

# PASS-THROUGH TAXPAYER OPPORTUNITY



**\$10,000 Maximum**

Apogee Scholarship Fund  
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# Who Qualifies?

- Member(s) of LLC's
- Shareholder(s) of S-Corps
- Partners in Partnerships
- Any non C-Corp business

- 95% of small businesses are going to meet this criteria
- Qualified taxpayers with pass-through income through any of the above entities is eligible
- Qualified taxpayer with \$10,000 in GA tax liability can participate at the maximum level of \$10,000

# Relevant Notes

- Individual tax credit participation can be combined with Pass-Through redirection to maximize the \$10k limit
  - Example: \$2,500 as a joint filer and \$7,500 as a Pass-Through
- Each member, partner, or shareholder of a business is eligible to participate at the \$10k max
  - Example: Law firm as 5 partners who earn enough income through the business to maximize their \$10k opportunity so the 5 partners in the firm could each give \$10k to support their favorite private school
- The pass-through credit is NOT carry-forward friendly. This means that if the credit requested and paid for ends up being less than the actual tax liability, the excess will be converted to a charitable contribution deduction and will not be eligible for the GA tax credit.
  - Example: Business owner requests and is approved for \$10k worth of credit. Business owner funds the credit for the full \$10k. The next year, when profits and losses are calculated, the business owner ends up only having \$7,500 in tax liability generated through the business. \$7,500 of the \$10k will receive both the Federal and State benefits. The excess \$2,500 will simply be a charitable contribution deduction
- The tax liability in which the \$10k max is credited against is calculated by combining all GA income, loss, and expense from the taxpayer selected entity(s) and multiplying this total by 6%.
  - Example: Net taxable income from the business to owner is expected to be \$167,000. 6% calculation results in an estimated GA tax liability of \$10,200. This taxpayer would be able to participate at the maximum level of \$10k.
- If both individuals who are married are also beneficiaries of income through a pass through entity, they are both eligible to redirect up to \$10,000. The joint filing max of \$2,500 could be applied separately to leave a possible balance of \$17,500 to redirect.
  - Example: Married couple who own a business together file first for the \$2,500 joint filing credit. They then decide to participate at the \$10,000 max each. One spouse would request the \$10k max while the other would request the \$7,500 remaining balance. This results in a total contribution of \$20k from the couple. \*See Scenario #4 for more detail
- All sources of income from the pass-through entity(s) to the taxpayer are eligible for the 6% equation. (Payroll, distribution, ect)

# Possible Scenario #1

Maximum \$10k participant

**Scenario:** S-Corp business owner (shareholder) conservatively estimates that income through multiple entities via payroll and distribution to be \$250k. This will generate an estimated GA tax liability of \$15,000 based on the 6% calculation.

**Solution:** Said business owner can redirect the full \$10,000 as there is enough estimated tax liability to cover the credit.

When tax time comes, the business owner will only have \$5,000 of tax liability to pay to GA.

If the business owner wants to manage the cash flow of the tax credit effectively, the business owner can choose to spread out the estimated tax payments across the year, which would result in 4 payments of \$1,250 rather than 4 payments of \$3,750.

# Possible Scenario #2

## Individual/Pass-Through combo

**Situation**: Business owner estimates that the pass-through income for the upcoming year will be approximately \$167,000. This would generate \$10,200 in GA tax liability. The business owner is married and wants to maximize the tax credit redirection to support the school but is concerned that the maximum is awfully close to the total estimates taxes as this is not a carry-forward friendly credit.

**Solution**: Married filing joint maximum of \$2,500 combined with a \$7,500 pass-through request to maximize the \$10,000 opportunity. This protects the taxpayer in the event the Pass-Through tax liability is less than the \$10k max. In the event that the tax liability is \$9,000, the \$7,500 would be eaten up first and then the \$1,500 of the \$2,500 would be credited. The remaining \$1,000 of the joint filing tax credit can be carried forward for up to 5 years.

# Possible Scenario #3

Tax liability less than fulfilled pledge amount

**Situation**: Business owner estimates that GA tax liability will be more than \$10k and chooses not to seek the advice of an accountant or Apogee. \$10k credit is approved and funded. Tax time comes and GA tax liability ends up being \$8,000.

**Result**: \$8,000 is eligible for both the Federal charitable contribution deduction and the GA tax credit. \$2,000 is excluded from the GA tax benefit and so is simply a Federal charitable gift. Apogee cannot refund a portion of a tax credit once complete so the business owner is left with \$10,000 in charitable on the Federal return and an \$8,000 GA tax credit.

# Possible Scenario #4

## Married couple owns business together

**Scenario:** Married couple owning a business together would like to maximize the \$10k opportunity to their school. They each have sufficient GA tax liability to credit against via income through the business.

**Solution:** As each individual in the marriage is a member of the business, they each can participate at the \$10,000 max. Combined, the couple can participate for a total of \$20,000.

**Twist:** In the event they have already been approved for a \$2,500 joint filing tax credit, one of the individuals would make a \$7,500 tax credit request while the other would make a \$10,000 max request, resulting in a total of \$20,000.