SGOs: The Great Donation Multiplier

Jon Dize
Lutheran SGO of Indiana
260-203-4509
info@LutheranSGO.org
Presenter: Jon Dize

• Director of Advancement & Philanthropy Coach for The Lutheran Schools Partnership

• Administrator for The Lutheran Scholarship Granting Organization of Indiana, Inc.

• Consultant and Coach for Nonprofits
The Lutheran SGO of Indiana:

- Slogan: Making the Dream of a Christian education a reality for Indiana families.
- Created in 2009, participating since 2012
- 1 of 7 SGO organizations in Indiana
- 52 Christian schools in Indiana
- $1.8mm in 2015-16
- $2.2mm in 2016-17
- $2.8mm so far in 2017-18
- $1.9mm in scholarships to over 1,600 families
Please Note:

I AM NOT A LEGAL, FINANCIAL, OR TAX PROFESSIONAL.
Website

- www.LutheranSGO.org
- For Donors tab
- For Schools tab
- For Advisors tab
- Donation Tab
What is an SGO?

• SGO Video

• Available for every school to use, embed, forward, etc.
What is the SGO?

• Elevator Speech: The SGO program allows individuals and businesses in Indiana to reduce or eliminate their state taxes by funding scholarships for low- and middle-income families wanting a quality, Christian education.
What is an SGO?

• SGO= “Scholarship Granting Organization”
• Official Term: “School Scholarship Tax Credit”
• Provides student scholarships
• Features a 50% state tax credit for contributions
• Also a federal charitable contribution
• Funded by charitable donations, not the state
• 8th Year of existence
Credit?

• 50% of an SGO gift can be removed from donor’s total tax bill
  – Reduction or elimination of what is owed
  – Refund of partial or all of what has been paid
  – Up to total liability
  – Any extra can be rolled over up to 9 years
Deduction?

- Donations are eligible for the federal tax deduction as well
Who Benefits from the Credit?

Any “thing” that pays state taxes can receive the SGO State Credit:

- Individuals
- Corporations
- Self-Employed
  - Farmers
  - Professionals: Attorneys, Physicians, Dentists, Veterinarians
  - Principals and Teachers
Simple Example-Same

• Dr. & Mrs. Luther
  – Gives $1,000 to school every year
    • Receives charitable deduction at 25% tax rate
    • $750 net cost to them ($1,000 - $250)
  – What if in 2018 they give $1,000 to school’s SGO account:
    • Receives deduction AND receives $500 State Tax Credit
    • $1000 - $250 - $500 =
    • $250 net cost to him
  – Result: donating the same amount will result in less net cost
Simple Example - Double

• Dr. & Mrs. Luther
  – Gives $1,000 to school every year
    • Receives charitable deduction at 25% tax rate
    • $750 net cost to them ($1,000 - $250)

  – What if in 2018 they give $2,000 to school’s SGO account:
    • Receives deduction of $500 and credit of $1,000
    • $2,000 - $500 - $1,000 =
    • $500 net cost

  – Result: double donation with less net cost
**Simple Example-Multiplier**

- **Dr. & Mrs. Luther**
  - Gives $1,000 to school every year
    - Receives charitable deduction at 25% tax rate
    - $750 net cost to them ($1,000 - $250)
  - What if in 2018 they give $3,000 to school’s SGO account
    - Receives deduction of $750 and credit of $1,500
    - $3,000 - $750 - $1,500 =
    - $750 net cost
  - Result: give 3x as much, same final net cost
SGOs: Other Key Points

• There is no minimum or maximum donation
• Only limit is available credits from state
• $12.5 million for 2017-18
• Credits start July 1, end when depleted  
  – 2016-17: ended December 19  
  – 2017-18: still $1.3mm in credits remaining
How does the Process Work?

- Donor: makes gift to TLSGOI
- 93% of gift for school, 7% for TLSGOI operations
- TLSGOI: applies and receives SGO code within 48 business hours
- TLSGOI: sends letter to donor within 10 business days
- TLSGOI: sends list of donors to schools every month
Types of Gifts

- Cash, Check
- Debit/Credit Cards
- Stock, Bonds, Mutual Funds
- Qualified Retirement Plan Charitable Rollovers (RMDs)
- Auto Pay
- “Gifts of Grain”
Gifts of Grain

- Works for active producers and crop share landlords
- Reduces taxable income/AGI
- Lower income taxes on social security benefits
- Others
- “10%”
SGO vs. Other State Credits

- Quick count: 32
- IU/Purdue: $400 limit
- NAP Credits: $5,000 cap
- Revitalization credits: only one gift/year
- Chris: “$1-$1, the SGO credit is the best option for business owners to save on their state taxes.”
Who Qualifies for Scholarships?

