

2016 Credit for Contributions To Qualifying Charitable Organizations

Arizona Form 321

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 Instructions

NOTE: You *must* also complete Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture, and include Forms 301 and 321 with your tax return to claim this credit.

Arizona law provides a credit for cash contributions made to certain charities that provide assistance to residents of Arizona who either receive Temporary Assistance of Needy Families (TANF) benefits, are low income residents of Arizona, or are children who have a chronic illness or physical disability.

For taxable years beginning from and after December 31, 2015, Arizona law provides a **separate credit**, on Arizona Form 352, for cash contributions made to **qualifying foster care charitable organizations**.

CAUTION: A contribution to a qualifying foster care charitable organization does **not** qualify for, and **cannot** be included in, a credit claimed on Form 321 for cash contributions made to a qualifying charitable organization.

If you made cash contributions to a qualifying foster care charitable organization, you **must** complete Form 352 to claim a credit for those contributions. Do not use Form 321 to claim a credit for contributions made to qualifying foster care charitable organizations.

This credit is available **only** to individuals. Corporations may not claim this credit. A partnership may not pass the credit through to its partners. An S corporation may not pass the credit through to its shareholders.

Beginning 2016, credit eligible contributions made to a qualifying charitable organization from January 1, 2017, to April 18, 2017, may be used as a tax credit on either your 2016 or 2017 Arizona income tax return.

If you claim this credit in 2016 for a donation made from January 1, 2017, to April 18, 2017, you must make an adjustment on your Arizona Form 140 Schedule A; or Form 140PY Schedule A(PY) or A(PYN); or Form 140NR Schedule A(NR), filed in 2017.

The maximum amount of credit that a taxpayer can establish for the current taxable year for these donations is \$400 for single taxpayers or heads of household. For married taxpayers filing a joint return, the maximum amount of credit that a taxpayer can establish for the current taxable year is \$800. In most cases, for married taxpayers who file separate returns, each spouse may claim only **one-half** (1/2) of the total credit that would have been allowed on a joint return.

NOTE: The maximum amount of credit established for the current taxable year does **not** include any unused valid carryover amount(s) from prior taxable years. Because this is a nonrefundable credit, the total amount of available credit [current year plus any valid carryover amount(s)] that a taxpayer may use for the taxable year cannot be greater than the tax liability shown.

If the allowable tax credit is more than your tax or if you have no tax, you may carry the unused credit forward for up to the next five consecutive taxable years' income tax liability.

You cannot claim both a tax credit and an itemized deduction for the amount of contributions made to a qualifying charitable organization for which you are claiming a credit.

You may qualify for this credit if you make cash contributions to a qualified charity through an Umbrella Charitable Organization (UCO). An UCO is a charitable organization that collects donations on behalf of member charities and directs that donation as designated by the taxpayer to a qualifying charitable organization that is certified by the department.

In this case, 100% of the donation to a specific qualifying charitable organization or to a specific fund of the UCO must be distributed to a qualifying charitable organization that is certified by the department.

The UCO will need to provide you with a receipt for your donation that specifies the qualifying charity or fund to whom the donation is designated and certifies that 100% of the donation will be distributed to the named charity. If a fund is designated then the receipt should certify that 100% of the fund is distributed to a qualifying charity that is certified by the department.

NOTE: You may be able to make contributions to these charities through your payroll withholding. Contact your employer and ask if they can withhold contributions for this credit from your pay.

For more information about this credit, see the department's publication, Pub 710, *Credit for Contributions to Qualifying Charitable Organizations*.

What is a Qualifying Charitable Organization?

A qualifying charitable organization (charity) is a charity that is exempt from federal income tax under Internal Revenue Code (IRC) § 501(c)(3). A qualifying charity is also a charity that is a designated community action agency that receives

Community Services Block Grant Program money under the United States Code, Title 42, Section 9901. The charity must spend at least 50% of its budget on services to Arizona residents who receive Temporary Assistance for Needy Families benefits, who are low income Arizona residents, or who are chronically ill or physically disabled children.

For the purpose of this credit, qualifying services are services that meet the recipient's immediate basic needs. The services must be provided and used in Arizona. Services that meet these needs include cash assistance, medical care, childcare, food, clothing, shelter, job training, and job placement services.

How Can I Tell if a Charity Qualifies?

In order to qualify, a charity must provide the Department with written certification that it meets the criteria necessary to be considered a qualifying charity. To see if a particular charity qualifies, visit the department's website and click on *Tax Credits* to see a list of the qualifying charities.

