

## Arizona Charitable Tax CREDITS

There are five different credits that individuals or married couples may claim on their tax return due to charitable donations. The table shows the maximum allowable credit for each type of charitable organization for 2022. If taxpayers contribute the maximum to each type of charity, they could reduce their 2022 AZ income taxes by up to \$5,083 if married filing jointly, and \$2,543 for all other filing statuses.

In addition, taxpayers generally have up to April 15, (but April 17, 2023) to donate to specific charitable organizations, claim these nonrefundable credits, and still reduce their 2022 Arizona tax liability.

Taxpayers should be specific when talking with their tax professional where donations were made and when. Starting with the 2018 tax returns, taxpayers claiming the AZ charitable tax credits are required to report more information about the organizations to which they donated (i.e. the five-digit code assigned to qualifying charitable organizations and qualifying foster charitable organizations or the nine-digit CTDS code assigned to each public and charter school). In addition, starting in 2021, the date of the contribution(s) had to be reported.

Deductions reduce taxpayer's taxable income. On the other hand, credits reduce the tax liability dollar-for-dollar. Non-refundable credits, like the following AZ Individual Tax Credits, can reduce a taxpayer's liability to zero, but if their income is low enough that they don't owe any taxes, they will not be given a refund (unlike the refundable Increased Excise Tax Credit). However, they may still benefit by carrying over the contributions to future years.

### *Qualifying Charitable Organizations (QCOs)*

One of the more commonly claimed nonrefundable AZ tax credits is available for cash contributions to Qualifying Charitable Organizations that provide immediate basic needs to residents of Arizona who receive temporary assistance for needy families (TANF) benefits, are low income residents of

	AZ Tax Form	Maximum Credit (for 2022)		Carryover Allowed?
		Married Filing Joint	All Other Filing Statuses	
Qualifying Charitable Organizations (QCOs)	321	\$800	\$400	5 years
Public Schools	322	\$400	\$200	5 years
Private School Tuition Organizations (STOs) <sup>1</sup>	323/348	\$2,483	\$1,243	5 years
Military Family Relief Fund <sup>2</sup>	340	\$400 <sup>2</sup>	\$200 <sup>2</sup>	No
Qualifying Foster Care Charitable Organizations (QFCOs)	352	\$1,000	\$500	5 years
Max AZ Credit for Charitable Contributions	301	\$5,083	\$2,543	

<sup>1</sup> The maximum credit for contributions to Private School Tuition Organizations claimed on Form 323 is \$1,245 for married filing joint and \$623 for everyone else. The credit for contributions to Certified School Tuition Organizations claimed on Form 348 is \$1,238 for married filing joint and \$620 for all other filing status.

<sup>2</sup> The Military Family Relief Fund is capped by the state of Arizona to \$1,000,000 of contributions. They have often reached this limit in October each year.

Arizona, or are individuals who have a chronic illness or physical disability. In order to claim the credit, the QCO code of the organization and the date contributed must be reported on the AZ Tax Form 321. The list of QCOs can be found at: [https://azdor.gov/sites/default/files/media/CREDITS\\_2022\\_qco.pdf](https://azdor.gov/sites/default/files/media/CREDITS_2022_qco.pdf)

### *Qualifying Foster Care Charitable Organizations (QFCOs)*

This individual income tax credit is available for cash contributions to Qualifying Foster Care Charitable Organizations that provide immediate basic needs to at least 200 qualifying individuals in the foster care system. The list of QFCOs can be found at: [https://azdor.gov/sites/default/files/media/CREDITS\\_2022\\_qfco.pdf](https://azdor.gov/sites/default/files/media/CREDITS_2022_qfco.pdf)

### *Public Schools*

Taxpayers are not required to have school age children in order to claim the nonrefundable individual tax credit for fees or cash contributions paid to a public school located in Arizona for the support of certain extracurricular activities or to pay for qualified character education programs. You must report on your AZ Form 322 the specific school code and the date contributions were donated. The school addresses and codes can be found at: [https://azdor.gov/sites/default/files/media/PUBLICATION\\_ADESchoolListing.pdf](https://azdor.gov/sites/default/files/media/PUBLICATION_ADESchoolListing.pdf)

