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### **Tax-exempt Financing Becoming Popular With Schools**

The use of tax-exempt financing for school projects is accelerating in our Archdiocese. More and more schools are taking advantage of tax-exempt interest rates for their project financings, because they can be from 1% to 2% below taxable rates.

To give you an idea of the growing popularity, consider that no schools in our Archdiocese had used tax-exempt financing before **Holy Family High School** in Victoria did so in 1999. Yet in just the past three years, it's been used by **St. Croix Catholic Elementary School**, Stillwater; **Benilde-St. Margaret High School**, St. Louis Park; Convent of the Visitation High School, Mendota; Cretin Derham Hall High School, St. Paul; **Faithful Shepherd Catholic School**, Eagan; **St. Michael School**, Prior Lake; **St. Pius X School**, White Bear Lake; **St. Wenceslaus School**, New Prague; and **Totino-Grace High School**, Fridley. CFC provided assistance to those schools listed in bold.

Under this form of financing, lenders offer lower rates because they don't have to pay income tax on the income from the loan. To qualify, a school must agree to certain restrictions prescribed by the IRS. For example, the school can't limit admissions based on religion and religion can only be taught in classrooms financed by a taxable loan or with cash. For that reason, elementary schools often do a 50/50 split of taxable and tax-exempt financing. High schools might be able to rely on tax-exempt financing for as much as 90% of their loan. Each case must be examined individually to determine if the qualifications can be met and if you want to live by the restrictions.

*Newsletter Issue: January 2003*