

# Arizona Tax Credits - 2025 12/20/25

- ❖ Taxpayer may direct a portion (or all) of their state income tax owed to qualified charities, schools and tuition organizations rather than the AZ Department of Revenue.



# AZ Tax Credit Basics

- **Non-Refundable**

- Tax credit(s) used cannot exceed the state tax liability.
  - Shown on Line 33 of AZ Form 301 (in TY24).

- **Approved Charities**

- Several categories of charities are approved by Arizona:
  - Separate tax form is used for each category.
- Charity must be approved for the year of the contribution.

# AZ Tax Credit Basics – contribution limits

- **Contribution limits:** by category and filing status
  - Contributions used up to the limit for **each** category.
  - Contributions over the established limit for **each** category are considered general charitable contributions (enter on schedule A).
  - Contributions must be cash (no non-cash contributions).
  - Limits are usually updated and changed every tax year.

# AZ Tax Credit Basics - carryovers

**Carryovers are created after the tax liability is met:  
(and are capped by the limits of each credit category)**

- Carryover must be used within a maximum of five years.
- TaxSlayer calculates carryover by category, but AZ DOR treats the carryover as one amount.
- The amount of carryover used cannot exceed taxes owed.

# AZ Tax Credit Categories and Limits

Form #	Form Title	Contribution Limits TY25	
		S, HoH, MFS	MFJ
<b>321</b>	Qualified Charitable Organization (QCO)	\$495	\$987
<b>322</b>	Contributions or Fees to Public Schools	\$200	\$400
<b>323</b>	Private School Tuition Organization (STO)	\$769	\$1,535
<b>348</b>	Certified School Tuition Organization	\$766	\$1,527
<b>352</b>	Qualified Foster Care Organization (QFCO)	\$618	\$1,234
<b>340</b>	Military Family Relief Fund	\$200	\$400

Do not enter more than the contribution limits (shown above) except for Form 323 & Form 348. Contributions more than the above limits are entered as Federal Schedule A Charitable Donations. Refer to the Cactus Guide for more information.

# 321 Qualified Charitable Organizations (QCO)

- Requires a charity code (5-digits)
  - [AZDOR](#) *(click link to go to code listings)*
  - AZ Tax-Aide > Tax Preparation > AZ Tax Credits.
  - Codes may change each year. Always verify the code.
  - Verify code is appropriate for contribution year.  
Charities are added and removed every year
- More than 1,200 qualifying charities in 2025.

# 322 Contributions or Fees Paid to Public Schools

- Requires a 9-digit CTDS code
  - [AZDOR](#) (*click link to go to code listings*)
  - AZ Tax-Aide > Tax Preparation > AZ Tax Credits.
- 9-digit CDTs Code must be for the specific school, not the school district.
- Receipt must label contribution as an AZ Tax Credit or show the purpose of the contribution.

# 322 Contributions or Fees Paid to Public Schools

- Only applicable to public & charter schools, K – 12.
- Allowable contributions include:
  - Extracurricular activities, i.e., band, sports, event trips.
  - Standardized testing fees or courses for such tests.
  - CPR training.
  - Playground equipment, shade structures, school meals programs, health care supplies or capital items.

# 323 Private School Tuition Organizations & 348 Certified School Tuition Organizations

- Must verify the organization is on the approved list.  
There is no assigned code.
  - AZ Tax-Aide > Tax Preparation > AZ Tax Credits or [AZDOR](#)
- Verify the contribution date is within the range of dates listed.
- If the contribution is outside the date range, it does not qualify for an AZ Tax Credit.

# **323 Private School Tuition Organizations & 348 Certified School Tuition Organizations**

- If the contribution exceeds the Form 323 limit, enter the total contribution amount on both Form 323 and Form 348, (not to exceed the combined total of the two credits).
- Contributions made to a specific private schools do not qualify.

# 352 Qualified Foster Care Organizations (QFCO)

- Requires a charity code, 5-digit
  - AZDOR
  - AZ Tax-Aide > Tax Preparation > AZ Tax Credits
  - Codes may change from year to year. Always verify code.
  - Verify code is appropriate for the contribution year. Charities are added and removed every year.
- Much shorter list than Form 321.

