

**This booklet contains:**

- Individual Tax Forms
- Corporation, Partnership, and Exempt Organization Tax Forms

**CAUTION**

The federal amounts that you use on your Arizona return may not be the same as the federal amounts from your federal tax return.

Each year the Arizona State Legislature considers if they will adopt changes made to the federal tax law during the prior year. These forms assume the Legislature will adopt all federal law changes made after January 1, 2016.

If you use the amounts from your 2016 federal tax return to complete your Arizona return and the Legislature does not adopt the 2016 federal changes, you may have to amend your return at a later date for any difference between Arizona and federal law. For more details, visit [www.azdor.gov](http://www.azdor.gov) and click on the link for 2016 conformity.

# QUICK AND EASY ACCESS TO TAX HELP AND FORMS

## PERSONAL COMPUTER



You may use a personal computer and modem to get the forms and information you need.

Here is a sample of what you will find when you visit our website at **www.azdor.gov**:

- Forms and Instructions
- Publications
- Tax Rulings and Procedures
- Other General Tax Information

## Did You Know?

Tax software does all the hard work for you! The software:

- Calculates Tax
- Does the Math
- Selects Forms and Schedules
- Makes Complex Returns Simple
- Checks for Errors Before You File
- E-Files the IRS and AZ Returns at the same time
- Gives Proof of E-Filing



[www.azdor.gov](http://www.azdor.gov)

For details & eligibility

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E-File  
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## PHONE

Information by phone...



### Taxpayer Information and Assistance:

Phoenix..... (602) 255-3381  
Toll-free from  
area codes 520 and 928..... (800) 352-4090

## WALK-IN SERVICE

You may get forms and information at any of our offices.

We have offices at the following locations:

**Phoenix**  
1600 West Monroe St.

**East Valley**  
1840 South Mesa Drive  
Building 1352

**Tucson**  
400 West Congress



*Reasonable accommodations for any person with a disability can be made.*

# Notice

As a rule, the starting point for your Arizona return is your federal adjusted gross income. To take itemized deductions, you must start with the amount shown on the federal Schedule A. This is the case for 2016, except for changes Congress made to the federal tax code during 2016 and the following apply.

1. The changes affect how you figure your federal adjusted gross income.

**AND/OR**

2. The changes affect how you figure your itemized deductions.

When federal changes are made, Arizona legislature must adopt those changes if the Arizona starting points are to be kept the same. The legislature will address this issue when it is in session during 2017. We must publish these forms before this issue will be addressed by the legislature. When we went to print, Arizona had not yet adopted any federal tax law changes made after January 1, 2016.

**What does this mean to you? It means that if any of the federal law changes made in 2016 apply to your 2016 return, you can opt to file your 2016 return using one of the following methods.**

1. You can wait and file your 2016 return after this issue has been addressed.
  - To do this, you may need to ask for a filing extension. You must pay 90% of the tax due by the due date of the return before any extension.
2. You can file your 2016 return assuming that the federal law changes will be adopted. The 2016 tax forms make this assumption.

**If you opt for method 2, one of the following will apply.**

- If Arizona adopts those changes, you do not have to do anything more.
  - If Arizona does not adopt all those changes, you may need to amend your 2016 Arizona return. Your amended return will have to show the difference between the Arizona law and the federal law. If this happens, we will post more details on our Conformity to IRC webpage. To view this page go to <http://www.azdor.gov> and click on Legal Research on the left side, then click on Conformity to IRC. Generally, no penalties or interest will be assessed on these amended returns, if you follow the Department's instructions and pay any tax due when you file your original 2016 return and you file and pay the required amended return by the extended due date of your 2017 return.
3. You can file your 2016 return assuming that we will not adopt the federal law changes. If you opt for this method, you will have to do the following.
    - You will have to research all of the federal changes made after January 1, 2016.
    - You will have to figure out if any of those changes apply to you.
    - You will have figure out how to make adjustments for those changes on your return.

**If you opt for method 3, one of the following will apply.**

- If Arizona does not adopt those changes, you do not have to do anything more.
- If Arizona adopts those changes, you may need to amend your 2016 Arizona return. Your amended return will have to show the difference between what you reported and what you should have reported. If this happens, we will post more details on our Conformity to IRC webpage. To view this page go to <http://www.azdor.gov> and click on Legal Research on the left side, then click on Conformity to IRC.

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## Due date for calendar year filers

Because April 15, 2017, falls on a Saturday and District of Columbia Emancipation Day will be observed on Monday, April 17, 2017, you have until Tuesday, April 18, 2017, to file your income tax return.

## 2016 Individual Income Tax Brackets Adjusted for Inflation

For 2016, the individual income tax brackets have been adjusted for inflation.

## 2016 Arizona Standard Deduction

For 2016, the Arizona standard deduction was indexed for inflation. For a single taxpayer or a married taxpayer filing a separate return the amount is \$5,099. For a head of household or a married couple filing a joint return the amount is \$10,189.

## Subtraction for Arizona Bonus Depreciation

For assets placed in service in taxable years beginning from and after December 31, 2015, the allowable subtraction for Arizona's bonus depreciation is 55% of the amount of federal bonus depreciation pursuant to Internal Revenue Code § 168(k).

## Credit for Contributions made to Qualifying Charitable Organizations [Arizona Forms 321 and 352 (new for 2016)]

The laws providing for a credit for contributions made to qualifying Charitable Organizations have been amended. For tax years beginning from and after December 31, 2015:

- Donations to qualifying charitable organizations and donations to qualifying foster care organizations will be claimed as *separate* credits with separate limitations for each, rather than combined limitations.
  - Donations to qualifying charitable organizations (not including the qualifying foster care charitable organizations) will still be claimed on Arizona Form 321, *Credit for Contributions to Qualifying Charitable Organizations*.  
For 2016, the maximum current year's credit is:
    - \$400 for single or head of household
    - \$800 for married filing joint
  - Donations to qualifying foster care charitable organizations will now be claimed on Arizona Form 352, *Credit for Contributions to Qualifying Foster Care Charitable Organizations*.  
For 2016, the maximum current year's credit is:
    - \$500 for single or head of household
    - \$1,000 for married filing joint
- Credit eligible contributions made to a qualifying charitable organization or a qualifying foster care charitable organization that are made on or before the 15th day of the fourth month following the close of the taxable year may be applied to either the current or the

preceding taxable year and is considered to have been made on the last day of that taxable year. For example, a taxpayer who files a 2016 calendar year end tax return may claim qualifying contributions made between January 1, 2017 and April 18, 2017 on either the 2016 or 2017 income tax return.

**NOTE:** *Because calendar year filers have until April 18, 2017, to file their 2016 tax return, these taxpayers also have until April 18, 2017, to make qualifying contributions and claim these credits on their 2016 return.*

- If you have a carryover amount from a prior year for cash contributions made to a qualifying foster care charitable organization for which you claimed a credit on Form 321, you **must** claim the carryover amount on Form 321. Do not claim any carryover amount on Form 352 from contributions made to qualifying foster care charities and claimed on Form 321 in prior years.

## Credit for Contributions Made or Fees Paid to Public Schools (Arizona Form 322)

The law providing for a credit for contributions made or fees paid to a public school by a taxpayer or on behalf of a taxpayer was amended to allow a taxpayer to claim a credit for contributions made or fees paid to a public school for extracurricular activities which may or may not require an enrolled student to pay fees to participate in a qualifying extracurricular activity. For more information on what qualifies as an extracurricular activity for the purpose of this credit, see Form 322.

Recent legislation also expanded what qualifies as an extracurricular activity. Beginning 2016, contributions made or fees paid for cardiopulmonary resuscitation training qualify for this credit. For more information, see Form 322.

## Credit for Contributions to Private School Tuition Organizations (Arizona Form 323)

The allowable current year's credit for contributions to private school tuition organizations was adjusted for inflation purposes. For 2016, the maximum current year's credit is:

- \$545 for single or head of household
- \$1,090 for married filing joint

## Solar Liquid Fuel Credit (Arizona Form 344)

The credit for solar liquid fuel was expanded for taxable years beginning from and after December 31, 2015, through December 31, 2026. Previously, the credit was limited to costs incurred during the taxable year costs for research and development associated with solar liquid fuel.

For 2016 taxable years, the credit also includes costs for the production of solar liquid fuel in this state in commercial quantities, and for costs incurred during the taxable year to

convert or modify existing motor vehicle fuel service stations for the retail sale of solar liquid fuel to customers. For more information, see Arizona Form 344.

**Credit for Contributions Made to Certified School Tuition Organization (Arizona Form 348)**

The allowable current year's credit for contributions to a certified school tuition organization was adjusted for inflation purposes. For 2016, the maximum current year's credit is:

- \$542 for single or head of household
- \$1,083 for married filing joint

*Please print or type.*

For calendar year decedent was due a refund: 2016, OR  Fiscal year ending: MONTH YEAR 66

|  |  |   |
|--|--|---|
| <b>1</b> Decedent's Name (last, first, middle initial)   | <b>2</b> Date of Death<br><small>M M D D Y Y Y Y</small> | <b>3</b> Decedent's Social Security Number                      |
| <b>4</b> Name of Person Claiming Refund (last, first, middle initial)  |  | <b>5</b> Claimant's Social Security or Federal I.D. No.         |
| <b>6</b> Home Address of Person Claiming Refund - number and street, rural route   | Apt. No.   | <b>REVENUE USE ONLY. DO NOT MARK IN THIS AREA.</b><br><b>88</b> |
| <b>7</b> City, Town or Post Office   | State ZIP Code   |   |
| <b>8</b> Claimant's Relationship to Decedent   |  |   |
| <b>Part 1</b> Check the box that applies to you. Check only one box.<br>Be sure to complete Part 3 below.  |  |   |
| <b>9a</b> <input type="checkbox"/> Surviving spouse claiming a refund based on a joint return.   |  | <b>81</b> PM  |
| <b>9b</b> <input type="checkbox"/> Court-appointed or certified personal representative.<br>Include a court certificate (issued after death) showing your appointment. |  | <b>80</b> RCVD  |
| <b>9c</b> <input type="checkbox"/> Person other than 9a or 9b claiming refund for the decedent's estate.<br>See instructions and complete Part 2 below.                |  |   |

**Part 2** Complete Part 2 only if you checked box 9c in Part 1 above.

|  | YES                                 | NO                       |
|--|-------------------------------------|--------------------------|
| <b>10a</b> Did the decedent leave a will? .....  | <b>10a</b> <input type="checkbox"/> | <input type="checkbox"/> |
| <b>10b</b> Has a personal representative been appointed for the estate of the decedent? .....  | <b>10b</b> <input type="checkbox"/> | <input type="checkbox"/> |
| <b>10c</b> If you answered "No" on line 10b, will one be appointed? .....  | <b>10c</b> <input type="checkbox"/> | <input type="checkbox"/> |
| If you answered "Yes" to 10b or 10c, do not file this form. The personal representative must file for the refund.  |                                     |                          |
| <b>11</b> As the person claiming the refund for the decedent's estate, will you pay out the refund according to the laws of the state where the decedent was a legal resident? ..... | <b>11</b> <input type="checkbox"/>  | <input type="checkbox"/> |

If you answered "No" on line 11, a refund cannot be made until you submit a court certificate showing your appointment as personal representative or until you submit other evidence that you are entitled under state law to receive the refund.

**Part 3**

I request a refund of taxes overpaid by, or on behalf of, the decedent. Under penalties of perjury, I declare that the statements made on this form have been examined by me and to the best of my knowledge, they are true, correct and complete.

→ \_\_\_\_\_  
Signature of Person Claiming Refund

\_\_\_\_\_ Date

# Claim for Refund on Behalf of Deceased Taxpayer

**Arizona Form  
131**

## For information or help, call one of the numbers listed:

Phoenix (602) 255-3381  
From area codes 520 and 928, toll-free (800) 352-4090

## Tax forms, instructions, and other tax information

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

## Income Tax Procedures and Rulings

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website and click on *Legal Research* then click on *Procedures* or *Rulings* and select a tax type from the drop down menu.

## Publications

To view or print the department's publications, go to our website and click on *Publications*.

## Purpose of Form 131

Use Arizona Form 131 to claim a refund on behalf of a deceased taxpayer.

## Who Must File

If you are claiming a refund on behalf of a deceased taxpayer, you must file Form 131. However, if the refund is issued in the name of the decedent, it may be cashed with the endorsement of the court appointed executor or the administrator of the estate.

## Lines 1 through 8

Enter all of the information requested on lines 1 through 8.

## Foreign Address

If the person claiming the refund on behalf of the decedent has a foreign address, enter the information in the following order: city, province or state, and country.

Follow the country's practice for entering the postal code. Do not abbreviate the country name.

## Part 1

### Line 9a - Surviving Spouse

Check the box on line 9a if you are the surviving spouse who is claiming a refund on a joint income tax return you are filing with your deceased spouse.

If you filed your return without Form 131 and you received a joint refund check that you cannot cash, you can return that check with Form 131 to us. We will issue a new check in your name. We will mail that new check to you.

If you are returning a previously issued check, mail Form 131 along with the check issued in both your name and your deceased spouse's name to:

Arizona Department of Revenue  
PO Box 52138  
Phoenix, AZ 85072-2138

### Line 9b - Court Appointed or Certified Personal Representative

Check the box on line 9b only if you are the decedent's court-appointed personal representative claiming a refund for the decedent. You must include a copy of the court certificate showing your appointment.

For purposes of this form, a personal representative is the executor or administrator of the decedent's estate as appointed or certified by the court. A copy of the decedent's will cannot be accepted as evidence that you are the personal representative.

### Line 9c - Other

Check the box on line 9c if you are not the surviving spouse claiming a refund based on a joint return and there is no court appointed personal representative. You must also complete Part 2. If you check the box on line 9c, you must have proof of death.

The proof of death is a copy of one of the following:

- the death certificate, or
- the formal notification from the appropriate government office (for example, Department of Defense) informing the next of kin of the decedent's death.

Do not include the proof of death with Form 131. Instead, keep it for your records and provide it if requested.

**EXAMPLE:** *Your father died on August 25. You are his sole survivor. Your father did not have a will and the court did not appoint a personal representative for his estate. Your father is entitled to a \$300 refund. To get the refund, you must complete and include Form 131 with your father's final return. You should check the box on line 9c, answer all of the questions in Part 2, and sign your name in Part 3. You must also keep a copy of the death certificate or other proof of death for your records.*

## Part 2

If you checked the box on line 9c, you must complete lines 10a through 11.

## Part 3

Make sure you sign and date Form 131 in Part 3.

## How to File Form 131

Place the completed Form 131 on top of the income tax return that would have been filed if the decedent had lived.

DO NOT STAPLE ANY ITEMS TO THE RETURN.

82F Check box 82F if filing under extension OR FISCAL YEAR BEGINNING MM,DD,YY 2,0,1,6 AND ENDING MM,DD,YY 66F

1 Your First Name and Middle Initial Last Name Enter your SSN(s) Your Social Security Number

1 Spouse's First Name and Middle Initial (if box 4 or 6 checked) Last Name Enter your SSN(s) Spouse's Social Security No.

2 Current Home Address - number and street, rural route Apt. No. Daytime Phone (with area code) 94

3 City, Town or Post Office State ZIP Code Last Names Used in Last Four Prior Year(s) (if different) 97

4 Married filing joint return
5 Head of household: Enter name of qualifying child or dependent on next line:
6 Married filing separate return: Enter spouse's name and Social Security Number above.
7 Single
REVENUE USE ONLY. DO NOT MARK IN THIS AREA. 88

EXEMPTIONS FILING STATUS
8 Age 65 or over (you and/or spouse)
9 Blind (you and/or spouse)
10 Dependents: Do not include self or spouse.
11 Qualifying parents and grandparents
If completing lines 8 through 11, also complete lines 38 through 41. 81 PM 80 RCVD

Table with 6 columns: (a) FIRST AND LAST NAME, (b) SOCIAL SECURITY NO., (c) RELATIONSHIP, (d) NO. OF MONTHS LIVED IN YOUR HOME IN 2016, (e) if this person did not qualify as a dependent on your federal return, (f) if you did not claim this person on your federal return due to educational credits. Rows 10a, 10b, 10c.

Table with 6 columns: (a) FIRST AND LAST NAME, (b) SOCIAL SECURITY NO., (c) RELATIONSHIP, (d) NO. OF MONTHS LIVED IN YOUR HOME IN 2016, (e) if age 65 or over, (f) if died in 2016. Rows 11a, 11b.

Table with 3 columns: Line number, Description, Amount. Rows 12-17: Federal adjusted gross income, Non-Arizona municipal interest, Partnership Income adjustment, Total federal depreciation, Other Additions to Income, Subtotal.

Table with 3 columns: Line number, Description, Amount. Rows 18-36: Total net capital gain or (loss), Total net short-term capital gain or (loss), Total net long-term capital gain or (loss), Net long-term capital gain from assets acquired after December 31, 2011, Multiply line 21 by 25% (.25) and enter the result, Net capital gain derived from investment in qualified small business, Recalculated Arizona depreciation, Partnership Income adjustment, Adjustment for I.R.C. §179 expense not allowed, Interest on U.S. obligations such as U.S. savings bonds and treasury bills, Exclusion for federal, Arizona state or local government pensions (up to \$2,500 per taxpayer), Arizona state lottery winnings included as income on your federal return (up to \$5,000 only), U.S. Social Security or Railroad Retirement Act benefits included as income on your federal return (taxable amount), Certain wages of American Indians, Pay received for active service as a member of the reserves, national guard or the U.S. armed forces, Net operating loss adjustment, Contributions to 529 College Savings Plans, Other Subtractions from Income, Subtract lines 22 through 35 from line 17 and enter the difference.

Place any required federal and AZ schedules or other documents after Form 140.

