

# Arizona Tax Credit Scholarship Program – Corporate Income 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 corporate income 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 corporate income 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 corporate income 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 (\$123 million for 2020) in tax credits is not over-subscribed.

## Remitting your payment to a STO

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.

## 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 state income tax return

A company using the "general" or "standard" method of determining its estimated quarterly payments should net the remittance amount from its state tax liability (after the application of any other allowable credits). For state income tax purposes the remittance is treated as a credit against state income tax. List the credit on Arizona Form 120 and file it along with Forms 300 and 335. *Please note that any state tax liability remaining after the remittance is netted should be paid as normal estimated tax payments to the Arizona DOR.*

## 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.



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