

2021 Credit for Contributions To Qualifying Foster Care Charitable Organizations

Arizona Form 352

For information or help, call one of the numbers listed:

Phoenix (602) 255-3381
From area codes 520 and 928, toll-free (800) 352-4090

Tax forms, instructions, and other tax information

If you need tax forms, instructions, and other tax information, go to the department's website at www.azdor.gov.

Income Tax Procedures and Rulings

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website select *Reports, Statistics and Legal Research* from the main menu, then click on *Legal Research* and select a *Document Type* and *Category* from the drop down menus.

Publications

To view or print the department's publications, go to our website select *Reports, Statistics and Legal Research* from the main menu then click on *Publications* in the left hand column.

General Instructions

NOTE: You *must* also complete Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture, and include Forms 301 and 352 with your tax return to claim this credit.

Arizona law provides a *separate* credit for cash contributions made to qualifying foster care charitable organizations (QFCO).

CAUTION: Cash Contributions made after December 31, 2015, to a QFCO do not qualify for, and cannot be included in, a credit claimed on Arizona Form 321 for cash contributions made to a qualifying charitable organization (QCO).

If you made cash contributions to a **non-foster care qualifying charitable organization**, you *must* complete Arizona Form 321 to claim a credit for those contributions. Do **not** use Form 352 to claim a credit for contributions made to non-foster care charitable organizations.

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.

What is a QFCO?

A QFCO is a qualifying charitable organization that each operating year provides services to at least two hundred qualified individuals in Arizona. The charity must spend at least 50% of its budget on services to qualified individuals in this state.

"Qualified individual" means a child placed in a foster home or child welfare agency or a person who is under 21 years of age and who is participating in a transitional independent living program.

"Foster home" means a home maintained by any individual or individuals having the care or control of minor children, other than those related to each other by blood or marriage, or

related to such individuals, or who are legal wards of such individuals.

NOTE: For more information on what is a qualifying charitable organization, see the instructions for Form 321.

How Can I Tell if a Foster Care Charity Qualifies?

To qualify, a foster care charity must provide the department with written certification that it meets the criteria necessary to be considered a qualifying foster care charity.

To see a list of qualifying foster care charities, visit our website and click on *Tax Credits* and select *Contributions to QCOs and QFCOs*.

- For donations made in 2021 - use the 2021 list.
- For donations made from January 1, 2022 to April 18, 2022 - use the 2022 list.

A cash contribution for which a credit is claimed and that is made on or before the fifteenth day of the fourth month following the close of the taxable year may be applied to either the current or preceding taxable year and is considered to have been made on the last day of that taxable year.

For calendar year filers, credit eligible cash contributions made to a QFCO from January 1, 2022, through April 18, 2022, may be used as a tax credit on either your 2021 or 2022 Arizona income tax return.

IMPORTANT: To claim a credit on your 2021 tax return for contributions made January 1, 2022, through April 18, 2022, the charitable organization must be certified by the department for the 2022 tax year.

If you claim this credit in 2021 for a cash contribution made from January 1, 2022, through April 18, 2022, you must make an adjustment on your 2022 Arizona Form 140 Schedule A, Form 140PY Schedule A(PY) or A(PYN), or Form 140NR Schedule A(NR).

NOTE: You cannot claim both a tax credit and an itemized deduction for the amount of contributions made to a QFCO for which you are claiming a credit.

You cannot claim an increased standard deduction for the amount of contributions made to a QFCO for which you are claiming a credit.

The maximum amount of credit that a taxpayer can establish for the current taxable year is \$500 for single taxpayers or heads of household. For married taxpayers filing a joint return, the maximum amount of credit that a taxpayer can establish for the current taxable year is \$1,000. In most cases, for married taxpayers who file separate returns, each spouse may claim only **one-half** (½) of the total credit that would have been allowed on a joint return up to \$500.

NOTE: *The maximum amount of credit established for the current taxable year does **not** include any unused valid carryover amount(s) from prior taxable years. Because this is a nonrefundable credit, the total amount of available credit [current year plus any valid carryover amount(s)] that a taxpayer may use for the taxable year cannot be greater than the tax liability shown.*

If the allowable tax 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 consecutive taxable years' income tax liability.

You may qualify for this credit if you make cash contributions to a qualified foster care charity through an Umbrella Charitable Organization (UCO). An UCO is a charitable organization that collects contributions on behalf of member charities and directs that contribution as designated by the taxpayer to a QFCO that is certified by the Department.

In this case, 100% of the contribution to a specific qualifying foster care charitable organization or to a specific fund of the UCO must be distributed to a QFCO that is certified by the Department.

The UCO will need to provide you with a receipt for your contribution that specifies the QFCO or fund to whom the contribution is designated and certifies that 100% of the contribution will be distributed to the named QFCO. If a fund is designated then the receipt should certify that 100% of the fund is distributed to a QFCO that is certified by the Department.

NOTE: *You may be able to make contributions to these charities through your payroll withholding. Contact your employer and ask if they can withhold contributions for this credit from your pay.*

For more information, see the department's publication, Pub 710, *Credit for Contributions to Qualifying Charitable Organizations*.

What is a Qualifying Foster Care Charitable Organization Code?

For Arizona tax credit purposes, the department assigns a code (a 5 digit identification number) to each QFCO and the UCO fund (for example: 12345). If your donation receipt did not include the foster care charity's code, the department's list of qualifying charities includes the code assigned to each charity and the UCO fund code.

