

CORPORATE INCOME AND INSURANCE PREMIUM TAX CREDITS FOR CONTRIBUTIONS TO SCHOOL TUITION ORGANIZATIONS FOR SCHOLARSHIPS FOR DISABLED/DISPLACED STUDENTS

REPORTING FOR 2010

The corporate income tax credit and insurance premium tax credit for contributions to school tuition organizations for scholarships for disabled/displaced students, is governed by A.R.S. § 43-1184 and § 20-224.07. School tuition organizations (STOs) participating in the tax credit programs must report the following information to the Arizona Department of Revenue by June 30:

1. The name, address and contact name for the STO.
2. The number of contributions received in the previous calendar year.
3. The dollar amount of contributions received in the previous calendar year.
4. The number of children awarded scholarships or grants during the previous calendar year.
5. The dollar amount of scholarships and grants awarded during the previous calendar year.
6. The name and address of each school receiving the scholarships or grant money, along with the number and dollar amount of scholarships or grants provided to each school.
7. Verification that an independent review of financial statements according to generally accepted accounting principles (GAAP) was completed by a certified public accountant for the previous calendar year.

The Arizona Department of Revenue was aware of 53 STOs operating in Arizona in 2010. Five of these STOs received donations in the corporate income and insurance premium tuition tax credit program for disabled/displaced students in 2010.¹

¹ Additional eligibility requirements for disabled/displaced scholarship recipients may have caused limited participation.

DONATIONS BY CALENDAR YEAR

In calendar year 2010, \$956,880 was donated by 6 corporations² to 5 STOs. The Tuition Organization for Private Schools received the most donations for a total of \$438,880. Three STOs received only one donation. The following table shows the number and amount of donations received by each STO in 2010. Appendix I, at the end of this report, shows donations to all STOs for calendar years 2009 and 2010.

Corporate Disabled/Displaced Donations Received in CY2010

School Tuition Organization	# of Donors	Total Donations
Arizona School Choice Trust	2	\$118,000
Institute for Better Education	1	\$200,000
New Valley Education Partners	1	\$175,000
School Choice Arizona	1	\$25,000
Tuition Organization for Private Schools	3	\$438,880

As with the original corporate credit for contributions to school tuition organizations, insurance companies are also allowed to participate in this program. Insurance companies do not pay corporate income tax; instead they are allowed an insurance premium tax credit. In calendar year 2010, four insurance companies participated in the program donating \$734,000.

SCHOLARSHIPS

Recipients of disabled/displaced scholarships must meet the following guidelines:

1. The student must have an Arizona individualized education plan (IEP), 504 plan or was placed in the Arizona foster care system.
2. The student receiving the scholarship must meet the following:
 - a. Received a grant or scholarship from the former Arizona Department of Education program in the 2008/09 academic year; or
 - b. Attended a governmental primary or secondary school full-time for at least the first 100 days of the prior fiscal year and then transferred to a qualified private school; or
 - c. Received a scholarship under one of the two previous guidelines and continues to attend a qualified private school in a subsequent year.
3. The amount of the scholarship shall not exceed the lesser of the cost of tuition or 90% of the amount of state aid that would have been computed for the student to attend public school.³

² There were actually 11 donations. Two corporations donated to multiple STOs or multiple times to one STO.

³ For the 2009/2010 academic year, students that received a scholarship/grant in 2008/2009 under the previous program administered by the Arizona Department of Education may receive a scholarship equal to the scholarship/grant amount received in 2008/2009 though limited to the cost of tuition.

The legislation creating the disabled/displaced credit became effective August 26, 2009. Given the short time available to receive donations during the 2009/2010 academic year, the legislation allowed STOs to fund disabled/displaced scholarships from donations received through the original corporate STO credit (A.R.S. § 43-1183) for the 2009/2010 academic year.

Students who received scholarships or grants in the 2008/2009 academic year from the disabled and displaced scholarship/grant programs administered by the Arizona Department of Education could receive a scholarship funded by donations made to the original corporate credit program. In doing so, the income restrictions and scholarship amount restrictions set out under the original corporate STO credit are not applicable to the qualified students. This exception exists only for the 2009/2010 academic year. Two STOs, the Arizona Corporate Scholarship Fund and the School Tuition Association of Yuma, used original corporate money to award all of their disabled/displaced scholarships in CY2010 for the 2009/2010 academic year.

