

**Individual Income Tax Credit for
Donations to Qualified Charities,
Tuition Organizations, and
Schools**

**Presented by
The Arizona Department of
Revenue**



Individual Income Tax Credit for Donations to Qualified Charities, Tuition Organizations, and Schools

This presentation provides general information about tax credits for donations to charities, tuition organizations, and schools for individuals. For complete details, refer to the Arizona Revised Statutes. In case of inconsistency or omission in this presentation, the language of the Arizona Revised Statutes will prevail.



Credits

- **Charities That Provide Assistance to the Working Poor**

SCHOOL TAX CREDITS

- **Public Schools-Direct contribution to public school**
- **Private School –Direct contribution to School Tuition Organization (STO)**



Charitable Contributions



Charitable Contributions to Qualifying Charities

- For taxable years beginning on or after January 1, 1998, Arizona Law provides a credit for cash contributions made to certain charities that provide help to the working poor.



Charitable Contributions

- You may qualify for this credit if you make cash contributions to a qualifying charity



Umbrella Charitable Organizations

- You may also qualify for this credit if you make cash contributions to a qualified charity through an umbrella type of charitable organization. You must designate the donation be directed to a member organization or member group fund that would qualify on a stand alone basis.



Charitable Contributions: Maximum Credit Allowable

- For 2006 and later years, the maximum amount of the credit is \$200.00 for single taxpayers or heads of household.



Charitable Contributions: Maximum Credit Allowable

- For Married taxpayers, the maximum credit is \$400.00. If married taxpayers file separate returns, each spouse may claim $\frac{1}{2}$ of the credit that would have been allowed on a joint return.



Charitable Contributions

- This is not a refundable credit. If the allowable credit is more than your tax or if you have no tax, you may carry the unused credit forward for up to the next five years.



Charitable Contributions

Who may claim the credit?

- ❑ The credit is only for individuals.
- ❑ Corporations may not claim this credit.
- ❑ A partnership may not pass the credit through to its partners.
- ❑ An S corporation may not pass the credit through to its shareholders



WHAT IS A QUALIFYING CHARITY?

- A qualifying charity is a charity that is exempt from federal income tax under Internal Revenue Code 501(c)(3).
- A qualifying charity is also a charity that is a designated community action agency that receives Community Services Block Grant Program Money under United States Code, Title 42, Section 9901.



WHAT IS A QUALIFYING CHARITY? Cont...

- The charity must spend at least 50% of its budget on services to Arizona residents who receive Temporary Assistance for Needy Families benefits or to Arizona low income resident households.



What kind of services must the qualifying charity provide?

- Services means cash assistance, medical care, child care, food, clothing, shelter, or any other assistance that is reasonably necessary to meet immediate basic needs and that is provided and used in Arizona. **AFTER** May 29, 1998, job placement services, job training, and tuition reimbursement for job training qualify.



Must a qualifying charitable organization be certified?

- Yes. A qualifying charitable organization must send a self-certification letter to the Department of Revenue. The letter must state that the charitable organization meets all criteria to be considered a qualifying charitable organization. The organization also must notify the Department of any changes that may affect its qualifications.



How Can I Tell if a Charity Qualifies?

- The department publishes a list of organizations that have self-certified. To view a copy of this list, you may visit the department's website at www.azdor.gov .
You may also ask the following questions:



How Can I Tell if a Charity Qualifies?

- ❑ Is the charity exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code?
- ❑ If the charity is not exempt under 501(c)(3), is it a charity that is a designated community action agency that receives Community Services Block Grant Program Money under the U.S.C, Title 42, Sec 9901.



How Can I Tell if a Charity Qualifies?

The last question you should ask of a charity is:

- Does the charity spend at least 50% of its budget on services to Arizona residents who receive Temporary Assistance for Needy Families benefits or to Arizona low income resident households.



How Can I Tell if a Charity Qualifies?

- You can also ask to see a copy of the certification letter the charity sent to the Department of Revenue.



How do I get the Credit?



Charitable Contributions: How do I get the credit?

