

**The Kansas City Star**

**Getting credit for performing a good deed**

**By Paul Wenske**

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Here's an end-of-year opportunity to donate money to a good charitable cause and get extra tax savings.

In both Missouri and Kansas, and in some other states, consumers can claim deductions on their federal returns and also reap added credits on their state returns for selected charitable contributions.

In many cases the credit on your state return is 50 percent of your contribution. That means that with a \$1,000 donation, you not only could get the federal deduction but a \$500 state credit. And if the allowable credit exceeds your tax liability, the remainder of the credit comes back to you as a refund.

That's a nice reward for doing something good for other people who are in need or are less fortunate than you.

"Tax credits are a good incentive to help donors direct giving to local nonprofit organizations," said Karen Henry, a community development specialist for the Missouri Department of Economic Development.

Credits are offered for a range of charitable and economic programs - from youth assistance and neighborhood services to historic preservation and entrepreneurial development programs.

You can learn more about programs that offer state tax credits by contacting the Missouri Department of Economic Development and the Kansas Department of Commerce.

But to give you an idea how these services work, I'll describe one newer nonprofit-run program offered in Missouri and Kansas: highly touted individual development accounts, or IDAs, which encourage people to save.

IDAs are structured so that the money a participant puts in a savings account is matched by contributions from donors. They've been around for a while, but only in recent years have they won support in 23 states. Missouri began allowing tax credits for donors to these programs in 2001. Kansas followed suit last year.

"It's a way for people to help themselves and get assistance from private contributors, companies and government," said Gena Gunn, project director at the Center for Social Development at the George Warren Brown School of Social Work at Washington University in St. Louis, where the idea for IDAs developed.

"What is unique is that this is not a handout - you have to participate in financial education, save and work," she said. "What we find is when we give people a little piece of the pie, it encourages them to do more."

The Family Conservancy of Kansas City administers IDAs on both sides of the state line. It was one of 13 nonprofits that began to offer the programs in 1997 as part of a national demonstration project.

Julie Riddle, IDA program manager for The Family Conservancy, said the programs "help low-income families gain access to the mainstream" by helping them in one of three main ways: to purchase their first home, to expand a business or to pay for post-secondary education and training.

The local IDA program has worked with 800 people who have saved more than \$1 million, Riddle said. Participants can't touch the donated money. It stays in separate accounts, guaranteeing that it will be used only for one of the three program purposes.

Participants have purchased 150 homes and started 70 businesses. About 130 participants paid for education. Currently, there are 400 "active savers" in the program, Riddle said.

Many of the participants have never had a bank account. For others, their encounters with banks were negative, marred by overdrafts and late fees. Some transitioned from homeless situations or are women who fled abusive relationships and are rebuilding their lives and their credit.

They've had to learn harsh lessons.

"While people are saving, we also have them attend financial education classes and take courses in cleaning up their credit so they can attack their core problems. They learn to make better decisions to preserve their assets," Riddle said.

Some critics grouse that the tax credits rob the states of needed general revenue. But Riddle argues the programs more than balance out any lost revenue.

"They create more small businesses, more homeownership and enhanced education of state residents," she said. "What they lose in tax revenue, they gain in long-term investment in citizens and economic development."

Government officials say that while some of the tax credit programs are well known, others such as IDAs are so new few people know about them. In Missouri, about \$4 million is designated for IDA tax credits. Kansas has \$500,000 available in tax credits, though that amount could be increased.

Said Patty Clark, director of community development for the Kansas Department of Commerce: "If someone has money burning a hole in their pocket and wants a tax credit, we can point them in the right direction."

Missouri Department of Economic Development: (573) 751-4962 or [www.ded.missouri.gov/cd](http://www.ded.missouri.gov/cd)

Kansas Department of Commerce: (785) 296-6815 or [www.ksrevenue.org/taxcredits.htm](http://www.ksrevenue.org/taxcredits.htm)

The Family Conservancy: (816) 418-8405 or [www.thefamilyconservancy.org](http://www.thefamilyconservancy.org)

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