



ARIZONA DEPARTMENT OF REVENUE

**Application for Approval of the
Corporate Income Tax Credit for Donations to School Tuition Organizations
(A.R.S. § 43-1183 or A.R.S. § 20-224.06) or
Corporate Income Tax Credit for Disabled / Displaced Students
(A.R.S. § 43-1184 or A.R.S. § 20-224.07)**

- **Program Guidelines** available at www.azdor.gov:
Click on the "Tax Credits" link on left side of home page.
- **Send the completed form via email to:**
DOROERA@azdor.gov
- **Questions regarding the program can be directed to:**
Karen Jacobs.....(602) 716-6923

- **Attention:**
Failure to complete the form will result in a delay in the processing of the request, resulting in an extension of the twenty-day approval period and possibly being moved down in the line for credit requests.

- ☒ This donation is for the corporate tuition organization credits (A.R.S. § 43-1183 or A.R.S. § 20-224.06).
- ☐ This donation is for the corporate disabled/displaced students credit (A.R.S. § 43-1184 or A.R.S. § 20-224.07).

STO requesting pre-approval:

Arizona Private Education Scholarship Fund

STO street address:

6909 E Greenway Pkwy, Ste 240

City:

Scottsdale

State:

AZ

ZIP Code:

85254

STO contact person:

Ali Smith

Phone Number (with area code)

(480) 264-3290

E-mail address:

ali@apesf.org

Corporation requesting to donate:

ABC C-Corporation

Corporate street address:

123 Corporate Street

City:

Corporate Town

State:

AZ

ZIP Code:

98765

Corporate EIN:

00-1234567

- ☐ Check box if this donation is from an S corporation pursuant to A.R.S. § 43-1089.04.

Name and EIN of parent S corporation if contributing company is a qualified subchapter S subsidiary:

- ☐ Check box if this corporation pays insurance premium tax

NAIC Number:

Amount the corporation is requesting to donate:

\$ 100,000

Approval or denial of this application will be emailed to the STO.

APPROVAL

Corporate Income Tax Credit or Insurance Premium Tax Credit

- ☒ This approval is for the corporate income or insurance premium tax credit for donations to school tuition organization (A.R.S. § 43-1183 or A.R.S. § 20-224.06).
- ☐ This approval is for the corporate income or insurance premium tax credit for disabled / displaced students (A.R.S. § 43-1184 or A.R.S. § 20-224.07).

Credit Approval Number:

F17-0000

School Tuition Organization Name:

Arizona Private Education Scholarship Fund

Donating Corporation:

ABC C-Corporation

Approved Amount of Donation*:

\$100,000

☐ Identified as S corporation donating pursuant to A.R.S. § 43-1089.04
(see note below)

Date of Notification:

7/1/2016

20-Day Period for Transfer of Money From Corporation to School Tuition Organization Ends:

7/21/2016

Notify the Arizona Department of Revenue no later than 7/21/2016

as to whether or not the above-named corporation made the donation shown above to the above-named school tuition organization. A.R.S. § 43-1183, § 43-1184, § 20-224.06 and § 20-224.07 require the school tuition organization to notify the Department of Revenue of failure to make the donation within 20 days. The Department of Revenue is also asking for notification that the donation was actually made to ensure accuracy in determining the amount of donation cap that remains available. Notification should occur by email to DOROERA@azdor.gov. Please include credit approval number in the email.

***NOTE:** S corporations must have made approved aggregate contributions to School Tuition Organizations of at least \$5,000 within their taxable year in order to pass the low-income and/or disabled/displaced credits through to their individual shareholders.



Karen Jacobs, Senior Economist
Office of Economic Research and Analysis
Arizona Department of Revenue
1600 W Monroe, 9th Floor
Phoenix, AZ 85002

2016 Credit for Corporate Contributions to School Tuition Organizations

Arizona Form 335

For information or help, call one of the numbers listed:

Phoenix (602) 255-3381
From area codes 520 and 928, toll-free (800) 352-4090

Tax forms, instructions, and other tax information

If you need tax forms, instructions, and other tax information, go to the department's website at www.azdor.gov.

Income Tax Procedures and Rulings

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website and click on *Legal Research* then click on *Procedures* or *Rulings* and select a tax type from the drop down menu.

Publications

To view or print the department's publications, go to our website and click on *Publications*.

