



ARIZONA CHARITABLE TAX CREDIT INFORMATION

Q: What's the difference between a tax credit and a tax deduction?

A: Tax credits provide a dollar-for-dollar reduction of your income tax liability. Tax deductions lower your taxable income and are equal to a percentage of your marginal tax bracket. You cannot claim both a deduction and a credit for the same charitable contribution on your Arizona return.

Q: Do I have to itemize deductions on my tax return to take advantage of this tax benefit?

A: You do not have to itemize deductions to claim a credit for contributions to Qualifying Charitable Organization (QCOs).

Q: How does my gift to United Way qualify for the state tax credit?

A: Arizona law makes available an Arizona Charitable Tax Credit for cash contributions to a QCO or an Umbrella Charitable Organization (UCO), which is a charitable organization that may collect donations on behalf of member charities through a specific fund of the UCO when 100% of that fund is distributed to QCOs. United Way of Northern Arizona's fund is a UCO for purposes of the Arizona Charitable Tax Credit for Contributions to QCOs. In order to take advantage of this benefit with your donation to United Way of Northern Arizona, you must direct a portion of your gift (up to \$495 for individuals or \$987 for couples filing jointly) to the Arizona Charitable Tax Credit Fund.

Q: How are Arizona Charitable Tax Credit funds invested in our community?

A: Volunteers, knowledgeable about the needs in our community, carefully invest your contribution in programs run by QCOs to help families achieve a higher level of self-sufficiency by providing job-skills training, education, affordable childcare, transportation, food, clothing, and shelter.

Q: What happens if I don't owe taxes at the end of the year?

A: The Arizona Charitable Tax Credit for Contributions to QCOs may reduce your overall state tax liability and is not impacted by your tax withholdings during the year. If you withheld more than what you owed, the credit may result in an increase in your state tax refund.

Q: How do I document my contribution?

A: United Way of Northern Arizona will send you a letter confirming your contribution to the Arizona Charitable Tax Credit Fund which is eligible for the "Arizona Charitable Tax Credit for Contributions to QCOs". This letter documents your contribution and is necessary to support your tax credit. Payroll deductions also require a pay stub receipt. The QCD Code for donations made to the Arizona Charitable Tax Credit Fund is **20726**

Q: How do I file for the credit?

A: Although this is subject to change, currently there is a simple form (AZ Form 321) that is included with your state tax filing that you or your accountant will complete; please refer to a qualified tax advisor for more details and specific instructions. The form is included with materials provided by the State of Arizona to all state tax filers.