



## GUIDELINES FOR THE PUBLIC SCHOOL TAX CREDIT

An individual may claim a nonrefundable tax credit for making cash contributions or for certain fees paid to a public school located in Arizona for the support of the following purposes:

- a) Extracurricular activities
- b) Character education programs, defined in A.R.S. § 15-719
- c) Standardized testing fees for college readiness
- d) Assessment for career and technical preparation programs
- e) Cardiopulmonary resuscitation (CPR) training defined in A.R.S. § 15-718.01.

From and after **June 30,2019 through June 30,2024** individuals may claim a nonrefundable tax credit for making contributions or for fees paid for the support of:

- f) Acquiring capital items as defined in the Uniform System of Financial Records, including those items listed in section A.R.S. § Title 15-903, subsection C paragraphs 2 through 8
- g) Community school meal programs
- h) Student consumable health care supplies
- i) Playground equipment and shade structures for playground equipment.

To qualify for the credit, an individual must make contributions for qualifying expenditures per A.R.S. § 43-1089.01. The credit is equal to the amount of fees paid or cash contributions, not to exceed \$400 for married filing joint filers and \$200 for all other filing statuses.

The following information is intended to assist public schools in understanding their statutory requirements pertaining to tax credit monies. This publication provides general information about the school tax credit. For complete details, refer to Arizona Revised Statutes. In case of inconsistency or omission in this publication, the language of the Arizona Revised Statutes will prevail.

### QUALIFYING PROGRAMS OR EXPENDITURES:

#### EXTRACURRICULAR ACTIVITIES

Extracurricular activities are school sponsored optional activities or noncredit activities that may require enrolled students<sup>1</sup> to pay a fee in order to participate. The activities must supplement the school's education program. Activities can be offered before, during or after regular school hours. Such activities may include, but are not limited to, use of band uniforms, use of equipment or uniforms for varsity athletics, use of scientific laboratory equipment or materials, or in-state or out-of-state trips that are solely for competitive events. Extracurricular activities do not include any senior trips or events that are exclusively recreational, amusement or tourist activities.

Generally, any optional non-credit, activities that supplement the education program of the school are considered to be extracurricular activities per § 15-342 (24).



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#### DETERMINING IF AN EXTRACURRICULAR ACTIVITY IS TAX ELIGIBLE

The following questions are intended to assist schools in determining if an *extracurricular* activity is tax credit eligible based on yes or no answer to following eight questions. If the answer to any of the questions is **no**, then the extracurricular activity is not tax credit eligible. *(In accordance with A.R.S. § 15-342(24) and § 43-1089.01(H)(3))*

1. Is the activity sponsored by the school?
2. Is the activity for enrolled students?
3. Is the activity optional?
4. Is the activity non-credit?
5. Does the activity supplement the school's educational program?
6. If the activity fee is charged is it paid directly to the school?
7. If an activity fee is charged, was the fee for this activity adopted by the Governing Board at a public meeting after notice to all parents of enrolled students?
8. If an activity fee is charged, has the Governing Board authorized the principal to waive all or part of the activity fee if it creates an economic hardship for a student?

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#### CHARACTER EDUCATION PROGRAMS

A character education program is a program defined in A.R.S. § 15-719. Each school may develop its own course of study for each grade. At a minimum, the character education program must include:

- Instruction in the definition and application of at least six of the following character traits: truthfulness, responsibility, compassion, diligence, sincerity, trustworthiness, respect, attentiveness, obedience, orderliness, forgiveness, virtue, fairness, caring, citizenship and integrity.
- Use of activities, discussions and presentations to illustrate and reinforce the application of the character traits.
- Presentations by teachers or mentors who demonstrate the above referenced character traits.

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#### STANDARDIZED TESTING FEES FOR COLLEGE CREDIT OR READINESS

These are fees for testing paid directly to a school for the use of a widely recognized and accepted educational organization such as SAT, PSAT, ACT, advanced placement, international baccalaureate diploma test and other similar test that are recognized and accepted by colleges and universities in the United States. The fees include courses and materials used for standardized testing preparation.

