

Why I Should Be Interested in the Arizona Tuition Tax Credit

Presented to the friends and members of Alethia Academy, Tucson, Arizona

For more information contact the Board treasurer at

Thanks to the Arizona Tuition Tax Credit and Institute for Better Education, you can redirect up to \$500 per individual (\$1,000 per couple) from your Arizona State tax liability and use it to help sponsor the tuition costs for a specified child at Alethia Academy. In other words, the Arizona Tuition Tax credit is a means in which to get State money for an education that is founded on Christ!

The Arizona Private School Tuition Tax Credit Law, A. R. S. Section 43-1089, allows a married couple filing jointly to make a donation to the Institute for Better Education up to \$1000 in 2007 and receive a dollar-for-dollar tax credit against the taxpayer's Arizona state income tax. A single taxpayer is limited to \$500. If the taxpayer has actual Arizona state income tax less than the maximum allowable, the available credit in a given year is limited to the actual tax. The law allows a carry forward for up to five years if a donation is made in excess of the actual state income tax due. Arizona State income tax forms 301 and 323 are used for claiming the credit.

A tax credit is a dollar for dollar credit on your taxes, **not** a deduction. In other words, you can pay Arizona State Income Tax *or* make a voluntary contribution to Alethia Academy through the Institute for Better Education.

Arizona Takes the Lead

Arizona has taken the lead in leveling the playing field in education. In January 1998, the Arizona Legislature amended the Arizona tax code to allow for voluntary contributions to School Tuition Organizations (such as The Institute for Better Education).

School Tuition Organizations are qualified nonprofit groups set up to accept contributions used to provide scholarships for students to attend the school of their choice.

Every Arizona tax filer that makes a voluntary contribution to Institute for Better Education will receive a STATE TAX CREDIT for their contribution, up to a maximum \$1000.00 for married filing a joint return and \$500 for filing single or married filing separate return.

Some examples of how the tax credit can work for you.

Example #1:

If your Arizona tax liability is (this is line 20 of your AZ 140).....	\$1575
Your Private School Tax Credit donation is	\$1000
Net Arizona tax liability (line 30)	\$575 (\$1575 less \$1000)
Withholdings paid (line 31)	\$275
Your Refund	\$0
Your Tax due	\$300

Without the credit, the taxpayer would have been required to remit a check for \$1300, since the withholding was not sufficient to cover the \$1575 tax liability. Since the credit reduced the liability to \$575, the taxpayer only owed \$300 (the difference between \$575 in liability and \$275 in withholding). Therefore, \$300 had to be sent in with the tax return.

Example #2:

If your Arizona tax liability is (this is line 20 of your AZ 140)	\$1000
Your Private School Tax Credit donation is	\$1000
Net Arizona tax liability (line 30)	\$0 (\$1000 less \$1000)
Withholdings paid (line 31)	\$1100
Your Refund	\$1100
Your Tax due	\$0

The refund represents a return to the taxpayer of excess withholding paid. The credit causes a reduction in Arizona tax liability of \$1000, to \$0. The taxpayer paid \$1100 in withholding. Without the credit, the taxpayer would have received a \$100 refund (the difference between \$1000 in liability and \$1100 in withholding). With the credit, the refund increases to \$1100 because liability is reduced to \$0.

Example #3:

If your Arizona tax liability is (this is line 20 of your AZ 140)	\$0
Private Your Private School Tax Credit donation is	\$1000
Net Arizona tax liability (line 30)	\$0
Withholdings paid (line 31)	\$300
Your Refund	\$300
Your Tax due	\$0

The \$0 tax liability amount means that the Private Scholarships Tax Credit (PSTC) cannot be used in this tax year. The refund represents a return to the taxpayer of the withholding paid. The taxpayer has not used the \$1000 credit and should carry it forward to future tax years.

Important Facts about the Private School Tax Credit

1. Individuals can qualify for an Arizona tax credit by making a contribution to The Institute for Better Education. Businesses (regardless of form) cannot take advantage of this opportunity, only individuals.
2. An Arizona tax credit (as opposed to a tax deduction) is subtracted directly from the income tax owed to (or withheld by) the state of Arizona.
3. This dollar-for-dollar tax credit cannot exceed \$1000.00 for joint filers, nor can it exceed one's total Arizona tax liability (if that liability is less than \$1000). Married individuals who file separate returns are entitled to a maximum tax credit of \$500.00 and single filers or head-of-household can receive a maximum credit of \$500.00. Any unutilized credits may be carried forward for up to the next five taxable years.
4. In addition to receiving the Arizona tax credit, a taxpayer can also claim a tax deduction on his/her federal return for a contribution to IBE. Contributions in excess of the aforementioned limits may be taken as itemized deductions on both state and federal returns.
5. Contributions may be designated specifically for a student at Alethia Academy. However, if a taxpayer recommends his/her own child he/she cannot receive the Arizona tax credit.
6. The Institute for Better Education (IBE) is a 501(c)3 tax exempt, nonprofit organization..
7. Please make checks payable to IBE. Checks must be received by December 31st of each year to qualify for that tax year. **It is important that your check designate a specific student at Alethia Academy.**
8. IBE will provide contributors with a letter to use when filing their Arizona tax returns. The forms to be used in filing for the credit are #301 and #323, you may download them from The Arizona Department of Revenue website.

Matching Funds

Did you know some employers will match a donation by their employees given to the Institute for Better Education? Below is a list of some companies that utilize the Matching Funds for their employees:

American Express
Bank of America
Black & Decker
Charles Schwab (only half)
Cingular Wireless
Coca Cola
Conseco
Davis Selected Advisers
Exxon Mobil
First Data
Gannett Foundation
Goodrich Foundation
Intuit Foundation
J. P. Morgan Chase
Kimberly Clark
Land America
Meredith Corporation
Merrill Lynch
Motorola
Nike
PepsiCo Foundation
Pfizer
Prudential
Raytheon
Sallie Mae Fund
Sentry Insurance Foundation, Inc.
Thrivent Financial for Lutherans (Not the GivingPlus Program)
Trans-Western Publishing
US West
USAA Community Affairs
Vulcan Materials Co.
Wachovia Foundation
Wells Fargo