

Frequently Asked Questions-And Answers to Them-Regarding
The Arizona Private School Tuition Tax Credit Law

1. What is the Arizona Private School Tuition Tax Credit Law?

House Bill 2074, the Arizona Private School Tuition Tax Credit Law, offers married Arizona taxpayers filing a joint return the option to donate up to \$1,000 to a school tuition organization for tuition scholarships and/or grants. Single taxpayers or a single head of household may donate up to \$500.

In addition, married taxpayers filing a joint tax return may donate up to \$300 to a public school for extra-curricular activities. Single taxpayers or a single head of household may donate up to \$200 for this purpose.

2. How does this affect my tax obligations?

Tax credits differ from tax deductions. A tax deduction reduces the amount of income subject to taxation, while a tax credit is a dollar-for-dollar reduction in the taxes owed. For example, if a taxpayer owes the state \$1,000 for Arizona income tax, by law you are able to donate \$1,000 to a school tuition organization to help pay tuition for a student at a private school in Arizona instead of paying it to the state thereby reducing your tax liability to zero.

3. How does this tax credit program benefit students?

Donations to STAY will provide tuition aid for students from grades K-12 who otherwise may not be able to afford to attend a private school and will reduce the tuition burden of families already sending their children to private schools.

4. If we decide to donate to STAY, what is the process?

Complete our donation card and mail it along with your check to STAY. To receive credit for the current year, the donation must be received by us or postmarked by April 15th. Donations made between January 1 and April 15 need to specify the year in which the donor is taking the tax credit. For example, to receive a credit for the 2010 tax year, the donation must be received by us or postmarked by April 15, 2011.

5. Do we receive a receipt for our donation besides our cancelled check?

Yes, STAY sends receipts to all donors.

6. Do we get the entire donation as a state income tax credit if we file a joint return?

Yes. If your state income tax liability is \$1,000 or more you can use it to reduce that year's state income tax. Any excess can be carried forward and used to offset state income taxes for up to five years.

7. How much of my donation goes for grant/scholarships and how much to STAY for administration?

The law requires that 90% of the donation go towards grant/scholarships. We also award all interest earned as additional money for grant/scholarships.

8. Which Arizona state income tax forms do I use?

Forms 301 and 323. They are available at the Arizona Department of Revenue, telephone (602) 542-4260, or from their website www.revenue.state.az.us.

9. Is our donation also eligible for a federal income tax deduction?

We are a federally tax exempt 501 (c)(3) charitable organization. You should consult your tax adviser for specific tax advice concerning deductibility for you.

10. May we recommend a particular school or a specific student?

Yes. Donations recommending a school will be awarded among applicants from that school. You may also recommend a specific student as long as the student is not your legal dependent. STAY retains complete discretion regarding all awards.

11. May we recommend our grandchild for a grant/scholarship?

Yes, you may recommend anyone who is not your legal dependent.

12. May we make an agreement to recommend someone else's child in exchange for their recommending our child?

No. Doing so violates the intent of the statute's prohibition on designating one's dependent. The state could therefore disallow your tax credit.

13. What if I want to apply for a tuition grant/scholarship for my child, what is the process?

Complete our application and provide all the information requested. Forward the completed and signed application to STAY. Applications are available at your child's school, STAY or the STAY website found at www.azstay.org.

14. What factors are considered in making the grant/scholarship awards?

There are four: (1) the application provided by the parents; (2) the financial circumstances of the student's family; (3) recommendations concerning the student; (4) nominations made on behalf of the student.

15. When are grant/scholarship awards made?

Awards are made as funds become available and after applications are received and processed.

16. How will I know if my child has received a grant/scholarship?

STAY will send a letter to the mailing address you have provided on your child's application, notifying you of the amount of the grant/scholarship your child was awarded.

17. If a student receives an award but then changes to another Christian school, what happens?

The award is personal to the student for tuition and follows the student to the new Christian school. If the student left Arizona or did not go to another Christian school, the remaining money must be returned to us and we will re-award the money to another student or students at the school in a following award process.

18. Can STAY send a check to a school for distribution to students as determined by the school?

No. According to publication 707, a student must apply directly to the school tuition organization. The funds are to be used only for the specific student awarded by STAY or returned to STAY.