

SCHOOL CHOICE ARIZONA

FREQUENTLY ASKED QUESTIONS & ANSWERS ABOUT THE ARIZONA CORPORATE SCHOLARSHIP TAX CREDIT

DOES THE CORPORATE SCHOLARSHIP TAX CREDIT RUN THE SAME WAY AS THE INDIVIDUAL ONE?

No. The law itself reads very differently. It has more restrictions. One difference to note is that there is a statewide cap of **\$61.917 million** for the period of July 1, 2016 through June 30, 2017, making it necessary for donations to be pre-approved. There are also limitations as to which private schools are eligible, which students are eligible, and how much those students may receive. There are more requirements placed on the Student Tuition Organizations that wish to operate under this law.

WHO CAN DONATE?

C Corporations were the first corporations able to take advantage of this tax credit. However, the law is now expanded to include S Corporations.

CAN AN S-CORP PARTICIPATE IN THIS TAX CREDIT?

Yes. S Corporations may donate up to their state income tax liability for the given tax year, with a minimum donation of \$5,000, and then pass the tax credit on to its shareholders proportionately. If a corporation donates more than their tax liability, it can be carried forward for up to 5 years. (A.R.S. § 43-1089.04)

HOW MUCH CAN THEY DONATE?

The limitations to the amount that a C or S corporation may donate are that corporation's state income tax liability for the given tax year. Additionally, no corporation may donate more than the entire cap for the year. As stated above, the only limitation to donations are on S Corporations; they must make a minimum donation of \$5000.

WHEN AND HOW CAN A CORPORATION MAKE A DONATION?

Since all donations have to be pre-approved by the Arizona Department of Revenue (ADOR), and since these are approved on a first come, first served basis, the corporation would need to contact School Choice Arizona to determine whether the donation cap has been met. School Choice Arizona will submit the pre-approval applications and will wait for notification from the ADOR. The ADOR has 20 days after receiving the pre-approval application in which to send this notification. When School Choice Arizona receives the notification that a donor is approved, we have 20 days in which to receive the donation from the corporation, otherwise the approval will expire. In a nutshell, the donor needs to be able to send a check within 20 to 40 days of having School Choice Arizona request pre-approval from the ADOR.

TO WHOM DOES THE CORPORATION MAKE THE DONATION PAYABLE?

The donation would be made payable to School Choice Arizona, Inc.

CAN THE CORPORATION RECOMMEND A STUDENT OR SCHOOL?

The corporation may suggest a private school, but **cannot** suggest a specific student. However, if no eligible students apply from the suggested school, or if the suggested school is not eligible per the tax credit law, the money will be awarded among eligible students attending other schools after a certain period of time.

WHAT ARE THE REQUIREMENTS FOR THE STO?

Any Student Tuition Organization (STO) such as School Choice Arizona, Inc. receiving corporate donations must be a 501(c)(3) non-profit organization and certified by the ADOR. This can be verified at: <http://www.azdor.gov/TaxCredits/CorporateTuitionTaxCredits.aspx>. We allocate 90% of our annual revenue for educational scholarships to children. We provide scholarships without limiting availability to only students of one school. Additionally, we submit an annual report to the ADOR that includes verification that a CPA has done an independent audit of our financial statements.

WHO RECEIVES THE GRANT / SCHOLARSHIPS?

This grant/scholarship is specifically designed to aid parents of low to modest-income families by helping them afford to switch from a public school to a private school of their choice. It does this by limiting eligibility to those families whose incomes do not exceed 185% of the income limit required to qualify a child for reduced price lunches under the National School Lunch and Child Nutrition Acts. The law also requires that the student falls under one of the following criteria. The student should be:

- 1) Switching from a public school to a qualified private school.
- 2) Entering kindergarten at a qualified private school.
- 3) Having received a previous STO scholarship of any kind (Individual Original, Overflow/Plus or Switcher, Corporate Low income, or Disabled/ Displaced).
- 4) A dependent of a member of the United States armed forces who is stationed in Arizona pursuant to military orders.

WHEN WOULD THE MONEY BE AVAILABLE TO AWARD?

Awards will be made in late June of each year and will be used for the upcoming school years. Students attending a qualified private school for the 2015/2016 school year should apply by May 16, 2015.

ARE THERE ANY OTHER LIMITATIONS THAT A PARENT SHOULD KNOW ABOUT?

Yes, there is a limit to the amount that a child may receive per year per STO. For 2015/2016, a child enrolled in grades K- 8 may be awarded up to \$5,100. For grades 9-12, students may receive up to \$6,400. These maximums grow by \$100 per year. For continuing eligibility, the student must receive an award from any source the first year that they are eligible, and remain in a qualified private school.

DOES THIS AFFECT A PARENT'S ABILITY TO APPLY FOR MONEY FROM OTHER SOURCES?

No, applying for scholarships from the Corporate Scholarship Tax Credit does not disqualify you from applying to other sources.

WHICH SCHOOLS ARE ELIGIBLE?

