

Arizona Tax Credit **Alert**

The Arizona legislature has retained and expanded some of the incentives for charitable giving for 2015. These credits are for individuals only, and the dollar limits differ depending on marital status. Your payments will make a positive impact on the recipient organization, while at the same time reducing your state income tax liability **dollar for dollar**. Here are descriptions of the credits:

Private School Tuition Organizations – Form 323

The tax credit for contributions to a *School Tuition Organization* is **\$1,070** for “married couples filing jointly” and **\$535** for all other taxpayers. The credit is available for a contribution that provides scholarships or grants to qualified elementary and high schools. Your contribution **cannot** be designated for the direct benefit of your dependent, but can be made to benefit a relative if they are not your dependent. Before making your contribution, make sure that the organization meets the rules set out by the Arizona Department of Revenue to qualify as a *School Tuition Organization*. A list of organizations qualified to receive these donations can be found at https://www.azdor.gov/Portals/0/RefundCredits/sto_i_list.pdf. The organization should give you a receipt showing the name and address of the school tuition organization, your name, the amount paid, and the date paid.

PLUS “Switcher” Tax Credit Program – Form 348

The Private Learning Uplifting Students (PLUS) tax credit allows donors to receive credit for a contribution over and above the *original* tax credit. The Arizona taxpayer must first donate the maximum for the original *School Tuition Organization* Tax Credit (\$1,070 for “married couples filing jointly” and \$535 all other taxpayers) in order to donate an additional amount for the PLUS “Switcher” tax credit. The maximum PLUS “Switcher” credit amount that may be taken for tax year 2015 is **\$1,064** for “married couples filing jointly” and **\$532** for all other taxpayers.

Summary of 2015 Private School Tuition Organization Credits:

| Tuition Tax Credits | “Original” Tax Credit Maximum for 2015 | “New” PLUS Tax Credit Maximum for 2015 | Total 2015 Maximum Tax Credit |
|---------------------|--|--|-------------------------------|
| Married Joint | \$1,070 | \$1,064 | \$2,134 |
| All Other Filers | \$535 | \$532 | \$1,067 |
| Tax Forms | Form 323 | Form 348 | Forms 323/348 |

For 2015, these donations can be made as late as April 15, 2016 and still be claimed on the 2015 state tax return.

Public Schools – Form 322

A credit for contributions of up to **\$400** for a “married couple filing jointly” and **\$200** for all other filers is available for payment of fees to an Arizona *public school or charter school* for support of extracurricular activities or character education programs. Examples of these activities include field trips, sporting activities and fine arts. The fee can be paid for the benefit of **your** child’s participation in a particular activity. Fees must be for the exact amount of the activity, and the activity must have a monetary charge in order to participate. Fees can also be paid to a central fund at the school to fund extracurricular activities for all students. In all cases the checks should be made out to the individual school. Beginning in 2016, credit eligible payments can be made as late as April 15, 2016 and still be claimed as a credit on your 2015 income tax return.

Charities That Provide Assistance To The Working Poor – Form 321

A credit of up to **\$400** for “married couples filing jointly” and up to **\$200** for all other filers is available for cash contributions to a qualifying charitable organization (QCO). This includes those groups that provide services to chronically ill or disabled children. Taxpayers can also take an **additional** credit for contributions up to **\$400** for “married couples filing jointly” and up to **\$200** for all other filers, for contributions to Qualifying Foster Care Charitable Organizations (QFCO). Only amounts donated to QFCO may be used to exceed the original cap of \$400 for “married couples filing jointly” and \$200 for all other filers.

Therefore the maximum combined credit when taking both the QCO and QFCO credits is **\$800** for “married couples filing jointly” and **\$400** for all other filers. Taxpayers do not have to itemize deductions to claim a credit for contributions to charities that provide assistance to the working poor. Many well-known organizations assist the working poor and qualify for this deduction. Check <https://www.azdor.gov/Portals/0/RefundCredits/CertifiedCharities2015.pdf> for the most current list of Qualifying Charities and <https://www.azdor.gov/Portals/0/RefundCredits/CertifiedFosterCareCharities2015.pdf> for the most current list of Qualifying Foster Care Charities.

Arizona Military Relief Fund – Form 340

A credit for contributions of up to **\$400** for “married couples filing jointly” and **\$200** for all other taxpayers is available for payment of fees to the Military Family Relief Fund. The Arizona Military Family Relief Fund provides financial assistance for active duty service members, post 9/11 veterans and their families. Financial assistance is made available to assist with unforeseen financial hardships including those caused by service connected disabilities. Visit the website at <http://dvs.az.gov/sites/default/files/documents/files/MFRF-2015-Donation-Form.pdf> to download the donation form. You must receive a receipt from the Arizona Department of Veterans’ Services that indicates the contribution qualifies for the credit in order to take this credit on your 2015 Arizona tax return.

S Corp. Private School Tuition Credits Passed Through to its Individual Shareholders

Effective for the 2015 tax year, an S corporation that qualifies for corporate private school tuition credit may elect to pass through the credits to its individual shareholders. An S corporation that elected to do so would claim the approved corporate private school tuition tax credits on AZ Form 335 and/or 341. Prior to claiming the credit the corporation must obtain a copy of the school tuition organization’s preapproved application and file with its tax return. It would provide its shareholders with AZ Form 335-S and/or 341-S. The shareholders would use AZ Form 335-I and/or 341-I to claim the credits on their personal tax returns. These credits may be claimed **in addition** to the two individual private school tuition credits and are not subject to limitations that apply to the individual private school tuition credits. A list of school tuition organizations certified to receive corporate donations can be found at the following link: https://www.azdor.gov/Portals/0/RefundCredits/sto_c_list.pdf.

Arizona Credits Summary

The credits described above give you the opportunity to direct your tax money to the schools and charities of your choice at no cost. The state credits, totaling \$3,734 for “married couples filing jointly”, and \$1,867 for all other taxpayers, can be claimed at one time for contributions made individually. With the exception of the Military Family Relief Fund Credit, unused credits will be carried forward for five succeeding years until used. Depending on your individual situation, you may also be able to deduct the contributions on your federal tax return. Receipts should be retained for your records and provided to your tax preparer so they can account for it on your Arizona tax return. The contributions and fees need to be paid by **December 31, 2015** (except the Public School Tax Credit and the Private School Tuition Organization credits which can be paid on or before April 15, 2016) in order to be reflected on your 2015 income tax return. For federal tax deduction purposes these donations are deductible *only* in the year paid.

If you would like to know more about these credits or find out how they would apply to your specific tax situation for 2015, please contact us.