

**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 and select *Reports & Legal Research*. On the next page, click on *Legal Research*. Select a Document Type and a Category from the drop down menus. If you know the document ID number you may enter it in the Search field and then press enter.

**Publications**

To view or print the department's publications, go to our website, scroll down, click on *Reports & Legal Research*, and click on *Publications* in the right hand column.

## General Information

This credit provides a nonrefundable corporate income tax credit for contributions made to a school tuition organization (STO), authorized to receive corporate donations, that provides scholarships or grants to qualified schools. This credit must be pre-approved by the Arizona Department of Revenue. The STO must be certified pursuant to Chapter 15 of Title 43 at the time of donation.

Contributions designated for the direct benefit of a specific student will not qualify for the credit.

This credit is in lieu of any deduction taken under Internal Revenue Code § 170 for state tax purposes.

A taxpayer cannot claim this credit and the credit claimed on Form 341 for the same contribution.

The tax credit is equal to the amount the department has pre-approved. Once pre-approved, the taxpayer has 20 days in which to make the contribution to the STO.

The tax credit is available to corporate taxpayers, corporate partners, exempt organizations subject to corporate income tax on unrelated business taxable income (UBTI), or S Corporation individual shareholders.

- A partnership may pass this credit through only to its corporate partners, each of which may claim a *pro rata* share of the credit based on their ownership interest.
- An exempt organization may utilize this credit only if it results from activities that generate UBTI.
- An S Corporation may claim this credit against income Arizona is taxing at the corporate level, or it may make an irrevocable election to pass this credit through to its individual shareholders.
  - To pass this credit through to its individual shareholders, the S Corporation must make minimum contributions of \$5,000 to School Tuition Organizations or to School Tuition Organizations for Displaced Students or Students With Disabilities in a taxable year.

- Each individual shareholder may claim only a *pro rata* share of the credit based on the individual's ownership interest in the S Corporation.

Any *pro rata* shares that would be distributed to non-eligible partners (individual partners in a partnership), or estates or trusts (shareholders in an S Corporation) is lost.

The total of the credits allowed to all owners may not exceed the amount that would have been allowed to a sole owner of the business.

If the allowable tax credit exceeds the taxes otherwise due, or if there are no taxes due, the amount of the credit not used to offset taxes may be carried forward for not more than five consecutive taxable years as a credit against subsequent years' income tax liability.

## Claiming the Credit

This credit must be pre-approved by the Arizona Department of Revenue before it can be claimed. The process for obtaining pre-approval for the credit is available on our website: [www.azdor.gov](http://www.azdor.gov). Click on "Tax Credits", then click on "Corporate Tuition Tax Credits".

*Before claiming the credit, obtain a copy of the STO's pre-approved application. Include a copy of the pre-approved application with Form 335. Failure to do so could result in a disallowance of this credit.*

The department will preapprove the credits on a first-come, first-served basis. The pre-approval process works as follows:

- Before making the contribution, the taxpayer notifies the STO of the intended amount.
- The STO requests pre-approval from the Arizona Department of Revenue.
- The Arizona Department of Revenue pre-approves or denies the request within twenty days after it has received the request, and notifies the STO.
- If the request is pre-approved, the STO notifies the taxpayer immediately.
- The taxpayer must make the contribution within twenty days of receiving notice from the STO.

## QUALIFIED SCHOOL TUITION ORGANIZATION REQUIREMENTS

*The STO receiving contributions under this program must be certified pursuant to Chapter 15 of Title 43 at the time of donation.*

*A listing of certified School Tuition Organizations is available at [www.azdor.gov](http://www.azdor.gov). Click on "Tax Credits", then click on "Corporate Tuition Tax Credits", and then click on "School Tuition Organizations Certified to Receive Corporate Donations."*

## Completing the Form

Complete the name and employer identification number (EIN) section at the top of the form. Indicate the period covered by the taxable year. Include the completed form with the tax return.

**NOTE:** If the entity passing this credit through has a different tax year-end than the taxpayer, the taxpayer may only claim this credit on its tax return for that year. For example, if the entity passing this credit through has a tax year end of February 2025, claim this credit on the taxpayer's 2025 return.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for a corporation, an exempt organization with UBTI, an S Corporation, or a partnership is the taxpayer's EIN. Taxpayers that fail to include their TIN may be subject to a penalty.

**NOTE – To claim this credit:**

- *Individual taxpayers that did not make the Small Business Income election, complete Form 335-I and Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture. Include both completed forms with your tax return.*
- *Individual taxpayers that made the Small Business Income election, complete Form 335-I-SBI and Arizona Form 301-SBI, Nonrefundable Individual Tax Credits and Recapture for Form 140-SBI, 140PY-SBI, 140NR-SBI, or 140X-SBI. Include both completed forms with your tax return.*
- *C corporations, S Corporations claiming this credit at the corporate level, and exempt organizations with UBTI, complete this credit form and Arizona Form 300, Nonrefundable Corporate Tax Credits and Recapture. Include both completed forms with your tax return.*
- *S Corporations electing to pass this credit through to its shareholders, complete this credit form. Also complete Form 335-S for each individual shareholder of the S Corporation. Provide each individual shareholder a copy of his or her completed Form 335-S. Include Form 335 and one copy of each completed Form 335-S with your tax return.*
- *Partnerships, complete this credit form. Also, complete Form 335-P for each corporate partner of the partnership. Provide each corporate partner a copy of its completed Form 335-P. Include Form 335 and one copy of each completed Form 335-P with your tax return.*

## Part 1 – Current Taxable Year's Credit Calculation

### Lines 1 through 10

- List each STO's name and address in column (a).
- List the credit approval number(s) in column (b).
- List the approved contribution amount(s) in column (c).

