

General Overview

● The new withholding tax reduction law became effective January 1, 2010. It allows individual income taxpayers to authorize their employer(s) to reduce their state withholding tax amount in order to make donations to a charitable organization, public school, and/or a school tuition organization. (ACSTO is a school tuition organization.) Employer participation in this is strictly voluntary. Private school tuition tax credit donations to be awarded as scholarships to students attending schools on our list can be sent to ACSTO by the employer quarterly and ACSTO will help facilitate this process. The public school tax credit and the working poor tax credit will each be facilitated by the qualified schools or non-profit organizations that accept those donations.

● **The chart below shows examples of how the 2010 maximum donation amounts would break down by common pay periods.** These figures are approximate.

	\$1000	\$500
Weekly	\$19.23	\$9.62
Bi-Weekly	\$38.46	\$19.23
Bi-Monthly	\$41.67	\$20.83

Figures above are examples only. Please consult your tax advisor for questions about your specific situation.

Important Facts for Employees

● **The primary advantage of using this option for you as an employee is that it allows you to make your donation without having to provide the money up front or in one large sum.**

● **This does not reduce your actual state tax liability.** It simply changes the order in which your tax credit donation(s) and your state taxes are collected and paid should you choose to participate.

● **It is your responsibility to present this to your employer,** keeping in mind that this is voluntary on their part. ACSTO will provide specific forms to you and your employer for this process, and we will be available to answer any questions that we can.

● **The donation portions withheld during each pay period cannot exceed your Arizona state tax withholdings being reduced for that same pay period.** Therefore, it is important for you to clearly communicate how much and in what priority the donations should be withheld and paid by your employer if you are opting to use more than one Arizona state tax credit.

● **The donation portions withheld will be sent quarterly and will be accepted by payroll date,** rather than by postmark date on the check since the law allows employers to send in the donation within 15 days after the end of each calendar quarter.

● **It is advisable for you to consult your tax advisor regarding your specific expectations for your state tax liability, withholdings, and intended donation amount(s).** For 2010, the maximums that can be claimed under the private school tuition tax credit law are \$500 for a single person and \$1000 for a married couple filing jointly. If your donation exceeds your state tax liability, the excess portion may be claimed on the following year's taxes for up to a total of 5 years.

● **You may make a separate donation directly to ACSTO** if your withholding reduction amounts for this tax credit will not total up to the actual dollar amount you would like to donate, so long as that donation is postmarked by April 15 of the year following the tax year for which you want to claim the credit.

● **ACSTO will send a receipt to you each January, or sooner upon request, stating the total of your tuition tax credit donation(s) for the prior tax year,** whether they came from withholding reductions, regular donations, or any combination of both.

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.

Important Facts for Employers

- **The primary advantage to you as an employer for providing this service is the benefit to your employee(s) at a minimal cost to you.**
- **Participation is voluntary on each employer's part.** ACSTO will facilitate this process to the best of our ability and we are happy to answer any questions we can.
- **Employee communication regarding this withholding reduction is confidential information.**
- **Employers will be required to file Arizona Form A1-C with the Arizona Department of Revenue each January following the tax year in which the withholding donations were made, or within 15 days of an employee leaving or being let go from employ. This form is available from our website www.acsto.org.** This statement shows the total amount donated through withholding reduction donations for the tax year. ACSTO will also provide each donor a receipt showing the total of their donation for that year.

ACSTO's Withholding Donation Procedure:

Step 1 – Donors should fill out and submit a Withholding Submission Form to ACSTO, or call and provide your intended donation information over the phone.

Step 2 – ACSTO will provide you with 2 forms – a form for you to keep for your records and an authorization form to sign and give to your employer.

Step 3 – Your employer, if they agree to participate, will reduce your state tax withholdings by a prorated amount per pay period and will proceed to withhold and send in the donation for you quarterly.

Step 4 – Your employer will file an A1-C form with the Arizona Department of Revenue. (See point 4 under “Important Facts for Employers” for more information about this.) In January, or earlier upon your request, ACSTO will also mail you a receipt showing the total of your donation(s) to use with form 323 in claiming your tax credit.

References:

- A.R.S. 43-1089
- A.R.S. 43-401
- A.R.S. 43-1503 (C)
- Arizona Form A1-C

ACSTO

ARIZONA CHRISTIAN SCHOOL
TUITION ORGANIZATION, INC.

Withholding Reduction Donations

Informational Brochure



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