

2018 Credit for Donation of School Site

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.

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 click on *Reports & Legal Research* then click on *Legal Research* and select a document and a category type from the drop down menus.

Publications

To view or print the department's publications, go to our website and click on *Reports & Legal Research*. Then click on *Publications*.

General Instructions

This credit provides nonrefundable individual and corporate income tax credits for the donation of real property and improvements to an Arizona school district or Arizona charter school for use as a school or as a site for the construction of a school.

To qualify for the credit:

- The real property and improvements must be located in Arizona.
- The donor must convey the real property and improvements unencumbered and in fee simple, except that there must be a deed restriction and protective covenant related to the use of the property.
- The value of the donated property must be determined by an appraisal as defined in Arizona Revised Statutes (A.R.S.) § 32-3601 that is conducted by an independent party and is paid for by the donee.
- The conveyance shall not violate the provisions of A.R.S. §§ 15-341(D) or 15-183(U).
- The donor must record the appropriate lien on the property donated to an Arizona charter school. The tax credit constitutes a lien on the property. The lien is the amount of the allowable tax credit adjusted by the gross domestic product (GDP) price deflator, as defined in A.R.S. § 41-563, with a maximum of 12.5% over the allowable tax credit.
- An Arizona school district shall not accept the donation unless the school facilities board has reviewed the proposed donation and has issued a written determination that the real property and improvements are suitable as a school site or as a school.

On written request of the donee, the donor must disclose in writing to the donee the amount of the allowable tax credit for the property received by the donee.

NOTE: This tax credit is in lieu of a deduction in the computation of Arizona gross income for the donation of the property for which the credit is claimed.

- **CORPORATE TAXPAYERS:** An addition to Arizona gross income is required for the amount of the deduction included in the computation of federal taxable income.
- **INDIVIDUAL TAXPAYERS:** The taxpayer cannot claim both the tax credit and an itemized deduction for the donation of a school site. If the taxpayer claims the credit and itemizes deductions on the Arizona return, the taxpayer must exclude the amount of the charitable deduction otherwise allowed for the donation of the school site.

EXAMPLE: A taxpayer that donates a \$2,000,000 property would receive a credit of \$600,000 (\$2,000,000 x 30%).

- **IF THE TAXPAYER IS A CORPORATION,** the addition to Arizona gross income would be \$2,000,000.
- **IF THE TAXPAYER IS AN INDIVIDUAL THAT ITEMIZES DEDUCTIONS,** then the charitable contribution deduction must exclude the \$2,000,000 donation.

Specific Instructions

Complete the name and taxpayer identification number (TIN) section at the top of the form. Indicate the period covered by the taxable year. Include the completed form with the tax 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,** complete this credit form and Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture. 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 and Arizona Form 300, Nonrefundable Corporate Tax Credits and Recapture. Also, complete Form 331-S for each shareholder of the S corporation. Provide each shareholder a copy of his or her completed Form 331-S. Include Form 300, Form 331, and one copy of each completed Form 331-S with your tax return.
- **Partnerships,** complete this credit form. Also, complete Form 331-P for each partner of the partnership. Provide each partner a copy of his or her completed Form 331-P. Include Form 331 and one copy of each completed Form 331-P with your tax return.

Part 1 - Donated Property Information and Current Taxable Year's Credit Calculation

Enter each donated property for which this credit is claimed in the columns, Property 1, Property 2, or Property 3. If more than three parcels were donated, complete a continuation sheet and include it with this form. Complete lines 1 through 6 for the property listed in each column.

Line 1 -

Enter the name of the Arizona county in which the donated property is located.

Line 2 -

Enter the parcel number of the donated property.

Line 3 -

Enter the date on which the property conveyance was recorded.

Line 4 -

Enter the recording number of the property conveyance.

Line 5 -

Enter the value of the donated property based on appraisal.

Line 6 -

Multiply the amounts in each column of line 5 by 30%.

Line 7 -

Add the amounts in each column of line 6. Enter the total.

Line 8 -

Enter the total contribution(s) from any continuation sheets.

Line 9 -

Enter the amount of credit passed through from partnerships on Form 331-P, line 3(c).

Line 10 -

Enter the amount of credit passed through from S corporations on Form 331-S, line 3(c).

Line 11 -

Add lines 7 through 10. Enter the total. This is the current taxable year's Credit for Donation of School Site.

Part 2 Partnerships

A partnership claiming this credit *must* pass it through to its partners. Skip to the instructions for completing Form 331-P on page 4.

- Complete one Form 331-P for each partner.
- Provide a completed copy of Form 331-P to each partner.
- Include a copy of each completed Form 331-P with your tax return.
- Keep a copy of each completed Form 331-P for your records.
- Do not complete the remainder of this form.

Each partner is entitled to only a *pro rata* share of each credit based on the partner's ownership interest in the partnership. The total of each credit allowed to all partners may not exceed the amount that would have been allowed for a sole owner.

NOTE: *Trusts and estates which are partners in a partnership are not eligible to claim these credits. However, the share of a partnership owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of these credits.*

Part 3 - S Corporation Credit Election and Shareholder's Share of Credit

Lines 12, 12a, & 12b - S Corporation Credit Election

The S corporation must complete line 12 and line 12a or line 12b. The S corporation must make an irrevocable election either to claim the current taxable year credit at the corporate level or to pass the credit through to its shareholders. The S corporation election is made by:

- Entering the date the S corporation taxable year ends in the box provided on line 12.
- Checking the box on line 12a electing to claim the current taxable year credit at the corporate level; or,
- Checking the box on line 12b to pass the current taxable year credit through to its shareholders.
- The election statement must be signed an officer of the S corporation who is also a signatory to Arizona Form 120S.