### Line 11

Add the amounts in column (c) on lines 1 through 10 and enter that amount on line 11.

If contributions are made to more than ten STOs, complete and include additional schedules.

### Line 12

Corporate partners (only), enter the amount from Form 335-P, line 13. If none, enter "0."

### Line 13

Add the amounts entered on lines 11 and 12. Enter the total.

## Part 2 – Available Credit Carryover

Use Part 2 to calculate the taxpayer's total available credit carryover from prior taxable years.

**S Corporations**, if this credit was claimed at the corporate level in a prior taxable year and there is a carryover amount available, complete Part 2.

### Lines 14 through 18

- In column (a), enter the taxable year(s) from which the taxpayer is carrying over the credit.
- In column (b), enter the credit originally computed for the taxable year listed in column (a).
- In column (c), enter the amount of the credit from the taxable year that was already used.
- In column (d), subtract the amount in column (c) from column (b). Enter the difference.

### Line 19

Add the amounts entered on lines 14 through 18 and enter the amount in column (d).

## Part 3 – Total Available Credit

Use Part 3 to calculate the taxpayer's total available credit for this tax year.

### Line 20

- Partnerships passing through this credit to corporate partners, enter "0"
- Qualified S Corporations electing to pass this credit through to individual shareholders, enter "0." To determine if the S Corporation qualifies to pass this credit through to its individual shareholders, complete Part 4. If the S Corporation's total contributions to STOs on Form 335 and/or Form 341 exceed \$5,000, the S Corporation qualifies, and may elect, to pass this credit through to its individual shareholders.
- All other corporate entities, (C corporations, exempt organizations subject to corporate income tax on UBTI, or *S Corporations claiming this credit at the corporate level*), enter the amount from line 13.
- Also, enter this amount on Form 300, Part 1, line 7, column (a).

### Line 21

Enter the amount on line 19, column (d). If the amount is zero, enter "0." Also, enter this amount on Form 300, Part 1, line 7, column (b).

### Line 22

Add lines 20 and 21. Enter the total. This is the taxpayer's total credit for this tax year. Also, enter this amount on Form 300, Part 1, line 7, column (c).

**Partnerships:** skip Part 4 and proceed to the instructions for completing Form 335-P on page 4.

**S Corporations making the election to pass through this credit, proceed to Part 4.**

## Part 4 – S Corporation Credit Election

An S Corporation may elect to pass this credit through to its individual shareholders.

**NOTE:** *Trusts and estates which are shareholders of S Corporations, are not eligible to claim this credit. However, as S Corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. If the grantor is an individual, he or she may claim his or her share of the credit.*

To pass this credit through to its individual shareholders, the S Corporation must have made an aggregate contribution of \$5,000 or more on Forms 335 and 341 during the tax year.

### Line 23

Enter the total contributions from line 11.

### Line 24

Enter the total contributions from Form 341, line 1

### Line 25

Add lines 23 and 24, enter the total.

### Line 26

Is the amount on line 25 greater than, or equal to, \$5,000? If yes, check the “Yes” box and continue to line 27. If no, STOP, the S Corporation cannot pass this credit to its individual shareholders.

### Line 27

If the S Corporation wishes to make an irrevocable election to pass this credit through to its individual shareholders, enter the ending date for this tax year, check the box indicating the S Corporation is passing this credit through to its individual shareholders, and have this form signed by an officer of the S Corporation who is also a signatory to Arizona Form 120S.

**Proceed to the instructions on page 4 to complete Form 335-S.**

## Form 335-P, Distribution to Corporate Partners of a Partnership

Enter the name of the partnership and EIN at the top of Form 335-P. Enter the corporate partner's name, EIN, and ownership percentage on the next line. (Each corporate partner is entitled to a *pro rata* share of the credit, based on its ownership percentage.)

Complete Form 335-P for *each* corporate partner of the partnership.

### Lines 1 through 10

- Enter the names of the STO(s) in column (a).
- Enter the Credit Approval Number(s) received in column (b).

If contributions are made to more than ten organizations, complete and include additional schedules.

### Line 11

Enter the amount of the total current year's contributions from Form 335, Part 1, line 13.

### Line 12

Enter the corporate partner's ownership percentage of the partnership.

### Line 13

Multiply line 11 by line 12. Enter the result. This is the corporate partner's portion of this credit.

The partnership must furnish each corporate partner with its completed copy of Form 335-P, including additional schedules as needed.

The corporate partner will enter the amount on Form 335-P, line 13 on its own Form 335, line 12.

## Form 335-S, Distribution to Individual Shareholders of an S Corporation

Enter the S Corporation name and TIN at the top of Form 335-S. Enter the individual shareholder's name, Social Security Number, and ownership percentage on the next line. (Each individual shareholder of the S Corporation is entitled to a *pro rata* share of the credit based on his/her ownership percentage.)

Complete Form 335-S for *each* shareholder except for trust or estate shareholders. However, an S Corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. If the grantor is an individual, he or she may claim his or her share of the credit.

### Lines 1 through 10

- Enter the names of the STO(s) in column (a).
- Enter the Credit Approval Number(s) received in column (b).

If contributions are made to more than ten organizations, complete and include additional schedules.

### Line 11

Enter the amount of the total current year's contributions from Form 335, Part 1, line 13.

### Line 12

Enter the shareholder's ownership percentage of the S Corporation.

### Line 13

Multiply line 11 by line 12. Enter the result. This is the individual shareholder's portion of this credit.

The S Corporation must furnish each shareholder with their completed copy of Form 335-S, including additional schedules as needed.

The individual shareholder will use this form to complete Form 335-I.