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NEW TAX BENEFIT FOR CATHOLIC SCHOOL PARENTS

Catholic school parents may benefit from the recent changes to the federal tax code. The recently passed federal tax law allows parents to make contributions to a child's Missouri 529 MOST account for K-12 tuition, in addition to expenses for higher education that are already permitted.

The Missouri 529 MOST account is an investment program sponsored by the Missouri State Treasurer's office. Anyone can open a MOST account, including parents, grandparents, or friends of K-12 or college-aged students. In this way, if parents lack financial resources, others can contribute to the family's MOST account.

Interest earnings on contributions made by parents to MOST accounts are **not** subject to state or federal taxes. Furthermore, qualified distributions from the account (those for higher education expenses, and now K-12 tuition) are also not taxed. Parents can withdraw up to \$10,000 annually for private K-12 tuition per student as an eligible distribution from a MOST account. Parents can elect to make contributions to the MOST account according to their own timetable, such as monthly.

Funds contributed to a MOST account are deducted from the parent's taxable income. For example, if a Catholic school parent contributes \$5,000 during the year to their child's MOST account, \$5,000 will be deducted from their taxable income for state tax purposes. Larger contributions to MOST accounts will further reduce taxable income.

Reducing taxable income, in turn, will reduce the state tax bill parents pay. (Other factors may affect the tax benefit realized, but this change in federal law will provide a real state tax benefit to Catholic school parents.) See following table:

<i>Amount Contributed to Account</i>	<i>Reduction in Taxable Income</i>	<i>Reduction in Tax Bill*</i>
\$5,000	\$5,000	\$300
\$7,000	\$7,000	\$420
\$10,000	\$10,000	\$600

**Based on Missouri's highest tax rate of 6%; \$5,000 x 6% = \$300*

Parents may want to consult with their local bank or financial advisor regarding the advisability of setting up a 529 MOST account.

To calculate a Missouri school family's tax benefit, click here:

<https://vanguard.wealthmsi.com/stdc.php>

To set up a Missouri 529 MOST account, visit the Missouri MOST website:

<https://www.missourimost.org/home/open-a-most-529-account.html>



January 2, 2018

To my fellow Missourians:

For over 20 years, the MOST 529 tuition savings program has empowered families in Missouri to save for higher education costs. As a father, I use the program to invest in my children's future. As Missouri State Treasurer, I manage the MOST program and work to encourage parents to open MOST accounts.

A MOST 529 tuition savings plan is an investment account sponsored by the State of Missouri. Up to \$16,000 (\$8,000 for single filers) in contributions are deductible from Missouri taxes every year and investments in the plan grow tax-free. When you use MOST funds for eligible expenses, you pay no taxes on the disbursement.

Starting in January 2018, the MOST 529 program is expanding to allow families to save and use funds in their accounts for elementary and secondary expenses. In addition to tuition, room and board, and other expenses at colleges and vocational schools, up to \$10,000 in private K-12 tuition now qualifies as an eligible expense. This means a family paying tuition at your school could save hundreds in Missouri taxes every year.

For the families at your school, this is a game changer. This means hardworking families will get a little bit more relief. Already my office has heard from parents who struggle to pay tuition now wanting to use the MOST 529 program for elementary and secondary education costs. The MOST Board recently affirmed our commitment to helping families save for their children's education at every level by passing a resolution recognizing the need to implement the aforementioned changes. If you would like to find out more about the MOST program and create an account, visit missourimost.org. If you would like our field representatives to talk to your parents about these changes, please reach out at 888-414-MOST or email me at info@treasurer.mo.gov.

Sincerely,

A handwritten signature in dark ink, appearing to read "Eric Schmitt". The signature is fluid and cursive, with the first and last names being clearly legible.

Eric Schmitt
Missouri State Treasurer

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