

The Arizona Private Scholarship Tax Credit

The Arizona tax credit and scholarship program is a wonderful and important way for parents, family and friends to support Tempe Montessori. **Tax credit donations go directly to the Scholarship fund and the best part is it does not cost you any more money than you are already paying in state taxes. That's right, you can help TMS and it costs you nothing. It allows you to direct your tax money to education.**

The tax credit may prove to be the most significant educational reform in Arizona's history. Research and experience show that the most important education a child receives is in elementary and secondary school. In directing your tax credit dollars towards a child's education, you're helping to alleviate our overcrowded public schools, create greater education opportunities for all children, create healthy competition among schools and save the State's precious resources. This is a private voluntary method of funding our schools, and by design, prevents government meddling, commonly associated with publicly funded vouchers. Ideally, we would like all families of, toddler, primary and elementary students, along with family members, grandparents and friends to participate. Remember it costs you **nothing**.

What is it?

In 1997, the Arizona legislature passed the "**Private Scholarship Tuition Tax Credit**"(A.R.S. 43-1089). The law allows any taxpayer in Arizona **to claim a dollar-for dollar tax credit of up to \$1000** (see limits below) for making a voluntary contribution to any scholarship funding organization in Arizona that allocates at least 90% of its annual revenues for K-12 scholarships, allowing children to attend the non-governmental school of their parents' choice. Some preschoolers with disabilities may also qualify.

What is a tax credit?

A tax credit reduces your Arizona taxes dollar-for-dollar (up to the limit). A.R.S. 43-1089 provides a credit against your Arizona Income tax obligation of up to \$1000 for married couples filing joint returns or \$500 for single and head of household filers.

How does a tax credit differ from a tax deduction?

Tax credits are better than tax deductions. A tax credit is subtracted directly from the total tax liability (what you owe). A tax deduction reduces the taxable income upon which taxes are calculated.

May I claim both a tax deduction and a tax credit?

If you claim the **Arizona** tax credit, you cannot also claim a deduction on your **Arizona** form. (But that's OK because the credit is better than the deduction and the credit gives you your contribution back). However, you may be able to claim an itemized deduction for the tax credit donation on your **Federal** tax return. Please consult your tax advisor.

Who can give?

Participants must be Arizona taxpayers with an Arizona State tax liability. (That means you owe state tax and probably have withholdings.)

How much can I give?

The tax credit is dollar-for-dollar up to the limit of your state tax liability. If your tax liability is under the limit (\$1000/500), you may send a smaller amount. You may give **any amount** up to **\$500** if you are Single/Head of Household and up to **\$1000** for Married filing jointly. Married filing separately- each spouse may claim half of the \$1000 credit.

Who receives?

A point system is used to disburse funds from the General Fund. Points are earned through volunteer work and financial need. To qualify for a 2008-2009 scholarship a child must turn 5 years old by August 31, 2008. In addition, parents must fill out an application for scholarship money for each eligible child by January 15, 2008.

Designations vs. Recommendations

Tempo does not accept designated funds, however, **we allow for donor recommendations**. Although not guaranteed, recommendations are strongly considered when allocating funds. IRS code states that funds designated for the benefit of a specific individual are considered a "gift" and not a charitable contribution, therefore, tax credits and deductions are not available to the donor. However, the code does allow donors to make **recommendations** as to how they would like their funds used. As long as the directors of the nonprofit organization make the final determination as to whether the donor's recommendation will be taken into consideration or not, the contributions are considered to be "charitable" and tax credits and deductions are available to the donor.

Are there any other limitations? YES

A contribution for the direct benefit of any dependent of the taxpayer is not allowed. (You may not recommend your own child if you claim the child on your taxes). Reciprocation between two families is not allowed. (Joey's family may not sponsor Susie, if Susie's family sponsors Joey.) **Remember, you may find as many sponsors as you can for your own child.**

How to give

Complete the attached form and mail to TEMPO or bring to Tempe Montessori. Checks should be dated no later than 12/31/07 and will be deposited after the first of the year. You will receive a receipt to file with your 2007 Arizona State Income Tax Return Form 323. DEADLINE TO CONTRIBUTE IS DECEMBER 31, 2007

How do I claim my tax credit?

File Arizona Form 323 with your State taxes. **Remember, the tax credit will benefit you only to the extent that you incur an Income tax liability.**

Where can I obtain more information?

The following pages are attached:

- Analysis of different tax liability, withholdings, and tax credits claimed
- Arizona Revised Statutes 43-1089
- Scholarship Application form (to receive \$), due January 15, 2008
- TEMPO form for Tax Credit Contribution
- Contribution Survey

Call:

- Lynn Lintern (480) 839-6470
- Tempe Montessori at 480 966-7606
- There are many School Tuition Organizations in Arizona. Another very good website is Arizona Scholarship Fund online at www.azscholarships.org
- Arizona Dept of Revenue publishes pamphlet School tax credits (PUB 707) available online at www.revenue.state.az.us/brochure/707.pdf

This information is not intended to provide tax or legal advice. Please consult the Arizona Department of Revenue, the IRS or a tax advisor for specific guidance.

Tax Credit Contribution

Yes! I want to reduce my Arizona tax liability by helping to educate a child in my community.

Enclosed is my contribution of \$_____ made payable to TEMPO.
(Maximum \$500 filing singly or head of household, \$1000 married filing jointly).

Name: _____

Address: _____

City, State, Zip _____

Contact No: _____

Please credit my contribution to:

Tempe Montessori School -General Scholarship Fund _____

Child Recommendation: _____

Note: Donor may not designate a dependent. **Child must be 5 years old by August 31, 2008.**

Also, check with your employer; most major companies offer a matching gift program.

Return coupon and check by **December 31, 2007** to:

TEMPO

PO Box 40755

Mesa, AZ 85274-0755

You will receive a receipt to file with your 2007 Arizona State Income Tax Return, Form 323