

School Tuition Organization Tax Credit

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STO Tax Credit

- ▶ First available in tax year 2006
- ▶ Awarded to taxpayers who make voluntary cash contributions to a qualifying school tuition organization that provides tuition grants to eligible students
- ▶ Tax credit equals 65% of contribution amount
 - Cannot claim donation as Iowa itemized deduction but can claim as federal itemized deduction
- ▶ Nonrefundable with 5 year carryforward

STO Tuition Grants

- ▶ Donor cannot direct contribution to a student
- ▶ Eligible student is a member of a low-income household living in Iowa
 - Total annual income during the calendar year before the student receives a tuition grant does not exceed three times the federal poverty level
- ▶ Tuition grant covers all or part of the tuition at an accredited nonpublic elementary or secondary school

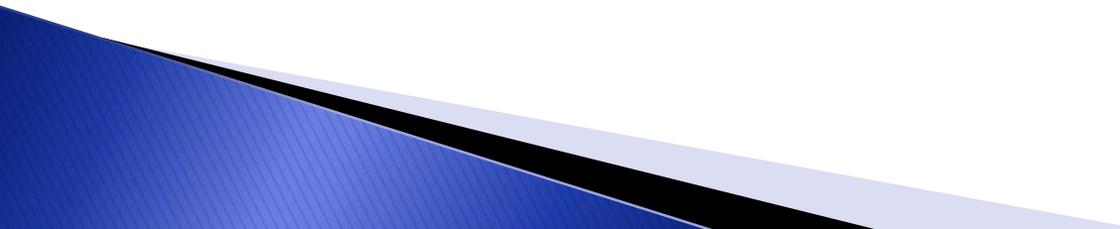
STO Tax Credit Award Caps

- ▶ \$2.5 million for tax year 2006
- ▶ \$5.0 million for tax year 2007
- ▶ \$7.5 million for tax years 2008 through 2011
- ▶ \$8.75 million for tax year 2012 and 2013
- ▶ \$12 million for tax year 2014 and subsequent tax years

Administrative Steps

- ▶ November 1 – Schools must report to IDR certified enrollment as of October 1
 - ▶ STOs collect and report enrollment for participating schools and note if any participating schools changed affiliation
 - ▶ IDR uses this data to allocate the tax credit award cap among the STOs for the following year
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STO Tax Credit Allocation Process

- ▶ For 2015, 11 STOs together reported total certified enrollment of 33,465
 - ▶ IDR calculated per student tax credit of \$359 based on the \$12 million annual cap
 - ▶ Each STO allocation equals the per student tax credit by STO's certified enrollment
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STO Allocation for 2016

<u>NAME</u>	<u>LOCATION</u>	<u>TAX CREDITS</u>
Our Faith, Our Children, Our Future School Tuition Organization	Dubuque	\$3,532,766
Catholic Tuition Organization, Diocese of Des Moines	Des Moines	\$2,095,921
Monsignor Lafferty Tuition Foundation	Sioux City	\$1,910,892
Northwest Iowa Christian Schools Tuition Organization	Sioux Center	\$979,292
School Tuition Organization of Southeast Iowa	Clinton	\$803,944
Heart of Iowa School Tuition Organization	Des Moines	\$773,823
Mississippi Valley School Tuition Organization	Davenport	\$716,809
Iowa Lutheran School Tuition Organization	Waterloo	\$534,648
Legacy of Grace School Tuition Organization	Pella	\$384,043
Iowa Independent School Tuition Organization	Fairfield	\$223,398
North Central Iowa STO	Fort Dodge	\$44,464
TOTALS		<u>\$12,000,000</u>

Annual Reporting Requirements

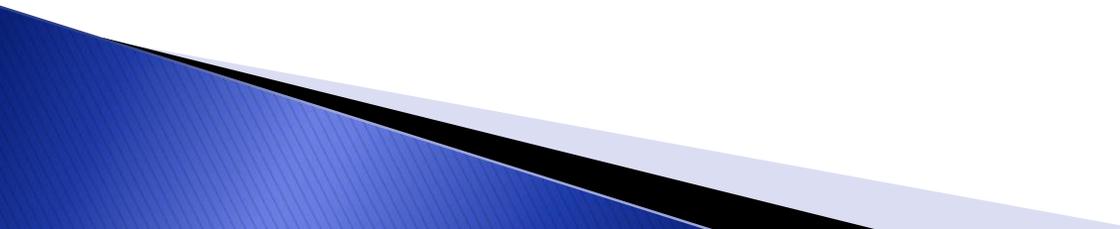
- ▶ STO annual report to IDR due January 12
 - Names and addresses of board members
 - Number and value of contributions received and tax credits awarded in prior year
 - List of individual donors and tax credits awarded
 - Name and address of each school awarding tuition grants for the school year beginning during the covered year
 - Number of children using tuition grants and total value of tuition grants within STO

STO Tuition Grant Statistics

Award Year	Amount of Contributions	Amount of Tuition Grants the Following School Year	Number of Tuition Grants	Average Tuition Grant	Percent of Contributions Distributed as Tuition Grants
2006	\$3,846,436	\$3,813,752	7,519	\$507	99.2%
2007	\$7,439,827	\$7,205,480	8,599	\$838	96.9%
2008	\$9,538,522	\$9,109,979	9,451	\$964	95.5%
2009	\$11,394,228	\$10,938,484	10,222	\$1,070	96.0%
2010	\$11,538,862	\$10,933,806	10,588	\$1,033	94.8%
2011	\$11,536,961	\$11,326,286	10,471	\$1,082	98.2%
2012	\$13,461,567	\$12,662,735	10,388	\$1,219	94.1%
2013	\$13,461,507	\$13,505,269	10,494	\$1,287	100.3%
2014	\$18,329,839				
Totals through 2013	\$82,217,910	\$79,495,792	77,732	\$1,023	96.7%