Line-by-Line Instructions

Enter your name and Social Security Number (SSN) as shown on Arizona Forms 140, 140PY, 140NR, or 140X.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for an individual is the taxpayer's SSN or an Internal Revenue Service (IRS) individual taxpayer identification number (ITIN). Taxpayers that fail to include their identification number may be subject to a penalty.

Part 1 - Current Year's Credit

Lines 1, 2 and 3 -

Enter the following information for each qualifying charitable organization for which you made cash contributions or paid fees from January 1, 2016, through December 31, 2016:

- name of the qualifying charitable organization,
- location of the qualifying charity (city and state), and
- amount of cash contributions made from January 1, 2016, through December 31, 2016.

If you made qualifying cash contributions to a second and third qualifying charity, complete line(s) 2 and 3.

If you made qualifying cash contributions to four or more qualifying charities, complete an additional schedule. The schedule should show the same information required on lines 1, 2 and 3 for each of the additional qualifying charitable organizations to which you made cash contributions.

Line 4 -

Add the amount of qualifying cash contributions listed on lines 1 through 3, and any additional schedule. Enter the total on line 4.

Lines 5, 6, and 7 -

For calendar year filers - Because April 15, 2017, falls on a Saturday and District of Columbia Emancipation Day will be observed on April 17, 2017, you have until Tuesday, April 18, 2017, to make a contribution and claim a credit for that amount on your 2016 tax return.

Enter the following information for each qualifying charitable organization for which you made cash contributions from January 1, 2017, through April 18, 2017, for which you are claiming a credit on your 2016 tax return.

- name of the qualifying charitable organization,
- location of the qualifying charity (city and state), and
- amount of cash contributions made from January 1, 2017, through April 18, 2017.

If you made qualifying cash contributions to a second and third qualifying charity, complete line(s) 6 and 7.

If you made qualifying cash contributions to four or more qualifying charities, complete an additional schedule. The schedule should show the same information required on lines 5, 6, and 7 for each of the additional qualifying charitable organizations to which you made cash contributions.

Line 8 -

Add the amount of qualifying cash contributions listed on lines 5 through 7 and any additional schedule. Enter the total on line 8.

Line 9 -

Add lines 4 and 8. Enter the total.

Line 10 -

Single taxpayers and taxpayers filing as head of household enter \$400. Married taxpayers enter \$800.

Line 11 - Current Year's Credit

Enter the smaller of line 9 or line 10. If you are married filing a separate return, but you could have filed a joint return, you may take only 1/2 of the total credit that you and your spouse would have been allowed to take on a joint return, up to a maximum of \$400. In this case, enter 1/2 of the smaller of line 9 or line 10.

Part 2 - Available Credit Carryover

NOTE: If you have a carryover amount from a prior year for cash contributions made to a qualifying foster care charitable organization for which you claimed a credit on Form 321, you **must** claim the carryover amount on Form 321.

Do not claim any carryover amount on Form 352 from contributions made to qualifying foster care charities and claimed on Form 321 in prior years.

Lines 12 through 17 -

Use lines 12 through 17 to figure your total available credit carryover from taxable years 2011 through 2015. Complete lines 12 through 17 if you claimed this credit on a return for one of these years and the credit was more than your tax.

NOTE: *You may carry over only that portion of the credit that you do not apply to tax. You cannot carry over any amount that you gave that was more than the maximum amount allowed as a credit.*

For example: During 2016, Mary, a single person, gave \$600 to a qualified charity that provides services to the working poor. For 2016, Mary is allowed a maximum credit of \$400. Mary's 2016 tax is \$250. Mary can apply \$250 of the credit to her 2016 tax liability and carryover \$150 of the unused \$400 credit to 2017.

Mary cannot claim any credit for the \$200 gift that was more than the allowable credit for cash contributions made to the qualifying charity that provided services to the working poor (\$600 minus allowable credit of \$400).

- In column (b), enter the credit originally computed for that taxable year listed in column (a).
- In column (c), enter the amount of the credit from that taxable year which you have already used.
- In column (d), subtract the amount in column (c) from column (b) and enter the difference.
- Add the amounts entered on lines 12 through 16 in column (d).

Enter the total on line 17, column (d).

Part 3 - Total Available Credit

Lines 18 through 20 -

Use lines 18 through 20 to figure your total available credit for the taxable year.

Line 18 -

Enter the amount from Part 1, line 11. Also, enter this amount on Arizona Form 301, Part 1, line 12, column (a).

Line 19 -

Enter the amount from Part 2, line 17, column (d). Also, enter this amount on Arizona Form, Part 1, line 12, column (b).

Line 20 - Total Available Credit

Add line 18 and line 19. Enter the total. Also, enter this amount on Form 301, Part 1, line 12, column (c).