

ERCS Scrip Program Verification of Tax Considerations

Please read through the following information as part of the scrip program agreement. Sign your initials and date at the end of each paragraph to verify that you have read and agree to the given information.

According to information from the Internal Revenue Service, parents, grandparents, and other individuals who purchase Scrip from a school sponsored program for their own **personal use** may designate who is to receive any applicable **school** credits/rebates without any income or gift tax consequences. Always consult your tax professional for clarification.

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(date)

The IRS also noted that when grandparents and other individuals purchase Scrip and then apply any credits/rebates towards a family's account with East Richland Christian Schools, gift tax consequences could result.

However, if parents, grandparents and other individuals purchase Scrip from the sponsoring organization and then **resell** the Scrip to others, any profit is in effect a commission the purchaser is receiving for their efforts to resell the Scrip. The exact income and tax withholding requirements in this case will depend on all of the specific facts and circumstances. Always consult your tax professional if needed.

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Please note that the IRS did caution that income tax issues could arise if Scrip is used to purchase items that will be deducted as a business. The rebates received on Scrip generally are not income, but the rebates reduce the basis of the item purchased. Therefore, the business expense deduction would equal the cost of the item less any rebate from the Scrip. In order to avoid confusion, a better practice would be to limit Scrip credits/rebates to cases when the Scrip will be used to purchase items for the individual's personal use. For further clarification, always consult your tax professional.

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