



ACCOUNTING SERVICES

Parish Annual Financial Report For the fiscal year ending June 30, 2009, the Parish Annual Financial Reports will be submitted using the online survey format. An e-mail link to the survey and instructions has been sent to the person at each parish that submitted the report last year. If you have not received this link or incorrectly received the link, please contact Abbey Kirchner at akirchner@archindy.org. The instructions were **NOT** sent by regular mail. All documents are available online at <http://www.archindy.org/finance/parish/report.html>

2009 501(c)3 letter The 2009 501(c)3 tax exempt letter, the document needed to prove tax exemption status, is now available on our website at www.archindy.org/finance/files/parish/general/2009GroupRuling.

Two Small Buses For Sale Saint Mary's Child Center in Indianapolis has two buses they are wanting to sell. If you are interested please contact Mary Ellen Lohr at 317-635-1491 for more details.

State Form NP-20 Indiana law requires organizations to report annually to maintain their sales tax exemption by filing an annual financial report, **Form NP-20**. This form is very brief and is **due November 15, 2009**. If you do not receive a form in the mail from the State, please contact the Indiana Department of Revenue's Nonprofit Section at 317-232-2188 or forms are available online at <http://www.in.gov/dor/3506.htm> under the Nonprofit section. If you have any other questions, please email accountingservices@archindy.org.

2009-2010 PAST DUE Budgets All budgets were due by **June 15th**, and to date we still have not received all the parish/school budgets. If you have not submitted your 2009-2010 budget, and have not notified the Office of Accounting Services when you plan on submitting your budget, please do so **IMMEDIATELY** by emailing Accounting Services at accountingservices@archindy.org. These budgets are used in various financial and analytical calculations, and are very important to have for reference. Please submit your 2009-2010 parish budget to Accounting Services **AS SOON AS POSSIBLE**.

Q & A

Q. What is the Cathedraticum and what does it support?

A. The Cathedraticum is the assessment that parishes are charged to support the administrative agencies of the Archdiocese. The Cathedraticum is calculated as 10 % of Sunday and Holy Day Collections. The Cathedraticum is billed in 12 monthly installments from July to June. The funds raised support the Chancery (Archbishop and his support and staff) and administrative offices such as office of accounting services, management services, tribunal, and stewardship and development to name a few.

NOTE- Please take the time to read over the informative memo on page two dealing with Non-deductible Tuition vs. Charitable Contributions.

Send us your questions! Each month one or two questions will be addressed based on inquiries of the parishes. Please submit any questions you would like answered to accountingservices@archindy.org.

Please feel free to send these newsletters to your fellow co-workers who normally would not receive through Accounting Services. There is always valuable information that can be shared throughout your parish or agency.

ARCHDIOCESE OF INDIANAPOLIS
Office of Accounting Services

MEMORANDUM

To: Business Managers, Principals, and Bookkeepers
From: Office of Accounting Services
Date: August 1, 2009
Re: Nondeductible Tuition vs Charitable Contributions

It can be unclear as to whether payments made to a school should be treated as nondeductible tuition or a charitable contribution for tax purposes. It can become even more confusing when a parish does not charge tuition for a child to attend the school such as a stewardship parish. It is clearly stated in the law that contributions to schools and parishes are tax deductible, however, payments made for pre-school, grade school or high school tuition is not deductible on an individual's tax return. In order for your parishioners or members school tuition requirements to be recognized as charitable donations, all parish families, both school and non-school, have to be treated exactly the same.

The *DFMC Herald* (Diocesan Fiscal Management Conference), published guidance by the IRS that presents direction for parishes with schools in determining when contributions to parishes would be considered nondeductible to the individual. Payments to private schools are non-deductible as charitable contributions if any one or more of the following is true:

- A formal agreement between the parish and the parent(s) of the student which specifies an amount of parish contribution which ensures admission of a child to the parochial school;
- A plan which allows the parents to choose between making contributions or paying tuition;
- The parish receives contributions which specify the name of a particular individual (student) as beneficiary; and
- The otherwise unexplained denial of admission or readmission of students whose parents, though financially able, do not contribute to the parish or school.

Contributions made to the school are not unlawful if the plan specifies a certain amount of donation for a child to attend the school, however those contributions are considered nondeductible for tax purposes. When a parish requires a certain amount of contribution or donation for a child's enrollment to a school, that portion of the donation is considered non deductible for tax purposes. Any donation after the required sum could be considered charitable contributions for tax purposes if none of the 4 items above are in practice.

In addition to the 4 items listed above, the IRS uses another listing of five other factors to determine if a contribution is tax deductible. If three or more of the five situations are true, the payments are considered non-deductible tuition:

- The absence of a significant tuition charge;
- Substantial or unusual pressure for contribution applied to parents of children attending a school;
- Contribution appeals made as part of the admissions or enrollment process;
- The absence of significant potential sources of revenue for operating the school other than contributions by parents of children in the school; and
- Other factors suggesting that a contribution policy has been created as a means of avoiding the characterization of payments as tuition.

These guidelines should be discussed with pastors, principals, business managers, finance councils, and anyone else directly related to the decisions of the schools. If you have any questions, please feel free to contact the Office of Accounting Services at accountingservices@archindy.org.