



**HELPING MAKE CATHOLIC EDUCATION MORE AFFORDABLE**

**Leadership Newsletter**

**March 2009**

Dear Friends of Catholic Tuition Organization,

First and always, thank you for your generous and continued support of the Catholic Tuition Organization. As a member of our leadership circle, you represent a unique mix of philanthropic support, love for Catholic schools and the savvy to recognize the generous tax benefits associated with a donation to the CTO.

Because of your leadership, the CTO raised \$1,382,674 in 2008 and for that we are very grateful! Thank you!

2008 proved to be a challenging year, as you can imagine. Both September and October, typically very good months for contributions, fell to almost zero when the wave of concern about the economy hit Iowa. Even so, we were able to exceed our 2007 contributions though left tax credits unused.

With the state allowing \$7.5 million in tax credits for use by private schools, we don't want to leave a single penny on the table.

Our goal in 2009 is \$1,959,771 ... and this newsletter along with many other strategies will help get the purpose and benefit of CTO to other leaders like you. Please assist us in spreading the word about CTO, your help is greatly appreciated!

Thanks!

A handwritten signature in black ink, appearing to read "Jerry".

Jerry Deegan  
President

A handwritten signature in black ink, appearing to read "Jeanne".

Jeanne T. Wells  
Program Manager

***P.S. After you've read this newsletter, would you pass it on to a neighbor or friend? THANKS!***

2009 donation form available at  
**[www.CTODsmdiocese.org](http://www.CTODsmdiocese.org)**

**Catholic Tuition Organization**

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### BOARD OF DIRECTORS

The board of directors of the Catholic Tuition Organization strives to maintain a balance of individuals who provide technical expertise while geographically representing the Diocese as parishioners, staff and clergy.

- Dr. Jerry Deegan, President**  
President, Dowling Catholic High School
- Jim Berens, Vice President**  
Retired President, Norwest Financial
- Bruce Baker, Secretary**  
Attorney, Nyemaster Goode Law Firm
- Andy Biller**  
Hawker Beechcraft Corp.
- Msgr. Frank Bognanno**  
Pastor, Christ the King
- Mary Kelly**  
Community Volunteer
- Jim Gibbons**  
Wachovia Securities
- Jane Gaffney**  
CPA, Hamilton Juffer
- Scott Turczynski**  
Partner, Heartland Finishes

Ex-officio members:

- Dr. Luvern Gubbels**  
Superintendent  
Diocese of Des Moines Catholic Schools
- Tammy Mason, CTO Treasurer**  
Chief Financial Officer  
Diocese of Des Moines
- Joan Bindel**  
Development Director  
Diocese of Des Moines

Staff:

- Jeanne Wells, Program Manager**  
Catholic Tuition Organization

### CONTRIBUTION OPTIONS EXPANDED

Options for contributing to the Catholic Tuition Organization continue to expand:

**Credit Cards:** New this year is the acceptance of credit cards. Many donors enjoy the benefits of reward programs when using their credit card for payment of their contribution.



MasterCard, Visa & American Express accepted

**Checks:** As always, personal checks are welcome!

**Multiple Payments:** Payment programs are now available for those who would like to spread their contribution over several months.

**Stock:** Stock transfers are a typical form of donation. For stock transfer instructions, please contact Jeanne at (515) 237-5010 or [jwells@dmdioocese.org](mailto:jwells@dmdioocese.org).



*Dear Mom & Dad,*

*Thank you for sending me to this School. My school helps me to understand God. It helps me feel better.*

*Love,  
Mark*

### THE "TRUE COST" OF DONATING

The out-of-pocket cost of contributing to the CTO is practically nil for many top tax bracket donors.

It's true ... the tax benefits including the 65% Iowa tax credit and the deductibility of the contribution as a charitable gift when you itemize on your federal tax return can result in a near-zero net cost to the donor. For example:

Contribution to CTO	\$10,000
65% tax credit	- 6,500
Approx. federal tax savings	- <u>3,100</u>
Net cost	\$ 400 ... or as little as 4%

A donor in the 25% to 33% federal tax brackets could have a tax savings up to approximately \$2,500 resulting in a \$1,000 net cost...or as little as 10% of the original contribution. The percentage varies based on each individual's personal tax situation.

Students receive tuition assistance; donors receive tax benefits and Iowa taxpayers save the cost of public education for students financial at-risk of leaving our Catholic schools. It truly is a win-win for everyone.

As always, donors should consult their tax advisors to determine individual consequences based upon their particular situation.

### Did you know?

CTO tax credits earned in a given year can be carried forward and used over the next five years.

## Iowa Estimated Quarterly Payments—Pay the Students Instead!

Some donors who pay estimated quarterly taxes have offered a unique approach to managing their cash flow... they contribute to the CTO in lieu of paying Iowa estimated tax payments.

