

# ACSTO 101

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A GUIDE TO RAISING  
TAX CREDIT DONATIONS

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REVISED JUNE '14

# ACSTO

Arizona Christian School Tuition Organization

**NOTICE:** A school tuition organization cannot award, restrict, or reserve scholarships only on the basis of a donor's recommendation. A taxpayer may not claim a tax credit if the taxpayer agrees to swap donations with another taxpayer to benefit either taxpayer's own dependent. A.R.S. 43-1603 (C). Any designation of your own dependent as a potential recipient is prohibited.

# // FOREWORD

***\*NOTE: As of 11/14/16, ACSTO is in the process of writing ACSTO 101, version 2.0. Due to updates in Arizona Department of Revenue regulations, as well as ACSTO policies, some of the information previously contained in ACSTO 101 is out of date or incorrect, and as such, has been removed.***

Arizona is unique in the flexibility of educational choice available, and many families are understandably drawn to the benefits of private schools. High standards, caring teachers, compatible worldview, community involvement, and small classroom size are a few of the best features.

In 1997, the Arizona State Legislature enacted ARS § 43-1089, the Arizona Private School Tuition Tax Credit Law, now nicknamed the Original Tax Credit. Subsequently the Arizona Supreme Court and US Supreme Court upheld the constitutionality of this law.

In 2012, the Arizona Legislature enacted ARS § 43-1089.03, the Overflow Tuition Tax Credit Law (also known as the PLUS or Switcher tax credit). Not only are the tax credits safe, they are growing!

Essentially, these laws allow Arizona taxpayers to give what they would otherwise owe the state in income tax to a School Tuition Organization (STO), such as ACSTO, as a donation instead. After making this donation, taxpayers claim it on their Arizona tax forms to receive a dollar-for-dollar tax credit against their state income tax liability. STO's use this money to award scholarships to help pay for student tuition at private K-12 schools in Arizona.

From 1998 to 2012, Arizona citizens have taken advantage of these laws, and donated more than \$580 million to help pay tuition for students at private schools. ACSTO has been blessed to have processed over 20% of all donations received and scholarships awarded among all of the STOs in Arizona since the Original tax credit law began.

In the process, the state of Arizona has saved millions of dollars by not having to bear the cost of educating thousands of students, who otherwise would have attended public schools.

ACSTO is committed to helping families afford Christian education. Christian education provides a great academic foundation and a base for our students to grow into the Christian leaders God has called them to be.

As part of this quality service, we want to provide our partners (parents, schools, and donors) with the resources necessary to use these tax credits to their greatest potential. In this book, we hope you will find some helpful advice on how to best take advantage of these laws to help you best afford a private education for your children.

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# // INTRODUCTION

Let's face it. Raising donations for any cause is hard work. It's difficult to think of who to ask, let alone getting them to actually write a check. Add the phrase "tax credit" and many people would rather say "no thanks."

We wrote this guide to provide you with the edge you need when raising donations. In it, you will find tangible resources you can use to inform potential donors of how painless and beneficial their donation can be.

Many people may say, "It's too good to be true!" In many ways it is, and in many ways it is not. Be assured that this is a perfectly legitimate program, written into Arizona law.

However, the program has its limits. While it is designed to help families who would otherwise not be able to afford private education, there are limited funds available. Whenever scholarships are concerned, more people apply for a scholarship than there is money to award to them.

Our goal is always to help as many students as possible, but not everyone will receive a scholarship, and it rarely pays for all tuition expenses. Some schools even require that parents pay for a certain percentage of their tuition to ensure that parents are involved in the process. This tax credit program is a wonderful gift from the state, but please approach this opportunity with discretion.

At ACSTO, we fully support the school choice movement. As such, we encourage parents to choose the education that they feel would be best for their children, although we are partial to Christian education. According to an official Gallup poll, most of America supports school choice too!<sup>1</sup> Support only slips once we delve into specifics. This is because people are confused about the specifics of choice.

Dr. Frank Luntz of National School Choice Week explains,



*You must educate people about the nuts and bolts of choice. Don't assume they know how a voucher, tax credit, or charter school really works. For example, nearly half of moms (47%) admit to having no idea how charter schools are funded, while nearly a quarter of the general population (23%) think they know, but are wrong.<sup>2</sup>*

If you truly wish to benefit from the tax credit program, and truly need others to come along side your family and support your children through tax credit donations, then being informed, and accurately informing your potential donors, is the best policy. This guide, in addition to numerous resources on our website, is meant to give you a head start in that process.

As you flip through the pages of this guide, please be aware that our wording is precise. If it appears wordy or technical, it is because anything involving tax credit law and taxes tend to be wordy and technical. We do so for the protection of ACSTO, the tax law, our schools, and our donors.

If a donor or ACSTO is audited, we want to make sure everything was done correctly. If the media is looking for ammunition against the tuition tax credit law, we will not provide that ammunition. Likewise, we ask that you strive for accuracy and carefulness in your communications as well. In addition, ACSTO is not a professional tax service or advisor. We always advise that you and/or your donors consult with your/their accountant regarding specific tax advice. The resources and language we provide in this guide is not meant to replace the professional guidance of a certified consultant.

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1. Jeffrey Jones. *In U.S., Private Schools Get Top Marks for Educating Children*. Gallup Politics, Aug. 29, 2012. <http://www.gallup.com/poll/156974/private-schools-top-marks-educating-children.aspx>

2. Dr. Frank Luntz. *The Language of School Choice*. National School Choice Week. August, 2010. Charters are publicly funded and considered public schools.

# // THE NOTICE

Whether you are brand new to ACSTO, or a long-time supporter, there is one item that must be addressed first. As a non-profit 501(C)(3) charitable organization ACSTO is not able to promise or guarantee any result regarding what happens to a taxpayer's donation. Please read this notice:

**“NOTICE:** *A school tuition organization cannot award, restrict, or reserve scholarships only on the basis of a donor's recommendation. A taxpayer may not claim a tax credit if the taxpayer agrees to swap donations with another taxpayer to benefit either taxpayer's own dependent. A.R.S. 43-1603 (C) Also, a parent may not make a donation recommending his/her own child or dependent.*

This notice is required by law on all STO<sup>1</sup> materials, solicitations, and websites. It explains that even if a donor makes a recommendation specifically for your child, that is not a guarantee for a scholarship. That money will not automatically go to any particular child. Everyone needs to know that nothing whatsoever absolutely guarantees a scholarship.<sup>2</sup>

The tax credit program was not designed to guarantee anything to anyone.<sup>3</sup> That is why we never use the term 'designation.' Demanding a designation as part of a donation is not a charitable act; it disqualifies any sort of credit or deduction the taxpayer would try to claim. It also would jeopardize the 501(c)(3) status of the charitable organization.

Tax law is so strict that an infringement wouldn't even need to go to court. The IRS could intervene, investigate, and prosecute for something like this. Any STO

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1. STO stands for School Tuition Organization. ACSTO is an STO certified by the state of Arizona.

2. By its very nature, scholarships are not guaranteed. Eligible applicants apply and then wait to see if they are chosen. When applying for a scholarship, you are asking for that benefit without knowing whether you will actually receive it. Everyone who applies must be given an equal opportunity to be considered for money that is available.

3. By law, no goods or services can be guaranteed in return for a charitable contribution, as is mentioned on our donation receipts. A taxpayer is not allowed to receive any tax benefit if they require the donation go to a specific fund as a condition of that donation.



allowing designations, or any kind of implied guarantees, is not only putting their own organization at risk, they are a liability for the whole tax credit program and could inadvertently invalidate their donors' contributions.

ACSTO has always emphasized this, and this is why we do not and should not speculate as to the outcome of our award cycles, or how often we 'honor recommendations.' This is also why we do not tell parents how much has been recommended in their child's name. We feel that, in a way, this sets an expectation for an award. Giving an amount suggests what the award will be like, even though it isn't determined yet. ACSTO, and our Selection Committees, have to have complete discretion regarding all scholarship awards.

