

2012 Credit for Contributions To Private School Tuition Organizations

Arizona Form 323

Phone Numbers

For more information or help, call one of the numbers listed below.

Phoenix	(602) 255-3381
From area codes 520 and 928, toll-free	(800) 352-4090
Hearing impaired TDD user	
Phoenix	(602) 542-4021
From area codes 520 and 928, toll-free	(800) 397-0256

For tax rulings, tax procedures, tax forms and instructions, and other tax information, access our home page at www.azdor.gov.

General Instructions

NOTE: The credit eligible contributions made to a school tuition organization from January 1, 2013, to April 15, 2013, may be used as a tax credit on either your 2012 or 2013 Arizona income tax return.

Arizona law provides a credit for contributions made to a private school tuition organization that provides scholarships or grants to qualified schools.

The credit is equal to the amount contributed. For 2012, the credit cannot exceed \$503 for single taxpayers or heads of household. For married taxpayers that file a joint return, the credit cannot exceed \$1,006. In most cases, for married taxpayers who file separate returns, each spouse may claim only 1/2 of the credit that would have been allowed on a joint return.

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 consecutive taxable years' income tax liability.

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.

A private school tuition organization is an organization that meets **all** of the following:

- The organization is tax exempt under Section 501(c)(3) of the Internal Revenue Code (IRC).
- The organization allocates at least 90% of its annual revenue from contributions to educational scholarships or tuition grants.
- The organization makes its scholarships or grants available to students of more than one qualified school.

A "qualified school" means a preschool that offers services to students with disabilities, nongovernmental primary or a secondary school that is located in Arizona. The school cannot discriminate on the basis of race, color, handicap, familial status, or national origin and requires all teaching staff and personnel that have unsupervised contact with students to be fingerprinted. A "qualified school" does not

include a charter school or programs operated by a charter school. The primary school must begin with kindergarten and the secondary school must end with grade 12.

In the case of a preschool that offers services to students with disabilities, a "student with disabilities" is a student who has any of the following conditions.

- Hearing impairment
- Visual impairment
- Developmental delay
- Preschool severe delay
- Speech and/or language impairment

NOTE: The Arizona Department of Revenue is required to certify school tuition organizations. The Department will maintain a list of currently certified school tuition organizations on its website, www.azdor.gov.

To determine if your contributions made in 2012 and/or 2013, qualify for this credit, you should ask the organization if it meets all of the requirements. Your donation to the school tuition organization will not qualify for the credit if you designate the donation for the direct benefit of your dependent.

NOTE: Your donation will also not qualify if you designate a student beneficiary as a condition of your contribution to the school tuition organization. Additionally, the tax credit is not allowed if you agree with another person to designate each other's contributions to the school tuition organization for the direct benefit of each other's dependent, a practice commonly known as swapping.

You cannot claim both a tax credit and an itemized deduction for the amount of contributions made to a private school tuition organization for which you are claiming a credit. If you claim this credit in 2012 for a donation made from January 1, 2013, to April 15, 2013, you must make an adjustment on your Arizona Form 140; Schedule A, *Itemized Deductions Adjustments*, filed in 2013.

Before claiming this credit, make sure the school tuition organization issues you a receipt for the contributions. The receipt should show **all** of the following.

- The name and address of the school tuition organization.
- The name of the taxpayer.
- The amount paid.
- The date paid.

Please keep this receipt with your tax records.

For more information on school tax credits, see the department's brochure, Pub 707, *School Tax Credits*. To get a copy of this brochure, visit our web site.

NOTE: You may be able to make credit eligible contributions to a school tuition organization through payroll withholding. Check with your employer to see if your employer has agreed to withhold contributions that qualify for this credit from your pay.

Line-by-Line Instructions

Part I - Current Year's Credit

Line 1 -

Enter the name and address of the school tuition organization to which you made contributions and for which you are claiming a current year's credit for on your return.

Line 1a -

Enter the amount of contribution(s) made from January 1, 2012 through December 31, 2012.

Line 1b -

Enter the amount of contribution(s) made from January 1, 2013 through April 15, 2013, for which you are claiming a credit on your 2012 tax return.

Line 1c -

Add lines 1a and 1b and enter the total.

Lines 2, 2a through 2c -

Complete these lines following the instructions for lines 1 and 1a through 1c.

If you made contributions to 2 or more school tuition organizations, complete an additional schedule. The schedule should show the same information required on lines 1 and 1a through 1c for each of the additional school tuition organizations to which you made contributions.

