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REGULATION

STUDENT FEES, FINES, AND CHARGES (Tax Credit Contributions)

Pursuant to A.R.S. 43-1089.01, a taxpayer is allowed a credit for the amount of any fees or cash contributions made to a public school for the support of extracurricular activities or character education programs. Donations are limited to the amounts of two hundred dollars for a single individual or a head of household and four hundred dollars for a married couple filing a joint return. A contribution for which a credit is claimed and that is made on or before April 15 following the taxable year may be applied to either the preceding taxable year or to the current year.

“Extracurricular activities,” as defined in A.R.S. 15-342 and A.R.S. 43-1089.01, are any optional, noncredit, educational, or recreational activities that supplement the education program of the school, whether offered before, during, or after regular school hours. They are school-sponsored activities that require enrolled students to pay a fee in order to participate. At least some monetary amount must be levied to participate in an extracurricular activity in order for the tax credit to be available. A blanket waiver of all activity fees would make the activity ineligible for the tax credit. Examples of extracurricular activities include paying fees for band uniforms, equipment or uniforms for varsity athletic activities, scientific laboratory materials, and in-state or out-of-state trips that are solely for competitive events. Extracurricular activities do not include any senior trips or events that are recreational, amusement, or tourist activities.

“Character education programs,” as defined in A.R.S. 15-719, must include instruction in the definition and application of at least six of the following character traits: truthfulness, responsibility, compassion, diligence, sincerity, trustworthiness, respect, attentiveness, obedience, orderliness, forgiveness, virtue, fairness, caring, citizenship, and integrity. The course of study for each grade, kindergarten through twelfth, may be developed by the district. Activities, discussions, and visual media and literary presentations should be used to illustrate and reinforce the application of the character traits, and presentations should be made by teachers or mentors who demonstrate the character traits.

Using forms prescribed by the Arizona Department of Revenue, a recipient school of any contribution must provide the following information to the Department by February 28 of each year:

- The total number of fee and cash contribution payments received during the previous calendar year.
- The total dollar amount of fees and contributions received during the previous calendar year.

- The total dollar amount of fees and contributions spent by the school during the previous calendar year, categorized by specific extracurricular activity or character education program.

In addition to this report to the Department, schools should issue a receipt to the taxpayer for any fees or cash contributions received. The receipt should include the public school name, school district name and number, taxpayer name and address, fees paid or amount contributed, date paid or contributed, and a description of the activity being supported.

The use of contributions that are not designated for a specific purpose shall be determined by the site council of the public school that receives the contributions. In the absence of a site council, the principal, director, or chief administrator of the school shall make the determination. If, at the end of a fiscal year, there remain any unspent contributions that were previously designated for a specific purpose or program, and that purpose or program has been discontinued or has not been used for two consecutive fiscal years, these contributions shall be considered undesignated in the following fiscal year.

GUIDELINES FOR THE PUBLIC SCHOOL EXTRACURRICULAR ACTIVITY (ECA)

TAX CREDIT - AZDOR Link:

<http://www.azdor.gov/LinkClick.aspx?fileticket=7tg5M2-Lvpw%3D&tabid=>

~~The receipt and expenditure of fees or cash contributions may be for "Extracurricular activities" as indicated in A.R.S. 43-1089.01 and 15-342 with contributions also used for "character education programs" as described in A.R.S. 15-719.~~

~~To comply with the requirements of A.R.S. 43-1089.01 concerning the receipt and expenditure of fees or cash contributions from taxpayers during the previous *calendar* year for support of extracurricular activities and character education programs of the District, annually not later than February 28 each school in the District shall provide the following information on forms prescribed by the Arizona Department of Revenue:~~

- ~~• Total number of fees and contribution payments received.~~
- ~~• Total dollar amount received.~~
- ~~• Total dollar amount spent, categorized specifically by:

 - ~~○ Extracurricular activity.~~
 - ~~○ Character education program.~~~~
- ~~• Total number of student participants, categorized specifically by:

 - ~~○ Extracurricular activity.~~
 - ~~○ Character education program.~~~~

~~When a school has a school council, the school council shall determine how contributions not designated for a specific purpose are to be used at the school. When a school does not have a school council, the principal shall make the determination.~~