- To be eligible for this credit, you must have itemized deductions and deducted charitable contributions on a prior year's Arizona return (1996 or later) at least once. This is necessary to establish a baseline year and amount. The credit is then figured on the amounts over and above the baseline amount.



Charitable Contributions

- If you did not itemize deductions and deduct charitable contributions on an Arizona return in 1996, then the baseline year is the first taxable year after 1996 that you itemized deductions and deducted charitable contributions in Arizona.



Charitable Contributions

- The charitable contributions do not need to be to a qualifying charity for purposes of creating a baseline amount.



Charitable Contributions

- The baseline amount is the total amount of charitable contributions deducted for the baseline year.
- The amount of the credit is the amount of qualifying contributions that exceed the baseline amount.



Charitable Contributions

□ Example 1:

Taxpayer had baseline amount of \$500.00. This represents \$500.00 of charitable contributions claimed as an itemized deduction on the 1998 Arizona return. For 2007, the taxpayer gave \$900.00 in cash contributions to a qualifying charitable organization. The allowable credit would be \$400.00 for a married couple filing jointly or \$200.00 for a single filer.



Charitable Contributions

□ Example 2:

Taxpayer had baseline amount of \$500.00. This represents \$500.00 of charitable contributions claimed as an itemized deduction on the 1998 Arizona return. For 2007, the taxpayer gave \$1200.00 in charitable contributions of which \$100.00 was cash contributions to a qualified charity. The allowable credit would be \$100.00 for both married or single filing taxpayers.



SCHOOL TAX CREDITS

GENERAL INFORMATION



School Tax Credits

There are 2 different school tax credits available for an individual:

Public

Private



School Tax Credits

PUBLIC

An individual who makes contributions or pays fees to a public school for support of extra curricular activities or character education programs may qualify for this credit.

PRIVATE

An individual may also claim a credit for making a donation to a qualified school tuition organization for scholarships to private schools.



School Tax Credits

- Both credits can be claimed in the same taxable year.



Who may claim the individual school tax credits?

- These credits are only for individuals
- Partnerships and S corporations cannot pass these credits through to their partners or shareholders
- These credits are not available to trusts, estates, regular corporation, or S corporations.
- **NOTE: THERE IS A CORPORATE TAX CREDIT FOR CONTRIBUTIONS TO AN STO (SCHOOL TUITION ORGANIZATION), THAT WILL NOT BE ADDRESSED AT THIS TIME.**



School Tax Credits

- These are not refundable credits. If the allowable credit is more than your tax or if you have no tax, you may carry the unused credit forward for up to the next five years.



CREDIT FOR CONTRIBUTIONS
MADE OR FEES
PAID TO A PUBLIC SCHOOL



CREDIT FOR CONTRIBUTIONS MADE OR FEES PAID TO A PUBLIC SCHOOL

- To qualify for this credit you must make cash contributions or pay fees to a public school for support of extra curricular activities or for character education programs.



CREDIT FOR CONTRIBUTIONS MADE OR FEES PAID TO A PUBLIC SCHOOL

- The credit is equal to the amount contributed or the amount of fees paid. However for single taxpayers or heads of household, the credit cannot exceed \$200.00.
- For married taxpayers that file a joint return, the credit cannot exceed \$400.00. If married taxpayers file separate returns, each spouse may claim $\frac{1}{2}$ of the credit that would have been allowed on a joint return.



CREDIT FOR CONTRIBUTIONS MADE OR FEES PAID TO A PUBLIC SCHOOL

- ❑ You can qualify for this credit if you pay fees for your own child to participate in an extra curricular activity or character education program.
- ❑ The contributions you make to the school in support of extra curricular activities or character education programs also qualify.



CREDIT FOR CONTRIBUTIONS MADE OR FEES PAID TO A PUBLIC SCHOOL

□ EXTRACURRICULAR ACTIVITIES

These are activities that require students to pay a fee in order to participate. Some examples are fees paid for the use of band uniforms, use of equipment or uniforms for varsity athletics, use of scientific lab equipment or materials, or in-state or out-of-state trips that are solely for competitive events



CREDIT FOR CONTRIBUTIONS MADE OR FEES PAID TO A PUBLIC SCHOOL

□ EXTRACURRICULAR ACTIVITIES:

Extracurricular activities DO NOT include any senior trips or events that are recreational, amusements or tourist activities.



