10 COMMON QUESTIONS ABOUT ACSTO & ESAs





What is the difference between tax credit scholarships and Empowerment Scholarship Accounts (ESAs)?

- » Tax credit scholarships and ESAs are two entirely separate tuition funding sources. Tax credit scholarships are funded by private taxpayers and implemented by certified school tuition organizations (STOs). ESAs are funded by state tax dollars and administered through the Arizona Department of Education. Both programs require parents to submit some type of application each academic year.
- ESAs provide a set amount of funding per quarter which may not cover all tuition costs. The quarter that funding begins is determined by when you apply and sign the ESA contract. With tax credit scholarships, there is a potential for scholarships to cover 100% of tuition costs.
- » ESAs require parents to submit tuition statements (monthly or quarterly) to receive payment. Parents must also pay a 2% processing fee to ClassWallet, reducing the funds available to pay tuition costs. STOs can provide tuition payments throughout the school year as long as the total scholarships paid do not exceed the student's annual tuition amount. ACSTO does not charge any fees to parents, schools, or donors.
- » STOs are allowed to communicate with schools regarding students who are enrolled and their tuition needs. ESA staff can only communicate with parents and cannot provide schools with any information.



Can parents use both tax credit scholarships and ESA funds at the same time as payment for tuition?

» No. Parents cannot simultaneously use tax credit scholarships and ESA funds to pay tuition for the same student. If a parent accepts ESA funds and chooses to use the funds for other expenses such as tutoring or special services, and not tuition, then they must pay their student's tuition out of their own pocket. A student cannot receive ESA funds and tax credit scholarships at the same time regardless of how the parent chooses to spend the ESA funds. This would be a clear violation of the ESA contract.



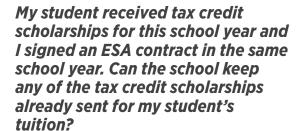
Which funding source should I choose—ESA or tax credit scholarships?

- » Each family's situation is different. Consider the following:
 - The cost of tuition for each student.
 - The anticipated amount the student would receive from each program.
 - Your family's financial ability to pay any outstanding tuition due after ESA funds or tax credit scholarships are applied.
- » If an ESA would fully cover the student's tuition, using an ESA may be the best option. For the 2024-2025 school year, ESA funding is approximately \$4,500 for Kindergarteners and \$7,500 for students in 1st-12th grades, if you signed your contract during Quarter 1.
- » If you choose to use an ESA and the student's tuition exceeds the ESA funding, the parent is responsible for paving any balance due.
- » If your student already received tax credit scholarships for the 2024-2025 school year (or you anticipate receiving tax credit scholarships during future award cycles) in excess of the ESA amounts, continuing to use tax credit scholarships may be your best option.
 - Check your school tuition account or contact your school to determine the total amount of all tax credit scholarships applied to your student's tuition for the current school year.
 - To see the amount ACSTO has awarded your student this school year, log in to your <u>Parent</u> Portal and select Award History.



If I decide to sign an ESA contract, do I need to notify ACSTO and my student's school?

Yes. As soon as you sign an ESA contract, it is very important to call ACSTO at 480.820.0403 to update your student's record in our database. It is equally important that you inform your school as well.





- » No. Per the STO Manual published by The Arizona Department of Revenue (ADOR):
 - Pursuant to A.R.S. §15-2402(B)(3), an ESA account holder agrees to not receive any STO scholarships in the same contract year as an ESA. The ESA contract year is July 1st through June 30th. Once there is a signed ESA contract, all STO monies that have been remitted to a private school for the same contract year must be returned to the STO regardless of when the ESA contract was signed or when the STO remitted scholarship money to a private school for the same academic year.
- Therefore, if the parent signs an ESA contract, the school must return ALL tax credit scholarships paid out for the school year to the awarding STO(s) and the parent is then responsible for any balance of tuition owed.



If a parent ends an ESA contract during the school year, can tax credit scholarships be sent to the student's school beginning the quarter after the contract is cancelled?

- Yes. While ACSTO does not encourage the practice of "switching" from an ESA to tax credit scholarships during a school year, under certain circumstances it may benefit a parent financially to cancel their ESA contract to use tax credit scholarships. Per the STO Manual published by the ADOR:
 - If the parent closes the ESA contract during the school year there will be no conflict for the student to receive an STO scholarship for the remainder of the academic year after the ESA contract was cancelled. Parents that withdraw from the ESA program will receive an email indicating their ESA account is closed which can be provided to the STO for verification.
 - STOs are not to award scholarships for a period in which ESA money was received. STO funding may begin the quarter following the ESA contract cancellation. For example, if the ESA contract is cancelled in November (Quarter 2) an STO scholarship can be awarded beginning in January (Quarter 3) to cover Quarters 3 and 4. If a parent cancels their ESA contract prior to receiving and/or spending any ESA funding, an STO may award a scholarship for the same quarter(s) only if the parents can provide documentation that no money was received and/or spent. Please note that parents will not be eligible to sign another ESA contract until July 1 of the next contract year.



What happens to tax credit scholarships returned to ACSTO because my student is using an ESA?

- Funds returned by schools to ACSTO will be held in the student's name as a Multi-Year Scholarship to be used for future tuition at one of our Partner Schools after the ESA is discontinued.
- » **IMPORTANT!** If your student has Multi-Year Scholarship funds being held at ACSTO:
 - The student must stay continuously enrolled at an ACSTO Partner School.
 - The parent must continue to submit an ACSTO Scholarship Application in subsequent school years, even if the student is using an ESA.
- » If these conditions are not met, ACSTO will re-award the student's Multi-Year Scholarship to another student at the same school after 18 months.



Can my student still be considered for scholarship awards from ACSTO while receiving ESA funding?

» If ACSTO has a current Scholarship Application for your student and he/she is enrolled at one of our Partner Schools, they can be considered for and awarded scholarships, however, any awards will be held for the student as a Multi-Year Scholarship since they cannot be sent to the school while the student is accepting ESA funding.



Can one child in our family use an ESA and another child use tax credit scholarships?

Yes, there is nothing in the law to prevent a family from using an ESA for one child and tax credit scholarships for a different child since both programs are studentbased, not family-based.



What can I do to learn more about how to afford Christian Education?

» Attend an ACSTO Parent Workshop where we discuss both ESA and tax credit scholarship opportunities, and how the Tax Credit Program works. Parent Workshops are offered online via Zoom and on many of our Partner School campuses. Visit <u>acsto.org/</u> parents/workshops for details.

For more information about ESA, visit azed.gov/esa

For more information about ACSTO, visit ACSTO.org

