



# Pappas Kids Corporate Tuition Tax Credit Program

GIVING ARIZONA CHILDREN IN NEED A HAND UP IN EDUCATION

# Your Corporation Can Help Low-Income Children at NO COST

- ▶ **Pappas Kids Schoolhouse Foundation** has proudly provided scholarship assistance to homeless and underprivileged children attending private schools throughout Arizona with no preference to religious or political affiliation. We believe parents and children should have a choice when it comes to type of education that will best help these students succeed.
- ▶ Under these programs (**A.R.S. 43-1183**), Class C Corporations and Insurance Carriers that owe Arizona corporate income tax or insurance premium taxes can redirect a portion, or their entire tax obligation to school tuition organizations (such as the Pappas Kids Schoolhouse Foundation). These school tuition organizations then award K-12 scholarships to students qualifying for the federal government's free or reduced lunch program or the disabled/displaced program. **The corporation, in turn, will receive a 100% tax credit for every dollar it donates.** Participating corporations redirect funds they must already pay to the state, enabling them to help low-income children achieve greater educational excellence at NO COST to the corporation. As a result, the program is paving the way for an educated workforce that will greatly contribute to the betterment of our communities.



# How Can Your Class C Corporation, S-Corp, LLC or Insurance Carrier Help Students?

## The Simple Process

- ▶ To take advantage of this tax credit, the corporation contacts our team and pledges to contribute \$X amount.
- ▶ Pappas Kids Schoolhouse Foundation then completes the application for the corporation and submit it to the Arizona Department of Revenue (ADOR). If the program cap has not been met, the ADOR approves the request within 20 days.
- ▶ The corporation has 20 days from the date of approval by the ADOR to make the contribution to Pappas Kids Schoolhouse Foundation.
- ▶ The corporation takes the premium tax credit on its tax return, and may carry any unused credit forward for up to five years. The corporation may take either the federal nonprofit donation deduction or the Arizona state credit, but not both.

Program Cap and Fund Designations for 2023-2024 Fiscal Year

Low-Income Tax Credit Scholarship Program - \$158,476,605 Million

Disabled/Displaced Tax Credit Scholarship Program - \$6 Million



# Breaking down the credit...

- ▶ Under Chapter 301 of Arizona House Bill 2153, S-Corporation Owners or LLC's that elect to file as S-Corporations, that owe Arizona corporate income tax can redirect a portion, or their entire tax obligation to the Pappas Kids. The corporation's owners, in turn, will receive a 100% tax credit for every dollar it donates. Participating corporations redirect funds they must already pay to the state, enabling them to help low-income children achieve greater educational excellence at NO COST to the corporation. As a result, the program is breaking the cycles of poverty through education.
- ▶ For example, if Tammy owns 60% of Capital, Inc. (an S-Corporation) and Daniel owns 40% and Capital, Inc. donates \$1M to PKSF, Tammy would receive a \$600K dollar-for-dollar tax credit on her personal AZ income taxes and Daniel would receive a \$400K dollar-for-dollar tax credit on his personal AZ taxes. Also, if your company is an LLC, but taxed as an S-Corporation and files forms 1120S and 120S each year, you would be eligible for this.



# Why Does Arizona Allow this?

- ▶ The program gives underprivileged and at-risk families the opportunity to send their children to the school of their choice, no public funds are used, and the local economy gets a boost from the additional economic activity. The intent of this legislation is to provide homeless and underprivileged youth equal opportunities when it comes to choosing educational paths that would best help them succeed.
- ▶ **Can I direct my credit to a particular student?**

Arizona law states that a corporation may direct which schools receive their scholarship tax credits but may not specify which students receive the scholarships.





# The Simple Application

Pappas Kids Schoolhouse Foundation then completes the application for the corporation and submit it to the Arizona Department of Revenue (ADOR). If the program cap has not been met, the ADOR approves the request within 20 days.



ARIZONA DEPARTMENT OF REVENUE  
**Application for Approval of the  
 Corporate Income Tax Credit for Donations to School Tuition Organizations  
 (A.R.S. § 43-1183 or A.R.S. § 20-224.06) or  
 Corporate Income Tax Credit for Disabled / Displaced Students  
 (A.R.S. § 43-1184 or A.R.S. § 20-224.07)**

- Program Guidelines available at [www.azdor.gov](http://www.azdor.gov)
- Send the completed form via email to: [DOROERA@azdor.gov](mailto:DOROERA@azdor.gov)
- Questions regarding the program can be directed to: Karen Jacobs ([DOROERA@azdor.gov](mailto:DOROERA@azdor.gov))

• **Attention:**  
 Failure to complete the form will result in a delay in the processing of the request, resulting in an extension of the twenty-day approval period and possibly being moved down in the line for credit requests.

- This donation is for the corporate tuition organization credits (A.R.S. § 43-1183 or A.R.S. § 20-224.06).  
 This donation is for the corporate disabled/displaced students credit (A.R.S. § 43-1184 or A.R.S. § 20-224.07).

STO requesting pre-approval:		
Pappas Kids Schoolhouse Foundation		
STO street address:		
351 N Arizona Blvd #10		
City:	State:	ZIP Code:
Coolidge	AZ	85128
STO contact person:	Phone Number (with area code)	
Dayna Sandoval	602-441-5707	
E-mail address:		
<a href="mailto:daynas@pappaskidssf.org">daynas@pappaskidssf.org</a>		

Corporation requesting to donate:		
Corporate street address:		
City:		
State:		
ZIP Code:		
Corporate EIN:	<input type="checkbox"/> Check box if this donation is from an S corporation pursuant to A.R.S. § 43-1089.04.	
Name and EIN of parent S corporation if contributing company is a qualified subchapter S subsidiary:		
<input type="checkbox"/> Check box if this corporation will be claiming the credit against insurance premium tax liability.	NAIC Number (for insurance premium tax only):	
Amount the corporation is requesting to donate:		
\$		

Approval or denial of this application will be emailed to the STO.

# Three Step Re-Cap

## Calculate your AZ tax liability

### Qualifying agencies

- C-Corps
- Insurance Carriers that owe Arizona corporate income tax or insurance premium taxes
- S-Corps
- LLC's filing their taxes as an S-Corp

## Complete the simple application for Pappas Kids

- Complete the application and return it to Pappas Kids for submittal with the AZDOR
- Pappas Kids submits the application directly and notifies you of approval
- Designate the school of your choosing
- Submit application to PKSF before July 1st or until the annual donation cap is met

## Deliver your contribution within 20 days of approval

- Once the AZDOR notifies Pappas Kids of Approval the physical contribution must be made within 20 days.
- If you are an S-Corp a separate form will be provided to you that may be submitted at any time before you file your taxes with your shareholders information.

A School tuition organization cannot award, restrict or reserve scholarships solely on the basis of recommendation.  
A taxpayer may not claim a tax credit if the taxpayer agrees to swap donation with another taxpayer to benefit either taxpayer's own dependent.