

2016 Credit for Contributions to Private School Tuition Organizations

For information or help, call one of the numbers listed:

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

Tax forms, instructions, and other tax information

If you need tax forms, instructions, and other tax information, go to the department's website at www.azdor.gov.

Income Tax Procedures and Rulings

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website and click on *Legal Research* then click on *Procedures* or *Rulings* and select a tax type from the drop down menu.

Publications

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

General Instructions

NOTE: You *must* also complete Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture, and include Forms 301 and 323 with your tax return to claim this credit.

Arizona law provides a credit for contributions made to a private school tuition organization that provides scholarships or grants to qualified schools.

This credit is available **only** to individuals. Corporations may not claim this credit. A partnership may not pass the credit through to its partners. An S corporation may not pass the credit through to its shareholders.

The credit is equal to the amount contributed. For 2016, the maximum amount of credit that a taxpayer can establish for the current taxable year is \$545 for single taxpayers or heads of household. For married taxpayers that file a joint return, the maximum credit that can be established for the current taxable year is \$1,090. In most cases, for married taxpayers who file separate returns, each spouse may claim only one-half (1/2) of the credit that would have been allowed on a joint return.

NOTE: The maximum amount of credit established for the current taxable year does **not** include any unused valid carryover amount(s) from prior taxable years. Because this is a nonrefundable credit, the total amount of available credit [current year plus any valid carryover amount(s)] that a taxpayer may use for the taxable year cannot be greater than the tax liability shown.

The credit eligible contributions made to a school tuition organization from January 1, 2017, to April 18, 2017, may be used as a tax credit on either your 2016 or 2017 Arizona income tax return.

If the allowable tax credit is more than your tax or if you have no tax, you may carry the unused credit forward for up to the next 5 consecutive taxable years' income tax liability.

A private school tuition organization is an organization that meets **all** of the following:

- The organization is tax exempt under Section 501(c)(3) of the Internal Revenue Code (IRC).
- The organization allocates at least 90% of its annual revenue from contributions to educational scholarships or tuition grants.
- The organization makes its scholarships or grants available to students of more than one qualified school.

A "qualified school" means a preschool that offers services to students with disabilities, nongovernmental primary or a secondary school that is located in Arizona. The school cannot discriminate on the basis of race, color, handicap, familial status, or national origin and requires all teaching staff and personnel that have unsupervised contact with students to be fingerprinted. A "qualified school" does not include a charter school or programs operated by a charter school. The primary school must begin with kindergarten and the secondary school must end with grade 12.

In the case of a preschool that offers services to students with disabilities, a "student with disabilities" is a student who has any of the following conditions:

- hearing impairment,
- visual impairment,
- developmental delay,
- preschool severe delay, or
- speech and/or language impairment.

NOTE: The Arizona Department of Revenue is required to certify school tuition organizations. The department maintains a list of currently certified school tuition organizations on its website at www.azdor.gov.

To qualify for the credit all contributions must be made to a certified school tuition organization. To determine if your contributions made in 2016 and/or 2017, qualify for this credit, you should verify that the school tuition organization you made a contribution to is certified. For a list of school tuition organizations certified to receive donations for the individual income tax credit, see the department's website.

Your donation to the school tuition organization will not qualify for the credit if you designate the donation for the direct benefit of your dependent.

NOTE: Your donation will also not qualify if you designate a student beneficiary as a condition of your contribution to the school tuition organization. Also, the tax credit is not allowed if you agree with another person to designate each other's contributions to the school tuition organization for the direct benefit of each other's dependent, a practice commonly known as swapping.

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

If you claim this credit in 2016 for a donation made from January 1, 2017, to April 18, 2017, you must make an adjustment on your Arizona Form 140 Schedule A; or Form 140PY Schedule A(PY) or A(PYN); or Form 140NR Schedule A(NR), filed in 2017.

Before claiming this credit, make sure the school tuition organization issues you a receipt for the contribution. The receipt should show **all** of the following:

- name and address of the school tuition organization,
- name of the taxpayer,
- amount paid,
- date paid, and
- the tax year for which you will claim the contribution.

Please keep this receipt with your tax records. For more information on school tax credits, see the department’s publication, Pub 707, *School Tax Credits*.

NOTE: *You may be able to make credit eligible contributions to a school tuition organization through payroll withholding. Check with your employer to see if your employer has agreed to withhold contributions that qualify for this credit from your pay.*

Line-by-Line Instructions

Enter your name and Social Security Number (SSN) as shown on Arizona Forms 140, 140PY, 140NR, or 140X.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for an individual is the taxpayer's SSN or an Internal Revenue Service (IRS) individual taxpayer identification number (ITIN). Taxpayers that fail to include their identification number may be subject to a penalty.

Part 1 - Current Year’s Credit

Lines 1, 2 and 3 -

*If you are married and filing separate, be sure to include all cash contributions made by you **and** your spouse.*

Enter the following information for each private school tuition organization to which you made contributions from January 1, 2016 through December 31, 2016 and for which you are claiming a current year’s credit for on your return.

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

NOTE: *Do not include those contributions that you made from January 1, 2016, through April 18, 2016, for which you claimed a credit on your 2015 tax return.*

If you made cash contributions to four or more schools, complete an additional schedule. The schedule should show

the same information required on lines 1, 2, and 3 for each of the additional schools to which you made cash contributions.

Line 4 -

Add the amounts in column (d) of lines 1, 2, and 3. Also, add any amount included on a separate schedule.