Six STOs reported disabled/displaced student scholarships awarded in 2010. These STOs reported 166 scholarships totaling \$715,424. Also shown below is the number of schools receiving scholarships from each STO.

**Corporate Disabled/Displaced Student Scholarships
In CY 2010**

School Tuition Organization	# of Scholarships⁴	# of schools	Scholarship Amount	Average
Arizona Corporate Scholarship Fund	7	6	\$650	\$92.86
Arizona School Choice Trust	4	4	\$20,380	\$5,094.90
Institute for Better Education	71	36	\$73,055	\$1,074.34
New Valley Education Partners	36	1	\$245,045	\$6,806.80
School Tuition Association of Yuma	2	1	\$500	\$250.00
Tuition Organization for Private Schools	46	20	\$375,794	\$8,169.44
TOTAL	166		\$715,424	\$4,389.10

Appendix II, at the end of this report, shows scholarships paid by all STOs for calendar year 2009 and 2010.

⁴ The number of scholarships will include double counting when a student receives scholarships from more than one STO or attends more than one school in a year. In CY2010, there were 152 students that received 166 scholarships.

As can be seen in the table above, the Institute for Better Education provided 71 scholarships. Two STOs, New Valley Education Partners and the School Tuition Association of Yuma, provided scholarships to only one school. School Choice Arizona had corporate money available but did not fund any scholarships in 2010.

Scholarship money went to 68 schools in calendar year 2010 as compared with 37 schools in 2009. Appendix III, at the end of this report, shows all schools receiving scholarships out of the disabled/displaced corporate income and insurance premium tax credit donations in calendar year 2010. Because the scholarships awarded in a calendar year may cover two different academic years, Appendix IV lists the schools that received scholarships in calendar year 2010 and allocates the scholarships to the appropriate academic year (2009/2010 or 2010/2011).

QUALIFIED STUDENTS

The Arizona Department of Revenue maintains the list of qualified students for the disabled/displaced scholarship program. When this program was created, statute provided that students who had received a tuition grant or educational scholarship from the Arizona Department of Education during the 2008/2009 academic year were grandfathered onto the list of eligible students for the disabled/displaced scholarship program beginning with the 2009/2010 academic year. The Arizona Department of Education identified 477 students under the old programs that were grandfathered onto the qualified student list in the first year.

For the current program, new students must first apply for eligibility with the Department of Revenue to determine that they meet the qualifications set in statute in order to receive a disabled/displaced scholarship from an STO. In calendar year 2010, 64 applications for eligibility were received. Of those applications, 47 were determined eligible to receive a disabled/displaced scholarship.

CPA REVIEW

STOs that participate in soliciting corporate contributions are subject to a CPA review. On the form on which STOs report the statutorily-required information, there is a place for a certified public accountant to sign indicating that the required review took place.

The CPA review was reported as complete by the STOs that received donations for the disabled/displaced scholarship program. Shaded squares indicate no participation in that year.

School Tuition Organization	2010 CPA Review Complete	2009 CPA Review Complete
Arizona School Choice Trust	X	X
Institute for Better Education	X	X
New Valley Education Partners	X	X
School Choice Arizona	X	
Tuition Organization for Private Schools	X	X

Shaded areas indicate the STO did not participate in that year. Failure to submit a report signed by a CPA results in the inability to receive corporate donations under this program.

DONATIONS BY FISCAL YEAR

Donations to STOs to receive the disabled/displaced corporate income tax or insurance premium tax credit are limited by statute. The statutory limitation for the disabled/displaced tax credit is set at \$5 million per fiscal year.

The following table shows the amount approved in each fiscal year as opposed to the amount received. It also divides the fiscal year donations into the calendar years in which they were received. Of the \$5 million limitation for fiscal year 2011, \$1.079 million was approved and \$1.029 million was actually donated.

