

2015 Credit for Contributions to Certified School Tuition Organization - Individuals

(For contributions that exceed the maximum allowable credit on Arizona Form 323)

**Arizona Form
348**

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*.

NOTE: You *must* also complete Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture, and include Forms 301 and 348 with your tax return to claim this credit.

Notice to All Taxpayers

NOTE: To claim this credit, you *must* first claim the maximum credit allowed on Arizona Form 323, Credit for Contributions to Private School Tuition Organizations. The amount of credit you must claim on Form 323 depends on your filing status. See Form 323 for these amounts.

If you have a carryover amount(s) from a credit claimed on Form 348 from prior tax year(s), you do not have to claim the maximum allowable credit on Form 323 to only use a carryover amount on Form 348. If you are claiming only a carryover amount on Form 348, and are not claiming any current year's credit on Form 323, submit only Form 348.

For an example of how to calculate the current year credit and carryover credit, if any, see the last page of these instructions.

AZ Form 348 Credit Carryover Amount(s) from Prior Tax Year(s)

If you claimed an allowable credit on Form 348 on your 2012, 2013 and/or 2014 tax return and your 2012, 2013 and/or 2014 tax liability was less than your allowable credit, you may have a carryover amount available.

You may use the available credit carryover amount to reduce your 2015 tax liability even if you do not claim a credit on Form 323 for 2015.

General Instructions

Arizona law provides an individual income tax credit for the voluntary cash contributions made to a certified school tuition

organization in order to improve education by raising tuition scholarships for children in Arizona.

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.

The credit is equal to the amount contributed after the maximum amount that can be claimed on Form 323 is contributed. For 2015, the maximum amount of credit that a taxpayer can establish for the current taxable year is \$532 for single taxpayers or heads of household. For married taxpayers that file a joint return, the maximum amount of credit that a taxpayer can establish for the current taxable year is \$1,064. 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.

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

NOTE: The credit eligible contributions made to a certified school tuition organization from January 1, 2016 to April 18, 2016 may be claimed as a tax credit on either your 2015 or 2016 Arizona income tax return.

If you claim this credit in 2015 for a donation made from January 1, 2016, to April 18, 2016, 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 2016.

A certified 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% of its annual revenue for 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, or
- 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 2015 and/or 2016, 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. Additionally, 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.*

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, and
- the date paid.

Please keep this receipt with your tax records.

NOTE: *You may be able to make credit eligible contributions to a certified 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

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.

Part 1 - Eligibility

Lines 1a through 1c -

For lines 1a through 1c, answer the questions and follow the instructions on the form.

Part 2 - Current Year’s Credit

NOTE: *You must include all school tuition organizations to which you and your spouse, if married, made contributions to and for which you claimed a 2015 credit on Form 323.*

Lines 2, 3 and 4 -

Enter the name and address of the certified school tuition organization to which you made contributions from January 1, 2015 through December 31, 2015 and for which you are claiming a current year’s credit on your return.

- name of the certified school tuition organization,
- street address of the certified school tuition organization,
- location (city and state) of the private school tuition organization, and
- the amount of contributions made.

If you made cash contributions to three or more schools, complete an additional schedule. The schedule should show the same information required on lines 2, 3 and 4 for each of the additional schools to which you made cash contributions.

Line 5 -

Add the amounts in column (d) of lines 2, 3, and 4. Also, add any amount included on a separate schedule.

Line 6, 7 and 8 -

Enter the name and address of the certified school tuition organization to which you made contributions from January 1, 2016 through April 18, 2016 and for which you are claiming a current year’s credit on your return. Enter the following:

- name of the certified school tuition organization,
- street address of the certified school tuition organization,
- location (city and state) of the certified school tuition organization, and
- the amount of contributions made.

If you made cash contributions to four or more schools, complete an additional schedule. The schedule should show the same information required on lines 6, 7, and 8 for each of the additional schools to which you made cash contributions

Line 9 -

Add the amounts in column (d) of lines 6, 7, and 8. Also, add any amount included on a separate schedule.