- 1) An eligible school is one that is in Arizona and does not discriminate on the basis of race, color, handicap, familial status or national origin and that satisfies the requirements prescribed by law for private schools in this state on January 1, 2009.
- 2) The school must also require all teaching staff and any personnel that have unsupervised contact with students to be fingerprinted.

HOW DO THE SCHOOLS GET SIGNED UP WITH SCHOOL CHOICE ARIZONA?

School Choice Arizona will provide a School Sign-up Form that the school would fill out and return.

HOW DO I KNOW IF MY CHILD IS ELIGIBLE?

- 1) If they are starting into Kindergarten at a qualified private school.

OR

- 2) If they attended a public or charter school in Arizona as a full-time student for at least the first ninety days of the prior year or one full semester and are transferring to a qualified private school. The child must be planning to attend the qualified private school as a full-time student.

OR

- 3) A dependent of a member of the armed forces of the U.S. who is stationed in Arizona due to military orders (Must provide a copy of order with location of station.

OR

- 4) If they have received, for any year, a scholarship under one of the above criteria OR from the original individual donation program or switcher individual donation program if the child continued to attend a private school subsequent years.

AND

The family's income must not exceed 185% of the income limit required to qualify for reduced price lunches under the National School Lunch and Child Nutrition Acts. See *Chart below*.

Federal Reduced Lunch Guideline 16-17 School Year		ARIZONA CORPORATE TAX CREDIT GUIDELINE
Household Size	Annual Gross Income	Annual Gross Income (185% of column 2)
1	\$21,978	\$ 40,659.00
2	\$29,637	\$ 54,828.00
3	\$37,296	\$ 68,998.00
4	\$44,955	\$ 82,167.00
5	\$52,614	\$ 97,336.00
6	\$60,273	\$111,505.00
7	\$67,951	\$125,709.00
8	\$75,647	\$139,947.00
Each Additional Person	\$ 7,696	\$ 14,238.00

THIS CHART WILL BE REVISED FOR THE 17-18 SCHOOL YEAR SINCE THE FEDERAL REDUCED LUNCH GUIDELINES ARE REVISED EACH YEAR.

ARE STUDENTS WHO ARE CURRENTLY BEING HOMESCHOOLED ELIGIBLE?

No. Students who are being home schooled are not eligible to receive an award. Those who are first entering kindergarten at a qualified private school may be eligible.

HOW CAN I APPLY FOR A SCHOLARSHIP?

Contact School Choice Arizona about the application process at 480.722.7502 or apply online at www.schoolchoicearizona.org. Applications for the award occurring in June 2015 are due by May 16, 2015.

WHERE CAN I FIND OUT MORE INFORMATION?

You may call School Choice Arizona at 480.722.7502, email us at info@schoolchoicearizona.org, or visit our website at www.schoolchoicearizona.org.

NOTICE:

A School Tuition Organization cannot award, restrict, or reserve scholarships solely on the basis of donor recommendation. A taxpayer may not claim a tax credit if the taxpayer agrees to swap donations with another taxpayer to benefit either taxpayer's own dependent.

SCHOOL CHOICE ARIZONA

FREQUENTLY ASKED QUESTIONS & ANSWERS ABOUT THE ARIZONA INDIVIDUAL SCHOLARSHIP TAX CREDIT

FOR APPLICANTS:

HOW DO I KNOW IF MY CHILD IS ELIGIBLE?

ALL children attending a qualified private school can apply for the Individual / Original scholarship. However, only **specific** students qualify for the Overflow/PLUS portion of the tax credit scholarships. In order to qualify a student must fall under one of the following:

- 1) Student is a switcher from an AZ public to an AZ private school (after attendance of at least 90 days or a full semester at the public school)
- 2) Student is entering or is currently in Kindergarten (Pre-K students with disabilities also qualify)
- 3) Student is a dependent of a member of the United States Armed Forces stationed in AZ pursuant to active military orders
- 4) Student previously received Overflow/PLUS or a Corporate low-income or disability scholarship and continued in private school ever since.

WHEN WOULD THE MONEY BE AVAILABLE FOR AWARD?

Our scholarships are disbursed in mid to late April. We do this for the benefit of the families. When awarded in April parents have the unique opportunity to utilize the tax credit scholarship for either the current **OR** the following school year.

HOW DO I APPLY?

Applications are available online at our website, www.schoolchoicearizona.org. To apply online go to the "ONLINE SCHOLARSHIP APPLICATIONS" tab, click the link, and fill out the application titled "Individual - Original." To print out our application, go to the tab labeled "INDIVIDUAL Scholarship Application." For children qualified for Overflow/PLUS, simply **DO NOT FORGET** to send in the verification necessary to let us know the child qualifies for Overflow PLUS.

WHAT IS REQUIRED FOR THE APPLICATION?

