

# 2025 Credit for Contributions to Private School Tuition Organizations

## Arizona Form 323

### 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](http://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 select the *About* tab on the home page and select *Legal Research* from the drop-down menu and then click on *Procedures* or *Rulings* from the drop-down menu. Using the Category box, select the tax type and then scroll down to find the *Document ID* or use the *Search Keyword* function to locate the document.

### Publications

To view or print the department's publications, go to our website, select the *About* tab on the home page and select *Legal Research* from the drop-down menu and then click on *Publications* from the drop-down menu.

## 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 cash contributions made to a private school tuition organization (STO) 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 of cash contributed up to the maximum amount allowed. For 2025, the maximum amount of credit that a taxpayer can establish for the current taxable year is \$769 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 \$1,535. In most cases, for married taxpayers who file separate returns, each spouse may claim only **one-half** (½) 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.

A cash contribution for which a credit is claimed and that is made on or before the fifteenth day of the fourth month following the close of the taxable year may be applied to

either the current or preceding taxable year and is considered to have been made on the last day of that taxable year.

**FOR CALENDAR YEAR FILERS:** Credit eligible cash contributions made to a private STO from January 1, 2026 to April 15, 2026 may be used as a tax credit on either the 2025 or 2026 Arizona income tax return.

If you claim this credit in 2025 for a cash contribution made from January 1, 2026 to April 15, 2026 you must make an adjustment on your 2026 Arizona Form 140 Schedule A, Form 140PY Schedule A(PY) or A(PYN), or Form 140NR Schedule A(NR).

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 STO 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 STOs. The department maintains a list of currently certified STOs on its website at [www.azdor.gov](http://www.azdor.gov).

To qualify for the credit all cash contributions must be made to a certified STO. To determine if your cash contributions made in 2025 and/or 2026 qualify for this credit, you should verify that the STO you made a contribution to is certified. For a list of STOs certified to receive cash contributions for the individual income tax credit, see the department's website.

Your cash contribution to the STO will not qualify for the credit if you designate the contribution for the direct benefit of your dependent. For Arizona purposes, “dependent” has the same meaning provided in section § 152 of the IRC. For purpose of this credit, it does not matter if you qualify to take the dependent deduction

**NOTE:** *Your cash contribution will also not qualify if you designate a student beneficiary as a condition of your contribution to the STO. Also, the tax credit is not allowed if you agree with another person to designate each other's contributions to the STO 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 STO for which you are claiming an Arizona tax credit.

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

- name and address of the STO;
- 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 STO 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.

**NOTE:** *Complete Parts 1, 3, and 4, if you are claiming a new credit for the current tax year.*

*If you are **only** claiming a carryover amount available from a previous credit, complete Parts 2 and 3.*

### Part 1 - Current Year's Credit

#### A. Cash contributions made January 1, 2025 through December 31, 2025

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

#### Lines 1, 2, and 3

Enter the following for each private STO to which you made contributions from January 1, 2025 through December 31, 2025 and for which you are claiming a current year's credit on your return.

- Column (a): the date you made the contribution (MM/DD/2025);
- Column (b): the name of the private STO;
- Column (c): street address of the private STO;
- Column (d): location (city and state) of the private STO; and
- Column (e): the amount of cash contributions made from January 1, 2025 through December 31, 2025.

**NOTE:** *Do **not** include those cash contributions that you made from January 1, 2025 through April 15, 2025 for which you or your spouse claimed a credit on the 2024 tax return.*

If you made cash contributions to more than three private STOs, complete the Continuation Sheet on page 3, and include it with the credit form.

#### What if I Made More than Ten (10) Cash Contributions to the Same STO?

If you made more than ten (10) re-occurring monthly donations (or used paycheck deductions) for contributions **to the same STO**, the department will permit the netting/summarizing of the contributions made to the same STO and provision of one common date (for example 12/31/25). Enter the total amount of contributions made in column (e).

#### Line 4

Enter the amount from line 4h of the Continuation Sheet; otherwise enter “0”.

#### Line 5

Add lines 1 through 4, column (e) and enter the total.