### *Private School Tuition Organizations (STOs)*

Two separate nonrefundable tax credits are available to individuals for contributions made to Certified School Tuition Organization which provide scholarships for students enrolled in Arizona private schools. The list of STOs can be found at: [https://azdor.gov/sites/default/files/REPORTS\\_sto-i-list.pdf](https://azdor.gov/sites/default/files/REPORTS_sto-i-list.pdf)

### *Military Family Relief Fund*

A nonrefundable individual tax credit for cash donations made to the Military Family Relief fund which is administered by the Arizona Department of Veterans' Services. Donors must designate whether the contributions are for pre-9/11 or post-9/11 veterans. Note: Since the Arizona legislature has placed an annual maximum aggregate credit of all taxpayers of \$1 million for contributions to the Military Family Relief Fund, check whether contributions are still deductible for the current tax year at <https://dvs.az.gov/mfrf>. This fund reached its 2021 limit the beginning of December 2021.

## 2022 Inflation Adjustment to Standard Deduction for Charitable Contributions

Taxpayers who do not itemize on their tax return can still benefit from making donations to charities that may not qualify for an AZ credit. In 2019, Arizona Legislation (HB 2757) was passed which allows taxpayers to deduct charitable contributions in addition to their AZ standard deduction. From 2019-2021, 25% of all charitable contributions (both cash and non-cash) could be deducted. However, due to a new law in 2021, the percentage will be inflation adjusted. So in 2022, most taxpayers are allowed to take the AZ standard deduction PLUS a deduction for 27% of their charitable contributions.

## Other Changes to AZ Tax Law

Legislation in 2021 set Arizona on a path to a flat tax rate of 2.5% (starting in 2023). So, for 2022, there are only two tax brackets.

Single/MFS	Married Joint	Tax Rate
\$0+	\$0+	2.55%
\$27,273+	\$54,545+	2.98%

In 2021, the AZ Legislature allowed "Small Business Income" to be reported on a separate 140-SBI form and taxed at a flat tax rate of 3.5%. In 2022, the flat tax rate for SBI income is 3.0%, so higher than the maximum individual tax rate of 2.98%. However, some taxpayers may still take advantage of a similar strategy for pass-through entities like partnerships and S-Corporations in order to reduce their overall federal taxes.

The 2022 AZ legislature adopted most of the Internal Revenue Code changes as of Dec 31, 2021. But any federal legislation passed afterwards may or may not be adopted by AZ. So, that means that there may be AZ law changes approved in 2023 that will affect your 2022 tax return (filed in 2023).

From 2021: SB 1828 increased the subtraction of Uniformed Services Pensions from \$3500 to the full pension amount. SB 1844 increased the subtraction for 529 contributions from \$2000 per tax return (\$4000 if MFJ) to \$2000/\$4000 per beneficiary and also enabled a similar subtraction for 529A ABLE accounts.

## More Arizonans likely to Itemize

For federal tax purposes in 2022, only medical expenses in excess of 7.5% of adjusted gross income count as itemized deductions for federal purposes. However, Arizona allows all deductible medical expenses to count toward itemizable deductions. (Note: medical marijuana is not currently deductible.) That means that taxpayers with high medical expenses may use the standard deduction on their federal tax returns, but chose to itemize their deductions on their Arizona tax return.

## 2017 Federal Tax Law Reduced Charitable Contributions

The Tax Cuts and Jobs Act of 2017 passed by the U.S. Congress increased the standard deduction amounts and decreased the number of taxpayers who itemized deductions by an estimated 65%. As a result, during the regular tax season, taxpayers deducted \$54 billion less in charitable contributions on their 2018 tax returns compared to 2017.

## Qualified Charitable Distribution

In general, distributions from a traditional IRA are taxable in the year received. However, a qualified charitable distributions (QCD) is generally a nontaxable distribution made directly by the trustee of your traditional IRA (other than a SEP or SIMPLE IRA) to an eligible charitable organization. If all of the qualifications are met, a QCD is nontaxable and you cannot claim a charitable contribution deduction for it. Taking a QCD can help lower taxable income.

**So, keep on giving,  
and keep those donation receipts!**



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This brochure contains general advice. Since each tax situation is unique, taxpayers should consult with a tax professional for more information.

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## Deductions and Credits for Charitable Contributions

Updated for 2022



**You can still reduce your  
Arizona and Federal taxes via  
*Charitable Donations*  
even if you don't itemize!!!**



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