



INTRODUCTION

In years past, it was common practice for Catholic school tuition to be deducted as a charitable contribution on the tax return of the parents. In 1993, Congress passed the Omnibus Tax Reconciliation Act (the "Tax Act") which clarified what types of payments and donations were and, more importantly, were not allowable to be deducted as charitable contributions.

REQUIREMENTS OF TAX LAW

The Diocese of Covington and its various parishes enjoy tax exempt status under the Internal Revenue Code. Donors to the Diocese and its parishes may deduct contributions as charitable donations, as provided in section 170 of the Internal Revenue Code. The Tax Act sets out more clearly the responsibilities of donors in claiming charitable deductions and the responsibilities of charitable organizations in reporting to their donors so that claimed contributions are, in fact, voluntary contributions with no expectation of return, and are not veiled purchase agreements in which the donor receives goods or services in return for the donation.

Please see the "Contributions" policy of this Manual for more information on contributions in general by [clicking here](#).

IMPLICATIONS FOR PARISHES, SCHOOLS AND AGENCIES

The provisions of the Tax Act have wide-ranging implications for the parishes, schools and agencies of the Diocese. While the Tax Act did not change the tax exempt status or ability to receive tax deductible gifts, it imposes added requirements on the way parishes report to our contributors in response to their donations. The Tax Act applies to all contributions made to the parish and its related organizations (i.e. offertory, endowment fund, school fundraisers, boosters' outings, etc.).

The common understanding of parishioners is that the contributions to the church are deductible for tax purposes, even though the method by which their contributions are determined and enforced actually makes them payment of tuition in return for which parishioners receive the benefits of the education of their children. Revenue Ruling 83-104, issued in 1983, speaks directly to this situation. It concludes that any contribution to a church or school, the amount of which is determined by the church or school, the payment of which is monitored or tracked, or the lack of payment of which has unfavorable implications for the family or student is, in fact, tuition and is not deductible for income tax purposes.

In response to the revised reporting requirements and the regulations issued in the Tax Act regarding the distinction between deductible contributions and school tuition, the Diocese of Covington has issued the following policy statement, effective January 1, 1994, which will make clear distinction between contributions and tuition. Under this policy, amounts contributed through a minimum giving program may not be reported as tax deductible.

Parishes in the Diocese of Covington which sponsor elementary schools shall establish tuition rates for students attending those schools. Parents shall be notified that payment of tuition does not constitute a tax deductible contribution. Parishes shall not use minimum giving programs (in lieu of tuition) to finance the costs of schools. However, general funds of the parish may be used, provided parents of students are not singled out for monitoring of contributions beyond what is done for all members of the parish.



Tuition is the amount established by the parish or school for attendance at the school by students. It is an amount for which the school may expect payment or, in the case of hardship, modify or forgive. The tuition rate for parish members may be different than that for non-members, but the difference between the tuition rate for parish members and non-parish members may not be predicated on the contribution of a specific sum to the parish in addition to tuition. Tuition rates may be established on a per student or family basis or may provide for rate reductions for additional members of the same family. While tuition rates are generally set by each parish/school independently, the Diocese may impose limitations on the rate of increase for each school year. Provisions will be made for an appeal process should a parish wish to increase tuition beyond the prescribed amount(s).

PARISH SUBSIDY

In addition to tuition, the cost of operating the parish school may be supplemented from the general funds of the parish. Persons and organizations may make tax deductible donations for the operation of the school and its programs. Parents of students in the school may not be required to make contributions in specific amounts to the parish. Contributions to the parish may not be monitored or tracked differently for school and non-school parishioners. The progress or status of students in the school may not be adversely affected by the level of their parents' contributions to the parish.

In order to maintain the clear distinction between parish contribution and school tuition, it is recommended that all tuition be billed, collected and monitored by the school.