
2010 Income Tax Credit Review

**Joint Legislative Income Tax
Credit Review Committee**

December 14, 2010

JLBC

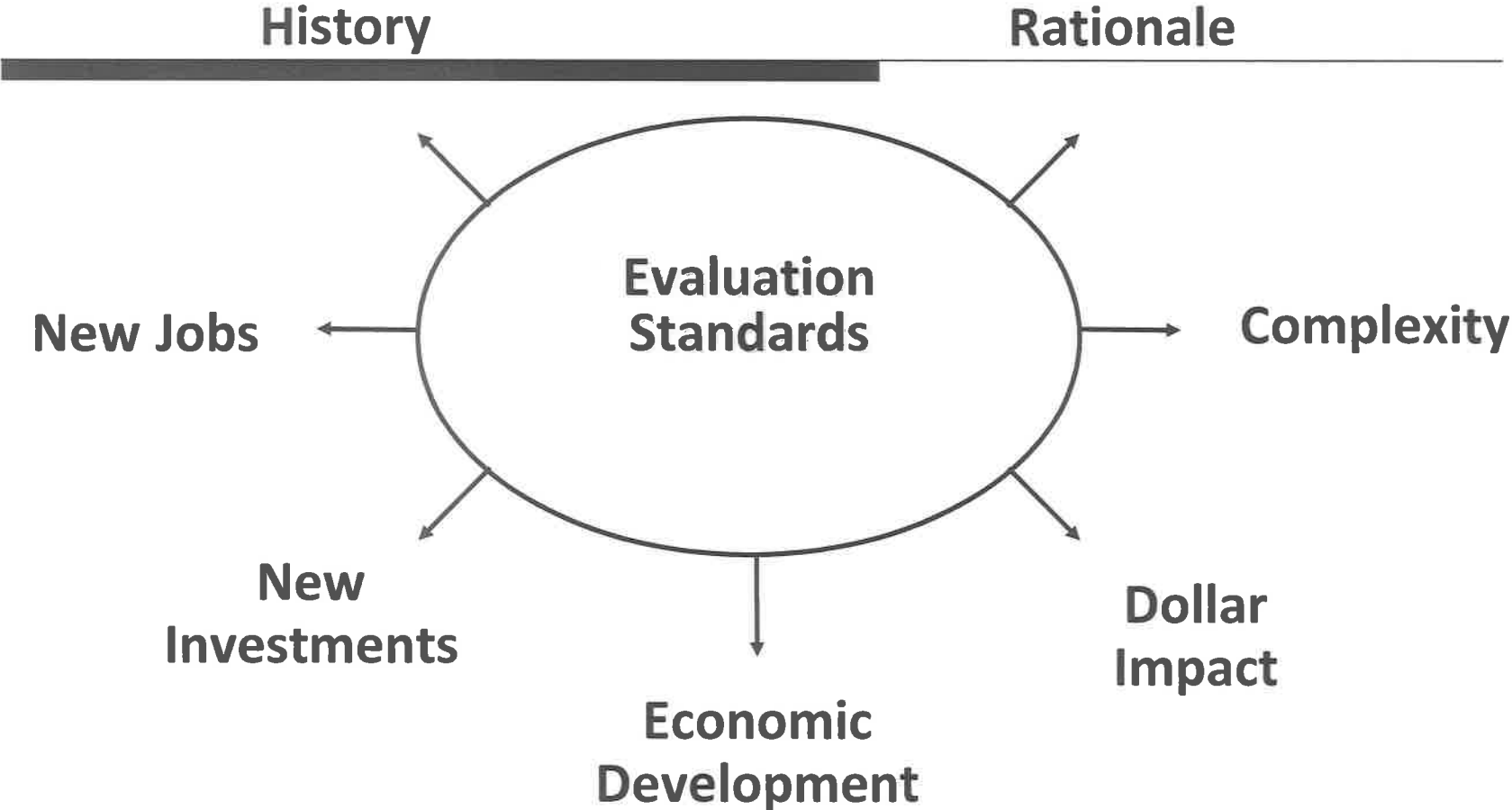
Joint Legislative Income Tax Credit Review Committee

- Annually reviews credits as determined in statute.
- This year's review includes:
 - Charitable Organizations Credit
 - Motion Picture Production & Infrastructure Credits
 - Employment of National Guard Members Credit
 - Employment of TANF Recipients Credit
 - Water Conservation Systems Credits
- Charitable organizations and TANF credits were last reviewed in 2005.

Role of the Committee

- Determine original purpose of tax credit.
- Establish standards for evaluating and measuring success or failure.
- Recommend changes.

Statute Provides Possible Standards



New Disclosure Provision in 2010

- New law enacted in 2010 authorizes DOR to disclose confidential “statistical information” gathered from taxpayers to the Committee and JLBC Staff.
- Previously, DOR did not disclose credit information unless a certain minimum numbers of taxpayers had claimed the credit.

Issues Affecting Evaluation

- Timeliness of data.
- Lack of performance measures.
- Certain costs and benefits can be difficult to quantify.

Charitable Organizations Tax Credit

– Summary

- Cost – \$12.9 million in tax year 2009.
 - 45,438 claims at an average of \$284 per claim.
- Purpose – encourage increased cash contributions to charities that help the working poor, or chronically ill or disabled children.
- Complexity – simple to use and administer.
- Performance Measures – none in statute.