# 340 Military Family Relief Fund (MFRF)

- Requires a letter specifically stating a contribution applies.
- MFRF is not a charitable organization, so excess 340 contributions (over the limit) are **not** listed on Federal Schedule A.
- All contributions are limited to the Tax Year (2025).
- Neither current year (2026) nor prior year (2024) (January-to-April) contributions can be entered.

# AZ Tax Credits – current and prior year contributions

- **Contributions used as AZ Tax Credits are considered *State Taxes Paid* on the federal return:**
  - Federal entries for “state taxes paid” match the calendar year, and not the year AZ tax credits are used on the AZ return.
    - Contributions paid Jan 1 to Apr 15, 2026, will go on the **2026** federal return as “State Taxes Paid”.
    - Counselor must determine if contributions paid Jan 1 to April 15, 2025, were used previously on 2024 AZ tax return. **Do not duplicate their use.**

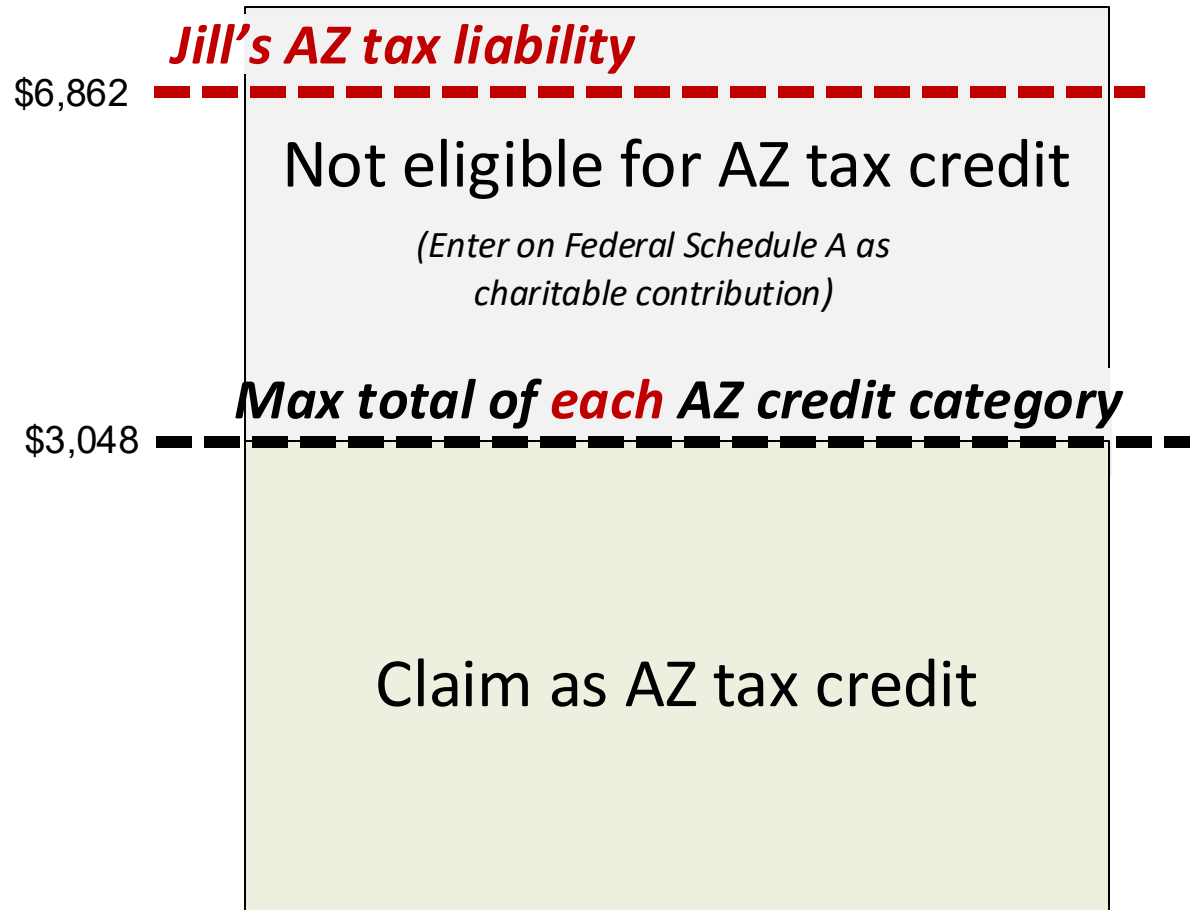
# AZ Tax Credit -- Receipts

- **Receipts** are required from the charity stating the date and amount of the contribution (**AZ DOR requirement**).
  - Be alert for summaries from charities that state a total for the year without contribution dates – each individual date must be known.
  - Ideally, the return is not transmitted until proof of the current year contribution receipt is verified.
  - Taxpayer may promise to make a current year contribution at tax preparation time.
  - If so, enter a **note** in TaxSlayer referencing the promise for verification next year, so that it is verified then.

# AZ Tax Credit Basics – carryovers

- **Carryovers are created after tax liability is met:**  
*(and are capped by the limits of each credit category)*
  - Carryover must be used within a maximum of five years.
  - Carryovers are considered *State Taxes Paid* on the federal return in the year in which the carryover is used.
  - The amount of carryover used cannot exceed AZ taxes owed.
  - Carryover is tracked by category within TaxSlayer, but AZ DOR treats them as one amount.