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#### CAREER AND TECHNICAL EDUCATION (CTE) INDUSTRY CERTIFICATION ASSESSMENT FEES

Fees paid directly to a school for career and technical education industry recognized certification. An assessment means CTE preparation programs that provide students with a pathway to postsecondary education.



**ADDITIONAL QUALIFYING EXPENDITURES (FROM JUNE 30, 2019 THROUGH JUNE 30, 2024)**

CAPITAL ITEMS AS DEFINED BY A.R.S. TITLE 15. EDUCATION § 15-903

C. The capital outlay section of the budget shall include a subsection for unrestricted capital outlay. The unrestricted capital outlay subsection shall include budgeted expenditures for acquisitions by purchase, lease-purchase or lease of capital items as defined in the uniform system of financial records and shall include:

- 2. Furniture, furnishings, athletic equipment and other equipment, including computer software.
- 3. Pupil and nonpupil transportation vehicles and equipment, including all capital expenditures within a contract if the school district contracts for pupil transportation.
- 4. Textbooks and related printed subject matter materials adopted by the governing board.
- 5. Instructional aids.
- 6. Library books.
- 7. Payment of principal and interest on bonds.
- 8. School district administration emergency needs that are directly related to pupils.

Note: Number 1 under §15-903 section C is excluded per A.R.S. § 43-1089.01

COMMUNITY SCHOOL MEAL PROGRAMS

Community school meal programs are school meal programs that take place before or after the regular school day and are on school property.

STUDENT CONSUMABLE HEALTH CARE SUPPLIES.

Contributions must be monetary contributions for the purposes of schools purchasing consumable student health care supplies, donated supplies are not tax credit eligible. Consumable medical supplies are generally understood as non-durable supplies that cannot withstand repeated use and are usually disposable, they cannot be used by an individual in the absence of illness or injury<sup>ii</sup>.

PLAYGROUND EQUIPMENT AND SHADE STRUCTURES FOR PLAYGROUND EQUIPMENT.

Generally defined as an outdoor or indoor area featuring equipment designed for recreation and play<sup>iii</sup>.

**UNDESIGNATED FUNDS:**

UNDESIGNATED FUNDS:

Funds that were received at a school site that are not designated for a specific purpose. The site counsel shall determine how the contributions are used at the school site. If a charter school does not have a site council, the principal, director or chief administrator of the charter school shall determine how the undesignated funds are used at the school site.



#### RECLASSIFYING CONTRIBUTIONS/FEES TO UNDESIGNATED

The school site may reclassify contributions that were previously designated for a specific purpose or program under the following two conditions

1. The purpose or program has been discontinued
2. Or the program has not been used in 2 consecutive years

The site council (generally a group of parents, teachers and classified employees that work with the school officials to make decisions) of each individual public school that reclassifies contributions to undesignated shall determine how the contributions are used. If a charter school does not have a site council the principal, director or chief administrator of a charter school shall determine how the contributions are used.

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#### MOVING FUNDS WITHIN SCHOOLS (FROM AND AFTER JUNE 30, 2019 THROUGH JUNE 30, 2024)

The site council may transfer undesignated contributions as defined above to any school within the same school district.

#### FEES FOR PROGRAMS

A fee is a dollar amount paid directly to a public school for the support of extracurricular activities. A fee is no longer required for an activity to be eligible. If a fee is charged then the following requirements must be met to be considered tax credit eligible.

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#### ADOPTING FEES

If an extracurricular activity fee is charged, the fee must be adopted by the Governing Board at a public meeting after a notice is given to all parents of students enrolled in the district. See A.R.S. § 15-342(24). Districts typically adopt a fee schedule near the beginning of the school year and may later publish supplementary fee schedules. Best practice is for any extracurricular activity fees, including fees for field trips, to be included on the district's published fee schedules. Activity fees that have not been properly noticed or adopted by the Governing Board are not tax credit eligible.

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#### WAIVING FEES

The Governing Board must authorize principals to waive all or part of the fee if it creates an economic hardship for a pupil. In practice, the school's site council may choose to use undesignated tax credit donations to pay for the activity fees of students for whom payment would represent an economic hardship. Thus, for an activity fee to be tax credit eligible, other funding sources (such as other fund raising or the use of undesignated tax credit donations approved by a site council) must be available to allow a student with economic hardship to participate in the activity.



