

# Early Learning

## COLLABORATIVE TAX CREDIT PROGRAM



## History OF THE PRE-K TAX CREDIT

In 2013, the State of Mississippi took an historic step by passing the Early Learning Collaborative Act. The law established a collaborative delivery, state-funded pre-K program in which private or parochial schools, private childcare centers, and/or Head Start centers may join with a local public school district and compete for state funds in order to provide pre-kindergarten services to a specific community. All funded collaboratives must adhere to state regulations requiring that they meet nationally recognized standards of quality.

Under the Early Learning Collaborative Act of 2013, individuals or corporations who make a contribution to support the local matching fund of an approved early learning collaborative may be eligible to receive a state tax credit for the donated amount up to \$1,000,000.

## HOW CAN INDIVIDUALS & CORPORATIONS HELP?

**The Pre-K Tax Credit is unique because any individual or business paying state taxes can qualify if they make a proper donation to an approved collaborative.**

Under the Early Learning Collaborative Act of 2013, the costs for providing pre-kindergarten services to four-year-old children amount to \$5,000 per child enrolled in full-day programs and \$2,500 per child enrolled in half-day programs. The State of Mississippi provides half of these costs (\$2,500 per child enrolled in full-day pre-K and \$1,250 per child enrolled in half-day pre-K). However, the State requires that the other half be provided by local matching funds, which may include local tax dollars, federal dollars (as allowed), parent tuition, philanthropic contributions, or in-kind donations of facilities, equipment, and services required as part of the program, such as food service or health screenings. Individuals or businesses who are interested in donating can help ensure early learning collaboratives can provide high-quality care by donating to their local matching funds.



## Pre-K Tax Credit HOW IT WORKS

Each legislative session, the legislature determines how much funding is invested into the Early Learning Collaborative Act of 2013. In 2023, the state maintained its \$24 million investment in pre-K. Donations to all collaboratives are capped at the amount appropriated by the legislature to the collaborative program in a given year. Since the fiscal year and the calendar year do not align, the Mississippi Department of Education (MDE) averages the appropriation amounts across fiscal years within a calendar year. However, because the legislature appropriated \$24 million in both 2022 and 2023, the tax credit cap for 2023 is also \$24 million.

**\$24 MILLION**  
is the 2023 appropriation  
for the Early Learning  
Collaborative Act.

The sum of donations  
eligible for the tax credit  
may not exceed  
\$24 million.



# Understanding THE PRE-K TAX CREDIT

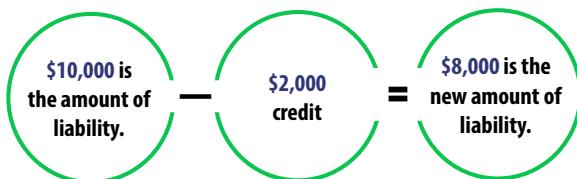
Tax credits are often confused with tax deductions. **Tax deductions reduce the amount of your taxable income (what you earned), while tax credits reduce your tax liability (what you owe).**

Without any credits or deductions, this is how tax liability is calculated with a income of \$50,000 and a tax rate of 20%.



## How Tax Credits Work

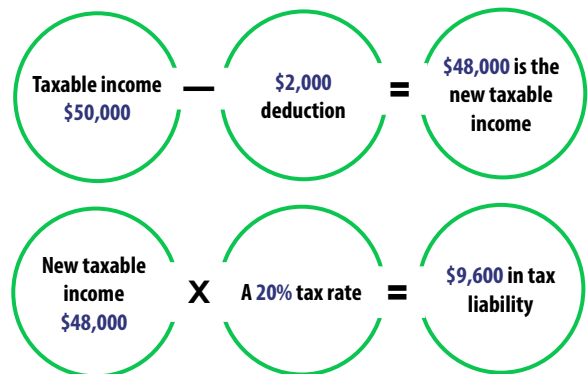
A tax credit of \$2,000



With a tax credit, you apply the credit directly to your liability.

## How Tax Deductions Work

A tax deduction of \$2,000



## Securing THE TAX CREDIT

### THE STEPS YOU CAN TAKE TO DONATE TO A COLLABORATIVE AND RECEIVE A STATE TAX CREDIT

1

The tax credit is first come, first served based on the date of a qualifying donation. First, contact the lead partner for the collaborative to which you wish to donate. See below for your local approved early learning collaborative, along with contact information for the person responsible for collecting donations. MDE tracks qualifying donations towards the cap. When contacting the lead partner, verify that the tax credit cap has not been reached. If the program is nearing the cap, a donor can request that MDE "hold" the contribution spot for 30 days, pending the documentation of the donation, to ensure the donor's place in line for the credit.

2

After you make a donation, MDE will issue you a donation certificate documenting that you have contributed to the local matching funds of an approved collaborative. This documentation preserves your place in line to claim the tax credit.

3

Indicate your donation when you file your state taxes. Use form 80-401, which can be found on the Department of Revenue's website. The Department of Revenue will verify your donation with MDE.

Invest in Pre-K  
YOUR NEXT STEPS

Support Mississippi kids by investing in the early learning providers who work endlessly to provide high-quality education to those who need it the most. Your support will allow Mississippi's state-funded pre-K program to continue to grow and grant more Mississippi kids access to excellent early childhood education.

Contact us for more information!

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