply with all the requirements as outlined in codified law. General responsibilities include, but are not limited to, receiving contributions for educational scholarships, distributing scholarships to eligible students attending qualifying schools, collecting and providing documentation on schools and contributors, issuing required receipts for contributions received from insurance companies seeking tax credit, managing fiscal year administrative costs and revenues, and filing annual reports to the Division and the Auditor General.

In order to accept contributions from an insurance company seeking a premium tax credit, the scholarship granting organization must establish participation agreements with at least twenty percent of the qualifying schools in the state.

A qualifying school electing to accept scholarships from an SGO may only enter into a participation agreement with one SGO each school year. A participation agreement for the next school year must be completed each year by November 15th.

The SGO must report to the Division of Insurance by December 15th of each year information about established participation agreements, including school names and school certified enrollment as provided by the South Dakota Department of Education.

Requirements and responsibilities of an SGO are fully defined in [SDCL Chapter 13-65](#).

Who can contribute to the SGO to raise money for scholarships?

Anyone can contribute, including insurance companies who can seek a tax credit through the Program.

What does the SGO need to do to receive a contribution from an insurance company seeking a tax credit?

Prior to accepting the contribution, the SGO must contact the Division to verify the annual tax credit limit has not been met. The SGO will be asked to provide the insurance company contact information, including their intended contribution and the quarterly or annual tax return on which the tax credit will be claimed.

How does the SGO find out if a tax credit for insurance company contributions is available?

The Division will notify authorized SGOs by January first of each year of their allotted portion of the tax credits available for that calendar year. The SGO should also contact the Division at

SDInsuranceTaxCredit@state.sd.us to verify if a tax credit is available.

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 by insurance companies is limited to \$5,000,000.

How does the contribution process work when receiving a contribution from an insurance company seeking a tax credit?

Prior to accepting the contribution, the SGO must contact the Division to verify the annual tax credit limit has not been met. The SGO will be asked to provide the insurance company contact information, including their intended contribution and the quarterly or annual tax return on which the tax credit will be claimed. Once the funds are received from the insurance company, the SGO will provide a receipt to the insurance company and notify the Division within 30 days that the transaction is complete.

What does the SGO have to do when it receives a contribution (associated with a DOI conditional authorization tracking number) from an insurance company?

Upon receipt of the contribution, the SGO must issue the Division approved receipt to the company. The receipt must identify the SGO accepting the contribution and include the contributing insurance company's contact information. The receipt must list the total contribution amount and indicate the quarterly or annual tax return where the tax premium credit will be claimed. The receipt is available in the form listing at the top of this webpage. Notification that the transaction has been completed must be provided to the Division within 30 days by emailing a copy of the receipt to SDInsuranceTaxCredit@state.sd.us.

Who can receive scholarships from the funds received as part of the Program?

Eligible students attending qualifying primary or secondary nonpublic schools within the state or any tribally controlled school on a federally recognized Indian reservation that operates within the boundaries of South Dakota can receive scholarships from the SGO as part of the Program.

How does the SGO identify eligible students for scholarships?

An 'eligible student' is any student entering kindergarten through twelfth who resides in South Dakota while receiving the educational scholarship:

- a. Is a member of a household whose total annual income, the year before the student enters the program, did not exceed 150% of the income standard used to qualify for free or reduced –price lunch under the national free or reduced lunch program; or
- b. Is in foster care.

If sufficient funding is available, once a student meets the initial income eligibility requirement, the student remains income eligible for three years or if the student is entering high school, until the student graduates high school regardless of household income. After the initial period of income eligibility, a student remains eligible if the student is a member of a household whose total annual income in the prior year did not exceed 200% of the income standard used to qualify for a free or reduced-price lunch.

How does the SGO identify qualifying schools?

A 'qualifying school' is any nonpublic school or tribally controlled school on a federally recognized Indian reservation that:

- operates within the boundaries of South Dakota,
- is accredited by the Department of Education,
- provides education to primary or secondary students, and
- has notified a scholarship granting organization of its intention to participate in the Program and comply with the program requirements.

This definition excludes any school that receives a majority of its revenues from public funds. The SGO must annually collect written documentation from each qualifying school that accepts educational scholarship payments to verify its accreditation by the Department of Education.

Is there a maximum value for a scholarship?

The average value of all scholarships awarded by the scholarship granting organization may not exceed 82.5% of the state's share of the per student allocation, as defined in SDCL 13-13-10.1. Further information can be obtained from the Department of Education at 605.773.3134

How are scholarships disbursed by the SGO?