# Carryover Scenarios - 1

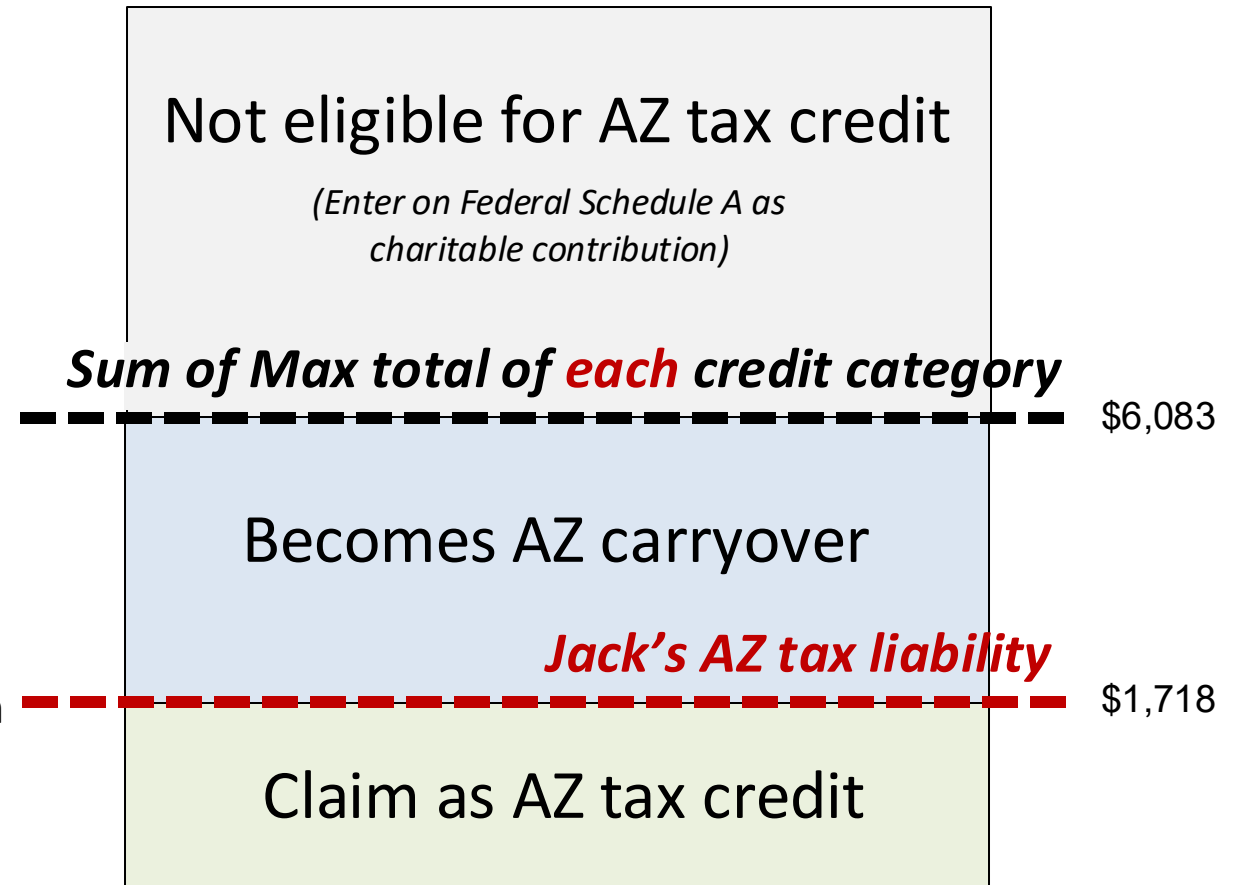


- Jill (single) has an AZ tax liability of \$6,862 before credits.
- Jill donated \$6,000 to AZ qualified organizations.
- Question: Can Jill deduct \$6,000 from her liability?
- Answer: **NO**, she can not.
- Why? Because **each** credit category has a maximum amount allowed. (\$3,048 total for all six in TY25)
- Enter the excess of **each** credit category on Federal Schedule A as a charitable contribution.

