

# Arizona Tax Credit Scholarship Program – Insurance Premium Tax



AAA Scholarship Foundation (AAA) is a 501 (c)(3) nonprofit organization and state approved Scholarship Tuition Organization (STO) that exclusively serves eligible low-income and disabled children through the Arizona Tax Credit Scholarship Program, which allows any company that pays Arizona insurance premium tax to redirect up to 100 percent of its tax liability to AAA in order to fund K-12 education scholarships for eligible, low-income children. **It costs you NO extra dollars** – the legislature has made it possible for your company to earmark up to 100 percent of its state insurance premium tax liability to fund low-income student scholarships or designate the redirection specifically for scholarships for displaced (foster care) and disabled students.

## Reserving your state tax credit

The process to enroll is very simple. Once you have determined the amount, contact the AAA team as by law we must submit the application to the AZ DOR on your behalf. We will need your company's name, EIN #, amount you wish to donate and contact information. We will send you a copy of the one-page application to approve before we submit to the AZ DOR asking for approval for the credit. You may apply more than once for credits during the year for a maximum of 100 percent of your net state insurance premium tax. If the program cap has not been met, the AZ DOR will approve the request within 20 days. It's important to remember that the approval process does not oblige you to remit the funds to AAA-it is merely a way for the DOR to ensure that the annual maximum (\$107 million for 2019) in tax credits is not over-subscribed.

## Remitting your payment to AAA

Once the AZ DOR approves your request, we will send you a copy of the approval letter, a payment reminder and remittance instructions. You can remit that amount directly to AAA via check, wire or ACH. Payments must be made within 20 days of your DOR approval.

## How your estimated tax payments are affected

If your company had a premium tax liability of \$2,000 or more, it must pay estimated tax "installment" payments to the AZ DOI during the subsequent year under ARS § 20-224(E). First year participation in the tax credit scholarship program has no affect on these required installments due to the required "look-back" method of determining the amounts due. However, it may have a very positive affect on subsequent year installments because the tax credit can be "netted" against the liability in determining the installments. For more information on how the tax credit may lower your company's estimated tax installment payments, please contact Kim Dyson at 888-707-2465.

## The official acknowledgement for your remittance

Once the remittance is received, AAA will promptly return an acknowledgement for each remittance (known as a Certificate of Contribution) to your company. It will list the name of the company remitting the funds, the company's tax ID number, the amount of the remittance and the date of the remittance (please remember that the payment must be made within 20 days of the DOR approval date). Your company should retain the Certificate of Contribution in order to attach a copy to your state tax return.

## Taking the credit on your tax return

For insurance premium tax purposes the remittance is treated as a credit against insurance premium tax. To claim the credit, your company must complete Form E-TC within Form E-TAX.

## Unused credits can be carried forward for 5 years

If your company determines that you have insufficient tax liability to take the full credit (amount remitted is greater than 100 percent of net tax liability), it may carry the credit forward for up to five years.



AAA Scholarship Foundation Inc. (AAA Scholarship) has earned the Arizona Scholarship Foundation's 2019 Seal of Transparency, the highest level of recognition offered for transparency, the world's largest source of research information.

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