## **Q&A**

**Q:** Why mention this first?  
Won't this discourage parents and donors?

**A:** It could be discouraging, however, we would rather be honest and upfront about the possibilities, rather than misguide you. Having this understanding from the beginning will prevent much misunderstanding and frustration down the road. The last thing we want to do is leave a bad taste in people's mouths by setting expectations that we cannot meet.

On the plus side, it also means that you don't necessarily need a recommendation in order to be considered for a scholarship. Indeed, everyone who has a current scholarship is eligible to be considered for a potential award! In addition, there are no set scholarship amounts, which means you could even be awarded more than what was recommended for your child. Even without any guarantees, there are still many possibilities!

**Q:** What is the benefit of working so hard to  
get recommendations if it is not guaranteed?

**A:** Because if you do nothing, then you definitely won't get as many people recommending your child! Even if there are no guarantees, there is still much to be gained from acquiring recommendations. STOs are allowed to accept recommendations from donors, the STO just cannot guarantee that it will go to that child. That is why ACSTO has chosen to make donor recommendation one of the three factors we use to make our award decisions.

When our award committees come together four times per year, they have three pieces of information available to them: the narrative provided by the parents, the financial circumstances of the student's family, and recommendations concerning the student. Our committees can weigh any of the three factors as they see fit when they make their award decisions.

**Q:** Do recommendations increase my chances of receiving a scholarship?

**A:** We cannot speculate as to how the committees will make their award decisions. We can say that any recommendations your child receives will be considered by our committees. The more recommendations you have, the more recommendations our committees will have to consider for your child. Or to put it another way: without any recommendations for your child, the committees will only have two factors to consider (narrative & financial circumstances), while with recommendations, the committee will have all three factors available to consider for your child.

**Q:** What if I need scholarship assistance in order to have my child attend the private school? How can I plan for it if I cannot know for certain whether I will receive financial aid?

**A:** This is a frequent question we encounter, and it is a fair question. Ultimately, that is a decision every parent is going to have to make. Tuition and fee payments are the sole responsibility of the parent.

Perhaps you would like to know if there is any possible way to get around this, or some other type of scholarship or even another organization that will provide some guarantee. As far as tax credit scholarships are concerned, no such guarantees exist.<sup>4</sup> That is how the law is written.

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4. There is a non-tax credit way of receiving financial aid, such as those who meet certain low-income qualifications. Check [arizonaschoolchoice.com/EDU\\_ESA.html](http://arizonaschoolchoice.com/EDU_ESA.html) to learn about Empowerment Scholarship Accounts. This is managed by the Arizona Department of Education. If you go this route, you cannot receive tax-credit scholarships at the same time.

However, if you are determined to send your child to a private Christian school, nothing should deter you from trying. With the amount of financial aid available, and the untapped potential in the form of tax credit donations, there is every reason to put a good effort into it. During the '12-'13 school year, over 77,500 Arizona taxpayers<sup>5</sup> took advantage of the tuition tax credit laws. This is a very small percentage of the Arizona taxpaying population—leaving millions and millions of taxpayers who are still available throughout the state who could donate.

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5. Private School Tuition Organization Income Tax Credits In Arizona: A Summary of Activity FY 2013. Arizona Department of Revenue, p. 5

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# // GETTING PREPARED

**A) Network**—Before you begin, talk with other parents who have done this before. See what creative ideas other parents have used to help raise donations. See what they have tried, find out what was successful and what was not so successful. Networking is probably the most effective strategy for finding ideas and advice.

**B)** Create a list of potential contributors. This includes friends, family, co-workers, neighbors, acquaintances, and professional service contacts. Anyone who has Arizona income has the potential to donate. More specifically, anyone who has Arizona income tax liability can donate, and they are able to claim a credit *up to that liability, or the stated maximums*, if they donate. Don't be shy. Christian causes benefit unlike any other charitable cause in the world. Christians benefit from the biblical model of community—there are many Christian circles overlapping at any given time, all of them containing many potential donors. The key motivation—everyone who donates can receive a tax credit for 100% of what they donate, up to the maximums allowed, or their liability, whichever is less.

## A NOTE ABOUT SWAPPING

Inevitably, your list will include other parents who also have children attending a private school. At that point it may be tempting to simply arrange to donate to each other's children so that both parents benefit.

Unfortunately, this is not a valid method of raising donations. Agreeing to donate for each other's children is a practice called 'swapping' and is specifically prohibited by law.<sup>1</sup> This includes any form of donation circles, triangles, or round robins. The intent of the law is to prevent trades of any kind, regardless of how many people are involved. ACSTO has always discouraged this practice.

A reasonable alternative is to recommend the school in general and ACSTO's committees will award the money to a student at that school. Also, both parties should seek donations from other people who are not parents at the school.

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1. This might sound familiar. It was in the notice discussed toward the beginning of this book. According to A.R.S. 43-1603, "a taxpayer may not claim a tax credit if the taxpayer agrees to swap donations with another taxpayer to benefit either taxpayer's own dependent." The intent of any tax credit or deduction is that there were no personal benefits directly gained by the donation. If there was some sort of tangible benefit you gained from such a donation it would invalidate your tax credit—so it is for every taxpayer's protection that swapping, even the appearance of swapping, is avoided.

For individuals who may not have family in Arizona, especially those who just recently moved to the state and do not have many connections yet, this can require some creativity.<sup>2</sup> You should definitely talk with the school you wish to attend. Our partner schools like to keep track of families who have the most need. They can also provide you with other possible connections.

Be intentional about your other relationships as well: get to know your fellow employees, get involved in a small group at your church, and find time to talk with neighbors. Even professional service acquaintances make good donors (pediatrician, dentist, family accountant, insurance agent, mortgage broker, etc.). All these people often love to help when they learn of a cost-effective way of donating through the tax credit. This is something every parent can do.

**C) Gather literature to hand out.** If you have something to physically put in a friend's hands it will act as a reminder to help them follow through with a donation. ACSTO can provide you with any amount of Donation Brochures, Frequently Asked Question Brochures, and even Withholdings Donation brochures.<sup>3</sup> You can call us or make a request online. Most importantly, consider making your own letter. A personal touch goes a long way in sharing your story with potential donors. Pointers for this important step are highlighted in *The Message*, on page 18.

**D) Do your research**—become familiar with the tax credit program. Don't give anything to your donors that you are not willing to read yourself. Most people will not be familiar with the program and will have many questions about it. Read through the ACSTO Donation Brochure and Frequently Asked Questions Brochure cover to cover. They will answer many basic questions you will encounter, and even some you didn't even think to ask!

Become familiar with our website. It is strategically designed to guide people through the common questions people may have. When you are answering questions, we encourage you to stick to the facts. Do your best to avoid embellishment because that quickly leads to a misunderstanding of the tax credit program. If it is still fairly overwhelming, don't worry. Tax law is complicated. Feel free to direct any questions our way by either giving them our website or our phone number. We are happy to answer questions.

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2. Out-of-state people who want to help are still able to donate, they just don't qualify for the dollar-for-dollar tax credit. Any donations to ACSTO are considered charitable contributions and do qualify for federal deductions.

3. Donating via Withholdings reduction is an alternative method of donating for those who cannot donate in one large lump sum. This spreads out the donations throughout the year, just as if they were paying their taxes out of their paycheck. See our website or call for more information. An easy, painless way to donate without affecting take-home pay.

People are not sold by answers alone however. People are most likely to donate when you share your story. Potential donors will be most interested in what you have to say, so it will help to be as prepared as you can. Also review **Answering Questions** on page 35. These address some of the more complex questions people will ask.

**E) Be Excited**—Are you excited about sending your child to private school? I bet you are! Be sure to let that excitement show. Your friends are more likely to listen to you when they see how much you buy into the virtues of private schooling, and the tax credit scholarships that help support it. Likewise, if you are not fully convinced this is the best thing that could ever happen for your child's education, then your friends are far less likely to help support you in it.

# // THE MESSAGE

So you've done your research and have a list of people you are itching to talk to, but what is the best method of communication? How do you sell the pitch? Traditionally, there are two ways to do it; talk to your contacts in person, or send them a letter.

These remain the most reliable, personable, and cost-effective methods of communicating your message. In addition, phone calls, email, social media, and social gatherings can generate many donations when used effectively. We will briefly touch on each, though we will focus the most on writing a letter.