Your Name (as shown on page 1) \_\_\_\_\_ Your Social Security Number \_\_\_\_\_

|                                       |                                    |  |   |  |                       |                                 |                                 |    |                                 |
|---------------------------------------|------------------------------------|--|---|--|-----------------------|---------------------------------|---------------------------------|----|---------------------------------|
| Exemptions                            | 37                                 | Enter the amount from page 1, line 36 .....  | 37  |  | 00                    |                                 |                                 |    |                                 |
|                                       | 38                                 | Age 65 or over: Multiply the number in box 8 by \$2,100.....   | 38  |  | 00                    |                                 |                                 |    |                                 |
|                                       | 39                                 | Blind: Multiply the number in box 9 by \$1,500 .....   | 39  |  | 00                    |                                 |                                 |    |                                 |
|                                       | 40                                 | Dependents: Multiply the number in box 10 by \$2,300 .....   | 40  |  | 00                    |                                 |                                 |    |                                 |
|                                       | 41                                 | Qualifying parents and grandparents: Multiply box 11 by \$10,000 .....   | 41  |  | 00                    |                                 |                                 |    |                                 |
|                                       | 42                                 | <b>Arizona adjusted gross income:</b> Subtract lines 38 through 41 from line 37 and enter the difference .....   | 42  |  | 00                    |                                 |                                 |    |                                 |
| Balance of Tax                        | 43                                 | <b>Deductions: Check box and enter amount.</b> See instructions..... 43I <input type="checkbox"/> ITEMIZED 43S <input type="checkbox"/> STANDARD   | 43  |  | 00                    |                                 |                                 |    |                                 |
|                                       | 44                                 | Personal exemptions: See instructions.....   | 44  |  | 00                    |                                 |                                 |    |                                 |
|                                       | 45                                 | Arizona taxable income: Subtract lines 43 and 44 from line 42. If less than zero, enter zero .....   | 45  |  | 00                    |                                 |                                 |    |                                 |
|                                       | 46                                 | Compute the tax using amount on line 45 and Tax Table X, Y or Optional Tax Tables.....   | 46  |  | 00                    |                                 |                                 |    |                                 |
|                                       | 47                                 | Tax from recapture of credits from Arizona Form 301, Part 2, line 40 .....   | 47  |  | 00                    |                                 |                                 |    |                                 |
|                                       | 48                                 | Subtotal of tax: Add lines 46 and 47 and enter the total .....   | 48  |  | 00                    |                                 |                                 |    |                                 |
|                                       | 49                                 | Family income tax credit (from the worksheet - see instructions) .....   | 49  |  | 00                    |                                 |                                 |    |                                 |
|                                       | 50                                 | Credits from Arizona Form 301, Part 2, line 76 .....   | 50  |  | 00                    |                                 |                                 |    |                                 |
|                                       | 51                                 | <b>Balance of tax:</b> Subtract lines 49 and 50 from line 48. If the sum of lines 49 and 50 is more than line 48, enter zero .....   | 51  |  | 00                    |                                 |                                 |    |                                 |
| Total Payments and Refundable Credits | 52                                 | 2016 AZ income tax withheld.....   | 52  |  | 00                    |                                 |                                 |    |                                 |
|                                       | 53                                 | 2016 AZ estimated tax payments.. 53a <input type="text" value="00"/> Claim of Right 53b <input type="text" value="00"/> Add 53a and 53b..  | 53c   |  | 00                    |                                 |                                 |    |                                 |
|                                       | 54                                 | 2016 AZ extension payment (Form 204) .....   | 54  |  | 00                    |                                 |                                 |    |                                 |
|                                       | 55                                 | Increased Excise Tax Credit (from the worksheet - see instructions) .....  | 55  |  | 00                    |                                 |                                 |    |                                 |
|                                       | 56                                 | Property Tax Credit from Form 140PTC .....   | 56  |  | 00                    |                                 |                                 |    |                                 |
|                                       | 57                                 | Other refundable credits: Check the box(es) and enter the total amount..... 571 <input type="checkbox"/> 308-I 572 <input type="checkbox"/> 342 573 <input type="checkbox"/> 349   | 57  |  | 00                    |                                 |                                 |    |                                 |
|                                       | 58                                 | <b>Total payments and refundable credits:</b> Add lines 52 through 57 and enter the total .....  | 58  |  | 00                    |                                 |                                 |    |                                 |
| Tax Due or Overpayment                | 59                                 | <b>TAX DUE:</b> If line 51 is larger than line 58, subtract line 58 from line 51 and enter amount of tax due. Skip lines 60, 61 and 62.....  | 59  |  | 00                    |                                 |                                 |    |                                 |
|                                       | 60                                 | <b>OVERPAYMENT:</b> If line 58 is larger than line 51, subtract line 51 from line 58 and enter amount of overpayment.....  | 60  |  | 00                    |                                 |                                 |    |                                 |
|                                       | 61                                 | Amount of line 60 to be applied to 2017 estimated tax.....   | 61  |  | 00                    |                                 |                                 |    |                                 |
|                                       | 62                                 | <b>Balance of overpayment:</b> Subtract line 61 from line 60 and enter the difference .....  | 62  |  | 00                    |                                 |                                 |    |                                 |
| Voluntary Gifts                       | 63 - 72 <b>Voluntary Gifts to:</b> |  |   |  |                       |                                 |                                 |    |                                 |
|                                       |                                    | Solutions Teams Assigned to Schools.....   | 63  | <input type="text" value="00"/>            | Arizona Wildlife..... | 64                              | <input type="text" value="00"/> |    |                                 |
|                                       | Child Abuse Prevention.....        | 65   | <input type="text" value="00"/>   | Domestic Violence Shelter.....             | 66                    | <input type="text" value="00"/> | Political Gift.....             | 67 | <input type="text" value="00"/> |
|                                       | Neighbors Helping Neighbors..      | 68   | <input type="text" value="00"/>   | Special Olympics.....                      | 69                    | <input type="text" value="00"/> | Veterans' Donations Fund.....   | 70 | <input type="text" value="00"/> |
|                                       | I Didn't Pay Enough Fund.....      | 71   | <input type="text" value="00"/>   | Sustainable State Parks and Road Fund..... | 72                    | <input type="text" value="00"/> |                                 |    |                                 |
|                                       | 73                                 | Political Party (if amount is entered on line 67 - check only one): 731 <input type="checkbox"/> Democratic 732 <input type="checkbox"/> Green Party 733 <input type="checkbox"/> Libertarian 734 <input type="checkbox"/> Republican  |   |  |                       |                                 |                                 |    |                                 |
|                                       | Penalty                            | 74   | Estimated payment penalty and Arizona Long-Term Health Care Savings Account (AZLTHSA) penalty ..... | 74   |                       | 00                              |                                 |    |                                 |
| 75                                    |                                    | 751 <input type="checkbox"/> Annualized/Other 752 <input type="checkbox"/> Farmer or Fisherman 753 <input type="checkbox"/> Form 221 included 754 <input type="checkbox"/> AZLTHSA Penalty   |   |  |                       |                                 |                                 |    |                                 |
| 76                                    |                                    | Add lines 63 through 72 and 74; enter the total.....   | 76  |  | 00                    |                                 |                                 |    |                                 |
| Refund or Amount Owed                 | 77                                 | <b>REFUND:</b> Subtract line 76 from line 62. If less than zero, enter amount owed on line 78 .....  | 77  |  | 00                    |                                 |                                 |    |                                 |
|                                       |                                    | <b>Direct Deposit of Refund: Check box 77A</b> if your deposit will be ultimately placed in a <b>foreign account</b> ; see instructions. 77A <input type="checkbox"/><br><input type="checkbox"/> C <input type="checkbox"/> Checking or SAVINGS<br><input checked="" type="checkbox"/> S <input type="checkbox"/> Savings<br>ROUTING NUMBER: <input type="text" value=""/><br>ACCOUNT NUMBER: <input type="text" value=""/> |   |  |                       |                                 |                                 |    |                                 |
|                                       | 78                                 | <b>AMOUNT OWED:</b> Add lines 59 and 76. Make check payable to Arizona Department of Revenue; write your SSN on payment, and include with your return .....  | 78  |  | 00                    |                                 |                                 |    |                                 |

Under penalties of perjury, I declare that I have read this return and any documents with it, and to the best of my knowledge and belief, they are true, correct and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

**PLEASE SIGN HERE**

YOUR SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_ OCCUPATION \_\_\_\_\_

SPOUSE'S SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_ SPOUSE'S OCCUPATION \_\_\_\_\_

PAID PREPARER'S SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_ FIRM'S NAME (PREPARER'S IF SELF-EMPLOYED) \_\_\_\_\_

PAID PREPARER'S STREET ADDRESS \_\_\_\_\_ PAID PREPARER'S TIN \_\_\_\_\_

PAID PREPARER'S CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP CODE \_\_\_\_\_ PAID PREPARER'S PHONE NUMBER \_\_\_\_\_

If you are sending a payment with this return, mail to Arizona Department of Revenue, PO Box 52016, Phoenix, AZ 85072-2016. Include the payment with Form 140.

If you are expecting a refund or owe no tax, or owe tax but are not sending a payment, mail to Arizona Department of Revenue, PO Box 52138, Phoenix, AZ 85072-2138.

|                                |                             |
|--------------------------------|-----------------------------|
| Your Name (as shown on page 1) | Your Social Security Number |
|--------------------------------|-----------------------------|

## Dependent Information - Continuation Sheet from Page 1 Dependents

Include with your return **only** if listing additional dependents.

Complete this form *only* if you need additional space from page 1 to list your dependents.  
If you do not list **all** dependents claimed on page 1 of your income tax return, you may lose the exemptions.

**Children and other dependents, continued from page 1.**

|     | (a)<br>FIRST AND LAST NAME<br>(Do not list yourself or spouse.) | (b)<br>SOCIAL SECURITY NO. | (c)<br>RELATIONSHIP | (d)<br>NO. OF MONTHS<br>LIVED IN YOUR<br>HOME IN 2016 | (e)<br>✓ if this person<br>did not qualify as a<br>dependent on your<br>federal return | (f)<br>✓ if you did not claim<br>this person on your<br>federal return due to<br>educational credits |
|-----|---|----------------------------|---------------------|---|--|--|
| 10d |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10e |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10f |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10g |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10h |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10i |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10j |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10k |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10l |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10m |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10n |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10o |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10p |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10q |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10r |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10s |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10t |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10u |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |

**Qualifying parents and grandparents, continued from page 1.**

|     | (a)<br>FIRST AND LAST NAME<br>(Do not list yourself or spouse.) | (b)<br>SOCIAL SECURITY NO. | (c)<br>RELATIONSHIP | (d)<br>NO. OF MONTHS<br>LIVED IN YOUR<br>HOME IN 2016 | (e)<br>✓ if<br>age 65 or over | (f)<br>✓ if<br>died in 2016 |
|-----|---|----------------------------|---------------------|---|-------------------------------|-----------------------------|
| 11c |   |                            |                     |   | <input type="checkbox"/>      | <input type="checkbox"/>    |
| 11d |   |                            |                     |   | <input type="checkbox"/>      | <input type="checkbox"/>    |
| 11e |   |                            |                     |   | <input type="checkbox"/>      | <input type="checkbox"/>    |
| 11f |   |                            |                     |   | <input type="checkbox"/>      | <input type="checkbox"/>    |
| 11g |   |                            |                     |   | <input type="checkbox"/>      | <input type="checkbox"/>    |
| 11h |   |                            |                     |   | <input type="checkbox"/>      | <input type="checkbox"/>    |
| 11i |   |                            |                     |   | <input type="checkbox"/>      | <input type="checkbox"/>    |
| 11j |   |                            |                     |   | <input type="checkbox"/>      | <input type="checkbox"/>    |

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**2016 Resident Personal Income Tax Return**

**For information or help, call one of the numbers listed:**

Phoenix (602) 255-3381  
From area codes 520 and 928, toll-free (800) 352-4090

**Tax forms, instructions, and other tax information**

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

**Income Tax Procedures and Rulings**

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website and click on *Legal Research* then click on *Procedures* or *Rulings* and select a tax type from the drop down menu.

**Publications**

To view or print the department's publications, go to our website and click on *Publications*.



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*E-file* through an authorized IRS/DOR *e-file* provider or by using your personal computer and the Internet.

Visit our website at [www.azdor.gov](http://www.azdor.gov) for a listing of approved *e-file* providers and on-line filing sources.

\*\* For free *e-file* requirements, go to our website at [www.azdor.gov](http://www.azdor.gov).

**Who Must Use Form 140?**

You (and your spouse, if married filing a joint return) may file Form 140 only if both of you are full year residents of Arizona.

You **must** use Form 140 rather than Form 140A or Form 140EZ to file for 2016 if any of the following apply to you:

- Your Arizona **taxable income** is \$50,000 or more, regardless of filing status.
- You are making adjustments to income.
- You itemize deductions.
- You claim tax credits other than the family income tax credit, the credit for increased excise taxes, or the property tax credit.
- You are claiming estimated payments.

**Do You Have to File?**

| <b>Arizona Filing Requirements</b><br>These rules apply to all Arizona taxpayers. |   |                                   |
|---|---|-----------------------------------|
| You must file if you are:   | and your Arizona adjusted gross income is at least: | or your gross income is at least: |
| • Single  | \$ 5,500  | \$15,000                          |
| • Married filing joint  | \$11,000  | \$15,000                          |
| • Married filing separate   | \$ 5,500  | \$15,000                          |
| • Head of household   | \$ 5,500  | \$15,000                          |

If you are an Arizona resident, you must report income from **all** sources including **out-of-state** income.

To see if you have to file, figure your gross income the same as you would figure your gross income for federal income tax purposes. Then, you should exclude income Arizona law does not tax. Income Arizona law does not tax includes:

- interest from U.S. Government obligations,
- social security retirement benefits received under Title II of the Social Security Act,
- benefits received under the Railroad Retirement Act, tier 1 or tier 2 railroad retirement benefits, railroad disability benefits reported on federal forms RRB-1099 and RRB-1099-R, railroad unemployment benefits and railroad sickness payments paid by the Railroad Retirement Board, or
- pay received for active service as a member of the Reserves, National Guard or the U.S. Armed Forces.

You can find your Arizona adjusted gross income on page 2, line 42 of Arizona Form 140.

**NOTE:** *Even if you are not required to file, you must still file a return to get a refund of any Arizona income tax withheld.*

**Do You Have to File if You Are an American Indian?**

You must file if you meet the Arizona filing requirements unless **all** the following apply to you:

- You are an enrolled member of an Indian tribe.
- You live on the reservation established for that tribe.
- You earned **all** of your income on that reservation.

For information on the Arizona tax treatment of American Indians, see the department's ruling, ITR 96-4, *Income Taxation of Indians and Spouses*.

## Do You Have to File if You Are the Spouse of an American Indian and You Are Not an Enrolled Indian?

You must file if you meet the Arizona filing requirements. For more information, see the department's ruling, ITR 96-4, *Income Taxation of Indians and Spouses*.

## Do You Have to File if You Are in the Military?

You must file if you meet the Arizona filing requirements unless **all** of the following apply to you:

- You are an active duty member of the United States armed forces.
- Your only income for the taxable year is pay received for active duty military service.
- There was no Arizona tax withheld from your active duty military pay.

If Arizona tax was withheld from your active duty military pay, you must file an Arizona income tax return to claim any refund you may be due from that withholding.

You must also file an Arizona income tax return if you have any other income besides pay received for active duty military service.

If you are an Arizona resident and you have to file an Arizona return, you should file using Form 140. If you were an Arizona resident when you entered the service, you remain an Arizona resident, no matter where stationed, until you establish a new domicile.

As an Arizona resident, you must report all of your income to Arizona, no matter where stationed. You must include your military pay, but using Form 140, you may subtract all pay received for active duty military service; to the extent it is included in your federal adjusted gross income.

If you are **not** an Arizona resident, but stationed in Arizona, the following applies to you:

- You are not subject to Arizona income tax on your military pay.
- You must report any other income you earn in Arizona. Use Form 140NR, *Nonresident Personal Income Tax Return*, to report this income.

To find out more, see the department's publication, Pub. 704, *Taxpayers in the Military*.

### Find an Authorized e-file Provider

An authorized e-file provider can take the guesswork out of filing taxes.

To find an authorized e-file provider near you visit [www.azdor.gov](http://www.azdor.gov)



## If You Included Your Child's Unearned Income on Your Federal Return, Does Your Child Have to File an Arizona Return?

No. In this case, the child should not file an Arizona return. The parent must include that same income in his or her Arizona taxable income.

## Residency Status

If you are not sure if you are an Arizona resident for state income tax purposes, we may be able to help. For more information, see the department's procedure, ITP 92-1, *Procedure For Determining Residency Status*.

### Residents

You are a resident of Arizona if your domicile is in Arizona. Domicile is the place where you have your permanent home. It is where you intend to return if you are living or working temporarily in another state or country. If you leave Arizona for a temporary period, you are still an Arizona resident while gone. A resident is subject to tax on all income no matter where the income is earned.

### Part-Year Residents

If you are a part-year resident, you must file Arizona Form 140PY, *Part-Year Resident Personal Income Tax Return*. You are a part-year resident if you did **either** of the following during 2016:

- You moved into Arizona with the intent of becoming a resident.
- You moved out of Arizona with the intent of giving up your Arizona residency.

### Nonresidents

If you are a nonresident, you must file Arizona Form 140NR, *Nonresident Personal Income Tax Return*.

## What if a Taxpayer Died?

If a taxpayer died before filing a return for 2016, the taxpayer's spouse or personal representative may have to file and sign a return for that taxpayer. A personal representative can be an executor, administrator, or anyone who is in charge of the deceased taxpayer's property.

If the deceased taxpayer did not have to file a return but had tax withheld, a return must be filed to get a refund.

The person who files the return should use the form the taxpayer would have used. The person who files the return should print the word "deceased" after the decedent's name. Also enter the date of death after the decedent's name.

If your spouse died in 2016 and you did not remarry in 2016 or if your spouse died in 2017 before filing a return for 2016, you may file a joint return. If your spouse died in 2016, the joint return should show your spouse's 2016 income before death and your income for all of 2016. If your spouse died in 2017, before filing the 2016 return, the joint return should show all of your income and all of your spouse's income for 2016. Print "Filing as surviving spouse" in the area where you

sign the return. If someone else is the personal representative, he or she must also sign the return.

### Are Any Other Returns Required?

You may also have to file a fiduciary income tax return (Form 141AZ). For details about filing a fiduciary income tax return, call the department at (602) 255-3381.

### Claiming a Refund for a Deceased Taxpayer

If you are claiming a refund for a deceased taxpayer, you **must** complete Arizona Form 131, *Claim for Refund on Behalf of Deceased Taxpayer*. Place the completed Form 131 on top of the **front** of the return.

## What are the Filing Dates and Penalties?

### When Should You File?

Your 2016 calendar year tax return is due no later than midnight, April 18, 2017. File your return as soon as you can after January 1, 2017, but no later than April 18, 2017.

**NOTE:** *Because April 15, 2017, falls on a Saturday and District of Columbia Emancipation Day will be observed on April 17, 2017, you have until April 18, 2017, to file your return.*

If you are a fiscal year filer, your return is due on the 15th day of the fourth month following the close of your fiscal tax year.

### What if You Cannot File on Time?

You may request an extension if you know you will not be able to file on time.

**NOTE:** *An extension does not extend the time to pay your income tax. See the instructions for Arizona Form 204.*

### To get a filing extension, you can either

- Apply for a state extension (Arizona Form 204). To apply for a state extension, file Form 204 by April 18, 2017. See Form 204 for details. You do not have to include a copy of the extension with your return when you file, but make sure that you check box **82F** on page 1 of the return. If you must make a payment, use Arizona Form 204, or visit [www.AZTaxes.gov](http://www.AZTaxes.gov) to make an electronic payment.
- Use your federal extension (federal Form 4868). File your Arizona return by the same due date. You do not have to include a copy of your federal extension with your return, but make sure that you check box **82F** on page 1 of the return.

**NOTE:** *Because October 15, 2017, falls on a Sunday, you have until Monday, October 16, 2017, to file your return.*

### When Should You File if You Are a Nonresident Alien?

The due date for your Arizona return is not the same as the due date for your federal return. Your Arizona return is due by April 18, 2017, even though your federal return is due on June 15, 2017. If you want to file your Arizona return after April 18, 2017 you must ask for a filing extension. You must file this request by April 18, 2017. Arizona will allow up to a

6-month extension. This will allow you to file your return by October 16, 2017. See Form 204 for extension filing details.

If you have a federal 6-month extension, you can file your Arizona return under that extension. If you file using your federal extension, Arizona will also allow you an extra 6 months.

Because we will allow only 6 months, the due date for your Arizona return is not the same as the due date for your federal return. In this case, your Arizona return will be due by October 16, 2017, even though your federal return will not be due until December 15, 2017. If you file your 2016 Arizona calendar year return after October 16, 2017, your return will be late.

**NOTE:** *Because October 15, 2017, falls on a Sunday, you have until Monday, October 16, 2017, to file your return.*

If you are a fiscal year filer, your return is due on the 15th day of the fourth month following the close of your fiscal year.

## What if You File or Pay Late?

If you file or pay late, we will charge you interest and penalties on the amount you owe. If the U.S. Post Office postmarks your 2016 calendar year return by April 18, 2017, your return will not be late. You may also use certain private delivery services designated by the Internal Revenue Service (IRS) to meet the “timely mailing as timely filed” rule. For more information, see “*Mailing Your Return*” at the end of these instructions.

### Late Filing Penalty

If you file late, we will charge you a late filing penalty. This penalty is 4½% (.045) of the tax required to be shown on the return for each month or fraction of a month the return is late. This penalty cannot exceed 25% (.25) of the tax found to be remaining due.

### Late Payment Penalty

If you pay your tax late, we will charge you a late payment penalty. This penalty is ½ of 1% (.005) of the amount shown as tax for each month or fraction of a month for which the failure continues. We charge this penalty from the original due date of the return until the date you pay the tax. This penalty cannot exceed a total of 10% (.10) of the unpaid tax.

### Extension Underpayment Penalty

If you file your return under an extension, you must pay 90% (.90) of the tax shown on your return by the return's original due date. If you do not pay this amount, we will charge you a penalty. This penalty is ½ of 1% (.005) of the tax not paid for each 30 day period or fraction of a 30 day period. We charge this penalty from the original due date of the return until the date you pay the tax. This penalty cannot exceed 25% (.25) of the unpaid tax. If we charge you the extension underpayment penalty, we will not charge you the late payment penalty under Arizona Revised Statutes (A.R.S.) § 42-1125(D).

**NOTE:** *If you are subject to two or more of the above penalties, the total cannot exceed 25%.*

**Interest**

We charge interest on any tax not paid by the due date. We will charge you interest even if you have an extension. If you have an extension, we will charge you interest from the original due date until the date you pay the tax. The Arizona interest rate is the same as the federal rate.

**When Should You Amend a Return?**

If you need to make changes to your return after you have filed, **do not** file a new return using Form 140. You must file Arizona Form 140X, *Individual Amended Income Tax Return*. File your amended return after your original return has processed. Generally, you have four years to amend a return to claim a refund.

If you amend your federal return for any year, you must also file an Arizona Form 140X for that year.

If the IRS makes a change to your federal taxable income for any year, you must report that change to Arizona. You must file Form 140X within 90 days of the final determination of the IRS. You may use one of the following two options to report this change.

