

Obtain additional information or assistance by calling one of the numbers listed below:

Phoenix	(602) 255-3381
From area codes 520 and 928, toll-free	(800) 352-4090
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

A.R.S. § 43-1183 provides a nonrefundable corporate income tax credit for contributions made to a school tuition organization that provides scholarships or grants to qualified schools. The corporate income tax credit is available for contributions made from and after June 30, 2006. For donations made from and after July 29, 2010, the school tuition organization must be certified pursuant to Chapter 15 of Title 43 at the time of donation.

The unused portion of this tax credit may be carried forward for five succeeding taxable years. The amount of total credits the Department of Revenue may allow cannot exceed \$10 million dollars in the first fiscal year. This amount will increase by 20% in each following fiscal year. The state's fiscal year begins on July 1, and ends on June 30 of the following year.

The tax credit is equal to the amount the Department has pre-approved, if the taxpayer has made that amount of contribution to the school tuition organization within ten days of when the school tuition organization notified the taxpayer of the pre-approval.

The tax credit is available only to corporate taxpayers. A partnership may pass this credit through only to its corporate partners, each of which may claim a pro-rata share of the credit based on ownership interest. An S corporation may only claim this credit against income Arizona is taxing at the corporate level.

The children who receive educational scholarships or tuition grants under this program must either be enrolling in a qualified school's kindergarten program, or be transferring from governmental primary or secondary schools to the qualified school. Transferring students must have attended governmental schools as full-time students for at least 100 days of the prior fiscal year.

Students who receive an educational scholarship or tuition grant under this program may be eligible for another scholarship or tuition grant in a subsequent year, if they continue to meet the requirements and attend a qualified school.

Contributions designated as being for the direct benefit of any specific student will not qualify for the credit. This credit is in lieu of any deduction taken under IRC § 170 for state tax purposes. A taxpayer shall not claim a credit for this credit and the credit provided under A.R.S. § 43-1184, claimed on Arizona Form 341, with respect to the same contribution.

## CREDIT PRE-APPROVAL PROCEDURE

*Before claiming the credit, obtain a copy of the school tuition organization's preapproved application. Attach a copy of the pre-approved application to Form 335. Failure to do so could result in a disallowance of this credit.*

The Department will preapprove the credits on a first-come, first-served basis. The preapproval process works as follows:

- Before making the contribution, the taxpayer notifies the school tuition organization of the intended amount.
- The school tuition organization requests preapproval from the Department of Revenue.
- The Department of Revenue preapproves or denies the request within twenty days after it has received the request, and notifies the school tuition organization.
- If the request is preapproved, the school tuition organization notifies the taxpayer immediately.
- The taxpayer must make the contribution within ten days of receiving notice from the school tuition organization.

## QUALIFIED SCHOOL TUITION ORGANIZATION REQUIREMENTS

The school tuition organization receiving contributions under this program must meet the following criteria in order for the contributions to be eligible for this credit. It must:

- Be tax exempt under Section 501(c)(3) of the Internal Revenue Code.
- Allocate ninety percent of its annual revenue for educational scholarships or tuition grants to children to allow them to attend any qualified school of their parents' choice.
- Use at least ninety percent of the contributions it receives under this program to fund scholarships or tuition grants only to children whose family income does not exceed 185% of the income limit required to qualify a child for reduced price lunches under the national school lunch and child nutrition acts.
- For 2010, limit each educational scholarship or tuition grant to \$4,600 or less for kindergarten through eighth grade students, and to \$5,900 for students in grades nine through twelve. Each limitation will each increase by \$100 in each subsequent program year.

## QUALIFIED SCHOOL REQUIREMENTS

A "qualified school" is a nongovernmental primary or a secondary school that:

- Is located in Arizona.
- Does not discriminate on the basis of race, color, handicap, familial status, or national origin.
- Satisfies the requirements prescribed by law for private schools in Arizona on January 1, 2005.
- Annually administers and makes available to the public the aggregate test scores of its students on a nationally standardized norm-referenced achievement test.
- Requires all teaching staff and personnel that have unsupervised contact with students to be fingerprinted.

## Specific Instructions

Complete the name and taxpayer identification number section at the top of the form. Indicate the period covered by the taxable year. 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. Taxpayers that fail to include their TIN may be subject to a penalty.

### Part I – Current Taxable Year's Credit Calculation

List each school tuition organization's name, address, credit approval number, and approved contribution amount. If you made contributions to more than ten organizations, complete and attach additional schedules.

Add the amount of contributions made to all school tuition organizations listed on lines 1 through 10, and any additional schedule(s). Enter the total on line 11.

### Part II – Corporate Partner's Share of Credit

Partnerships must complete Form 335, Part I. The partnership must complete Part II, lines 12 through 14, separately for each corporate partner.

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

The partnership must furnish each corporate partner with a copy of the completed Form 335. Each corporate partner would then complete Parts III and IV.

### Part III – Available Credit Carryover

Use Part III to figure your total available credit carryover from prior taxable years. Complete lines 15 through 20, columns (a) through (d), if you claimed the credit on a prior year's return and the credit exceeded your tax liability.

Enter the taxable year(s) from which you are carrying over the credit in column (a) on lines 15 through 19. 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 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 15 through 19 in column (d). Enter the total on line 20, column (d). This is the total credit carryover available for the current taxable year.

### Part IV – Total Available Credit

#### Line 21 -

Enter the current year's credit.

*Corporations and S corporations* - enter the amount from Part I, line 11, column (c).

*Corporate partners of a partnership* - enter the amount from Part II, line 14.

#### Line 22 -

Enter the available credit carryover from prior years from Part III, line 20, column (d).

#### Line 23 -

Add the amounts on lines 21 and 22 and enter the total on line 23, and on Form 300, Part I, line 15.