**Result: Jill has no carryover**

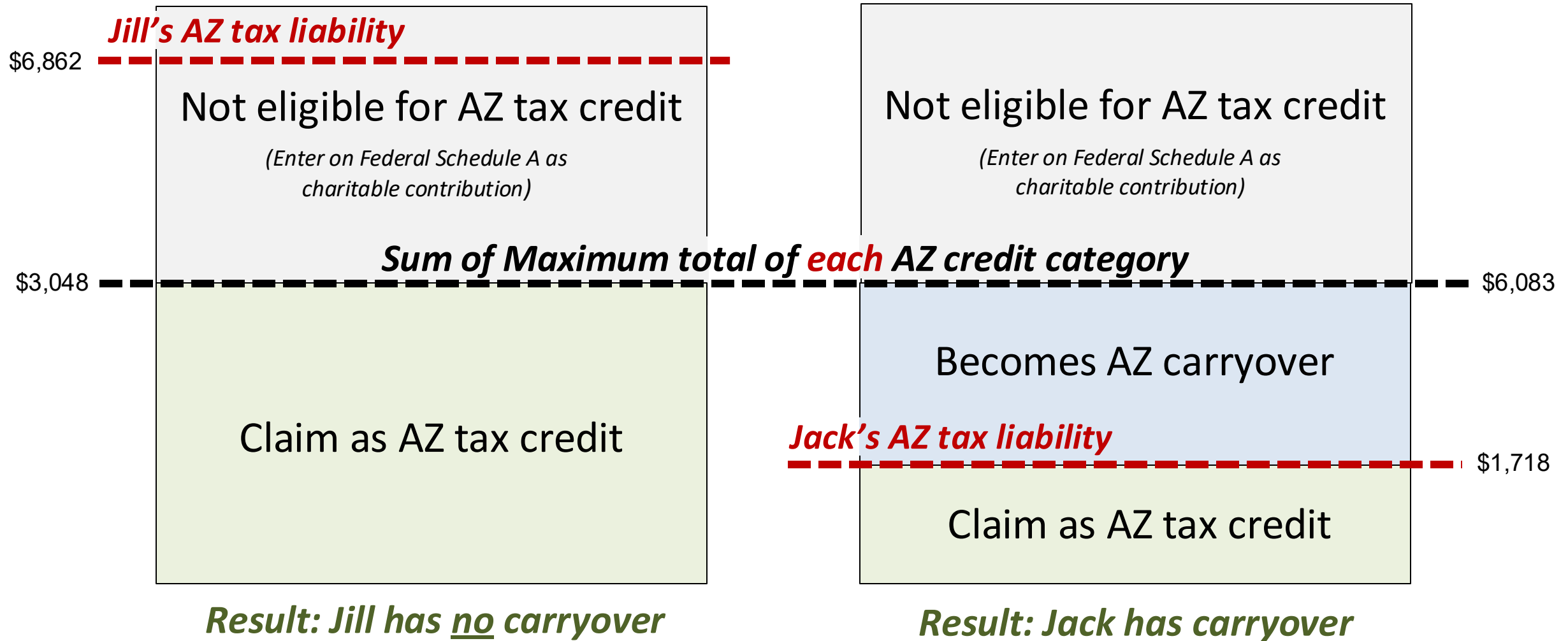
## Carryover Scenarios - 2

- Jack (MFJ) has an AZ tax liability of \$1,718 before credits.
- Jack donated \$7,000 to AZ qualified organizations.
- Question: Can Jack deduct the full \$7,000 and save the difference as a Carryover?
- Answer: **NO**, he can not.
- Why? Because AZ credits may be used only up to the tax liability. (\$1,718 for Jack)
- The difference between his tax liability and the maximum of **each** credit category is a Carryover.
- Enter the excess of **each** credit category on Federal Schedule A as a charitable contribution.



**Result: Jack has a carryover**

# Carryovers Scenarios - 3



# TaxSlayer Entries for AZ Tax Credits

- **Entry processes are different depending:**
  - Standard Deduction for both Federal and Arizona.
  - Itemized deductions for either Federal or Arizona.

# TaxSlayer input of AZ Tax Credits

- **Prepare the federal return:**
  - Enter all income and adjustments.
  - Enter cash and goods contributed as charitable deductions:
    - Any CASH not reported as an AZ Tax Credit.
    - Any CASH above the maximum limit (per form) of any AZ Tax Credit, (except Form 340, which is not a charity).
    - Non-cash (goods) cannot be used as an AZ Tax Credit.

# TaxSlayer input of AZ Tax Credits

- **First prepare the basic Arizona return:**
  - Fill out appropriate AZ Tax Credit forms as applicable for the taxpayer contributions.
  - Enter ALL carryover information from previous years (check **notes**) which have not expired.
  - Verify dates of contributions and required codes, especially those in 2026.

# TaxSlayer input of AZ Tax Credits

- **Excess AZ Tax Credits for Tax Year**
  - Taxpayer can carryover an unused Tax Credit to use in future years (up to 5 years).
    - Enter a TaxSlayer **note** for the tax year(s) for each form showing the original amount contributed and the amount used.