**Option 1**

You may file a Form 140X for that year. If you choose this option, you must amend your Arizona return within 90 days of the final determination of the IRS. Include a complete copy of the federal notice with your Form 140X.

**Option 2**

You may file a copy of the final federal notice with the department within 90 days of the final determination of the IRS. If you choose this option, you must include a statement in which you must:

1. Request that the department recompute your tax.
2. Indicate if you agree or disagree with the federal notice.

If you do not agree with the federal notice, you must also include any documents that show why you do not agree. If you choose option 2, mail the federal notice and any other documents to:

Individual Income Audit  
 Arizona Department of Revenue  
 PO Box 29084  
 Phoenix, AZ 85038-9084

**Do You Need to Make Arizona Estimated Payments in 2017?**

|   |  |   |
|---|--|---|
| You must make estimated income tax payments during 2017 if: |  |   |
| Your filing status is:                                      | <b>AND</b><br>your Arizona gross income for 2016 was greater than: | <b>AND</b><br>your Arizona gross income for 2017 is greater than: |
| Married Filing Joint  | \$150,000  | \$150,000   |
| Single  | \$75,000   | \$75,000  |

|                         |          |          |
|-------------------------|----------|----------|
| Head of Household       | \$75,000 | \$75,000 |
| Married Filing Separate | \$75,000 | \$75,000 |

If you met the income threshold for 2016, you must make estimated payments during 2017 unless you are sure you will not meet the threshold for 2017. As a full year resident, your Arizona gross income is your federal adjusted gross income. This amount is on page 1, line 12 of the 2016 Form 140.

See the worksheet for Arizona Form 140ES to figure how much your payments should be. For more information about making estimated payments, see the department's publication, Pub. 012, *Arizona Individual Estimated Income Tax Payments*.

**What if You Make Your Estimated Payments Late?**

We will charge you a penalty if you are late or if you fail to make any required payments. See Arizona Form 221.

**Can You Make Estimated Payments Even if You Do Not Have To?**

If you do not have to make Arizona estimated income tax payments, you may still choose to make them. For details, see Arizona Form 140ES.

**Line-by-Line Instructions**

**Tips for Preparing Your Return**


**DO YOU HAVE A COMPLICATED RETURN?**

**e-file makes filing a complex return simple!**

For a list of approved software visit [www.azdor.gov](http://www.azdor.gov)

e-file software offers:

- easy step-by-step instructions
- error detection before filing
- Easy form selection
- Maximum deductions



- Make sure that you enter your Social Security Number (SSN) on your return.
- Complete your return using black ink.
- You **must** round dollar amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down. Do not enter cents.
- When asked to provide your own schedule, include a separate sheet with your name and SSN at the top. Include your own schedules with your return. Include these schedules behind your return and behind your Schedule A, if itemizing.
- You must complete your federal return before you can start your Arizona return.
- Make sure you include your daytime telephone number.
- If filing a fiscal year return, fill in the period covered in the space provided at the top of the form.

## Entering Your Name, Address, and SSN

### Lines 1, 2, and 3 -

**NOTE:** *Make sure that you write your SSN on the appropriate line and your SSN is correct. If you are filing a joint return, also make sure you enter your SSNs in the same order every year.*

Print or type your name, address, and SSN in the space provided. If you are filing a joint return, enter your SSNs in the same order as your names. *If your name appears first on the return, make sure your SSN is the first number listed.*

If you are married filing separately, enter your name and SSN on the first line 1. Then enter your spouse's name and SSN on the second line 1.

If you are a nonresident of the United States or a resident alien who does not have an SSN, use the individual taxpayer identification number (ITIN) the IRS issued to you.

Make sure that you enter your SSN on your return. Make sure that all SSNs are clear and correct. You may be subject to a penalty if you fail to include your SSN. It will take longer to process your return if SSNs are missing, incorrect, or unclear.

Use your current home address. The department will mail your refund to, or correspond with, you at that address.

For a deceased taxpayer, see page 2 of these instructions.

### Foreign Addresses

If you have a foreign address, enter the information in the following order: city, province or state, and country. Follow the country's practice for entering the postal code. Do not abbreviate the country name.

### Last Names Used in Last 4 Prior Years

If the last name that you or your spouse are using on this return is not the same as the last name you or your spouse used on returns filed for the last 4 years, enter any other last name(s) that you or your spouse used when filing your return during the last 4 years.

### Identification Numbers for Paid Preparers

If you pay someone else to prepare your return, that person must also include an identification number where requested.

A paid preparer may use any of the following:

- his or her PTIN,
- his or her SSN, or
- the EIN for the business.

A paid preparer who fails to include the proper identification number may also be subject to a penalty.

## Determining Your Filing Status

The filing status that you use on your Arizona return may be different from that used on your federal return.

Use this section to determine your filing status. Check the correct box (4 through 7) on the front of Form 140.

If you qualify as married for federal purposes, you qualify as married for Arizona purposes and must file using the status of either married filing joint or married filing separate.

If you are single you must file as single or if qualified you may file as head of household (see the instructions for box 5).

### Box 4 - Married Filing Joint Return

If you are married and filing a joint return, check box 4.

You may file a joint return if you were married as of December 31, 2016. It does not matter whether or not you were living with your spouse. You may file a joint return, even if you and your spouse filed separate federal returns.

You may file a joint return if your spouse died during 2016 and you did not remarry in 2016. See page 2 of these instructions for details.

Arizona Form 140 is for full year residents **only**. You may not file a joint income tax return on Form 140 if any of the following apply:

- Your spouse is a nonresident alien (citizen of and living in another country).
- Your spouse is a resident of another state.
- Your spouse is a part-year Arizona resident.

If filing a joint return with your nonresident spouse, you must file a joint return using Arizona Form 140NR. See Form 140NR instructions.

If filing a joint return with your part-year resident spouse, you must file a joint return using Arizona Form 140PY. See Form 140PY instructions.

**NOTE:** *For more information on filing a joint tax return with your part-year resident or nonresident spouse, see the department's ruling, ITR 14-1, Filing a Joint Tax Return When a Resident Spouse is Married to a Part-Year Resident or Nonresident.*

### Box 5 - Head of Household Return

If you are filing as a head of household, check box 5 and enter the name of the qualifying child or dependent in the space provided.

You may file as head of household on your Arizona return, only if one of the following applies:

- You qualify to file as head of household on your federal return.
- You qualify to file as a qualifying widow or widower on your federal return.

### Box 6 - Married Filing Separate Return

If you are filing a separate return, check box 6 and enter your spouse's name and SSN on the second line 1.

If you were married as of December 31, 2016, you may choose to file a separate return. You may file a separate return, even if you and your spouse filed a joint federal return.

Arizona is a community property state. If you file a separate return, you must figure how much income to report using community property laws. Under these laws, a separate return must reflect one-half of the community income from all sources plus any separate income.

When you file separate returns, you must account for community deductions and credits on the same basis as

community income. Both you and your spouse must either itemize or not itemize. If one of you itemizes, you both must itemize. If one of you takes a standard deduction, you both must take a standard deduction. One of you may not claim a standard deduction while the other itemizes.

If you and your spouse support a dependent child from community income, either you or your spouse may claim the dependent. Both of you cannot claim the same dependent on both returns. For more information, see the department's rulings, ITR 93-18, *Income Reporting Requirements for Married Arizona Residents Who File Separate Arizona Individual Income Tax Returns*; and ITR 93-19, *Deductions, Exemptions, and Credits for Married Taxpayers Who File Separate Arizona Individual Income Tax Returns*.

**NOTE:** *In some cases you may treat community income as separate income. For more information, see the department's ruling, ITR 93-22, When Community Income May Be Treated as Separate Income.*

If one spouse is a resident and the other spouse is not, other special rules may apply when filing a separate return. See the department's ruling, 93-20, *Income Reporting Requirements of Resident and Nonresident Spouses Who File Separate Arizona Individual Income Tax Returns*. For more help, see the department's publication, Pub. 200, *Income Tax Issues Affecting Married and Divorced Taxpayers*.

### Box 7 - Single Return

If you are filing as single, check box 7.

Use this filing status if you were single on December 31, 2016. You are single if any of the following apply to you:

- You have never been married.
- You are legally separated under a decree of divorce or of separate maintenance.
- You were widowed before January 1, 2016, and you did not remarry in 2016, and you do not qualify to file as a qualifying widow or widower with dependent children on your federal return.

**NOTE:** *If you got divorced during the year, see the department's ruling, ITR 14-2-, Reporting Income, Deductions, Exemptions, and Withholding for Divorced Individuals for the Year of Divorce ; and publication, Pub. 200, Income Tax Issues Affecting Married and Divorced Taxpayers.*

### Exemptions

Enter the number of exemptions you are claiming in boxes 8, 9, 10, and 11. **Do not put a check mark.** You may lose the exemption if you put a checkmark in these boxes. You may lose the dependent exemption if you do not complete the Dependent section, on page 1.

You may lose the exemption for qualifying parents or grandparents if you do not complete the Qualifying parents and grandparents section, on page 1.

### Box 8 - Age 65 or Over

- If you are single or filing as head of household, enter "1" in box 8 if you were 65 or older in 2016 and not claimed as a dependent by another taxpayer.
- If you are married filing a joint return, enter "1" in box 8 if you were 65 or older and not claimed as a dependent by another taxpayer or your spouse was 65 or older in 2016 and not claimed as a dependent by another taxpayer. Enter "2" in box 8 if both you and your spouse were 65 or older in 2016 and neither of you are claimed as a dependent by another taxpayer.
- If you are married and filing a separate return, enter "1" in box 8 if you were 65 or older and not claimed by another taxpayer. You cannot take an exemption for your spouse. Your spouse, if 65 or older and not claimed by another taxpayer, may take this exemption on his/her own separate return.

### Box 9 - Blind

If you or your spouse were partially blind as of December 31, 2016, you must get a statement certified by your eye doctor or registered optometrist that:

- You cannot see better than 20/200 in your better eye with glasses or contact lenses.
- Your field of vision is 20 degrees or less.

If your eye condition is not likely to improve beyond the conditions listed above, you can get a statement certified by your eye doctor or registered optometrist to that effect instead. You must keep the statement for your records.

- If you are single or filing as head of household, enter "1" in box 9 if you are totally or partially blind.
- If you are married filing a joint return, enter "1" in box 9 if you **or** your spouse is totally or partially blind. Enter "2" in box 9 if both you **and** your spouse are totally or partially blind.
- If you are married and filing a separate return, you may take an exemption for yourself if you are totally or partially blind. You may only claim an exemption for your spouse if (1) your spouse is totally or partially blind, (2) has no Arizona adjusted gross income for calendar year, and (3) is not the dependent of another taxpayer.  
Enter "1" in box 9 if you are totally or partially blind **or** your spouse is totally or partially blind **and** your spouse meets the above criteria. Enter "2" in box 9 if you are totally or partially blind and your spouse is totally or partially blind **and** your spouse meets the above criteria.

### Box 10 - Dependents

**NOTE:** *If a person who qualifies as your dependent is also a qualifying parent or grandparent, you may claim that person as a dependent in box 10, **or** you may claim that person as a qualifying parent or grandparent in box 11. You may **not** claim that same person in both box 10 and box 11.*

You must complete the Dependent section on page 1 (and page 3, if more space is needed) of your return before you can

total your dependent exemptions. You may claim only the following as a dependent:

- A person that qualifies as your dependent on your federal return.

**NOTE:** *If you do not claim a dependent exemption for a student on your federal return in order to allow the student to claim a federal education credit on the student's federal return, you may still claim the exemption on your Arizona return. For more information, see the department's ruling, ITR 05-2, Will Arizona Allow a Dependent Exemption When a Taxpayer Does Not Claim Federal Exemption in Order to Claim the Education Credit?*

- A person who is age 65 or over (related to you or not) that does not qualify as your dependent on your federal return, but one of the following applies:
  1. In 2016, you paid more than one-fourth of the cost of keeping this person in an Arizona nursing care institution, an Arizona residential care institution, or an Arizona assisted living facility. Your cost must be more than \$800.
  2. In 2016, you paid more than \$800 for either Arizona home health care or other medical costs for the person.
- A stillborn child if the following apply:
  1. The stillbirth occurred during 2016.
  2. You received a certificate of birth resulting in stillbirth from the Arizona Department of Health Services.
  3. The child would have otherwise been a member of your household.

### Box 11 - Qualifying Parents and Grandparents

**NOTE:** *If a person who is a qualifying parent or grandparent also qualifies as your dependent, you may claim that person as a dependent in box 10, or you may claim that person as a qualifying parent or grandparent in box 11. You may **not** claim the same person in both box 10 and box 11.*

You must complete the Qualifying parents and grandparents section on page 1 (and page 3, if more space is needed) before you can total your exemptions for qualifying parents and grandparents.

A qualifying parent or grandparent may be any one of the following:

- Your parent, grandparent or great grandparent, etc.
- If married filing a joint return, your spouse's parent, grandparent, or great grandparent, etc.

You may claim this exemption if **all** of the following apply:

1. The parent, grandparent or great-grandparent was 65 years old or older during 2016.
2. The parent or grandparent lived in your principal residence for the entire taxable year.

If your parent or grandparent died during the taxable year, this requirement will still be met if he or she lived with you for the entire part of the year in which he or she was alive. Temporary absences by the parent or grandparent for special circumstances, such as a hospital stay or care in a hospice facility, count as time lived in the taxpayer's principle residence.

3. You paid more than one-half of the support and maintenance costs of the parent or grandparent during the taxable year.

To help you determine if you paid more than one-half of your parent or grandparent's support during the taxable year, it is recommended that you review the department's income tax procedure, ITP 14-1, *Procedure for Determining Support for Purposes of the Parents and Grandparents Exemption Allowed under A.R.S. § 43-1023(C)* and complete the worksheet. Keep the worksheet for your records.

4. The parent or grandparent required assistance with activities of daily living.

The term "activities of daily living" means two or more of the listed categories. Activities of daily living include both basic activities of daily living and instrumental activities of daily living. The categories of activities of daily living are dressing, eating, ambulating, toileting, medicating and hygiene, shopping, housekeeping, managing personal finances, basic communication, food-preparation and transportation.

For more information regarding what the term "activities of daily living" means when determining an Arizona resident taxpayer's eligibility for this exemption, see the department's ruling, ITR 14-3, *"Activities of Daily Living" for the Purpose of the Exemption Allowed Under A.R.S. § 43-1023(C)*.

To help you determine if your parent or grandparent required assistance with activities of daily living to meet this requirement, it is recommended that you review the department's procedure, ITP 14-2, *Procedure for Determining Whether a Parent or Grandparent Requires Assistance with Activities of Daily Living for Purposes of the Exemption Allowed under A.R.S. § 43-1023(C)* and complete the checklist. Keep the checklist for your records.

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## Dependents

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### Completing the Dependent Section

If you need additional lines to list all of your dependents, including qualifying parents and grandparents, **complete page 3, Dependent Information – Continuation Sheet**, and include this page with your return. **Be sure to check the box on page 1 indicating you are completing page 3.**

Do **not** include page 3 with your return if you do not use it.

## Dependent information: children and other dependents

Enter the following in columns (a) through (f):

- The dependent's name. If you are claiming an exemption for a stillborn child and the child was not named, enter "stillborn child" in place of a name.
- The dependent's SSN. If you are claiming an exemption for a stillborn child, enter the certificate number from the certificate of birth resulting in stillbirth.
- The dependent's relationship to you.
- The number of months the dependent lived in your home during 2016. If you are claiming an exemption for a stillborn child, enter the date of birth resulting in the stillbirth.

**Temporary absences:** Your child or dependent is considered to have lived with you during periods of time when temporarily absent due to special circumstances such as: illness; education; business; or vacation. Your child is also considered to have lived with you during any required hospital stay following birth, as long as the child would have lived with you during that time but for the hospitalization.

- Check the box if this person did not qualify as a dependent on your federal return.
- Check the box if you did not claim this person (student) as an dependent on your federal return in order to allow that student to claim a federal education credit on the student's federal return.

You may lose the exemption if you do not furnish this information. Enter the total **number** of dependents listed in box 10.

## Qualifying parents and grandparents

Enter the following in columns (a) through (f):

- The name of the qualifying parent or grandparent.
- The SSN of the qualifying parent or grandparent.
- The qualifying parent's or grandparent's relationship to you, or your spouse if filing a joint return.
- The number of months the qualifying parent or grandparent lived in your home during 2016.

**Temporary absences:** Temporary absences by the parent or grandparent for special circumstances, such as a hospital stay or care in a hospice facility, count as time lived in the taxpayer's principal residence.

- Check the box if this person is age 65 or older.
- Check the box if this person died in 2016.

You may lose the exemption if you do not furnish this information. Enter the total **number** of qualifying parents and/or grandparents listed in box 11.

## Totaling Your Income

### Line 12 - Federal Adjusted Gross Income

You must complete your federal return before you enter an amount on line 12. You must complete a 2016 federal return

to determine your federal adjusted gross income, even if you are not filing a federal return.

Arizona uses federal adjusted gross income as a starting point to determine Arizona taxable income. Your federal adjusted gross income is your Arizona gross income.

**NOTE:** *Be sure to use your federal adjusted gross income and not your federal taxable income.*

If the amount on line 12 is more than \$75,000 (\$150,000 if filing a joint return), you may need to make estimated payments. See "Do You Need to Make Estimated Payments in 2017?" on page 4.

## Additions to Income

### Line 13 - Non-Arizona Municipal Interest

Enter the amount of interest income from non-Arizona municipal bonds that you did not include as income on your federal return.

You may exclude any expenses incurred to purchase or carry the obligation. Reduce the interest income by the amount of those expenses that you could not deduct on your federal return.

If you received tax exempt interest from municipal bonds, include a schedule listing the payors and the amount received from each payor. You may also want to include supporting documents for amounts received from Arizona municipal bonds that are exempt from Arizona income tax. These may be items such as bank statements, brokerage statements, etc.

### Line 14 - Partnership Income Adjustment (Positive)

Complete line 14 if line 3, of your Arizona Form 165 Schedule K-1, shows a difference between federal and state distributable income.

If the difference reported on line 3, of your Form 165 Schedule K-1, is a positive number, enter that difference as an addition on line 14.

**NOTE:** *If the difference reported on line 3, of your Form 165 Schedule K-1, is a negative number, enter that difference on line 25.*

### Line 15 - Total Federal Depreciation

Enter the total amount of depreciation deducted on your federal return. If you make an entry here, you should also take a subtraction on line 24. To figure how much you should subtract, see the instructions for line 24.

### Line 16 - Other Additions to Income

Use line 16 if any of the special circumstances below apply. Include your own schedule with your return explaining any amounts entered here.

You may either add (on line 16) or subtract (on line 35) items A and B below, depending on your situation.

#### A. Married Persons Filing Separate Returns

If you file a separate Arizona return, you must report the following income on that return:

- one-half of the community income from all sources, and
- all of your separate income.



If you and your spouse file a joint federal return but separate Arizona returns, you must make sure that each separate return reflects the correct income. If you begin your Arizona return with only the income that you earned during the year, you will have to adjust this income.

If you file separate federal returns, each of your federal returns should already reflect the correct income. Since your separate Arizona returns will begin with the federal adjusted gross income, you will not have to adjust your income.

If you have to adjust your income, include a schedule showing how you figured your adjustment. For more information, see the department's publication, Pub. 200, *Income Tax Issues Affecting Married and Divorced Taxpayers*.

### **B. Fiduciary Adjustment**

A fiduciary uses Arizona Form 141AZ, Schedule K-1, to report to you your share of the fiduciary adjustment from the trust or estate.

Line 3 of Form 141AZ, Schedule K-1, shows your share of the fiduciary adjustment from the estate or trust. If the amount reported on line 3 of your Form 141AZ, Schedule K-1, is a positive number, enter that amount as an addition on line 16.

**NOTE:** *If the amount reported on line 3 of your Form 141AZ, Schedule K-1, is a negative number, enter that amount as a subtraction on line 35.*

### **C. Ordinary Income Portion of Lump-Sum Distributions Excluded on Your Federal Return**

Make this adjustment if you use federal averaging for lump-sum distributions from your pension or profit-sharing plan.

Arizona law does not provide for averaging. Enter the amount of the distribution that you treated as ordinary income on your federal return. If you choose to treat the capital gain portion of the distribution as ordinary income, you must also include that amount.

For more information, see the department's ruling, ITR 93-5, *Arizona's Income Tax Treatment of the Capital Gain Portion of a Lump Sum Distribution from a Qualified Retirement Plan*.

