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REACH FOR THE STARS

Tax Deduction Vs Tax Credit

A tax credit and a tax deduction affect a tax return differently. A tax deduction generally reduces the amount of income subject to tax. A tax credit generally reduces the amount of tax owed.

HOW THEY DIFFER

1 What is a Tax Deduction?



A tax deduction generally lowers the amount of income used to calculate tax.

2 What is a Tax Credit?



A tax credit generally lowers the amount of tax owed. Arizona's STO program is a tax-credit program, subject to applicable program requirements.

3 Why It Matters



A tax credit and a tax deduction affect a tax return differently. A tax deduction generally reduces the amount of income subject to tax. A tax credit generally reduces the amount of tax owed.

4 Arizona STO Program



Arizona's school tuition tax credit program provides a state income-tax credit for qualifying contributions to eligible School Tuition Organizations, subject to applicable program requirements.

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This is not a tax advice, general information only. Arizona tax credits depend on eligibility, applicable requirements, limits, contribution timing, and available tax liability. 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. 43-1603 (C). Any designation of your own dependent as a potential recipient is prohibited.

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