



*Take the credit.*

# Arizona

# Corporate Tax Credit

**(SB 1499 / A.R.S. § 43-1183)**

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## **Corporations**

- ✚ **A “C” corporation in good standing with the Arizona Corporation Commission may be eligible to obtain a dollar-for-dollar tax credit in the amount of the contribution up to the amount of its Arizona state income tax liability. (An “S” corporation with a tax liability at the corporate level could possibly be eligible for the tax credit. Each corporate contributor is encouraged to consult with its own tax advisor regarding the tax benefits arising from any contribution.)**
- ✚ **In order for a corporation to be eligible for the tax credit, the contribution must be made through a qualified School Tuition Organization (STO), not directly to the school. (The Catholic Tuition Organization of the Diocese of Phoenix (CTODP) is such a qualified STO.)**
- ✚ **The corporate tax credit law has a \$10 million cap statewide, each fiscal year, for five years (which includes a 20% inflator each year\*). There is no cap per corporation.**
- ✚ **The cap is increased effective July 1 (new FY). Funds are approved on a first-come, first-serve basis.**
- ✚ **Allows a corporation to carry the unused credit forward for five years.**
- ✚ **Prohibits a corporation from designating that its contribution be for the benefit of any specific student(s).**
- ✚ **CTODP will complete the Arizona Department of Revenue (ADOR) form (05-5529) and beginning September 21, 2006 will submit same to ADOR for pre-approval of the proposed tax credit contribution.**
- ✚ **The ADOR has 20 days to approve or deny the contribution. If the amount is approved, the STO is required to immediately notify the corporation.**
- ✚ **The corporation must make the contribution within 10 days after receiving notice from the STO. Contributions not made within 10 days are no longer eligible for the state tax credit.**

\*\$14.4 million for FY09, \$17.28 million for FY10 and \$20.736 for FY11

## **School Tuition Organizations**

- + An STO is required to be a charitable organization that is exempt from federal taxation under section 501(c) (3) of the IRS code. (CTODP is a 501(c) (3) non-profit corporation.)**
- + Requires an STO to use 90 percent of corporate contributions to provide scholarships.**
- + Prohibits an STO from issuing a scholarship in an amount greater than \$4,500 per student for grades K-8 and \$5,800 per student for grades 9-12 in 2008, which cap increases \$100 each year thereafter.**
- + Requires every STO that receives contributions via the tax credit to report to ADOR, by June 30 of each year, specific information as outlined in the law.**
- + Each STO that participates in this program must provide verification that an independent financial review was completed for the preceding year and that the review was in accordance with generally accepted accounting principles.**
- + Provides scholarships to students without limiting availability to students of only one school.**

## **Schools**

- + A qualified school is a non-governmental primary or secondary school located in the State of Arizona which does not discriminate on the basis of race, color, handicap, familial status or national origin.**
- + A qualified school is required to annually administer a nationally standardized norm-referenced test and make available to the public the aggregate test scores.**
- + All teaching staff and other personnel with unsupervised contact with children are required to be fingerprinted in order to be a qualified school.**
- + A qualified school must refund to the appropriate STO, a prorated share of any scholarship monies associated with a recipient who leaves the school before the end of a school year.**

## **Students**

- ✚ Scholarships will only be awarded to children whose family income does not exceed 185 percent of the income limit to qualify for a federal reduced price lunch program. (*\$75,467 for a family of four and \$12,800 for each additional family member thereafter.*)**
  
- ✚ A student who is eligible for a free or reduced price lunch does not have to claim that benefit in order to qualify for a scholarship under this program.**
  
- ✚ Scholarships will only be awarded to students who either:**
  - a. attended a public school as a full-time student for the first 100 days of the prior fiscal year and transferred to a qualified school,**  
**or**
  - b. enroll in a kindergarten program at a qualified school.**
  
- ✚ A student who received a scholarship from an STO in one year and continues to attend a qualified school in a subsequent year continues to be eligible to receive scholarship assistance under this legislation.**