### **D. Items Previously Deducted for Arizona Purposes**

Arizona statutes prohibit a taxpayer from deducting items more than once. If your Arizona taxable income includes items previously deducted for Arizona purposes, you must add such amounts to your Arizona gross income.

### **E. Claim of Right Adjustment for Amounts Repaid in 2016**

You must make an entry here if **all** of the following apply:

1. During 2016, you were required to repay amounts held under a claim of right.
2. The amount required to be repaid during 2016 was more than \$3,000.
3. You took a deduction for the amount repaid on your 2016 federal income tax return.

If the above apply, enter the amount deducted on your federal income tax return here. For more information on the Arizona claim of right provisions, see the department's procedure, ITP

16-1, *Procedure for Individuals Who Restore Substantial Amounts Held Under a Claim of Right*.

### **F. Claim of Right Adjustment for Amounts Repaid in Prior Taxable Years**

You must make an entry here if **all** of the following apply:

1. During a year prior to 2016 you were required to repay amounts held under a claim of right.
2. You computed your tax for that prior year under Arizona's claim of right provisions.
3. A net operating loss or capital loss was established due to the repayment made in the prior year.
4. You are entitled to take that net operating loss or capital loss carryover into account when computing your 2016 Arizona taxable income.
5. The amount of the loss carryover included in your federal income is more than the amount allowed to be taken into account for Arizona purposes.

Enter the amount by which the loss carryover included in your federal adjusted gross income is more than the amount allowed for the taxable year under Arizona law.

### **G. Addition to S Corporation Income Due to Credits Claimed**

Shareholders of an S corporation who claim a credit passed through from an S corporation must make an addition to income for the amount of expenses disallowed by reason of claiming the credit.

An S corporation that passes the following credits through to its shareholders must notify each shareholder of his or her *pro rata* share of the adjustment. You must enter an amount on this line when claiming any of the following Arizona credits:

- Environmental Technology Facility Credit (Form 305)
- Agricultural Water Conservation System Credit (Form 312)
- Pollution Control Credit (Form 315)
- Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets (Form 319)
- Credit for Employment of TANF Recipients (Form 320)
- Agricultural Pollution Control Equipment Credit (Form 325)

### **H. Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlet Expenses**

If you claim a credit on Form 319 for installing solar hot water heater plumbing stub outs or electric vehicle recharge outlets in a dwelling you constructed, you cannot deduct any expenses for which you claim the credit.

If you take this credit, enter the amount of such expenses that you deducted on your federal return.

### **I. Wage Expense for Employers of TANF Recipients**

If you claim a credit on Form 320 for employing TANF recipients, you cannot deduct any wage expense for which you claim the credit.

If you take this credit, enter the amount of such expenses that you deducted on your federal return.

### **J. Adjusted Basis in Property for Which You Have Claimed a Credit for Investment in Qualified Small Businesses**

If you claim a credit on Form 338 for an investment in a qualified small business, you must adjust your basis in the investment by the amount of the credit claimed. You must report this difference in basis on the Arizona return that you file for the taxable year in which you sell or otherwise dispose of the investment. If you sold or otherwise disposed of the investment during the 2016 taxable year, on line 16, enter the amount by which the adjusted basis computed under the IRC with respect to that property exceeds the adjusted basis of the property computed under A.R.S. § 43-1074.02.

### **K. Nonqualified Withdrawals from 529 College Savings Plans**

You must make an addition to income if **both** of the following apply to you:

- You received a nonqualified withdrawal from a 529 college savings plan.
- You did not include the amount of the withdrawal in your federal adjusted gross income.

The amount that you must add is the amount withdrawn, but no more than the difference between the amount of contributions subtracted in prior years and the amount added in any prior years.

A nonqualified withdrawal is a withdrawal other than any of the following:

- A qualified withdrawal. A qualified withdrawal is a withdrawal from an account to pay the qualified higher education expenses of the designated beneficiary of the account.
- A withdrawal made as the result of the death or disability of the designated beneficiary of an account.
- A withdrawal that is made on the account of a scholarship, or the allowance or payment described in IRC § 135(d)(1)(B) or (C), and that is received by the designated beneficiary, but only to the extent of the amount of this scholarship, allowance or payment.
- A rollover or change of designated beneficiary.

### **L. Original Issue Discount (OID) on Reacquisition of Debt Instrument**

For federal purposes, when a taxpayer made the special election to defer discharge of indebtedness (DOI) income under IRC § 108(i) (for 2009 or 2010), the taxpayer was not allowed to take a deduction with respect to the portion of any OID that accrued with respect to that DOI income during the income deferral period. In this case, the taxpayer had to deduct the aggregate amount of the OID deductions disallowed ratably over a 5 year period, beginning with the period in which the income was includible in federal adjusted gross income. Arizona did not adopt the federal provisions requiring a taxpayer to defer the OID deduction in cases where the taxpayer federally deferred the DOI income. For Arizona purposes, you had to report the DOI income from a debt reacquisition in the year in which you

reacquired the debt, and you were allowed to subtract any OID related to that DOI income in the year the OID accrued. If your federal adjusted gross income includes a deduction for any accrued OID that you have already subtracted for Arizona purposes, you must make an addition to Arizona income for the amount of deferred OID deducted on your federal return. Generally, this addition will apply to taxable years 2014 through 2018.

On line 16, enter the amount of any previously deferred OID that you deducted in computing your 2016 federal adjusted gross income, to the extent that the amount was previously subtracted from Arizona gross income.

### **M. Arizona Long-Term Health Care Savings Accounts (AZLTHSA) Withdrawals**

You must add amounts withdrawn from your AZLTHSA if you withdrew money for purposes other than paying for qualified long-term health care expenses.

### **N. Sole Proprietorship Loss of an Arizona Nonprofit Medical Marijuana Dispensary included in Federal Adjusted Gross Income**

If you are registered as an Arizona sole proprietorship with the Arizona Department of Health Services to operate in this state as a nonprofit medical marijuana dispensary, you are required to add the amount of the loss from the dispensary that is included in the computation of your federal adjusted gross income. Include the amount of the loss on line 16.

**NOTE:** *If the Arizona nonprofit medical marijuana dispensary is registered with the Arizona Department of Health Services as anything other than a sole proprietorship, this addition does not apply.*

### **O. Federal Net Operating Loss (NOL) Carryforward from Non-Arizona Sources Accrued While a Non-Resident**

An individual cannot include a federal NOL carryforward deduction incurred from non-Arizona sources while the taxpayer was an Arizona nonresident in the Arizona taxable income of a return filed for a taxable year in which the taxpayer is an Arizona resident.

The taxpayer must make an addition to Arizona gross income on the full-year Arizona resident return for the amount of the NOL carryforward deduction included in the taxpayer's federal adjusted gross income. For more information, see the department's ruling, ITR 13-5, *Can A Net Operating Loss Incurred as a Non-Resident Be Used to Offset Income In A Year In Which the Taxpayer Is A Resident?*

**NOTE:** *For a non-Arizona source loss incurred while the taxpayer was an Arizona nonresident, the taxpayer would not be allowed to amend a prior year resident Arizona income tax return to claim the NOL carry back deduction.*

### **P. Federal Capital Loss Carryforward Deduction Incurred from Non-Arizona sources prior to Arizona Residency**

An individual cannot include a capital loss carryforward deduction, incurred from non-Arizona sources while the taxpayer was an Arizona nonresident, in the Arizona taxable income of a return filed for a taxable year in which the

taxpayer is an Arizona resident. Therefore, a capital loss incurred from non-Arizona sources while the taxpayer was an Arizona nonresident cannot be carried forward to a taxpayer's Arizona resident return when the loss carryover is reflected in the taxpayer's federal adjusted gross income.

The taxpayer must make an addition to Arizona gross income on the full-year Arizona resident return for the amount of such capital loss carryforward deduction included in the computation of the taxpayer's federal adjusted gross income.

For more information, see the department's ruling, ITR 13-6, *Can A Capital Loss Incurred as a Non-Resident Be Used to Offset Income In A Year In Which the Taxpayer Is A Resident?*

#### Q. Other Adjustments

Other special adjustments may be necessary. You may need to make an addition for depreciation or amortization. You may also need to make an addition if you claimed certain tax credits.

Call one of the numbers listed on page 1 of these instructions if any of the following apply:

- You sold or disposed of non-depreciable property that was held for the production of income and your basis was computed under the Arizona Income Tax Act of 1954, as amended (1978 prior).
- You claimed the Environmental Technology Facility Credit. (Form 305)
- You claimed the Pollution Control Credit. (Form 315)
- You claimed the Recycling Equipment Credit. (Form 307)
- You claimed the Agricultural Pollution Control Equipment Credit. (Form 325)
- You elected to amortize the cost of a child care facility under Arizona law in effect before 1990 and you are still deducting amortization or depreciation for that facility on your federal income tax return.

#### Line 17 - Subtotal

Add lines 12 through 16 and enter the total.

#### Subtractions from Income

You may only subtract those items for which statutory authority exists. You cannot take a subtraction without such authority.

You may not subtract any amount that is allocable to income excluded from your Arizona taxable income.

If you have any questions concerning subtractions from income, call one of the numbers listed on page 1 of these instructions.

#### Lines 18 through 22 - Net Capital Gain or (Loss)

**NOTE:** *If you enter an amount on line 18, you must complete lines 19 and 20. If you are taking a subtraction on line 22 for any net long-term capital gain from assets acquired after December 31, 2011, you must also complete line 21. If you do not complete lines 18 through 21, you cannot take the subtraction.*

You may subtract 25% (.25) of any net long-term capital gain included in your federal adjusted gross income that is derived from an investment in an asset acquired after December 31, 2011. Use the worksheet on page 29 of these instructions, *Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired after December 31, 2011*, to determine the allowable subtraction. Keep the worksheet for your records.

#### Line 18 - Total Net Capital Gain or (Loss)

If you reported a net capital gain or (loss) on your federal income tax return, enter the total net capital gain or (loss) reported on the *Capital Gain or (Loss)* line on page 1 of your federal return. This amount should be reported in your federal adjusted gross income.

#### Line 19 - Total Net Short-Term Capital Gain or (Loss)

Enter the total amount of net short-term capital gain or (loss) reported on the *Capital Gain or (Loss)* line on page 1 of your federal return. This amount should be reported in your federal adjusted gross income.

**NOTE:** *If you are not required to report dividend distributions and/or short-term capital gains from mutual funds on federal Form Schedule D, do not include the short-term capital gain distributed by the mutual fund on line 19.*

#### Line 20 - Total Net Long-Term Capital Gain or (Loss)

Enter the amount from the worksheet, line 14, column (a).

#### Line 21 - Net Long-Term Capital Gain from Assets Acquired After December 31, 2011

Enter the amount from the worksheet, line 14, column (c).

Only include net long-term capital gains on this line if it can be verified that the asset was acquired after December 31, 2011. For purposes of this line, an asset acquired by gift or inheritance is considered acquired on the date it was acquired by the gift-giver or the deceased individual.

#### Line 22 - Net Long-Term Capital Gain Subtraction From Income for Assets Acquired After December 31, 2011.

Multiply the amount on line 21 by 25% and enter the result.

#### Line 23 - Net Capital Gain from Investment in a Qualified Small Business

You may subtract the amount of any net capital gain included in federal adjusted gross income for the taxable year derived from investment in a qualified small business as determined by the Arizona Commerce Authority (ACA) pursuant to A.R.S. § 41-1518.

To qualify for this subtraction, your investment in the qualified small business must have been made *after* the ACA certified the company as a qualified small business and *before* the company's certification expiration date. An investment made prior to certification or after the expiration of certification does not qualify for this subtraction. See the ACA's website, *Small Business Incentives: Angel Investment*, for a list of certified businesses and their certification dates. On line 23, enter the amount of the allowable subtraction.

**CAUTION:** *If the amount entered on line 23 includes any long-term capital gain from an investment made after December 31, 2011, you cannot include that portion of the net capital gain in your computation of the allowable subtraction for any net long-term capital gain of assets acquired after December 31, 2011, and included in federal adjusted gross income. For more information, see the instructions on page 30 for the amount to enter on line 13, column (c), of the net long-term capital gain worksheet.*

#### Line 24 - Recalculated Arizona Depreciation

**NOTE:** *For more information and examples of how to calculate Arizona bonus depreciation, see the department's Income Tax Procedure, ITP 16-2, Procedure for Individuals who Claim Federal and/or Arizona Bonus Depreciation.*

**For assets placed in service in taxable years beginning before December 31, 2012,** enter the total amount of depreciation allowable pursuant to IRC § 167(a) for the taxable year calculated as if you had elected not to claim bonus depreciation for eligible properties for federal purposes.

**For assets placed in service during taxable years beginning from and after December 31, 2012 through December 31, 2013,** the amount of the subtraction for these assets depends on the method used to compute the depreciation for these assets.

**For assets placed in service in taxable years beginning from and after December 31, 2013 through December 31, 2015,** enter the total amount of depreciation allowable pursuant to IRC § 167(a) for the taxable year calculated as if the bonus depreciation is 10% of the amount of federal bonus depreciation pursuant to IRC § 168(k).

**For assets placed in service in taxable years beginning from and after December 31, 2015 through December 31, 2016,** enter the total amount of depreciation allowable pursuant to IRC § 167(a) for the taxable year calculated as if the bonus depreciation is 55% of the amount of federal bonus depreciation pursuant to IRC § 168(k).

#### Line 25 – Partnership Income Adjustment (Negative)

Use this adjustment if line 3, of your Arizona Form 165 Schedule K-1, shows a difference between federal and state distributable income.

If the difference reported on line 3, of your Arizona Form 165 Schedule K-1, is a negative number, enter that difference on line 25. **Do not include a minus sign or use parenthesis.**

**NOTE:** *If the difference reported on line 3, of your Arizona Form 165 Schedule K-1, is a positive number, enter that difference as an addition on line 14.*

#### Line 26 - Adjustment for IRC § 179 Expense not Allowed in Prior Years

If you made an addition for IRC § 179 expense on your 2012 return, enter 20% of the amount added for 2012.

#### Line 27 - Interest on U.S. Obligations

Enter the amount of interest income from U.S. Government obligations included as income on your federal return. U.S. Government obligations include obligations such as savings bonds and treasury bills. You cannot deduct any interest or other related expenses incurred to purchase or carry the obligations. If such expenses are included in your Arizona gross income, you must reduce the subtraction by such expenses. If you are itemizing deductions on your Arizona return, you must exclude such expenses from the amount deducted.

**NOTE:** *Do not subtract interest earned on Fannie Mae (FNMA) or Ginnie Mae (GNMA) bonds since this interest is taxable by Arizona. For details, see the department's ruling, ITR 06-1, Obligations of the United States Government, Federal Agencies, and United States Territories.*

Do not subtract any amount received from a qualified pension plan that invests in U.S. Government obligations. Do not subtract any amount received from an IRA that invests in U.S. Government obligations. These amounts are not interest income. For details, see the department's rulings, ITR 96-2, *Pension Plan Distributions Derived from Investment in U.S. Government Obligations*; and ITR 96-3, *Distributions Comprised of Income Earned by the IRA*.

#### Line 28 - Exclusion for U.S. Government, Arizona State or Local Government Pensions

If you receive pension income from any of the sources listed below, subtract the amount you received or \$2,500, whichever is less. Include only the amount you reported as income on your federal return. If both you and your spouse receive such pension income, each spouse may subtract the amount received or \$2,500, whichever is less.

#### Public pensions from the following sources qualify for this subtraction:

- the United States Government Service Retirement and Disability Fund,
- the United States Foreign Service Retirement and Disability System,
- retired or retainer pay of the uniformed services of the United States,
- any other retirement system or plan established by federal law,

**NOTE:** *This applies only to those retirement plans authorized and enacted into the U.S. Code. This does not apply to a retirement plan that is only regulated by federal law (i.e., plans which must meet certain federal criteria to be qualified plans).*

- the Arizona State Retirement System,
- the Arizona State Retirement Plan,
- the Corrections Officer Retirement Plan,
- the Public Safety Personnel Retirement System,
- the Elected Officials' Retirement Plan,
- a retirement plan established for employees of a county, city, or town in Arizona, and

- an optional retirement program established by the Arizona Board of Regents under Arizona Revised Statutes, and an optional retirement program established by an Arizona community college district.

**NOTE:** *Public retirement pensions from states other than Arizona do not qualify for this subtraction.*

### Line 29 - Arizona State Lottery Winnings

You may subtract up to \$5,000 of winnings received in 2016 for Arizona lottery prizes.

If you subtract Arizona lottery winnings here, you may have to adjust the amount of gambling losses claimed as an itemized deduction. See instructions for Arizona Form 140, Schedule A, *Itemized Deduction Adjustments*.

### Line 30 - U.S. Social Security Benefits or Railroad Retirement Benefits

Arizona does not tax the following:

- social security benefits received under Title II of the Social Security Act, or
- railroad retirement benefits received from the Railroad Retirement Board under the Railroad Retirement Act, tier 1 or tier 2 railroad retirement benefits, railroad disability benefits reported on federal forms RRB-1099 and RRB-1099-R, railroad unemployment benefits and railroad sickness payments paid by the Railroad Retirement Board.

For more information, see the department's ruling, ITR 16-1, *Railroad Retirement Benefits, Railroad Disability Benefits, Railroad Unemployment Benefits and Railroad Sickness Payments*.

If you included such social security or railroad retirement benefits as income on your federal return, use line 30 to subtract this income.

**NOTE:** *Enter only the taxable amount (the amount that was subject to federal income tax). Do not include any amount that was not subject to federal income tax.*

### Line 31 - Certain Wages of American Indians

Enrolled members of American Indian tribes may subtract wages earned while living and working on their tribe's reservation. The federal government must recognize these tribes. For more information, see the department's ruling, ITR 96-4, *Income Taxation of Indians and Spouses*.

### Line 32 - Pay Received for Active Service as a Member of the Reserves, National Guard or the U.S. Armed Forces

Members of the U.S. armed forces may subtract pay received for active duty military service. On line 32, enter the amount of that income included in your federal adjusted gross income.

Members of the reserves or the National Guard may subtract pay received for active service as a reservist or as a National Guard member. This includes pay received for weekend or two-week training periods. On line 32 enter the amount of that income included in your federal adjusted gross income.

### Military Technician (dual status)

You may **not** subtract any income you received for full-time civil service employment as a "military technician (dual status)". Compensation received by a "military technician (dual status)" for federal civil service employment for the National Guard or for the United States Reserves, is not income received for active service as a National Guard member for a Reserve member even though the employee may be required to wear a military uniform while at work.

For more information, see the department's ruling, ITR 12-2, *Compensation Received by a National Guard member or a member of the United States Reserves*.

**NOTE:** *You may not subtract pay received for active duty service as a member of the U.S. Public Health Service or NOAA. For more information, see the department's ruling, ITR 10-1, Does the subtraction, for armed forces personnel, under A.R.S. § 43-1022 apply to Arizona residents who are active duty service members of the commissioned corps of the United States Public Health Service or the National Oceanic and Atmospheric Administration?*

### Line 33 - Net Operating Loss Adjustment

Arizona did not adopt the special federal net operating loss rules for losses incurred during 2008 or 2009. For Arizona purposes, you must deduct a net operating loss as if the loss was computed under IRC § 172 in effect prior to the enactment of those special rules. If you made an election to deduct your 2008 or 2009 federal net operating loss under IRC § 172(b)(1)(H), you may have to enter an amount here. Figure how much of the net operating loss carry forward would have been allowed as a deduction on your 2016 federal income tax return, if the election described in IRC § 172(b)(1)(H) had not been made in the year of the loss. On line 33, enter the amount that exceeds the actual net operating loss carry forward that was deducted in arriving at federal adjusted gross income.

**NOTE:** *This subtraction applies to only those individuals who made an election under the special federal net operating loss rules for 2008 and 2009. Under the special rules for 2008 and 2009, you could have elected to carry the net operating loss back for 3, 4 or 5 years, instead of the normal 2 years. This election would have been allowed under IRC § 172(b)(1)(H) as amended by the American Recovery and Reinvestment Act of 2009 or the Worker, Homeownership, and Business Assistance Act of 2009.*

### Line 34 - Contributions to 529 College Savings Plans

You may subtract amounts you contributed to 529 college savings plans during the taxable year. You may subtract the amount you contributed during the year up to a total of \$2,000 (\$4,000 for a married couple filing a joint return.) If you are married filing separate returns, either you or your spouse may take the subtraction, or you may divide it between you, but the total subtraction taken by both of you cannot be more than \$4,000.

If you contribute more than \$2,000 (\$4,000 if married) during the year, your total subtraction is still limited to \$2,000 (\$4,000 if married.)