~~If at the end of a fiscal year a public school has unspent contributions that were previously designated for a specific purpose or program and that purpose or program has been discontinued or has not been used for two (2) consecutive fiscal years, these contributions shall be considered undesignated in the following fiscal year for the purposes of this subsection.~~

STUDENT FEES, FINES, AND CHARGES FEES

Areas where fees may be charged include, but may not be limited to:

- Optional extracurricular activities, which are defined as any optional, noncredit, educational or recreational activity that supplements the education program of the school, whether offered before, during, or after regular school hours.
- Optional programs conducted when school is not in session.
- Fine arts courses (high school only).
- Vocational education courses (high school only).
- Other courses, fees for optional services, equipment, and materials offered to the students beyond those required to successfully complete the basic requirements of the course (high school only).

Pursuant to A.R.S. [15-342](#), a school district may charge fees for the activities described above if:

- The fees are reasonable.
- The fees do not exceed the actual costs of the activities, programs, services, equipment, or materials.
- A notice of the proposed fees is given to all parents of students enrolled at schools in the District *before* the Governing Board acts to adopt fees.
- The fees are then adopted by the Governing Board.
- The Governing Board includes in its action a grant of authority to the principals to waive the assessment of all or a part of any fee if it creates an economic hardship for a specific student.
- No fees are charged for students' access to or use of computers or related materials.

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EXHIBIT

STUDENT FEES, FINES, AND CHARGES TAX CREDIT CONTRIBUTIONS

IS THIS A TAX CREDIT ELIGIBLE EXTRACURRICULAR ACTIVITY?

In accordance with A.R.S. § 15-342(24) and § 43-1089.01(G)(2):

1. Is the activity sponsored by the District/school? Yes No
2. Is the activity for enrolled students? Yes No
3. Is the activity optional? Yes No
4. Is the activity non-credit? Yes No
5. Does the activity supplement the District/school's educational program? Yes No
6. Does the District/school charge a fee for participation in the activity? Yes No
7. Is the activity fee paid directly to the District/school? Yes No
8. Was the fee for this activity adopted by the Governing Board at a public meeting after notice to all parents of enrolled students? Yes No
9. Has the Governing Board authorized the principal to waive all or part of the activity fee if it creates an economic hardship for a student? Yes No

If you answered NO to any of these questions, then the activity is not tax credit eligible. If you are not certain how to answer any of the above questions, you should consult the school's attorney before offering tax credits for the activity.

Frequently Asked Questions

1. **How must extracurricular activity fees be adopted?** To be eligible for tax credits, extracurricular activity fees must be adopted by the Governing Board at a public meeting after notice to all parents of students enrolled in the district. See A.R.S. § 15-342(24). Districts typically adopt a fee schedule near the beginning of the school year and may later publish supplementary fee schedules. Best practice is for any extracurricular activity fees, including fees for field trips, to be included on the district's published fee schedules. Activity fees that have not been properly noticed or adopted by the Governing Board are not tax credit eligible.
2. **Can the fees be paid directly to a third-party that is coordinating the activity?** Extracurricular activity fees must be paid directly to the district or school. Fees paid to third-parties do not qualify for tax credits. See Arizona Attorney General Opinions I03-008 and I98-007.

3. **Must the district waive all or part of an activity fee if it creates an economic hardship for a student?** The Governing Board must authorize a principal to waive all or part of an activity fee if it creates an economic hardship for a student. See A.R.S. § 15-342(24) and Arizona Attorney General Opinion I99-021. If a student does not raise enough money through tax credit donations and cannot otherwise afford to participate in an extracurricular activity, the student's principal must be authorized to waive all or part of the fee. In practice, this means the principal must find another funding source to pay for the student's activity fee. For example, the school's site council may choose to use undesignated tax credit donations to pay for the activity fees of students for whom payment would represent an economic hardship. See A.R.S. § 43-1089.01(E). Best practice is for a site council, at the beginning of the school year, to identify which activity fees it will cover and in what amounts. If a school or district is unable to waive part or all of an activity fee for a student for whom the fee creates an economic hardship, then no fees may be charged for the activity and the activity would no longer be tax credit eligible. See A.R.S. § 15-342(24).

Any fees charged must be no more than the actual costs of the activity. See A.R.S. § 15-342(24).

Arizona Department of Revenue, Office of Economic Research and Analysis, December 2014