

**Two Year Effect of Scholarship Tax Credit
(based on tax law as of 2013)**

Individuals

	No Contribution	Contribution
Income before contribution	\$100,000	\$100,000
Contribution	<u>0</u>	<u>\$1,000</u>
Taxable Income	\$100,000	\$99,000
 <u>Virginia Taxes:</u>		
Virginia Personal Tax Rate (5.75%)	\$5,750	\$5,692
VA Personal Tax Savings	0	\$58
VA Scholarship Tax Credit	<u>0</u>	<u>\$650</u>
Total VA Tax Savings	0	\$708
 <u>Federal Taxes:</u>		
Federal Taxable income	\$100,000	\$99,000
Add back: Reduction of state tax deduction	<u>0</u>	<u>\$708</u>
Net Federal Taxable income	\$100,000	\$99,708
Federal Taxes (25% marginal rate)	\$25,000	\$24,927
Federal Tax Savings	0	\$73
 Total Tax Savings		 \$781
Net Cost to contribute \$1000		\$219

Corporations

	No Contribution	Contribution
Income before contribution	\$1,000,000	\$1,000,000
Contribution	<u>0</u>	<u>\$10,000</u>
Taxable Income	\$1,000,000	\$990,000
 <u>Virginia Taxes:</u>		
Virginia Corporate Tax Rate (6%)	\$60,000	\$59,400
VA Corporate Tax Savings	0	\$600
VA Scholarship Tax Credit	0	\$6,500
Total VA Tax Savings	0	\$7,100
 <u>Federal Taxes:</u>		
Federal Taxable income	\$1,000,000	\$990,000
Add back: Reduction of state tax deduction	0	\$7,100
Net Federal Taxable income	\$1,000,000	\$997,100
Federal taxes (34% marginal rate)	\$340,000	\$339,014
Federal Tax Savings	0	\$986
Total Tax Savings		\$8,086
Net cost to contribute \$10,000		\$1,914

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