**For example:** Jorge and Kate are married and have two children. During 2016, Jorge and Kate contributed \$2,500 to a 529 plan for Child 1 and \$2,500 to a 529 plan for Child 2. Even though Jorge and Kate contributed a total of \$5,000 during 2016, they may subtract only \$4,000 on their 2016 return.

You may take a subtraction for a contribution that you made during 2016 to a plan that existed before 2016. You may take a subtraction for a contribution that you made during 2016 to a plan established in another state. You may take a subtraction for a contribution that you made in 2016 to any 529 college savings plan. This could be a plan established for a child, grandchild, niece, nephew, or any other person for whom a plan has been established.

You cannot take a subtraction for an amount transferred from one college savings plan to a different college savings plan (a rollover).

### Line 35 - Other Subtractions from Income

Use line 35 if any of the following special circumstances apply. Include your own schedule with your return explaining any amounts entered here. Include your schedule with the return.

#### A. Fiduciary Adjustment

A fiduciary uses Form 141AZ, Schedule K-1 to report to you your share of the fiduciary adjustment from the trust or estate.

Line 3 of Form 141AZ, Schedule K-1 shows your share of the fiduciary adjustment from the estate or trust. If the amount reported on line 3 of your Arizona Form 141AZ, Schedule K-1, is a negative number, enter that amount as a subtraction on line 35.

**NOTE:** *If the amount reported on line 3 of your Arizona Form 141AZ, Schedule K-1, is a positive number, enter that amount as an addition on line 16.*

#### B. Federally Taxable Arizona Municipal Interest as Evidenced by Bonds

Enter the amount of any interest income received on obligations of the State of Arizona, or any political subdivisions of Arizona, as evidenced by bonds, and is included in your Arizona gross income. Do not enter any Arizona municipal interest that is exempt from federal taxation and not included in your federal adjusted gross income. For more information, see the department's ruling, ITR 15-1, *Arizona Municipal Interest that is Included in Federal Adjusted Gross Income*.

#### C. Adoption Expenses

You may take this subtraction only in the year the final adoption order is granted. Enter the lesser of the total of the following adoption expenses or \$3,000. When figuring your subtraction, you may include expenses incurred in prior years.

The following expenses are qualified adoption expenses:

- unreimbursed medical and hospital costs,

- adoption counseling,
- legal and agency fees, and
- other nonrecurring costs of adoption.

If you are married and filing separately, you may take the entire subtraction or you may divide the subtraction with your spouse. However, the total subtraction taken by both you and your spouse cannot exceed \$3,000.

#### D. Qualified Wood Stove, Wood Fireplace, or Gas Fired Fireplace

Arizona law provides a subtraction for converting an existing fireplace to one of the following:

- a qualified wood stove,
- a qualified wood fireplace, or
- a gas fired fireplace and non-optional equipment directly related to its operation.

You may subtract up to \$500 of the costs incurred for converting an existing fireplace on your property located in Arizona. When you figure your subtraction, do not include taxes, interest, or other finance charges.

A qualified wood stove or a qualified wood fireplace is a residential wood heater that was manufactured on or after July 1, 1990, or sold at retail on or after July 1, 1992. The residential wood heater must also meet the U.S. Environmental Protection Agency's July 1990 particulate emissions standards.

A qualified gas fired fireplace is any device that burns natural or liquefied petroleum gas as its fuel through a burner system that is permanently installed in the fireplace. The conversion of an existing wood burning fireplace to noncombustible gas logs that are permanently installed in the fireplace also qualifies as a gas fired fireplace.

#### E. Claim of Right Adjustment for Amounts Repaid in Prior Taxable Years

You must make an entry here if **all** of the following apply:

- During a year prior to 2016 you were required to repay amounts held under a claim of right.
- You computed your tax for that prior year under Arizona's claim of right provisions.
- A net operating loss or capital loss was established due to the repayment made in the prior year.
- You are entitled to take that net operating loss or capital loss carryover into account when computing your 2016 Arizona taxable income.
- The amount of the loss carryover allowed to be taken into account for Arizona purposes is more than the amount included in your federal income.

Enter the amount by which the loss carryover allowed for the taxable year under Arizona law is more than the amount included in your federal adjusted gross income.

#### F. Certain Expenses Not Allowed for Federal Purposes

You may subtract some expenses that you cannot deduct on your federal return when you claim certain federal tax credits.

These federal tax credits include the following:

- the Federal Work Opportunity Credit
- the Empowerment Zone Employment Credit
- the credit for employer-paid social security taxes on employee cash tips
- the Indian Employment Credit.

If you received any of the above federal tax credits for 2016, enter the portion of wages or salaries you paid or incurred during the taxable year equal to the amount of those federal tax credits you received.

#### **G. Qualified State Tuition Program Distributions**

If you are a beneficiary of a qualified state tuition program, you may subtract some of the amount distributed from the program for qualified education expenses. Enter the amount of the distribution that you had to include in your federal adjusted gross income. A qualified state tuition program is a program that meets the requirements of IRC § 529.

#### **H. Subtraction for World War II Victims**

You may subtract distributions made to you for your persecution or the persecution of your ancestors by Nazi Germany or any other Axis regime for racial, religious or political reasons. If you are the first recipient of such distributions, enter the amount of the distributions that you had to include in your federal adjusted gross income.

You may also subtract items of income that are attributable to, derived from, or related to assets that were stolen or hidden from or lost to you if you were persecuted by Nazi Germany or any other Axis regime for racial, religious, or political reasons before, during or immediately after World War II. If you are the first recipient of such income, enter the amount of income that you had to include in your federal adjusted gross income.

#### **I. Installment Sale Income from Another State Taxed by the Other State in a Prior Taxable Year**

You may subtract income from an installment sale if **both** of the following apply:

- The income from the sale is subject to Arizona income tax in 2016.
- You paid income tax to another state on that income in a **prior** tax year.

Enter the amount of such income that you included in your Arizona gross income for 2016.

Do not enter any amount that is subject to tax by both Arizona and another state in 2016. In this case, you may be eligible for a tax credit. See Arizona Form 309 for details.

#### **J. Agricultural Crops Given to Arizona Charities**

Arizona law allows a subtraction for qualified crop gifts made during 2016 to one or more charitable organizations. To take this subtraction, **all** of the following must apply:

- You must be engaged in the business of farming or processing agricultural crops.
- The crop must be grown in Arizona.

- You made your gift to a charitable organization located in Arizona that is exempt from Arizona income tax.

The subtraction is the larger of the wholesale market price or the most recent sale price for the contributed crop. The amount of the subtraction cannot include any amount deducted pursuant to IRC § 170 with respect to crop contribution that exceeds the cost of producing the contributed crop. To determine if your crop gift qualifies for this subtraction, see the department's procedure, ITP 12-1, *Establishing an Income Tax Subtraction for Agricultural Crops Contributed to Charitable Organizations*.

#### **K. Basis Adjustment for Property Sold or Otherwise Disposed of During the Taxable Year**

With respect to property that is sold or otherwise disposed of during the taxable year by a taxpayer who has complied with the requirement to add back all depreciation with respect to that property on tax returns for all taxable years beginning from and after December 31, 1999, enter the amount of depreciation that has been allowed pursuant to IRC § 167(a) to the extent that the amount has not already reduced Arizona taxable income in the current or prior years. (Note: The practical effect of this is to allow a subtraction for the difference in basis for any asset for which bonus depreciation has been claimed on the federal return.)

#### **L. Previously Deferred Discharge of Indebtedness (DOI) Income Adjustment**

Generally, when a loan is settled for less than the amount owed, DOI income is realized by the debtor and usually must be included in the debtor's gross income. The amount of DOI income is generally equal to the amount of loan forgiveness. DOI income also occurs when a debtor repurchases his or her own debt at a discount (a price lower than the adjusted basis issue price of the debt instrument). In debt repurchase transactions, the amount of DOI income is generally equal to the difference between the adjusted issue price and the price paid for the debt instrument.

For federal purposes, a taxpayer may have made a special election for taxable years 2009 or 2010 to include DOI income in connection with the reacquisition of a business debt instrument, ratably over a 5 year period. A taxpayer that made this election will generally include this income in federal adjusted gross income beginning with the 2014 taxable year. A taxpayer would have made the federal election under IRC § 108(i) as added by the American Recovery and Reinvestment Act of 2009. Arizona did not adopt the special federal DOI income deferral provisions for the 2009 or 2010 taxable year. For Arizona purposes, if you made the federal election to defer the inclusion of DOI income under IRC § 108(i), you were required to add the amount of deferred DOI income to Arizona income for the year for which you made the election.

If you made the required addition to Arizona income on the Arizona return filed for the year in which you reacquired the debt instrument (2009 or 2010), Arizona will not tax that DOI income twice. In the year in which you include that deferred DOI income in your federal adjusted gross income, you may take a subtraction for the amount included for that year.

Usually this subtraction will apply to taxable years 2014 through 2018. On line 35, enter the amount of previously deferred DOI income that you included in your federal adjusted gross income for the current taxable year to the extent that the amount was previously added to your Arizona income.

#### **M. Original Issue Discount (OID) on Reacquisition of Business Debt Instrument**

For federal purposes, when a taxpayer made the special election to defer DOI income under IRC § 108(i), the taxpayer was not allowed to take a deduction with respect to the portion of any OID that accrued with respect to that DOI income, during the income deferral period. In this case, the taxpayer must deduct the aggregate amount of the OID deductions disallowed ratably over a 5 year period, beginning with the period in which the income is includible in federal adjusted gross income.

Arizona did not adopt the federal provisions requiring a taxpayer to defer the OID deduction in cases where the taxpayer federally deferred the DOI income under IRC § 108(i). For Arizona purposes, you were required to add the amount of deferred DOI income to Arizona income on the return filed for the year in which you reacquired the debt instrument.

Since Arizona taxed the federally deferred DOI income for 2009 or 2010 on your 2009 or 2010 Arizona return, you may subtract the amount of OID that accrued during the taxable year with respect to that DOI income.

On line 35, enter the amount of any OID that was deferred and not allowed to be deducted in computing your federal adjusted gross income for 2016 under IRC § 108(i).

#### **N. Sole Proprietorship Income of an Arizona Nonprofit Medical Marijuana Dispensary included in Federal Adjusted Gross Income**

If you are registered as an Arizona sole proprietorship with the Arizona Department of Health Services to operate in this state as a nonprofit medical marijuana dispensary, you may subtract the amount of the income from the dispensary that is included in the computation of your federal adjusted gross income. Include the amount of the income on line 35.

**NOTE:** *If the Arizona nonprofit medical marijuana dispensary is registered with the Arizona Department of Health Services as anything other than a sole proprietorship, this subtraction does not apply.*

#### **O. Long-Term Care Insurance Premiums**

You may subtract the amount of premium costs for long-term care insurance for qualified long-term care services. Qualified long-term care services are necessary diagnostic, preventive, therapeutic, curing, treating, mitigating, rehabilitative services, and maintenance and personal care services.

You may take this subtraction only if you are **not** claiming itemized deductions for the taxable year. Include the allowable subtraction on line 35.

An individual, who claims itemized deductions, may **not** take this subtraction.

#### **P. Long-Term Health Care Savings Accounts**

You may subtract amounts you paid into a long-term health care savings account established under Arizona law. An individual may establish a long-term health care savings account with an account Administrator who will manage the account.

For more information regarding the subtraction for contributions made to a long-term health care savings account, see A.R.S. § 43-1032.

The total amount you may subtract is equal to the amount of your contributions that are included in your federal adjusted gross income. Include the amount of the allowable subtraction on line 35.

Do not include on line 35 any amounts already excluded in the computation of your federal adjusted gross income

#### **Q. Other Adjustments**

Other special adjustments may be necessary. Call one of the numbers on page 1 of these instructions if any of the following apply:

- You sold or disposed of non-depreciable property that was held for the production of income and your basis was computed under the Arizona Income Tax Act of 1954, as amended (1978 prior).
- You deferred exploration expenses determined under IRC § 617 in a taxable year ending before January 1, 1990, and you have not previously taken a subtraction for those expenses.

#### **Line 36 -**

Subtract lines 22 through 35 from line 17 and enter the difference.

#### **Line 37 -**

Enter the amount from page 1, line 36.

#### **Exemptions**

##### **Line 38 - Age 65 or Over**

Multiply the number in box 8 on the front of your return by \$2,100 and enter the result.

##### **Line 39 - Blind**

Multiply the number in box 9 on the front of your return by \$1,500 and enter the result.

##### **Line 40 - Dependents**

Multiply the number in box 10 on the front of your return by \$2,300 and enter the result.

##### **Line 41 - Qualifying Parents and Grandparents**

Multiply the number in box 11 on the front of your return by \$10,000 and enter the result.

##### **Line 42 - Arizona Adjusted Gross Income**

Subtract lines 38 through 41 from line 37 and enter the difference.



## Figuring Your Tax

### Line 43 - Standard or Itemized Deductions

You must decide whether to take the standard deduction or to itemize your deductions. Your Arizona income tax will be less if you take the larger of your standard deduction or your itemized deductions.

**e-file** When you *e-file*, the software completes the math for you.

### Your Standard Deduction

If you take the standard deduction, check box 43S.

| If your filing status is: | Your standard deduction is: |
|---------------------------|-----------------------------|
| • Single                  | \$5,099                     |
| • Married filing separate | \$5,099                     |
| • Married filing joint    | \$10,189                    |
| • Head of household       | \$10,189                    |

### Your Itemized Deductions

If you itemize your deductions, check box 43I.

You may claim itemized deductions on your Arizona return even if you take a standard deduction on your federal return. For the most part, you may claim those deductions allowable as itemized deductions under the IRC.

In some cases, the amount allowed for some deductions may not be the same as the amount allowable for federal purposes.

You may have to adjust the amounts shown on your completed federal Form 1040, Schedule A.

See Arizona Form 140 Schedule A, *Itemized Deduction Adjustments*, to figure if you have to make any adjustments.

To figure your itemized deductions, you must complete a federal Form 1040, Schedule A. Then, if required, complete Arizona Form 140, Schedule A, *Itemized Deduction Adjustments*.

If you do not have to complete Form 140, Schedule A, *Itemized Deduction Adjustments*; enter the amount from federal Form 1040, Schedule A, on Form 140, line 43.

You must include a copy of the completed federal Schedule A with your Arizona return.

### Line 44 - Personal Exemptions

The amount you may claim as a personal exemption depends on your filing status. If married, the amount you may claim as a personal exemption also depends on whether you or your spouse claim dependents. You may use the following chart to figure your personal exemption.

If married, you may also use Arizona Form 202, *Personal Exemption Allocation Election*, to figure your personal exemption.

| Personal Exemption Chart   |                               |
|--|-------------------------------|
| If you checked filing status:  | Enter:                        |
| • Single (Box 7)   | \$2,100                       |
| • Married filing joint return (Box 4) and claiming no dependents (Box 10)  | \$4,200                       |
| • Married filing joint return (Box 4) and claiming at least one dependent (Box 10) excluding persons listed who did not qualify as a dependent on your federal return [Box 10, column (e)].                | \$6,300                       |
| • Head of household and you are not married (Box 5)  | \$4,200                       |
| • Head of household and you are a married person who qualifies to file as head of household (Box 5)  | \$3,150, or complete Form 202 |
| • Married filing separate return (Box 6) with neither spouse claiming any dependents (Box 10)  | \$2,100, or complete Form 202 |
| • Married filing separate return (Box 6) with one spouse claiming at least one dependent (Box 10) excluding persons listed who did not qualify as a dependent on your federal return [Box 10, column (e)]. | \$3,150, or complete Form 202 |

A married couple who does not claim any dependents may take one personal exemption of \$4,200. If the husband and wife file separate returns, either spouse may take the entire \$4,200 exemption, or the spouses may divide the \$4,200 between them. You and your spouse must complete Form 202 if either you or your spouse claim a personal exemption of more than \$2,100. If you and your spouse do not complete Form 202, you may take an exemption of only \$2,100 (one-half of the total \$4,200).

A married couple who claims at least one dependent may take one personal exemption of \$6,300. If the husband and wife file separate returns, either spouse may take the entire \$6,300 exemption, or the spouses may divide the \$6,300 between them. You and your spouse must complete Form 202 if either you or your spouse claims a personal exemption of more than \$3,150. If you and your spouse do not complete Form 202, you may take an exemption of only \$3,150 (one-half of the total \$6,300).

If you are a married person who qualifies to file as a head of household, you may take the entire \$6,300 personal exemption or you may divide the exemption with your spouse. You and your spouse must complete Form 202 if either you or your spouse claims a personal exemption of more than \$3,150. If you and your spouse do not complete Form 202 you may take an exemption of only \$3,150 (one-half of the total \$6,300).

The spouse who claims more than one-half of the total personal exemption must include the original Form 202 with his or her return. The spouse who claims less than one-half of the total personal exemption must include a copy of the completed Form 202 with his or her return.

**Line 45 - Arizona Taxable Income**

Subtract lines 43 and 44 from line 42 and enter the difference. If less than zero, enter "0". Use this amount to calculate your tax using Tax Table X or Y or the Optional Tax Tables.

**Line 46 - Tax Amount**

Enter the tax from either Tax Table X or Y or the Optional Tax Tables. If your taxable income is less than \$50,000, use the Optional Tax Table. If your taxable income is \$50,000 or more, use Tax Table X or Y.

**Line 47 - Tax from Recapture of Credits from Arizona Form 301**

Enter the amount of tax due from recapture of the credits from Arizona Form 301, Part 2, line 40.

**Line 48 - Subtotal of Tax**

Add lines 46 and 47 and enter the total.

**Line 49 - Family Income Tax Credit**

**e-file** E-file software will let you know if you are eligible and will figure the credit for you.

**NOTE:** The family income tax credit will only reduce your tax and cannot be refunded.

You may claim this credit if your income does not exceed the maximum income allowed for your filing status.

- Complete Steps 1, 2, and 3 to see if you qualify for this credit.
- If you qualify to take this credit, complete Worksheet II in Step 4.

**Step 1**

Complete Worksheet I below.

| <b>Worksheet I<br/>(continued on next column)</b>            |    |  |
|--|----|--|
| 1. Enter the amount from Form 140, line 42                   | \$ |  |
| 2. Enter the amount from Form 140, line 38.                  | \$ |  |
| 3. Enter the amount from Form 140, line 39.                  | \$ |  |
| 4. Enter the amount from Form 140, line 40.                  | \$ |  |
| 5. Enter the amount from Form 140, line 41.                  | \$ |  |
| 6. Add the amounts on lines 2 through 5 and enter the total. | \$ |  |
| 7. Add lines 1 and 6 and enter the total.                    | \$ |  |

**Step 2**

Look at the following tables. Find your filing status.

- Use Table 1 if married filing a joint return.
- Use Table 2 if head of household.
- Use Table 3 if single or married filing separate return.

**Step 3**

- Look at column (a) and find the number of dependents you are claiming (Form 140, page 1, box 10 excluding

persons listed who did not qualify as a dependent on your federal return).

- Find the maximum income [in column (b)] for the number of dependents you are claiming.
- Compare that income [the amount in column (b)] with the income listed in Step 1 on Worksheet I, line 7.

If the amount entered in Step 1 on Worksheet I, line 7 is equal to or less than the maximum income allowed for the number of dependents you are claiming on Form 140, page 1, box 10, excluding persons listed who did not qualify as your dependent on your federal return, you qualify to claim this credit. To figure your credit, complete Step 4.

| <b>Table I<br/>Married Filing Joint Return</b>   |                |
|--|----------------|
| Column (a)   | Column (b)     |
| Number of dependents you are claiming on Form 140, page 1, box 10 excluding persons listed who did not qualify as a dependent on your federal return [Box 10, column (e)]. | Maximum Income |
| • 0 or 1   | \$20,000       |
| • 2  | \$23,600       |
| • 3  | \$27,300       |
| • 4 or more  | \$31,000       |

| <b>Table II<br/>Head of Household</b>   |                |
|---|----------------|
| Column (a)  | Column (b)     |
| Number of dependents you are claiming on Form 140, page 1, box 10, excluding persons listed who did not qualify as a dependent on your federal return [Box 10, column (e)]. | Maximum Income |
| • 0 or 1  | \$20,000       |
| • 2   | \$20,135       |
| • 3   | \$23,800       |
| • 4   | \$25,200       |
| • 5 or more   | \$26,575       |

| <b>Table III<br/>Single or Married Filing Separate Return</b>  |                |
|--|----------------|
| Column (a)   | Column (b)     |
| Number of dependents you are claiming on Form 140, page 1, box 10 excluding persons listed who did not qualify as a dependent on your federal return [Box 10, column (e)]. | Maximum Income |
| • 0 or more  | \$10,000       |

**Step 4**

If you qualify to claim the credit, complete Worksheet II.

| <b>Worksheet II<br/>You must complete Steps 1 through 3<br/>before you complete Worksheet II<br/>(continued on next page)</b>   |  |
|---|--|
| 1. Enter the number of dependents you entered on Form 140, page 1, box 10, excluding persons listed who did not qualify as a dependent on your federal return [Box 10, column (e)]. |  |

|  |    |
|--|----|
| 2. Enter the number of personal exemptions. If you checked filing status 4, enter the number 2 here. If you checked filing status 5, 6, or 7, enter the number 1 here. |    |
| 3. Add lines 1 and 2. Enter the total.   |    |
| 4. Multiply the amount on line 3 by \$40. Enter the result.  | \$ |
| 5. If you checked filing status 4 or 5, enter \$240 here. If your checked filing status 6 or 7, enter \$120 here.  | \$ |
| 6. Enter the lesser of line 4 or line 5. Also, enter this amount on Form 140, line 49.   | \$ |

### Line 50 - Nonrefundable Credits from Arizona Form 301

Complete line 50 if you claim any of the following credits. Also make sure that you complete and include Arizona Form 301 and the appropriate credit form or forms with your return.

