



Arizona Tuition Organization

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Frequently Asked Questions (FAQs)

Tax Year 2019 - Individual Credits

General Tax Credit Information

What is the Original Individual Private School Tuition Tax Credit?

The Original Individual Income Tax Credit Program encourages Arizona Income Taxpayers to be directly involved in improving education in Arizona by re-directing their state income tax to organizations like AZTO that provide educational scholarships to participating private school students. For tax year 2019, individuals are entitled to a 100% dollar-for-dollar credit against their Arizona income tax owed, up to \$1,138 per married couple or \$569 per individual. AZTO then disburses tuition awards to students at participating private schools in Arizona. This tax credit program, implemented in 1998, is regulated under ARS 43-1089 and ARS 43-1601-1605.

What is the PLUS (Private Learning Uplifting Students) Credit?

In 2012, Arizona implemented an additional education credit, the PLUS Credit. This credit is designed to help new students to attend private schools that may not have otherwise had this educational opportunity, uplifting students in Arizona. For the tax year 2019, after the maximum donation (\$1,138 for married couples and \$569 for individuals) is met under the Original Tax Credit, all additional donations are automatically directed to the PLUS Tax Credit. You can donate an additional amount up to \$1,131 for married couples and \$566 for individuals to the PLUS Tax Credit, bringing your total maximum contribution up to \$2,269 for married couples and \$1,135 for individuals. Specific student eligibility factors are required; see the PLUS Tax Credit Eligibility section. This tax credit program is additionally regulated under ARS 43-1089.03.

| Tuition Tax Credits | 2019 Original Credit Maximum | 2019 PLUS Credit Maximum | 2019 Tuition Credits Maximum |
|---------------------|------------------------------|--------------------------|------------------------------|
| Married Jointly | \$1,138 | \$1,131 | \$2,269 |
| Individual | \$569 | \$566 | \$1,135 |
| Tax Forms | 323/301 | 348/301 | 323/348/301 |

What is a School Tuition Organization, STO? Does the AZ Department of Revenue certify STOs?

A School Tuition Organization (STO) is one that is tax exempt under Section 501(c)(3) of the Internal Revenue Code and allocates at least 90% of its annual revenue to tuition awards and makes its tuition awards available to students from more than one qualified school. AZTO has historically allocated over 92% of revenue received. AZTO is audited annually by an independent accounting firm and annually reports to the Arizona Department of Revenue (AZDOR) with statute required reports. The AZDOR certifies all school tuition organizations that are in compliance with the Private School Tuition Tax Credit Requirements. AZTO is certified by the Arizona Department of Revenue.

What schools are eligible for tuition awards from AZTO? May we recommend a school?

AZTO participates with the following schools: Northwest Christian School, Flagstaff Christian School, Joy Christian School, North Valley Christian Academy, Paradise Valley Christian Preparatory, Scottsdale Christian Academy, and Trinity Christian School. You may recommend a specific student or you may recommend a school without having to choose a specific student. Donor recommendations are optional and are only one factor of several for award consideration.

Student Information

When are applications available for 2019-2020? What is the application deadline? Expiration date?

AZTO's 2019-2020 Online Student Application becomes available in March 2019. AZTO accepts applications throughout the school year. However, we recommend applying before the start of the new school year for AZTO's largest award cycles. An approved application must be on file prior to the release of any tuition awards. All annual applications expire at the end of the school year.

When applying, is financial information required?

Yes. Financial information is required from all families participating in the Private School Tuition Tax Credit Programs. The State of Arizona requires specific financial reporting guidelines for school tuition organizations. The reporting guidelines are determined by the federal reduced lunch program income analysis. Federal Tax Returns are not required. A financial analysis for each member of the household is required in a single worksheet format. Student participation may be limited for high income households. Please see AZTO's Application at azto.org for more information.

If my child has been recommended by a donor for a tuition grant, do I still need to submit an application?

Yes. Each student must submit an application each academic year in order to participate in the tax credit program. Donor recommendations are not the only factor that AZTO considers when allocating a tuition award. A current approved AZTO application must be on file before any pending tuition awards are issued.