- ▶ Through 2013, \$82 million in contributions received generating nearly \$80 million in tuition grants
- ▶ 2014 donations used to fund 2015–16 tuition grants reported January 2016

IDR Monitoring Requirements

- ▶ Based on annual report data, confirms each STO met the Code requirement that at least 90% of contributions for which tax credits were awarded are distributed as tuition grants
 - ▶ Confirms that all required taxpayer information was reported for donors so claims can be verified
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Distribution of STO Tax Credit Awards by Taxpayer Type

- ▶ Effective July 1, 2009, up to 25% of tax credit awards could be made to corporations

Award Year	Awards to Individuals			Awards to Corporations			Individual Award Share
	Number of Awards	Total Awards	Average Award	Number of Awards	Total Awards	Average Award	
2006	1,125	\$2,499,904	\$2,222				
2007	1,840	\$4,855,325	\$2,639				
2008	2,823	\$6,189,256	\$2,192				
2009	3,153	\$7,388,283	\$2,343	2	\$1,300	\$650	99.98%
2010	3,009	\$7,310,000	\$2,429	19	\$189,280	\$9,962	97.48%
2011	2,817	\$7,405,752	\$2,629	18	\$93,661	\$5,203	98.75%
2012	3,088	\$8,701,286	\$2,818	15	\$47,775	\$3,185	99.45%
2013	2,961	\$8,350,559	\$2,820	35	\$399,422	\$11,412	95.44%
2014	3,644	\$11,020,013	\$3,024	62	\$975,756	\$15,738	91.87%
Total	24,460	\$63,720,378	\$2,605	151	\$1,707,194	\$11,306	97.16%

STO Tax Credit Claims

Tax Year	Number of Claims	Total Carried Forward from Previous Year	Total Current Year Amount	Total Applied to Tax Liability	Total Carried Forward
2006	1,119	\$0	\$2,425,691	\$2,190,454	\$253,312
2007	2,022	\$239,335	\$4,824,812	\$4,473,937	\$591,865
2008	3,169	\$565,622	\$6,068,983	\$5,592,242	\$1,054,843
2009	3,799	\$1,004,732	\$7,305,290	\$6,862,715	\$1,450,847
2010	3,998	\$1,269,958	\$7,515,765	\$7,310,977	\$1,480,479
2011	3,907	\$1,513,829	\$7,496,293	\$6,792,114	\$2,219,506
2012	4,043	\$1,909,524	\$8,658,531	\$8,533,287	\$2,042,747
2013	3,589	\$1,394,674	\$8,353,995	\$8,010,500	\$1,762,125
2014	3,983	\$1,231,567	\$9,895,296	\$9,365,406	\$1,727,090
Total	29,629		\$62,544,656	\$59,131,632	

Source: Iowa Department of Revenue IA 148 Tax Credit Schedules
Note: Tax credit collection and verification for tax years 2013 and 2014 are incomplete.

STO Tax Credit Claims by Tax Type

Tax Year	Individual		Corporation	
	Number of Claims	Total Applied to Tax Liability	Number of Claims	Total Applied to Tax Liability
2006	1,119	\$2,190,454	NA	NA
2007	2,022	\$4,473,937	NA	NA
2008	3,169	\$5,592,242	NA	NA
2009	3,793	\$6,851,932	6	\$10,783
2010	3,978	\$7,023,844	20	\$287,133
2011	3,885	\$6,707,122	22	\$84,992
2012	4,028	\$8,494,485	15	\$38,802
2013	3,575	\$7,931,148	14	\$79,352
2014	3,966	\$9,036,216	17	\$329,190
Total	29,535	\$58,301,380	94	\$830,252

Source: Iowa Department of Revenue IA 148 Tax Credit Schedules
 Note: Tax credit collection and verification for tax years 2013 and 2014 are incomplete.

Timing of STO Tax Credit Claims

- ▶ For first four years, average of 3.7% expired

Award Year	First Tax Year	Second Tax Year	Third Tax Year	Fourth Tax Year	Fifth Tax Year	Sixth Tax Year	Amount Remaining
2006	87.6%	6.4%	2.4%	0.1%	0.2%	0.2%	3.2%
2007	88.8%	5.9%	1.7%	0.9%	0.1%	0.1%	2.4%
2008	84.7%	7.1%	2.1%	0.7%	0.3%	0.3%	4.8%
2009	85.6%	7.4%	1.5%	0.6%	0.2%	0.2%	4.5%
2010	87.5%	7.8%	1.2%	0.6%	0.2%		2.6%
2011	80.1%	13.6%	1.2%	0.8%			4.3%
2012	83.6%	6.5%	0.7%				9.2%
2013	82.4%	5.7%					11.9%
Average	85.1%	7.6%	1.5%	0.6%	0.2%	0.2%	4.8%

Source: Iowa Department of Revenue IA 148 Tax Credit Schedules
 Note: Tax credit collection and verification for tax year 2013 are incomplete.

Questions?