CREDIT FOR CONTRIBUTIONS MADE OR FEES PAID TO A PUBLIC SCHOOL

□ CHARACTER EDUCATION PROGRAM

At a minimum, this program must include instruction in the definition and application of at least 6 of the following traits: truthfulness, responsibility, compassion, diligence, sincerity, trustworthiness, respect, attentiveness, obedience, orderliness, forgiveness and virtue.



CREDIT FOR CONTRIBUTIONS MADE OR FEES PAID TO A PUBLIC SCHOOL

- Public schools including charter schools are schools that provide instruction in grades kindergarten through 12 and are eligible for the credit.
- Non governmental schools, pre-schools, community colleges, and universities **do not** qualify for the credit.



CREDIT FOR CONTRIBUTIONS MADE OR FEES PAID TO A PUBLIC SCHOOL

- The fees must be paid to a public school, they cannot be given to an organization such as a PTA, school foundation, school district etc., which then gives the funds to the school or directly pays for extracurricular activities or character education.



CREDIT FOR CONTRIBUTIONS MADE OR FEES PAID TO A PUBLIC SCHOOL

- A public school should give a receipt to the taxpayer for contributions or payment of extracurricular activity fees. It should include the public schools' name, school district number, taxpayer name, amount paid, date paid, and a description of the activity being supported.



CREDIT FOR CONTRIBUTIONS MADE OR FEES PAID TO A PUBLIC SCHOOL

- The public school must submit a report by February 28 after the close of each calendar year, on a form prescribed by the department, showing the dollar amount of the fee and contribution payments received and spent.



PRIVATE SCHOOL TUITION CREDIT



PRIVATE SCHOOL TUITION CREDIT

- ❑ To qualify for this credit, you must make cash contributions to a school tuition organization (STO) that provides scholarships or grants to qualified schools.



PRIVATE SCHOOL TUITION CREDIT

- ❑ The credit is equal to the amount contributed. However for single taxpayers or heads of households, the credit cannot exceed \$500.00.
- ❑ For married taxpayers that file a joint return, the credit cannot exceed \$1000.00. If married filing separate returns, each spouse may claim only $\frac{1}{2}$ of the credit that would have been allowed on a joint return.



SCHOOL TUITION ORGANIZATION

A school tuition organization (STO) is one that is:

1. Tax exempt under section 501(c)(3) of the Internal Revenue Code;
2. Allocates 90 percent of its annual revenues to scholarships; and
3. Makes scholarships available to students of more than one qualified school.



SCHOOL TUITION ORGANIZATION

A qualified school is a non-governmental preschool for handicapped students, or a non-governmental primary or secondary school located in Arizona. The school cannot discriminate on the basis of race, color, handicap, familial status, or national origin. The primary school begins with kindergarten, and the secondary school ends with grade 12.



PRIVATE SCHOOL TUITION CREDIT

- There is one situation where a contribution to a school tuition organization would not qualify for the tax credit. That is if the taxpayer designates a donation to the school tuition organization for the direct benefit of their own dependant.



FORMS

- Once you have determined you are allowed a credit for contributions to a qualified charity, public school or school tuition organization, you must attach one of the following forms to your income tax return to claim the credit.



FORMS

- Arizona Form 321-Credit for Contributions to Charities That Provide Assistance to the Working Poor
- Arizona Form 322-Credit for Contributions Made or Fees Paid to Public Schools
- Arizona Form 323-Credit for Contributions to Private School Tuition Organizations

**ARIZONA FORM
321**

**Credit for Contributions to Charities
That Provide Assistance to the Working Poor**

2007

For the calendar year 2007, or

fiscal year beginning |M|M|D|D|Y|Y|Y|Y| and ending |M|M|D|D|Y|Y|Y|Y|.

Attach to your return

YOUR NAME AS SHOWN ON FORM 140, 140NR, 140PY OR 140X	YOUR SOCIAL SECURITY NO.
SPOUSE'S NAME AS SHOWN ON FORM 140, 140NR, 140PY OR 140X	SPOUSE'S SOCIAL SECURITY NO.

