



Understanding Arizona Tuition Tax Credits

SCHOOL TUITION ORGANIZATION (STO)

- An STO is a non-profit organization that accepts tax credit donations and distributes them as tuition scholarships.
- Scholarship awards from the STO are sent to the school directly in the name of your student.
- Financial circumstances must be considered for all scholarship awards. Each STO can take into consideration other factors when making awards, such as:
 - Donors may recommend your student to be considered for the award.
 - Income
 - Narrative
 - Special Circumstances Letter
- EACH STO has its own procedures, application, due dates, and award periods.
- Applications are submitted once a year and remain valid for that current school year. **(A new application is required each year)**
- Students may receive multiple scholarship awards from more than one STO. **

STO FACTS

- A school tuition organization cannot award, restrict, or reserve scholarships solely on the basis of a donor's recommendation.
- A taxpayer may not claim a tax credit if the taxpayer agrees to swap donations with another taxpayer to benefit either taxpayer's own dependent. A.R.S. 43-1603 (C).
- Any designation of your own dependent as a potential recipient is prohibited.
- The typical procedure followed when applying for a scholarship is to submit an application by the required deadline, then wait to see if your student receives an award. If an award is received, you will be notified directly by the STO.
- Each Parent/Family seeking donations for their children should also be a donor.

There are two types of tax credits, **Individual** and **Corporate**.

INDIVIDUAL TAX CREDIT PROGRAM

- Any Arizona taxpayer may donate and receive a **dollar-for-dollar credit** on their state tax liability. We encourage our families to take advantage of this tax credit program and designate GCA for their tax credit donation.
- Donors may recommend a specific student if the STO allows it.

** However, there are some STO's that are "exclusive", which means if an award is accepted from them, an award cannot be accepted from any other STO. None of the STO's listed on the Scholarship Opportunities page are "exclusive" STO's.

- Your tax credit donation may also be considered a charitable deduction on your Federal Tax return if you qualify. Please check with your tax preparer.

Donor Maximums		
	Single	Married
2023 Original	\$655.00	\$1305.00
2023 Overflow	\$652.00	\$1301.00
2023 TOTAL	\$1307.00	\$2609.00

There are two components to the Individual Tax Credit: **Original** and **Overflow PLUS/Switcher**.

ORIGINAL TAX CREDIT

Any Arizona student enrolled in a private (K-12*) Arizona school qualifies to receive this scholarship.

*Pre-K students with an MET or IEP from an Arizona public school (a 504 plan does not meet this requirement) attending an Arizona private school that offers specific services for the disability listed in the MET/IEP are also eligible to receive this scholarship.

OVERFLOW (PLUS OR SWITCHER) TAX CREDIT

Students enrolled in private school and meeting **ONE** of the following are eligible for this scholarship:

- The student attended an Arizona public or charter school for at least 90 days, or a full semester, in the prior school year, then transferred to a private school.
- The student is currently enrolled in Kindergarten at a private school.
- Pre-K students with an MET or IEP from an Arizona public school (a 504 plan does not meet this requirement) attending a private school that offers specific services for the disability listed in the MET/IEP.
- The student is a dependent of a member of the U.S. Armed Forces who is stationed in Arizona under military orders.
- The student previously received an Overflow or Corporate scholarship award in a previous year, and has attended private school continuously since receiving the award.

There are two components to the Corporate Tax Credit: **Low Income** and **Disabled/Displaced**.

CORPORATE TAX CREDIT PROGRAM

- Low income and Disabled/Displaced scholarships are available.
- Arizona corporations filing taxes as S Corps, C Corps, or AZ insurance companies which pay premium tax, may donate. A cap for corporate donations exists.
- Donations may be designated for a school.
- Student recommendations are NOT allowed.
- During 2022-23, the Corporate Low Income award limit per student per STO will be \$5,900 for PK-8th grade.

2023-2024 Arizona Corporate Scholarship Income Limits	
Household Size	Annual Gross Income Maximums for AZ Low-Income Corporate Tax Credit Scholarships
1	\$49,900
2	\$67,492
3	\$85,083
4	\$102,675
5	\$120,267
6	\$137,858
7	\$155,450
8	\$173,042
Each Additional Person	+\$17,592

Low Income:

Scholarships are for eligible students who are enrolled in an Arizona private school and:

1. Fall within the state mandated income limit (see chart). Each year the figures are updated in the spring for the following year.

AND

2. The student attended an Arizona public or charter school for at least 90 days, or a full semester, in the prior school year, then transferred to a private school.

OR

The student is currently enrolled in Kindergarten at a private school. Pre-K students with an MET or IEP from an Arizona public school (a 504 plan does not meet this requirement) attending a private school that offers specific services for the disability listed in the MET/IEP also qualify.

OR

The student is a dependent of a member of the U.S. Armed Forces who is stationed in Arizona under military orders.

OR

The student previously received an Original, Overflow, or Corporate Scholarship award in a previous year, and has attended private school continuously since receiving the award.

Disabled/Displaced:

- Disabled- These are scholarships for students who have received an IEP/MET or 504 Plan issued by an Arizona public school.
- Displaced – These are scholarships for students who are, or have ever been, placed in the Arizona Foster Care System any time before the student graduates from high school.

EMPOWERMENT SCHOLARSHIP ACCOUNT (ESA)

An ESA is an account administered by Arizona Department of Education that is funded by state tax dollars to provide educational options for qualified Arizona students. By opting out of the public school system, parents can seek a range of alternative educational services, such as private school or home-based education, to tailor an individualized educational plan that is best for their child.

Empowerment Scholarship Account – www.azed.gov/esa

- Families who accept ESA scholarships **cannot** use any tax credit scholarship funds. **
- ESA may also apply to students who have an active military parent, have been a ward of the court, reside on a Native American Reservation, or attended a D or F rated school. For more information, visit www.azed.gov/esa.

** However, in their first year of eligibility for tax credit scholarships (even if accepting an ESA contract), families should apply to ACSTO to receive a “nominal” Overflow/PLUS award. While these funds cannot be accepted by GCA while the student is accepting ESA funds, this will preserve eligibility for Overflow/PLUS and/or Corporate scholarships should a family decide to stop using ESA funds.