

## **Arizona's New Certification Process for Qualifying Charitable Organizations**

### ***Background***

Previously, charitable organizations were able to self certify their status as a Qualifying Charitable Organization (QCO) in order for their donors to claim a tax credit. Charitable organizations now must apply to be considered as a QCO due to a law change under Laws 2009, Chapter 80 (HB2286). The qualifications for a charitable organization to be considered as a QCO have been very specific since the law was introduced in 1998. To be considered as a QCO, the charitable organization must meet the criteria defined in statute (recapped at the end of this document and found on the [azdor.gov](http://azdor.gov) website).

The Arizona Department of Revenue (ADOR) notified all previously self certified charitable organizations about the law change and recertification requirements in August 2009. ADOR reviewed all applications between September and December 2009. All applicants were notified of their status at the beginning of January 2010.

A list of QCO's for 2010 is now posted on the ADOR website at [azdor.gov](http://azdor.gov), at the link shown below.

If you are unclear as to the status of your charitable organization in relation to the Tax Credit for the Working Poor program, this document will attempt to answer your questions.

### **Guidance on How to Proceed**

#### ***If Your Charitable Organization Received a Denial Letter:***

Contact the person named on your letter to discuss more details about the determination or to provide information that would allow for further review. You may also complete the Notice of Appeal form included with the denial letter and either request an informal meeting with ADOR representatives or request a formal hearing at the Office of Administrative Hearings.

#### ***If Your Charitable Organization Received an Approval Letter:***

You do not need to do anything more at this time. The law provides for ADOR to periodically request QCO's to recertify their status and your certificate and approved status is valid until that time. If your organization fails to meet the criteria of a QCO in a future recertification review, your organization will be removed from the [azdor.gov](http://azdor.gov) website listing. In addition, a QCO must notify ADOR of any changes that may affect its qualifications between the time of initial approval and subsequent recertification.

#### ***If You Did Not Respond to ADOR's Request for More Information and Your Status is Undetermined at This Time:***

Contact the person named on your letter to provide information that would allow for further review. A determination will be made when you provide the missing information. Your organization will be added to the [azdor.gov](http://azdor.gov) website list if and when your application is approved.

***If You Did Not Receive or Respond to Correspondence from ADOR and You Want to Apply for QCO Certification:***

You may obtain the necessary forms and information on the ADOR website at [azdor.gov](http://azdor.gov), at the link shown below. From the [azdor.gov](http://azdor.gov) Home Page, click on the “Tax Credit” link listed alphabetically on the menu on the left hand side of that page. Then select the “Charitable Tax Credit” link that will appear. You will be connected to the “Charitable Tax Credit” page where you will find the list of QCO’s, Information for Organizations and the Application Form and Instructions.

Your organization should apply for QCO status as soon as possible. If you apply, and are determined to qualify as a QCO in 2010, your organization will be added to the 2010 list.

***If You Are Unsure About Your Status:***

If your charitable organization is no longer listed on the [azdor.gov](http://azdor.gov) website, or

If you are uncertain as to where your charitable organization fits relative to the categories listed above, or

If you are unsure of your status in general,

Contact Nick Buta, Deputy Quality Executive at 602-716-6891 or at [nbuta@azdor.gov](mailto:nbuta@azdor.gov) for further information and assistance.

***If You Want to Apply as a QCO for the First Time:***

All charitable organizations that are interested in the Tax Credit for the Working Poor program may apply at any time as a new request. Follow the directions to the [azdor.gov](http://azdor.gov) website described above.

***If You Are An “Umbrella Type” Organization:***

An umbrella type organization heads an association of non-profit organizations to provide resources, coordinate activities and financially support various charitable organizations through distributions. Typically, the umbrella organization receives donations from individuals and then distributes those donations to any number of charitable organizations. In order to qualify for the Tax Credit for the Working Poor program, the umbrella organization must direct donated funds to specific member charitable organizations that qualify as a QCO on a stand-alone basis. Individuals can claim the tax credit as long as their donations are distributed to any of the QCO’s found on the Department’s website. The umbrella organization may also establish a “working poor tax credit fund” for individuals to donate to without making a specific designation.

We have determined that your organization is not required to apply to be considered as a QCO. Your organization’s name will be posted under a special “umbrella” header to indicate that your organization is involved in the charitable process in a distribution role.

Contact Nick Buta, Deputy Quality Executive at 602-716-6891 or at [nbuta@azdor.gov](mailto:nbuta@azdor.gov) for further information and assistance about umbrella type charitable organizations.

**A List of azdor.gov QCO Website Links:**

Home Page: <http://www.azdor.gov/Home.aspx>

2010 QCO List:

<http://www.azdor.gov/LinkClick.aspx?fileticket=OlmvIZYxat!%3d&tabid=133>.

QCO Application Forms:

<http://www.azdor.gov/LinkClick.aspx?fileticket=BFI4fNNzpok%3d&tabid=133>

**Notice:**

***Please understand that these decisions pertain only to your organization's ability to be considered as a QCO for Arizona's tax credit for the working poor. This decision does not change your federal 501 (c) (3) status or disallow your organization the ability to receive donations that taxpayers can claim as charitable tax deductions under the extent that the law allows.***

**Criteria Needed to be Considered as a QCO:**

***ARS § 43-1088.1.3 states that a "qualifying charitable organization" means a charitable organization that is exempt from federal income taxation under section 501 (c) (3) of the Internal Revenue Code or is a designated community action agency that receives community block grant program monies pursuant to 42 United States Code, Section 9901.***

***ARS § 43-1088.1.3 also states that the organization "must spend at least fifty percent of its budget on services to residents of this state who receive temporary assistance for needy families benefits or low income residents of this state and their households (individuals living at or under 150% of the federal poverty level) or to chronically ill or physically disabled children who are residents of this state (defined as children who are under 21 years of age and whose primary diagnosis is a severe physical condition which may require ongoing medical or surgical intervention)".***

***ARS § 43-1088.1.4 defines services to mean "cash assistance, medical care, child care, food, clothing, shelter, job placement and job training services or any other assistance that is reasonably necessary to meet immediate basic needs and that is provided and used in this state".***