

2007 Credit for Contributions to Charities That Provide Assistance to the Working Poor

**Arizona Form
321**

Phone Numbers

If you have questions, please call one of the following numbers:

Phoenix	(602) 255-3381
From area codes 520 & 928 toll-free	(800) 352-4090
Form orders	(602) 542-4260
Recorded Tax Information	
Phoenix	(602) 542-1991
From area codes 520 & 928 toll-free	(800) 845-8192
Hearing impaired TDD user	
Phoenix	(602) 542-4021
From area codes 520 & 928 toll-free	(800) 397-0256

You may also visit our web site at: www.azdor.gov

General Instructions

For taxable years beginning on or after January 1, 1998, Arizona law provides a credit for cash contributions made to certain charities that provide help to the working poor. The maximum amount of this credit is \$200 for single taxpayers or heads of household. For married taxpayers, the maximum credit is \$400.

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 years.

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.

You may qualify for this credit if you make cash contributions to a qualifying charity. You may also qualify for this credit if you make cash contributions to a qualified charity through an umbrella type of charitable organization. In this case, you must designate your donation to a member charitable organization or member group fund that would qualify on a stand-alone basis.

To be eligible for this credit, you must have itemized deductions and deducted charitable contributions on a prior year's Arizona return (1996 or later) at least once. This is necessary to establish a baseline year and amount. The credit is then figured on the amounts over and above the baseline amount.

For more information on this credit, see the Arizona Department of Revenue brochure, Pub 710, *Credit for Contributions That Provide Assistance to the Working Poor*. To get a copy of this brochure, visit our web site, or call one of the numbers listed above.

What is a Qualifying Charity?

A qualifying charity is a charity that is exempt from federal income tax under Internal Revenue Code Section 501(c)(3). A qualifying charity is also a charity that is a designated community action agency that receives Community Services Block Grant Program money under the United States Code, Title 42, Section 9901. The charity must spend at least 50 percent of its budget on services to Arizona residents who receive Temporary Assistance for Needy Families benefits or to low income Arizona residents and their households.

For the purpose of this credit, qualifying services are services that meet the recipient's immediate basic needs. The services must be provided and used in Arizona. Services that meet these needs include cash assistance, medical care, childcare, food, clothing, shelter, job training and job placement services.

How Can I Tell if a Charity Qualifies?

To see if a charity qualifies, you should ask to see a copy of the certification letter the charity sent to the Department of Revenue. You should also ask the charity the following questions.

- Is the charity exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code?
- If the charity is not exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code, is the charity a charity that is a designated community action agency that receives Community Services Block Grant Program money under the United States Code, Title 42, Section 9901?
- Does the charity spend at least 50 percent of its budget on services to Arizona residents who receive Temporary Assistance for Needy Families benefits or to low income Arizona residents and their households?

The Department of Revenue also keeps a list of agencies that sent certification letters to the department available on our web site. You may visit our web site at www.azdor.gov, or you may call one of the numbers listed on this page to see if a charity has notified the department that it qualifies.

Line-by-Line Instructions

Part I - Current Year's Credit

Lines 1a, 1b, and 1c -

Enter the name of the qualifying charity to which you made cash contributions. Enter the amount contributed to the charity.

If you made cash contributions to 2 qualifying charities, also complete line 1b.

If you made cash contributions to 3 or more qualifying charities, complete an additional schedule. The schedule should show the same information required on line 1a for each of the additional charities to which you made contributions.

Add the amount of cash contributions made to all qualifying charities listed on lines 1a, 1b and any additional schedule. Enter the total on line 1c.

Line 2 - Potential Credit

Single taxpayers or heads of household enter the lesser of line 1c or \$200. Married taxpayers enter the lesser of line 1c or \$400.

Line 3 -

Enter the total amount of contributions that you made during 2007 that are allowable as an itemized deduction for 2007.

NOTE: You may claim this credit on your 2007 return even if you do not itemize deductions on your 2007 return. However, the contributions that you made during 2007 must be allowable as an itemized deduction and your total contributions must exceed your contributions made during your baseline year.

Line 4 -

Enter your baseline year.

If you itemized deductions and deducted charitable contributions in 1996, 1996 is your baseline year.