What factors are considered when awarding a Tuition Grant? May we recommend another's child? May we swap donations?

Several factors are evaluated. Such factors include but are not limited to: merits of the student, character, perseverance, scholastic ability, citizenship, leadership, community involvement, other family needs (i.e.: financial, health, employment, etc.) and recommendations. Kindergarten students must be age 5 by January 1st of their kindergarten school year. Student participation in the tax credit programs may be limited for high income families. The desire of the donor will be reviewed in determining the grant allocation. However, the contribution is made with the understanding that AZTO has complete control and administration over the use of the recommended donation. While recommending a student is allowed, swapping with someone else's child in exchange for their recommending your own child is strictly prohibited. Per the Arizona Private School Tuition Tax Credit law:

“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.”

PLUS Tax Credit Eligibility:

Though student recommendations are allowed for both tax credits, the Original and the PLUS programs have different sets of qualifying criteria. Per Arizona Law, a student is only eligible to receive tuition awards under the PLUS Tax Credit if that student falls into one of the following categories:

- a. Prior PLUS/Overflow Credit Recipient: If the student received a PLUS/Overflow credit award in a prior school year and continues to attend the private school, the student continues to be eligible for the PLUS Program. If the student received a PLUS/Overflow award from a school tuition organization (STO) other than AZTO, please submit the *Scholarship Verification Form* or a *STO Award Letter* specifying the credit award type with the student's application.
- b. Kindergarten Student: Currently enrolled in a participating school in a kindergarten program. The kindergarten student must be age 5 by January 1st of their kindergarten school year.
- c. Public/Charter School Switcher: Student attended an Arizona governmental primary or secondary school as a full-time student for at least 90 days of the prior fiscal year and transferred to a private school. A *Public School Attendance Verification Form* is required.
- d. Military Dependent: Student is the dependent of a member of the Armed Forces of the USA who is stationed in AZ pursuant to military orders. A *copy of the military orders* is required.
- e. Prior Corporate Tax Credit Recipient: Student received a scholarship from either of the corporate school tax credit programs in a prior school year. The *Scholarship Verification Form* is required.

When does AZTO issue tuition awards throughout the school year?

AZTO offers seven award cycles throughout the school year. Tuition Grants are defined as board approved tuition awards from donor recommendations for approved applicants. Grants are awarded five times throughout the school year. Scholarship Awards are heavily focused on financial need, program eligibility, and special circumstances for approved applicants. Scholarships are issued two times in the school year.

| Award Cycles | Donation Deadlines | Award Distribution Timing |
|--|---------------------------|---------------------------|
| July Grant Awards | June 30 th | Mid-July |
| September Corporate Scholarship Awards | August 31 st | End of September |
| November Grant Awards | October 31 st | Mid-November |
| January Grant Awards | December 31 st | Mid-January |
| February Individual Scholarship Awards | December 31 st | End of February |
| March Grant Awards | February 28 th | Mid-March |
| May Grant Awards | April 15 th | Mid-May |

My student will be entering a participating private school (K-12) for the 2020-2021 school year. When should we apply to AZTO?

AZTO allows a student to participate in the tuition tax credit program up to a year prior to a student's attendance at a participating private school. Please note, a kindergarten student must be age 5 by January 1st of their kindergarten school year to be eligible for any of Arizona's tax credit programs. Any potential awards will not be released to the school until the appointed school year and only after a 2020-2021 application has been submitted and approved for the student. The first distribution of the new school year is typically in July. AZTO's 2020-2021 Application opens in March 2020.

May a student receive funds from two or more school tuition organizations?

Yes. However, a student may only receive tuition tax credit awards up to the annual cost of tuition. Any excess funds must be returned to the last awarding school tuition organization.

May a student who is receiving Empowerment Scholarship Account (ESA) money from the Arizona Department of Education also received tuition tax credit awards?

No, a student that receives ESA money is not eligible for any tuition tax credit awards for that same academic school year. AZTO does not accept applications from current ESA recipients.

Donor Information

What are the maximum credit limits of the Original Credit and the PLUS Credit?

