

Arizona School Tax Credits for 2015 Tax Year

For 2015 there are three school tax credits available for individual taxpayers: one for contributions to Public Schools and two for contributions to Private School Tuition Organizations.

Credit for Contributions Made or Fees Paid to a Public School

Form 322 - An individual may claim a credit for making contributions or paying fees to a public school for support of extracurricular activities or character education programs. In HB 2066, the legislature expanded the scope of the credit to include contributions to public schools to support preparation courses, materials, fees for standardized testing for college credit or readiness, and contributions to support career and technical education certifications. The maximum credit for 2015 is \$200 for a single taxpayer and \$400 for married taxpayers. Then in HB 2483, the legislature extended the deadline to make qualifying contributions. Individuals may now make contributions to public schools on or before the 15th day of the fourth month following the close of the taxable year and claim a credit for the contribution in either the current year or the preceding year. The link for a list of public and charter schools is <http://ade.az.gov/edd/>. To determine if an extracurricular activity is tax credit eligible and other guidelines go to <http://www.azdor.gov/portals/0/Brochure/707.pdf>.

Credit for Contributions to School Tuition Organizations

Form 323 – An individual may claim a credit for making a donation to a School Tuition Organization for scholarships to private schools. The maximum credit amount for 2015 is \$535 for a single taxpayer and \$1,070 for married taxpayers.

Form 348 – An individual may claim an additional credit for making a donation to a School Tuition Organization if the amount contributed is greater than the maximum amount that can be claimed on form 323. The maximum credit amount for 2015 is \$532 for a single taxpayer and \$1,064 for married taxpayers.

Contributions made to a school tuition organization from January 1 through April 15 of a calendar year may be used as a tax credit on either your 2015 or 2016 Arizona income tax return.

The link for a list of School Tuition Organizations certified to receive donations for the individual income tax credit is http://www.azdor.gov/Portals/0/RefundCredits/sto_i_list.pdf.

Credit for Contributions to Qualifying Charitable Organizations

In addition to the school tax credits, Arizona also has a working poor tax credit for contributions to qualifying charitable organizations (Form 321). The maximum credit amount for 2015 is \$400 for a single or head of household filer and \$800 for married taxpayers filing a joint return, if the donee is a qualifying foster care charitable organization. If you make contributions to **both** types of charities during the taxable year and you file as single or head of household, then the total combined maximum credit allowed for the taxable year is \$400, but no more than \$200 of the total may be contributions to a non-foster care qualifying charitable organization. For married taxpayers the total combined maximum credit is \$800, but no more than \$400 of the total can be contributed for non-foster care qualifying charitable organizations. This year in SB 1103, the legislature expanded the scope of the credit available at the higher amounts to include donations to qualifying charitable organizations that spend at least 50 percent of their budget on, and provide services to, at least 200 persons less than 21 years of age who participate in a qualifying transitional independent living program. This credit is only available to individuals.

The link for a list of Qualifying Charitable Organizations for 2015 is at <http://www.azdor.gov/TaxCredits/QualifyingCharitableOrganizations.aspx>.

All of the school tax credits and credit for contributions to qualifying charitable organizations may only be used to reduce a tax liability to zero in a current year. Any unused credit may be carried forward a maximum of five years.

<u>Name of Credit</u>	<u>Form</u>	<u>Amount</u>	
		<u>S/HOH</u>	<u>MFJ</u>
Contributions to Public School	322	\$200	\$ 400
Contributions to Private School Tuition Organizations	323	535	1,070
Contributions to Certified School Tuition Organizations (Additional)	348	532	1,064
Contributions to Qualifying Charitable Organizations	321	<u>400</u>	<u>800</u>
		\$1,667	\$3,334

What is a Qualifying Charitable Organization?

It is a 501(c)(3) charity exempt from federal income taxes or is a designated community action agency that receives community services block grant program monies pursuant to 42 United States Code Section 9901. The organization must spend at least 50% of its budget on services to Arizona residents who either receive TANF benefits, are low income residents whose household income is less than 150% of the federal poverty level or are children who have a chronic illness or physical disability. The organization must show that the charity plans to continue spending at least 50% of its budget on services to those described above. A list of approved charities is listed on the Department of Revenue's website. There are 13 pages. Some of the main charities include Arizona YMCA, Boys and Girls Clubs, Crisis Pregnancy Centers, Goodwill, Habitat for Humanity, Phoenix Children's Hospital, Phoenix Rescue Mission, Salvation Army, St. Vincent de Paul, St Mary's Food Bank and Teen Challenge.

What is a Qualifying Foster Care Charitable Organization?

To become a qualifying foster care charitable organization, an organization must first meet all requirements to be a qualifying charitable organization. In addition to meeting those requirements, a qualifying charitable organization must provide ongoing services to at least 200 qualified individuals in Arizona and spend at least 50% of its budget on ongoing services to qualified individual in Arizona to be considered as a qualifying foster care charitable organization. Approved qualifying foster care charitable organizations' names are listed on the attached sheet.

New Law allows Arizona S-Corps and LLC's taxed as S Corps tax credit donations to the low-income and disabled/displaced programs.

Instead of claiming the credit against income taxed at the corporate level, the S-Corp may make an irrevocable election to pass the credit to shareholders. The individual shareholder may claim only a pro rata share of the credit. A tax credit is not permitted if the S-Corp or a shareholder designates the contribution for direct benefit of shareholder, makes a conditional contribution, and/or expects reciprocal contributions.

The S-Corp donation approval process is the same as the current corporate donation process:

- 1) Corp submits a corporate donation application to the Student Tuition Organization (STO)
- 2) STO completes and emails the donation application form to the ADOR
- 3) A donation approval form is returned to the STO by the ADOR
- 4) Corporation has 20 days to fund the donation to the STO. Donation must be made to the STO by the S-Corp, not by the shareholder
- 5) The STO must contact ADOR when donation is received
- 6) Donation process begins July 1st

The contribution will be the sum of all low-income and disabled/displaced donations made during the year and the contribution must be at least \$5,000.00. There is no limit on the low-income or disabled/displaced credit claimed by the individual taxpayer. These new credits do not impact the individual's ability to claim the original or switcher individual credits or the credit caps for either credit. If the taxpayer's share of the S-Corp credit is \$3,000, then their credit will be \$3,000.