

Disclaimer: The following provides answers to common questions related to charitable credits. The responses below are for informational purposes only and should not be considered tax advice. You should seek counsel from a tax professional to confirm how these credits may affect your personal tax situation.

What charitable tax credits are available?

Under Mississippi Law there are several tax credits available for gifts made by businesses and individuals to qualifying organizations. The following table shows the various organization types and which credits are available for each:

Types of Credits	Business Taxpayers	Individual Taxpayers
Eligible Charitable Organizations (ECO)	X	
Pregnancy Resource Charitable Organizations (PRCO)	X	
Eligible Transitional Home Organizations (ETHO)	X	X
Educational Services Charitable Organizations (ESCO)	X	
Eligible Health Care Organizations (EHCO)	X	X
Food Bank Charitable Organizations (FBCO)	X	
Qualifying Charitable Organizations (QCO)		X
Qualifying Foster Care Charitable Organizations (QFCCO)		X

Which charitable tax credits apply to the Center for Pregnancy Choices (CPC)?

CPC qualifies as a PRCO for purposes of the business tax credits and a QCO for purposes of the individual credits.

What are the limitations on the use of the credits?

Credits available for gifts to different types of organizations are governed by separate legislation, and each is subject to different limitations, and may be used to offset certain types of tax. Additionally, the limitations are different for business taxpayers and individual taxpayers.

Businesses can apply the credits up to the lesser of \$2.5MM or 50% of their eligible tax liability for the PRCO credit. This credit can be applied against income tax, insurance premium tax, insurance premium retaliatory tax, and ad valorem tax assessed on real property.

For the QCO credit, individuals can apply the credits to offset individual income tax up to \$1,200 for taxpayers filing as single or head of household, and up to \$2,400 for taxpayers filing as married filing jointly. In addition, the credits in excess of the individual income tax credit limits can be used to offset up to 50% of ad valorem tax assessed on real property.

Can I take advantage of more than one credit?

Yes. If you are an owner in a pass-through entity (partnership or S corporation), you may take advantage of both the business credits and individual credits. Additionally, the business and individual credits are also “stackable”. This means that although certain credits are limited to 50% of a taxpayer’s Mississippi tax liability, certain credits can be paired with other credits to offset up to 100% of your Mississippi tax liability, provided you do not exceed the limits applicable to each separate credit.

The following tables show a few possible ways that charitable credits may be stacked to offset up to 100% of your Mississippi tax liability. See the example below using \$1,000 of tax liability for business taxpayers:

Business Taxpayers	ECO	PRCO	ETHO
Scenario 1	\$500 (50%)	\$500 (50%)	
Scenario 2		\$500 (50%)	\$500 (50%)
Scenario 3	\$500 (50%)		\$500 (50%)
Scenario 4	\$200 (20%)	\$300 (30%)	\$500 (50%)

If you are a business owner taking advantage of business credits, you are also able to secure individual credits that can be used in conjunction with the business credits to offset your individual tax liability. These individual credits may also be stacked. For example, if you file your return as single or head of household, you could potentially stack credits of up to \$1,200 for gifts to QCOs with credits of up to \$1,500 for gifts to QFCCOs. If you file your return as married filing jointly, you can stack credits of up to \$2,400 for gifts to QCOs with credits of up to \$3,000 for gifts to QFCCOs. In addition to stacking these credits, you can also potentially take advantage of credits for gifts to ETHOs up to 50% of your tax liability. While these credits can be used in conjunction with the business credits, it is important to note that the individual credits related to gifts to ETHOs may be limited if you are already taking advantage of stacking provisions on business credits described above. It is important to discuss the inter-play of these credits with your tax preparer or CPA to ensure you receive the maximum benefit from stacking credits.

Can I still take advantage of charitable credits for the current tax year?

Yes, provided certain requirements are met. You may take advantage of charitable credits in a given tax year as long as the contribution to the charitable organization is made during tax year for which you intended to claim the credit, and you have received an allocation of credits from the Mississippi Department of Revenue. The credit allocation does not have to be obtained prior to the gift, but gifts made in advance of receiving confirmation of credit allocation are not eligible for the tax credit until the credit allocation is confirmed.

If you would like to determine if credits are still available for allocation, please contact the Mississippi Department of Revenue (MDOR) to inquire about the availability of these credits at (601) 923-7192.

What do I do if I have already paid in some, or all, of my taxes through withholdings or estimate payments and want to claim credits this year?

Securing charitable credits requires both application for and approval of the credit allocation by MDOR and subsequent donation of funds to an eligible charity. If you have already paid in some or all of your taxes for the current year and wish to secure credits for the current tax year, you must make the required charitable contribution to a qualifying organization in addition to the tax payments previously made. Any resulting overpayment of tax can be refunded to you when you file your individual tax return with the state of Mississippi. If your tax payments are made via quarterly estimated payments, you may adjust your remaining tax payments for the balance of the year to compensate for the charitable gift and associated credit.

My business takes advantage of the Pass-Through Entity (PTE) Tax. How does this impact my ability to tax advantage of the charitable credits?

If you are an owner in a pass-through entity that has elected to pay the Pass-Through Entity (PTE) Tax, you still may take advantage of the charitable credits available to businesses. Businesses who elect to pay PTE must pay tax on all of the business' net taxable earnings. Therefore, leveraging both credits requires the business to pay both the PTE tax and fund the charitable contribution required by the charitable credits program, which could result in double payment of tax. It is important to note that charitable credits in excess of tax due are not refundable, rather they are carried forward to future tax periods to offset future tax liability (up to 5 years); however, excess tax credits that are attributable to credits from PTE tax are refundable to you, provided that the credits are applied properly on your individual Mississippi tax return.

In other words, if your business has elected and paid PTE and you have the desire to take advantage of the charitable credit program, you are able to do so and request a refund of excess PTE tax credits. For example, assume your business income results in a Mississippi tax liability of \$20,000 which was satisfied through payments of PTE tax by your business on your behalf. This would result in a PTE Tax credit of \$20,000 that would be available for use on your Mississippi individual tax return to offset your computed tax liability. If you were to also secure an allocation of \$20,000 of business charitable contribution credits from MDOR and make the required charitable contribution to a qualifying charity, then you would also have an additional \$20,000 credit available for use on your Mississippi individual tax return to offset your computed tax liability. When you file your Mississippi individual tax return, you would complete the appropriate tax forms to apply the charitable credit to your tax liability, and then request a refund of any PTE Tax credit that remains.

MDOR released a September 11, 2023 Frequently Asked Questions publication that provides details on how PTE credits coordinate with charitable credits, including which forms must be filed to ensure taxpayers claim the PTE tax credit after other credits earned. You should seek the advice of your tax preparer to ensure proper reporting. The MDOR publication can be found here:

<https://www.dor.ms.gov/sites/default/files/Business/EPTE%20Revised%20FAQ%209-11-23.pdf>.

If my business wants to take advantage of the PTE tax and make a charitable contribution to Center for Pregnancy Choices in the same year, what should I do?

Step 1 – Consult with your tax preparer or CPA to ensure that this strategy is appropriate for your tax situation.

Step 2 – Business makes a PTE election and pays required PTE tax payments to MDOR.

Step 3 – Business applies for an allocation of business charitable tax credits from MDOR and once approved, makes contribution to Center for Pregnancy Choices.

Step 4 – When preparing your personal tax return, ensure that you properly report the PTE and charitable contribution credits on your return and request a refund of any excess PTE credits in accordance with the MDOR guidance referenced in the document linked above.