Lines 5, 6 and 7 -

For calendar year filers: *Because April 15, 2017 falls on a Saturday and District of Columbia Emancipation Day will be observed on April 17, 2017, you have until Tuesday, April 18, 2017, to make a contribution and claim a credit for that amount on your 2016 tax return.*

Enter the following information for each private school tuition organization to which you made contributions from January 1, 2017 through April 18, 2017, for which you are claiming a credit on your 2016 tax return.

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

If you made cash contributions to four or more schools, complete an additional schedule. The schedule should show the same information required on lines 5, 6, and 7 for each of the additional schools to which you made cash contributions.

Line 8 -

Add the amounts in column (d) of lines 5, 6, and 7. Also, add any amount included on a separate schedule.

Line 9 -

Add lines 4 and 8. Enter the total.

Line 10 -

Single taxpayers and taxpayers filing as head of household, enter \$545. Married taxpayers enter \$1,090.

Line 11 - Current Year’s Credit

Enter the smaller of line 9 or line 10. If you are married filing a separate return, but you could have filed a joint return, you may take only one-half of the total credit that you and your spouse would have been allowed to take on a joint return, up to a maximum of \$545 each. In this case, enter one-half of the smaller of line 9 or line 10.

NOTE: *If you made contributions that total more than the allowable current year’s credit on Form 323, you may claim a credit on Arizona Form 348 for some or all of the contributions that exceed the maximum allowable amount. To determine if you have excess contributions available to claim a credit on Form 348, complete Part 4 of Form 323.*

For additional information see Form 348.

Part 2 - Available Credit Carryover

Lines 12 through 17 -

Use lines 12 through 17 to figure your total available credit carryover from taxable years 2011 through 2015.

Complete lines 12 through 17 if you claimed this credit on a return for one of these years and the credit was more than your tax.

NOTE: *You may carry over only that portion of the credit that you do not apply to tax. You cannot carry over any amount that you gave that was more than the amount allowed as a credit. See the example at the end of these instructions.*

- In column (b) enter the credit originally computed for that taxable year listed in column (a).
- In column (c) enter the amount of the credit from that taxable year which you have already used.
- Subtract the amount in column (c) from column (b) and enter the difference in column (d).
- Add the amounts entered on lines 12 through 16 in column (d).

Enter the total on line 17, column (d).

Part 3 - Total Available Credit

Line 18 -

Enter the amount from Part 1, line 11. Also, enter this amount on Form 301, Part 1, line 14, column (a).

Line 19 -

Enter the amount from Part 2, line 17, column (d). Also, enter this amount on Form 301, Part 1, line 14, column (b).

Line 20 -

Add line 18 and line 19. Enter the total. Also, enter this amount on Form 301, Part 1, line 14, column (c).

Part 4 - Do I Have Excess Contributions Available to Claim on Arizona Form 348?

Complete Part 4, lines 21 through 23, to determine if you have excess contributions available to claim a credit on Arizona Form 348, *Contributions to Certified School Tuition Organization – Individuals*.

NOTE: *Married taxpayers filing a separate return - be sure to enter **one-half** of the total amount of contributions made during the taxable year by you **and** your spouse on line 9.*

Line 21 -

Enter the total amount of contributions made during the taxable year:

- Single taxpayers, heads of household and married taxpayers filing a joint return; enter the total amount from Part 1, line 9.
- Married taxpayers filing separate; enter one-half (1/2) of the total amount from Part 1, line 9.

Line 22 -

Enter the maximum credit allowed on Form 323:

- Single taxpayers and heads of household; enter \$545.
- Married taxpayers filing joint; enter \$1,090.
- Married taxpayers filing separate; enter \$545.

Line 23 – Excess Contributions:

Subtract line 22 from line 21 and enter the difference. If less than zero, enter “0”.

If the amount on line 23 is more than zero, you have excess contributions available and may claim a credit on Form 348 for those contributions.

If the amount on line 23 is “0”, you do not have any excess contributions available to claim on Form 348.

EXAMPLE: During 2016, Mary, a single person, gave \$1,400 to a school tuition organization. For 2016, Mary is allowed a maximum credit on Form 323 of \$545. Mary’s 2016 tax liability is \$400. Mary may apply \$400 of the \$545 credit claimed on Form 323 against her 2016 tax liability. Mary may carryover the unused credit of \$145 to her 2017 income tax return. Mary may not claim a credit on Form 323 for the \$855 gift that was more than the allowable credit (\$1,400 minus allowable credit of \$545).

However, Mary may claim a credit on Arizona Form 348 for the contribution made to the school tuition organization that was more than the \$545 allowable credit. The credit Mary may claim on Form 348 cannot exceed the maximum credit allowed on that form.

To compute that credit, Mary must complete Form 348 in addition to Form 323. Mary must also complete Arizona Form 301. For 2016, Mary would compute her available credit for Form 323 as follows.

2016 total contribution made to school tuition organizations		\$1,400
2016 maximum allowable credit claimed on Form 323		<u>\$ 545</u>
Mary’s 2016 tax liability	\$ 400	
Less: available tax credit - Form 323	<u>\$ 400</u>	
Balance of tax	<u>\$ 0</u>	
Carryover available for 2017 from Form 323 (\$545 minus \$400)	\$ 145	
Contribution available to calculate the allowable credit on Form 348 (\$1,400 minus \$545). Mary must complete Arizona Form 348 to figure that credit.		<u>\$ 855</u>