Line 10 -

All taxpayers: Add lines 5 and 9. Enter the total.

Line 11 - Maximum Credit Claimed on Form 323

- Single taxpayers and taxpayers filing as heads of household enter \$535.
- All married taxpayers enter \$1,070.

Line 12 - Potential Credit

Subtract line 11 from line 10, and enter the difference.

Line 13 - Maximum Allowable Credit on Form 348

- Single taxpayers and taxpayers filing as heads of household enter \$532.
- All married taxpayers enter \$1,064.

Line 14 - Current Year's Credit to Claim on Form 348

Enter the smaller of line 12 or line 13. If you are married filing a separate return but could have filed a joint return, you may take only one-half (½) of the total credit that would have been allowed on a joint return, up to a maximum of \$532 each. In this case, enter one-half (½) of the smaller of line 12 or line 13.

Part 3 - Available Credit Carryover

NOTE: Arizona law requires that a taxpayer must claim the maximum credit amount allowed on Arizona Form 323 before claiming a credit for excess contributions on Form 348.

However, you do not have to claim a current year credit on Form 323 to only claim a credit carryover amount from prior taxable years on Form 348.

Lines 15 through 20 -

Use Part 3 to figure your total available credit carryover from taxable years 2012, 2013 and/or 2014.

Complete lines 15, 16 and 17 to figure your available credit carryover from taxable years 2012, 2013 and/or 2014, if you claimed the credit on a return for one of these years, and the credit was more than your tax.

- 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.
- In column (d), subtract the amount in column (c) from column (b) and enter the difference.
- Add the amounts on lines 15 through 17 in column (d).

Enter the total on line 20, column (d).

Part 4 - Total Available Credit

Line 21 -

Enter the amount from Part 2, line 14. Also, enter this amount on Form 301, Part 1, line 31, column (a).

Line 22 -

Enter the amount from Part 3, line 20, column (d). Also, enter this amount on Form 301, Part 1, line 31, column (b).

Line 23 -

Add line 21 and line 22. Also, enter this amount on Form 301, Part 1, line 31, column (c).

NOTE: To claim this credit, you **must** first claim the maximum credit allowed on Arizona Form 323, Credit for Contributions to Private School Tuition Organizations. The amount of credit you must claim on Form 323 depends on your filing status. See Form 323 for these amounts.

For example: During 2015, Mary, a single person, gave \$1400 to a school tuition organization. Mary's tax liability for 2015 is \$400. Mary claimed the maximum credit amount of \$535 allowed on Arizona Form 323. Since Mary made a contribution that totaled more than the allowable credit on Arizona Form 323, she may claim a credit, up to the maximum amount allowed, on Form 348 (for 2015, \$532 for single or head or household; or \$1,064 for married filing joint.)

For 2015, Mary would compute her **available current year's credit** for Form 348 as follows:

2015 total contributions made to school tuition organizations	\$ 1,400
Allowable credit claimed on Form 323 for tax year 2015	(\$ 535)
Contributions eligible to use for computing Form 348 credit	\$ 865
Maximum allowable credit on Form 348 that Mary may claim for 2015	<u>\$ 532</u>
Amount of the contributions exceeding the allowable credit. Mary may not use the amount of the gift, \$333, which was more than the allowable \$532 credit (\$865 minus \$532) to figure her credit on Form 348.	\$ 333

Once Mary computes her credit, she must then determine how much of that credit may be applied to the current year's tax and how much, if any, may be carried over to a future year. In this case, Mary has already applied a credit (from Arizona Form 323) against her total tax liability of \$400. Therefore, Mary will have a \$532 carryover on Form 348 for the next taxable year. Mary will compute her **2015 carryover credit** amount as follows:

Current Year's Credit	\$ 532
Mary's 2015 tax liability	\$ 400
Tax credit used – from Arizona Form 323	(\$ 400)
Balance of tax	<u>\$ 0</u>
Amount of current year credit used from Form 348 to off-set taxes	<u>\$ 0</u>
Amount of current year credit from Form 348 available to carryover to next year.	<u>\$ 532</u>