	FY2010	FY2011
Statutory Limitation	\$5,000,000	\$5,000,000
# of corps	6	8
\$ approved	\$1,478,880	\$1,079,000
\$ received	\$1,478,880	\$1,029,000
Donated in CY2009	\$781,000	
Donated in CY2010	\$697,880	\$259,000
Donated in CY2011		\$770,000

In fiscal year 2011, five insurance companies participated in the school tuition organization program, donating \$809,000.

Appendix V, at the end of this report, provides detail by STO for fiscal year 2011. All future reports on this credit will be on a fiscal year basis.

**APPENDIX I
SCHOOL TUITION ORGANIZATIONS RECEIVING CORPORATE
DONATIONS BY CALENDAR YEAR⁵**

		CY2009		CY2010	
	#	\$	#	\$	% change
Arizona School Choice Trust	2	\$90,000	2	\$118,000	31.1%
Institute for Better Education	1	\$75,000	1	\$200,000	166.7%
New Valley Education Partners	1	\$200,000	1	\$175,000	(12.5%)
School Choice Arizona			1	\$25,000	n/a
Tuition Organization for Private Schools	2	\$416,000	3	\$438,880	5.5%
TOTAL	6	\$781,000	8	\$956,880	22.5%

⁵ Shaded areas indicate the STO did not participate in that calendar year.

**APPENDIX II
SCHOLARSHIPS PAID BY SCHOOL TUITION ORGANIZATIONS
RECEIVING CORPORATE DONATIONS BY CALENDAR YEAR⁶**

	CY2009		CY2010		
	#	\$	#	\$	% change
Arizona Corporate Scholarship Fund ⁷			7	\$650	n/a
Arizona School Choice Trust	5	\$90,000	4	\$20,380	(77.4%)
Catholic Tuition Support Organization of the Diocese of Tucson ⁸	35	\$129,338			
Institute for Better Education	38	\$32,939	71	\$73,055	121.8%
New Valley Education Partners			36	\$245,045	(94.6%)
School Choice Arizona			0	\$0	n/a
School Tuition Association of Yuma ⁹	3	\$750	2	\$500	(33.3%)
Tuition Organization for Private Schools	33	\$372,309	46	\$375,794	0.9%
TOTAL	114	\$625,335	166	\$715,424	14.4%

⁶ Shaded areas indicate the STO did not participate in that calendar year.

⁷ Scholarships were paid out of "original" corporate money.

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**APPENDIX III
NUMBER AND AMOUNT OF SCHOLARSHIPS RECEIVED BY
SCHOOLS IN CALENDAR YEAR 2010**

	# of STOs	# of scholarships	Total scholarship \$	average¹⁰
Abbie Loveland Tuller School	1	4	\$3,000	\$750.00
Arrowhead Christian Academy	1	3	\$10,211	\$3,403.75
Ascension Lutheran School	1	2	\$2,315	\$1,157.50
Bethany Christian School	1	1	\$1,850	\$1,850.00
Bethany Christian School (LHC)	1	1	\$1,450	\$1,450.00
Bios Christian Academy	1	2	\$20	\$10.00
Bourgade Catholic High School	2	2	\$1,500	\$750.00
Brophy College Preparatory	1	1	\$1,000	\$1,000.00
Carden Christian Academy Central	1	1	\$1,375	\$1,375.00
Casas Christian School	1	7	\$3,500	\$500.00
Chapel Haven West	1	1	\$1,000	\$1,000.00
Christian Academy of Prescott	2	4	\$6,378	\$1,594.50
Chrysalis Academy	1	1	\$20,737	\$20,736.62
Desert Christian School	1	10	\$21,451	\$2,145.14
Desert Quest	1	1	\$500	\$500.00
Ethos School	1	1	\$10	\$10.00
Faith Community Academy	1	2	\$1,500	\$750.00
First Southern Christian School	1	1	\$500	\$500.00
Gateway Academy	2	2	\$1,150	\$575.00
Gilbert Christian Schools	1	3	\$30	\$10.00
Graysmark Academy	1	1	\$41,152	\$41,152.17
Howard S Gray Education Program	1	1	\$100	\$100.00
Immaculate Heart Academy	1	1	\$1,004	\$1,004.00
Ironwoods Hill School	1	1	\$1,300	\$1,300.00
Joy Christian School	2	2	\$860	\$430.00
Kachina Country Day School	1	1	\$3,525	\$3,525.00
Kino Learning Center	3	4	\$11,086	\$2,771.50
Lamb's Gate School	1	1	\$500	\$500.00
Lauren's Institute for Education	1	16	\$267,833	\$16,739.57
Lexis Preparatory School	1	2	\$600	\$300.00
Mountain Christian School	1	1	\$600	\$600.00
New Way Academy	3	38	\$246,145	\$6,477.50
Northwest Christian School	2	5	\$21,157	\$4,231.40
Our Lady of Mt. Carmel Catholic School	1	2	\$200	\$100.00

