

How Arizona's Tax Credits Work

Arizona offers "dollar-for-dollar" income tax credits for individuals. They are called "dollar-for-dollar" credits because each one takes a dollar off your Arizona income tax for each dollar you give, up to the credit's limits.

But the tax break doesn't end there – Charitable donations used for Arizona tax credits made after August 28, 2018 are disallowed as charitable contributions on the federal return; however, the disallowed amount may be deductible as a state and local tax payment if the total state and local tax liability for the year is less than \$10,000. (IRS Notice 2019-12)

So, if you are in a 22% federal tax bracket and itemize, you may get back \$122 for each 100 dollars you give to an Arizona State Tax Credit.

You may give to qualified organizations for any of the credits, or for all. For tax year 2024, donations must be made by April 15, 2025. The exception to this is the Military Family credit, where donations for tax year 2024 must be made by December 31 of 2024.

The actual amount of the credit used is limited to your tax liability for the year, although several credits allow unused amounts to carry over to future years.

For a contribution of cash, check, or other

monetary gift (regardless of amount), you must obtain and keep in your records a written acknowledgment from the organization. The receipt should show all of these:

- The name and address of the recipient organization
- The name of the taxpayer
- The amount paid
- The date paid

Keep the receipt with your tax records. Don't turn it in with your tax return.

Any amount claimed as a tax credit cannot be taken as an itemized deduction on your Arizona return. However, you may still claim any excess over the amount claimed as a credit as an itemized deduction for Federal and Arizona. Example: If a single individual paid \$520 to a qualifying charity, the \$50 excess over the credit limit, may be taken as an itemized deduction on both the federal and Arizona returns.

To learn more about charitable contributions in general, visit these IRS resources:

- [Tax Topic 506 - Charitable Contributions](https://www.irs.gov/taxtopics/tc506.html)
- [Publication 526, Charitable Contributions](https://www.irs.gov/publications/p526/index.html)

Tax credits, like other tax matters, can be complicated and confusing.

If you have questions about these credits or other tax issues, contact an Enrolled Agent.

Enrolled Agents, nicknamed by many "America's Tax Experts," are federally licensed tax professionals with unlimited practice rights, authorized to represent taxpayers in all states. Enrolled Agent is the highest credential recognized by the IRS. Enrolled Agents are tax specialists who focus on tax planning, preparation and representation.

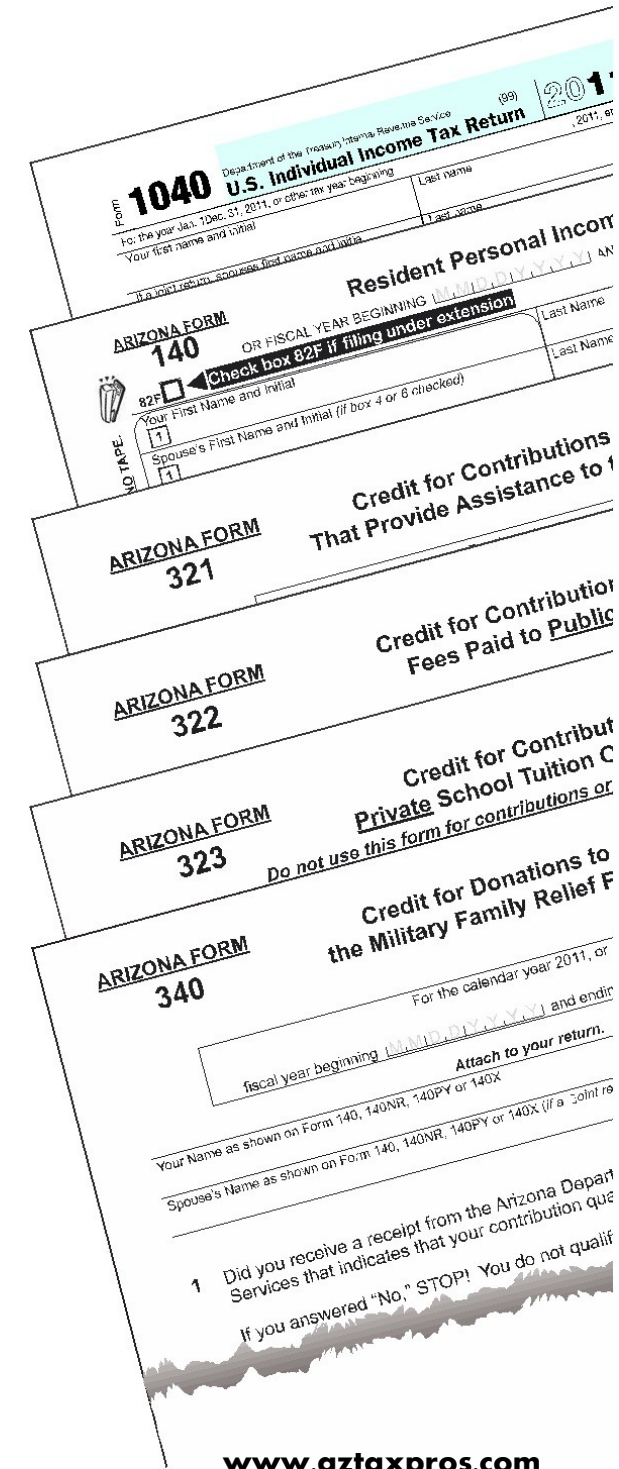
To find an Enrolled Agent near you, visit www.AzTaxPros.com.