1. **Enterprise Zone Credit.** The enterprise zone credit for individuals was repealed. All credits for enterprise zones that were properly established can be carried forward for the respective five year carry forward period. See Form 304 for more information.

2. **Environmental Technology Facility Credit.** You may qualify for this credit if your business incurred expenses in constructing a qualified environmental technology manufacturing facility. Use Form 305 to figure this credit.

3. **Military Reuse Zone Credit.** You may qualify for this credit if you have qualifying net increases in full-time employment within a military reuse zone. Use Form 306 to figure this credit.

4. **Recycling Equipment Credit.** The recycling equipment credit for individuals was repealed. All credits for recycling equipment that were properly established can be carried forward for the respective 15 year carry forward period. Use Form 307 to figure any allowable credit carryover.

5. **Credit for Increased Research Activities - Individuals.** You may qualify for this credit if you incurred qualified research expenses for research conducted in Arizona. Use Form 308-I to figure this credit. Be sure to include **only** the nonrefundable portion on Form 140, line 50.

6. **Credit for Taxes Paid to Another State or Country.** You may qualify for this credit if you paid tax to Arizona and another state or country on the same income. Use Form 309 to figure your credit.

7. **Credit for Solar Energy Devices.** You may qualify for this credit if you installed a solar energy device in your residence located in Arizona. Use Form 310 to figure this credit.

8. **Agricultural Water Conservation System Credit.** You may qualify for this credit if you incurred expenses to purchase and install an agricultural water conservation system in Arizona. Use Form 312 to figure this credit.

9. **Pollution Control Credit.** You may qualify for this credit if you purchased depreciable property used in a trade or

business to reduce or prevent pollution. Use Form 315 to figure this credit.

10. **Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets.** You may qualify for this credit if you installed solar hot water heater plumbing stub outs or electric vehicle recharge outlets in houses or dwelling units you constructed.

The taxpayer that constructed the dwelling may also transfer the credit to a purchaser. Use Form 319 to figure this credit.

11. **Credit for Employment of TANF Recipients.** You may qualify for this credit if you employed TANF recipients during the taxable year. Use Form 320 to figure this credit.

12. **Credit for Contributions to Qualifying Charitable Organizations.** You may qualify for this credit if you made contributions to qualifying charitable organizations. Use Form 321 to figure this credit.

13. **Credit for Contributions Made or Fees Paid to Public Schools.** You may qualify for this credit if you made contributions or paid certain fees to public schools in Arizona. Use Form 322 to figure this credit.

14. **Credit for Contributions to Private School Tuition Organizations.** You may qualify for this credit if you made contributions to a school tuition organization that provides scholarships or grants to qualified schools. Use Form 323 to figure this credit.

15. **Agricultural Pollution Control Equipment Credit.** You may qualify for this credit if you are involved in commercial agriculture and incurred expenses to purchase tangible personal property that is primarily used in your trade or business to control or prevent pollution. Use Form 325 to figure this credit.

16. **Credit for Donation of School Site.** You may qualify for this credit if you donated real property and improvements to a school district or a charter school for use as a school or as a site for the construction of a school. Use Form 331 to figure this credit.

17. **Credits for Healthy Forest Enterprises.** You may qualify for these credits if you had net increases in qualified employment positions in a healthy forest enterprise and net training and certifying costs. Use Form 332 to figure these credits.

18. **Credit for Employing National Guard Members.** You may qualify for this credit if you are an employer who has an employee that is a member of the Arizona National Guard if the employee is placed on active duty. Use Form 333 to figure this credit.

19. **Credit for Business Contributions by an S Corporation to School Tuition Organizations - Individual.** S corporations that make qualifying contributions of \$5,000 or more may pass-through the credit to its individual shareholders on a *pro rata* basis. See Form 335-I for more information.

20. **Credit for Solar Energy Devices - Commercial and Industrial Applications.** This credit is available to taxpayers

that installed solar energy devices for commercial, industrial, or other nonresidential applications located in Arizona. Use Form 336 to figure this credit.

**21. Credit for Investment in Qualified Small Businesses.** You may qualify for this credit if you made an investment in a qualified small business. Use Form 338 to figure this credit.

**22. Credit for Water Conservation Systems.** The credit for water conservation systems for individuals was repealed. All credits for water conservation systems that were properly established can be carried forward for the respective five year carry forward period. Use Form 339 to figure this credit.

**23. Credit for Donations to the Military Family Relief Fund.** You may qualify for this credit if you made a cash contribution to the Arizona Military Family Relief Fund during the taxable year. Use Form 340 to figure this credit.

**24. Credit for Business Contributions by an S Corporation to School Tuition Organizations for Displaced Students or Students with Disabilities - Individual.** S corporations that make qualifying contributions of \$5000 or more may pass-through the credit to its individual shareholders on a *pro rata* basis. See Form 341-I for more information.

**25. Renewable Energy Production Tax Credit.** You may qualify for this credit if you produced electricity using a qualified energy resource. Use Form 343 to figure this credit.

**26. Solar Liquid Fuel Credit.** You may qualify for this credit if you incurred expenses for (1) research and development costs associated with solar liquid fuel, (2) for the production of solar liquid fuel in this state in commercial quantities, and (3) for costs incurred during the taxable year to convert or modify existing motor vehicle fuel service stations for the retail sale of solar liquid fuel to customers. Use Form 344 to figure this credit.

**27. Credit for New Employment.** For taxable years beginning from and after June 30, 2011, you may qualify for this credit if your business had a net increase in qualified employment positions. Use Form 345 to figure this credit.

**28. Additional Credit for Increased Research Activities for Basic Research Payments.** You may qualify for this credit for qualified basic research payments for research conducted in Arizona. Approval by the Department of Revenue is required prior to claiming this credit. Use Form 346 to figure this credit.

**29. Credit for Qualified Health Insurance Plans.** The credit for qualified health insurance plans for individuals has been repealed. All credits for qualified health insurance plans that were properly established can be carried forward for the respective three year carry forward period. Use Form 347 to figure this credit.

**30. Credit for Contributions to Certified School Tuition Organization (for the amounts that exceed the allowable credit on AZ Form 323).** You may qualify for this credit if you made contributions to school tuition organization(s) that exceed the allowable credit amount on AZ Form 323. Use Form 348 to figure this credit.

**31. Credit for Renewable Energy Investment & Production for Self-Consumption by Manufacturers and International Operations Centers.** You may qualify for this tax credit if you made an investment in new renewable energy facilities that produce energy for self-consumption using renewable energy resources if the power will be used primarily for manufacturing or in an international operations center. Use Form 351 to figure this credit.

**32. Credit for Contributions to Qualifying Foster Care Charitable Organizations.** You may qualify for this credit if you made contributions to qualifying foster care charitable organizations. Use Form 352 to figure this credit.

Compute your credit(s) on the appropriate form(s). Complete Arizona Form 301 and enter the amount from Form 301, Part 2, line 76 on Form 140, line 50. The total amount of credits on line 50 cannot reduce your tax below zero. These credits are nonrefundable credits.

Include Form 301 and completed tax credit forms, along with any supporting documents, with your return.

#### Line 51 - Balance of Tax

Subtract lines 49 and 50 from line 48. Enter the difference. If the sum of lines 49 and 50 is more than line 48, enter "0".

### Totaling Payments and Refundable Credits

#### Line 52 - 2016 Arizona Income Tax Withheld

Enter the Arizona income tax withheld shown on Form(s) W-2 from your employer(s). Also enter the Arizona income tax withheld shown on your Form(s) 1099-R (distributions from pensions, annuities, etc.). Do not include any income tax withheld for another state. Include Form(s) W-2 and 1099-R after the last page of your return.

**NOTE:** You should receive your Form(s) W-2 no later than January 31. If you did not receive a Form W-2 or you think your Form W-2 is wrong, contact your employer.

#### Line 53 (Boxes a, b and line 53c) - 2016 Arizona Estimated Tax Payments including Amount Applied from Your 2015 Return; and Arizona Claim of Right

Use this line if you did any of the following:

- made estimated income tax payments to Arizona for 2016;
- applied any of your refund from your 2015 Arizona tax return to 2016 estimated taxes for Arizona; or
- recomputed a prior year's tax under Arizona's Claim of Right provisions.

Beginning in 2016, you **must** also complete and include the *Arizona Claim of Right – Individual* form(s) with your income tax return. If you fail to complete and include the form(s), the amount of your claim may be denied. The form is available on the department's website at [www.azdor.gov](http://www.azdor.gov).

**Box 53a:** Enter the total amount of *estimated taxes* paid and/or applied to your 2016 taxes.

**NOTE:** *If you are married and made joint Arizona estimated payments for 2016, but are filing separate 2016 Arizona income tax returns, see the department's ruling, ITR 02-3, Allocating Joint Estimated Payments to Separate Returns.*

**Box 53b:** Enter the amount from your *Arizona Claim of Right- Individual* form, line 8.

If you completed more than one Claim of Right form for the current taxable year, add all amounts on line 8 and enter the total in box 53b.

**NOTE:** *For more information on Arizona's claim of right provisions, see the department's procedure, ITP 16-1, Procedure for Individuals Who Restore Substantial Amounts Held Under a Claim of Right.*

**Line 53c:** Add the amounts in box 53a and box 53b. Enter the total on line 53c.

**Line 54 - 2016 Arizona Extension Payment (Form 204)**

Use this line to report the payment you sent with your 2016 extension request (Arizona Form 204) or the electronic extension payment you made using [www.AZTaxes.gov](http://www.AZTaxes.gov).

**Line 55 - Increased Excise Tax Credit**

You may claim this credit if you meet **all** of the following:

- You **must** have a SSN that is valid for employment.
- You meet the income threshold for your filing status.
  - If you are married filing a joint return, or a head of household, you may claim this credit if the amount on Form 140, page 1, line 12, is \$25,000 or less.
  - If you are single or married filing a separate return, you may claim this credit if the amount on Form 140, page 1, line 12 is \$12,500 or less.
- You are not claimed as a dependent by any other taxpayer.
- You were not sentenced for at least 60 days of 2016 to a county, state, or federal prison.

**NOTE:** *If you are filing a joint return with your spouse and your spouse was sentenced for at least 60 days during 2016 to a county, state or federal prison, you may claim the Excise Tax Credit if you otherwise qualify to claim the credit, but you cannot claim the credit for your spouse. If your spouse has a valid SSN, but you do not, neither you nor your spouse can claim this credit.*

For more information on how incarceration affects this credit, see the department's publication, Pub. 709, *Excise Tax Credit – How Does Incarceration Affect Eligibility?*

If you are filing a joint return with your spouse, you may also claim this credit for your spouse if your spouse has either a valid SSN or an ITIN.

If you also claim a credit for qualifying children, your qualifying children **must** have either a valid SSN or an ITIN.

To figure your credit, complete the following worksheet.

**NOTE:** *Do not complete the following worksheet if you are claiming the property tax credit on Arizona Form 140PTC. Use Form 140PTC to figure both the credit for increased excise taxes and the property tax credit.*

*If you are claiming both the credit for increased excise taxes and the property tax credit, enter the increased excise tax credit from Form 140PTC, page 1, line 17, here and enter the property tax credit from Form 140PTC, page 1, line 15, on Form 140, line 56.*

| Credit for Increased Excise Taxes Worksheet   |           |        |
|---|-----------|--------|
| If you checked filing status 4 or 5, is the amount on Form 140, page 1, line 12, \$25,000 or less?<br>If you checked filing status 6 or 7, is the amount on Form 140, line 12, \$12,500 or less?  | Check One |        |
|   | Yes       | No     |
| <b>If you checked no, STOP. You do not qualify for this credit. If you checked yes, complete the rest of this worksheet.</b>  |           |        |
| 1. Enter the number of dependents you entered on Form 140, page 1, box 10, excluding persons listed who did not qualify as a dependent on your federal return [Box 10, column (e)]. Also exclude any dependent that is not an Arizona resident. |           |        |
| 2. Number of personal exemptions. If you checked filing status 4, enter the number 2 here. If you checked filing status 5, 6, or 7, enter the number 1 here.  |           |        |
| 3. Add lines 1 and 2. Enter the total.  |           |        |
| 4. Multiply the amount on line 3 by \$25. Enter the result.   | \$        |        |
| 5. Maximum credit.  | \$        | 100 00 |
| 6. Enter the smaller of line 4 or line 5 here and also enter on Form 140, line 55.  | \$        | 00     |

**NOTE:** *The credit cannot exceed \$100 per household. Do not claim this credit if someone else in your household has already claimed \$100 of the credit. If someone else in your household has claimed less than \$100, you may claim the credit as long as all credit claims filed from your household do not exceed \$100.*

**Line 56 - Property Tax Credit**

You may claim the property tax credit if you meet **all** of the following:

- You were either 65 or older in 2016 or, if under age 65, you were receiving SSI Title 16 income from the Social Security Administration.

**NOTE:** *SSI Title 16 income is not the normal Social Security disability.*

- You were an Arizona resident for the full year in 2016.
- You paid property tax on your Arizona home in 2016. You paid rent on taxable property for the entire year or you did a combination of both.

- If you lived alone, your total household income was under \$3,751. If you lived with others, the total household income was under \$5,501. To see what income is included in household income, see the Form 140PTC instructions.

Complete Form 140PTC to figure your credit. Enter the amount from Form 140PTC, page 1, line 15. Include Form 140PTC with your return.

**TAX TIP:** *To claim a property tax credit, you must file your claim or extension request by April 18, 2017. You cannot claim this credit on an amended return if you file the amended return after the due date of your return.*

**Line 57 - Other Refundable Credits**

Enter the total amount of refundable credits you are claiming from any of the following:

- Credit for Increased Research Activities – Individuals (Form 308-I)
- Credit for Renewable Energy Industry (Form 342)
- Credit for Qualified Facilities (Form 349)

If you enter an amount on this line, be sure you check the box or boxes to show which credit(s) you are claiming. Also, be sure to include the credit form(s) with your return.

**Credit for Increased Research Activities - Individuals (Form 308-I)**

A portion of this credit is refundable. You may qualify for the refundable increased research activities credit if you incurred qualified research expenses for research conducted in Arizona. For more information about this credit, and to see whether you may claim a refund of this credit, see Arizona Form 308-I.

You must include a copy of your “Certificate of Qualification” from the Arizona Commerce Authority, Form 301 and Form 308-I with your return to claim this credit.

If you are claiming a refund of the increased research activities credit from Form 308-I, enter the amount from Form 308-I, Part 4, line 34, here.

**Credit for Renewable Energy Industry (Form 342)**

You may qualify for the refundable renewable energy industry credit if you expanded or located a qualified renewable energy operation in Arizona. The tax credit is refundable in five equal installments. Pre-approval and post-approval are required through the Arizona Commerce Authority. For more information about this credit, see Arizona Form 342.

If you are claiming the credit for renewable energy industry, from Form 342, enter the amount from Form 342, Part 6, line 18, here.

**Credit for Qualified Facilities (Form 349)**

You may qualify for the refundable qualified facilities credit if you expanded or located a qualified facility in Arizona. This credit is refundable in five equal installments. Pre-approval and post-approval are required through the Arizona Commerce Authority. For more information about this credit, see Arizona Form 349.

You must include a copy of your “Certification of Qualification” from the Arizona Commerce Authority and Form 349 with your tax return to claim this credit. If you are claiming a refund of the qualified facilities credit from Form 349, enter the amount from Form 349, Part 8, line 18, here.

**If you are claiming more than one of the refundable tax credits,** add the amounts from the credit forms together and enter the total on line 57. You may use the following table to figure the amount to enter on line 57.

| <b>2016 - Refundable Credit Worksheet</b>                                     |  |
|---|--|
| 1. Enter the refundable credit from Form 308-I, Part 4, line 34               |  |
| 2. Enter the refundable credit from Form 342, Part 6, line 18.                |  |
| 3. Enter the refundable credit from Form 349, Part 8, line 18.                |  |
| 4. Add the amounts on lines 1 through 3. Enter the total here and on line 57. |  |

**Line 58 - Total Payments and Refundable Credits**

Line 58 is the total payments and refundable credits claimed. Add lines 52 through 57 and enter the total.

**Arizona’s Claim of Right Provision**

**NOTE:** *Arizona’s Claim of Right amount is now reported on line 53. See line 53 for instructions.*

**Figuring Your Tax Due or Overpayment**

**Line 59 - Tax Due**

If line 51 is more than line 58, you have tax due. Subtract line 58 from line 51 and enter the amount of tax due. Skip lines 60, 61 and 62.

**Line 60 - Overpayment**

If line 58 is more than line 51 you have an overpayment. Subtract line 51 from line 58 and enter the difference. Complete lines 61 and 62.

**Line 61 - Amount of Line 60 to Apply to 2017 Estimated Tax**

If you want all or part of your refund applied to next year's estimated taxes, enter that amount on line 61.

**NOTE:** *If you apply any of the amount shown on line 60 to 2017, you cannot use that amount to pay any tax that is later found to be due for 2016.*

*You also may not claim a refund for that amount until you file your 2017 return.*

**Line 62 - Balance of Overpayment**

Subtract line 61 from line 60 to determine your overpayment balance before voluntary gifts and any estimated payment penalty and/or Arizona Long-Term Health Care Savings Account (AZLTHSA) withdrawal penalty.

## Making Voluntary Gifts

You can make voluntary gifts to each of the funds shown below. A gift will reduce your refund or increase the amount due with your return.

**NOTE:** *If you make a gift, you cannot change the amount of that gift later on an amended return.*

### Line 63 - Solutions Teams Assigned to Schools Fund

You may give some or all of your refund to the Solutions Teams Assigned to Schools Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 78. Enter the amount you want to donate on line 63.

Gifts go to the Arizona Assistance for Education Fund. The Arizona Board of Education will distribute money to the Arizona Department of Education to fund solutions teams assigned to schools.

### Line 64 - Arizona Wildlife Fund

You may give some or all of your refund to the Arizona Wildlife Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 78. Enter the amount you want to donate on line 64.

Your gift to the Arizona Wildlife Fund helps protect wildlife in the state. Many species like bald eagles, Apache trout and black-footed ferrets benefit from your gifts to this fund. Gifts are also used to improve areas for watching wildlife statewide.

### Line 65 - Child Abuse Prevention Fund

You may give some or all of your refund to the Arizona Child Abuse Prevention Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 78. Enter the amount you want to donate on line 65.

Gifts go to the Arizona Child Abuse Prevention Fund. This fund provides financial aid to community agencies for child abuse prevention programs.

### Line 66 - Domestic Violence Shelter Fund

You may give some or all of your refund to the Domestic Violence Shelter Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 78. Enter the amount you want to donate on line 66.

Gifts go to the Domestic Violence Shelter Fund. This fund provides financial aid to shelters for victims of domestic violence.

### Line 67 - Political Gift

You may give some or all of your refund to a political party. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 78. Enter the amount you want to donate on line 67. If you donate to a political party, complete line 73.

Gifts go to one of the following political parties:

- Democratic
- Green Party
- Libertarian
- Republican

### Line 68 - Neighbors Helping Neighbors Fund

You may give some or all of your refund to the Neighbors Helping Neighbors Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 78. Enter the amount you want to donate on line 68.

Gifts go to the Neighbors Helping Neighbors Fund. This fund provides eligible recipients with emergency aid in paying utility bills, conserving energy and weatherization.