¹⁰ Scholarships awarded in CY2010 may apply to more than one academic year (2009/2010 or 2010/2011) therefore the average scholarship amounts may be overstated.

	# of STOs	# of scholarships	Total scholarship \$	average¹¹
Our Mother of Sorrows School	1	3	\$2,305	\$768.44
Paradise Valley Christian Preparatory	1	1	\$10	\$10.00
Phoenix Christian West Valley Campus	1	1	\$10	\$10.00
Pusch Ridge Christian Academy	2	2	\$110	\$55.00
Redeemer Lutheran School	1	1	\$500	\$500.00
River of Life	1	1	\$950	\$950.00
Salpointe Catholic High School	1	2	\$3,000	\$1,500.00
St. Augustine Catholic High School	1	2	\$750	\$375.00
St. Cyril's Catholic School	2	4	\$1,020	\$255.00
St. Dominic Savio Academy	1	1	\$9,936	\$9,936.00
St. Joseph Catholic School (Cottonwood)	1	5	\$1,250	\$250.00
St. Joseph Catholic School (Tucson)	1	1	\$375	\$375.00
St. Mary's Catholic High School	1	1	\$500	\$500.00
St. Michael's	1	2	\$1,875	\$937.50
Tesseract School	1	1	\$10	\$10.00
The Orme School of Arizona	1	1	\$2,092	\$2,091.70
Tri-City Christian Academy	1	1	\$10	\$10.00
Tucson Waldorf School	1	2	\$1,100	\$550.00
Valley Christian High	1	1	\$3,200	\$3,200.00
Valley Lutheran High School	2	2	\$110	\$55.00
Verde Valley Christian School	1	3	\$10,271	\$3,423.75
Yuma Lutheran School	1	2	\$500	\$250.00

¹¹ Scholarships awarded in CY2010 may apply to more than one academic year (2009/2010 or 2010/2011) therefore the average scholarship amounts may be overstated.

