



## **2017 Frequently Asked Questions**

*What is the benefit of contributing to the Alef Fund?*

First, you are supporting Jewish Education.

Second, since you receive a State of Georgia Income Tax Credit equal to the amount contributed, there is virtually no cost, and in some cases you can reduce your net federal and state income taxes.

Georgia taxpayers can redirect taxes up to the following amounts:

Married	\$2,500
Single	\$1,000
Married filing separately	\$1,250
Trusts and Estates can offset up to 75% of their State income tax	
Corporations can offset up to 75% of their State income tax	

**Effective, January 1, 2013 Members of single or multi-member LLC's, Partners in Partnerships and Shareholders in S Corporations can each contribute up to \$10,000 to the ALEF Fund.**

**Please note the following with respect to the \$10,000 limit:**

If the individual taxpayer is a member, partner, or shareholder in more than one pass through entity, the total credit allowed cannot exceed \$10,000;

The individual taxpayer decides which pass through entities to include when computing Georgia income for purposes of the qualified education expense credit. You can include those with income and exclude those with losses.

All Georgia income, loss, and expense from the taxpayer-selected pass through entities will be combined (including w-2 wages from that entity) to determine Georgia income for purposes of the qualified education expense credit. Such combined Georgia income shall be multiplied by 6% to determine the tax that was actually paid.

If the taxpayer is filing a joint return, the taxpayer's spouse may also claim a credit for their ownership interests and shall separately be eligible for a credit resulting in

a married couple filing jointly to contribute up to \$20,000. The applications must be submitted separately.

If the taxpayer(s) chooses to be preapproved under this option, they are not allowed the additional amounts normally allowed an individual.

If the taxpayer is preapproved for an amount that exceeds the amount that is calculated as allowed when the return is filed, the excess amount cannot be claimed by the taxpayer and cannot be carried forward.

The new limit will be reduced by any amounts previously approved.

### **How do I determine how much I can contribute?**

*Which income can be included in the computation?*

Income from the following sources is included in the computation:

**You are self-employed and file a Schedule C with your personal tax return**

**If the entity is legally formed as an LLC, then 100% of the earnings from this entity are included in the computation.**

**If the entity is not an LLC, you cannot include any of this income.**

However, you may consider establishing a Georgia LLC effective January 1, 2014 so this income can be included.

**If you are an owner of an LLC which is taxed as a Partnership or an S Corporation you can include the following income:** All types of income items passed through to you on your K-1 **PLUS** other sources of income from the entity, such as wages

**If you are a shareholder in an S Corporation you can include the following income:** All types of income items passed through to you on your K-1 **PLUS** other sources of income from the entity, such as wages

*What if I own an interest in multiple entities and some have losses and some have income?*

You can pick and choose which entities to include in the calculation when you apply for the credit. Which entities you actually include are determined when you file your actual income tax return. You can choose the entity/entities which have profits, and exclude those with losses in the computation.

*What if I have tax credits in excess of what I need for the 2017 tax year?*

The individual credit limit of \$2,500 annually can be carried forward to a future year.

**IMPORTANT NOTE:** The larger credit taking into consideration income from LLC's, Partnerships, and S Corporations must be used in the current year, **the State does not allow you to carry this credit forward to future years.**

*I have heard that if I typically pay Alternative Minimum Tax (AMT), that participating in the Alef Fund can actually reduce my Federal Income Taxes. How do I know if I pay the AMT?*

The AMT shows up on Line 45 on Page 2 of your 1040 tax return; if you are paying AMT, the amount will be reflected on this line.

*I have heard that if I typically owe Alternative Minimum Tax, participating in the Alef Fund can actually reduce my Federal Income Tax. How can participating in the Alef Fund reduce my Federal AMT?*

State tax payments are deducted as Itemized Deductions on IRS Form Schedule A.

Charitable contributions are also deducted as Itemized Deductions on IRS Form Schedule A

When the AMT is computed on IRS Form 6251, part of the computation adds back State tax payments. With less State tax payments, the AMT will be less.

If you pay at least \$3,500 in AMT, and you shift \$10,000 in State tax payments to the Alef Fund, then your AMT will be \$3,500 less.

Since the Alef Fund contribution is used as a Credit against State of Georgia income tax, it cannot also be used as an itemized deduction on your Georgia income tax return. The result is higher Georgia tax of \$10,000 times 6% = \$600. **Thus the AMT savings of \$3,500, less the Georgia tax cost of \$600, yields a \$2,900 savings for a \$10,000 contribution to the Alef Fund, or 29%.**

*Which school scholarship fund benefits from my contribution?*

You can designate your contribution to one or more schools scholarship funds. You can also designate some or all of your contribution to the Undesignated Scholarship Pool.

*Can I designate some or all of my contribution to a school represented by another SSO?*

Yes, just let us know. We will make sure your contribution gets where you want it to go.

*I understand the State has a limit on the available funds that ALEF Fund can access; how does that work and why should I care about the annual limit?*

The state wide limit for the Qualified Expense Tax Credit is \$58 Million.

**Because of the changes to legislation, we anticipate for the 2017 tax year that the limit will be reached on January 1, 2017. Therefore, we are asking you to submit your forms to ALEF Fund as soon as possible so we can apply for your tax credit on January 1, 2017.**

*If I fill out the paperwork now, when do I need to fund my obligation?*

Once the paperwork is filed with the State in 2016, the State has 30 days to approve your tax credit.

You have 60 days after approval to fund your contribution.

You may pay by check, made out to 'ALEF Fund, Inc.' or by credit card. There is space on the Designation Form for your credit card information. The Alef Fund absorbs credit card fees- we do not charge you or the schools for using your credit card.

*I want to be part of the Alef Fund, what is next?*

Visit [www.aleffund.org](http://www.aleffund.org) to electronically complete your 2017 ALEF Fund forms OR contact Jared Novoseller, ALEF Fund manager [jnovoseller@jewishatlanta.org](mailto:jnovoseller@jewishatlanta.org) or 678.222.3739.

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**If you have any questions, call Jared at 678-222-3739**

If you have any tax questions, please your tax advisor or you may contact Mitchell Kopelman, CPA, and ALEF Fund Chair. Contact Mitchell at Habif, Arogeti and Wynne, LLP at [Mitchell.kopelman@hawcpa.com](mailto:Mitchell.kopelman@hawcpa.com) .