

Public School Tax Credit Donation

The following education article was written by guest writer, Dean White, of Badowski & White Certified Public Accountants, LLC., giving an accountant's perspective on Arizona's Tax Credit Program with regards to public schools:

If you forgot to make your public school tax credit donation for 2015, it's not too late. Gov. Doug Ducey signed a new law that moves the deadline for tax credit donations to public schools from Dec. 31 to April 15th. The new deadline goes into effect for 2015 tax year.

Tax credit donations are a great way for parents and all taxpayers to pay for children's sports and band programs in their local schools. The credits must be used for extracurricular activities or other programs outside the classroom. Ducey also signed a law that will allow parents to use tax credits to pay for SAT and AP testing fees. You can specify the program you would like your contribution to support, or leave it to the discretion of the school district.

Taxpayers who donate to this tax credit program are limited to \$200 per individual or \$400 for a married couple filing jointly. A tax credit means you will get a dollar-for-dollar reduction in your state income tax liability. If you happen to donate more than your AZ tax liability, the difference can be used as a credit against state income tax in future years.

Taxpayers who donate tax credit money can also deduct the donation as an itemized deduction on their federal tax returns. Let's do the math to understand the benefit of a donation AND a tax credit. You get a dollar-for-dollar credit on your state income tax return, AND you get to deduct the amount as a charitable donation on your federal return. If, for instance, you fall into the 25% federal tax bracket, and you make a \$400 donation as a married couple, you get all \$400 back as a state credit, AND you reduce federal income taxes by \$100 ($\$400 \times 25\%$). In essence, you get paid \$100 to make a tax credit donation!

So, if you forgot to contribute for 2015, make your tax credit donation now to help our local schools fund extracurricular programs. You will get the tax credit on your 2015 state tax return. You will need to wait until 2016 to take the federal charitable deduction, as only the tax credit is allowed to be used on your 2015 return.