### Line 69 - Special Olympics Fund

You may give some or all of your refund to the Special Olympics Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 78. Enter the amount you want to donate on line 69.

Gifts go to the Special Olympics Fund. This fund helps provide programs of the Arizona Special Olympics.

### Line 70 - Veterans' Donations Fund

You may give some or all of your refund to the Veterans' Donations Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 78. Enter the amount you want to donate on line 70.

Gifts go to the Veterans' Donations Fund, which may be used for veterans in Arizona.

### Line 71 - I Didn't Pay Enough Fund

You may give some or all of your refund to the I Didn't Pay Enough Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 78. Enter the amount you want to donate on line 71.

Gifts that you make to the I Didn't Pay Enough Fund will aid the state by going to the Arizona general fund.

### Line 72 - Sustainable State Parks and Roads Fund

You may give some or all of your refund to the Sustainable State Parks and Roads Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 78. Enter the amount you want to donate on line 72.

Gifts that you make to the Sustainable State Parks and Roads Fund will aid the state to operate, maintain and make capital improvements to buildings, roads, parking lots, highway entrances and any related structure used to operate state parks.

### Line 73 - Political Party

If you entered an amount on line 67, check the box for the political party to which you wish to give. Select only one party. If you do not select a political party, the department will return the amount on line 67.

**Line 74 -**

- Estimated Payment Penalty
- Arizona Long-Term Health Care Savings Account (AZLTHSA) Withdrawal Penalty

**Estimated Payment Penalty**

**NOTE:** Do not complete Form 221, Underpayment of Estimated Tax by Individuals, if the amount on Form 140, line 52 is more than the amount on Form 140, line 51. If the amount on Form 140, line 52, is more than the amount on Form 140, line 51, skip line 74, unless you must report an Arizona Long-Term Health Care Savings Account penalty.

|  |  |  |
|--|--|--|
| You must have made Arizona estimated income tax payments during 2016 if: |  |  |
| Your filing status is:   | <b>AND</b><br>Your Arizona gross income for 2015 was greater than: | <b>AND</b><br>Your Arizona gross income for 2016 was greater than: |
| Married Filing Joint   | \$150,000  | \$150,000  |
| Single   | \$75,000   | \$75,000   |
| Head of Household  | \$75,000   | \$75,000   |
| Married Filing Separate  | \$75,000   | \$75,000   |

If you report as a farmer or fisherman for federal purposes, you were not required to make estimated payments during 2016 if the following apply:

- You are a calendar year filer. You file your Arizona return by March 1, 2017. You pay in full the amount stated on your return as owed.
- You are a fiscal year filer. You file your Arizona return by the first day of the third month after the end of your fiscal year. You pay in full the amount stated on your return as owed.

**If the above applies, check Box 2 on line 75 and do not complete Form 221.**

An individual who fails to make the required estimated payments is subject to penalty on any estimated tax payment that is late or underpaid.

Complete and include Form 221, *Underpayment of Estimated Tax by Individuals*, to determine if any penalty is due. Enter the total penalty from Form 221.

**Arizona Long-Term Health Care Savings Account (AZLTHSA) Withdrawal Penalty**

You must pay a withdrawal penalty if you made a long-term health care savings account withdrawal during 2016 from a long-term health care savings account, established under Arizona law, for purposes other than to pay for qualified long-term health care expenses. *Long-term health care expense* means any expense you paid for long-term health care costs, including the following:

- expenses for skilled nursing care,
- expenses for home health care, and
- personal care or supportive services due to the loss of some capacity for self-care based on a chronic illness or condition.

The penalty is equal to 10% (.10) of the withdrawal. You must remit this penalty with your income tax return filed for the year in which you made the withdrawal.

Multiply the amount of your withdrawal subject to penalty by 10%. Enter the result.

**NOTE:** If you are subject to both the estimated payment penalty and the AZLTHSA penalty, add the penalty amounts together and enter the total on line 74.

**Line 75 - Box 751 through 754**

**Box 751:** check if any of the following applies to you:

1. You checked the box on line 1 of Form 221.
2. You completed the annualized income worksheet on Form 221.
3. You elected to be treated as a nonresident alien on your federal income tax return. You made three estimated payment installments. Your first installment equaled 50% of the total of all of your required installments.

**Box 752:** check if you are an individual who for federal purposes reports as a farmer or fisherman.


**Box 753:** check if you completed and included Form 221.

**Box 754:** check if you included an Arizona Long-Term HSA penalty on line 74.

**Line 76 -**

Add lines 63 through 72 and 74. Enter the total.

**Figuring Your Refund or Amount Owed**

 You can get your refund quicker when you *e-file* and use direct deposit.

**Line 77 - Refund**

Subtract line 76 from line 62. Enter your refund on line 77 and skip line 78.

If you owe money to any Arizona state agency, court, county, incorporated city or town and certain federal agencies, your refund may go to pay some of that debt. If so, the department will let you know by letter.

**Tax Tip:** If you change your address before you get your refund, let the department know. Write to: Refund Desk, Arizona Department of Revenue, PO Box 29216, Phoenix, AZ 85038-9216. Include your SSN in your letter.

**Direct Deposit of Refund**

Complete the direct deposit line if you want us to directly deposit the amount shown on line 77 into your account at a bank or other financial institution (such as a mutual fund, brokerage firm or credit union) instead of sending you a check.

**NOTE:** Check the box on line 77A if the direct deposit will ultimately be placed in a foreign account. If you check box 77A, do not enter your routing or account numbers. If this box is checked, we will not direct deposit your refund. We will send you a check instead.



### Why use Direct Deposit?

- You will get your refund fast – even faster if you e-file!
- Payment is more secure - there is no check to get lost.
- It is more convenient. No trip to the bank to deposit your check.
- It saves tax dollars. A refund by direct deposit costs less to process than a check.

**NOTE:** *We are not responsible for a lost refund if you enter the wrong account information. Check with your financial institution to get the correct routing and account numbers and to make sure your direct deposit will be accepted.*

### Routing Number

#### MAKE SURE YOU ENTER THE CORRECT ROUTING NUMBER

The routing number must be nine digits. The first 2 digits must be 01 through 12 or 21 through 32. Otherwise, the direct deposit will be rejected and a check sent instead. On the following sample check, the routing number is 250250025.

#### Sample Check

JOHN DOE OR JANE DOE  
123 First Street  
Sometown, AZ 00000

PAY TO THE ORDER OF \_\_\_\_\_ \$ \_\_\_\_\_

THIS BANK Sometown, AZ 00000

For \_\_\_\_\_

Routing Number: 250250025  
Account Number: 20202086

Amount: 1234 DOLLARS

**Do not include the check number.**

**Note:** *The routing and account numbers may be in different places on your check.*

Your check may state that it is payable through a financial institution different from the one at which you have your checking account. If so, do not use the routing number on that check. Instead, contact your financial institution for the correct routing number to enter here.

### Account Number

#### MAKE SURE YOU ENTER THE CORRECT ACCOUNT NUMBER.

The account number can be up to 17 characters (both numbers and letters). DO NOT include hyphens, spaces or special symbols. Enter the number from left to right and leave any unused boxes blank. On the sample check the account number is 20202086. Be sure **not** to include the check number.

**NOTE:** *If the direct deposit is rejected, a check will be mailed instead.*

### Line 78 - Amount Owed

Add lines 59 and 76. Enter the amount you owe on line 78. If you are making voluntary donations on lines 63 through 72 in excess of your overpayment, enter the difference on line 78. You may pay the amount owed only with a check or money order, electronic check, or credit card.

### Check or money order

Include your check or money order with your return. Please do not send cash.

Make your check payable to Arizona Department of Revenue. Write your SSN and tax year on the front of your check or money order. It may take 2-3 weeks for your payment to process.

The department cannot accept checks or money orders in foreign currency. You must make payment in U.S. dollars.

#### Electronic payment from your checking or savings account

You can make an electronic payment from your checking or savings account to pay your balance due for 2016. There is no fee to use this method. To make an electronic payment, go to [www.AZTaxes.gov](http://www.AZTaxes.gov) and click on the "Make a Payment" link.

Be sure to enter the correct routing number and account number for your checking or savings account. You will be charged a \$25 NSF (non-sufficient funds) fee if you provide an incorrect routing number or an incorrect account number. Check with your financial institution to get the correct account and routing numbers.

The "E-Check" option in the "Payment Method" drop-down box will debit the amount from the checking or savings account that you specify. If you make an electronic payment from your checking or savings account, you will receive a confirmation number. **Please keep this confirmation number as proof of payment.**

**NOTE:** *You may not make an electronic payment from your checking or savings account if the payment will ultimately be coming from a foreign account. In this case, you must pay by check or money order.*

### Credit card payment

You can pay with your Visa, MasterCard, Discover, or American Express credit card. Go to [www.AZTaxes.gov](http://www.AZTaxes.gov) and click on the "Make a Payment" link and choose the credit card option. This will take you to a third party vendor site (provider). The provider **will charge** you a convenience fee based on the amount of your tax payment. The provider will tell you what the fee is during the transaction; you will have the option to continue or cancel the transaction. If you complete the credit card transaction, you will receive a confirmation number. **Please keep this confirmation number as proof of payment.**

### Installment payments

If you cannot pay the full amount shown on line 78 when you file, you may ask to make monthly installment payments. To make this request, complete Arizona Form 140-IA and mail the completed form to the address listed on Form 140-IA. **Do not mail Form 140-IA with your income tax return.** You may obtain Arizona Form 140-IA from our website at [www.azdor.gov](http://www.azdor.gov).

If you cannot pay the full amount shown on line 78, you will be charged interest and may be charged a late payment penalty on the tax not paid by April 18, 2017. To limit the interest and penalty charges, pay as much of the tax as possible when you file your return.

## Sign your return

You must sign your return. If married filing a joint return, both you and your spouse must sign even if only one had income. Form 140 is not considered a valid return unless you sign it. The department cannot send a refund check without proper signatures on the return.

## Instructions before mailing

- **DO NOT STAPLE YOUR RETURN OR ANY SCHEDULE, FORM OR PAYMENT TO YOUR RETURN.**
- Make sure your **NAME** is on the return.
- Make sure your **SSN** is on your return.
- Be sure you enter your daytime telephone number in the space provided on the front of your return.
- Check to make sure that your math is correct. A math error can cause delays in processing your return.
- If claiming **dependent** exemptions, write the number of dependents claimed on the **front** of the return. On page 1 of the return, also write each dependent's name, relationship, SSN, and the number of months that he or she lived in your home. If more space is needed, complete page 3 and include with your return.
- If claiming exemptions for **qualifying parents or grandparents**, write the number of qualifying parents or grandparents claimed on the **front** of the return. On page 1 of the return, also write each parent's or grandparent's name, relationship, SSN, and the number of months that he or she lived in your home. If more space is needed, complete page 3 and include with your return.
- Check the **boxes** to make sure you filled in all required boxes.
- If you requested a filing extension, make sure that you check box **82F** on page 1 of the return.
- Sign your return and have your spouse sign, if filing jointly.
- Write your SSN and tax year on the front of your check. Include your check with your return.

The Department of Revenue may charge you \$25 for a check returned unpaid by your financial institution.

- Include all required documents after your return. Please do not use tape. Documents you must include are those items listed in numbers 1 through 6.
  1. Include Form(s) W-2 after the last page of your return. Also include Form(s) 1099-R after the last page of your return if you had Arizona tax withheld from your pension or annuity.
  2. Include Arizona Form 301, applicable credit forms, and your own schedules after page 2 (or 3) of your return. If itemizing, include these forms after your Arizona Schedule A and your federal Schedule A.
  3. If claiming a credit for taxes paid to another state or country include a copy of the other state's or country's filed return.

4. If you itemize, be sure to include a copy of the federal Schedule A. Include the Arizona Schedule A and the federal Schedule A directly after page 2 (or 3) of your return. Include other forms and schedules behind the Schedules A.
  5. If you are claiming a property tax credit, include a completed Form 140PTC and all required documents.
  6. If you have tax exempt interest income, be sure to include a schedule listing the payors and the amount received from each payor.
- Do **not** include correspondence with your return.

## Mailing Your Return

If you are mailing your return, make a copy of your return before mailing. Also make a copy of any schedules that you are including with your return. Keep the copies for your records. Be sure that you mail the original and not a copy.

To avoid delays, if mailing more than one tax return please use separate envelopes for each return.

### Where should I mail my return?

If you are **including a payment with this return**, mail the return to:

Arizona Department of Revenue  
PO Box 52016  
Phoenix, AZ 85072-2016

If you are **expecting a refund, or owe no tax, or owe tax but are not including a payment**, mail the return to:

Arizona Department of Revenue  
PO Box 52138  
Phoenix, AZ 85072-2138

### Make sure you put enough postage on the envelope

The U.S. Post Office or United States mail service must postmark your return or extension request by midnight April 18, 2017.

The term "United States mail" includes any private delivery service designated by the United States Secretary of the Treasury pursuant to Internal Revenue Code § 7502(f) and the term "postmark" includes any date recorded or marked by any such designated delivery service.

An income tax return that is mailed to the department is timely filed if it is delivered on or before its due date. Additionally, if the envelope or wrapper containing the return sent through the United States mail bears a postmark of the United States mail and that tax return is delivered to the department after its due date that return will be considered timely filed if **all** of the following apply:

1. The return was deposited in an official depository of the United States mail;
2. The date of the postmark is no later than the due date;
3. The return was properly addressed; and
4. The return had proper postage.

If the envelope or wrapper containing a return sent through the United States mail bears a private meter postmark made by other than the United States mail, the return is treated as timely filed if both of the following apply:

1. The private meter postmark bears a date on or before the due date for filing; and
2. The return is received no later than the time it would ordinarily have been received from the same point of origin by the same class of U.S. postage. If the return is received by the department within five business days of the private meter postmark date the department will consider this requirement satisfied.

You may also use certain private delivery services designated by the IRS to meet the “timely mailing as timely filed” rule.

For more information, see the department’s ruling, GTR 16-1, *Timely Filing of Income or Withholding Tax Returns Through the United States Mail*.

### **How long to keep your return**

You must keep your records as long as they may be needed for the administration of any provision of Arizona tax law. Generally, this means you must keep records that support items shown on your return until the period of limitations for that return runs out.

The period of limitations is the period of time in which you can amend your return to claim a credit or refund or the department can assess additional tax. A period of limitations is the limited time after which no legal action can be brought. Usually, this is four years from the date the return was due or filed.

In some cases, the limitation period is longer than four years. The period is six years from when you file a return if you under report the income shown on that return by more than 25% (.25). The department can bring an action at any time if a return is false or fraudulent, or if you do not file a return. To find out more about what records you should keep, get federal Publication 552.

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### **Where’s my refund?**

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You can check on your refund by visiting [www.azdor.gov](http://www.azdor.gov) or [www.AZTaxes.gov](http://www.AZTaxes.gov) and clicking on “Where’s my refund?” or you may call one of the numbers listed on page 1 of these instructions. Before you call, be sure to have a copy of your 2016 tax return on hand. You will need to know your SSN, your filing status and your 5-digit ZIP Code.

### **Contacting the Department**

Your tax information on file with the department is confidential. If you want the department to discuss your tax matters with someone other than yourself, you must authorize the department to release confidential information to that person.

You may use Arizona Form 285 to authorize the department to release confidential information to your appointee. See Form 285 for details.

**HOW MUCH INCOME CAN YOU HAVE AND PAY NO TAXES?**

**EXAMPLES**

You still have to file a return, but you pay no taxes, if your income is less than the levels shown in the chart below. **For purposes of this chart**, “income” means Arizona adjusted gross income plus the dependent exemption claimed (Form 140, page 2, line 42 plus the amount on Form 140, page 2, line 40; or Form 140A, page 1, line 17, plus the amount on Form 140A, page 1, line 15, or Form 140EZ, page 1, line 6). *To rely on this chart, you must claim the family income tax credit, if you qualify.*

| FILING STATUS        |            |                         |                             |                      |
|----------------------|------------|-------------------------|-----------------------------|----------------------|
| NUMBER OF DEPENDENTS | SINGLE     | MARRIED FILING SEPARATE | UNMARRIED HEAD OF HOUSEHOLD | MARRIED FILING JOINT |
| 0                    | \$ 8,748   | \$ 8,748                | N/A                         | \$ 17,488            |
| 1                    | (A) 10,000 | 10,568                  | 19,788                      | 20,000               |
| 2                    | 11,818     | 12,868                  | 20,135                      | 23,600               |
| 3                    | 14,118     | 15,168                  | 23,800                      | 27,300               |
| 4                    | 16,418     | 17,468                  | 25,200                      | (C) 31,000           |
| 5                    | 18,718     | 19,768                  | (B) 26,575                  | 31,000               |

|                           | (A) single,<br>\$10,000 income*,<br>one dependent | (B) unmarried head of household,<br>\$26,575 income*,<br>five dependents | (C) married filing joint,<br>\$31,000 income*,<br>four dependents |
|---------------------------|---|--|---|
| Income*                   | \$ 10,000   | \$ 26,575  | \$ 31,000   |
| less: Dependent exemption | -2,300  | -11,500  | -9,200  |
| Standard deduction        | -5,099  | -10,189  | -10,189   |
| Personal exemption        | -2,100  | -4,200   | -6,300  |
| Net taxable income        | \$ 501  | \$ 686   | \$ 5,311  |
| Tax (optional tax table)  | \$ 14   | \$ 17  | \$ 138  |
| less: Family tax credit   | -80   | -240   | -240  |
| <b>Tax owed</b>           | <b>\$ 0</b>                                       | <b>\$ 0</b>  | <b>\$ 0</b>   |

\*For purposes of these examples, “income” means Arizona adjusted gross income plus the dependent exemption amount claimed.

**Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired After December 31, 2011**

2016 Original return       2016 Amended return

| <b>Long-Term Capital Gain or (loss) as reported on federal Schedule D (or other form/schedule) and included in computation of federal adjusted gross income.</b><br><i>Enter the <b>total</b> net long-term capital gains or (losses) from the following forms in each applicable column. See page 30 for instructions.</i> |   | (a)<br>Total net long-term capital gains or (losses) from all assets | (b)<br>Net long-term capital gains or (losses) included in column (a) from assets acquired before January 1, 2012 | (c)<br>Net long-term capital gains or (losses) included in column (a) from assets acquired after December 31, 2011 |
|---|---|--|---|--|
| 1   | Form(s) 8949 <i>Sales and Other Dispositions of Capital Assets; and Form(s) 1099-B, Proceeds from Broker and Barter Exchange Transactions, for long-term transactions directly reported on federal Schedule D.</i> 1  |  |   |  |
| 2   | Form(s) 4797 <i>Sales of Business Property</i> 2  |  |   |  |
| 3   | Form(s) 2439 <i>Notice to Shareholder of Undistributed Long-Term Capital Gains</i> 3  |  |   |  |
| 4   | Form(s) 6252 <i>Installment Sale Income</i> 4   |  |   |  |
| 5   | Form(s) 4684 <i>Casualties and Thefts</i> 5   |  |   |  |
| 6   | Form(s) 6781 <i>Gains and Losses from Sec. 1256 Contracts and Straddles</i> 6   |  |   |  |
| 7   | Form(s) 8824 <i>Like-Kind Exchanges</i> 7   |  |   |  |
| 8   | Partnerships, S corporations, estates, and trusts – from AZ 120S Schedule K-1; AZ 165 Schedule K-1; and AZ 141 Schedule K-1 8   |  |   |  |
| 9   | Form(s) 1099-DIV <i>Dividends and Distributions</i> 9   |  |   |  |
| 10  | Subtotal: for each column, combine the amounts and enter the total. 10  |  |   |  |
| 11  | Long-term capital loss carryover. See the instructions for the amount(s) to enter, if any, in each applicable column. 11  |  |   |  |
| 12  | Subtract line 11 from line 10 and enter the difference in each applicable column. 12  |  |   |  |
| 13  | For amount to enter on line 13, column (c), see the worksheet instructions. 13  |  |   |  |
| 14  | <b>Net long-term capital gain or (loss) included in computation of your federal adjusted gross income.</b> Subtract line 13 from line 12 and enter the difference in each applicable column.<br><ul style="list-style-type: none"> <li>If the amount on line 14, column (c) is a net capital (loss), you do not qualify to take the subtraction.</li> <li>If the amount on line 14, column (c) is a net capital gain, enter the result on Form 140, line 21.</li> </ul> Also enter the amount from line 14, column (a) on Form 140, line 20. 14 |  |   |  |

## Instructions for completing the worksheet for the subtraction from Arizona gross income for net long-term capital gain from assets acquired after December 31, 2011.

