

GEICO donation a boon to tax credit program

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Call it one of the best ways to avoid paying taxes.

A donation this week by Geico to provide scholarship assistance for Arizona students to attend private schools reminds us of the more than \$500 million that individuals and corporations have contributed through school tuition organizations since 1998.

School tuition organizations, or STOs, are nonprofits tasked with distributing scholarships for private schools in Arizona. Individuals and businesses may donate to an STO and receive a state tax credit for every dollar donated, with some restrictions.

Although public education continues to be underfunded, the program is not a zero-sum game. Donations to STOs do not take money away from public schools. They allow parents that may not be able to afford sending their children to a private school the choice to do so. It is a program worth supporting.

For 2013, individuals can donate up to \$1,031 for single filers and \$2,062 for married and joint filers. While individuals have been able to claim a tax credit since 1998, corporations weren't permitted to participate until 2006.

An important component of the business tax credit is that unlike individual donations, corporate money goes exclusively to low-income households. And while there is no limit to how much companies can give, there is a yearly cap on the combined total, which is \$35.8 million for fiscal year 2013.

To receive donations that may be claimed as tax credits, an STO must be certified by the Arizona Department of Revenue and follow certain guidelines, including that it must use 90 percent of all donations for scholarships, not limit scholarships to one school or distribute scholarships solely on the recommendation of the donor.

While contributions cannot be made targeting specific students, donors may direct which schools receive the money. For example, out of the \$8 million Geico recently donated through the Arizona Leadership Foundation STO, \$4 million has been earmarked for Pima County students.

As of fiscal year 2012 there were 57 certified STOs, and while they all have the same function, not all of them are created equal. Some STOs, such as the Tucson-based Catholic Tuition Support Organization, favor religious education while others take a more secular approach.

Potential participants should do some research to find the best fit between donor and the organization's philosophy and mission. The Department of Revenue website at www.azdor.gov features a complete list, and most STO websites detail their goals and offer financial documents on their distribution of funds.

Whatever way the tax credit is claimed, this is a good opportunity to alleviate a fiscal burden while giving students and parents the viable choice of considering a private-school education.

GRADING THE STOS

A 2013 report by the Hispanic Council for Reform and Educational Options rates school tuition organizations with an emphasis on their judicious use of donations and scholarships given to low-income and minority students. You may find the report at www.hcreo.com