



Arizona Tuition Organization

www.azto.org

TAX LIABILITY TIPS:

Examining Line 48 on the full Arizona Form 140 (2020) is your tax liability and will give you a feel for how much you can donate, as long as it is less than the tax credit's maximum amount for your filing status. If the donation amount exceeds the tax liability, the difference must be carried over to the following tax year, for up to five tax years. Also, if you donate to multiple types of tax credits, you need to add together all of the tax credits to determine the maximum allowed for that tax year. As always, we recommend you consult with your tax adviser regarding your specific situation. Other credits, deductions, and various factors may apply that would affect your personal result.

Donation Examples for Tax Year 2021

Below are two examples of fictional donors making donations to AZTO and their tax situations.

Example 1 - Matt and Jody (AGI ~ \$120,000)

Matt and Jody are married and file their taxes jointly. They have withheld \$1,200 from their paychecks to pay for their Arizona Income Taxes. They correctly estimate that they have a tax liability of \$2,700. For tax year 2021, the State of Arizona allows married couples to contribute up to \$2,435 for the private school tuition tax credit program. The following donations to AZTO will have the following results:

| AZTO Tax Credit Donation | Tax Calculation (tax liability - withheld - donation =) | Taxes Owed or Refunded After AZTO Donation |
|--------------------------|--|--|
| \$0 | \$2,700 - \$1,200 - \$0 = | \$1,500 Owe |
| \$1,000 | \$2,700 - \$1,200 - \$1,000 = | \$500 Owe |
| \$1,500 | \$2,700 - \$1,200 - \$1,500 = | \$0 |
| \$2,435 | \$2,700 - \$1,200 - \$2,435 = | \$935 Refund |

Example 2 - Jason (AGI ~ \$45,000)

Jason is single and files his taxes as an individual. He has withheld \$1,100 from his paycheck to pay for his Arizona Income Taxes. He correctly estimates that he has a tax liability of \$900. For tax year 2021, the State of Arizona allows an individual to contribute up to \$1,219 for the private school tuition tax credit program. The following donations to AZTO will have the following results:

| AZTO Tax Credit Donation | Tax Calculation (tax liability - withheld - donation =) | Taxes Owed or Refunded After AZTO Donation |
|--------------------------|--|--|
| \$0 | \$900 - \$1,100 - \$0 = | \$200 Refund |
| \$200 | \$900 - \$1,100 - \$200 = | \$400 Refund |
| \$500 | \$900 - \$1,100 - \$500 = | \$700 Refund |
| \$1,219 | \$900 - \$1,100 - \$1,219 = | \$900 Refund + \$519 Carry Forward |

Notice: A School Tuition Organization cannot award, restrict or reserve scholarships solely on the basis of donor 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.