Let's start with some universal advice that applies to any format with which you choose to communicate your message. Browse through these four pointers before, during, and after you compile your message to help it be as effective as possible.

## **Personality**

However you choose to raise donations, do everything you can to avoid a "cookie cutter" message. Make it your own. Be yourself. Put your personality into it. Don't just copy other examples word for word; it will come across as rigid, even desperate, and your friends and family can tell. At the end of the day, you want to feel good about what you accomplished, and more importantly, you want your donors to feel good about participating in this wonderful opportunity.



## Be Personable

Just as important as including your own personality in your communication is making it connect with your audience—make it personable. You may make your main push for donations via one medium, but do your best to cater your method to the individuals you plan to connect with.

If you want grandma to know about this opportunity, she will most likely appreciate a letter or phone call much more than an email; and if you do consider a letter, a handwritten memo communicates even more than a printed page. As you compile and analyze your message, ask yourself these questions:

1. Does it sound like you are speaking *with* the receiver of your message or *at* them?
2. Is your message all about you, or is it about the person you are addressing? Your message should be about the reader and how they can get involved.
3. The first couple of sentences are crucial. Does it draw the reader in with an emotional appeal? Does it give the rest of the letter value enough to make it worth reading?
4. Does it show the importance of your cause and how the reader can benefit from participating?

## Call to Action

There is an odd tendency in all of us to procrastinate. So even if your friends and family agree with private education, don't assume they will donate on their own. You need to call them to action. People are more likely to follow through with a specific desired action when they are given a clear call to act. Make sure to give your friends guidance on how to donate, and then give them an actual opportunity to do so. Ask yourself these questions:

1. Does your audience know exactly what is expected of them?
2. Does your audience know exactly how they can help and what they need to do to help?
3. Is your audience given a direct opportunity to respond right away? Will there also be a second opportunity to respond at a later time?

4. Is your wording specific and full of action words?

- a. *Try to think of it this way: ask for help without sounding like you are asking for money.*

*i.e. Example action verbs: Get involved; participate; support; partake; join; be a part of.*

- b. *You want your audience to know that participating is a lot more than just giving money. Your primary focus is to request help while at the same time conveying the benefit of their participation.*

*i.e. Surround the sentence that has your action verb with details about the advantages of their assistance.*

*1. Benefits: Dollar-for-dollar tax credit; supporting Christian education; helping your family afford Christian education; Vote with your resources<sup>1</sup>*

*2. The idea is to draw them in long enough to understand that their donation will be used wisely and that they can receive a 100% tax credit*

## Summarize

The human brain can store up to seven bits of information at a time at the forefront of its memory (plus or minus two). Therefore, we recommend you crunch your main pointers (if you have any) down to seven or less.

You can only hold people's attention for so long, so limit your presentations to ten minutes or less if possible. Too much information, especially when it contains a combination of tax credit and donation jargon, will easily become confusing. Take what you think are the most important and convincing factoids to use in your message. Then, take those factoids and summarize the summary. Cut out unnecessary bits of information. Try to be concise. When the questions come later on you can feel free to elaborate.

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1. "Vote with your resources" was an idea found on APESF's website (another STO). It is a good example of how you can be creative with your words without compromising accuracy. If you have any questions about your own wording, feel free to give us a call.

*Ask these questions:*

1. Is it memorable? Are there portions that are hard to forget, like something pithy, factual, or emotional?
2. Would your audience be able to summarize what you told them in one minute or less?
3. Does it stimulate conversation? Will the audience feel compelled to talk about it when they get home, maybe even recruit others to help you as well?
4. Is your entire message presentable in ten to fifteen minutes? If more than fifteen, consider shortening it.

## **What Do I Really Need?**

All methods should contain at least three components:

**a hook, a request, and the benefit.** They can certainly contain more, especially if you think it will enhance the overall message. Be intentional with everything you include.

## **Hook**

The hook is something that figuratively hooks the reader in, like a fish to a lure. Once that is accomplished the reader is far more likely to be interested enough to keep reading through the entire message. The hook comes in many forms: an anecdote, quote, statistic, or factoid are commonly effective.

Of course, it has to be relevant to your message. It wouldn't do any good to inform your audience about the fascinating existence of microscopic creatures called Tardigrades. Yet it would be immensely effective to relate a brief story about the transformation you've seen in your child's learning capabilities in the time he/she has been attending a private school. Perhaps you've recently switched learning environments, so the difference in academic achievement is clear as day to you. Or perhaps your child has been attending private school for a long time; you could testify in each subsequent year the unique accomplishments of your child so that recurring donors can see the ongoing benefit. Maybe the school your child has been attending simply does a wonderful job, or has an exceptional program that is hard to find. Capitalize on that school's strengths and show how it has made a difference in your child's life.

Do your best to wow your audience in the very first sentence or two. Then take another two or three sentences to explain, if needed.

## Request

While your audience is still wrapped up in your amazing hook, it is time to transition quickly into the purpose of the letter: getting them to donate! People often fluff it up into the softest, nicest way possible. You could do this, but if you are soft, people's responses also tend to be soft. There is no hiding it—you are asking for money. There is nothing wrong with a direct approach.

There are several ways to transition between the hook and the request. We'll call them the positive and negative approach. The positive approach invites the donor to be a part of this amazing benevolent program. ***"You Can Help! Support Private Education! Here is how..."*** is the catchphrase of the positive approach. The negative approach is not cynical or downcast, but rather presents a problem, then suggests the donor has the solution to this problem. ***"The cost of tuition is too high for us, but you can help make it affordable."*** They both work, depending on your situation, what will flow naturally from your hook, and what works for your audience.

The request simply focuses on the fact that Arizona taxpayers can make a donation to ACSTO. Include the maximums allowable for that year. Our website and brochures contain the current year's maximums allowed by law. Technically, people can give more than the state maximums, but they are never able to claim a tax credit for the overage.

These dollar amounts are the ***combination of both the Original and the Overflow/ PLUS tax credits***. Remember, though, that ***only certain qualified students are able to be considered for any Overflow donations***. If your child does not qualify for the Overflow, you can choose to only use the Original maximums in your message if you'd like, but we encourage you to use the larger dollar amount because ***the more that people can donate, the more your school, and other students at the school, will benefit!***

## **Benefit**

This is when you do your best to alleviate your readers' concerns about giving away their money. It's very easy to be apologetic about asking for money in this economy, as if we have to play damage control immediately after asking. Don't! There is nothing to be ashamed of, and nothing to be sorry for. Private school tuition can be expensive, but it is worth every penny you and your donors spend on it. It is a privilege to give students in Arizona the opportunity of a lifetime to attend a private Christian school by providing much-needed tuition assistance. Make sure your audience knows this!

In addition to communicating the benefit to your child by providing tuition assistance, also communicate the benefit to the donor—a dollar-for-dollar tax credit against their Arizona income tax liability. This is tax jargon to say that for every dollar that they donate, they can subtract that from what they owe the state in income taxes.

### ***This is an essential benefit to communicate!***

Any Arizona taxpayer will have to pay taxes to the state anyway, so why not choose to donate that same money toward helping families afford private school tuition instead? If they know exactly how their donation will make a personal difference, both for themselves and for the students, they will be more likely to consider it. You want them to be invested in the outcome!

## What NOT to do

Be careful, however, when you are conveying the benefit of their participation. Many who advertise the tax credit will tote overzealous benefits that are imprecise at best, and entirely wrong at worst.

### ***Avoid anything that sounds like these:***

*“Won’t cost you a dime!”, “Free!”, “No cost to you!”<sup>3</sup>, “Redirect state dollars!”<sup>4</sup>, “Don’t give money to the IRS!”<sup>5</sup>, “Channel your tax dollars”, “Designate who receives your tax dollars!”<sup>6</sup>*

These catch-phrases are meant to reduce the reader’s anxiety about giving away their money, and we can understand that. The problem with these, is that they give the wrong impression and are not accurate to how the tax credit works. It may be somewhat inconvenient, but we must take the extra effort to not only make our message sound good, but to make it absolutely accurate.

It is a balancing act between two virtues: being relatable and being accurate. The idea is to make sure your donors would feel great about donating and helping in this way, without stretching the truth.

