

Bigger refund, smaller tax

Claim these Arizona credits before year-end



By Melinda Nelson, CPA

With 2016 coming to a close, now is the time you want to take advantage of year-end opportunities to lower your income tax. You may be eligible to claim Arizona credits that could offset your state tax dollar for dollar on your 2016 tax return. Even if you're familiar with these credits, there are several updates for this year that you need to know about because they could help you save even more.

Large credits allowed for contributions to qualified charities in 2016

Credit for Contributions to a Qualified Foster Care Organization (QFCO). For 2016 the contribution amount was increased – single taxpayers can claim a maximum credit of \$500. Married filing joint is \$1,000.

Credit for Contributions to a Qualifying Charitable Organization (QCO). These amounts were also increased in 2016. Single taxpayers can now claim up to \$400 for contributions made to QCOs while the maximum credit for married filing joint is \$800.

- **Change to note** – Your maximum allowed credit to a QFCO or **QCO** is **NO LONGER** lowered by any allowable credit paid to **the other (QCO or QFCO)**.
- So, taxpayers may claim either credit or both in the same taxable year.

The total of the two charitable credits increased from \$400 per individual/\$800 per married couple in 2015 to \$900 per individual/\$1,800 per married couple for 2016.

Also new in 2016, if you make a qualifying contribution between January 1, 2017 and April 15, 2017, you can claim these credits for either 2016 or 2017.

The Arizona Department of Revenue includes a list of qualifying organizations on its website. You do not need to claim itemized deductions in order to receive the Credit for Contributions to a Qualifying Charitable Organization or the Credit for Contributions to a Qualified Foster Care Organization.

Credit for Contributions Made or Fees Paid to Public Schools. If you made contributions or paid fees to a public school to help support their extracurricular activities or character education programs, you can claim this credit. Single taxpayers get up to \$200. For married filing joint, it's \$400. This credit can benefit your child, but you cannot also claim a charitable deduction on Schedule A.

If you make a qualifying contribution or pay fees between January 1, 2017 and April 15, 2017, you can claim this credit for either 2016 or 2017.

Credit for Contributions to Private School Tuition Organizations. If you want to claim this credit, your contributions must go to a tuition organization that provides scholarships or grants to qualified schools. The amount single taxpayers can claim is up for 2016 to \$545. For married filing joint, the maximum credit rose to \$1,090.

Credit for Contributions to Certified School Tuition Organizations – also known as the Plus or Switcher Credit. You can only claim this credit if you first donated the maximum amount allowed under the Credit for Contributions to Private School Tuition Organizations. For 2016, single taxpayers can claim up to \$542. Married couples filing joint – \$1,083.

The combined credits are \$1,087 for single and \$2,173 for joint. Remember, contributions for both tuition-related credits cannot benefit your child. You can also claim this credit for 2016 or 2017 if you make a qualifying contribution between January 1, 2017 and April 15, 2017.

You can still claim all three of these education credits in the same year even if you don't have a child in school.

S Corporation Private School Tuition Credits. There are two corporate private school tuition tax credits that an S Corporation may be able to claim and pass through the credits to its individual shareholders. If your company does this, you will receive Arizona Form 335-S and/or Form 341/S outlining the amount you can claim. You can still claim one of these credits even if you have already claimed the maximum amount under the two individual private school tuition credits.

Credit for Donations to the Military Family Relief Fund. This credit supports the [Military Family Relief Fund](#). Donations help families of soldiers who are deployed now as well as post 9/11 military and veteran families who are facing financial difficulties because a loved one was injured or killed in war. The Arizona Department of Veterans' Services oversees the fund, so support goes directly to Arizona families in need.

The maximum credit for single taxpayers is \$200. For married filing joint, it's \$400. Only the first \$1 million in donations are approved as credits. The fund received that amount in early December in the last couple of years, so mail your donation in as soon as possible.

State and federal tax benefits

These donations don't just help your state tax liability. You can also claim a federal charitable deduction as long as your donations do not benefit a family member or designated person. That means you could potentially receive a larger Arizona refund while reducing the amount you owe the IRS.

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