

# Iowa Lutheran School Tuition Organization

## Frequently Asked Questions

### Background Information

#### **What is the Educational Opportunities Act?**

The Educational Opportunities Act was passed by the Iowa Legislature in 2006. It allowed 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. This was raised to 75% by the legislature in spring of 2021.

#### **What is a School Tuition Organization (STO)?**

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.

#### **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 4.0 times the federal poverty guideline for their family size. Students must be Iowa residents.

#### **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.

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

Yes. Programs such as these have been approved in 18 states.



The Education Savings Account (ESA) program will also be implemented this year in the state of Iowa. ILSTO funds will be awarded first followed by the ESA funds. It is important for all eligible families to apply for both ILSTO AND ESA funding.

### Donating Process

#### **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.

#### **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 75% of the \$1,000 – or \$750 – taken off of their state income tax bill. The person would only pay \$1,250 in state income taxes as opposed to the original \$2,000.

#### **What about my Federal income tax?**

25% of your donation qualifies as an itemized charitable deduction on your Federal income tax return.

#### **What if I don't itemize my taxes?**

Even if you don't itemize your federal taxes you can take advantage of the 75% Iowa Income Tax Credit.

#### **Can ILSTO 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 \$1,000 minimum value.

#### **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 LCMS Iowa school.

#### **May gifts to ILSTO be designated to an individual school?**

Yes. It is possible for a donor to designate their gift to a school 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 ILSTO. If a school has met their designated 70% of need, donations may be redirected to a school that has not met their designated need.

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.

### 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 25% of the first \$2,000 tuition paid by the parents up to maximum credit of \$500 per child in grades K-12.

### What documentation is needed with donations?

All donors paying by check, cash, grain or stock must complete a 2023 Donor Gift Form. These forms are available on the ILSTO website or by contacting one of the 14 ILSTO Iowa Lutheran School.

### Can I make my donation online?

At this time ILSTO does not take online donations.

### When will I receive my tax credit certificate?

Tax credit certificates will be mailed to all ILSTO donors in January 2024.



## Application Process

### Who is eligible to apply?

All families are encouraged to apply for ILSTO Tuition Assistance. STO funds will be distributed before ESA funding.

### What are the deadlines for the application process?

Applications are due by May 1, 2023.

### Can I apply online?

No. Online applications are not yet available for ILSTO.

### Who determines the level of assistance awarded?

The amount of tuition assistance awarded to individual families is determined by the ILSTO Board of Directors.

Eligibility does not ensure an award. The awards are dependent on amount of donations.

### What are the income levels for eligibility?

#### 2023 Eligibility Guidelines for the 48 Contiguous States

Household Size	Eligibility Guideline	4 x Eligibility Level
1	\$14,580	\$58,320
2	\$19,720	\$78,880
3	\$24,860	\$99,440
4	\$30,000	\$120,000
5	\$35,140	\$140,560
6	\$40,280	\$161,120
7	\$45,420	\$181,680
8	\$50,560	\$202,240
for each additional person add	<b>5,140.00</b>	<b>20,560.00</b>

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

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

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

No. Award decisions are final. Award is solely based on total income from the 1040 form.

### Will families need to reapply for tuition assistance every year they have children enrolled in a Lutheran 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 income eligibility, thus a family is not guaranteed assistance from year to year.

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

**Procedures for students leaving:** Schools are required to inform the Program Manager of ILSTO of award recipients that did not complete the fall/spring semester of the current academic year. This notification should include the name of the student and the last date attended at the school location. The award will be based on enrollment days and the remaining award will be used for another eligible family or sent back to the ILSTO program manager.

**Procedures for students transferring to another Lutheran school during the school year:** If a student transfers to another Iowa Lutheran school at any time during the school year, their award will be figured on a pro rata basis and the amount left will transfer with them to the new school.

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SEE WHAT THE STO PROGRAM HAS

DONE OVER THE YEARS IN IOWA

	Total				
	Scholarship Counts	Scholarships	Contributions	Credits	Number of Certificates Issued
2006	487	\$296,867	\$3,846,436	\$2,499,906	1,125
2007	7,527	\$3,977,969	\$7,439,827	\$4,873,876	1,850
2008	8,699	\$7,369,576	\$9,539,022	\$6,200,378	2,829
2009	9,524	\$9,109,979	\$11,390,228	\$7,402,023	3,161
2010	10,222	\$10,938,484	\$11,538,122	\$7,499,991	3,027
2011	10,588	\$10,933,806	\$11,537,561	\$7,499,415	2,834
2012	10,471	\$11,326,286	\$13,461,567	\$8,749,999	3,105
2013	10,388	\$12,662,735	\$13,461,507	\$8,749,980	2,996
2014	10,494	\$13,505,269	\$18,458,723	\$11,997,889	3,708
2015	10,848	\$17,611,871	\$18,461,535	\$11,999,999	3,396
2016	10,792	\$17,120,251	\$18,461,534	\$12,000,001	3,484
2017	10,752	\$17,686,369	\$18,461,866	\$12,000,206	3,054
2018	10,791	\$17,413,350	\$18,380,090	\$11,947,058	2,576
2019	12,538	\$18,351,386	\$17,607,458	\$11,271,807	3,291
2020	12,071	\$17,657,157	\$19,573,018	\$12,576,625	4,072
2021	12,673	\$18,563,648	\$20,270,045	\$15,000,000	3,367
Overall Total	158,865	\$204,525,003	\$231,888,540	\$152,269,152	47,875
Overall Average	10,559	\$13,615,209	\$15,202,807	\$9,984,616	2,992

# ILSTO LCMS SCHOOLS IN IOWA for 2023-2024

Trinity Lutheran School <i>Boone, IA</i>
Valley Lutheran School <i>Cedar Falls, IA</i>
Trinity Lutheran School <i>Cedar Rapids, IA</i>
Clarinda Lutheran School <i>Clarinda, IA</i>
Trinity Lutheran School <i>Davenport, IA</i>
Unity Ridge Lutheran School <i>Denison, IA</i>
St Paul Lutheran School <i>Fort Dodge, IA</i>
St. Paul Lutheran School <i>Latimer, IA</i>
Central Lutheran School <i>Newhall, IA</i>
Zion St John Lutheran School <i>Paullina, IA</i>
Community Lutheran School <i>Readlyn, IA</i>
St. Paul Lutheran School <i>Sioux City, IA</i>
Iowa Great Lakes Lutheran School <i>Spencer, IA</i>
Lutheran Interparish School <i>Williamsburg, IA</i>

## OTHER LCMS SCHOOLS IN IOWA

Mount Olive Lutheran School  
Des Moines, IA  
Heart of Iowa School Tuition  
Organization (STO)