

## Win-Win: Taxpayers Reduce Tax Bills, Students' Activities Benefit

Reduce the amount of money you owe or increase your refund for your Arizona State income tax by making a contribution to qualifying activities such as athletics, arts, or other after-school programs and claiming the extracurricular tax credit. Your generous contributions help students become involved in fun, meaningful and life-enhancing activities. The funds go directly to the schools and programs you designate - not to the state or school district.

### Q: What is a tax credit?

**A:** A tax credit is a dollar-for-dollar reduction in the actual tax owed. Qualifying contributions (up to \$200 for individuals and up to \$400 for married couples filing jointly) can be claimed on personal Arizona income taxes to reduce the amount owed or increase the refund.

Joe and Mary Smith owe \$1,000 in State income tax for 2007. They donated \$400 to Erie Elementary to support field trips. The Smiths reduce the amount they owe in State tax to \$600.

Fees paid directly to a public school or school district in support of extracurricular activities or character education, qualify for the tax credit, according to Arizona tax law (ARS § 43-1089.01).

### Q: Tax credit, tax deduction...what is the difference?

**A:** A **tax deduction** allows you to subtract the amount of a contribution from the amount of your taxable income.

If your taxable income for 2007 was \$49,000 and you have \$ 6,000 of tax deductions, your taxable income would be reduced to \$ 43,000.

Although donations to public schools have been tax deductible in previous years, a **tax credit** allows the contributor to subtract the amount of the qualifying tax credit from the money owed for state taxes.

Using the same income from the previous example, the taxable income is \$49,000. An individual happens to owe \$500 in State taxes for 2007. With a \$200 donation to a Chandler school, he can use the tax credit to reduce his State taxes to \$300.

### Q: I don't owe the state or am entitled to a refund...will I still benefit ?

**A:** Yes, an Arizona taxpayer can go from owing the State money to receiving a refund or increasing their refund through their Arizona tax return.

Mandy Johnson owes \$100 for her 2007 Arizona State taxes. She contributes \$200 to Humphrey Elementary in support of their character education programs. Instead of owing the State \$100, she receives a \$100 refund through her tax return.

Mr. and Mrs. Madison live in Prescott, but wish to support their grandson's talent for the saxophone by contributing \$400 to the Willis Junior High band. The Madisons would have received a \$700 refund from the State, but their contribution increased their refund to \$1,100.

Please consult your tax advisor to determine the application of the tax credit for your particular situation.

### Q: Who can contribute?

**A:** Any Arizona taxpayer can make a tax credit donation, regardless of whether or not they have children in school or live in the Chandler Unified School District. Contributions from businesses are welcome and are deductible, but cannot be used to claim a tax credit.

### Q: What does my contribution pay for?

**A:** School tax credit donations help pay for qualifying extracurricular activities (as defined in ARS §15-342.24 and ARS § 15-719). Activities such as tutoring, sports, visual and performing arts, special programs, field trips, character education, clubs or outdoor education can be funded with tax credit money.

### Q: Can I choose who or what my contribution benefits?

**A:** Yes. You can designate the allocation of your contribution, provided you do so at the same time you contribute.

### Q: How can I contribute?

**A:** Earning the tax credit is easy...and you can do it today!

➤ Complete the form on the back of this page.

-or-

➤ To contribute online, navigate to:

<https://chandler.mytechsupport.com/eca/>