

2010 Credit for Contributions to Private School Tuition Organizations

Arizona Form
323

Phone Numbers

If you have questions, please call one of the following numbers:

Phoenix	(602) 255-3381
From area codes 520 & 928 toll-free	(800) 352-4090
Hearing impaired TDD user	
Phoenix	(602) 542-4021
From area codes 520 & 928 toll-free	(800) 397-0256

You may also visit our web site at:

www.azdor.gov

General Instructions

NOTE: Beginning in 2011, credit eligible contributions made to a school tuition organization from January 1, 2011 to April 15, 2011 may be used as a tax credit on either your 1) 2010 or 2) 2011 Arizona income tax return.

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

The credit is equal to the amount contributed. However, for single taxpayers or heads of household, the credit cannot exceed \$500. For married taxpayers that file a joint return, the credit cannot exceed \$1,000. If married taxpayers file separate returns, each spouse may claim only ½ of the credit that would have been allowed on a joint 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 years.

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 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.
- The organization allocates at least 90 percent of its annual revenue to scholarships or grants.
- The organization makes its scholarships or grants available to students of more than one qualified school.

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

In the case of a preschool for handicapped students, a handicapped student is a student who has any of the following conditions:

- Hearing impairment.
- Visual impairment.
- Preschool moderate delay.
- Preschool severe delay.
- Preschool speech or language delay.

NOTE: The Arizona Department of Revenue is required to begin certifying school tuition organizations in 2011. The Department will maintain a registry of currently certified school tuition organizations on its website, www.azdor.gov.

To determine if your contributions made in 2010 qualify for this credit, you should ask the organization if it meets all of the requirements. 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: Beginning in 2011, your donation will also not qualify if you designate a student beneficiary as a condition of your contribution to the school tuition organization. Additionally, the tax credit is not allowed if you agree with another person to designate each other's contribution 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 school tuition organization for which you are claiming a credit. If you claim this credit in 2010 for a donation made from January 1, 2011 to April 15, 2011, you must make an adjustment on your Arizona Form 140, Schedule A itemized deductions in 2011.

Before claiming this credit, make sure the school tuition organization issues you a receipt for the contributions.

The receipt should show all of the following:

- the name and address of the school tuition organization
- the name of the taxpayer
- the amount paid
- the date paid

Please keep this receipt with your tax records.

For more information on school tax credits, see the Arizona Department of Revenue brochure, Pub 707, *School Tax Credits*. To get a copy of this brochure, visit our web site or call one of the numbers listed on this page of these instructions.

NOTE: You may now 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

Lines 1 through 3 – Current Year's Credit

Lines 1a, 1b, and 1c -

Enter the name and address of the school tuition organization to which you made contributions. Also enter the amount contributed to the school tuition organization. In the appropriate boxes, please indicate if the contribution to be claimed for a credit in tax year 2010 was made in 2010 or

from January 1, 2011-April 15, 2011. If contributions were made in both years, please add the 2010 and 2011 amounts together on line 1a.

If you made contributions to 2 school tuition organizations, complete line 1b following the same instructions as line 1a above.

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

Add the amount of contributions made to all school tuition organizations listed on lines 1a, 1b, and any additional schedule. Enter the total on line 1c.

Line 2 -

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

Line 3 -

Enter the smaller of line 1c or line 2. If you are married filing a separate return, enter $\frac{1}{2}$ of the smaller of line 1c or line 2 here. This is the current year's credit.

Lines 4 through 9 - Available Credit Carryover

Use lines 4 through 9 to figure your total available credit carryover from taxable years 2005 through 2009. Complete lines 4 through 9 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. For example: During 2010, Mary, a single person, gave \$700 to a school tuition organization. For 2010, Mary is allowed a credit of \$500. Mary's 2010 tax is \$400. Mary may carryover \$100 of the unused \$500 credit to 2011. Mary cannot claim any credit for the \$200 gift that was more than the allowable credit (\$700 minus allowable credit of \$500).

In column (b), enter the credit originally computed for the 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 the amount in column (b) and enter the difference in column (d). Add the amounts entered on lines 4 through 8 in column (d). Enter the total on line 9, column (d).

Lines 10 through 12 - Total Available Credit Use lines 10 through 12 to figure your total available credit for 2010.

Line 10 -

Enter the amount from line 3 here. If you are married filing a separate return, you may take only $\frac{1}{2}$ of the credit that would otherwise be allowed on a joint return.

Line 11 -

Available credit carryover from prior taxable years. Enter the amount from line 9, column (d).

Line 12 -

Total available credit. Add line 10 and line 11. Enter the total here.

If this is the only credit that you are claiming, and the credit shown on line 12 is equal to or less than your Arizona tax minus the clean elections fund tax reduction, enter the amount from line 12 on **Form 140**, page 1, line 27 or **Form 140NR**, page 1, line 29, or **Form 140PY**, page 1, line 30.

If you are claiming the family income tax credit or other credits from only Forms 310, 321, and/or 322, complete the following worksheet, or one of the credit worksheets in the Form 310, 321, or 322 instructions.

Credit Worksheet	
1. Enter your Arizona tax less the clean elections fund tax reduction and family income tax credit if applicable.	
2. Enter the credit from Form 310, line 18.	
3. Enter the credit from Form 321, line 13.	
4. Enter the credit from Form 322, line 12.	
5. Enter the credit from Form 323, line 12.	
6. Add the amounts on lines 2, 3, 4, and 5. Enter the result.	
Compare the amount on line 6 to the amount on line 1.	
If the amount on line 6 is equal to or less than the amount on line 1, do one of the following:	
<ul style="list-style-type: none"> • If filing Form 140, enter the amount from line 6 on Form 140, page 1, line 27. • If filing form 140NR, enter the amount from line 6 on Form 140NR, page 1, line 29. • If filing form 140PY, enter the amount from line 6 on Form 140PY, page 1, line 30. 	
If the amount on line 6 is more than the amount on line 1, you must complete Form 301.	

If you are claiming nonrefundable credits from forms other than Form 310, 321, 322, and/or 323, you must complete Form 301.

If you have to complete Form 301, enter the amount from Form 323, line 12 on Form 301, page 1, line 15.

NOTE: If you are married, and file a separate return, you may take only one-half of the total credit that would otherwise be allowed on a joint return