

810-3-61-.04 Receipt, Maintenance, and Disbursement of Scholarship Funds by Scholarship Granting Organizations (SGOs).

(1) Scope. The Alabama Accountability Act of 2013 provides for the granting of scholarships by SGOs under certain circumstances. This rule prescribes accountability requirements for making scholarship grants.

(2) The SGO must maintain separate accounts for all scholarship donations, including any interest or other income on the scholarship funds. The scholarship fund must not be comingled with any other funds, and may only be used for making actual scholarship grants and for paying allowable non-scholarship expenditures, as described in paragraph 3, below.

(3) An SGO may accept and separately account for donations which do not entitle the donor to tax credits under the scholarship program, if such donations are not a violation of its by-laws and other applicable laws and regulations. The SGO may use any interest or other investment income derived from non-scholarship funds for non-scholarship purposes.

(4) At least 95% of revenue from scholarship donations and all interest and investment income attributable to scholarship funds must be used for educational scholarships. Therefore, the SGO may use no more than 5% of the amount of its scholarship donations for purposes other than making scholarship grants. The 5% maximum will be calculated for each calendar year, using the amount of scholarship donations received during the year. If an SGO does not expend the full 5% of funds available for non-scholarship expenditures in the year of donation, the remaining balance may be carried forward for use in subsequent years on non-scholarship expenditures.

(5) The SGO must make sure any scholarship funds on hand at the beginning of a calendar year are expended on educational scholarships by the end of the academic year ending during the next succeeding calendar year. Any scholarship funds which are not so expended shall be turned over and deposited with the State Department of Education for the benefit of its At-Risk Student Program.

(6) Effective for tax years beginning after December 31, 2021, any scholarship funds on hand at the beginning of a calendar year must be expended on educational scholarships within three calendar years or turned over and deposited with the Department of Education for the benefit of its At-Risk Student Program.

~~(6)~~ (7) For all scholarship donations received, the SGO must notify donors to enter the donation into the Department of Revenue's system for tracking scholarship donations and credits, which must be done pursuant to Rule 810-3-61-.02.

(8) The Department of Revenue will make available an electronic receipt system for qualified SGO to enter and verify actual scholarship donations received. No tax credits will be allowed to donors, if the SGO receiving the donation fails to enter the donation amounts into the system, and to provide all required donor identifying information by the required date.

(9) The SGO must enter all donations received and all required donor identifying information into the Department of Revenue's system within 30 days of receipt of the donations, in order to validate the donor's donation and to create the electronic receipt. The donor will receive the electronic receipt form through the Department of Revenue's system, enabling the donor to use the allowable credit on his/her tax return.

(10) The portion of the \$30 million in available tax credits which has been reserved for a particular donation may be released and made available to other donors if the SGO fails to provide validating information by the required date.

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Authority: Sections 40-2A-7(a)(5) and 16-6D-1, Code of Ala. 1975.

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