Charitable Organizations Tax Credit

– Description of Credit

- Credit is available to individuals who make cash contributions to qualifying charities.
- Qualifying charity is required to:
 - be a 501(c)(3) or designated community action agency
 - spend $\geq 50\%$ of its budget on services to welfare recipients, low-income persons, chronically ill or disabled children
- More than 400 charitable organizations are currently listed on DOR's web site.

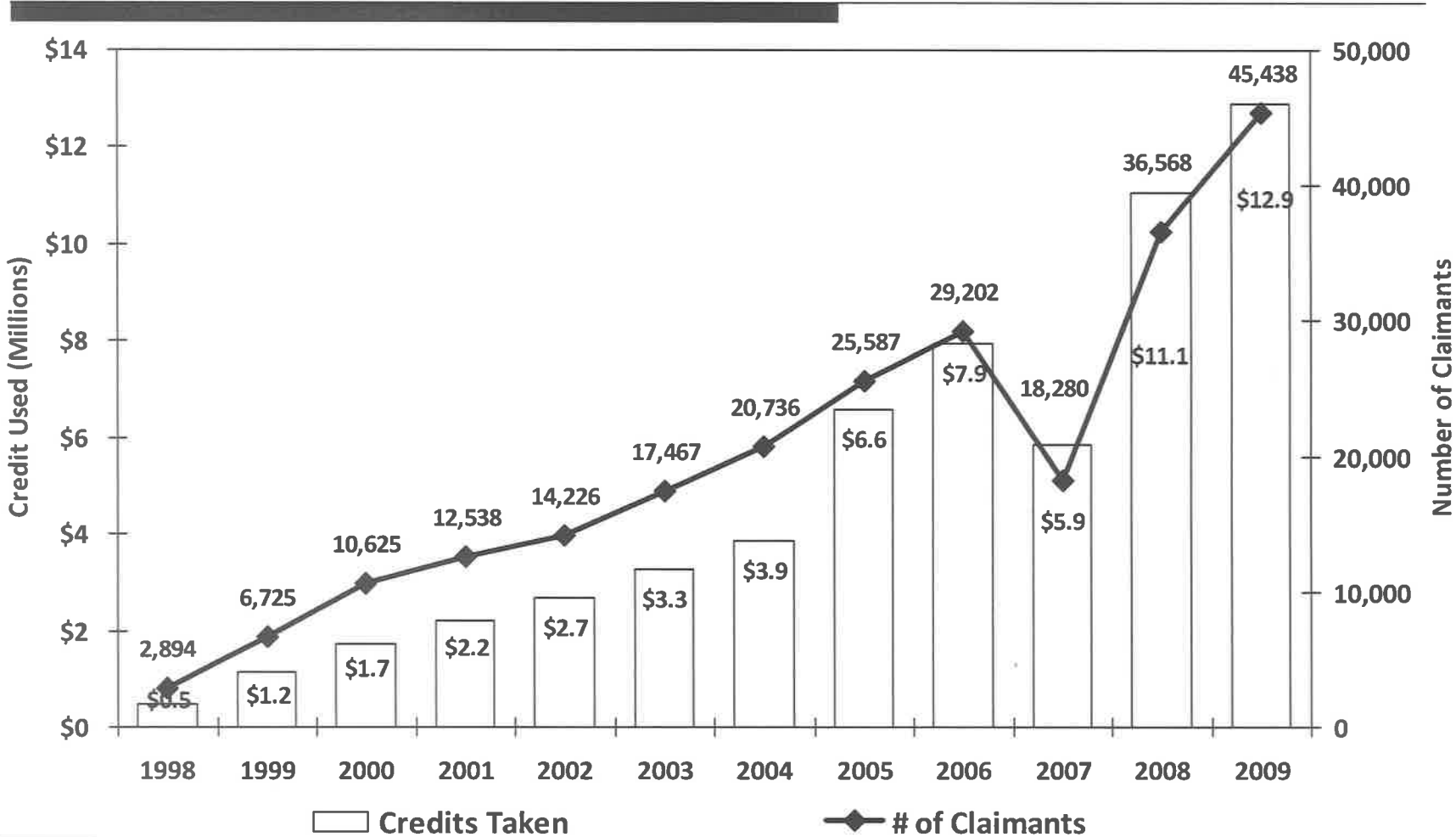
Charitable Organizations Tax Credit

– Description of Credit (cont.)

- Credit is only available to individual filers who itemize their deductions.
- Maximum credit is \$200 for singles and heads of household and \$400 for married couples.
- Credit is nonrefundable.
- Credit carry-forward is 5 years.

Charitable Organizations Tax Credit

– Amount of Credits Taken & Number of Claimants



Charitable Organizations Tax Credit

– Benefits to the Arizona Economy

- Available data does not indicate to what extent donations to qualifying charities represent new or additional giving.
- Credit may encourage some donors to reallocate their contributions for tax purposes.

Charitable Organizations Tax Credit

– Potential Performance Measures

- Number of Arizona residents benefitting from services provided as a result of credit donations.
- Type of services provided and amounts allocated to such services.
- Last reviewed in 2005.
 - Committee recommended: (1) elimination of baseline requirement and (2) establishment of new certification process. Both recommendations were enacted.