**APPENDIX IV
CALENDAR YEAR 2010 SCHOLARSHIPS BY ACADEMIC YEAR**

	2009/2010 academic year			2010/2011 academic year		
	#	\$	Avg	#	\$	Avg
Abbie Loveland Tuller School	4	\$2,000	\$500.00	2	\$1,000	\$500.00
Arrowhead Christian Academy	--	--		3	\$10,211	\$3,403.75
Ascension Lutheran School	2	\$1,815	\$907.50	1	\$500	\$500.00
Bethany Christian School	1	\$1,250	\$1,250.00	1	\$600	\$600.00
Bethany Christian School (LHC)	1	\$900	\$900.00	1	\$550	\$550.00
Bios Christian Academy	2	\$20	\$10.00	--	--	
Bourgade Catholic High School	1	\$1,000	\$1,000.00	1	\$500	\$500.00
Brophy College Preparatory	--	--		1	\$1,000	\$1,000.00
Carden Christian Academy Central	1	\$875	\$875.00	1	\$500	\$500.00
Casas Christian School	7	\$3,500	\$500.00	--	--	
Chapel Haven West	--	--		1	\$1,000	\$1,000.00
Christian Academy of Prescott	3	\$2,796	\$932.00	1	\$3,582	\$3,582.00
Chrysalis Academy	--	--		1	\$20,737	\$20,736.62
Desert Christian School	7	\$8,631	\$1,233.00	7	\$12,820	\$1,831.43
Desert Quest	--	--		1	\$500	\$500.00
Ethos School	1	\$10	\$10.00	--	--	
Faith Community Academy	2	\$1,500	\$750.00	--	--	
First Southern Christian School	1	\$500	\$500.00	--	--	
Gateway Academy	2	\$150	\$75.00	1	\$1,000	\$1,000.00
Gilbert Christian Schools	3	\$30	\$10.00	--	--	
Graysmark Academy	1	\$20,592	\$20,592.00	1	\$20,560	\$20,560.00
Howard S Gray Education Program	1	\$100	\$100.00	--	--	
Immaculate Heart Academy	1	\$1,004	\$1,004.00	--	--	
Ironwoods Hill School	1	\$750	\$750.00	1	\$550	\$550.00
Joy Christian School	2	\$110	\$55.00	1	\$750	\$750.00
Kachina Country Day School	1	\$3,525	\$3,525.00	--	--	
Kino Learning Center	2	\$3,391	\$1,695.50	3	\$7,695	\$2,565.00
Lamb's Gate School	--	--		1	\$500	\$500.00
Lauren's Institute for Education	--	--		16	\$267,833	\$16,739.57
Lexis Preparatory School	2	\$600	\$300.00	--	--	
Mountain Christian School	1	\$100	\$100.00	1	\$500	\$500.00
New Way Academy	29	\$152,737	\$5,266.79	24	\$93,408	\$3,892.00
Northwest Christian School	1	\$6,564	\$6,564.00	4	\$14,593	\$3,648.25
Our Lady of Mt. Carmel Catholic School	2	\$200	\$100.00	--	--	
Our Mother of Sorrows School	2	\$1,055	\$527.50	3	\$1,250	\$416.67
Paradise Valley Christian Preparatory	1	\$10	\$10.00	--	--	

	2009/2010 academic year			2010/2011 academic year		
	#	\$	Avg	#	\$	Avg
Phoenix Christian West Valley Campus	1	\$10	\$10.00	--	--	
Pusch Ridge Christian Academy	2	\$110	\$55.00	--	--	
Redeemer Lutheran School	--	--		1	\$500	\$500.00
River of Life	1	\$950	\$950.00	--	--	
Salpointe Catholic High School	--	--		2	\$3,000	\$1,500.00
St. Augustine Catholic High School	--	--		2	\$750	\$375.00
St. Cyril's Catholic School	2	\$20	\$10.00	2	\$1,000	\$500.00
St. Dominic Savio Academy	--	--		1	\$9,936	\$9,936.00
St. Joseph Catholic School (Cottonwood)	--	--		5	\$1,250	\$250.00
St. Joseph Catholic School (Tucson)	--	--		1	\$375	\$375.00
St. Mary's Catholic High School	--	--		1	\$500	\$500.00
St. Michael's	2	\$1,000	\$500.00	2	\$875	\$437.50
Tesseract School	1	\$10	\$10.00	--	--	
The Orme School of Arizona	1	\$2,092	\$2,091.70	--	--	
Tri-City Christian Academy	1	\$10	\$10.00	--	--	
Tucson Waldorf School	--	--		2	\$1,100	\$550.00
Valley Christian High	--	--		1	\$3,200	\$3,200.00
Valley Lutheran High School	2	\$110	\$55.00	--	--	
Verde Valley Christian School	--	--		3	\$10,271	\$3,423.75
Yuma Lutheran School	2	\$500	\$250.00	--	--	

**APPENDIX V
DONATIONS BY SCHOOL TUITION ORGANIZATIONS IN FY2011**

	# of corps	\$ approved	\$ received	received CY2010	received CY2011
Arizona School Choice Trust	2	\$118,000	\$118,000	\$118,000	\$0
Institute for Better Education	2	\$210,000	\$210,000	\$100,000	\$110,000
New Valley Education Partners	2	\$185,000	\$185,000	\$0	\$185,000
School Choice Arizona	2	\$150,000	\$100,000	\$25,000	\$75,000
Tuition Organization for Private Schools	2	\$416,000	\$416,000	\$16,000	\$400,000
TOTAL	10	\$1,079,000	\$1,029,000	\$259,000	\$770,000