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3. It is not free—donors still have to give up money in order to make the donation. They either pay it in taxes or they pay it as a donation to an STO. If a donor happens to receive a refund after they donate and file it is because of how they paid their taxes throughout the year (i.e.: they overpaid on their taxes), not directly because they donated.
  4. It is not redirecting state dollars – rather, the government is declining to impose a tax for those who donate. The exact reason why we won in *ACSTO v. Winn* is because the U.S. Supreme Court determined that tax credit donations are not state dollars. This is not a loophole program that sticks it to ‘the man.’ This is a benevolent program developed by the state government because they believe that school choice is the best course of action for Arizona’s children. When a taxpayer receives a credit on their taxes in return for a donation, the government is declining to impose a certain portion of taxes owed. *SCOTUS Syllabus, ACSTO v. Winn, p.9.*
  5. Not only is this wrong for the same reason why saying ‘redirecting’ is wrong, but the IRS is Federal, while this tax credit is on the state level.
  6. For reasons already explained earlier in the section titled The Notice, the term designation is essentially taboo. It implies a guarantee that no one is able to give: not the parent, not the donor, not the school, not the STO. In its place we use the term “recommendation.”

# // THE METHOD

## Method #1: Letter

Snail mail letters are the bread and butter of raising charitable donations. Of all the requests that prompted the creation of this guide, sample letters ranked the highest. There are full samples in the appendix, but we recommend reading this section before skipping straight to them.

As mentioned when we talked about personality in the previous section, please don't copy any samples word-for-word. Our intent is to give you some ideas, then for you to make it your own. It is easier to brainstorm your ideas in Microsoft Word, but a handwritten final copy will always peak someone's interest, considering how rare it is in this day and age.

1. Expect to write at least three main paragraphs:  
*a hook, a request, and the benefit.*
2. Start with a **hook**—something catchy:
  - a. You want to draw the reader in on the first sentence and make him want to keep reading.
  - b. Make the hook a personal anecdote or quickly transition to how the letter relates to you.
3. In your **request**, tell your audience:
  - a. What needs to happen/the need (you need help paying for tuition).
  - b. What can be done about it (people can donate).
  - c. A call to action (donate now!).
4. When you discuss the **benefit**:
  - a. Be absolutely clear that a donation is eligible for a dollar-for-dollar tax **credit** against their Arizona income tax liability when they file their taxes for the year. This is something that they can do every single year.

- b. Be absolutely clear that their donation will tremendously benefit private school education.
  - c. Be absolutely clear that final award decisions are at the discretion of ACSTO's Selection Committees.
5. Limit your letter to one page front and back (or two one-sided pages).
- a. If the letter is too long people might skip it altogether.
  - b. The letter should be easy to read and spaced out. Avoid filling it with too much text or making it look crowded.
6. Include an ACSTO Donation Card and Frequently Asked Questions Brochure.
- a. The Donation Card allows them to respond to your call to action immediately by filling it out.
  - b. The FAQ Brochure allows them to follow up with any basic questions they have. If those questions are answered they will be more confident to donate right away.
  - c. If you are able, also include a return envelope with ACSTO's address on it so that they can easily send the donation directly to ACSTO as soon as they are ready to donate.

While writing a letter may be one of the most tried-and-true methods you can utilize, don't be discouraged if everyone doesn't respond. In the marketing world a 10% response rate is considered successful. A 20% return is very substantial. If you receive a 30% response consider yourself blessed!

That is why your next step should be a one-on-one or phone-call conversation with the recipients within a week or two after those letters have been dropped in the mailbox. A follow-up plan dramatically increases the success rate of any method. **Follow Up** is discussed on page 32.



## **Method #2: One-on-one**

You will find the most recruiting success with one-on-one personal communication. Think about the difference between talking to someone over the phone and talking to someone in person. One-on-one interaction is more meaningful because it has the social benefit of body language. In person, people are able to visibly see how excited you are about this opportunity. Just as facial and hand cues are essential for an effective story-teller or salesman, so will you benefit from the heightened interaction of being able to tell your own story in person.

You are also able to personalize your conversation according to the person you are talking to. If you are talking with a friend who simply wants the bottom line, you can truncate the message and give him the basics. If you have a more talkative friend, you can draw it out and have time to discuss why you love private schooling and what he can do to help you afford it.

Even if you choose to use one-on-one conversation as your primary method of communication, preparation is still a must. Glance back at Method #1 and use its general principles to create an outline of what you want to say. Keep the outline as bare bones as possible. You want to avoid having so many notes that you start reading it like a script. The outline will help guide your conversation and keep you on track as you go, because every honest conversation has a rabbit hole or two.

While some of you will find it easy to pick up good conversations, others of you might appreciate the use of flash cards or some other form of outline. They provide great visual cues to follow as you go. You can also use our donation brochure as a discussion guide. It contains all the essential elements for donating and you can elaborate on the points you wish to highlight, whether it be about ACSTO's success, the recommendation line, the tax credit maximums, and so on."

## **Method #3: Email**

There is something so purely simple and convenient about emails. It has the advantage of a letter because you can think about what you want to say. Some recipients use email so extensively it is the only way to connect with them, while others rarely check their emails, preferring a phone call, a letter, or one-on-one conversation.

For you, email is a great way to reach a large amount of people with relatively little effort and expense. The only drawback is that you shouldn't expect any higher return than with a letter, if not less (it is easier for people to disregard an email than to disregard a personal letter in the mail). Follow the same advice for Method #1 when writing the message you will use. Also consider the following:

1. The length of the email should be even shorter than snail-mail letters. Stay within a  $\frac{1}{2}$  page to  $\frac{3}{4}$  page length. People gravitate toward the shorter emails first, skipping the longer ones until later (if at all).
2. People browse through emails very quickly, so your hook needs to be very strong and well-thought-out. Your subject line should be super concise yet not look like spam. The very first words of the body of the email must be enticing, intriguing, or exciting, else you risk the email being deleted or filed away before it is even read.

## Method #4: Phone Calls

If one-on-one conversation is not possible, a phone call is a great alternative. You do lose the power of body language that allows a conversation to flow more organically, but it is the next most personable method of communication since your audience can still hear your voice. You will generally use the same principles described above for one-on-one. You don't need a script to read. What you do need is an outline of what you want to say.

You don't have to get too specific unless the person asks for more details. Stick to the talking points. When people have a letter they can read slowly to absorb the details. When you are talking with people in person, they can see your body language and more easily ask for elaboration. Your audience has neither over the phone. It is very important to remember to summarize your message. Pick two or three things you want to highlight the most during your conversation and beat the proverbial dead horse.

## Introduction

An introduction is necessary to break the ice. It does not have to be as pithy or interesting as a hook, however, because you already have the person's attention. Until the conversation is over, the person on the other line is not able to casually put the phone down like he would recycle a letter or delete an email (the advantage of talking with someone). The customary 'Hi' and "How are you doing?" starts the conversation nicely, but you do need to honor the person's time and quickly get to the point for why you are calling (unless you know the person well enough to have a conversation and beat around the bush awhile).

Your introduction is best served with a relational twist. "I am calling because I need help with the cost of my children's education, and I knew that you would help if you could. And there is, in fact, a cost-effective way you can help!"

## Request & Benefit

When you transition to the request after introductions are served, you play a delicate balancing act. All methods of correspondence considered, people are probably most protective of their phone number. People are used to getting spam in the mailbox and in their email. Yet when it comes to a personal phone number, often a cell number these days, people consider it off-limits. “No-call” lists are considered binding and sacred by the average consumer—something that is not to be breached. You probably feel the same way. So the last thing we want to do is sound like a sales call when you step out to ask for money.

How do we avoid this problem? There are many creative ways to present the Request and most of them will integrate the Benefit directly into the Request.

One option is to continue the relational angle. If the person you are calling knows your child personally, or cares for children in general, you can draw on that relationship. “There is a scholarship program that uses donations to help children stay in school. I would like to ask if you would consider making a contribution to this program so that [name of child] can stay at [school].” This focuses on the benefit of helping children stay in private school.

