



## **Assist Working Families to Achieve Greater Self-Sufficiency and Receive a Tax Credit**

Phoenix Day helps provide quality early education programs, affordable healthcare, educational opportunities and more to the working poor in our community. These are individuals and families with low wage jobs that just can't make ends meet. By investing your contribution in *Phoenix Day*, you help provide the means to increase self-sufficiency. And, you could receive an Arizona state tax credit of up to \$400.\* Contributions to Phoenix Day, a qualifying charitable organization, are eligible for the Arizona Credit for Contributions to Charities that Provide Assistance to the Working Poor.

In order to take advantage of the *Helping the Working Poor* state tax credit, you must:

- Itemize your charitable contributions
  - Establish a baseline year of charitable giving (as early as 1996)
  - Increase your charitable giving over your baseline year
  - Direct up to \$400\* to *Helping the Working Poor* state tax credit
- Provide your name, home address and phone number on your pledge card in order to receive an acknowledgement for your tax records

\*Arizona State Income Tax credits of between \$200 and \$400 are available based on your income tax filing status.

### **Important Note to Donors:**

Phoenix Day is not a tax advisor. As with any financial decision, contact a qualified tax professional for expert advice on your specific tax situation.

### **Frequently Asked Questions**

#### **Q. *What's the difference between a tax deduction and a tax credit?***

**A.** A tax deduction is an item that helps determine what your final tax liability will be. A tax credit is applied to your final tax liability, thereby reducing the amount of money you will pay.

#### **Q. *I already give to the school tax credit program; can I also give to Assistance to the Working Poor?***

**A.** YES! The Working Poor tax credit is separate from the school tax credit.

#### **Q. *How do I document my contribution?***

**A.** Phoenix Day will send you a thank you letter confirming your contribution. This letter documents your contribution and is necessary to support your tax credit. Please make sure you include your name and home address on your contribution envelope and/or check.

**Q. *Must a taxpayer itemize deductions in order to qualify for the credit?***

**A.** Yes. A taxpayer must itemize deductions and deduct charitable contributions on their Arizona state income tax return at least once in order to establish a baseline year and amount. The credit is then figured on the amount over the baseline amount.

**Q. *How do I file for the credit?***

**A.** There is a simple form (AZ Form 321) to be included with your state tax filing that you or your accountant will complete. The form is included with materials provided by the State of Arizona to all state tax filers.

**Q. *What is the maximum amount of the credit?***

**A.** For tax year 2008, taxpayers filing as single - \$200, for married filing joint - \$400, and for married filing separate - \$200. Credit dollars are allowed on the amount in excess of the baseline dollar amount. For instance, if a taxpayer has a baseline amount of \$500, the taxpayer must give \$700 in total contributions that includes \$200 to a qualifying charitable organization to receive a \$200 tax credit.

**Q. *When is my baseline year?***

**A.** Your baseline year is the first year as early as 1996 that you itemized charitable contributions on your federal tax return. If you did not itemize in 1996, then the first year after 1996 that you itemized your deductions becomes your baseline year. Your baseline year does not change unless you change your filing status.

**Q. *If the tax credit is greater than my tax, can I carry over the difference to the following year?***

**A.** Yes! The credit will be applied to any taxes you owe and any excess is available to carry over.

**Q. *What happens if I don't owe taxes at the end of the year?***

**A.** The *Helping the Working Poor* tax credit reduces your overall state tax liability and is not impacted by your tax withholdings during the course of the year. If you withheld more than what you owed, the credit will result in an increase in your state tax refund.

**Q. *If I didn't give to a charitable organization last year can I still get a tax credit?***

**A.** Your baseline year begins with the first year you itemize your charitable contributions. Once you establish a baseline year, you become eligible for this tax credit the following year. So, if this is your baseline year, you will be eligible for the tax credit in 2009 based on your contribution in 2008.

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