

2006 Agricultural Water Conservation System Credit

Obtain additional information or assistance, tax forms and instructions, and copies of tax rulings and tax procedures by contacting one of the numbers listed below:

Phoenix	(602) 255-3381
From area codes 520 and 928, toll-free	(800) 352-4090
Form Orders	(602) 542-4260
Recorded Tax Information	
Phoenix	(602) 542-1991
From area codes 520 and 928, toll-free	(800) 845-8192
Hearing impaired TDD user	
Phoenix	(602) 542-4021
From area codes 520 and 928, toll-free	(800) 397-0256

Obtain tax rulings, tax procedures, tax forms and instructions, and other tax information by accessing the department's Internet home page at www.azdor.gov.

General Instructions

CORPORATE TAXPAYERS: The corporate tax credit (ARS § 43-1172) was previously repealed for corporate taxpayers. Any remaining carryovers of unused credits from taxable years beginning before January 1, 2000, are lost after the taxable year 2005. This affects all corporate taxpayers, including S corporations and corporate partners of a partnership. Since an S corporation no longer qualifies for the credit, an S corporation cannot pass the credit through to its shareholders. A partnership cannot pass the credit through to its corporate partners.

INDIVIDUAL TAXPAYERS: ARS § 43-1084 provides a nonrefundable tax credit for the purchase and installation of an agricultural water conservation system. The credit is equal to 75 percent of the qualifying expenses incurred during the taxable year.

To Qualify for the Credit:

- The system must be primarily designed to substantially conserve water on land that the taxpayer or taxpayer's tenant uses to:
 - a. produce crops, fruits, or other agricultural products;
 - or**
 - b. raise, harvest, or grow trees; **or**
 - c. sustain livestock.
- The expense must be consistent with a conservation plan that the taxpayer has filed and that is in effect with the United States Department of Agriculture Soil Conservation Service.

If the allowable tax credit exceeds the taxes otherwise due on the claimant's income or if there are no taxes due, the taxpayer may carry the unused credit forward for a period not to exceed the next five taxable years.

Individual co-owners of a business, including individual partners in a partnership, may each claim only a pro rata share of the credit allowed under ARS § 43-1084, based on their ownership interest. The total of the credits allowed all

owners may not exceed the amount that would have been allowed for a sole owner of the business.

Specific Instructions

Type or print the required information in the name and taxpayer identification number section at the top of the form. Indicate the period covered by the taxable year. Attach the completed form to the tax return.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for a partnership is the taxpayer's employer identification number. The TIN for an individual is the taxpayer's social security number or an IRS individual taxpayer identification number. Taxpayers that fail to include their TIN may be subject to a penalty.

Part I - Qualifying Water Conservation System

Lines 1 through 3 -

On lines 1 through 3, enter the information relating to the water conservation system purchased and installed for which the credit is being claimed.

If the system is not one of the systems or system changes listed, check the "other" box. Give a detailed description of the system and an explanation of how it qualifies for the credit.

Part II - Calculation of the Current Taxable Year's Credit

Line 4 -

Enter the total amount of expenses relating to the water conservation system spent in the current taxable year.

Line 5 -

Enter the amount of any reimbursement received for expenses relating to the water conservation system.

Part III - Individual Partner's Share of Credit

Lines 8 through 10 -

The partnership must complete Parts I and II. Then, complete Part III, lines 8 through 10, separately for each individual partner. The partnership must furnish each individual partner with a copy of the completed Form 312.

Each individual partner must complete Parts IV and V.

Part IV - Available Credit Carryover

Calculate the total available carryover of the agricultural water conservation credit on page 2, Part IV, lines 11 through 16. Complete these lines if the taxpayer claimed the credit on a prior taxable year's tax return and had excess credit.

Enter the taxable year(s) from which the credit is carried over in column (a) on lines 11 through 15. In column (b) enter the credit originally computed for that taxable year. In column (c) enter the amount of the credit from that taxable year which has already been used. Subtract the amount in column (c) from column (b) and enter the difference in column (d).

Add the amounts entered on lines 11 through 15 in column (d).
Enter the total on line 16, column (d).

Part V - Calculation of Available Credit for Current Year

Line 17 -

Individuals - Enter the amount from Part II, line 7.

Individual partners of a partnership - Enter the amount from Part III, line 10.

Line 18 -

Enter the amount of available credit carryover from Part IV, line 16, column (d).

Line 19 -

Individuals: Add lines 17 and 18. This is the total available credit that may be applied to the current taxable year's tax liability. Enter the total here and on Form 301, Part I, line 9.