



Arizona Tuition Organization

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## Frequently Asked Questions (FAQs) 2020-2021 School Year

### **About Arizona Tuition Organization (AZTO)**

#### **What is Arizona Tuition Organization (AZTO)?**

School Tuition Organizations (STO) facilitate Arizona's Private School Tuition Tax Credit Programs. AZTO is a 501c(3) Arizona certified STO that focuses on supporting Christian Education in Arizona. Since 2004, AZTO has issued over \$25 Million in tuition awards to students attending participating schools through these programs. Our mission is to make Christian Education affordable and accessible for Arizona students.

#### **What does the Arizona Department of Revenue (ADOR) require of STOs?**

As an ADOR certified School Tuition Organization (STO), AZTO meets the following annual requirements. STOs must allocate 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 allocates a minimum of 92% of donations received. Annually, AZTO is audited by an independent accounting firm and submits statute required reports to the ADOR. The ADOR certifies all school tuition organizations that are in compliance with the Private School Tuition Tax Credit Requirements.

#### **What are AZTO's Partner Schools?**

AZTO participates with the following schools: Northwest Christian School, Dream City Christian School, Flagstaff Christian School, North Valley Christian Academy, Paradise Valley Christian Preparatory, Scottsdale Christian Academy and Trinity Christian School. A donor may recommend a specific student or partner school.

### **Student Information**

#### **How do I apply to AZTO for my student?**

AZTO offers an annual online application at [azto.org](http://azto.org). AZTO's 2020-2021 Application is available mid-March 2020. If you are new to AZTO, create a Student Portal Login by registering with the parent's email address and password. Your student's application must provide thoughtful content in a narrative format. General information is also gathered regarding the enrolled school, contact information, and PLUS/Overflow eligibility information. Financial information is collected as directed by the state. A copy of your tax return is not required. 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.

#### **What information is available in my AZTO Student Portal?**

Application status, award details, and the ability to update application information are available in your AZTO Student Portal. AZTO updates Portal information during each award cycle. One Student Portal per family is suggested as you may register multiple siblings under one email address login. Please save your AZTO Student Portal Login information for future reference.

#### **Is my student eligible for AZTO tuition awards?**

- Original Credit Program. The Original Credit is open to all K-12 students attending an AZTO participating school.
- PLUS/Overflow Credit Program. This credit is specific for the following student groups: Kindergarteners, Public/Charter School Transfer Students, Military Dependents, Prior Corporate Credit Recipients, and Prior PLUS/Overflow Recipients.

- Low-Income Corporate Credit Program includes all the PLUS/Overflow categories and Prior Original or PLUS Credit Recipients with an additional income qualifier. This program targets students with low to modest household income. For example, a household of 4 earning under \$89,000 qualifies.

### Are there any restrictions for participation?

In addition to eligibility requirements, several program restrictions also exist. Kindergarten students must be age 5 by January 1<sup>st</sup> of their kindergarten school year. Empowerment Scholarship Account (ESA) recipients are not eligible. High income household families may be limited in award participation. Parents or guardians may not make a tax credit donation recommending their own student. Donation Swapping is also strictly prohibited. While recommending a student is allowed, swapping with someone else’s child in exchange for their recommending your own child is restricted. 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 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.”*

### What factors does AZTO considered when issuing tuition awards?

Several factors are evaluated. Such factors include but are not limited to: program eligibility, merits of the student, character, perseverance, academic awards, citizenship, leadership, community involvement, other family needs (financial, health, employment, etc.) and recommendations. The desire of the donor will be considered in determining the grant allocation.

### How does AZTO notify award recipients?

AZTO sends award notification emails to all award recipients each award cycle. The recipient is directed to check their AZTO Student Portal for specific award details. Award Verification Letters may be downloaded and saved for your records. Donor recommendation information is not made available to recipient families. Arizona regulations considers all donor information confidential.

### 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. Biannual Scholarship Awards are heavily focused on financial need, program eligibility, and special circumstances for approved applicants.

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

### 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.

### Must I apply for my student each school year?

Yes. The State of Arizona requires an annual application for each participating student. All annual applications expire at the close of each school year.

## My student will be entering a participating private school (K-12) for the 2021-2022 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. Any potential awards will not be released to the school until the appointed school year and only after a 2021-2022 application has been submitted and approved for the student. The first distribution of the new school year is typically in July. AZTO's 2021-2022 Application opens mid-March 2021.

