

How Arizona's Tax Credits Work

Arizona offers "dollar-for-dollar" income tax credits for individuals. They are called "dollar-for-dollar" credits because each one takes a dollar off your Arizona income tax for each dollar you give, up to the credits limits.

But the tax break doesn't end there – these donations may count as charitable contributions on your federal return as well.

So, if you are in a 25% federal tax bracket, you may get back \$1.25 for each dollar you give (\$1 off your state tax, 25¢ off your federal tax).

You may give to qualified organizations for any of the credits, or for all. Donations must be made during the calendar year claimed, except for the school credits.

The actual amount of the credit used is limited to your tax liability for the year, although several credits allow unused amounts to carry over to future years.

For a contribution of cash, check, or other monetary gift (regardless of amount), you must

obtain and keep in your records a written acknowledgment from the organization. The receipt should show all of these:

- The name and address of the recipient organization
- The name of the taxpayer
- The amount paid
- The date paid

Keep the receipt with your tax records. Don't turn it in with your tax return.

Any amount claimed as a tax credit cannot be taken as an itemized deduction on your Arizona return. However, you may still claim any excess over the amount claimed as a credit as an itemized deduction for Arizona.

To learn more about charitable contributions in general, visit these IRS resources:

- *Tax Topic 506 - Charitable Contributions*
www.irs.gov/taxtopics/tc506.html
- *Publication 526, Charitable Contributions*
www.irs.gov/publications/p526/index.html

Tax credits, like other tax matters, can be complicated and confusing.

If you have questions about these credits or other tax issues, contact an Enrolled Agent.

Enrolled Agents, nicknamed "America's Tax Experts," are federally licensed tax professionals with unlimited practice rights, authorized to represent taxpayers in all states. The highest credential recognized by the IRS, Enrolled Agents are tax specialists who focus on tax planning, preparation and representation.

To find an Enrolled Agent near you, visit www.AzTaxPros.org.

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Arizona Income Tax Credits

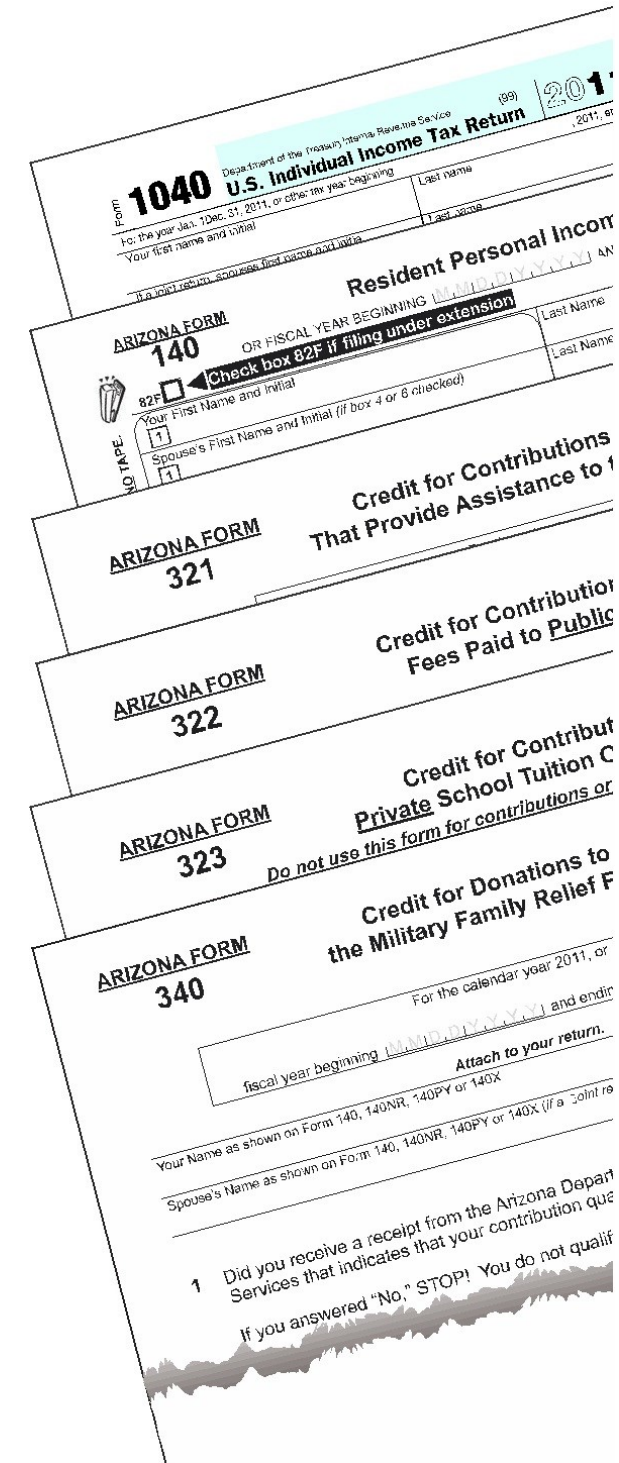
Help your community, Help yourself

Get more than your money's worth with Arizona's generous "dollar-for-dollar" income tax credits for individuals, each of which is a way to help the community and yourself at the same time:

- Credits for Contributions to Qualifying Charitable Organizations and Qualifying Foster Care Charitable Organizations (Working Poor Credit)
- Public School Credit
- Private School Tuition Credits
- Military Family Relief Fund Credit



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Credits for Contributions to Qualifying Charitable Organizations and Qualifying Foster Care Charitable Organizations (Form 321)

Arizona law provides a credit for cash contributions made to a Qualifying Charitable Organization (QCO) that provides help to the working poor and an additional credit for cash contributions to a Qualified Foster Care Charitable Organization (QFCO).

