

Frequently Asked Questions (FAQ's)

Tax Year 2020-2021

General Tax Credit Information

What is the “Original” Individual Private School Tuition Tax Credit?

The “Original” Individual Income Tax Credit Program encourages Arizona Income Taxpayers to get directly involved in improving education in Arizona by re-directing their state income tax to organizations like MSO that provide educational grants to participating private school students. For 2020 up to \$1,186 per married couple or \$593 per single person. For 2021 up to \$1,221 per married couple or \$611 per single person. MSO then disburses tuition awards to students at participating private schools in Arizona. This tax credit program, implemented in 1998, is regulated under ARS 43-1089.

What is the PLUS (Private Learning Uplifting Students) Credit?

In the spring of 2012, Arizona implemented an additional education credit, the PLUS Credit. This credit is designed to help new students to attend private schools that may not have otherwise had this educational opportunity, uplifting students in Arizona. For the tax year 2020, after the maximum donation is met under the “Original” Tax Credit (see amounts above), all additional donations are automatically directed to the PLUS Tax Credit. For 2020 you can donate an additional amount of up to \$1,179 for married couples and \$590 for individuals to the PLUS Tax Credit, bringing your total maximum contribution up to \$2,365 for married couples and \$1,183 for individuals. For 2021 you can donate an additional amount of up to \$1,214 for married couples and \$608 for individuals to the PLUS Tax Credit, bringing your total maximum contribution up to \$2,435 for married couples and \$1,219 for individuals.

What is a School Tuition Organization, STO? Does the AZ Department of Revenue certify STOs?

A School Tuition Organization (STO) is one that is tax exempt under Section 501(c)(3) of the Internal Revenue Code and allocates at least 90% of its annual revenue to scholarships or grants, and makes its scholarships/grants available to students of more than one qualified school. MSO has historically allocated over 92% of revenue received. MSO is audited annually by an independent accounting firm and annually reports to the Arizona Department of Revenue (AZDOR) with statute required information. AZDOR certifies all school tuition organizations that are in compliance with the Private School Tuition Tax Credit Requirements. MSO is certified by the Arizona Department of Revenue.

Filing Status	Tax Credit Maximum Form(s) 323/348/301	Standard (Original)- Form 323/301	PLUS (Switcher)- Form 348/301
2020-Married, filing joint	\$2,365.00	\$1,186.00	\$1,179.00
2020-Single or married, filing separate	\$1,183.00	\$ 593.00	\$ 590.00
2021-Married, filing joint	\$2,435.00	\$1,221.00	\$1,214.00
2021-Single or married, filing separate	\$1,219.00	\$ 611.00	\$ 608.00

What schools are eligible for tuition awards from MSO? May we recommend a school?

MSO participates with the following schools: Arrowhead Montessori, Community Montessori, Desert Shadows Montessori, Heritage Montessori, Montessori Center School, Montessori Children’s House, Mesa Montessori, Montessori Preparatory Academy, and Spirit of Hope. You may recommend a specific school or indicate no

preference. Donor recommendations for students will be considered if the student meets all other scholarship criteria.

Student Information

If my child has been recommended by a donor for a tuition grant, do I still need to submit an application?

Yes. Each student must submit an application each school year in order to participate in the tax credit program. Donor recommendations are not the only factor that MSO considers when allocating a tuition award. A current approved MSO application must be on file before any tuition awards are issued. Applications are valid for the entire school year, expiring in May. Applications need to be resubmitted annually.

When applying, is financial information required?

Yes. Financial information is required from families participating in the Private School Tuition Tax Credit Program. The State of Arizona requires specific financial reporting guidelines for school tuition organizations. The reporting guidelines are determined by the federal reduced lunch program income analysis. Federal Tax Returns are not required for all applications. A financial analysis for each member of the household is required in a single worksheet format. Please see MSO's Application for more information.

What factors are considered when awarding a Tuition Grant? May we recommend another's child? May we swap donations?

Several factors are evaluated. Such factors include but are not limited to: family needs (i.e.: financial, health, employment, etc.), recommendation from the participating school's administration, parent's participation in the school, and the students Montessori experience. The desire of the donor will be reviewed in determining the grant allocation. However, the recommendation of the donor is subject to the complete and sole discretion of MSO.

"NOTICE: 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.