If the S corporation elects to claim the current year credit at the corporate level, continue to Part 4.

If the S corporation elects to pass the current year credit through to its shareholders, skip to the instructions for completing Form 331-S on page 4.

If passing this credit through to the shareholders:

- Complete one Form 331-S for each shareholder.
- Provide a copy of completed Form 331-S to each shareholder.
- Include a copy of each completed Form 331-S with your tax return.
- Keep a copy of each completed Form 331-S for your records.

Each S corporation shareholder is entitled to only a *pro rata* share of pass-through credit based on ownership interest in the S corporation. The total of the credit allowed to all shareholders may not exceed the amount that would have been allowed for a sole owner.

NOTE: *Trusts and estates which are shareholders of an S corporation are not eligible to claim these credits. However, the share of an S corporation owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of these credits.*

NOTE to shareholders of an S corporation: *The credit for donation of school site is in lieu of any deduction pursuant to §170 of the Internal Revenue Code. If you are claiming the credit in Part 1, line 11, you must exclude the amount of the charitable deduction otherwise allowed for the donation of the school site, which is the amount on Form 331-S, line 4. See the example in the NOTE box on page 1 of these instructions.*

Part 4 - Available Credit Carryover

Complete Part 4 only if the allowable credit for donation of school site for prior taxable years exceeded the Arizona income tax liability for those taxable years. Calculate the total available carryover of the credit for donation of school site on page 2, Part 4, lines 13 through 17.

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 4.*

Lines 13 through 17 -

Complete lines 13 through 17 as follows:

- Enter the applicable tax years in column (a).
- Enter the amount of the original environmental technology facility credit for each taxable year in column (b).
- Enter the amount of the credit for each taxable year that was previously used in column (c).
- Subtract the amount for each taxable year in column (b) from the amount for each taxable year in column (c). Enter the difference for each taxable year in column (d).

Line 18 -

Add the amounts entered in column (d) for lines 13 through 17. Enter the total. This is the total credit carryover available for the current taxable year.

Part 5 - Total Available Credit

Line 19 – Current Year Credit

Individuals, C Corporations, S corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI - enter the current year's credit from Part 1, line 11.

Partnerships - enter "0".

S corporations that elected to pass the current year credit through to shareholders, enter "0".

This is the current taxable year's credit for donation of school site.

Individuals - Also, enter this amount on Form 301, Part 1, line 15, column (a).

C Corporations, S corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI – Also enter this amount on Form 300, Part 1, line 10, column (a).

Line 20 – Available Credit Carryover

Individuals, C Corporations, S corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI - enter the amount from Part 4, line 18, column (d). This is the total available credit carryover.

Individuals - Also enter this amount on Form 301, Part 1, line 15, column (b).

C Corporations, S corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI - Also, enter this amount on Form 300, Part 1, line 10, column (b).

Line 21 – Total Available Credit

Individuals, C Corporations, S corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI - add line 19 and line 20. Enter the total. This is the total available credit for donation of school site that may be applied to the current taxable year's tax liability.

Individuals – Also, enter the total on Form 301, Part 1 line 15, column (c).

C Corporations, S corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI - Also, enter the total on Form 300, Part 1, line 10, column (c).

Form 331-P, Distribution to Partners of a Partnership

Enter the taxable year for which this credit is being passed through to your partners.

Complete Form 331-P for each partner of the partnership, *except for* trust or estate partners. However, a partnership ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.

The partnership must furnish each partner with their completed copy of Form 331-P, including additional schedules as needed.

Part 1 - Distribution of the Credit

To distribute the credit to the partners of the partnership (complete lines 1 through 3c):

Line 1

Enter the partnership's name and EIN in the spaces provided.

Line 2

Enter the partner's name and TIN in the spaces provided.

Line 3a

Enter the amount of this credit from Form 331, Part 1, line 11 for which this partnership was approved.

Line 3b

Enter the partner's ownership percentage.

Line 3c

Multiply line 3(a) by line 3(b) and enter the result.

This is the partner's portion of this credit.

Form 331-S, S Corporation Distribution to Shareholders of an S Corporation

Enter the taxable year for which this credit is being passed through to your shareholders.

Complete Form 331-S for each shareholder of the S corporation, *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. The grantor may claim his or her share of the credit.

The S corporation must furnish each shareholder with a completed copy of Form 331-S, including additional schedules as needed.

Part 1 - Distribution of the Credit

To distribute the credit to the S corporation shareholders (complete lines 1 through 3c):

Line 1

Enter the S corporation's name and EIN in the spaces provided.

Line 2

Enter the shareholder's name and TIN in the spaces provided.

Line 3a

Enter the amount of this credit from Form 331, Part 1, line 11 for which the S corporation was approved.

Line 3b

Enter the shareholder's ownership percentage.

Line 3c

Multiply line 3(a) by line 3(b) and enter the result.

This is the shareholder's portion of this credit.

Line 4

Enter the shareholder's portion of the expenses for the donation of the property as a school site.