

Arizona Tax Credit Giving Guide 2020-21

MARICOPA COUNTY EDITION

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YOUR GUIDE TO MAXIMIZING ARIZONA TAX CREDITS



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Tax Credit Contributions

**HELP NONPROFITS SERVE DURING PANDEMIC,
AND ALSO BENEFIT ARIZONA RESIDENTS**



By Tom Evans

The nonprofit world has been immensely disrupted by the coronavirus pandemic, especially when it comes to fundraising. As Americans struggle with the economic and public health realities of COVID-19, nonprofits are trying to do more with fewer resources.

That's why many nonprofits are relying more than ever this upcoming year on tax credit contributions, which provide donations to nonprofits while giving donors a break on state income taxes.

The State of Arizona offers an opportunity to receive a dollar-for-dollar credit on your state income taxes when you donate to qualified organizations in five categories:

- **Arizona Qualifying Charitable Organizations** provide basic needs to qualifying low-income families and individuals, the chronically ill and disabled. Limits are \$400 for individuals and \$800 for married couples.
- **Qualifying Foster Care Organizations**, with corporation limits of \$500 for individuals and \$1,000 for married couples.
- **Public School Tax Credit Organizations**, with limits of \$200 and \$400.
- **Private School Tuition Organizations**, for which limits increased this year to \$593 for individuals and \$1,186 for couples. Contributions can be made directly or by a shareholder when paid by an S corporation.
- **Certified School Tuition Organizations** (also known as the "Switcher" Individual Tax Credit). These organizations may receive your contribution if you've already maxed out the Private School Tuition Organization credit first. Limits for these increased to \$590 individually and \$1,179 for married couples. Contributions can be made directly or by shareholder when paid by an S corporation.

Additionally, corporations can qualify for two types of credits for contributions made to Certified School Tuition Organizations. But they must apply for approval for part of a statewide capped credit amount before making their contribution. The first is the Low-Income Corporate Tax Credit (statewide cap is \$123,042,188). The second is the Disabled/Displaced Corporate Tax Credit (statewide cap is \$5 million).

where their tax dollars go, and to provide meaningful support for organizations they believe in. With the generosity of our supporters, AZA United has been helping Arizona families for 15 years.”

A few other changes were made this year, according to Brenda Blunt, partner with Eide Bailly LLP.

Blunt said that with the increased Standard Deduction under the Tax Cuts and Jobs Act (TCJA),

**“This is your chance to invest in Arizona’s future.
Thanks to the Arizona Charitable Tax Credit, you can decrease your
Arizona tax bill — or increase your refund — by \$400 or \$800.”**

Many people think it sounds too good to be true, but it’s not. You can give to a qualified charity or tuition organization instead of giving it to the state government for taxes. Over time, these contributions have become increasingly popular for Arizona residents.

Gerald Wissink, CEO of BHHS Legacy Foundation, said tax credit contributions impact the Backpack Buddies program Legacy Connection provides as well as the many nonprofits the foundation supports.

“Tax credit contributions are vitally important to Legacy Connection’s Backpack Buddies program,” he said. “In Arizona, where one in four students lives in poverty, many children miss school because they don’t have clothes or supplies. Thanks to tax credit donations, we are able to make a powerful difference in the lives of Arizona families.”

Aaron Blocher-Rubin, CEO of Arizona Autism United, said that tax credit contributions are tremendously helpful to his organization, which qualifies under the foster care tax credit.

“The Charitable Organization Tax Credit program is an amazing opportunity for Arizona residents to build community support for local families living with autism,” he said. “The tax credit makes it easy for everyone to do their part in improving our community. It is a perfect way for taxpayers to have a say in

many people do not get a tax benefit from making charitable contributions other than these credit programs, because it does not benefit them to itemize their deductions. But under the CARES Act, passed in response to the pandemic, taxpayers who make contributions that do not qualify for the credits (because they are over the thresholds, or are to a non-qualifying charity) can take a \$300 deduction, even if they do not itemize.

“There has been a push in Congress to increase this to \$600 as part of a new round of COVID-19 relief, but they have not yet been able to agree on a package,” Blunt said. “Hopefully, there will be more to come on this. The CARES Act also included some other charitable incentives for bigger donations. Higher-income, charitably minded people may want to talk to their tax advisers.”

These contributions are an essential way for Arizonans to support their favorite charitable causes during difficult times.

“This is your chance to invest in Arizona’s future,” Wissink said. “Thanks to the Arizona Charitable Tax Credit, you can decrease your Arizona tax bill — or increase your refund — by \$400 or \$800. That means your gift of support ends up costing you nothing. It is a simple but powerful way to reach out and impact our community.”

MAXIMIZE THE

TAX CREDIT OPPORTUNITY

BY GIVING TO ALL FIVE CATEGORIES

Deadline is April 15, 2021, Tax Day, to make these contributions and submit your forms to get your tax credit when you file.



QUALIFIED FOSTER CARE ORGANIZATION TAX CREDIT

1 \$500 | \$1,000
Per Individual | Married Couples

Example:

Mr. & Mrs. Smith give \$500 to two Qualified Foster Care organizations or give \$1,000 to one organization.

ARIZONA QUALIFIED CHARITABLE ORGANIZATION TAX CREDIT

2 \$400 | \$800
Per Individual | Married Couples

Example:

Mr. & Mrs. Smith give \$800 to one organization or give \$200 to four Qualified Organizations.

EDUCATION TAX CREDITS

Public School Tuition Organizations

3 \$200 | \$400
Per Individual | Married Couples

Private School Tuition Organizations

4 \$593 | \$1,186
Per Individual | Married Couples

Certified School Tuition Organizations*

5 \$590 | \$1,179
Per Individual | Married Couples

MAX OUT THE TAX CREDITS

Mr. & Mrs. Smith have tax liability of \$5,000 and donated the maximum combined amount to all tax credits of \$4,565 on their Arizona tax returns. They now receive a credit of \$4,565 and their tax liability is \$435. No catch, dollar-for-dollar assistance to their favorite organizations or schools.

Married Couples

\$1,000
\$800
\$400
\$1,186
\$1,179

\$4,565

Per Individual

\$500
\$400
\$200
\$593
\$590

\$2,283



* You may only make this contribution if you've already maxed out the Private School Tuition Organization credit first.

For more information visit: AZTaxCreditGuide.com