A second option is to take the logical angle. If the person wants the bottom line and tends to make decisions based on the facts, you can highlight on the tax credit available for a contribution. “Did you know that Arizona law allows taxpayers to give a portion of what you already have to pay in taxes to a tuition scholarship program?” This focuses on the benefit the donor receives in the form of a tax credit.

A third option is to take a conservative angle. There are those people who will donate to something simply because it is for a Christian cause or because they enjoy expressing their right to choose. “The Arizona tuition tax credit program gives you the ability to give a portion of what you would owe as income tax as a donation to a Christian school of your choice instead. This lets you have some say in where your tax dollars go, and it helps parents like me send my kids to a Christian school of my choice.”

These different conversational angles allow you to connect with your audience, while still asking them to donate, without sounding like a sales-pitch. There are many more options not listed here; customize them to fit your needs. They can also be customized to fit any of the other methods of communicating your message.

## Method #5: Social Media

Social media is great for offering additional ways to get your audience involved. Better yet, social media platforms are free! But since the content you put up on social media site has an extremely short shelf-life—they are bogged down with dozens of other posts within minutes—it will not generate much user interaction on its own. This means it will not usually be an efficient medium to probe for new donors, but could be extremely helpful as a reminder for past donors. It never hurts to put a well-worded Facebook post with a link to visit and/or donate on our website.

The limitation for social media is the extreme brevity in which the information must be presented. Facebook and Twitter posts must be extremely short. Facebook does allow you to post a note, but it has already fallen into disuse and many people don't read them anymore. Both allow you to post links with a short description, but in order to work it relies on the initiative of your audience to voluntarily click on the link, voluntarily search through the information on the other side of that link, and to follow-up with a decision. These three variables, sans any actual interaction with you, eliminates most probability of an actual donation. Other than another generic follow-up post, you won't know who to follow up with unless they 'Like' the post.

If you are a parent starting early in your efforts to raise donations and are dedicated to private schooling for the long-haul, you might want to consider investing in a social media outlet that allows you to provide more information.

You could use a simple blog, for example, to put up some pictures, tell your story, and have a link to our website. The blog should have enough information to be self-sustaining, meaning that it fulfills the three main ideas discussed in **The Message** (hook, request, benefit).

This way, you can refer people to your blog with confidence that once they arrive at the website, they will receive the full story and have a reason to visit our website for more information and/or donate. Advertise your blog on Facebook, Twitter, Pinterest, and/or any other forms of social media you use. With only minor adjustments you can use this blog every year. As a caveat, we ask that you be especially careful with your wording on a blog that advertises donations to ACSTO. Since it is online and available for anyone to see, we have to be careful about what people say about ACSTO and the tax credit program. If you'd like, we can browse through your blog/site upon request and make suggestions.

However, even a blog has the same limitations as a Facebook post or a Tweet, where you don't know who has seen it or not, and so you cannot follow up with them. A blog is mostly useful as a resource for people to visit after you already contacted them through some other means. Giving someone the blog web address during a phone call, for example, is a great way for people to have a visual representation of the conversation, and provides them with a way to double-check the facts and refresh their memory. Tag-teaming different methods is an effective way to generate donations, as you will see in our ***next section about following up*** on your initial method of communication.

## **Method #6: Social Gatherings**

Make an event out of it—invite people over for a dinner, do an informal party, or make it an actual fundraiser, where the main event is your own personal speech about the importance of private education and the cost of doing so, and how your guests can help. Have everyone bring one part of the meal or a snack to share the cost of food. If children are present, include a craft or activity so that everyone can participate.

This gives you an opportunity to elaborate as much as needed, answer questions, and ask for a response right there and then. If people still do not want to commit right away, let them know of the next award cycle deadline so that they have a timeframe in which to make their decision.

The key is to provide a relaxed and friendly environment in which to communicate your message for numerous individuals at the same time.

## **Method #7: Get your kids involved**

Invite your children to be involved in every step of the scholarship process. Let them write part of the scholarship application narrative. You could even use a portion of it as a testimonial or hook in your letter. Depending on which of the other methods you are using, they can help you prepare. Let them help you fold the letters, then stuff, seal, and stamp the envelopes. Print out little business cards with your blog web address and a small message and have your kids pass it out to their friends' parents and other acquaintances. Use it as an opportunity to educate your children about the merits of charitable donations.

The process of raising donations is a lot more fun, effective, and educational when the whole family is involved.

# // FOLLOW UP

Once you have sent out your initial correspondence you will have to follow up with those you contacted. You'll want to give a couple of days in order to allow time for the information to sink in and prompt them to respond.

Use the fact that you are following up as your introduction. Repeat the request/call to action to make sure they know exactly what you are asking for—for them to donate. Use this follow up as an opportunity to answer questions, thank them for their time and consideration, and to prompt them to fill out that donor card.

There are any number of reasons why people may not respond to a solicitation, or even to a follow up. These reasons fall into two broad categories: A) they will not donate, or B) they may yet donate with some additional prompting.

**A)** One option is that they cannot or will not contribute: Perhaps they don't have any liability (and therefore cannot receive a credit for a donation), perhaps they do not have enough cash flow, perhaps they already donated and recommended another family's child, and perhaps they have a philosophical reason against supporting private Christian education or against receiving a tax credit that way. There are many reasons why taxpayers choose not to participate in this program; that is their right.

**B)** The other category is that they need some additional prompting or help along the way. Perhaps for some reason they didn't read your initial message at all; perhaps they read your message but entirely forgot about it, perhaps they are still thinking about whether to help or not; perhaps they still have questions and reservations.

You will not always know whether the people you are following up with are in group A or group B, therefore, it would be prudent to not push too hard for a donation or to inquire too deeply why they haven't donated, just in case they are in group A. You don't want to make your friends uncomfortable or push them away.

Your follow-up should be carefully tailored to accommodate for these uncertainties.

**Follow up Examples:**

*“I was simply following up on the email I sent you a couple weeks ago. It was about how you could be involved in helping our children attend an excellent private school. Will you be able to make a donation? (which you can receive a 100% credit for on your taxes by the way) Are there any questions about the program I can help with?”*

*“Hey there, I was just following up on the call I gave you last week. I’m trying to determine how many people will be able to take advantage of this amazing program, and to be available for any questions. Can I count on you for a tax credit donation?”*

*“Good morning. I know I already sent you a letter in the mail, but I wanted to touch base with you to see what you thought of the program I described. Do you think you’ll be able to help with a donation?”*

*“Good to see you again. Hey, do you remember the conversation we had the last time I was here about the scholarship program that’s helping my children go to school? You can still help, and it is really easy. It’s using the money you would have to pay in taxes anyway. What do you say?”*

**Q:** Is it possible to know who has donated for my children and how much?

**A:** Federal charitable contribution laws expect donor confidentiality; therefore ACSTO cannot disclose or confirm any donor or donation information to parents. ACSTO can confirm the number of donors who recommend your child in any given award cycle, but no more.

This means that you will not know who donated for your child or how much unless you request that information directly from your potential donors. If you really want to know who has or will be donating for your children, you can either include a request to let you know in the message you create, or you can ask during your follow up. Just know that not everyone will be willing to confirm whether they donated or not out of a desire for anonymity. So you can’t push too hard for solid answers from everyone.

Many parents do an amazing job at keeping track of all donations that are recommended for their child through efficient communication with their potential donors. Oftentimes they will even know a dollar amount. If you are keeping track, just remember that there are many reasons why a scholarship award will not match your numbers.

First, STOs need money in order to operate. That is why STOs are allowed to use up to 10% of each donation to help cover operation expenses for the organization, leaving 90% left as a scholarship. ACSTO is privileged to be in a position where we only have to take out 8% of all donations recommending a student or identifying a school, leaving 92% available as a scholarship.

Second, ACSTO's Selection Committees can make scholarship awards as they see fit, which includes the authority to change recommended amounts. They can choose to award all of a recommended amount, award less, award more, or even to not award it to that student at all if they see a reason to, and award it to someone else.

Third, people do not always donate right away when they say they will, and not always as much as they initially said they would. This happens for many reasons. Perhaps the donor decided to wait until it is closer to tax time to donate so there is less turnaround time for claiming the credit; perhaps the donor discovered she has less income tax liability than she thought, so the donation ended up being less than the maximum.



