

2016 Credit for Donation of School Site

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

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

General Instructions

Arizona Revised Statutes (A.R.S.) §§ 43-1089.02 and 43-1181 provide nonrefundable individual and corporate income tax credits for the donation of real property and improvements to an Arizona school district or Arizona charter school for use as a school or as a site for the construction of a school.

To qualify for the credit:

- The real property and improvements must be located in Arizona.
- The donor must convey the real property and improvements unencumbered and in fee simple, except that there must be a deed restriction and protective covenant related to the use of the property.
- The value of the donated property must be determined by an appraisal as defined in *A.R.S. § 32-3601* that is conducted by an independent party and is paid for by the donee.
- The conveyance shall not violate the provisions of *A.R.S. §§ 15-341(D)* or *15-183(U)*.
- The donor must record the appropriate lien on the property donated to an Arizona charter school. The tax credit constitutes a lien on the property. The lien is the amount of the allowable tax credit adjusted by the gross domestic product (GDP) price deflator, as defined in *A.R.S. § 41-563*, with a maximum of 12.5% over the allowable tax credit.
- An Arizona school district shall not accept the donation unless the school facilities board has reviewed the proposed donation and has issued a written determination that the real property and improvements are suitable as a school site or as a school.

On written request of the donee, the donor must disclose in writing to the donee the amount of the allowable tax credit for the property received by the donee.

The tax credit is in lieu of a deduction in the computation of Arizona gross income for the donation of the property for which the credit is claimed. **CORPORATE TAXPAYERS:** An addition to Arizona gross income is required for the amount of the deduction included in the computation of federal taxable income. **INDIVIDUAL TAXPAYERS:** The taxpayer cannot claim both the tax credit and an itemized deduction for the donation of a school site. If the taxpayer claims the credit and itemizes deductions on the Arizona return, the taxpayer must exclude the amount of the charitable deduction otherwise allowed for the donation of the school site.

For example, a taxpayer that donates a \$2,000,000 property would receive a credit of \$600,000 ($\$2,000,000 \times 30\%$). If the taxpayer is a corporation, the addition to Arizona gross income would be \$2,000,000. If the taxpayer is an individual that itemizes deductions, then the charitable contribution deduction must exclude the \$2,000,000 donation.

Co-owners of a business, including partners in a partnership and shareholders of an S corporation, may each claim only the pro rata share of the credit allowed based on the ownership interest. The total of the credits allowed all such owners may not exceed the amount that would have been allowed for a sole owner of the business.

The credit is available to an exempt organization that is subject to corporate income tax on unrelated business taxable income (UBTI). The credit must result from the activities that generate UBTI.

If the allowable tax credit exceeds the taxes otherwise due or, if there are no taxes due, the amount of the credit not used to offset taxes may be carried forward for not more than five taxable years as a credit against subsequent years' income tax liabilities.

This form is for donations of real property only (real estate). Do not use this form for cash donations to schools. Credits for those donations should be claimed on Form 322. Do not use this form for cash donations to school tuition organizations. Credits for those donations should be claimed on Form 323 or Form 348 for individuals; or claimed on Form 335 or Form 341 for corporations.

Specific Instructions

Complete the name and taxpayer identification number section at the top of the form. Indicate the period covered by the taxable year. Include the completed form with the tax return.

NOTE:

- All returns, statements, or other documents filed with the department must have the taxpayer's EIN or taxpayer identification number (TIN) indicated on them.
- Taxpayers who fail to include their EIN or TIN may be subject to a penalty.

Part 1 - Donated Property Information and Current Taxable Year's Credit Calculation

If more than three parcels were donated, complete the information requested for lines 1 through 6 on continuation sheets.

Line 1 -

Enter the name of the Arizona county in which the donated property is located.

Line 2 -

Enter the parcel number of the donated property.

Line 3 -

Enter the date on which the property conveyance was recorded.

Line 4 -

Enter the recording number of the property conveyance.

Line 5 -

Enter the value of the donated property based on appraisal.

Line 6 -

Multiply the amounts on line 5 in each column by 30% (.30).

Line 7 -

Add the amounts on line 6 in each column. Enter the total.

