



**Our Lady of Mount Carmel Catholic School  
and the  
McMahon Parater Scholarship Foundation**



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 Our Lady of Mount Carmel 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 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 Our Lady of Mount Carmel 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 (MPSF), after being preauthorized by the Virginia Department of Education.

**8. *Can I request that my MPSF donation be used to support students of Our Lady of Mount Carmel 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.



## ILLUSTRATIONS OF TAX SAVINGS

*Individual circumstances vary. Please consult your tax professional.*

Married Taxpayer with taxable income of \$165,000 per year	Taxpayer who itemizes	Does not itemize
Scholarship Donation Amount	\$10,000	\$10,000
Virginia Scholarships Tax Credit (65%)	-\$6,500	-\$6,500
<b>Subtotal</b>	<b>\$3,500</b>	<b>\$3,500</b>
Federal Tax Savings (24% of \$3,500)	-\$840	\$0.00
Virginia Tax Savings (5.75% of \$10,000)	-\$575	\$0.00
<b>Subtotal – tax savings for itemizing charitable donation</b>	<b>-\$1,415</b>	<b>\$0</b>
<b>TOTAL Tax Savings of Donation</b>	<b>-\$7,915</b>	<b>-\$6,500</b>
<b>Net Cost of \$10,000 Cash Donation</b>	<b>\$2,085</b>	<b>\$3,500</b>

### WHEN DONATION IS MADE USING HIGHLY APPRECIATED STOCK

<b>Market Value of Appreciated Stock:</b>	<b>\$10,000</b>	
<b>Cost Basis of Stock:</b>	<b>\$1,000</b>	
<b>Long Term Capital Gains</b>	<b>\$9,000</b>	
Federal Capital Gains Tax Savings (20% of \$9,000)	-\$1,800	-\$1,800
Virginia Capital Gains Tax Savings (5.75% of \$9,000)	-\$518	-\$518
<b>Subtotal – Capital Gains Tax Savings</b>	<b>-\$2,318</b>	<b>-\$2,318</b>
<b>Added to – Tax Savings of Donation</b>	<b>-\$7,915</b>	<b>-\$6,500</b>
<b>TOTAL TAX SAVINGS for \$10,000 Gift of Appreciated Stock</b>	<b>-\$10,233</b>	<b>-\$8,818</b>
<b>Net Cost of \$10,000 Appreciated Stock Donation</b>	<b>(\$233)</b>	<b>\$1,182</b>

*Illustrations assume that the individual taxpayer has state and local income taxes in excess of \$10,000 after subtracting the 65% EISTC state income tax credit.*

**Please consult your tax advisor to discuss your specific tax savings.**

#### 9. Which students can receive scholarships under this program?

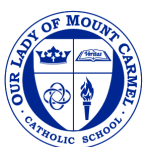
These restricted gifts may only be used to provide scholarships to children who are residents of Virginia, and fit one of these criteria:

- 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. 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.



**11. 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.

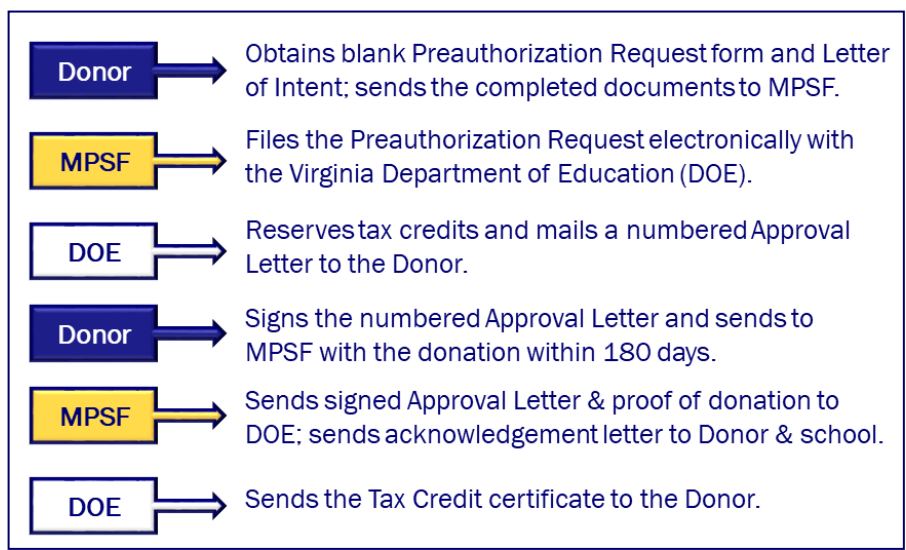
**12. How much of my donation will be used to provide scholarships?**

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

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

Although you may go online and print a preauthorization form to mail to the DOE, MPSF can submit the application electronically via a secure Web-based file drop-box and the date and time received will be documented electronically. Preauthorizations submitted by donors directly to the DOE cannot be tracked by MPSF. Also, donations must go to an approved scholarship foundation, not to the DOE. Finally, the way to assure that your donation supports the Catholic school you request is by giving through MPSF.

**14. What is the process for obtaining tax credits?**



**15. Where can I learn more about this program?**

Please contact one of the following:

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