# // ANSWERING QUESTIONS

Here is perhaps the most important section of this entire guide. While it is impossible to anticipate every question and response, we sincerely hope this will give you the information necessary to give informed answers for the common questions and concerns you will encounter in the course of your efforts. If anything else, knowing at least a small portion of the information here will give you confidence in promoting your cause. That is often more useful and convincing than a scholarly answer.

The questions addressed below, and the answers that go along with them, are hardly comprehensive. If you encounter something you honestly don't know don't be afraid to say, "You know what, I don't know the answer to that question right now. Let me find out for you." You can also direct them to ACSTO, and we will do our best to answer any questions they may have.

## **1) Private school tax credit scholarships take desperately needed money away from public schools! They take money out of Arizona's budget.**

*[In your answer, please do not villainize public schools. Our goal is not to eradicate public schooling. The goal of school choice is simply the ability for parents to choose the type of schooling they prefer for their children.]*

This belief is a misnomer. The very existence of private schooling is a help to the state; parents who have their children attending a private school not only pay for their student's tuition instead of the state paying for it, they also still fund public schooling, in part, through their taxes. In addition, tax credits are designed to capitalize on this savings by helping more students attend private schools. The cost of these tax credits is an investment for a far greater return—both fiscally and educationally.

The average tax credit scholarship in Arizona is \$1,791.<sup>1</sup> A conservative estimate of the amount spent per public school student in Arizona is \$7,808 per year.<sup>2</sup> Thus, it would cost the state nearly four times more than it currently does not collect as tax credits in order to provide a public education for all the students who currently receive tax credit scholarships.<sup>3</sup> Justice Kennedy recognized this when he said that



*“By helping students obtain scholarships to private schools...the STO program might relieve the burden placed on Arizona's public schools. The result could be an immediate and permanent cost savings for the State...”<sup>4</sup>*

Other states are also saving money from their own tax credits. In 2010 Florida's tax credit program saved an estimated \$1.44 for every tax credit dollar spent. A 44% return of investment.<sup>5</sup> And in 2010 Pennsylvania's tax credit program saved an estimated \$12.80 for every tax credit dollar spent. That's a 1280% return!<sup>6</sup> This is because the average tax credit scholarship is rarely larger than a quarter of the cost of a student receiving a public education.

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1. [2012 ABCs of School Choice: The Rising Tide](#) by the Friedman Foundation for Educational Choice, p. 10.

2. Arizona Joint Legislation Budget Committee Funding Report, August 10, 2012.

3. Charles North. *Estimating the Savings to Arizona Taxpayers of the Private School Tuition Tax Credit*.

4. Justice Kennedy, SCOTUS Opinion of the Court in [ACSTO v. Winn](#), April 4, 2011, page 9.

5. NYTs' Hit Job on Tax Credits article. Per Florida's Office of Program Policy Analysis and Government Accountability.

6. NYTs' Hit Job on Tax Credits article. Per Commonwealth Foundation of Pennsylvania.

Speaking of cost-savings—the new Overflow/PLUS tax credit in Arizona is specifically geared for students switching out of public school into private schools, so every \$1,000 spent on them is a direct savings for the state of several times that amount. The more cost savings available to the state, the more secure public school funding becomes and the sooner the state will be able to consider budget expansions. Class size also decreases and there is more money available per student.

Throwing money at the problem of a stagnating public education system hasn't been working anyway. The cost of public education continues to rise year after year without any noticeable difference in student performance. What is needed is a serious look at the education reform movement in public education. Education reform is being advocated by many of the most staunch public school supporters, such as The Education Trust, Parent Revolution, Students First, Democrats for Education Reform, Advance Illinois, Education Sector, and many more. To seriously advance America's public schools those on top need to start proposing answers more sophisticated than increasing the cost.<sup>7</sup>

In addition, studies have shown an increase in public school achievement when they have to compete with nearby private schools. They spur each other on in academic and financial responsibility.<sup>8</sup> In fact, according to every study available, school choice programs have stimulated a collective increase in school and student performance.<sup>9</sup>

No type of schooling will dramatically increase if it receives superfluous amounts of money no matter how their school performs. Renovation occurs when schools have to compete with others and must provide the best education for the best price.

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7. See *The Myth of Education Cuts and Why Money Can't Buy an A+* by the Goldwater Institute.

8. Jay Greene. *Why America Needs School Choice*. Encounter Books, 2011. & Benjamin Scafidi. *The Fiscal Effects of School Choice Programs on Public School Districts*. The Friedman Foundation for Educational Choice, March 2012

9. As noted in: *ABC's of School Choice*. Friedman Foundation for Educational Choice, 2012. & *Why America Needs School Choice*. Jay P. Greene. Encounter Books, 2011. Only one study showed minimal changes.

## 2) ***Tax credit donations to religious organizations are illegal, aren't they?***

It's hard to imagine how a legitimate law, supported by both the Arizona and US Supreme Courts, can be illegal. Most people who raise this question are referring to a potential conflict with the Federal Establishment Clause and/or the state-level Blaine Amendment, where Federal and/or state government cannot endorse, support, single-out, or fund any particular religious establishment.

However, court case after court case has proven that the tax credit program is designed in such a way that the government is in no way whatsoever endorsing or directly funding any particular organization, school, religion, or denomination. In fact, Arizona state courts have definitively upheld the constitutionality of tuition tax credits, permitting programs to continue future expansion.<sup>10</sup> This excerpt from an amicus brief supporting us in ACSTO v. Winn summarizes how the program's design ensures its legality.

*Arizona STOs enhance the constitutionality of the tax credit by adding three more layers of private choice on top of the parents' own decision about where to educate their children. First, private citizens—including parents—create STOs. Second, the private STOs then decide whether to provide scholarships at all private schools in Arizona or a subset of such schools. In doing so, many STOs adopt a wide variety of limiting principles for schools or scholarships...Third, each STO must convince each taxpayer each year not only to take advantage of the tax credit, but also to contribute to that particular STO...This market of families, schools, taxpayers, and STOs consists entirely of private actors exercising private choices. When it comes to whether the children and the scholarship dollars will end up at religious or non-religious schools, the state is entirely neutral.<sup>11</sup>*

Tax credit donations are synonymous to charitable, deductible donations according to the Arizona and United State Supreme Courts. So unless it is illegal to tithe to your church, or donate to Food for the Hungry, and receive a state or federal deduction, it is perfectly fine to give a tax credit donation to an STO, even if it has a religious focus.

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10. Richard Komer and Clark Neily. *School Choice and State Constitutions: A Guide to Designing School Choice Programs*. Joint publication by Institute for Justice & American Legislative Exchange Council, April 2007. Page 12-13.

11. Brief of Amici Curiae Jewish Tuition Organization, et al. in the US Supreme Court case of ACSTO v. Winn, March 24, 2010. Pages 3-4.

If that isn't enough, here is an excellent excerpt by Jason Bedrick discussing the legality of scholarship tax credit programs.

*In the landmark *Zelman v. Simmons-Harris* decision in 2002, the U.S. Supreme Court ruled that states are constitutionally permitted to use state revenue to pay for students to attend non-public, even if they are religiously affiliated. Just as citizens can use Medicare or Medicaid at religiously-affiliated hospitals, purchase Christmas dinner with food stamps, or host a Bible study in subsidized housing, parents do not run afoul of the First Amendment if they choose to send their children to parochial schools using public money.*

*Any involvement with religious activities or organizations must be the personal decision of the aid recipients. Chief Justice Rehnquist wrote in the majority opinion: "The incidental advancement of a religious mission, or the perceived endorsement of a religious message, is reasonably attributable to the individual aid recipients not the government, whose role ends with the disbursement of benefits."*

*Moreover, a scholarship tax credit program does not even use public money. The so-called "Blaine amendment" in Article 83 of New Hampshire state constitution states that "no money raised by taxation shall ever be granted or applied for the use of the schools of institutions of any religious sect or denomination." The scholarship tax credit program funds scholarships with private money that never enters the state government's treasury. In the spring of 2011, the U.S. Supreme Court ruled in *Arizona Christian School Tuition Organization v. Winn* that plaintiffs did not even have the legal standing to challenge the constitutionality of a similar tax credit program precisely because money never entered the government treasury. Writing for the majority, Justice Kennedy wrote that the plaintiff's argument improperly "assumes that income should be treated as if it were government property even if it has not come into the tax collector's hands." The Court rejected that premise since it "finds no basis in standing jurisprudence. Private bank accounts cannot be equated with the Arizona State Treasury." State supreme courts in Arizona, Ohio and Wisconsin—which each have Blaine amendments—have held that such programs are constitutional.<sup>12</sup>*

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12. Jason Bedrick. *Frequently Asked Questions About the School Choice Scholarship Act* [in New Hampshire]. The Josiah Bartlett Center for Public Policy. May 17, 2012, p. 4-5. & *Scholarship Tax Credit Programs in the United States Implications for New Hampshire*. The Josiah Bartlett Center for Public Policy. January 2012, p. 5-6.