Which organizations qualify?

More than 600 community organizations qualify for the QCO credit. The list of eligible organizations for 2016 is available online at

<http://www.azdor.gov/TaxCredits/QualifyingCharitableOrganizations.aspx>

What about umbrella organizations?

Donations made to several "umbrella organizations," such as most United Way campaigns, can qualify for the credit *if* the money is designated for a qualifying community organization.

Do non-cash donations qualify?

No, only donations of money qualify. Noncash donations, such as cans of food given to a food bank, may qualify as regular charitable donations, but not for the credit.

How much is the credit?

Taxpayers can claim up to \$400 (\$800 for married filers) for contributions made to a QCO. Taxpayers can also claim up to an additional \$500 (\$1,000 for married filers) for contributions made to a QFCO. The maximum for both credits combined is \$900/\$1,800 and *all of that amount* can be donated to a QFCO, however contributions to a QCO *cannot exceed* the \$400/\$800 maximum.

Can unused credit carry over?

Yes. If the allowable tax credit is more than your tax, the unused credit may be carried forward for up to the next 5 consecutive years income tax liability.

For more information:

Publication 710: <http://www.azdor.gov/Portals/0/Brochure/710.pdf>

Public School Tax Credit (Form 322)

An individual may claim a credit for making contributions or paying fees to a public or charter school for support of extracurricular activities or character education programs.

Which schools qualify?

Any public or charter school kindergarten through grade 12 in Arizona qualifies. For a list, visit <http://ade.az.gov/edd/>.

Do all contributions to a school qualify?

No, only contributions for support of extra-curricular activities or a character education program.

Do fees I pay for my own child to participate in an extra-curricular activity qualify?

Yes. While parents can claim this credit, other taxpayers (such as grandparents and neighbors) also can donate for this credit.

How much is the credit?

The maximum credit is \$400 for married taxpayers or \$200 for single, head-of-household, or married-filing-separately taxpayers. In 2014, more than 260,000 taxpayers donated over \$50 million to schools with this credit.

When must the donation be made?

Contributions eligible for this credit can be made from January 1 of the tax year to April 15 of the following year. For contributions made after the end of the tax year taxpayers may take the credit on either the current tax year's return or on the return for the following year (the year when they were actually made).

Can unused credits carry over?

Yes. If the allowable tax credit is more than your tax, the unused credit may be carried forward for up to the next 5 consecutive years income tax liability.

Private School Tuition Credits (Forms 323 & 348)

To qualify for these two credits, you must make cash or payroll withholding contributions to a tuition organization that provides scholarships or grants to qualified schools.

Does tuition paid to a private school qualify?

No. The money must be donated to a School Tuition Organization (STO) that provides scholarships or grants to students. The organization also must be certified by the Arizona Department of Revenue.

How much is the credit?

Tax Year 2016 the maximum credit is \$2,173 for married taxpayers or \$1,087 for single, head-of-household, or married-filing-separately taxpayers, adjusted for inflation. In 2015, nearly 47,800 taxpayers donated almost \$36 million to schools with this credit.

When must the donation be made?

Contributions eligible for this credit can be made from January 1 of the tax year to April 15 of the following year. For contributions made after the end of the tax year taxpayers may take the credit on either the current tax year's return or on the return for the following year (the year when they were actually made).

Can unused credits carry over?

Yes. If the allowable tax credit is more than your tax, the unused credit may be carried forward for up to the next 5 consecutive years income tax liability.

For more information:

Publication 707: <http://www.azdor.gov/Portals/0/Brochure/707.pdf>

Arizona Military Family Relief Fund Tax Credit (Form 340)

The Arizona Military Family Relief Fund provides financial assistance for active duty Arizona resident service members, post 9/11 veterans and their families. For families of currently deployed service members or service members injured or killed in action, financial assistance is available to assist with unforeseen financial hardships. For separated service members, the fund helps with financial hardships caused by deployment to a combat zone, including service connected disabilities.

How much is the credit?

The maximum credit is \$400 for married taxpayers or \$200 for single, head-of-household, or married-filing-separately taxpayers.

Million-dollar limit

The law says only the first \$1,000,000 in donations during a calendar year will qualify for a dollar-for-dollar Arizona tax credit. The AMFRF website displays the amount of donations received to date, so taxpayers can determine if their donation will qualify.

Since inception in 2008 the Fund has reached its million-dollar limit each year.

Can unused credit carry over?

No. 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.

For more information:

AMFRF website: <https://dvs.az.gov/>

Repeal date 12/31/2018