All applications have certain requirements:

REQUIRED:

1. Student Information (address, name, DOB, etc.)
2. Family Financial Information (include **ALL** members of your household & their income, even if it is \$0)
3. Description of Circumstances (brief narrative on your student and what makes them special)

OPTIONAL:

1. Letters of Recommendation (to let us know more about your child's character)

For Overflow/PLUS students there are additional requirements:

REQUIRED (only 1 qualification necessary):

1. Switchers (Students who have switched from an Arizona public or charter school after attending the public school for at least 90 days or one full semester in the PRIOR school year) **MUST** turn in a Public School Verification Form located on our website.
2. Kindergarteners (All K students qualify / Pre-K with disability also qualify with IEP or 504)
3. Military (Students who are the dependents of a member of the U.S. Armed Forces stationed in Arizona pursuant to military orders) **MUST** submit a copy of such orders.
4. Corporate /Overflow PLUS (Students who have previously received a scholarship from either the Corporate or Overflow PLUS program **AND** has continued in the private school ever since) **MUST** submit a copy of a scholarship letter **OR** a Scholarship Verification Form located on our website.

WHY CAN'T I KNOW WHO DONATED FOR MY CHILD, OR HOW MUCH?

Federal charitable contribution laws expect donor confidentiality. It is a professional standard to keep people's financial information secure. We do not disclose dollar amounts for recommendations because there are no guarantees for a scholarship. If we gave a dollar amount, it could imply something that we are not allowed to imply, and it would be unfair to raise expectations when the actual amount could be more or less than the recommended amount. Tax Credit law discourages any expectation or entitlement to scholarships that are not yet awarded.

WHERE CAN I FIND OUT MORE INFORMATION?

You may call School Choice Arizona at (480) 722 – 7502, or visit www.schoolchoicearizona.org.

FOR DONORS:

HOW CAN I DONATE?

By Check: To donate by check, fill out a **donor card**, and mail it with your check to School Choice Arizona.

By Credit Card: You can donate online, via our **secure website**, by phone at 480.722.7502, or by filling out a **donor card** with your credit card information and mailing or faxing it to School Choice Arizona.

HOW MUCH CAN I DONATE?

Maximums for 2016		Maximums for 2017	
<u>Single Taxpayer</u>		<u>Single Taxpayer</u>	
Original Tax Credit	\$545	Original Tax Credit	\$546
Overflow/PLUS Tax Credit	\$542	Overflow/PLUS Tax Credit	\$543
Total:	\$1087	Total:	\$1089
<u>Married Couple Filing Jointly</u>		<u>Married Couple Filing Jointly</u>	
Original Tax Credit	\$1090	Original Tax Credit	\$1092
Overflow/PLUS Tax Credit	\$1083	Overflow/PLUS Tax Credit	\$1085
Total:	\$2173	Total:	\$2177

The maximum tax credit amount will increase each year by the percentage that the Metropolitan Phoenix Consumer Price Index (CPI) has increased for the preceding year, meaning that the amounts will change slightly every year (though the Original and Overflow will never be the same amount, there will always be a slight difference). Luckily, it can never index downward. You must first donate the maximum for the Original tax credit before anything can count toward the Overflow/PLUS tax credit. If you have no Arizona income tax liability, you cannot receive a tax credit.

WHEN CAN I DONATE?

You may donate at any time! However, it must be before you file your taxes.

Relate-Back Option: For donations made between January 1 and April 15, it is up to the donor to determine whether to claim the tax credit for the previous or current year. If so, you must donate ***prior to filing taxes, but no later than April 15*** in order to claim the credit for the previous tax year. Donations must be postmarked or entered online before midnight, April 15. ***There are no extensions allowed*** per tax law.

WILL I RECEIVE A RECEIPT?

Yes. A comprehensive receipt statement for the year will be sent by January 31 of the following year. If you need a copy of your receipt sooner, please contact us.

IS OUR DONATION ELIGIBLE FOR A FEDERAL DEDUCTION?

Generally, yes. We are a federally tax exempt 501(c)(3) charitable organization. For federal tax purposes, any deduction must be claimed for the tax year in which the donation was made; the April 15 deadline does not apply. You should consult your tax adviser for specific tax advice concerning deductibility for your situation.

CAN I MAKE A RECOMMENDATION?

Yes! You may recommend anyone who is not your child or dependent. If you do not know a specific child, you can recommend a school alone and the funds will go to a child in need at that school. However, per the law a School Tuition Organization cannot award, restrict, or reserve scholarships solely on the basis of donor recommendation. In addition to this, a taxpayer may not claim a tax credit if the taxpayer agrees to swap donations with another taxpayer to benefit either taxpayer's own dependent.

WHO CAN I RECOMMEND FOR THE OVERFLOW/PLUS TAX CREDIT?

You may make recommendations with your Overflow/PLUS donation, just like the Original, however, only certain eligible students are able to be considered for the Overflow/PLUS awards.

In order to be eligible, students must fall under one of four categories:

- 1) Student is a switcher from an AZ public to an AZ private school (after attendance of at least 90 days or a full semester at the public school)
- 2) Student is entering or is currently in Kindergarten (Pre-K students with disabilities also qualify)
- 3) Student is a dependent of a member of the United States Armed Forces stationed in AZ pursuant to active military orders
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