



All Saints Catholic School
and the
McMahon Parater Scholarship Foundation



Frequently Asked Questions

Education Improvement Scholarships Tax Credits

1. How does Virginia's Education Improvement Scholarships Tax Credits Program work?

Individuals or businesses can make monetary or marketable securities donations to approved foundations. The donations will be used to provide scholarships to low-income new students of non-public schools such as All Saints Catholic School. Donors will then receive a Virginia tax credit for 65% of the donation. The Catholic Diocese of Richmond's McMahon Parater Scholarship Foundation is an approved foundation under this program.

2. What is the eligible donation amount?

The minimum monetary donation eligible for a tax credit is \$500 per year. The maximum donation amount for individuals is \$125,000 per year. There is no maximum limit for any business entity, including sole proprietorships.

3. How can individuals benefit from the tax credits?

Individuals can claim the Education Improvement Scholarships Tax Credits against Virginia personal income taxes.

4. How can businesses benefit from the tax credits?

Businesses can claim the Education Improvement Scholarships Tax Credits against:

- Corporate Income Taxes
- Virginia Bank Franchise Tax
- Virginia Insurance Premiums License Tax
- Virginia Public Service Corporations Tax
- Personal Income Taxes via pass-through entities such as S-Corporations, LLCs and Partnerships

5. What are the tax savings?

In addition to a 65% Virginia tax credit, individuals and businesses who itemize also receive federal and state deductions for charitable contributions, and therefore achieve tax savings in multiple ways. Also, donors contributing appreciated marketable securities save on capital gains tax. The Education Improvement Scholarships Tax Credits are non-transferable. They may not exceed the tax liability in a given year, but may be carried over for up to five succeeding years.

6. Can I designate a specific student to receive a scholarship?

No, as this would conflict with federal and Virginia law.

7. Can I make a gift directly to All Saints Catholic School and receive tax credits?

No, donations for tax credits must be made to approved scholarship foundations, such as the McMahon Parater Scholarship Foundation, after being preauthorized by the Virginia Department of Education.

8. Can I request that my MPSF donation be used to support students of All Saints Catholic School?

Yes, you may include a Letter of Intent with this request when you make your donation to MPSF. However, if the school does not have enough qualified applicants, the Foundation is required to award the scholarships to students at other Catholic schools within the Diocese of Richmond.



Below are a few illustrations of the tax savings. Individual circumstances may vary.
Please consult your tax advisor to discuss your specific tax savings.

Any Taxpayer earning any amount per year who DOES NOT Itemize	Any Federal Tax Bracket	WITHOUT TAX CREDITS
Donation Amount	\$5,000	\$5,000
Virginia Tax Credit	-\$3,250	--
Virginia Tax Savings (5.75%)	--	--
Federal Tax Savings (charitable deduction)	--	--
Total Tax Savings	-\$3,250	--
NET COST OF \$5,000 DONATION	\$1,750	\$5,000

Married Taxpayer earning \$80,000 per year who Itemizes	New Federal Tax Rate (12%)	WITHOUT TAX CREDITS
Donation Amount	\$5,000	\$5,000
Virginia Tax Credit	-\$3,250	--
Virginia Tax Savings (5.75%)	-\$288	-\$288
Federal Tax Savings (charitable deduction)	-\$600	-\$600
Total Tax Savings	-\$4,138	-\$888
NET COST OF \$5,000 DONATION	\$862	\$4,112

Married Taxpayer earning \$160,000 per year who Itemizes	New Federal Tax Rate (25%)	WITHOUT TAX CREDITS
Donation Amount	\$5,000	\$5,000
Virginia Tax Credit	-\$3,250	--
Virginia Tax Savings (5.75%)	-\$288	-\$288
Federal Tax Savings (charitable deduction)	-\$1,250	-\$1,250
Total Tax Savings	-\$4,788	-\$1,538
NET COST OF \$5,000 DONATION	\$212	\$3,462

Married Taxpayer earning \$500,000 per year who Itemizes	New Federal Tax Rate (35%)	WITHOUT TAX CREDITS
Donation Amount	\$5,000	\$5,000
Virginia Tax Credit	-\$3,250	--
Virginia Tax Savings (5.75%)	-\$288	-\$288
Federal Tax Savings (charitable deduction)	-\$1,750	-\$1,750
Total Tax Savings	-\$5,288	-\$2,038
NET COST OF \$5,000 DONATION	(\$288)	\$2,962