Arizona Income Tax Credits

Help your community, Help yourself

Get more than your money's worth with Arizona's generous "dollar-for-dollar" income tax credits for individuals, each of which is a way to help the community and yourself at the same time:

- **Credits for Contributions to Qualifying Charitable Organizations (Working Poor Credit)**
- **Qualifying Foster Care Charitable Organizations**
- **Public School Credit**
- **Private School Tuition Credits**
- **Military Family Relief Fund Credit**



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Credits for Contributions to Qualifying Charitable Organizations and Qualifying Foster Care Charitable Organizations (Form 321 & 352)

Arizona law provides a credit for cash contributions made to a Qualifying Charitable Organization (QCO) that provides help to the working poor and an additional credit for cash contributions to a Qualified Foster Care Charitable Organization (QFCO).

Which organizations qualify?

More than 1,000 community organizations qualify for the QCO credit. More than 45 Foster care organizations qualify for the QFCO credit. The list of eligible organizations for each year is available online at <https://azdor.gov/tax-credits/credits-contributions-qcos-and-qfcos>

Do non-cash donations qualify?

No, only donations of money qualify. Noncash donations, such as cans of food given to a food bank, may qualify as regular charitable donations, but not for the credit.

How much is the credit?

For 2024 taxpayers can claim up to **\$470 (\$938 for married filers)** for contributions made to a QCO. Taxpayers can also claim up to an additional **\$587 (\$1,173 for married filers)** for contributions made to a QFCO.

For 2025 taxpayers can claim up to **\$495 (\$987 for married filers)** for contributions made to a QCO. Taxpayers can also claim up to an additional **\$618 (\$1,234 for married filers)** for contributions made to a QFCO.

When must the donation be made?

Contributions eligible for this credit can be made from January 1 of the tax year to April 15 of the following year.

Can unused credit carry over?

Yes. If the allowable tax credit is more than your tax, the unused credit may be carried forward for up to the next 5 consecutive years income tax liability.

Public School Tax Credit (Form 322)

An individual may claim a credit for making contributions or paying fees to a public or charter school for support of extracurricular activities or character education programs.

Which schools qualify?

Any public or charter school kindergarten through grade 12 in Arizona qualifies. For a list, visit <https://azdor.gov/tax-credits/public-school-tax-credit>

Do all contributions to a school qualify?

No, only contributions for support of extra-curricular activities or a character education program.

Do fees I pay for my own child to participate in an extra-curricular activity qualify?

Yes. While parents can claim this credit, other taxpayers (such as grandparents and neighbors) also can donate for this credit.

How much is the credit?

The maximum credit is **\$400 for married taxpayers or \$200 for single**, head-of-household, or married-filing-separately taxpayers. In 2023, more than 194,414 taxpayers donated over \$42.5 million to schools with this credit.

When must the donation be made?

Contributions eligible for this credit can be made from January 1 of the tax year to April 15 of the following year. For contributions made after the end of the tax year taxpayers may take the credit on either the current tax year's return or on the return for the following year (the year when they were actually made).

Can unused credits carry over?

Yes. If the allowable tax credit is more than your tax, the unused credit may be carried forward for up to the next 5 consecutive years income tax liability.

Private School Tuition Credits (Forms 323 & 348)

To qualify for these two credits, you must make cash or payroll withholding contributions to a tuition organization that provides scholarships or grants to qualified schools.

Does tuition paid to a private school qualify?

No. The money must be donated to a School Tuition Organization (STO) that provides scholarships or grants to students. The organization also must be certified by the Arizona Department of Revenue.

How much is the credit?

Tax Year 2024 the maximum credit is **\$2,910 for married taxpayers or \$1,459 for single, head-of-household, or married-filing-separately taxpayers.**

Tax Year 2025 the maximum credit is **\$3,062 for married taxpayers or \$1,535 for single, head-of-household, or married-filing-separately taxpayers.**

When must the donation be made?

Contributions eligible for this credit can be made from January 1 of the tax year to April 15 of the following year. For contributions made after the end of the tax year taxpayers may take the credit on either the current tax year's return or on the return for the following year (the year when they were actually made).

Can unused credits carry over?

Yes. If the allowable tax credit is more than your tax, the unused credit may be carried forward for up to the next 5 consecutive years income tax liability.

For more information:

<https://azdor.gov/tax-credits/credits-contributions-certified-school-tuition-organizations>

Arizona Military Family Relief Fund Tax Credit (Form 340)

The Arizona Military Family Relief Fund provides financial assistance for active duty Arizona resident service members, pre and post 9/11 veterans and their families. For families of currently deployed service members or service members injured or killed in action, financial assistance is available to assist with unforeseen financial hardships. For separated service members, the fund helps with financial hardships caused by deployment to a combat zone, including service connected disabilities.

How much is the credit?

The maximum credit is **\$400 for married taxpayers or \$200 for single, head-of-household, or married-filing-separately taxpayers.**

Million-dollar limit

The law says only the first \$1,000,000 in donations during a calendar year will qualify for a dollar-for-dollar Arizona tax credit. The AMFRF website displays the amount of donations received to date, so taxpayers can determine if their donation will qualify.

Since inception in 2008 the Fund has reached its million-dollar limit each year.

Can unused credit carry over?

No. There is no carry forward for this credit. You must use this credit on the tax return filed for the taxable year in which you made your donation.

For more information:

AMFRF website: <https://dvs.az.gov/>

Repeal date 12/31/2026