

Overview

The new withholding tax reduction law will be effective on January 1, 2010. It allows individual income tax payers to authorize their employer to reduce their state withholding tax amount in order to make donations to a charitable organization, public school, and/or a school tuition organization like TOPS for Kids. Employer participation in this program is purely voluntary. Private school tuition tax credit donations can be sent to TOPS for Kids by the employer weekly, monthly, or quarterly (at the employers discretion) and TOPS for Kids will help facilitate this process. The public school tax credit program and the working poor tax credit program will each be facilitated by the qualified schools or nonprofit organizations that accept these type donations.

TOPS for Kids will attempt to provide further information prior to January 1, 2010 to give a more specific explanation of this law and the procedures that much be followed pertaining to this program. We are in the process of getting information to develop forms and publications that will be helpful in presenting this to an employer, but these items may not be completed immediately as it is yet unclear what forms or specific procedures the Arizona Department of Revenue will implement for this new withholding reduction.

Below is an example of how the withholdings may be deduction based on the maximum donation for each tax payer based on different pay periods. **Please note that the figures are all approximations.**

A married couple filing jointly with a maximum donation amount of **\$1000:**

Weekly:	wife-\$19.23	husband-\$9.61
Bi-Weekly:	wife-\$38.46	husband-\$19.23
Bi-Monthly:	wife-\$41.67	husband-\$20.83
Monthly:	wife-\$83.32	husband-\$41.66

A single person with a maximum donation amount of **\$500:**

Weekly:	\$9.61
Bi-Weekly:	\$19.23
Bi-Monthly:	\$20.83
Monthly:	\$41.66

Facts for the Employee

- **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 amount.**
- 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 use this program.
- It is your responsibility to present this to your employer. Remember this is a voluntary program for the employer. TOPS will provide the needed forms to you and your employer for this process and will be available to answer any questions as they arise.
- 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.
- 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 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.

- It is advisable for you to consult your tax advisor regarding your specific situation for your state tax liability, withholdings, and intended donation amount. The maximums that can be claimed under the private school tuition tax credit 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 TOPS for Kids 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 the donation is postmarked or contributed online no later than December 31st of the tax year for which you want to claim the credit.
- TOPS for Kids will send a receipt to you in January stating the total of your tuition tax credit donation for the prior tax year, whether it came from withholding reductions, a regular donation, or a combination of both.



What is the process I should follow to setup my payroll reduction donation:

First, you should contact TOPS for Kids to give us your contact information, mailing address for receipt, intended total donation, employer name, and any recommendation information. You may use the current donation brochure to do this if you prefer.

Second, TOPS for Kids will provide you with 2 forms: one form for you to keep with your records and one form to sign and give to your employer.

Third, Your employer, if they agree to participate in this program, will reduce your state tax withholdings by a prorated amount per pay period, per your request, and will proceed to withhold and send TOPS for Kids the donation for you.

Finally, in January, after the end of the tax year, your employer will provide you and the Arizona Department of Revenue with a statement showing the total donation amount withheld and paid. TOPS for Kids will mail you a receipt showing the total amount of your donation to use with the appropriate Arizona tax form (Forms 323 and/or 301), so you can claim your tax credit.

Facts for the Employer

- **The primary advantage to you as an employer for providing this is that it is a benefit to your employees at minimal cost to you.**
- Participation is voluntary on the employer's part. TOPS for Kids will help facilitate this process to the best of our ability, and we will be happy to answer any questions we can.

- Employee communication regarding this withholding reduction is confidential information.
- Employers will be required to provide a statement to each employee participating as well as to the Arizona Department of Revenue, indicating the total amount donated through withholding reduction donations for the tax year each year, or upon that employee leaving your employ.
- TOPS for Kids will also provide each donor a receipt showing the total of their donation for that year.

This brochure was revised on 09/10/11

For further details refer to the following Arizona statutes:

House Bill 2287
ARS 43-401



~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.

(A.R.S. 43-1089-Chapter 15)



Withholding Reduction Donations

for the Individual Tax Credit Program

Information Brochure



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