

REFERENCE TITLE: charitable organizations; tax credit

State of Arizona  
House of Representatives  
Forty-eighth Legislature  
Second Regular Session  
2008

## **HB 2556**

Introduced by  
Representative Anderson

AN ACT

AMENDING SECTION 43-1088, ARIZONA REVISED STATUTES; RELATING TO INDIVIDUAL  
INCOME TAX CREDITS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:  
2 Section 1. Section 43-1088, Arizona Revised Statutes, is amended to  
3 read:  
4 43-1088. Credit for contribution to charitable organization  
5 that provides assistance to the working poor:  
6 definitions  
7 A. ~~For taxable years beginning from and after December 31, 1997,~~ A  
8 credit is allowed against the taxes imposed by this title for voluntary cash  
9 contributions made by the taxpayer during the taxable year to a qualifying  
10 charitable organization as determined pursuant to subsection F of this  
11 section, but not exceeding:  
12 1. Two hundred dollars in any taxable year for a single individual or  
13 a head of household.  
14 ~~2. Three hundred dollars in taxable year 2005 for a married couple~~  
15 ~~filing a joint return.~~  
16 ~~3.~~ 2. Four hundred dollars in ANY taxable year ~~2006 and any~~  
17 ~~subsequent year~~ for a married couple filing a joint return.  
18 B. A husband and wife who file separate returns for a taxable year in  
19 which they could have filed a joint return may each claim only one-half of  
20 the tax credit that would have been allowed for a joint return.  
21 C. If the allowable tax credit exceeds the taxes otherwise due under  
22 this title on the claimant's income, or if there are no taxes due under this  
23 title, the taxpayer may carry forward the amount of the claim not used to  
24 offset the taxes under this title for not more than five consecutive taxable  
25 years' income tax liability.  
26 D. The credit allowed by this section is in lieu of a deduction  
27 pursuant to section 170 of the internal revenue code and taken for state tax  
28 purposes.  
29 E. Taxpayers taking a credit authorized by this section shall provide  
30 the name of the qualifying charitable organization and the amount of the  
31 contribution to the department of revenue on forms provided by the  
32 department.  
33 F. The credit under this section applies only to contributions to  
34 qualifying charitable organizations that exceed the total amount deducted  
35 pursuant to section 170 of the internal revenue code in the taxpayer's  
36 baseline year. The taxpayer's baseline year is:  
37 1. The 1996 taxable year if the taxpayer deducted charitable  
38 contributions pursuant to section 170 of the internal revenue code in the  
39 1996 taxable year.  
40 2. If the taxpayer did not deduct charitable contributions pursuant to  
41 section 170 of the internal revenue code in the 1996 taxable year, the  
42 taxpayer's baseline year is the first taxable year after 1996 that the  
43 taxpayer deducted charitable contributions pursuant to section 170 of the  
44 internal revenue code.

1 G. A qualifying charitable organization shall provide the department  
2 of revenue with a written certification that it meets all criteria to be  
3 considered a qualifying charitable organization. The organization shall also  
4 notify the department of any changes that may affect the qualifications under  
5 this section.

6 H. THE CHARITABLE ORGANIZATION'S WRITTEN CERTIFICATION MUST BE SIGNED  
7 BY AN OFFICER OF THE ORGANIZATION UNDER PENALTY OF PERJURY. THE WRITTEN  
8 CERTIFICATION MUST INCLUDE THE FOLLOWING:

9 1. VERIFICATION OF THE ORGANIZATION'S STATUS UNDER SECTION 501(c)(3)  
10 OF THE INTERNAL REVENUE CODE OR VERIFICATION THAT THE ORGANIZATION IS A  
11 DESIGNATED COMMUNITY ACTION AGENCY THAT RECEIVES COMMUNITY SERVICES BLOCK  
12 GRANT PROGRAM MONIES PURSUANT TO 42 UNITED STATES CODE SECTION 9901.

13 2. FINANCIAL DATA INDICATING THE ORGANIZATION'S BUDGET FOR THE  
14 ORGANIZATION'S PRIOR OPERATING YEAR AND THE AMOUNT OF THAT BUDGET SPENT ON  
15 SERVICES TO RESIDENTS OF THIS STATE WHO RECEIVE TEMPORARY ASSISTANCE FOR  
16 NEEDY FAMILIES BENEFITS OR WHO ARE LOW INCOME RESIDENTS OF THIS STATE.

17 3. A STATEMENT THAT THE ORGANIZATION PLANS TO CONTINUE SPENDING AT  
18 LEAST FIFTY PER CENT OF ITS BUDGET ON SERVICES TO RESIDENTS OF THIS STATE WHO  
19 RECEIVE TEMPORARY ASSISTANCE FOR NEEDY FAMILIES BENEFITS OR WHO ARE LOW  
20 INCOME RESIDENTS OF THIS STATE.

21 I. THE DEPARTMENT SHALL REVIEW EACH WRITTEN CERTIFICATION AND  
22 DETERMINE WHETHER THE ORGANIZATION MEETS ALL THE CRITERIA TO BE CONSIDERED A  
23 QUALIFYING CHARITABLE ORGANIZATION AND NOTIFY THE ORGANIZATION OF ITS  
24 DETERMINATION. THE DEPARTMENT MAY ALSO PERIODICALLY REQUEST RECERTIFICATION  
25 FROM THE ORGANIZATION. The department shall compile and make available to  
26 the public a list of the qualifying CHARITABLE organizations.

27 ~~H.~~ J. For the purposes of this section:

28 1. "Low income residents" means persons whose household income is less  
29 than one hundred fifty per cent of the federal poverty level.

30 2. "Qualifying charitable organization" means a charitable  
31 organization that is exempt from federal income taxation under section  
32 501(c)(3) of the internal revenue code or is a designated community action  
33 agency that receives community services block grant program monies pursuant  
34 to 42 United States Code section 9901. The organization must spend at least  
35 fifty per cent of its budget on services to residents of this state who  
36 receive temporary assistance for needy families benefits or low income  
37 residents of this state and their households. Taxpayers choosing to make  
38 donations through an umbrella charitable organization that collects donations  
39 on behalf of member charities shall designate that the donation be directed  
40 to a member charitable organization that would qualify under this section on  
41 a stand-alone basis.

42 3. "Services" means cash assistance, medical care, child care, food,  
43 clothing, shelter, job placement and job training services or any other  
44 assistance that is reasonably necessary to meet immediate basic needs and  
45 that is provided and used in this state.

1           Sec. 2. Recertification process

2           All charitable organizations that have previously submitted a written  
3 certification under section 43-1088, Arizona Revised Statutes, as amended by  
4 this act, must send the department of revenue another written certification  
5 containing all of the information required under section 43-1088, subsection  
6 H, Arizona Revised Statutes, as amended by this act. The department of  
7 revenue shall determine whether the organization meets all the criteria to be  
8 considered a qualifying charitable organization and notify the organization  
9 of its determination. An organization that fails to comply with this  
10 section:

11           1. No longer qualifies as a qualifying charitable organization, and  
12 the department of revenue shall remove the organization from the department's  
13 published list.

14           2. May be added to the department of revenue's list if, at a later  
15 date, it submits a written certification that complies with section 43-1088,  
16 subsections G and H, Arizona Revised Statutes, as amended by this act, and  
17 the department of revenue determines that the organization is a qualifying  
18 charitable organization.

19           Sec. 3. Effective date

20           Section 43-1088, Arizona Revised Statutes, as amended by this act, is  
21 effective from and after December 31, 2008.