Part I Current Year's Credit

1a Name of qualifying charity to which you made cash contributions:

Amount of cash contributed to organization named on line 1a..... **1a**

1b Name of qualifying charity to which you made cash contributions:

Amount of cash contributed to organization named on line 1b..... **1b**

NOTE: If you made cash contributions to more than two qualifying charities, attach a separate schedule.

1c Total: Add lines 1a and 1b. Also, add any amount included on a separate schedule	1c	<input style="width: 80px;" type="text"/>	<input style="width: 40px;" type="text" value="00"/>
2 Potential credit: Single taxpayers or heads of household, enter the lesser of line 1c or \$200. Married taxpayers, enter the lesser of line 1c or \$400	2	<input style="width: 80px;" type="text"/>	<input style="width: 40px;" type="text" value="00"/>
3 Total contributions allowable as an itemized deduction for 2007.....	3	<input style="width: 80px;" type="text"/>	<input style="width: 40px;" type="text" value="00"/>
4 Base line year: <input style="width: 80px;" type="text"/>			

322

Credit for Contributions Made or Fees Paid to Public Schools

For the calendar year 2007, or
fiscal year beginning |M|M|D|D|Y|Y|Y|Y| and ending |M|M|D|D|Y|Y|Y|Y|.

Attach to your return

YOUR NAME AS SHOWN ON FORM 140, 140NR, 140PY OR 140X	YOUR SOCIAL SECURITY NO.
SPOUSE'S NAME AS SHOWN ON FORM 140, 140NR, 140PY OR 140X	SPOUSE'S SOCIAL SECURITY NO.

Current Year's Credit

1a Contributions Made or Qualifying Fees Paid to:

School district in which school is located: _____
Name of public school located in Arizona: _____
Address of school: _____

Amount of contributions made or fees paid to school named on line 1a **1a** **00**

1b Contributions Made or Qualifying Fees Paid to:

School district in which school is located: _____
Name of public school located in Arizona: _____
Address of school: _____

Amount of contributions made or fees paid to school named on line 1b **1b** **00**

ARIZONA FORM
323

2007

Credit for Contributions to Private School Tuition Organizations

Do not use this form for contributions or amounts paid to a public school. See Form 322 for contributions or amounts paid to public schools.

For the calendar year 2007, or
fiscal year beginning |M|M|D|D|Y|Y|Y|Y| and ending |M|M|D|D|Y|Y|Y|Y|.

Attach to your return

YOUR NAME AS SHOWN ON FORM 140, 140NR, 140PY OR 140X	YOUR SOCIAL SECURITY NO.
SPOUSE'S NAME AS SHOWN ON FORM 140, 140NR, 140PY OR 140X	SPOUSE'S SOCIAL SECURITY NO.

Current Year's Credit

1a Qualifying Contributions Made to:

Name of school tuition organization: _____

Address of school tuition organization: _____

Amount of contributions made to school tuition organization named on line 1a..... **1a** _____ **00**

1b Qualifying Contributions Made to:

Name of school tuition organization: _____

Address of school tuition organization: _____

Amount of contributions made to school tuition organization named on line 1b..... **1b** _____ **00**



NOTE:

- ❑ You cannot take both a credit and a deduction for the same contribution.
- ❑ The portion of the deduction you are taking as a credit must be added back to income using Arizona Schedule A

**ARIZONA SCHEDULE
A**

Itemized Deduction Adjustments
For Full-Year Residents Filing Form 140

2007

Attach to your return

YOUR NAME AS SHOWN ON FORM 140	YOUR SOCIAL SECURITY NUMBER
SPOUSE'S NAME AS SHOWN ON FORM 140 <i>(if a joint return)</i>	SPOUSE'S SOCIAL SECURITY NUMBER

To itemize on your Arizona return, you must first complete a federal Schedule A. Use Form 140, Schedule A, to adjust the amount shown on the federal Schedule A. Complete Form 140, Schedule A, *only if you are making changes* to the amount shown on the federal Schedule A. *See instructions for details.*

