

October 9, 2018

ACSTO

Arizona Christian School Tuition Organization

Dear Director Mulvaney:

Arizona Christian School Tuition Organization (ACSTO) has been providing tax credit scholarships to students for over 20 years. These tax credit scholarships have given families the opportunity to choose the type of education and school environment that is best for their children.

Over the years, we have provided scholarships to over 35,000 students (K-12) at over 150 schools throughout Arizona. More than 53% of these families would be classified as low to middle income earners. Without these scholarships many families would not be able to afford to have a choice.

We request that the Treasury and the Internal Revenue Service (IRS) preserve the federal charitable income tax deductions for all tax credit scholarship donors as you review a proposed IRS rule regarding state and local tax (SALT) deductions (IRS Notice 2018-54). Any such change would harm the state tax credit scholarship program and negatively impacting the children we serve.

ACSTO has fought hard to preserve this program in Arizona, which ultimately led to many other states to implement such programs. In April 2011, The U.S. Supreme Court ruled in *Arizona Christian School Tuition Organization v. Winn* (2011) that all donations to STOs are charitable contributions from private citizens, they are not payments from or to a state entity. Categorizing scholarship tuition organizations as state-specified transferees, would seem contrary to the ruling of the U.S. Supreme Court.

The intent of the tax credit scholarship programs is not to subvert federal tax law nor function as an arm of the state government. The intent is to improve the lives of children and positively change their trajectory by providing access to schools that are a better fit for the student.

Pursuant to IRS Notice 2018-54, we respectfully ask that tax credit scholarship programs be excluded from the definition of "state-specified transferee" since school tuition organizations are non-profits and have been and will continue to operate without the purpose of circumventing the newly enacted cap on SALT deductions.

We also ask for finalization on this rule as soon as possible since approximately 42% of our donors donate between now and December 31st. Our supporters need to know how this new ruling may impact their ability to give.

Sincerely,



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Executive Director

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