

## **AZ Charitable Tax Credit**

Recently a report from the QCO department from the Arizona Department of Revenue in regards to the tax credits stated that the AZ Charitable Tax Credit will continue. In August the IRS made a proposal to change the Federal income tax rules in regards to how they will allow taxpayers to deduct charitable contributions that received a state tax credit on their Federal returns also. The IRS proposal, known as #2018-18377, states that if a donation is made to a charitable organization with a tax credit on their state taxes they will not be allowed to take that charitable donation as an itemized deduction on their Federal income tax return also.

Agape House is not offering tax advice. Please consult your tax advisor for further information. For information regarding the new federal laws regarding state credits, please see the articles attached:

- IRS Information, please review article 2018-18377 at [www.federalregister.gov](http://www.federalregister.gov).
- AZ Dept. of Revenue information, please review: <https://azdor.gov/tax-credits>
- AZ Charitable Tax Credit Informtion; visit: [www.agapehouseprescott.org](http://www.agapehouseprescott.org).

Arizona residents can claim up to \$400 as an individual or unmarried head of household or up to \$800 for married couples filing jointly. The deadline to claim on your 2018 taxes has been extended to April 15, 2019. Itemization is not required to claim a tax credit for qualifying contributions. Form 321 is required for the AZ Dept. of Revenue to report the contribution. This tax credit can be claimed in addition to the other four tax credits including private schools, public schools, military families, and the foster care tax credit.

In August, the IRS proposed new regulations (REG-112176-18) which will no longer allow a charitable deduction on the Federal tax return for the Arizona state tax credit donations made after August 27, 2018. Under the new proposal, donations that receive a state income tax credit cannot be used also for a Federal charitable deduction as well. This has no tax effect on the donations made for those that do not expect to itemize deductions under the new tax law. However, if an individual expects to itemize under the new tax law, the proposed regulations will reduce the deductions that are permitted. If donations are made in excess of your 2018 taxes, you are able to carryover the credits on the Arizona tax return for up to 5 years. Please note, that even with the new federal regulation, the tax credits are still a unique and wonderful way to redirect tax dollars and possibly receive a dollar for dollar offset for your donations.

In conclusion, donations that are given to a state income tax credit will no longer be available for Federal Charitable Contributions also through federal itemization. These contributions however **will** still be **eligible for a dollar-for-dollar AZ CHARITABLE TAX CREDIT.**

Thank you,  
Agape House of Prescott

**“Keeping families together through hope, love, and housing.”**