

Have you heard about NICSTO? Anyone who pays Iowa state income taxes each year, and who supports Orange City Christian School, needs to know about this program.

What is NICSTO?

NICSTO stands for Northwest Iowa Christian Schools Tuition Organization. NICSTO is designed to promote the expansion of school choice for the benefit of Iowa’s students, our children and grandchildren.

Who does NICSTO benefit?

NICSTO is required to distribute at least 90% of its funds annually to scholarships and grants for students attending schools within the organization (Christian schools in Northwest Iowa). Those scholarships go to students from low to moderate-income families.

How do donors benefit from giving to NICSTO?

What an opportunity! A donor who pays state income taxes will receive a **65% tax credit** toward their state income taxes due. In other words, if you owe \$6,500 in state income taxes this year, a \$10,000 donation would *eliminate* your state income taxes! *And you can direct the donation to the school of your choice!* See the link at the bottom for a list of schools.

Do I get a federal income tax deduction, too?

You bet! Assuming you itemize deductions on your federal return (file Schedule A), your donation to NICSTO is considered the same as a donation to any other non-profit. If you’re in the 25% federal tax bracket, a charitable deduction would give you an additional 25% credit! However, since you lowered your state income tax bill, you may lose a federal deduction for state income taxes paid. But all told, **you may see about 70-80% of your donation come back to you in tax savings, or 2-4 times your typical tax savings for a charitable donation!** For those caught by AMT rules (Alternative Minimum Tax), the savings may be even greater!

Does this opportunity have an expiration date?

Possibly. There’s no guarantee that the state legislature will renew this program in the future, so take advantage while you can. Also, there’s a limit on the amount of funds NICSTO can receive each year, so make your donation before the fund is full!

Let’s break this down (assuming a taxpayer in the 33% federal tax bracket gives a \$10,000 donation):

Taxpayer in the 33% tax bracket gives \$10,000 donation	Without NICSTO	WITH NICSTO
Taxes Due (federal + state)	\$20,000	\$20,000
- State tax credit	-\$0	-\$6,500
- Savings from federal tax charitable deduction	-\$0	-\$3,300
+ Lost federal tax deduction for state income taxes paid	+\$0	+\$2,145
= Final tax bill (federal + state)	=\$20,000	=\$12,345
Tax savings sent to NICSTO!	\$0	\$7,655

You’ll notice that in this example, sending \$10,000 to NICSTO only cost the donor \$2,345! The other \$7,655 came from tax savings!

Questions? The donation must be done with care, so be sure to talk with a tax accountant before taking action. If you have additional questions, feel free to contact Thomas De Jong, Financial Planner, at (712) 722-0278, or Henry Kramer, the director of NICSTO, at (712) 737-8281.

For a list of participating schools, go to: <http://www.iowaace.org/sto-directory/>