Line 8 -

Enter the aggregate line 7 totals from the continuation sheets, if more than three parcels were donated.

Line 9 -

Add line 7 and line 8. Enter the total. This is the current taxable year's credit.

Part 2 - S Corporation Credit Election and Shareholder's Share of Credit

Line 10 - S Corporation Credit Election

S corporations must complete line 10. The S corporation must make an irrevocable election to either claim the credit or pass the credit through to its shareholders. The election statement must be signed by one of the officers of the S corporation who is also a signatory to Arizona Form 120S.

Lines 11 through 14 -

If the S corporation elects to pass the credit through to its shareholders, it must also complete lines 11 through 14.

The S corporation must complete Part 1. Then, complete Part 2, lines 11 through 14, separately for each shareholder.

Each S corporation shareholder is entitled to only a pro rata share of pass-through credit based on ownership interest in the S corporation. The total of the credit allowed to all shareholders may not exceed the amount that would have been allowed for a sole owner.

The S corporation must furnish each shareholder with a copy of pages 1 and 2 of Form 331. Each shareholder must complete Part 4 and Part 5.

NOTE to individual shareholders of an S corporation: *The credit for donation of school site is in lieu of any deduction pursuant to §170 of the Internal Revenue Code. If you are claiming the credit in Part 2, line 13, you must exclude the amount of the charitable deduction otherwise allowed for the donation of the school site, which is the amount in Part 2, line 14. See the example on page 1 of these instructions.*

Part 3 - Partner's Share of Credit

Lines 15 through 17 -

The partnership must complete Part 1. Then, complete Part 3, lines 15 through 17, separately for each partner.

Each partner is entitled to only a pro rata share of the credit based on the partner's ownership interest in the partnership. The total of the credit allowed to all partners may not exceed the amount that would have been allowed for a sole owner.

The partnership must furnish each partner with a copy of pages 1 and 2 of Form 331. Each partner must complete Part 4 and Part 5.

Part 4 - Available Credit Carryover

Lines 18 through 23 -

Complete Part 4 only if the allowable credit for donation of school site for prior taxable years exceeded the Arizona income tax liability for those taxable years. Calculate the total available carryover of the credit for donation of school site on page 2, Part 4, lines 18 through 23.

Partners of a partnership or shareholders of an S corporation should complete Part 4 only if their allowable credit for donation of school site for prior taxable years exceeded their Arizona income tax liability for those taxable years.

Enter the applicable taxable year(s) in column (a) on lines 18 through 22. In column (b), enter the credit originally computed for that taxable year. In column (c), enter the amount of the credit from that taxable year which has already been used. Subtract the amount in column (c) from column (b) and enter the difference in column (d). Add the amounts entered on lines 18 through 22 in column (d). Enter the total on line 23, column (d). This is the total credit carryover available for the current taxable year.

Part 5 - Total Available Credit

Line 24 -

Individuals, exempt organizations with UBTI, and corporations (including S corporations that elected to claim the credit at the corporate level) - enter the current year's credit from Part 1, line 9.

S corporation shareholders - enter the credit from Part 2, line 13.

Partners of a partnership - enter the credit from Part 3, line 17.

This is the current taxable year's credit for donation of school site.

Individuals: Also, enter this amount on Form 301, Part 1, line 16, column (a).

Corporations (including S corporations that elected to claim the credit at the corporate level), and exempt organizations with UBTI: Also, enter this amount on Form 300, Part 1, line 10, column (a).

Line 25 -

Enter the amount from Part 4, line 23, column (d). This is the total available credit carryover.

Individuals: Also enter this amount on Form 301, Part 1, line 16, column (b).

Corporations (including S corporations that elected to claim the credit at the corporate level), and exempt organizations with UBTI: Also, enter this amount on Form 300, Part 1, line 10, column (b).

Line 26 -

Add line 24 and line 25. This is the total available credit for donation of school site that may be applied to the current taxable year's tax liability.

Individuals - enter the total here and on Form 301, Part 1 line 16, column (c).

Corporations (including S corporations that elected to claim the credit at the corporate level), and exempt organizations with UBTI: Also, enter the total here and on Form 300, Part 1, line 10, column (c).