General Information

Arizona Revised Statutes (A.R.S.) § 43-1183 provides a nonrefundable corporate income tax credit for contributions made to a school tuition organization (STO), authorized to receive corporate donations, that provides scholarships or grants to qualified schools. This credit must be pre-approved by the Arizona Department of Revenue. STO must be certified pursuant to Chapter 15 of Title 43 at the time of donation.

Contributions designated for the direct benefit of a specific student will not qualify for the credit.

This credit is in lieu of any deduction taken under Internal Revenue Code § 170 for state tax purposes.

A taxpayer cannot claim this credit and the credit claimed on Arizona Form 341 (see *A.R.S. § 43-1184*) for the same contribution.

The tax credit is equal to the amount the department has preapproved, if the taxpayer has made that amount of contribution to the STO within twenty days of when the STO notified the taxpayer of the preapproval.

The tax credit is available to corporate taxpayers, corporate partners, exempt organizations subject to corporate income tax on unrelated business income (UBTI), or S corporation individual shareholders.

- A partnership may pass this credit through only to its corporate partners, each of which may claim a *pro-rata* share of the credit based on their ownership interest.
- An exempt organization may utilize this credit only if it results from activities that generate UBTI.
- An S corporation may claim this credit against income Arizona is taxing at the corporate level, or it may make an irrevocable election to pass this credit through to its individual shareholders.
 - To pass this credit through, the S corporation must make minimum contributions of \$5,000 to School Tuition Organizations or to School Tuition Organizations for Displaced Students or Students With Disabilities in a tax year beginning after December 31, 2014.

- Each individual shareholder may claim only a *pro rata* share of the credit based on the individual's ownership interest in the S corporation.
- Any *pro rata* shares that would be distributed to non-eligible partners (individual partners in a partnership), or estates or trusts (shareholders in an S corporation) is lost.
- The total of the credits allowed to all owners may not exceed the amount that would have been allowed to a sole owner of the business.

If the allowable tax credit exceeds the taxes otherwise due, or if there are no taxes due, the amount of the credit not used to offset taxes may be carried forward for not more than five consecutive taxable years as a credit against subsequent years' income tax liability.

Claiming the Credit

This credit must be pre-approved by the Arizona Department of Revenue before it can be claimed. The process for obtaining pre-approval for the credit is available on our website: www.azdor.gov, click on "Tax Credits", then click on "Corporate Tuition Tax Credits".

Before claiming the credit, obtain a copy of the STO's preapproved application. Include a copy of the preapproved application with Form 335. Failure to do so could result in a disallowance of this credit.

The department will preapprove the credits on a first-come, first-served basis. The preapproval process works as follows:

- Before making the contribution, the taxpayer notifies the STO of the intended amount.
- The STO requests preapproval from the Arizona Department of Revenue.
- The Arizona Department of Revenue preapproves or denies the request within twenty days after it has received the request, and notifies the STO.
- If the request is preapproved, the STO notifies the taxpayer immediately.
- The taxpayer must make the contribution within twenty days of receiving notice from the STO.

QUALIFIED SCHOOL TUITION ORGANIZATION REQUIREMENTS

The STO receiving contributions under this program must be certified pursuant to Chapter 15 of Title 43 at the time of donation.

A listing of certified School Tuition Organizations is available at www.azdor.gov, click on "Tax Credits", then click on "Corporate Tuition Tax Credits", and then click on "School Tuition Organizations Certified to Receive Corporate Donations".

Completing the Form

Complete the name and employer identification number section at the top of the form. Indicate the period covered by the taxable year. Include the completed form with the tax return.

NOTE: *If the entity passing this credit through has a different tax year-end than the taxpayer, the taxpayer may only claim this credit on its tax return for that year. For example, if the entity passing this credit through has a tax year end of February 2017, claim this credit on the taxpayer's 2017 return.*

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for a corporation, an exempt organization with UBTI, an S corporation, or a partnership is the taxpayer's employer identification number. Taxpayers that fail to include their TIN may be subject to a penalty.

Part 1 – Current Taxable Year's Credit Calculation

Lines 1 through 10:

- List each STO's name, address in column (a).
- List the credit approval number(s) in column (b).
- List the approved contribution amount in column (c).

Line 11:

- Add the amounts in column (c) on lines 1 through 10 and enter that amount on line 11.

If contributions are made to more than ten STOs, complete and include additional schedules.

Line 12:

- Corporate partners (only), enter the amount from Form 335-P, line 13. If none, enter "0".