The SGO issues periodic scholarship payments from the educational scholarship fund account in the form of checks made payable to an eligible student's parent. The payment should be mailed to the qualifying school where the eligible student is enrolled. The parent will be required to endorse the check before it may be deposited.

When are scholarships disbursed by the SGO?

Please contact the SGO for information on scholarship disbursement procedures.

What amount of contributions may be used by the SGO for scholarships?

The SGO must ensure that at least 90% of its contributions received through the Program are spent on educational scholarships, and that all revenue from interest or investments is spent on scholarships.

What if the SGO has received contributions from insurance companies seeking a tax credit and the funds are not awarded for Program scholarships?

An SGO cannot carry forward more than 25% the total contributions received from insurance companies seeking a tax credit from the fiscal year in which they were received to the next fiscal year. Contributions that are not carried forward must be remitted to the Division.

What reports must the SGO complete as a Program participant?

The SGO must submit a financial information report as prepared by a certified public accountant to the Auditor General. This report is required to be filed within 180 days after the completion of the scholarship granting organization's fiscal year.

The SGO must file the *Annual Report and Participation Renewal or Withdrawal form* with the Division by June 1. The *Insurance Company Contributions Detail Worksheet* as prepared by a certified public accountant must accompany this report. This report notifies the Division of the SGO's intent to continue its participation in the Program in the next school year and provides information regarding the contributions received from insurance companies in the previous calendar year and the scholarship awards in the current fiscal year.

The SGO must file the *Report of Schools with Participation Agreements* by December 15th each year. This report notifies the Division of the SGO's established participation agreements with qualifying schools to show it has achieved the required 20% and provides the qualifying school enrollment (as provided by the South Dakota Department of Education) to be used by the Division to calculate the maximum allowable tax credits for the upcoming fiscal year.

Requirements and responsibilities of an SGO are fully defined in [SDCL Chapter 13-65](#).

What must be included in the SGO's financial report submitted to the Auditor General?

The scholarship granting organization must annually submit to the Auditor General of South Dakota a financial information report that complies with uniform financial accounting standards and is the result of an audit conducted by a certified public accountant. The scholarship granting organization must provide the audit to the auditor general within 180 days after the completion of the scholarship granting organization's fiscal year. The Department of Legislative Audit, Office of the Auditor General may be reached at 605.773.3595.

The Auditor General may conduct a financial review or audit of the SGO if evidence of fraud exists.

What is in the SGO Annual Report and Participation Renewal or Withdrawal form filed with the Division?

The *Annual Report and Participation Renewal or Withdrawal form* provides a summary of the SGO's activities and notifies the Division of the SGO's intent to continue or withdraw from the Program. The *Insurance Company Contributions Detail Worksheet* as prepared by a certified public accountant must accompany this report. The worksheet includes the name and address of each contributing insurance company, the total dollar amount of contributions received from each insurance company, the total number and total dollar amount of educational scholarships awarded to eligible students, and the total number and total dollar amount of educational scholarships awarded to low-income eligible students*, and the percentage of first-time recipients of educational scholarships who were enrolled in a public school in the prior school year or is starting at a K-12 school in South Dakota for the first time.

*A "low-income eligible student," any student who is a member of a household whose total annual income, the year before the student enters the program, did not exceed one hundred percent of the income standard used to qualify for a free or reduced-price lunch under the national free or reduced-price lunch program.

Forms and additional information on the Program are available on the Division's website at dlr.sd.gov/insurance. Requirements and responsibilities of an SGO are fully defined in [SDCL Chapter 13-65](#).

What is in the SGO Report for Schools with Participation Agreements form filed with the Division?

The *Report of Schools with Participation Agreements* notifies the Division of the SGO's established participation agreements with qualifying schools. This report is used to show the SGO has achieved the 20% required participation agreement threshold with qualifying schools. Report information includes enrollment (as provided by the South Dakota Department of Education) for each qualifying school with which a participation agreement is in place. The enrollment will be used by the Division to calculate the maximum allowable tax credits available for the upcoming fiscal year to the SGO for contributions received from insurance companies seeking tax credit.

Forms and additional information on the Program are available on the Division's website at dlr.sd.gov/insurance. Requirements and responsibilities of an SGO are fully defined in [SDCL Chapter 13-65](#).

Where do I go with questions?

Questions from students/parents on qualifying for a scholarship should be directed to a participating SGO. Questions on the annual financial statement to be filed with the Auditor General can be directed to the Legislative Audit Office at 605.773.3593. Questions on the Program can be directed to the Division by email at SDInsuranceTaxCredit@state.sd.us or by phone at 605.773.3563.