## Donor Information - Individuals

### What are the Individual Private School Tuition Tax Credit Programs?

- Original Credit Program. The Original Program was signed into law in 1997 as the first tuition tax credit program in the nation. It allows Arizona tax payers to give to organizations such as AZTO and received a "dollar-for-dollar" credit against their Arizona income tax liability. Tuition awards are issued by AZTO to participating K-12 students. The eligible Original Credit amount is based on filing status and tax year limits, see the below table.
- PLUS/Overflow Credit Program. This program was implemented in 2012, essentially doubling the private school tuition tax credit amount. Arizona taxpayers may also claim this donation as a "dollar-for-dollar" income tax credit. Student eligibility is specific for the following student groups: Kindergarteners, Public/Charter School Transfer Students, Military Dependents, Prior Corporate Credit Recipients, and Prior PLUS/Overflow Recipients. The eligible PLUS/Overflow Credit amount is based on filing status and tax year limits, see the below table.

| Tuition Tax Credits | 2020 Original Credit Maximum | 2020 PLUS Credit Maximum | 2020 Tuition Credits Maximum |
|---------------------|------------------------------|--------------------------|------------------------------|
| Married Jointly     | \$1,186                      | \$1,179                  | \$2,365                      |
| Individual          | \$593                        | \$590                    | \$1,183                      |
| Tax Forms           | 323/301                      | 348/301                  | 323/348/301                  |

### Who may claim these tax credits?

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

### 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 up to five years.

### How do I donate to AZTO?

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

### May I make a student recommendation with my donation?

You may recommend a specific student with your donation. Donor recommendations are welcome as it provides another perspective from the community of student need or merit. According to Arizona Tax Credit Law, donor recommendations are allowed but must not be a condition of the donation or the only factor for allocating an award. Participating students must have a current approved AZTO application on file to be eligible for an AZTO award.

### May I recommend my own student? Or may I swap recommendations with another family?

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 Arizona Tuition Tax Credit Law.

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

The giving deadline for tax year 2020 is April 15<sup>th</sup>, 2021. A contribution must be either postmarked by April 15<sup>th</sup> or received online by midnight on April 15<sup>th</sup> to be eligible for credit in the previous calendar year.

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

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

### **Where are the tax forms to claim the credits available?**

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

### **Can a taxpayer participate with the AZTO Tuition Credits and other Arizona credits?**

Yes. Arizona offers several donation credit opportunities. 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.

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

Generally, NO as the 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.

## **Donor Information – Businesses**

### **What is the Low-Income Corporate Tuition Tax Credit?**

In 2006, Arizona implemented the Low-Income Corporate Tuition Tax Credit. This program allows Arizona businesses to make “dollar-for-dollar” tax credit contributions to organizations such as AZTO. Student recipients from low to modest income households benefit from the program to attend a private school that otherwise may have been out of reach.

### **What businesses may participate in this credit?**

C-Corporations, S-Corporations and Insurance Companies that pay Premium Taxes may participate in the Corporate Tuition Tax Credit Program.

### **What is the process for my business to make a Low-Income Corporate Tax Credit Donation to AZTO?**

The Arizona Department of Revenue (ADOR) determines the annual aggregate cap available for this credit and must pre-approve donation requests. Each July 1<sup>st</sup>, the ADOR opens its process for approving corporate credit donation requests. The business submits their Corporate Credit Donation Form Request to AZTO. Following directions from the ADOR, AZTO submits the donation request. Upon ADOR approval, the business then makes their credit donation to AZTO. A receipt will be issued to the participating business. Form 335 is used to claim this credit. See [AZTO.org/contributors/corporate-donors](http://AZTO.org/contributors/corporate-donors) for more details.

### **How much can my business give?**

Corporate credit donations must be at least \$5,000. There is no limit to the donation maximum other than it must be approved by the ADOR and under the annual fiscal year aggregate cap. The corporate credit may only be used to the extent in which it reduces a tax liability to zero. Any unused amounts may be carried forward up to five years.

### **Are student recommendations allowed?**

The participating business may recommend a specific participating school but not individual students.

### **Who receives Low-Income Corporate Tuition Tax Credit Awards?**

Students from households with low to modest income are eligible for participation. In addition to the financial metric, a student must meet one additional eligibility qualifier: Kindergarteners, Public/Charter School Transfer Students, Military Dependents, Prior Corporate Credit Recipients, and Prior Individual Credit Recipients.

*For full program details, please visit [AZTO.org](http://AZTO.org). 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.*