

Our Faith, Our Children, Our Future School Tuition Organization

Frequently Asked Questions

Updated: June 1, 2010

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 cash 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 cash 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.

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 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 a 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. Is there a limit on the tax credit?

The law requires that all tax credits equal 65% of the gift for the tax year in which the gift is received. Our Faith, Our Children, Our Future Student Tuition Organization can give tax credit certificates equal to \$2,499,786 for 2008, based upon the total student enrollment of the STO.

11. Is there a limit on the size of individual gifts accepted by the "Our Faith, Our Children, Our Future School Tuition Organization?"

The STO can accept any size gift until the total tax credit limit has been reached.

12. Can the Our Faith, Our Children, Our Future School Tuition Organization accept non-cash items?

Yes, non-cash items such as shares of stock or mutual funds are accepted.

13. 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 non-public school supported by the STO.

14. May gifts to the "Our Faith, Our Children, Our Future School Tuition Organization" be restricted to an individual school?

Yes. It is possible for a donor to restrict 50% of their gift to an individual school or system represented by the STO. It is important to note, however, that once the identified needs of the families attending that school have been met, as determined by an outside agency, any unused restricted donations will be distributed to other needy families at other STO schools where the local need has not been met. 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.

15. 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.

Application Process

16. Who is eligible to apply?

Only those families whose gross income is at or below 300% of the poverty level, and meet all local admissions requirements, qualify for assistance through this program. Other families who do not qualify for this program but feel they need additional assistance should contact their local school.

17. What are the income levels to qualify for assistance?

***STO Qualifying Levels 2010-2011**

Family Size	*Maximum Income	**Family Size	***Maximum Income
Two	\$43,710	Five	\$77,370
Three	\$54,930	Six	\$88,590
Four	\$66,150	Seven	\$99,810

* STO qualifying levels are based upon 300% of 2010 Federal Poverty Levels as required by Iowa law.

**Family size includes parent(s)/guardian(s) plus total number of dependents claimed on 2009 tax return.

*** Families are eligible for **STO assistance** if their taxable income is at or below the above listed income levels. Local assistance is not based upon the above. Falling within these guidelines does not necessarily guarantee tuition assistance.

**** For each additional dependent add \$11,220.

18. In addition to income level and number of dependants, will other factors be considered to determine the level of assistance to be awarded?

The amount of tuition assistance awarded to individual families will take into consideration such factors as; family income, number of dependants, cost of tuition, and cost of living in the area. It will not take into account factors such as retirement funds, mortgage levels, or consumer debt.

19. Do tuition grants received by a family through this program impact local tuition assistance gifts to that same family?

The STO will issue gifts to families based upon that families' identified need. Any additional assistance presented to that family would be a local decision.

20. Is there an appeal process if the total level of tuition assistance is perceived to be insufficient?

No. There will be no additional funds available for a broad-based STO appeal process.

21. What are the deadlines for the application process?

Applications for the following school year will be made available by February 1st. Applications will be due sometime the middle of March. Actual dates will be made available in January.

22. Will families need to reapply for tuition assistance every year they have children enrolled in an STO School?

Yes. In order to receive tuition assistance a family will need to apply each year. It is important to note that assistance is based upon need, thus a family is not guaranteed assistance from year to year. This is due to changing poverty levels, family income, number of dependants, needs of other STO schools and future legislative action.

23. What if a student transfers to another parochial school participating in the STO?

The remaining amount of assistance will be applied to the student's tuition at the new school.

24. What if a student who has received assistance, withdraws before the end of the school year?

The amount of the assistance will be pro-rated based upon the number of days the student attends the school.