Be sure to enter the code number, in column (a), for each qualifying foster care charity for which you and your spouse made cash contributions.

Line-by-Line Instructions

Enter your name and Social Security Number (SSN) as shown on Arizona Forms 140, 140PY, 140NR, or 140X.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for an individual is the taxpayer's SSN or an Internal Revenue Service (IRS) individual taxpayer identification

number (ITIN). Taxpayers that fail to include their identification number may be subject to a penalty.

NOTE: *Complete Parts 1 and 3 **only** if you are claiming a new credit for the current tax year.*

If you are only claiming a carryover amount available from a previous credit, complete Parts 2 and 3.

Part 1 - Current Year's Credit

A. Cash contributions made January 1, 2021, through December 31, 2021

NOTE: *If you are married and filing separate returns, be sure to include all cash contributions made by you and your spouse.*

Lines 1, 2, and 3

Enter the following for each QFCO you or your spouse made cash contributions or paid fees from January 1, 2020 through December 31, 2021, for which you or your spouse are claiming a credit on the 2021 tax return:

- Column (a): the date you made the contribution (MM/DD/2021);
- Column (b): the five digit code number of the qualifying QFCO or the UCO fund code (example: 23456);
- Column (c): the name of the QFCO or the UCO fund name; and
- Column (d): the amount of cash contributions made during 2020.

*Do **not** include those cash contributions that you or your spouse made from January 1, 2021 through April 15, 2021, for which you or your spouse claimed a credit on the 2020 tax return.*

NOTE: *For contributions made to an Umbrella Charitable Organization, the Qualifying Charitable Organization Code and name of the qualifying charity are reported on the tax form. If a fund is designated, the Umbrella Charitable Organization Fund Code and the name of the fund are reported on the tax form.*

If you made cash contributions to more than three QFCOs, complete the Continuation Sheet on page 3 of the form and include it with the credit form

Line 4

Enter the amount from line 4h of the continuation Sheet; otherwise enter "0".

Lines 5

Add lines 1 through 4, column (d). Enter the total.

B. Cash contributions made January 1, 2022 through April 18, 2022

Lines 6, 7, and 8

NOTE: *If you are married and filing separate returns, include all cash contributions made by you and your spouse.*

Enter the following for each QFCO you or your spouse made cash contributions from January 1, 2022 through

April 18, 2022, for which you or your spouse are claiming a credit on the 2021 tax return.

- Column (a): the date you made the contribution (MM/DD/2022);
- Column (b): the five digit code number of the QFCO or UCO fund code (example: 23456);
- Column (c): the name of the QFCO or the UCO fund name; and
- Column (d): the amount of cash contributions made from January 1, 2022, through April 18, 2022.

NOTE: *For contributions made to an Umbrella Charitable Organization, the Qualifying Charitable Organization Code and name of the qualifying charity are reported on the tax form. If a fund is designated, the Umbrella Charitable Organization Fund Code and the name of the fund are reported on the tax form.*

If you made cash contributions to more than three QFCOs, complete the Continuation Sheet on page 3 of the form and include it with the credit form.

Line 9

Enter the amount from line 9h of the Continuation Sheet; otherwise enter "0".

Line 10

Add lines 6 through 9, column (d). Enter the total.

Line 11

Add lines 5 and 10. Enter the total.

Line 12

Single taxpayers and taxpayers filing as head of household enter \$500. Married taxpayers enter \$1,000.

Line 13 - Current Year's Credit

Enter the smaller of line 11 or line 12.

If you are married filing a separate return, but you could have filed a joint return, you may take only $\frac{1}{2}$ of the total credit that you and your spouse would have been allowed to take on a joint return, up to a maximum of \$500. In this case, enter $\frac{1}{2}$ of the smaller of line 11 or line 12.

Part 2 - Available Credit Carryover

Lines 14 through 19

Use lines 14 through 19 to figure your total available credit carryover from taxable years 2016 through 2020 if you claimed this credit on these returns and the credit was more than your tax.

NOTE: *You may carry over only that portion of the credit that you do not apply to tax. You cannot carry over any amount that you gave that was more than the maximum amount allowed as a credit.*

For example: During 2021, Mary, a single person, gave \$600 to a qualified foster care charity. For 2021, Mary is allowed a maximum credit of \$500. Mary's 2021 tax is \$250. Mary can apply \$250 of the credit to her 2021 tax liability and carryover \$250 of the unused \$500 credit to 2022.

Mary cannot claim any credit for the \$100 gift that was more than the allowable credit (\$600 minus allowable credit of \$500).

- In column (b), enter the credits originally computed for the tax years listed in column (a).
- In column (c), enter the amount of the credit which you have already used.
- In column (d), subtract the amount in column (c) from column (b) and enter the difference in column (d).
- Add the amounts entered on lines 14 through 17 in column (d)

Enter the total on line 19, column (d).

Part 3 - Total Available Credit

Lines 20 through 22

Use lines 20 through 22 to figure your total available credit for the taxable year.

Line 20

Enter the amount from Part 1, line 13. Also, enter this amount on Arizona Form 301, Part 1, line 24, column (a).

Line 21

Enter the amount from Part 2, line 19, column (d). Also enter this amount on Form 301, Part 1, line 24, column (b).

Line 22 - Total Available Credit

Add line 20 and line 21. Enter the total. Also, enter this amount on Form 301, Part 1, line 24, column (c).