Adjustment to Medical and Dental Expenses

1	Medical and dental expenses	1		00
2	Amount of medical savings account (MSA) distributions used to pay qualified medical expenses included on line 1	2		00
3	Medical expenses allowed to be taken as a federal itemized deduction	3		00
4	Add line 2 and line 3, and enter the result	4		00
5	If line 1 is the same as or more than line 4, subtract line 4 from line 1; otherwise, go to line 6	5		00
6	If line 4 is more than line 1, subtract line 1 from line 4	6		00

Adjustment to Interest Deduction

7	If you received a federal credit for interest paid on mortgage credit certificates (from federal Form 8396), enter the amount of mortgage interest you paid for 2007 that is equal to the amount of your 2007 federal credit.....	7		00
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Adjustment to Gambling Losses

8	Wagering losses allowed as a federal itemized deduction	8		00
9	Total gambling winnings included in your federal adjusted gross income	9		00
10	Authorized Arizona lottery subtraction from Form 140, page 2, line C21	10		00
11	Maximum allowable gambling loss deduction: <i>Subtract line 10 from line 9</i>	11		00
12	If line 11 is less than line 8, <i>subtract line 11 from line 8</i> ; otherwise enter "zero"	12		

Adjustment to Property Taxes

13	If you are claiming a property tax credit on Arizona Form 302 (Defense Contracting Credits), <i>enter the amount of property taxes allowed as a federal itemized deduction for which a credit is claimed</i>	13		
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Adjustment to Charitable Contributions

14	Amount of charitable contributions for which you are taking a credit under Arizona law	14		
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Other Adjustments

15	Amount allowed as a federal itemized deduction that relates to income not subject to Arizona tax	15		
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Adjusted Itemized Deductions

16	Add the amounts on lines 5 and 7	16		00
17	Add the amounts on lines 6, 12, 13, 14 and 15	17		00
18	Total federal itemized deductions allowed to be taken on federal return	18		00
19	Enter the amount from line 16 above	19		00
20	Add lines 18 and 19	20		00
21	Enter the amount from line 17 above	21		00
22	Arizona itemized deductions: <i>Subtract line 21 from line 20. Enter the result here and on Form 140, page 1, line 17</i>	22		

NOTE: You must attach a copy of federal Form 1040, Schedule A, to your return if you itemize your deductions.



Military Family Relief Fund Credit

- For taxable years 2008 through 2012, Arizona law allows a credit for cash donations made to the Military Family Relief Fund.



Military Family Relief Fund Credit

- ❑ This credit is available only to individuals.
- ❑ Corporations may not claim this credit.
- ❑ A partnership may not pass the credit through to its partners.
- ❑ An S corporation may not pass the credit through to its shareholders



Military Family Relief Fund Credit

- **If your donation qualifies for the credit, your credit will be the smaller of 1 through 4 below.**
 1. The amount you donated to the fund during the taxable year.
 2. If you are a single taxpayer or a head of household, \$200.
 3. If you are married filing a joint return, \$400. If you are filing separate returns you each may claim only $\frac{1}{2}$ of the credit that would have been allowed on a joint return.
 4. Your tax liability for the taxable year.



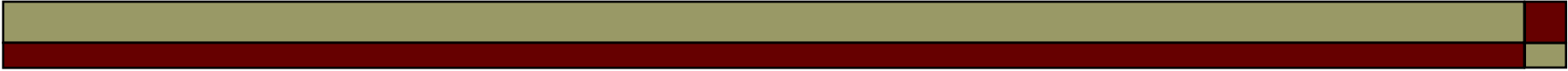
Military Family Relief Fund Credit

- There is no carry forward for this credit. You must use this credit on the tax return filed for the taxable year in which you made your donation.
- You cannot claim both a tax credit and an itemized deduction for your donation.



Military Family Relief Fund Credit

- Before you claim this credit, you must have received a receipt from the Arizona Department of Veterans' Services that indicates you were eligible for the credit.
- For more information about the Military Family Relief Fund, contact the Arizona Department of Veterans' Affairs at www.azdvs.gov.

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- For questions regarding your Tax credit, contact Taxpayer Information and Assistance at 602.255.3381 or Toll Free 1.800.352.4090