



# Monsignor Lafferty Tuition Foundation

## Frequently Asked Questions

### Background Information

#### 1. What is the Educational Opportunities Act?

This Act, passed by the Iowa Legislature in 2006, allows Iowa taxpayers to receive a tax credit equal to sixty-five percent (65%) of the total amount of voluntary contributions made to a School Tuition Organization.

#### 2. What is a School Tuition Organization?

A School Tuition Organization (STO) is a charitable organization that receives voluntary contributions from Iowa taxpayers and allocates those funds in tuition grants to Iowa school children, who in turn use those grants to attend one of the non-public schools represented by the STO. At least ninety-percent of the money received by an STO must go back out in tuition grants.

#### 3. Who may receive these tuition grants?

The Act itself restricts tuition grants to students living in households with income that does not exceed an amount equal to three times the federal poverty guideline for their family size. Students must be Iowa residents.

#### 4. How does the STO program benefit families in Iowa?

The tuition grants created by the STO program will give a choice to those families who would have otherwise been unable to afford a non-public school.

#### 5. Has this type of program been established anywhere else in the country?

Yes. Programs such as these have been approved in Arizona, Florida, Pennsylvania and Rhode Island.

### Donating Process

#### 6. Who is eligible for the tax credit?

Any individual taxpayer who makes a voluntary contribution to the STO is eligible for the tax credit. C-Corporations, S-Corporations, LLC's and partnerships also can qualify for the tax credit.

#### 7. How does a tax credit work and how is it different than a tax deduction?

A tax deduction reduces the total amount of income on which a person's tax is computed. With a tax credit, the amount of the tax credit is taken directly off the amount a person pays in state taxes thus providing the donor with a much greater financial return. As an example, a person who originally owed \$2,000 in state income taxes, donating \$1,000 to a School Tuition Organization, would receive 65% of the \$1,000 – or \$650 – taken off of their state income tax bill. The person would only pay \$1,350 in state income taxes as opposed to the original \$2,000.

#### 8. What about my Federal income tax?

You may still take the entire amount of your donation as an itemized deduction on your Federal income tax return.

#### 9. What if I don't itemize my taxes?

Even if you don't itemize your taxes you can take advantage of the 65% Iowa Income Tax Credit. You would not be able to take a federal deduction however.

#### 10. Can MLTF accept non-cash items?

Yes, non-cash items such as shares of stock or mutual funds are accepted. Grain donations can also be accepted with an approximate \$1000 minimum value.

**11. When I donate, may I designate a student to receive the tuition grant?**

No, a donor may not specify a student or family for the tuition grant, but may designate a portion of their gift to any accredited nonpublic school supported by the STO.

**12. May gifts to MLTF be designated to an individual school?**

Yes. It is possible for a donor to designate their gift to an individual school or system represented by the STO.

The designation of any gift shall be limited to the definition of an eligible student by the Code of Iowa and the criteria established by the Board of Directors of the Monsignor Lafferty Tuition Foundation. If a school has met their designated goal, donations may be redirected to a school that has not met their designated goal.

Unlike an endowment fund, donations cannot be held to support future needs. Therefore, the STO must raise funds annually and present scholarships annually to meet the ongoing needs of the eligible families.

**13. Does this program conflict with the existing tuition tax credit offered to taxpayers in Iowa?**

No. The tuition tax credit program is completely separate from donations to an STO. The tuition tax credit program provides a tax credit to parents/guardians for the first 25% of tuition paid by the parents up to a maximum credit of \$250 per child in grades K-12.

**14. What documentation is needed with donations?**

All donors paying by check must complete a 2017 Donor Gift Form. These forms are available on the diocesan website or by contacting one of the 16 school systems throughout the Diocese of Sioux City.

**15. Can I make my donation online?**

Yes. Donors can make their gifts online by visiting the Diocesan website: [www.scdiocese.org](http://www.scdiocese.org). Donations can be made using a credit or debit card. The website has security precautions in place to protect our donors.

**16. When will I receive my tax credit certificate?**

Tax credit certificates will be mailed to all MLTF donors in January 2018.

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***Need more information?***

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