    - TaxSlayer does not track or retain or calculate **any** carryover information about AZ Tax Credits. (a worksheet is helpful)
    - Preparer must enter a **note** to document the form, tax year, original amount and amount used.

# TaxSlayer input with **Standard Deduction**

- **Arizona standard deduction increase:**
  - To calculate the 34% AZ standard deduction increase, TaxSlayer deducts AZ tax credits from federal charitable contributions (excluding carryovers and current year contributions).
  - For accuracy, all federal charitable contributions and other entries should be made prior to this step.

## On TaxSlayer **Standard Deduction** page:

- **In the first box labeled:** (*“Additional Eligible Cash Charitable Contributions NOT claimed on the Federal Schedule A”*)
- **Enter the sum of all tax year contributions:**
  - Do not include contributions from 1/1 to 4/15/26 (current year), that were claimed on the 2025 AZ return.
  - Do not include carryover credits.
  - Do not include contributions from 1/1 to 4/15/25 (prior year), that were claimed on the 2024 AZ return.

# AZ Tax Credit Recheck - 1

- Federal charitable contributions and contributions in excess of **each** AZ Tax Credit category limit are entered on Schedule A.
- State taxes paid do not affect the federal standard deduction.
- A current year contribution (Jan 1 to April 15) may be used as AZ Tax Credit in either the tax year or current year.
- Contributions that qualify as AZ Tax Credits (for any year) are not entered as Federal itemized charitable deductions.

# AZ Tax Credit Recheck - 2

- TaxSlayer entries will be needed on either the Standard Deduction page or Itemized Deductions page of TaxSlayer.
- Returns with AZ Tax Credits which include carryovers, and current or prior year contributions, need to be verified by an Experienced or Quality Review Counselor(s).
- TaxSlayer **notes** must be used to document available carryover credits and the use of carryover worksheets is highly encouraged.

# QUESTIONS?

