

There are a number of different Arizona credits available to taxpayers. I will provide you with the form number, a description of the credit and the maximum amount of the credit. I'm providing the form number so that you can use that when researching various organizations for credits. They will tell you what type of credit is available and what form it needs to be claimed on. Note that you do not need to provide me with the form itself. I have them all. (What I do need is the receipt that the charity or organization will give you.)

The credit amounts given below are for **2016 returns filed jointly by a married couple**. Single tax returns would be half the amounts listed.

1. **Form 321 – Contributions to Qualifying Charitable Organizations (QCO).** (This used to be known as "The Working Poor Credit.") This maximum credit is \$800, which is doubled compared to 2015. The Arizona Department of Revenue has compiled an 11-page list of organizations that qualify for this credit. Here is a link to that list of QCOs.
<https://www.azdor.gov/Portals/0/RefundCredits/CertifiedCharities2016.pdf>
2. **Form 352 (New for 2016) – Contributions to Qualifying Foster Care Charitable Organizations (QFCO).** Prior to 2016, this credit was computed on Form 321, which led to complexity and confusion. New for 2016, this credit is now claimed on Form 352. This maximum credit is \$1,000 (which is more than doubled compared to 2015 limit of \$400.) The Arizona Department of Revenue has compiled a 1-page list of organizations that qualify for this credit. Here is a link to that list of QFCOs.
<https://www.azdor.gov/Portals/0/RefundCredits/CertifiedFosterCareCharities2016.pdf>

Here is a link to a nice little publication (Pub 710) that the state puts out regarding school tax credits claimed on Forms 321 and 352: <https://www.azdor.gov/Portals/0/Brochure/710.pdf>

3. **Form 322 – Credit for Contributions made or Fees Paid to a Public School.** This is the so-called extra-curricular credit. The maximum credit is \$400. Even if you do not have a child in school, you can make this donation for another kid (say, a neighbor, friend or relative) and have it go directly to their account. (This is how kids sometimes raise money so they can go on a band trip or overseas study trip.) Most schools will qualify for this credit, but ask before donating to make sure.

Beginning in 2016, this credit has been expanded to include character education programs, testing fees for college credit, prep courses for standardized testing and CPR.

4. **Form 323 & Form 348 – This is the School Tuition Organization (STO) tax credit.** There are two parts to this credit, which is why there are two forms involved -- Form 323 and Form 348. The so-called "Original" credit has been around for a number of years, and is computed on Form 323. The maximum credit on Form 323 is \$1,090.

The second part of this credit, which is reported on Form 348, is sometimes referred to as the "Overflow/PLUS" credit. The maximum credit on Form 348 is \$1,083. To get the credit on Form 348, you must first donate the maximum credit on Form 323. If you do contribute the maximum on both forms, you can claim a total credit of \$2,173. (Note that the Form 348 credit was new in 2013.)

Here is a link to a list of the STOs approved for 2016:

https://www.azdor.gov/Portals/0/RefundCredits/sto_i_list.pdf

Here is a link to a nice little publication (Pub 707) that the state puts out regarding school tax credits claimed on Forms 322, 323 and 348:

<https://www.azdor.gov/portals/0/brochure/707.pdf>

5. **Form 340 – Credit for Donations to the Military Family Relief Fund.** This credit is one that many people have not heard of, but it is worth \$400. This credit is capped at a total of \$1 million for all donations in a given tax year. They will hit the \$1 million cap in December, so if you want to donate to this, you should do it sooner rather than later. This credit is administered by the Arizona Department of Veterans' Services. <https://dvs.az.gov/military-family-relief-fund>

Here is the form that you need for the donation:

https://dvs.az.gov/sites/default/files/documents/files/MFRF-2016-Donation-Form_0.pdf

Note that the deadline for making donations to the first four credits listed above is April 15th of the year following the tax year. The purpose for this is so you can determine what your Arizona tax liability is for the prior year, and then decide how much to contribute to the charity. For example, for 2016 tax returns, you will have until April 15, 2017 to make a donation and claim the credit on your 2016 tax return.

If you donated the maximum to all of these types of credits, the total for 2016 will be \$4,773. But, here's the cool part. You may also qualify for a tax deduction for these donations on your federal return (assuming that you itemize deductions). If you are in the 25% federal tax bracket, your tax savings on your federal return is $25\% \times \$4,773 = \$1,193$. So, you get the \$4,773 back from Arizona, and you get another \$1,193 back from IRS.

I have many clients who max out these credits each year. It's a nice way to take a chunk of your tax dollars and direct them to causes that are important to you. Just make absolutely sure that before you send any organization any money, they qualify for the credit that you are considering.

Be sure to let me know if you have any additional questions.