

Tax Credits Can Benefit Schools and Those in Need

By Peter F. Beahan, CPA

For the next several months, you will have the opportunity to reduce your Arizona income tax liability by making cash contributions to specified organizations. These organizations include public schools, private-school tuition organizations, charities that provide assistance to low-income residents or to children who have chronic illness or physical disabilities, and qualifying foster care charitable organizations.

These cash contributions result in a dollar-for-dollar credit towards your Arizona income tax liability. The amount that you may claim as a credit depends upon your tax filing status.

Public Schools Tax Credit

A payment of fees to an Arizona public school or charter school for extracurricular activities or educational programs will qualify for the credit. Examples of these fees include field trips, sporting activities and fine arts. A credit of up to \$400 may be claimed by taxpayers using the status of married filing jointly. A credit of up to \$200 may be claimed by all other taxpayers.

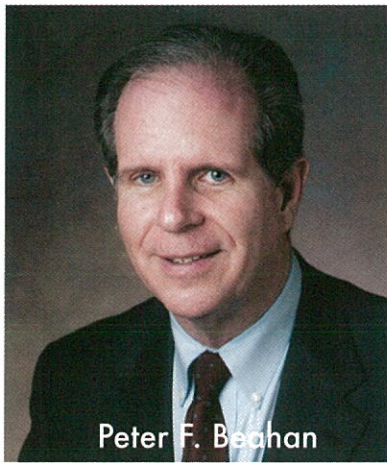
Contributions made by Dec. 31, 2018 must be claimed on your 2018 tax return. Contributions made between Jan. 1, 2019 and April 15, 2019 may be claimed as a credit on either your 2018 or 2019 tax returns.

Private Schools Tuition Organizations and PLUS Tax Credits

A tax credit is available for cash contributions to qualified school tuition organizations. These organizations provide scholarships or grants to qualified schools from elementary through high school. Your cash contribution cannot be designated for the direct benefit of your dependent, but can be made to benefit any other student if they are not your dependent.

Taxpayers that are married filing jointly may claim a credit of up to \$1,110 for a cash contribution to a school tuition organization. All other taxpayers may claim a credit of up to \$555 for a cash contribution to this type of organization.

The Private Learning Uplifting Students (PLUS) tax credit allows donors to receive credit for a cash contribution over and above the School Tuition Organization credit explained above. The taxpayer must first donate the maximum to the School Tuition Organization credit. The maximum PLUS credit for 2018 is \$1,103 if married filing jointly and \$552 for all other taxpayers.



Peter F. Beahan

Combining these two credits, a taxpayer who is married filing jointly may claim a total credit in the amount of \$2,213. All other taxpayers may claim a total credit of \$1,107. Contributions made during calendar year 2018 must be claimed on your 2018 tax return. Contributions made between Jan. 1, 2019 and April 15, 2019 may be claimed on either your 2018 or 2019 tax return.

Qualifying Charitable Organizations

A credit of up to \$800 for married filing jointly and up to \$400 for all other filers is available for cash contributions to a qualifying charitable organization. These organizations include entities that provide services to needy families and children who have chronic illness or physical disability. The Arizona Department of Revenue has added a new reporting requirement for this credit for 2018 tax returns. A unique five-digit code has been assigned to each qualifying charitable organization. This code

must be included on your tax return for the credit to be accepted.

Qualifying Foster Care Charitable Organizations

A credit of up to \$1,000 for those filing as married filing jointly and up to \$500 for all other filers is available for cash contributions to qualifying foster care organizations. These organizations provide immediate basic needs to at least 200 qualifying individuals in the foster care system. Similar to the Qualifying Charitable Organization credit, a unique five-digit code has been assigned to each QFCO and must be included on your tax return.

Contributions to a qualifying charitable organization or a qualifying foster care charitable organization made in calendar 2018 must be claimed on your 2018 income tax return. Contributions made between Jan. 1, 2019 and April 15, 2019 may be claimed on either your 2018 or 2019 tax returns.

Proposed Change in Federal Charitable Contribution Deduction

On Aug. 23, 2018, the Internal Revenue Service issued a proposed regulation that will eliminate the deduction of these contributions on your federal income tax return. The proposed regulations state that contributions resulting in a state or local tax credit in return for the contribution will not be deductible for federal tax purposes to the extent of the credit. This proposed regulation applies to contributions made after Aug. 27, 2018. In spite of this change, the Arizona tax credits still reduce your Arizona state income tax, dollar for dollar, so that you can support these organizations without any direct costs to you.

Peter F. Beahan is COO of the Tax Department at BeachFleischman PC. He has over 30 years of experience in public accounting. In addition to being a Certified Public Accountant, Beahan is also Accredited in Business Valuations (ABV).

