

2014 Credit for Contributions to Private School Tuition Organizations

Phone Numbers

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 and click on *Legal Research* then click on *Procedures* or *Rulings* and select a tax type from the drop down menu.

Publications and Brochures

To view or print the department's publications and brochures, go to our website and click on *Publications*.

General Instructions

Note: Beginning 2014, you **must** also complete Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture, and include Forms 301 and 323 with your tax return to claim this credit.

Arizona law provides a credit for contributions made to a private school tuition organization that provides scholarships or grants to qualified schools.

The credit is equal to the amount contributed. For 2014, the credit cannot exceed \$528 for single taxpayers or heads of household. For married taxpayers that file a joint return, the credit cannot exceed \$1,056. In most cases, for married taxpayers who file separate returns, each spouse may claim only one-half (1/2) of the credit that would have been allowed on a joint return.

The credit eligible contributions made to a school tuition organization from January 1, 2015, to April 15, 2015, may be used as a tax credit on either your 2014 or 2015 Arizona income tax return.

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 5 consecutive taxable years' income tax liability.

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.

A private school tuition organization is an organization that meets **all** of the following:

- The organization is tax exempt under Section 501(c)(3) of the Internal Revenue Code (IRC).
- The organization allocates at least 90% of its annual revenue from contributions to educational scholarships or tuition grants.

- The organization makes its scholarships or grants available to students of more than one qualified school.

A "qualified school" means a preschool that offers services to students with disabilities, nongovernmental primary or a secondary school that is located in Arizona. The school cannot discriminate on the basis of race, color, handicap, familial status, or national origin and requires all teaching staff and personnel that have unsupervised contact with students to be fingerprinted. A "qualified school" does not include a charter school or programs operated by a charter school. The primary school must begin with kindergarten and the secondary school must end with grade 12.

In the case of a preschool that offers services to students with disabilities, a "student with disabilities" is a student who has any of the following conditions.

- Hearing impairment
- Visual impairment
- Developmental delay
- Preschool severe delay
- Speech and/or language impairment

NOTE: The Arizona Department of Revenue is required to certify school tuition organizations. The department maintains a list of currently certified school tuition organizations on its website at www.azdor.gov.

To qualify for the credit all contributions must be made to a certified school tuition organization. To determine if your contributions made in 2014 and/or 2015, qualify for this credit, you should verify that the school tuition organization you made a contribution to is certified. For a list of school tuition organizations certified to receive donations for the individual income tax credit, see the department's website.

Your donation to the school tuition organization will not qualify for the credit if you designate the donation for the direct benefit of your dependent.

NOTE: Your donation will also not qualify if you designate a student beneficiary as a condition of your contribution to the school tuition organization. Also, the tax credit is not allowed if you agree with another person to designate each other's contributions to the school tuition organization for the direct benefit of each other's dependent, a practice commonly known as swapping.

You cannot claim both a tax credit and an itemized deduction for the amount of contributions made to a private school tuition organization for which you are claiming a credit.

If you claim this credit in 2014 for a donation made from January 1, 2015, to April 15, 2015, you must make an adjustment on your Arizona Form 140, Schedule A; or Form 140PY, Schedule A(PY) or A(PYN); or Form 140NR, Schedule A(NR), filed in 2015.

Before claiming this credit, make sure the school tuition organization issues you a receipt for the contribution. The receipt should show **all** of the following.

- Name and address of the school tuition organization;
- Name of the taxpayer;
- Amount paid; and
- Date paid.

Please keep this receipt with your tax records. For more information on school tax credits, see the department's brochure, Pub 707, *School Tax Credits*.

NOTE: You may be able to make credit eligible contributions to a school tuition organization through payroll withholding. Check with your employer to see if your employer has agreed to withhold contributions that qualify for this credit from your pay.

Line-by-Line Instructions

Part 1 - Current Year's Credit

Line 1 -

Enter the name and address of the private school tuition organization to which you made contributions and for which you are claiming a current year's credit for on your return.

Line 1a -

Enter the amount of contribution(s) made from January 1, 2014 through December 31, 2014.

Line 1b -

Enter the amount of contribution(s) made from January 1, 2015 through April 15, 2015, for which you are claiming a credit on your 2014 tax return.

Line 1c -

Add lines 1a and 1b and enter the total.

Lines 2, 2a through 2c -

Complete these lines following the instructions for lines 1 and 1a through 1c.

If you made contributions to 3 or more school tuition organizations, complete an additional schedule. The schedule should show the same information required on lines 1 and 1a through 1c for each of the additional school tuition organizations to which you made contributions.

Line 3 -

Add lines 1c, 2c and any amounts from additional schedules.

Line 4 -

Single taxpayers and taxpayers filing as head of household, enter \$528. Married taxpayers enter \$1,056.

Line 5 - Current Year's Credit

Enter the smaller of line 3 or line 4. If you are married filing a separate return, but you could have filed a joint return, you may take only one-half of the total credit that you and your spouse would have been allowed to take on a joint return, up to a maximum of \$528 each. In this case, enter one-half of the smaller of line 3 or line 4.

NOTE: If you made contributions that total more than the allowable current year's credit on Form 323, you may claim a credit on Arizona Form 348 for some or all of the contributions that exceed the maximum allowable amount. For more information see Form 348.

Part 2 - Available Credit Carryover

Lines 6 through 11 -

Use lines 6 through 11 to figure your total available credit carryover from taxable years 2009 through 2013. Complete lines 6 through 11 if you claimed this credit on a return for one of these years 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 amount allowed as a credit. See the example on the last page of these instructions.

- In column (b) enter the credit originally computed for that taxable year listed in column (a).
- In column (c) enter the amount of the credit from that taxable year which you have already used.
- Subtract the amount in column (c) from column (b) and enter the difference in column (d).
- Add the amounts entered on lines 6 through 10 in column (d).

Enter the total on line 11, column (d).

Part 3 - Total Available Credit

Line 12 -

Enter the amount from Part 1, line 5.

Line 13 -

Enter the amount from Part 2, line 11, column (d).

Line 14 -

Add line 12 and line 13. Enter the total.

Enter the amount from Form 323, Part 3, line 14 on Arizona Form 301, Part 1, line 14, column (c).

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 amount allowed as a credit.

For example: During 2014, Mary, a single person, gave \$1,400 to a school tuition organization. For 2014, Mary is allowed a maximum credit on Form 323 of \$528. Mary's 2014 tax liability is \$400. Mary may apply \$400 of the \$528 credit claimed on Form 323 against her 2014 tax liability. Mary may carryover the unused credit of \$128 to her 2015 income tax return. Mary may not claim a credit on Form 323 for the \$872 gift that was more than the allowable credit (\$1,400 minus allowable credit of \$528).

However, Mary may claim a credit on Arizona Form 348 for the contribution made to the school tuition organization that was more than the \$528 allowable credit. The credit Mary may claim on Form 348 cannot exceed the maximum credit allowed on that form. To compute that credit, Mary must complete Form 348 in addition to Form 323. Mary must also complete Arizona Form 301.

For 2014, Mary would compute her available credit for Form 323 as follows.

2014 total contribution made to school tuition organizations		\$1,400
Maximum allowable credit claimed on Form 323 for tax year 2014		\$ 528
Mary's 2014 tax liability	\$ 400	
Less: available tax credit - Form 323	\$ 400	
Balance of tax	\$ 0	
Carryover available for 2015 from Form 323 (\$528 minus \$400)	\$ 128	
Contribution available to calculate the allowable credit on Form 348 (\$1,400 minus \$528). Mary must complete Arizona Form 348 to figure that credit.		\$ 872