## REQUIREMENTS FOR SCHOOLS

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### RECEIPTS TO TAXPAYERS

A taxpayer needs a receipt in order to claim a tax credit. The receipt needs to include the school site CTDS number (County Code, Type Code, and District Code & Site Number), public school name, school district name, taxpayer name and address, amount contributed or fees paid, date contributed or paid, and a description of the extracurricular activity, program or purpose being supported.

### REPORTING TO THE DEPARTMENT OF REVENUE

Every school must submit a report by February 28 each year, on a form prescribed by the department, showing the number of donors, the dollar amount of fees paid and contributions received and the amount spent by extracurricular activity or program or purpose.

A separate form should be submitted with the required information for each school within the district or charter holder. A report must be submitted even if the school did not receive any cash contributions. The reported amount should only include public school tax credit monies and exclude any other private donations.

### TIME PERIOD OF REPORTS

The report should be based on fees and contributions received and spent from January 1 through December 31 and not the amount spent during the school fiscal year. The amount spent in a calendar year should also include the use of unspent monies carried over from a previous calendar year.

For contributions made after December 31 but on or before April 15, the taxpayer has the option to claim the tax credit in either the previous tax year or in the year the contribution was made. However, public schools will continue to report the total amount received and spent from January 1 through December 31. The school must issue a tax credit receipt with the date the contribution was made or fees paid. There is no reason for schools to ask the taxpayer the tax year they intend to claim the credit.

### REPORTING HOW FUNDS ARE SPENT

The report form includes a list of 16 categories of extracurricular activities or programs that are most commonly used based on information collected over the last several years. Although the extracurricular activity for your district might have a unique name, list the amount spent that best describes the activity from these **16 categories**. The categories are: 1) athletics or sports, 2) field trips, 3) clubs, academic competitions or comparable extracurricular programs, 4) music, band, choir, orchestra, fine arts or performing arts, 5) after school enrichment or tutoring programs, 6) extended kindergarten programs, 7) non-credit summer programs, 8) drivers education programs, 9) character education programs, 10) standardized testing for college credit or readiness, 11) assessment for career and technical preparation



programs and 12) CPR training 13) capital items 14) community school meal programs 15) consumable healthcare supplies 16) playground equipment/shade structures.

The amount spent should be based on the extracurricular activity or purposes categories noted above and not by the type of expenses made for these activities. Furthermore, undesignated contributions must be reported by the 16 categories noted above instead of being reported as *general* or *undesignated*.

DIRECTIONS FOR FORM 10621

The Public School Report (Form 10621) can be downloaded and submitted at the one of the email addresses listed below, find fillable form at [azdor.gov/forms/other-forms](http://azdor.gov/forms/other-forms) - **10621** and click on “Public School Report”

FILLING OUT FORM 10621

LINE	ENTER	HELPFUL HINTS
1	school site CTDS number	Enter in the school site CTDS number (County Code, Type Code, District Code & Site Number)
2-6	school site information	Please use your full school name, do not use abbreviations
7	total number of donors	Count a donor one time even if the donation goes to multiple programs
8	total amount of fees and/or contributions received in 2023	If you have carryover amounts or you did not spend all current contributions: your total contributions and total spending will not match this is ok. Do not include private donations in your totals.
9	list amount spent by categories	The activity for your school might have a unique name, but list the amount spent that <u>best describes the activity</u> from the 16 categories on the form.
10	total spent for 2023	Amount spent should be based on the activity or program categories not by the type of expenses made for these activities. All funds spent must be included in the 16 categories do not list as “undesignated”

WHERE TO SEND FORM 10621

- District schools send to: **DistrictCreditReport@azdor.gov**
- Charter schools send to: **CharterCreditReport@azdor.gov**

<sup>i</sup> An enrolled student is a student included by the school in its average daily membership count. Pre-school students, except handicapped students, and adult education students should not be included.

<sup>ii</sup> <https://definitions.uslegal.com/m/medical-supplies/>

<sup>iii</sup> <https://definitions.uslegal.com/p/playgrounds/>