Line 13:

- Add the amounts entered on lines 11 and 12. Enter the total.

Part 2 – Available Credit Carryover

Use Part 2 to calculate the taxpayer's total available credit carryover from prior taxable years.

Lines 14 through 18:

- In column (a), enter the taxable year(s) from which the taxpayer is carrying over the credit
- In column (b), enter the credit originally computed for the taxable year listed in column (a)
- In column (c), enter the amount of the credit from the taxable year which was already used
- In column (d), subtract the amount in column (c) from column (b), enter the difference

Line 19:

- Add the amounts entered on lines 14 through 18 and enter the amount in column (d).

Part 3 – Total Available Credit

Use Part 3 to calculate the taxpayer's total available credit for this tax year.

Line 20:

- Partnerships passing through this credit to corporate partners, enter "0"
- Qualified S corporations electing to pass this credit through to individual shareholders, enter "0".
 - To determine if the S corporation qualifies to pass this credit through to its individual shareholders, complete Part 4. If the S corporation's total contributions to STOs from Form 335 and/or Form 341 exceed \$5,000, the S corporation qualifies, and may elect, to pass this credit through to its individual shareholders.

- All other corporate entities, (C Corporations, exempt organizations subject to corporate income tax on UBTI, or **S corporations claiming this credit at the corporate level**), enter the amount from line 13.
- Also, enter this amount on Form 300, Line 14, column (a).

Line 21:

- Enter the amount on line 19, column (d). If the amount is "0", enter "0".
- Also, enter this amount on Form 300, line 14, column (b).

Line 22:

- Add lines 20 and 21, enter the total here. This is the taxpayer's total credit for this tax year.
- Also, enter this amount on Form 300, line 14, column (c).

Partnerships: Skip Part 4 and proceed to the instructions for completing Form 335-P on page 3.

S Corporations making the election to pass through this credit, proceed to Part 4.

Part 4 – S Corporation Credit Election

Beginning with tax years beginning from and after December 31, 2014, an S corporation may elect to pass this credit through to its individual shareholders.

NOTE: Trusts and estates which are shareholders of S corporations, are not eligible to claim this credit. However, as S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. If the grantor is an individual, he or she may claim his or her share of the credit.

To pass this credit through to its individual shareholders, the S corporation must have made an aggregate contribution of \$5,000.00 or more on Forms 335 and 341 during the tax year.

Line 23:

- Enter the total contributions from line 11.

Line 24:

- Enter the total contributions from Form 341, line 11.

Line 25:

- Add lines 23 and 24, enter the total here.

Line 26:

- Is the amount on line 25 greater than, or equal to, \$5,000.00? If yes, check the "Yes" box and continue to line 27. If no, STOP, the S corporation cannot pass this credit to its individual shareholders.

Line 27:

- If the S corporation wishes to make an irrevocable election to pass this credit through to its individual shareholders, enter the ending date for this tax year, check the box indicating the S corporation is passing this credit through to its individual shareholders, and have this form signed by an officer of the S corporation.

Proceed to the instructions on page 3 to complete Form 335-S.

Form 335-P, Corporate Partner's Portion of the Credit

Enter the name of the partnership and employer identification number at the top of Form 335-P. Enter the corporate partner's name, employer identification number, and ownership percentage on the next line. (Each corporate partner is entitled to a *pro-rata* share of the credit, based on its ownership percentage.)

Complete Form 335-P for *each* corporate partner of the partnership.

Lines 1 through 10:

- Enter the names of the STO(s) in column (a).
- Enter the Credit Approval Number(s) received in column (b).

If contributions are made to more than ten organizations, complete and include additional schedules.

Line 11:

Enter the amount of the total current year's contributions from Form 335, Part 1, line 13.

Line 12:

Enter the corporate partner's ownership percentage of the S corporation.

Line 13:

Multiply line 11 by line 12, enter that amount here. This is the corporate partner's portion of this credit.

The partnership must furnish each corporate partner with its completed copy of Form 335-P, including additional schedules as needed.

The corporate partner will enter the amount on Form 335-P, line 13 on its own Form 335, line 12.

Form 335-S, S Corporation Individual Shareholder's Portion of the Credit

Enter the S corporation name and tax identification number at the top of Form 335-S. Enter the individual shareholder's name, social security number, and ownership percentage on the next line. (Each individual shareholder of the S corporation is entitled to a *pro-rata* share of the credit based on his/her ownership percentage.)