**Summary:** *“Like contributions that lead to charitable tax deductions, contributions yielding STO tax credits...pass directly from taxpayers to private organizations,” and are treated legally and constitutionally the same.*<sup>13</sup>

### **3) Sorry, but we don’t have the cash flow to donate such a large amount!**

This is an understandable dilemma. However, there are many alternative options to donating in one lump sum, so most people should have little trouble donating at least something.

- a.) Make a smaller donation of any amount  
(whatever you can afford)
  
- b.) Spread it out by donating monthly (any amount you desire)
  - 1: Send a check or donate online manually
  - 2: Call ACSTO and set up automatic monthly donations
  
- c.) You can donate through your paycheck withholdings.
  - i. **Reduction**—Give what is already being taken out of your paycheck in Arizona state income tax withholdings and send it directly to ACSTO instead. Start by filling out a pledge form.
  
  - ii. **Elective**—Elect to take out a small amount of the take-home portion of your paycheck and send it directly to ACSTO. Start by calling ACSTO or filling out a pledge form.

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<sup>13</sup>. Justice Kennedy. SCOTUS Opinion of the Court in ACSTO v. Winn. April 4, 2011, p. 16.

#### **4) *The tax credits don't work.***

It is written in Arizona law as Revised Statutes 43-1089, 43-1089.03, 43-1061 through -1065, and 43-401(I). It has passed all legal challenges and remains as one of the most successful tax credit programs in the country.

These tax credits have been running successfully since 1998 for tens of thousands of Arizona taxpayers totaling more than \$580 million<sup>14</sup> in donations. This has enabled over 400 private schools to provide an excellent education for thousands of students.

Also consider that **1)** the credit is not automatic; you do have to file it correctly when you complete your AZ taxes for the year. Depending on how much you donated you will need one or all of these forms: AZ Form 323, 301, & 348. Our receipts will indicate which forms to use. **2)** The credit you are able to claim is limited to the liability in income tax for the year, or that year's maximums, whichever is less. **3)** Even if you happen to donate beyond your AZ income tax liability and are not able claim the full amount of your donation this year, you are still able to claim the remainder in a subsequent year (up to five consecutive years after you donated, *up to the maximum allowable in the year you made the donation*).

#### **5) *I don't want to support the "Christian agenda."***

The Supreme Court of the United States recognized that the tax credit program was religiously neutral, neither favoring religion over non-religion or one religion over another.<sup>15</sup> So a donation is not necessarily in support of a religious cause. It is simply taking advantage of an opportunity the state has given us to help some families in need. Also refer to question #2.

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14. Private School Tuition Organization Income Tax Credits In Arizona: A Summary of Activity FY 2012. Arizona Department of Revenue, p. 2.

15. Supreme Court of the United States Syllabus for [ACSTO v. Winn](#), No. 09-987. Decided April 4, 2011. & Sarah McIntosh. *Supreme Court Affirms Arizona Tax Credit Scholarship Program*. Heartlander Magazine, April 2011.

## **6) *Private schooling does not live up to the standards of public schools.***

On the contrary, “the data clearly show that students attending private school score higher on standardized tests and graduate and enter college at higher rates than students attending public schools. For example, private schools have outstanding records for their graduates gaining admission to elite public and private universities.” On average, 41% of elite college freshmen enrollees received private education, even though private schools only make up 11% of all U.S. K-12 education!<sup>16</sup>

This is only a fraction of the research available which gives clear evidence of the high standards and successes of private education. ACSTO’s website provides further resources that describe the amazing accomplishments of private schooling.<sup>17</sup>

## **7) *What’s the catch? This is too good to be true.***

Fortunately, this is not too good to be true. It is written in Arizona law as Revised Statutes 43-1089, 43-1089.03, 43-1061 through 43-1065, and 43-401(I). It has passed all legal challenges and remains as one of the most successful tax credit programs in the country.

The catch for a donor, if you can call it that, is the limit of one’s tax credit. There are two maximums for those who are donating to be aware of: those maximums imposed by the law and the maximum imposed by each donor’s individual/joint AZ income tax liability. The maximum you can receive a credit for is the state maximum or your liability, ***whichever is less***. That is because this is technically considered a non-refundable credit. (If you do happen to receive a refund, it is because you overpaid on your taxes when you donated, not because you automatically receive a refund for donating.)

The catch for parents/students is that no scholarships are guaranteed as is discussed in ***The Notice*** on page 4.

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16. Herbert Walberg. *School Choice: The Findings*. Cato Institute, 2007, page 82.

17. Check out some research on our website at <http://www.acsto.org/contact-us/school-choice-research/>



**8) *I can understand a generic donation, but recommendations are not allowed.***

There will be some CPAs and accountants who don't believe that recommendations are allowable by law. However, recommendations are clearly allowable for charitable contributions in every other circumstance. So long as no goods or services are promised in return for a contribution, and that applies to all charitable donations, whether for a deduction or a tax credit, there is no problem. As long as there are no promises or guarantees in return for the donation, it is legal for the donor to put a recommendation for where they think the money would best be used. It is a recommendation, nothing more.

The tax credit law specifically mentions the allowance of recommendations in ARS 43-1603(B)(3)! The only caveat is that recommendations cannot be the only factor considered when making award decisions. Financial circumstances are required to be considered in addition to any other factors the STO chooses to implement in the award process according to ARS 43-1603(D)(2).

ACSTO uses three factors in their award process to ensure compliance with the law: **1)** the narrative provided by the parents, **2)** the financial circumstances of the family, and **3)** recommendations concerning the student from donors. ACSTO's Selection Committees can weigh these factors however they choose. All ACSTO policies are in strict correlation with all applicable Federal and state laws and regulations.

**9) *I don't know how much I can donate. I don't know my Arizona state tax liability.***

The state tax credit maximums change each year (according to the percentage increase in the Phoenix Metropolitan Consumer Price Index), and the most up to date figures can be found on our website or in our donation brochures. However, no matter what the state maximum is, the maximum credit you can claim is limited to your individual/joint AZ income tax liability. You can figure your liability several ways. First, you can look back at your previous year's taxes and look it up. Liability is based on your taxable income for the year.

On the Arizona Form 140 for 2011 & 2012 the taxable income is on line 18 and you have your Subtotal of tax on line 21. This subtotal is your Arizona income tax liability, and this is the golden number to determine how much you can donate and claim as a tax credit. If looking at a previous year's taxes, and if your income has not changed drastically since last year, this will give you a good

idea of what your liability will be for this year, and therefore gives you a good idea of how much you can donate. If calculating your current taxes, this gives you an exact amount.

***If it is between January 1st and April 15th and you have not yet filed your taxes, you can fill out your AZ tax forms and figure out your exact liability and make a donation for that taxable year*** (yes, you read that correctly, it's called the relateback and is perfectly legal for tax credit donations to STOs! If you do make a donation for the previous year, just don't forget to include it in your tax forms before you finish them). For this very reason, many people now wait to donate until after January so that they can calculate their exact liability and donate that exact amount.

