

**2004 Credit for Donation of School Site**

Obtain additional information or assistance, tax forms and instructions, and copies of tax rulings and tax procedures by contacting one of the numbers listed below:

Phoenix	(602) 255-3381
From area codes 520 and 928, toll-free	(800) 352-4090
Form Orders	(602) 542-4260
Forms by Fax	(602) 542-3756
Recorded Tax Information	
Phoenix	(602) 542-1991
From area codes 520 and 928, toll-free	(800) 845-8192
Hearing impaired TDD user	
Phoenix	(602) 542-4021
From area codes 520 and 928, toll-free	(800) 397-0256

Obtain tax rulings, tax procedures, tax forms and instructions, and other tax information by accessing the department's Internet home page at:

[www.azdor.gov](http://www.azdor.gov)

**General Instructions**

ARS §§ 43-1089.02 and 43-1181 provide nonrefundable individual and corporate 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. The credit applies to taxable years beginning from and after December 31, 2000.

**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 a certified appraisal as defined in ARS § 32-3601 that is conducted by an independent party and is paid for by the donee.
- The conveyance shall not violate the provisions of ARS §§ 15-341.D and 15-183.V.
- 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 ARS § 41-563, with a maximum of 12.5 percent 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.

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.

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.

**Specific Instructions**

Complete the name and taxpayer identification number section at the top of the form. Indicate the period covered by the taxable year (in an MM/DD/YYYY format). Attach the completed form to the tax return.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for a corporation, S corporation, or a partnership is the taxpayer's employer identification number. The TIN for an individual is the taxpayer's social security number or an IRS individual taxpayer identification number. Taxpayers that fail to include their TIN may be subject to a penalty.

**Part I – Donated Property Information and Calculation of Current Taxable Year's Credit**

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 a qualified certified appraisal.

**Line 6 –**

Multiply the amounts in each column by 30 percent (.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 lines 7 and 8. Enter the total. This is the current taxable year's credit.

**Part II - S Corporation Credit Election and Shareholder's Share of the 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 the Form 120S.

**Lines 11 through 13 -**

If the S corporation elects to pass the credit through to its shareholders, it must also complete lines 11 through 13.

The S corporation must complete Part I. Then, complete Part II, lines 11 through 13, separately for each shareholder. The S corporation must furnish each shareholder with a copy of the completed Form 331.

Each shareholder must complete Part IV and Part V.

**Part III - Partner's Share of Credit****Lines 14 through 16 -**

The partnership must complete Part I. Then, complete Part III, lines 14 through 16, separately for each partner. The partnership must furnish each partner with a copy of the completed Form 331.

Each partner must complete Part IV and Part V.

**Part IV - Available Credit Carryover**

Complete Part IV only if the allowable credit for donation of school site for prior taxable years exceeded the Arizona income tax liability for those taxable years. Since the credit applies only to taxable years beginning from and after December 31, 2000, there is no available credit carryover from taxable years beginning prior to January 1, 2001. Calculate the total available carryover of the credit for donation of school site on page 2, Part IV, lines 17 through 22.

Partners of a partnership or shareholders of an S corporation should complete Part IV only if their allowable credit for donation of school site for prior taxable years exceeded their

Arizona income tax liability for those taxable years. Since the credit applies to taxable years beginning from and after December 31, 2000, there is no available carryover of this credit from taxable years beginning prior to January 1, 2001.

Each partner or S corporation shareholder must complete Part IV for the computation of the available carryover of the credit passed through by the partnership or S corporation.

Enter the applicable taxable year(s) in column (a) on lines 17 through 21. 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 17 through 21 in column (d). Enter the total on line 22, column (d). This is the total credit carryover available for the current taxable year.

**Part V - Total Available Credit****Line 23 -**

*Individuals and corporations (including S corporations that elected to claim the credit)* - Enter the current year's credit from Part I, line 9.

*S corporation shareholders* - Enter the credit from Part II, line 13.

*Partners of a partnership* - Enter the credit from Part III, line 16.

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

**Line 24 -**

Enter the amount from Part IV, line 22, column (d). This is the total available credit carryover.

**Line 25 -**

Add lines 23 and 24. This is the total available credit for donation of school site which may be applied to the current taxable year's tax liability. Enter the total here and on Form 300, Part I, line 19, or Form 301, Part I, line 23.