

**2012 Credit for Donation of School Site**

Obtain additional information or assistance by calling one of the numbers listed below:

Phoenix	(602) 255-3381
From area codes 520 and 928, toll-free	(800) 352-4090
Hearing impaired TDD user	
Phoenix	(602) 542-4021
From area codes 520 and 928, toll-free	(800) 397-0256

Obtain tax rulings, tax procedures, tax forms and instructions, and other tax information by accessing the department's Internet home page at [www.azdor.gov](http://www.azdor.gov).

**General Instructions**

Arizona Revised Statutes (ARS) §§ 43-1089.02 and 43-1181 provide nonrefundable individual and corporate income tax credits for the donation of real property and improvements to an Arizona school district or Arizona charter school for use as a school or as a site for the construction of a school.

**To qualify for the credit:**

- The real property and improvements must be located in Arizona.
- The donor must convey the real property and improvements unencumbered and in fee simple, except that there must be a deed restriction and protective covenant related to the use of the property.
- The value of the donated property must be determined by an appraisal as defined in ARS § 32-3601 that is conducted by an independent party and is paid for by the donee.
- The conveyance shall not violate the provisions of ARS §§ 15-341(D) and 15-183(U).
- The donor must record the appropriate lien on the property donated to an Arizona charter school. The tax credit constitutes a lien on the property. The lien is the amount of the allowable tax credit adjusted by the gross domestic product (GDP) price deflator, as defined in ARS § 41-563, with a maximum of 12.5 percent over the allowable tax credit.
- An Arizona school district shall not accept the donation unless the school facilities board has reviewed the proposed donation and has issued a written determination that the real property and improvements are suitable as a school site or as a school.

On written request of the donee, the donor must disclose in writing to the donee the amount of the allowable tax credit for the property received by the donee.

The tax credit is in lieu of a deduction in the computation of Arizona gross income for the donation of the property for which the credit is claimed. **CORPORATE TAXPAYERS:** An addition to Arizona gross income is required for the amount of the deduction included in the computation of federal taxable income. **INDIVIDUAL TAXPAYERS:** The taxpayer cannot claim both the tax credit and an itemized deduction for the donation of a school site. If the taxpayer claims the credit and itemizes deductions on the Arizona return, the taxpayer must exclude the amount of the charitable deduction otherwise allowed for the donation of the school site.

For example, a taxpayer that donates a \$2,000,000 property would receive a credit of \$600,000 (\$2,000,000 x 30%). If the taxpayer is a corporation, the addition to Arizona gross income would be \$2,000,000. If the taxpayer is an individual that itemizes deductions, then the charitable contribution deduction must exclude the \$2,000,000 donation.

Co-owners of a business, including partners in a partnership and shareholders of an S corporation, may each claim only the pro rata share of the credit allowed based on the ownership interest. The total of the credits allowed all such owners may not exceed the amount that would have been allowed for a sole owner of the business.

If the allowable tax credit exceeds the taxes otherwise due or, if there are no taxes due, the amount of the credit not used to offset taxes may be carried forward for not more than five taxable years as a credit against subsequent years' income tax liabilities.

This form is for donations of real property only (real estate). Please do not use this form for cash donations to schools. Credits for those donations should be claimed on Arizona Form 322. Please do not use this form for cash donations to school tuition organizations. Credits for those donations should be claimed on Arizona Form 323 or Arizona Form 348 for individuals, or claimed on Arizona Form 335 or Arizona Form 341 for corporations, as appropriate.

**Specific Instructions**

Complete the name and taxpayer identification number section at the top of the form. Indicate the period covered by the taxable year. Attach the completed form to the tax return.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for a corporation, S corporation, or a partnership is the taxpayer's employer identification number. The TIN for an individual is the taxpayer's social security number or an Internal Revenue Service individual taxpayer identification number. Taxpayers that fail to include their TIN may be subject to a penalty.

**Part I - Donated Property Information and Current Taxable Year's Credit Calculation**

If more than three parcels were donated, complete the information requested for lines 1 through 6 on continuation sheets.

**Line 1 -**

Enter the name of the Arizona county in which the donated property is located.

**Line 2 -**

Enter the parcel number of the donated property.

**Line 3 -**

Enter the date on which the property conveyance was recorded.

**Line 4 -**

Enter the recording number of the property conveyance.

**Line 5 -**

Enter the value of the donated property based on appraisal.

**Line 6 -**

Multiply the amounts on line 5 in each column by 30 percent (.30).

**Line 7 -**

Add the amounts on line 6 in each column. Enter the total.

**Line 8 -**

Enter the aggregate line 7 totals from the continuation sheets, if more than three parcels were donated.

**Line 9 -**

Add lines 7 and 8. Enter the total. This is the current taxable year's credit.

**Part II - S Corporation Credit Election and Shareholder's Share of Credit****Line 10 - S Corporation Credit Election**

S corporations must complete line 10. The S corporation must make an irrevocable election to either claim the credit or pass the credit through to its shareholders. The election statement must be signed by one of the officers of the S corporation who is also a signatory to the Form 120S.

**Lines 11 through 13 -**

If the S corporation elects to pass the credit through to its shareholders, it must also complete lines 11 through 13.

The S corporation must complete Part I. Then, complete Part II, lines 11 through 13, separately for each shareholder.

Each S corporation shareholder is entitled to only a pro rata share of pass-through credit based on ownership interest in the S corporation. The total of the credit allowed to all shareholders may not exceed the amount that would have been allowed for a sole owner.

The S corporation must furnish each shareholder with a copy of pages 1 and 2 of Form 331. Each shareholder must complete Part IV and Part V.

**Part III - Partner's Share of Credit****Lines 14 through 16 -**

The partnership must complete Part I. Then, complete Part III, lines 14 through 16, separately for each partner.

Each partner is entitled to only a pro rata share of the credit based on the partner's ownership interest in the partnership. The total of the credit allowed to all partners may not exceed the amount that would have been allowed for a sole owner.

The partnership must furnish each partner with a copy of pages 1 and 2 of Form 331. Each partner must complete Part IV and Part V.

**Part IV - Available Credit Carryover****Lines 17 through 22 -**

Complete Part IV only if the allowable credit for donation of school site for prior taxable years exceeded the Arizona income tax liability for those taxable years. Calculate the total available carryover of the credit for donation of school site on page 2, Part IV, lines 17 through 22.

Partners of a partnership or shareholders of an S corporation should complete Part IV only if their allowable credit for donation of school site for prior taxable years exceeded their Arizona income tax liability for those taxable years.

Enter the applicable taxable year(s) in column (a) on lines 17 through 21. In column (b), enter the credit originally computed for that taxable year. In column (c), enter the amount of the credit from that taxable year which has already been used. Subtract the amount in column (c) from column (b) and enter the difference in column (d). Add the amounts entered on lines 17 through 21 in column (d). Enter the total on line 22, column (d). This is the total credit carryover available for the current taxable year.

**Part V - Total Available Credit****Line 23 -**

*Individuals and corporations (including S corporations that elected to claim the credit)* - enter the current year's credit from Part I, line 9.

*S corporation shareholders* - enter the credit from Part II, line 13.

*Partners of a partnership* - enter the credit from Part III, line 16.

This is the current taxable year's credit for donation of school site.

**Line 24 -**

Enter the amount from Part IV, line 22, column (d). This is the total available credit carryover.

**Line 25 -**

Add lines 23 and 24. This is the total available credit for donation of school site that may be applied to the current taxable year's tax liability.

*Corporations and S corporations* - enter the total here and on Form 300, Part I, line 10.

*Individuals* - enter the total here and on Form 301, Part I, line 16.