Original and Plus Programs: Though student recommendations are allowed for both tax credits, the "Original" and the PLUS programs have different sets of qualifying criteria. Per Arizona Law, a student is only eligible to receive tuition awards under the PLUS Tax Credit if that student falls into one of the following categories:

1. Attended a public school as a full-time student for at least 90 days of the prior fiscal year and then transferred from the public school to a private school;
2. Is enrolling in a private school kindergarten;
3. Is enrolling in a private preschool program for students with disabilities;
4. Is a dependent of a member of the armed forces of the United States who is stationed in Arizona pursuant to military orders;
5. Received for any year a scholarship under one of the above criteria OR from the low income corporate donation program or the disabled/displaced corporate donation program if the child continued to attend a private school in subsequent years

Low-Income Corporate Funds: Per Arizona Law, a student is only eligible to receive tuition awards under the PLUS Tax Credit if that student falls into one of the following categories:

1. Student's family income cannot exceed 185% of the income required to qualify a child for reduced price lunches AND student must meet one of the following"
 - A. Attended a public school as a full-time student for at least 90 days of the prior fiscal year and then transferred from the public school to a private school;
 - B. Is enrolling in a private school kindergarten;
 - C. Is enrolling in a private preschool program for students with disabilities;

- D. Is a dependent of a member of the armed forces of the United States who is stationed in Arizona pursuant to military orders;
- E. Received a low-income corporate scholarship under one of the criteria in a prior year and the child continued to attend private school in subsequent years;
- F. Received an original individual scholarship or a switcher individual scholarship in a prior year and the child continued to attend a private school in subsequent years.

If my child may be eligible for the PLUS Credit, what additional documentation do I need to submit with the MSO's Grant/Scholarship Application?

If the student is entering a private kindergarten program at a participating school, no additional documentation is needed. If the student is switching from a public school to a private school, the Public School Attendance Verification Form must be completed by the previous school or school district. This form is available at www.msoonline.com. If the student is a military dependent (parent/guardian stationed in Arizona pursuant to military orders), please include a copy of your military orders. If the student received a corporate tax credit from another school tuition organization in the past, the Corporate Scholarship Verification Form must be completed by the awarding school tuition organization. The parent/guardian will need to request this award information with the Corporate Scholarship Verification Form from the originating school tuition organization. MSO cannot do this on your behalf. This form is also available at www.msoonline.com

When will tuition grants be disbursed to the school for the tuition benefit of a student?

Tuition grants will be distributed twice a year, the Fall semester and the Spring semester. Applications must be received by January 31st for the Spring semester and by May 31st for the Fall semester. Distributions will be made by February 15th for Spring semester and July 31st for Fall semester.

Do you make any special distributions?

Yes. Additional scholarship distributions will be made at the discretion of MSO.

May a student receive funds from two or more school tuition organizations?

Yes. However, a student may only receive tuition tax credit awards up to the annual cost of tuition. Any excess funds must be returned to the last awarding school tuition organization.

Donor Information

Why was the credit limit changed for the "Original" Tax Credit Program?

The credit limits will now adjust annually based on the Consumer Price Index of the Phoenix Metropolitan Area. For each tax year, the "Original" and PLUS Credits will both adjust with this index.

What is the deadline to make a contribution in order to receive the tax credit?

Contributions can be accepted through April 15th for credit in the previous calendar year. A contribution must be either postmarked by April 15th or received online by midnight on April 15th to be eligible for credit in the previous calendar year.

Can a taxpayer claim the "Original" Private School Tuition Credit, the PLUS Credit and the Public School Tax Credit?

Yes. You may also donate \$200 individual/\$400 married couple to the Public School of your choice. MSO does not administer the Public School Tax Credit. Please contact the public school or school district of your choice for more information.

Where do I get the tax forms needed to claim the credit?

Arizona Forms 301, 323, and 348 are available by visiting the Department of Revenue website: www.azdor.gov/Forms/credits.aspx. Typically, the forms are available in early December of each tax year.

Does MSO accept matching gifts from employers?

Yes

May we recommend a grandchild to receive a tuition grant?

Yes, as long as they are not a legal dependent.

Who may claim these tax credits?

These credits are available only to individuals who file Arizona state income taxes.

Is my donation also eligible for a federal income tax deduction?

MSO is a federally tax exempt 501(c)(3) charitable organization. Your donation may be eligible for a federal deduction. You should consult your tax adviser for specific tax advice concerning deductibility for you.

How does the tax credit reduce my state income tax liability?

The credits may only be used to the extent they reduce a tax liability to zero. Any unused amounts may be carried forward for not more than five consecutive taxable years.

These questions and answers are not intended to provide individuals with tax or legal advice. Interested persons should consult the Arizona Department of Revenue, the IRS, or their tax advisor for specific guidance relative to their particular tax situation. Additional information may be obtained from the AZDOR.