If you did not itemize deductions and deduct charitable contributions in 1996, then your baseline year is the first taxable year **after** 1996 that you itemized deductions and deducted charitable contributions. Your baseline year cannot be a year prior to 1996.

NOTE: You must establish your baseline year in a year prior to the year in which you claim the credit. For example, if 2007 is the first year that you itemize and deduct charitable contributions on your Arizona return, you will not be able to take this credit on your 2007 return. You can take this credit in a future year if your qualifying donations in that future year exceed your charitable contributions deducted on your 2007 return.

You must establish a new baseline year if your filing status changes due to any of the following:

- divorce
- marriage
- remarriage
- death of a spouse

A federal or state audit may also change your baseline year. Your baseline year could change if your deductions are changed from itemized to standard, or from standard to itemized.

Line 5 -

Enter the total amount of charitable contributions you deducted as an itemized deduction on your Arizona return filed for the baseline year.

Your baseline amount is the total dollar amount of charitable contributions deducted on Schedule A. This amount includes the total contributions deducted pursuant to Section 170 of the Internal Revenue Code including cash amounts, property, or mileage amounts. For example, if a taxpayer deducted a total of \$500 in charitable contributions in 1996, \$500 is that taxpayer's baseline amount.

A federal or state audit may also change the amount of your total charitable contributions deducted as an itemized deduction on your Arizona return filed for the baseline year. If these amounts change, you must amend your credit to reflect the new baseline amount.

Line 6 -

Subtract the amount on line 5 from the amount on line 3. If line 5 is more than line 3, you do not qualify for the credit for 2007.

Line 7 - Current Year's Credit

Enter the lesser of line 2 or line 6. If you are married filing a separate return, enter one-half of the smaller of line 2 or line 6. This is your current year's credit.

Part II - Available Credit Carryover

Lines 8 through 13 -

Use lines 8 through 13 to figure your total available credit carryover from taxable years 2002 through 2006. Complete lines 8 through 13 if you claimed this credit on a return for one of these years and the credit was more than your tax.

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 that taxable year which you have

already used. Subtract the amount in column (c) from the amount in column (b) and enter the difference in column (d). Add the amounts entered on lines 8 through 12 in column (d). Enter the total on line 13, column (d).

Part III - Total Available Credit for 2007

Lines 14 through 16 -

Use lines 14 through 16 to figure your total available credit for 2007.

Line 16 -

Total available credit. Add line 14 and line 15. Enter the total here.

If this is the only credit that you are claiming, and the credit shown on line 16 is equal to or less than your Arizona tax minus the clean elections fund tax reduction, enter the amount from line 16 on **Form 140**, page 1, line 27 **or Form 140PY**, page 1, line 30, **or Form 140NR**, page 1, line 29.

If you are claiming the family income tax credit or other credits from only Forms 310, 322, and/or 323, complete the following worksheet, **OR** one of the credit worksheets in the Form 310, 322, or 323 instructions.

Credit Worksheet	
1. Enter your Arizona tax less the clean elections fund tax reduction and family income tax credit if applicable.	
2. Enter the credit from Form 310, line 18.	
3. Enter the credit from Form 321, line 16.	
4. Enter the credit from Form 322, line 12.	
5. Enter the credit from Form 323, line 12.	
6. Add the amounts on lines 2, 3, 4, and 5. Enter the result.	
Compare the amount on line 6 to the amount on line 1.	
If the amount on line 6 is equal to or less than the amount on line 1, do one of the following:	
<ul style="list-style-type: none"> • If filing Form 140, enter the amount from line 6 on Form 140, page 1, line 27. • If filing Form 140PY, enter the amount from line 6 on Form 140PY, page 1, line 30. • If filing Form 140NR, enter the amount from line 6 on Form 140NR, page 1, line 29. 	
If the amount on line 6 is more than the amount on line 1, you must complete Form 301.	

If you are claiming nonrefundable credits from forms other than Form 310, 321, 322, and/or 323, you must complete Form 301.

If you have to complete Form 301, enter the amount from Form 321, line 16 on Form 301, page 1, line 13.

NOTE: If you are married, and you and your spouse file a separate return, you may each take only one-half of the total credit that would otherwise be allowed on a joint return.