

**2012 Credit for Contributions
To Certified School Tuition Organization- Individuals**
(For contributions that exceed the maximum allowable credit on AZ Form 323)

**Arizona Form
348**

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.

Notice to All Taxpayers

NOTE: To claim this credit, you **must** first claim the maximum credit allowed on AZ Form 323, Credit for Contributions to Private School Tuition Organizations. The amount of credit you must claim on Form 323 depends on your filing status. See AZ Form 323 for these amounts. **For an example of how to calculate the current year credit and carryover credit, if any, see the last page of these instructions.**

General Instructions

Beginning in 2012, Arizona law provides an individual income tax credit for the voluntary cash contributions made to a certified school tuition organization in order to improve education by raising tuition scholarships for children in Arizona. 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.

The credit is equal to the amount contributed after the maximum amount that can be claimed on Form 323 is contributed. For 2012, the credit cannot exceed \$500 for single taxpayers or heads of household. For married taxpayers that file a joint return, the credit cannot exceed \$1,000. 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.

NOTE: The credit eligible contributions made to a certified 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.

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.

A certified 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.
- The organization allocates at least 90% of its annual revenue for 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 certified 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.

NOTE: You may be able to make credit eligible contributions to a certified 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 - Eligibility

Lines 1a and 1b -

To determine if you qualify to claim this credit, answer both questions in Part I. If you answered, "Yes" to both questions, complete the form to determine the amount of qualified contributions available to claim for this credit.

Part II - Current Year's Credit

NOTE: You must include **all** school tuition organizations to which you made contributions and for which you claimed a 2012 credit on AZ Form 323.

Line 2 -

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

- **Line 2a** – Enter the amount of contribution(s) made from January 1, 2012 through December 31, 2012.
- **Line 2b** – Enter the amount of contribution(s) made from January 1, 2013 through April 15, 2013.
- **Line 2c** – Add lines 2a and 2b and enter the total.

Lines 3 (a, b and c) and 4 (a, b, and c) –

Complete lines 3 and 4 following the instructions for lines 2 and 2a through 2c.

If you made contributions to more than 3 school tuition organizations, attach a separate schedule. The schedule should show the same information required on lines 2 through 4.

Line 5 -

Add lines 2c, 3c, and 4c, and enter the total. Include the total from any separate schedule in the amount on line 5.

Line 6 -

Enter the amount of credit claimed on AZ Form 323, line 5.

Line 7 -

Subtract line 6 from line 5 and enter the difference. This is your potential credit amount.

Line 8 -

Single taxpayers and taxpayers filing as heads of household enter \$500. Married taxpayers enter \$1000.

Line 9 – Current Year's Credit

Enter the smaller of line 7 or line 8. If you are married filing a separate return but could have filed a joint return, you may take only one-half ($\frac{1}{2}$) of the total credit that would have been allowed on a joint return, up to a maximum of \$500 each. In this case, enter one-half ($\frac{1}{2}$) of the smaller of line 7 or line 8.

Part III - Available Credit Carryover

Lines 10 through 15 -

NOTE: Since 2012 is the first tax year for this credit, there can be no carryover from a prior year. For the 2012 taxable year, do not enter any amount on lines 10 through 15.

- 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 10 through 14 in column (d).

Enter the total on line 15, column (d).

Part IV - Total Available Credit

Line 16 -

Enter the amount from Part II, line 9.

Line 17 -

Enter the amount from Part III, line 15, column (d). For 2012, this amount is zero.

Line 18 -

Add line 16 and line 17. Enter the total here and on Form 301, Part I, line 29.

NOTE: To claim this credit, you **must** first claim the maximum credit allowed on AZ Form 323, Credit for Contributions to Private School Tuition Organizations. The amount of credit you must claim on Form 323 depends on your filing status. See AZ Form 323 for these amounts.

For example: During 2012, Mary, a single person, gave \$1400 to a school tuition organization. Mary's tax liability for 2012 is \$400. Mary claimed the maximum credit amount of \$503 allowed on Arizona Form 323. Since Mary made a contribution that totaled more than the allowable credit on Arizona Form 323, she may take a credit, up to the maximum amount allowed, on Arizona Form 348 (for 2012, \$500 or \$1000 for married filing joint.)

For 2012, Mary would compute her **available current year's credit** for Form 348 as follows:

2012 total contributions made to school tuition organization	\$ 1,400
Allowable credit claimed on Form 323 for tax year 2012	<u>(\$ 503)</u>
Contributions eligible to use for computing Form 348 credit	\$ 897
Maximum allowable credit from Form 348 that Mary may claim for 2012	<u>\$ 500</u>
Amount of the contributions exceeding the allowable credit. Mary may not use the amount of the gift, \$397, which was more than the allowable \$500 credit (\$897 minus \$500) to figure her credit on Arizona Form 348.	\$ 397

Once Mary computes her credit, she must then determine how much of that credit may be applied to the current year's tax and how much, if any, may be carried over to a future year. In this case, Mary has already applied a credit (from Form 323) against her total tax liability of \$400. Therefore, Mary will have a \$500 carryover on Form 348 for the next taxable year.

Mary will compute her **2012 carryover credit** amount as follows:

Current Year's Credit	\$ 500
Mary's 2012 tax liability	\$ 400
Tax credit used – from AZ Form 323	<u>(\$ 400)</u>
Balance of tax	<u>\$ 00</u>
Amount of Current Year Credit used from Form 348 to off-set taxes	\$ 00
Amount of Current Year Credit from Form 348 available to carryover to next year	<u>\$ 500</u>

Mary may not carryover the \$397 gift that was more than the allowable credit.