#### B. Cash contributions made January 1, 2026 through April 15, 2026 for which you or your spouse are claiming a credit on the 2025 tax return

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

#### Lines 6, 7, and 8

Enter the following for each private STO to which you made contributions from January 1, 2026 through April 15, 2026 for which you are claiming a credit on your 2025 tax return:

- Column (a): the date you made the contribution (MM/DD/2026);
- Column (b): name of the private STO;
- Column (c): street address of the private STO;
- Column (d): location (city and state) of the private STO; and
- Column (e): the amount of contributions made from January 1, 2026 through April 15, 2026.

If you made cash contributions to more than three private STOs, complete the Continuation Sheet on page 3 of the form and include it with the credit form.

## What if I Made More than Ten (10) Cash Contributions to the Same STO?

If you made more than ten (10) re-occurring monthly donations (or used paycheck deductions) for contributions **to the same STO**, the department will permit the netting/summarizing of the contributions made to the same STO and provision of one common date (for example 4/15/24). Enter the total amount of contributions made in column (e).

### Line 9

Enter the amount from page 3, line 9h, of the Continuation Sheet; otherwise enter "0".

### Line 10

Add lines 6 through 9, column (e). Enter the total.

### Line 11

Add lines 5 and 10. Enter the total.

### Line 12

Single taxpayers and taxpayers filing as head of household, enter \$769. Married taxpayers enter \$1,535.

### Line 13 - Current Year's Credit

Enter the smaller of line 11 or line 12. If you are married filing a separate return, but you could have filed a joint return, you may take only one-half (½) of the total credit that you and your spouse would have been allowed to take on a joint return, up to a maximum of \$769 each. In this case, enter one-half (½) of the smaller of line 11 or line 12.

**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 14 through 19

Complete lines 14 through 19 to figure your available credit carryover from taxable years 2020 through 2024. Complete lines 14 through 19 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 14 through 18 in column (d).

Enter the total on line 19, column (d).

## Part 3 - Total Available Credit

### Line 20

Enter the amount from Part 1, line 13. Also, enter this amount on Form 301, Part 1, line 8, column (a).

### Line 21

Enter the amount from Part 2, line 19, column (d). Also, enter this amount on Form 301, Part 1, line 8, column (b).

### Line 22

Add line 20 and line 21. Enter the total. Also, enter this amount on Form 301, Part 1, line 8, column (c).

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

Complete Part 4, lines 23 through 25, to determine if you have excess contributions available to claim a credit on Arizona Form 348, *Contributions to Certified School Tuition Organization – Individuals*.

### Line 23

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 11.
- Married taxpayers filing separate; enter one-half (½) of the total amount from Part 1, line 11.

### Line 24 -

Enter the maximum credit allowed on Form 323:

- Single taxpayers and heads of household; enter \$769.
- Married taxpayers filing joint; enter \$1,535.
- Married taxpayers filing separate; enter \$769.

### Line 25 – Excess Contributions:

Subtract line 24 from line 23. Enter the difference. If less than zero, enter "0".

If the amount on line 25 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 25 is "0," you do not have any excess contributions available to claim on Form 348.

**EXAMPLE:** During 2025, Mary, a single person, gave \$1,400 to a private STO. For 2025, Mary is allowed a maximum credit on Form 323 of \$769. Mary's 2025 tax liability is \$400. Mary may apply \$400 of the \$769 credit claimed on Form 323 against her 2025 tax liability. Mary may carryover the unused credit of \$369 to her 2026 income tax return. Mary may not claim a credit on Form 323 for the \$631 gift that was more than the allowable credit (\$1,400 minus allowable credit of \$769).

However, Mary may claim a credit on Arizona Form 348 for the contribution made to the private STO that was more than the \$769 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 2025, Mary would compute her available credit for Form 348 as follows.

2025 total contribution made to STOs		\$1,400
2025 maximum allowable credit claimed on Form 323		<u>\$ 769</u>
Mary's 2025 tax liability	\$ 400	
Less: available tax credit - Form 323	<u>\$ 400</u>	
Balance of tax	<u>\$ 0</u>	
Carryover available for 2025 from Form 323 (\$769 minus \$400)	\$ 369	
Contribution available to calculate the allowable credit on Form 348 (\$1,400 minus \$769). Mary must complete Arizona Form 348 to figure that credit.		<u>\$ 631</u>