- Live in Indiana
- Family AGI of 200% or less of the Free & Reduced Lunch rates
- New and existing students
Why Bother?

- WIN for the Family
- WIN for the School
- WIN for the Donor
Why Bother? (Family)

- WIN for the Family
  - Afford a Quality, Christian Education
  - Tuition Assistance
  - Pathway for a School Choice Scholarship in the future
Why Bother? (School Choice Scholarships)

• WIN for the Family
  – Example: $500 SGO Scholarship as a Kindergartener could result in...
    • A School Choice Scholarship from 1\textsuperscript{st} Grade through 12\textsuperscript{th} Grade
    • Over $60,000 in total tuition payments
    • What an ROI on a $500 scholarship!
Why Bother? (School)

• WIN for the School
  – New Source for Tuition Assistance
  – Possible budget relief
  – Voucher pathway
Why Bother? (School)

• WIN for the School
  – Creating systematic annual fundraising efforts
Why Bother? (School)

• WIN for the School
  – Do not have to be state accredited
  – But, needs some sort of accepted accreditation (NLSA, Freeway, etc.)
SGOs: Why Bother?

- WIN for the Donor
  - Triple gift
    - Tax credit, Tax deduction
  - Possibly avoid capital gains tax
  - Avoid AMT
  - Avoid RMD taxable distributions
  - Bank Card Points
SGOs: Why Bother?

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WIN for the Donor

  – Karl: “I cannot control death and taxes, but at least I can control where my Indiana taxes go.”
SGOs: Why Bother?

WIN for the Donor

- For every $500 gift, a child may be able to attend school.
- Mark: “It’s all about the kids.”
Around the Water Cooler

• Mike: “This is a No Brainer”
• Sue: “I went from owing money to getting a refund…I am giving more next year!”
• Krista: “You are helping my bottom line.”
• Mark: “If you are a business owner, you are an Idiot if you are not giving from your business.”
How do I Donate?

• “The Lutheran SGO of Indiana”
• Donation Form
• Designate a school(s)
• Lutheran SGO sends official Thank You letter with tax certificate code
• Donors can make one gift or multiple gifts throughout the year; will receive a code for every donation
How do I Claim the Credit?

• Save your code(s)
• Enter credit codes on Schedule 6 & IN-OCC
• Credit # 849
Best Practices for Leadership
Champion

• Must have a Champion/Advocate/“Owner”
  – Manage, promote, etc.
  – Should not be the principal or pastor
  – Start with the board chair
Promotion from the Pews

- School/Church Community
- Word-of-mouth
- 100% participation by board and key leadership is a MUST
- Matching Challenge?
Multiple Year Plan

• Learning curve
• Try it out the first year
Promotional Materials

- Use the website
- Custom forms
Set a Goal

- Min: $500 \times \text{number of eligible students}
- Max: full tuition/fees \times \text{number of eligible students}
- Can be combined with a School Choice Scholarship (not to exceed full tuition & fees)
Solicitation Suggestions

• Personal Contact
• Small group events
• Specific annual request
• Multi-request
• Part of your dinner/auction
• “Adopt a Child”
Fitting SGO into Tuition Assistance

• Income requirements for SGOs match or exceed many schools’ TA guidelines

• Convert TA programs into SGO program, asking for SGO support to maximize donation potential
Stewardship

• Personal thank-you letters
  – Hand-written
  – Colored pages from students
Do NOT do:

- Do not ask donors send donation to school first
- If creating your own promotional materials, do not exclude the major areas from our forms
Quick 529 Discussion

- Was just college expenses
- Expanded to K-12 as of January 1
- 20% tax credit, up to a $5,000 gift ($1,000 max credit)
- Anyone can gift funds to a 529 account for a specific child
Quick 529 Discussion

• New Layers:
  – School Choice Scholarships: lower income
  – SGOs: low to middle income
  – 529s: everyone, but probably middle to high income
Questions?

LutheranSGO.org

Making the dream of a Lutheran education a reality for Indiana families.

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