The credit is equal to the amount contributed. For tax year 2019, the Original Tuition Tax Credit allows single taxpayers or heads of households to claim a credit up to \$569. For married taxpayers that file a joint return, the credit allowed is up to \$1,138. For married taxpayers who file separate returns, each spouse may claim only ½ of the credit that would have been allowed on the joint return. The PLUS (Private Learning Uplifting Students) Credit allows married couples to claim an additional \$1,131 and allows individuals to claim an additional \$566 after the Original Tuition Tax Credit limits are met. Arizona income taxpayers may claim both tuition tax credits totaling up to \$2,269 for married couples filing jointly and \$1,135 for individuals.

Why were the credit limits changed for the Original and PLUS Tax Credit Programs?

The credit limits adjust annually based on the Consumer Price Index of the Phoenix Metropolitan Area.

What is the deadline to contribute in order to receive the tax credit?

Contributions may be accepted through the April 15th federal filing deadline for a tax credit in the previous calendar year. A contribution must be either postmarked by April 15th or received online by midnight on April 15th to be eligible for credit in the previous calendar year. For donations received in the first quarter of the year (January 1st - April 15th), the state credit may be claimed for the prior or the current calendar tax year.

How do I donate to AZTO?

You may make a credit card contribution online at www.azto.org. Personal checks are also welcome with a current AZTO Donation Form. AZTO's donation mailing address is a bank lockbox at: PO Box 29661, Dept. 2003 Phoenix, AZ 85038-9661.

May I contribute with my business check?

No. This individual tuition tax credit program is only for Arizona individual taxpayers, not businesses. If contributing by check, AZTO accepts personal checks only.

When donating, why do I need to include my tax filing status information?

The Arizona Department of Revenue requires that school tuition organizations collect filing status information with each contribution received. This information includes filing status, tax year the donation will be claimed, and details regarding any prior private school tax credit donation for the named tax credit year.

How will I receive a receipt for my tax credit donation to AZTO?

All donors will receive a receipt via mail by January 31st for donation made the prior year. If making a donation online, you will additionally receive an emailed receipt within moments after completing the online donation. For donations received in the first quarter of the year, receipts are issued and mailed every 3-4 weeks for the prior tax year donations.

Can a taxpayer claim the Original Private School Tuition Credit, the PLUS Credit, and the Public-School Tax Credit?

Yes. You may donate \$200 individual/\$400 married couple to the public school of your choice. An interested donor may want to check their Arizona Income Tax Liability to ascertain how much credit they can claim in a given tax year. AZTO does not administer the Public-School Tax Credit. Please contact the public school or school district of your choice for more information.

Where are the tax forms available to claim the credit?

Arizona Forms 301, 323, and 348 are available at www.azto.org or by visiting the Department of Revenue website: www.azdor.gov/forms/tax-credits-forms. Typically, the forms are available in January of each tax year.

May I recommend my tax credit donation for my own student?

No. You may not make a recommended donation on behalf of your own child or legal dependent. This restriction also applies to making an arrangement with another parent or group of parents to exchange recommended donations for your own student. This is strictly prohibited by the AZ Tuition Tax Credit Law.

May we recommend a grandchild to receive a tuition grant?

Yes, as long as the student is not a legal dependent.

Who may claim these tax credits?

These credits are available only to individuals who file Arizona state income taxes.

Is my donation also eligible for a federal income tax deduction?

Federal law has changed regarding allowing taxpayers to deduct state tax credits on their Federal return in addition to claiming the state credit. Some taxpayers MAY be able to deduct the contribution as a state tax payment. Please consult your tax advisor to better understand your specific situation.

How does the tax credit reduce my state income tax liability?

The tuition tax credits may only be used to the extent in which it reduces a tax liability to zero. Any unused amounts may be carried forward for not more than five consecutive taxable years.

These questions and answers are not intended to provide individuals with tax or legal advice. Interested persons should consult the Arizona Department of Revenue, the IRS, or their tax advisor for specific guidance relative to their particular tax situation. Additional information may be obtained from the AZDOR.