

Frequently Asked Questions About Extracurricular Tax Credits

What is a tax credit?

A tax credit is a dollar-for-dollar reduction in the taxes you owe the State of Arizona. It should not be confused with a tax deduction which only reduces your taxable income.

With a tax credit, taxpayers who owe \$700 in state income taxes and who donates \$400 to a public school for extracurricular activities, can subtract the \$400 donation from the tax bill and only pay the state \$300.

A single taxpayer can take up to \$200 for his or her donation to extracurricular activities made within a tax year.

What is an extracurricular activity?

An extracurricular activity is any optional, non-credit educational or recreational activity that supplements the education program of a school, whether offered before, during, or after regular school hours.

Extracurricular activities eligible for the tax credit are those school-sponsored activities which require enrolled students to pay a fee in order to participate. These might include:

- Intra-mural and inter-mural sports
- Visual and performing arts
- Character building programs
- Field trips of an academic nature
- Clubs and Student Councils
- Outdoor education
- Classroom enrichment and other special programs

What do I have to do to qualify for this credit?

To qualify for the credit you must make cash contributions or pay fees to a public school for support of extra curricular activities or for character education programs.

Will I qualify for the credit if I pay fees for my own child to participate in an extra- curricular activity or character education program?

Yes, fees that you pay for your own child to participate in an extra curricular activity or character education program qualify for the credit.

What is a fee paid for the support of extra curricular activities?

A fee is a dollar amount paid to a public school for the support of extracurricular activities. It is important to note that at least some monetary amount must be levied to participate in an extracurricular activity in order for the credit to be available.

Do all extracurricular programs qualify to receive donations that are eligible for the tax credit donation?

Any school sponsored activities that require enrolled students to *pay a fee* in order to participate qualify for this program. Generally, any educational or recreational activities that supplement the educational program of the school are considered to be extracurricular activities for purposes of the tax credit program.

If a school has a central fund to pay for extracurricular activities, will a payment to this central fund qualify for the tax credit?

Yes. The credit is authorized for any fees paid by a taxpayer to a public school located in this state for the support of extracurricular activities.

Can a taxpayer make a contribution or pay fees to an organization (e.g., PTA, school foundation, or school club) which then gives the funds to the school or directly pays for extracurricular activities or character education?

No. ARS § 43-1089.01 requires that the fees be paid "to a public school." Therefore, the payment must be made directly to the public school or district only.

Is the tax credit only for parents or people who live in the Amphi District?

The extracurricular tax credit is available to all Arizona taxpayers, regardless of whether or not they have children in school.

You don't have to be the parent or relative of a child to know that extracurricular activities add to the quality of a child's education and help that child grow to be a strong part of the community. So, it stands to reason that all in our community can receive the credit.

Parents, grandparents and relatives of a child are certainly encouraged to donate to that child's school, but we can also contribute to the Amphitheater school in our neighborhood, to our favorite band program, or to your alma mater.

How much tax credit can one receive?

A individual can receive a tax credit for any amount he or she donates up to \$200 annually. A married couple filing their taxes jointly can receive an equal tax credit of \$400.

Can a taxpayer actually receive a refund of these credits?

The credits may only be used to the extent they reduce a tax liability to zero. Any unused amounts may, however, be carried forward for up to five consecutive taxable years.

Do I have to make a lump sum donation in order to qualify for the credit?

You can make smaller contributions throughout the year make one convenient contribution all at once. That is your choice. Your contribution must be postmarked or received by December 31 of the year in which you will be taking the credit.

Can a business get this tax credit?

No. This tax credit is only available to individual taxpayers (people). However, businesses can receive tax *deductions* for contributions made to schools.

But you should check with your employer to see if they match contributions you make to public schools. Honeywell is one local employer which matches employee contributions, allowing its employees to maximize the impact of their gifts to schools.

Is this tax credit program just for public schools?

Yes, only contributions and fees paid to public schools that provide instruction in grades kindergarten through 12 are eligible for the credit. Nongovernmental schools, preschools, community colleges, and universities do not qualify for the credit.

Can a taxpayer direct how their donation is to be used?

Yes, a taxpayer can direct where they want their donation to go. You can choose your child's school or a specific extracurricular activity that they participate in.

You can also choose an Amphitheater school that is close to your home or identify a school based upon the financial needs of its student population.

You might also target a certain type of activity or specific grade levels.

If you want to donate to a school or an activity where not all parents can afford to contribute, you may do this.

Who decides how Tax Credit monies are actually used?

Schools must use tax credit monies for both the school and the purpose intended by the taxpayer. If you direct a contribution to a specific school or a specific program in Amphitheater, that is where the money will be used. Period.

Where schools receive contributions that are not designated for a specific purpose, the site council for the school must determine how the contributions should be used at the school site. The site council is composed of parents, teachers, other school employees and local community members.

If a school does not have a site council, the principal of the school must determine how undesignated contributions will be used.