Line 3 -

Add lines 1c, 2c and any amounts from additional schedules.

Line 4 -

Single taxpayers and taxpayers filing as head of household, enter \$503. Married taxpayers enter \$1,006.

Line 5 - Current Year's Credit

Enter the smaller of line 3 or line 4. If you are married filing a separate return, but you could have filed a joint return, you may take only one-half of the total credit that you and your spouse would have been allowed to take on a joint return, up to a maximum of \$503 each. In this case, enter 1/2 of the smaller of line 3 or 4.

NOTE: If you made contributions that total more than the allowable current year's credit on Form 323, you may claim a credit on AZ Form 348 for some or all of the contributions that exceed the maximum allowable amount. For more information see AZ Form 348.

Part II - Available Credit Carryover

Lines 6 through 11 -

Use lines 6 through 11 to figure your total available credit carryover from taxable years 2007 through 2011. Complete lines 6 through 11 if you claimed this credit on a return for one of these years and the credit was more than your tax.

NOTE: You may carry over only that portion of the credit that you do not apply to tax. You cannot carry over any amount that you gave that was more than the amount allowed as a credit. See the example on the last page of these instructions.

- In column (b) enter the credit originally computed for that 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 column (b) and enter the difference in column (d).
- Add the amounts entered on lines 6 through 10 in column (d).

Enter the total on line 11, column (d).

Part III - Total Available Credit

Line 12 -

Enter the amount from line 5.

Line 13 -

Enter the amount from line 11, column (d).

Line 14 -

Add line 12 and line 13. Enter the total.

If this is the only credit that you are claiming, and the credit shown on line 14 is equal to or less than your Arizona tax, enter the amount from line 14 on Form 140, page 1, line 23 or Form 140NR, page 1, line 25, or Form 140PY, page 1, line 26

If you are claiming the family income tax credit or other credits from **only** Forms 310, 321, and/or 322, complete the following worksheet, **or** one of the credit worksheets included in the instructions for Forms 310, 321, or 322.

Credit Worksheet	
1. Enter your Arizona tax less the family income tax credit, if applicable.	.00
2. Enter the credit from Form 310, Part III, line 18.	.00
3. Enter the credit from Form 321, Part III, line 13.	.00
4. Enter the credit from Form 322, Part III, line 14.	.00
5. Enter the credit from Form 323, Part III, line 14.	.00
6. Add the amounts on lines 2, 3, 4, and 5. Enter the total.	.00
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: • If filing Form 140, enter the amount from line 6 on Form 140, page 1, line 23. • If filing form 140NR, enter the amount from line 6 on Form 140NR, page 1, line 25. • If filing form 140PY, enter the amount from line 6 on Form 140PY, page 1, line 26. 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 323, Part III, line 14 on Form 301, page 1, line 14.

NOTE: You may carry over only that portion of the credit that you do not apply to tax. You cannot carry over any amount that you gave that was more than the amount allowed as a credit.

For example: During 2012, Mary, a single person, gave \$1,400 to a school tuition organization. For 2012, Mary is allowed a maximum credit on Form 323 of \$503. Mary's 2012 tax liability is \$400. Mary may apply \$400 of the \$503 credit claimed on Form 323 against her 2012 tax liability. Mary may carryover the unused credit of \$103 to her 2013 income tax return. Mary may not claim a credit on Arizona Form 323 for the \$897 gift that was more than the allowable credit (\$1,400 minus allowable credit of \$503).

However, Mary may claim a credit on Form 348 for the contribution made to the school tuition organization that was more than the \$503 allowable credit. The credit Mary may claim on Form 348 cannot exceed the maximum credit allowed on that form. To compute that credit, Mary must complete Form 348 in addition to Form 323. Mary must also complete Form 301.

For 2012, Mary would compute her available credit for Form 323 as follows.

2012 total contribution made to school tuition organizations		\$1,400
Maximum allowable credit claimed on Form 323 for tax year 2012		\$ 503
Mary's 2012 tax liability	\$ 400	
Less: available tax credit - Form 323	\$ 400	
Balance of tax	\$ 00	
Carryover available for 2013 from Form 323 (\$503 minus \$400)	\$ 103	
Contribution available to calculate the allowable credit on Form 348 (\$1,400 minus \$503). Mary must complete Form 348 to figure this credit.		\$ 897