**Note:** *This means that many donors will wait to donate until late March and early April, and those donations will not be received in time for the Spring awards. If you are in need of tuition assistance for the March award cycle, and don't want to wait until summer, you will want to encourage people to donate by the end of February.*

Tax liability is not necessarily what you owe the state at the end of the day. Liability is simply the total amount the state is taxing you based on our income for the year. This is regardless of how much you already paid the state out of your paycheck throughout the year. Looking at Form 140, actual taxes due to be paid to the state is calculated further down on the page. In fact, most people who donate more than fulfill what they have left to pay in taxes, and even end up with a refund because they overpaid on their taxes after the tax credit donation is calculated in. Please direct inquiries into your or your donor's specific situation to a tax advisor, accountant, or CPA.

### ***10) Why would I donate if I cannot know where it goes for sure?***

Because if you do not donate, then it will definitely not be a helpful scholarship for anyone. If you want to help a student in need, and also want a tax credit, then you have to donate through an STO. No donation means that no students will be helped. Federal and State law prohibits any taxpayer from claiming a tax benefit for a donation that was given with a condition attached to that donation.

Some STO's choose to not allow any recommendations at all and award solely based on income. It is a privilege that we are able to allow recommendations and that they can be used as one factor in our award process.

See **The Notice** on page 4 for more information.

## **11) Tax credit scholarships only benefit the wealthy.**

This is an untrue characterization that has been propagated by media and entities antagonistic to the tax credit program. In a study that used actual data, we see that more than two-thirds (66.8%) of scholarship recipient families in the 2009–10 school year qualified as modest income.<sup>18</sup> Families whose income qualifies them as poor accounted for 12.8% of scholarship recipients.<sup>19</sup>

Also realize that this tax credit program has its limits. Since the average Arizona tax credit scholarship only pays for about a quarter of the average private school tuition cost, many poor families choose to stay in public school because they wouldn't be able to pay for the remaining tuition expense. If anything, the fault lies in the fact that this program is not large enough!

Besides, those families who don't qualify as low-income still have to pay the bills. Middle-income families are not exempt from the strains of a hurting economy. School choice is and should be available to all. That is why we find it fair to use several factors as part of our award process. The ability to choose and afford a private education is not restricted to one income class.

## **12) Is the tax credit program in any danger?**

The tax credit program is as secure as it ever has been. The constitutionality of the individual scholarship credit was upheld by the Arizona Supreme Court in 1999. Over a decade of litigation was put to rest when the Supreme Court of the United States ruled in our favor in *ACSTO v. Winn* in 2011 by completely dismissing the challenge and “the majority decision strongly suggests that if the court had reached the merits it would have upheld the program as perfectly consistent with the Establishment Clause.”<sup>20</sup>

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18. Vicki E. Murray, Ph.D. *Program on Education Policy and Governance Working Paper: An Analysis of Arizona Individual Income Tax-credit Scholarship Recipients' Family Income, 2009-10 School Year*. Pacific Research Institute, p. 6.

19. This is higher than the 10% of poor families estimated to be in the United States, meaning that poor families are fairly represented when it comes to tax credit scholarships. Hopefully their representation has continued to increase in recent years.

20. Sarah McIntosh. *Supreme Court Affirms Arizona Tax Credit Scholarship Program*. Heartlander Magazine, April 2011.

# // CONCLUSION

Thank you for spending the time to read ACSTO 101. On the one hand, it is a fairly straightforward process. On the other hand, it would seem the devil is in the details, and there is so much tax jargon, Arizona law, procedure, and communication etiquette to drive you up the wall.

Hopefully, this guide has given you not only the information you seek, but a host of ideas on how to best take advantage of the tuition tax credit laws that are available in this blessed state of Arizona.

As always, direct your unanswered questions to our talented staff at ACSTO. We are always available to explain what we can and respond to correspondence—though we always recommend you consult with your CPA or accountant for specific tax advice.

We also have an excellent list of resources listed on our website at [www.acsto.org](http://www.acsto.org) on our School Choice Research page. Many of the sources listed in this guide are available on that page for you to read in their entirety as well as links directing you to all of the major school choice organizations in the country.

If it has not yet become apparent, school choice receives widespread support from parents, children, schools, policy organizations, taxpayers, legislatures, judiciaries, and everyone else in-between. There has been heavy opposition over the years against educational choice, where opponents try to vilify vouchers and tax credits, usually by the teacher union and public school monopolies and religiously intolerant associations.

In spite of this resistance, the tide of educational choice continues to expand across the country; proving that no matter how loud our challengers yell they are severely outnumbered and can no longer suppress the successful, legal, and historic policies of choice that will immensely benefit our children.

# // SAMPLE LETTERS

## Sample Letter #1

Dear friends and family,

Thank you for taking the time to read this letter. I am very excited to be sending my [son/daughter/children] to [private school]. This is important to me because [private school] is able to provide the Christian environment, high standards, and personal attention that my [son/daughter/children] would not receive at another school. Although tuition is not cheap, Arizona residents are blessed with the opportunity to provide assistance to students in private schools while receiving a dollar-for-dollar tax credit in return.

Arizona law allows residents to receive a credit for donations up to a maximum [\$X,XXX] for single taxpayers and up to [\$X,XXX] for married persons filing jointly, or your state tax liability, whichever is less. You can make this donation to ACSTO, a non-profit organization solely devoted to processing tax credit donations and making scholarship awards to private school students, and recommend that my child receive a scholarship. Enclosed is a brochure with more information about this program.

All scholarships are awarded through the final discretion of ACSTO's award committees. In addition to considering your recommendation, the committees look at the family's financial circumstances and a narrative I included in [child's name's] scholarship application. They work hard to ensure your donation will benefit someone in need.

**NOTICE:** A school tuition organization cannot award, restrict or reserve scholarships solely on the basis of a donor's recommendation. A taxpayer may not claim a tax credit if the taxpayer agrees to swap donations with another taxpayer to benefit either taxpayer's own dependent.

## Sample Letter #2

Another school year approaches and we are excited to have our children start classes at [Christian private school] once again. Not only because of the peace and quiet, but because I know my children are receiving an excellent education in a loving and caring environment. I am not just sending them off to school for a mandatory education; I know they are receiving essential life and faith skills. It is a school I believe in and trust with my children. Normally, parents utilizing public schools don't have to pay for their children's education. By choosing a private education, we also choose to pay for tuition, since private education is not free. It is my hope that you will consider helping our family afford this expense.

Fortunately, this is not the typical request for money. Arizona realizes that private education is costly. To help families pay for tuition, Arizona has several tuition tax credit laws that enable Arizona taxpayers to make donations to certified organizations like ACSTO to be used as scholarships for students attending private schools. In return, the taxpayers are eligible to claim a dollar-for-dollar tax credit against their AZ state income taxes!

You can financially aid a student's tuition, and love doing it, because you're being smart with your money and supporting Christian education at the same time!

Please read the enclosed brochures for more information about ACSTO and the donation process. On behalf of our entire family, thank you for considering this wonderful opportunity.

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## Sample Letter #3

Dear friend,

Do you hate paying taxes? Well you don't have to anymore! Arizona allows its taxpayers to give what they would otherwise pay in income tax to the benefit of students at private schools. This is especially important for you because I have children in private school and really need help with paying for the expense of tuition.

This is how it works: make your donation to a qualified organization, then use the appropriate tax forms listed on your donation receipt to claim a dollar-for-dollar tax credit against your Arizona state income tax. It's that simple!

Every year thousands of Arizona taxpayers trust ACSTO with millions in donations—so I would recommend using ACSTO to make your tax credit donation.

What a privilege we have to equip our children with an excellent education. But in order to continue this ministry, we need your help. Would you consider helping me by donating your income tax amount for the benefit of my children? Your gift will help cover the cost of tuition. Please write their names on the donation card when you fill it out. The maximum credit available for [tax year] is [\$X,XXX] for married couples and [\$X,XXX] for single taxpayers.

By law, you are able to make your donation all the way up to April 15<sup>th</sup>, or whenever you file your taxes (whichever comes first), and still include your tax credit donation in your 2012 taxes. That way, you can calculate what your exact income tax will be and can plan your donation accordingly.

We praise God for the statewide impact of this tax credit law that makes all this possible and is helping thousands of families experience the life-changing ministry of Christian private education.

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