Complete Form 335-S for *each* shareholder except for trust or estate shareholders. However, an S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. If the grantor is an individual, he or she may claim his or her share of the credit.

Lines 1 through 10:

- Enter the names of the STO(s) in column (a).
- Enter the Credit Approval Number(s) received in column (b).

If contributions are made to more than ten organizations, complete and include additional schedules.

Line 11:

Enter the amount of the total current year's contributions from Form 335, Part 1, line 13.

Line 12:

Enter the shareholder's ownership percentage of the S corporation.

Line 13:

Multiply line 11 by line 12, enter that amount here. This is the individual shareholder's portion of this credit.

The S Corporation must furnish each shareholder with their completed copy of Form 335-S, including additional schedules as needed.

The individual shareholder will use this form to complete Form 335-I.

*Include with your return.*For the calendar year 2016 or fiscal year beginning MM/DD/2016 and ending MM/DD/20YY.

Name as shown on Form 99T, 120, 120A, 120S, 120X or 165

Employer Identification Number

Part 1 Current Taxable Year's Credit Calculation

	(a) School Tuition Organization Name and Address	(b) Credit Approval Number	(c) Contribution Amount
1			00
2			00
3			00
4			00
5			00
6			00
7			00
8			00
9			00
10			00
11	Current year's contributions: Add lines 1 through 10 and any amounts on additional schedules		00
12	Flow-through from a partnership from Form 335-P, line 13.....		00
13	Total Current Year's Contributions: Add lines 11 and 12. Enter the total		00

Continued on page 2 ➔

Name (as shown on page 1)	EIN
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Part 2

 Available Credit Carryover

	(a) Taxable Year	(b) Original Credit Amount	(c) Amount Previously Used	(d) Available Carryover: Subtract column (c) from column (b).
14		00	00	00
15		00	00	00
16		00	00	00
17		00	00	00
18		00	00	00
19	Total Available Carryover: Add lines 14 through 18 in column (d)			00

Part 3

 Total Available Credit

Corporations, S corporations, and exempt organizations with UBTI:

20 Total current year's contributions: <ul style="list-style-type: none"> Partnerships passing through this credit, enter zero ("0"). Qualified S corporations electing to pass through this credit, enter zero ("0"). (Complete Part 4 to determine if qualified.) All others, enter the amount from line 13. Also enter this amount <i>on Form 300, Part 1, line 14, column (a)</i> 	20	00
21 Available credit carryover from Part 2, line 19, column (d). <ul style="list-style-type: none"> Also enter this amount <i>on Form 300, Part 1, line 14, column (b)</i> 	21	00
22 Total available credit: Add lines 20 and 21. <ul style="list-style-type: none"> Also enter this amount <i>on Form 300, Part 1, line 14, column (c)</i> 	22	00

NOTE: Partnerships proceed to the instruction box at the bottom of this page. S corporations, continue to Part 4.

Part 4

 S Corporation Credit Election

S corporations may elect to pass this credit through to its shareholders if its combined contributions to School Tuition Organizations and School Tuition Organizations for Displaced Students or Students With Disabilities, Forms 335 and 341, are greater than, or equal to, \$5,000.00.

23 Total contributions from line 11	23	00	
24 Total contributions from Form 341, line 11	24	00	
25 Total contributions: Add lines 23 and 24	25	00	
26 Is line 25 greater than or equal to \$5,000.00?		<input type="checkbox"/> Yes	<input type="checkbox"/> No
If "Yes", you qualify and may elect to pass this credit through to the individual shareholders of the S corporation. To do this, complete the authorization below. If "No", STOP, the S corporation cannot pass this credit through to its individual shareholders.			
27 The S corporation has made an irrevocable election for the taxable year ending M M D D Y Y Y Y to:			
<input type="checkbox"/> Pass the credit as shown on line 13, for the taxable year indicated above, through to its individual shareholders.			
<input type="checkbox"/> Claim this credit as shown on line 13, for the taxable year indicated above, at the corporate level.			

Signature

Title

Date

S corporations making the election to pass on this credit to its shareholders, proceed to the instructions below.

INSTRUCTIONS:

- Partnerships passing this credit through to its corporate partners, complete Form 335-P for each corporate partner, and include a copy of this form with your return. Provide a copy of Form 335-P to each corporate partner.
- S corporations passing this credit through to its individual shareholders, complete Form 335-S for each shareholder, and include a copy of this form with your return. Provide a copy of Form 335-S to each shareholder.