With the 65% tax credit available with a contribution to CTO, the contribution provides the benefit of tuition assistance and the tax credit will satisfy the amount of tax due. The amount of the contribution is also deductible as a charitable contribution on your Federal Income Tax Return. If you have made a payment earlier in the year to CTO and with year end tax planning you owe additional tax, a second contribution can be paid (prior to 12/31/2009) to the CTO to reduce your Iowa liability instead to making a 4<sup>th</sup> quarter Iowa deposit.

Jane Gaffney, CPA with Hamilton Juffer and Associates and a member of the CTO board, recognizes that astute contributors use the tax savings from the CTO tax credits to cover the amount owed to the State of Iowa. "The benefits to taxpayers through the CTO allow donors to time manage both their charitable contributions and Iowa tax liability. In addition to being so beneficial to students, it is a great advantage for donors as well."



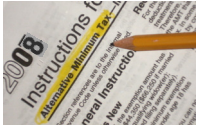
## TUITION ASSISTANCE PROVIDED TO 1,100+

Over 1,600 students applied for financial assistance for the 2008-2009 school year with 1,114 qualifying for an award from the Catholic Tuition Organization. Qualifying is based on income guidelines, family size and providing proper documentation (including filed income tax forms).

At any given time, the CTO is working in three different years at once. Funds raised in 2007 plus interest were distributed to families for the 2008 school year. Also during 2008, contributions were received for the 2009-2010 school year.

Thanks to our donors, awards distributed this fall for the 2008-2009 year totaled \$1,216,450 based on the individual needs of the student. Here's a recap of the distribution:

<u>SCHOOL</u>	<u>TOTAL AWARDS</u>	<u>SCHOOL</u>	<u>TOTAL AWARDS</u>
Assumption School, Granger	\$ 3,270	St. Anthony School, Des Moines	\$ 74,990
Christ the King School, Des Moines	\$ 69,932	St. Augustin School, Des Moines	\$ 16,810
Dowling Catholic High School, West Des Moines	\$ 359,073	St. Francis of Assisi School, West Des Moines	\$ 14,595
Holy Family School, Des Moines	\$ 121,090	St. Joseph School, Des Moines	\$ 49,923
Holy Trinity School, Des Moines	\$ 76,120	St. Malachy School, Creston	\$ 36,484
Sacred Heart School, West Des Moines	\$ 53,537	St. Patrick School, Perry	\$ 50,684
Shelby County Catholic School, Harlan	\$ 11,735	St. Pius X School, Urbandale	\$ 23,330
St. Albert Schools, Council Bluffs	\$ 194,765	St. Theresa School, Des Moines	\$ 60,112



## CTO AND ALTERNATIVE MINIMUM TAX ... DOES IT WORK?

Are contributions to the CTO more beneficial for tax purposes if you are subject to Alternative Minimum Tax ("AMT")?

The short answer...yes. The amount of the increased federal tax savings from the charitable contribution to CTO will vary depending upon the extent the donor is subject to AMT.

If a donor is not subject to AMT, they will get a **credit** equal to 65% of the CTO donation on their Iowa tax return and a **deduction** on their federal income tax return equal to the amount of the CTO deduction when they itemize. The federal tax savings will be slightly reduced,

however, by a lower deduction for state income taxes, since the CTO credit will lower their Iowa taxes that are claimed as a itemized deduction on the federal return.

However, if a donor is subject to AMT, there is no 'loss' of a reduced Iowa tax deduction since state income taxes are not allowed as a deduction in calculating AMT.

In conclusion, if a donor is subject to the federal AMT in an amount equal to or greater than the Iowa tax credit, their federal tax savings would not be reduced and the overall tax benefit from the CTO contribution will be greater than if they were not subject to AMT.



*Dear CTO donors,*

*Thank you so much for your generosity in helping families send their children to St. Joseph school. I used to attend public school, but now both me and my brother attend St. Joseph. It is so much better here. I am finally at a school where it is acceptable to be smart and to want good grades. Thanks to your help, next year I will get to attend Dowling High School. I can't wait to start high school there. Thanks to CTO, I will have a lot more opportunities to succeed.*

*Natalie*



## LEVERAGING YOUR CONTRIBUTIONS

Are you planning to give, let's say, \$5,000 to charity this year? Perhaps even to a capital campaign or endowment at your parish or school. You'd like to contribute to CTO as well but feel you can't give any more than you've already designated.

Remember, with the 65% tax credit on CTO contributions, the tax credit is as good as money in the bank at the end of the year. The tax credit is subtracted from the amount you owe on your Iowa taxes. You can now give those savings to your other charity of choice. Consider this ...

A \$10,000 contribution to the CTO, after both state and federal tax considerations, could have a net cost to you of less than \$1,000\*. With a \$1,000 'spent' on CTO, you still have \$4,000 to give to your charity of choice. Your total out-of-pocket cost of \$5,000.

When you think of your gifts this way, you are providing \$14,000 in organizations you value while keeping your actual costs within your budget. Leveraging your total contributions, using the Iowa tax credits and federal deductibility allowed with your contributions, allows you better manage your tax liability and charitable gifts *and* benefits the students and schools throughout the Diocese.

\* Actual cost for high bracket donors can range from 4 to 10% of the contribution. Please see your own tax advisor.