Donating Appreciated Stock

	Non-Itemizer	Itemizer- 25% rate
Market Value of Donated Appreciated Stock	\$10,000	\$10,000
Cost Basis of Stock	<u>3,000</u>	<u>3,000</u>
Long-Term Capital Gains	7,000	7,000
Savings from Not Having to Pay Long-Term Capital Gains Tax:		
Federal Tax Savings (20% Rate)	1,400	1,400
Virginia Tax Savings (5.75% Rate)	<u>403</u>	<u>403</u>
Total Capital Gains Tax Savings	1,803	1,803
Tax Savings from Donation – In Addition to Capital Gains Tax Savings:		
Virginia Tax Credit (65%)	6,500	6,500
Virginia Tax Savings (at 5.75% Rate)	0	575
Federal Tax Savings (at 25% Rate)	0	2,500
Total Savings from Donation (Excluding Capital Gains Savings)	6,500	9,575
Total Saved by Donating Appreciated Stock	8,303	11,378
Tax Savings Above Market Value of Stock	(\$1,697)	\$1,378

9. Which students will receive scholarships under this program?

These restricted gifts may only be used to provide scholarships to children who are residents of Virginia, and fit one of these criteria:

- are eligible to enter kindergarten or first grade, or
- attended a Commonwealth public school for at least half of the current or prior school year, or
- were not residents of Virginia during the preceding school year, or
- are prior recipients of a scholarship under this program.

Additionally, the student's family's annual household income must be less than 300 percent of the current poverty guidelines. For students with disabilities, the student's family's household income must be less than 400 percent of the poverty level.

10. Does this program take money away from public school students?

No. Donors receive 65% of their donation back in tax credits, but at least 90% of their donation is used to provide scholarships to students who otherwise would be enrolled in public schools. So, for every 65-cents Virginia loses in tax revenue, it gains more than 90-cents in private funds that go towards the education of a Virginia child.

11. Can I just mail in a check for a donation in order to qualify for tax credits?

No, the Department of Education requires a preauthorization process in order to qualify for tax credits.



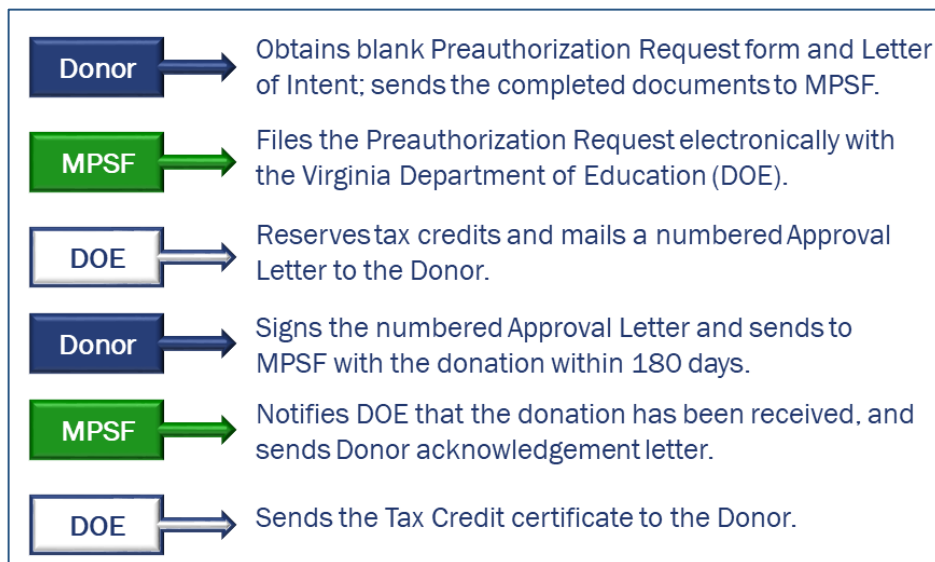
12. How much of my donation will be used to provide scholarships?

By law, foundations are required to distribute at least 90% of these donations as scholarships. The McMahon Parater Scholarship Foundation distributes 91.1% of each donation in scholarships.

13. Can I get tax credits from the DOE without going through the Foundation?

Although you may go online and print a preauthorization form, MPF can submit the application electronically via a secure Web-based file drop-box and the date and time received will be documented electronically through the Department of Education. Preauthorizations submitted by donors directly to the DOE cannot be tracked by MPF. Also, donations must be sent to an approved scholarship foundation, not to the DOE.

14. What is the process for obtaining tax credits?



15. Where can I learn more about this program?

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