### Purpose of the Worksheet

You may subtract a percentage of any net long-term capital gain included in your federal adjusted gross income that is from an investment in an asset acquired after December 31, 2011. For tax year 2016, the percentage is 25% (.25).

For purposes of this subtraction, “qualified” means an Arizona asset that was acquired *after* December 31, 2011.

To take the allowable subtraction, you must know whether the capital gain or (loss) is considered short-term or long-term. Only the net long-term capital gain from assets acquired *after* December 31, 2011, is used to compute the allowable subtraction. For more information about determining whether a gain or (loss) is short term or long term, see federal Publication 544 at [www.irs.gov](http://www.irs.gov).

If you cannot verify that the capital gain is from the sale of an asset acquired after December 31, 2011, then the capital gain should be included in column (b) of the worksheet as a capital gain from an asset acquired before January 1, 2012.

An asset acquired by gift or inheritance is considered acquired on the date it was acquired by the gift-giver or the deceased individual.

### Who Should Complete the Worksheet?

You *must* complete this worksheet to take the allowable subtraction if you have a net capital gain included in your federal adjusted gross income and the gain includes assets purchased *after* December 31, 2011.

Do *not* complete this worksheet if either of the following applies:

- You do not have any capital gains to report for the current tax year.
- You do not have any net capital gain from asset(s) acquired *after* December 31, 2011, to report for the current tax year.

### General Instructions

1. Check the box if this worksheet is for an original or an amended return.
2. Keep this worksheet for your records.

### Line-by-Line Instructions

Lines 1 through 8 lists the federal forms reported on Schedule D. Line 9 identifies the total capital gain distribution(s) reported on Form(s) 1099-DIV.

- **Column (a)** is the **total** amount of long-term capital gains or (losses) reported on federal Schedule D or other forms/schedules.

- **Column (b)** is the amount of the long-term capital gains or (losses), included in column (a) for assets acquired *before* January 1, 2012.
- **Column (c)** is the amount of the long-term capital gains or (losses), included in column (a) for assets acquired *after* December 31, 2011.

### Lines 1 through 8 - Capital Gains or (Losses) Reported on Federal Schedule D.

Enter the long-term capital gain or (loss) from the federal form listed that was reported on your federal Schedule D and included in the computation of your federal adjusted gross income.

### Line 9 - Long-Term Capital Gains or (Losses)

Capital gains listed on a 1099-DIV are gains passed on from a fund, such as a mutual fund, from the sale of assets within the fund. Generally, such funds do not provide the information needed to determine when the asset that was sold was acquired. In this situation, the capital gains will be considered as acquired before January 1, 2012, and would not qualify for this subtraction.

Enter the total capital gain distribution(s) reported on Form(s) 1099-DIV and included in your computation of federal adjusted gross income.

**NOTE:** *Some taxpayers are not required to file federal Schedule D to report certain capital gains or (losses). In these cases, the long-term capital gains or (losses) are reported directly on the taxpayer's income tax return. Enter those items on line 9 of the worksheet.*

### Line 10 - Subtotal

For each column, combine the amounts listed on lines 1 through 9 and enter the total.

### Line 11 - Long-Term Capital Loss Carryover

- Column (a), enter the total amount of long-term capital loss carryover *actually used* on the federal return for the current table year.
- Column (b), enter the portion from column (a) that is from assets acquired before January 1, 2012.
- Column (c), enter the portion from column (a) that is from assets acquired after December 31, 2011.

### Line 12 -

Subtract line 11 from line 10 and enter the difference in each applicable column.

### Line 13 - Net Capital Gain from Investment in Qualified Small Businesses

To determine the amount to enter on line 13, column (c), answer the following questions.

Did you take a subtraction for any net capital gain included in federal adjusted gross income for the taxable year derived from investment in a qualified small business on Arizona Form 140, line 23?

- If “No”, enter zero on line 13, column (c).

- If “Yes”, does that amount include any net long-term capital gain from an investment made *after* December 31, 2011?
  - If “No”, enter zero on line 13, column (c).
  - If “Yes”, enter on line 13, column (c) the amount of any net long-term capital gain from an investment made *after* December 31, 2011, and included in the amount subtracted on Arizona Form 140, line 23.

**Line 14 - Net Long-Term Capital Gain or (Loss)**

Subtract line 13 from line 12 and enter the difference in each applicable column.

- If the amount on line 14, column (c) is a negative number, you have a net capital loss. You do not qualify to take the subtraction.
- If the amount on line 14, column (c) is a positive number, you have a net long-term capital gain. Enter the result on Form 140, line 21.

Also, enter the amount from line 14, column (a) on Form 140, line 20.

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**Include with your return.**

|  |                                 |
|--|---------------------------------|
| Your Name as shown on Form 140                       | Your Social Security Number     |
| Spouse's Name as shown on Form 140 (if filing joint) | Spouse's Social Security Number |

To itemize on your Arizona return, you must first complete a federal Schedule A. Use Form 140, Schedule A, to adjust the amount shown on the federal Schedule A. Complete Form 140, Schedule A, **only if you are making changes** to the amount shown on the federal Schedule A. See instructions for details.

**Adjustment to Medical and Dental Expenses**

|  |          |  |    |
|--|----------|--|----|
| 1 Medical and dental expenses.....   | <b>1</b> |  | 00 |
| 2 Amount of distributions used to pay qualified medical expenses from your Arizona Long-Term Health Care Savings Account (AZLTHSA) included on line 1. | <b>2</b> |  | 00 |
| 3 Medical expenses allowed to be taken as a federal itemized deduction .....   | <b>3</b> |  | 00 |
| 4 Add line 2 and line 3.....   | <b>4</b> |  | 00 |
| 5 If line 1 is the same as or more than line 4, subtract line 4 from line 1; otherwise, go to line 6 .....   | <b>5</b> |  | 00 |
| 6 If line 4 is more than line 1, subtract line 1 from line 4 .....   | <b>6</b> |  | 00 |

**Adjustment to Interest Deduction**

|   |          |  |    |
|---|----------|--|----|
| 7 If you received a federal credit for interest paid on mortgage credit certificates (from federal Form 8396), enter the amount of mortgage interest you paid for 2016 that is equal to the amount of your 2016 federal credit..... | <b>7</b> |  | 00 |
|---|----------|--|----|

**Adjustment to Gambling Losses**

|  |           |  |    |
|--|-----------|--|----|
| 8 Wagering losses allowed as a federal itemized deduction .....                              | <b>8</b>  |  | 00 |
| 9 Total gambling winnings included in your federal adjusted gross income .....               | <b>9</b>  |  | 00 |
| 10 Arizona lottery subtraction from Form 140, page 1, line 29.....                           | <b>10</b> |  | 00 |
| 11 Maximum allowable gambling loss deduction: Subtract line 10 from line 9.....              | <b>11</b> |  | 00 |
| 12 If line 11 is less than line 8, subtract line 11 from line 8; otherwise enter "zero"..... | <b>12</b> |  | 00 |

**Adjustment to Charitable Contributions**

|   |           |  |    |
|---|-----------|--|----|
| 13 Amount of charitable contributions for which you are claiming a credit under Arizona law ..... | <b>13</b> |  | 00 |
|---|-----------|--|----|

**Other Adjustments**

|   |           |  |    |
|---|-----------|--|----|
| 14 Amount allowed as a federal itemized deduction that relates to income not subject to Arizona tax ..... | <b>14</b> |  | 00 |
|---|-----------|--|----|

**Adjusted Itemized Deductions**

|  |           |  |    |
|--|-----------|--|----|
| 15 Add the amounts on lines 5 and 7 .....  | <b>15</b> |  | 00 |
| 16 Add the amounts on lines 6, 12, 13 and 14.....  | <b>16</b> |  | 00 |
| 17 Total federal itemized deductions allowed to be taken on federal return.....  | <b>17</b> |  | 00 |
| 18 Enter the amount from line 15 above .....   | <b>18</b> |  | 00 |
| 19 Add lines 17 and 18.....  | <b>19</b> |  | 00 |
| 20 Enter the amount from line 16 above .....   | <b>20</b> |  | 00 |
| 21 Arizona itemized deductions: Subtract line 20 from line 19. Enter the result here and on Form 140, page 2, line 43..... | <b>21</b> |  | 00 |



**You must include a copy of federal Form 1040, Schedule A with your return if you itemize your deductions.**

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# 2016 Form 140 Schedule A Itemized Deduction Adjustments

## For Full-Year Residents Only

You may itemize on your Arizona return, even if you do not itemize on your federal return. In order to itemize on your Arizona return, you must first complete a federal Schedule A. Use Arizona Form 140, Schedule A, *Itemized Deduction Adjustments*, to adjust the amount shown on the federal Schedule A. Complete Form 140, Schedule A, **only** if you are making changes to the amount shown on the federal Schedule A. You must include the federal Form 1040, Schedule A, with this form.

**You must complete Form 140, Schedule A, only if any of the following items apply to you:**

1. You are deducting medical and dental expenses.
2. You are claiming a federal credit (from federal Form 8396) for interest paid on mortgage credit certificates.
3. You are deducting gambling losses while taking a subtraction for Arizona lottery winnings.
4. Your deductions claimed on the federal Schedule A include expenses related to income not subject to Arizona tax.
5. You are claiming an Arizona credit for any amount allowed as a charitable contribution.

If any of the above items apply to you, complete federal Form 1040, Schedule A, and then complete Arizona Form 140, Schedule A, as instructed below.

**Do not complete Form 140, Schedule A, if the above items do not apply to you.**

If you do not have to complete Form 140, Schedule A, enter the amount from federal Form 1040, Schedule A, on Arizona Form 140, page 2, line 43.

## Line-by-Line Instructions

### Lines 1 through 6 - Medical and Dental Expenses

*Skip lines 1 through 6 if you are **not** deducting medical and dental expenses.*

In most cases, the deduction allowed on the Arizona return will be larger than the deduction allowed on the federal return. On your Arizona return, you do not have to reduce your medical expenses by a percentage of your federal adjusted gross income.

In most cases, you may deduct more medical expenses on your Arizona return than you can deduct on your federal return. Complete lines 1 through 6 to deduct those expenses that were less than 10% (7.5% for age 65 and over) of your federal adjusted gross income.

Also, complete lines 1 through 6 if you had an Arizona Long-Term Health Care Savings Account (AZLTHSA).

### Line 1 -

Enter the total of your medical and dental expenses. Do not include any expenses that were paid by insurance or other sources.

Do not reduce the amount you enter on line 1 by amounts paid from an AZLTHSA.

Do not include the following amounts you paid through an employer-sponsored health insurance plan (cafeteria plan) unless your employer included the amounts in Box 1 of your Form W-2.

- Insurance premiums you paid through the plan.
- Other medical and dental expenses paid by the plan.

If you are self-employed, do not include any amount that you paid for health insurance that you deducted in computing your federal adjusted gross income.

For details about what types of expenses you may deduct, see federal Form 1040, Schedule A.

### Line 2 -

Enter any amount of medical and dental expenses included on line 1 that were paid from your AZLTHSA.

### Lines 3 through 6 -

Complete lines 3 through 6 as instructed on the form.

### Line 7 - Interest Paid on Mortgage Credit Certificates

*Skip line 7 if you are **not** claiming a federal credit for interest paid on mortgage credit certificates on your federal return.*

If you claimed this credit on your federal return (using federal Form 8396), you may deduct the amount of mortgage interest you paid in 2016 that is equal to the amount of that credit. Enter the amount of that interest on line 7.

### Lines 8 through 12 - Gambling Losses

*Skip lines 8 through 12 if you are **not** deducting gambling losses.*

You can deduct wagering losses only to the extent of your wagering gains. You must complete lines 8 through 12 if **both** of the following apply:

1. You took a subtraction for Arizona lottery winnings.
2. You are claiming a deduction for gambling losses.

Complete lines 8 through 12 as instructed on the form.

### Line 13 - Gifts to Charity

*Skip line 13 if you are **not** claiming an Arizona credit for any amount allowed as a charitable contribution.*

You cannot claim both a deduction and a credit for the same charitable contributions. Enter the amount of charitable contributions for which you are claiming a credit.

| For Example:<br>(table continued on page 2) |  |  |
|---|--|--|
| If you claimed a credit on AZ Form:         | For:   | You must make an entry on line 13 if you deducted the amount contributed as an |
| 321   | Contributions to Qualifying Charitable Organizations |  |
| 322   | Contributions Made or Fees Paid to Public Schools    |  |

|       |   |  |
|-------|---|--|
| 323   | Contributions to Private School Tuition Organization  | itemized deduction on federal Form 1040, Schedule A. |
| 331   | Donation of School Site   |  |
| 335-I | Contributions made by an S Corporation to a School Tuition Organization - Individual  |  |
| 340   | Donations to the Military Family Relief Fund  |  |
| 341-I | Contributions made by an S Corporation to a School Tuition Organization for Displaced Students or Students with Disabilities - Individual |  |
| 348   | Contributions to Certified School Tuition Organization - Individual   |  |
| 352   | Contributions to Qualifying Foster Care Charitable Organizations  |  |

**Line 14 - Other Adjustments**

You may not deduct any expense that relates to income not subject to Arizona tax. You must complete line 14 if your federal Schedule A includes such expenses. Such expenses include:

1. Interest or other related expenses incurred to purchase or carry U.S. obligations, when the income is not subject to Arizona tax.
2. State taxes paid to other states for prior years if you were not an Arizona resident for that prior year.
3. Employee business expenses that relate to income not subject to Arizona tax.

This list is not complete. There may be other items included in your federal Schedule A that you cannot deduct on the Arizona return.

Enter the amount of expenses deductible on federal Schedule A that are allocable to income that is not subject to Arizona income tax.

**Lines 15 through 21 - Adjusted Itemized Deductions**

Complete lines 15 through 21 as instructed on the form.

If you claimed a credit on your 2015 return for a contribution that you made during 2016 (see Arizona Forms 322, 323 and 348), you must make this adjustment on your 2016 return, even though you claimed the credit on your 2015 return.

If you are claiming a credit on your 2016 return for a contribution made during 2017 (see Arizona Forms 321, 322, 323, 348 and 352), you must make this adjustment on your 2017 return, even though you are claiming the credit on your 2016 return.

DO NOT STAPLE ANY ITEMS TO THE RETURN.

STOP! If your Arizona taxable income is \$50,000 or more, you must use Arizona Form 140.

82F Check box 82F if filing under extension

Your First Name and Middle Initial Last Name Enter your SSN(s) Your Social Security Number

Spouse's First Name and Middle Initial (if box 4 or 6 checked) Last Name Spouse's Social Security No.

Current Home Address - number and street, rural route Apt. No. Daytime Phone (with area code)

City, Town or Post Office State ZIP Code Last Names Used in Last Four Prior Year(s) (if different)

- FILING STATUS: 4 Married filing joint return, 5 Head of household, 6 Married filing separate return, 7 Single

- EXEMPTIONS: 8 Age 65 or over, 9 Blind, 10 Dependents, 11 Qualifying parents and grandparents

REVENUE USE ONLY. DO NOT MARK IN THIS AREA. 88, 81 PM, 80 RCVD

(Box 10): Dependent Information: Children and other dependents. For more space, (check) and complete page 3.

Table with 6 columns: (a) FIRST AND LAST NAME, (b) SOCIAL SECURITY NO., (c) RELATIONSHIP, (d) NO. OF MONTHS LIVED IN YOUR HOME IN 2016, (e) if this person did not qualify as a dependent, (f) if you did not claim this person.

(Box 11): Qualifying parents and grandparents. See instructions. For more space, (check) and complete page 3.

Table with 6 columns: (a) FIRST AND LAST NAME, (b) SOCIAL SECURITY NO., (c) RELATIONSHIP, (d) NO. OF MONTHS LIVED IN YOUR HOME IN 2016, (e) if age 65 or over, (f) if died in 2016.

Main calculation table with 30 rows: 12 Federal adjusted gross income, 13-17 Exemptions, 18-23 Balance of Tax, 24-28 Total payments and refundable credits, 29 TAX DUE, 30 OVERPAYMENT.

Continued on page 2 ->

PLEASE BE SURE TO SIGN THE RETURN ON THE REVERSE SIDE OF THIS PAGE.

Place any required federal and AZ schedules or other documents after Form 140A.

Your Name (as shown on page 1) \_\_\_\_\_ Your Social Security Number \_\_\_\_\_

Voluntary Gifts

**31** Enter the amount from page 1, line 29 (Tax Due) or 30 (Overpayment) ..... **31** \_\_\_\_\_ **00**

**32 - 41 Voluntary Gifts to:**

|  |           |       |           |  |           |       |           |
|--|-----------|-------|-----------|--|-----------|-------|-----------|
| Solutions Teams Assigned to Schools..... | <b>32</b> | _____ | <b>00</b> | Arizona Wildlife.....                      | <b>33</b> | _____ | <b>00</b> |
| Child Abuse Prevention .....             | <b>34</b> | _____ | <b>00</b> | Domestic Violence Shelter                  | <b>35</b> | _____ | <b>00</b> |
| Neighbors Helping Neighbors..            | <b>37</b> | _____ | <b>00</b> | Political Gift.....                        | <b>36</b> | _____ | <b>00</b> |
| I Didn't Pay Enough Fund.....            | <b>40</b> | _____ | <b>00</b> | Special Olympics.....                      | <b>38</b> | _____ | <b>00</b> |
|  |           |       |           | Veterans' Donations Fund                   | <b>39</b> | _____ | <b>00</b> |
|  |           |       |           | Sustainable State Parks and Road Fund..... | <b>41</b> | _____ | <b>00</b> |

**42** Political Party (if amount is entered on line 36 - check only one box):  
**421**  Democratic **422**  Green Party **423**  Libertarian **424**  Republican

**43** Total voluntary gifts: Add lines 32 through 41 ..... **43** \_\_\_\_\_ **00**

Refund or Amount Owed

**44 REFUND:** If line 31 is an overpayment, subtract line 43 from line 31. If less than zero, enter amount owed on line 45 ..... **44** \_\_\_\_\_ **00**

**Direct Deposit of Refund:** **Check box 44A** if your deposit will be ultimately placed in a **foreign account**; see instructions. **44A**

**98**  C  Checking or  S  Savings

ROUTING NUMBER \_\_\_\_\_ ACCOUNT NUMBER \_\_\_\_\_

**45 AMOUNT OWED:** If line 31 is a tax due, add lines 31 and 43. Make check payable to Arizona Department of Revenue; write your SSN on payment, and include with your return ..... **45** \_\_\_\_\_ **00**

PLEASE SIGN HERE

Under penalties of perjury, I declare that I have read this return and any documents with it, and to the best of my knowledge and belief, they are true, correct and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

→ YOUR SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_ OCCUPATION \_\_\_\_\_

→ SPOUSE'S SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_ SPOUSE'S OCCUPATION \_\_\_\_\_

PAID PREPARER'S SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_ FIRM'S NAME (PREPARER'S IF SELF-EMPLOYED) \_\_\_\_\_

PAID PREPARER'S STREET ADDRESS \_\_\_\_\_ PAID PREPARER'S TIN \_\_\_\_\_

PAID PREPARER'S CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP CODE \_\_\_\_\_ PAID PREPARER'S PHONE NUMBER (\_\_\_\_\_) \_\_\_\_\_

- If you are sending a payment with this return, mail to Arizona Department of Revenue, PO Box 52016, Phoenix, AZ 85072-2016. **Include your payment with your return.**
- If you are expecting a refund or owe no tax, or owe tax but are not sending a payment, mail to Arizona Department of Revenue, PO Box 52138, Phoenix, AZ 85072-2138.

|                                |                             |
|--------------------------------|-----------------------------|
| Your Name (as shown on page 1) | Your Social Security Number |
|--------------------------------|-----------------------------|

## Dependent Information - Continuation Sheet from Page 1 Dependents

Include with your return **only** if listing additional dependents.

Complete this form *only* if you need additional space from page 1 to list your dependents.  
If you do not list **all** dependents claimed on page 1 of your income tax return, you may lose the exemptions.

**Children and other dependents, continued from page 1.**

|     | (a)<br>FIRST AND LAST NAME<br><small>(Do not list yourself or spouse.)</small> | (b)<br>SOCIAL SECURITY NO. | (c)<br>RELATIONSHIP | (d)<br>NO. OF MONTHS<br>LIVED IN YOUR<br>HOME IN 2016 | (e)<br>✓ if this person<br>did not qualify as a<br>dependent on your<br>federal return | (f)<br>✓ if you did not claim<br>this person on your<br>federal return due to<br>educational credits |
|-----|--|----------------------------|---------------------|---|--|--|
| 10d |  |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10e |  |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10f |  |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10g |  |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10h |  |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10i |  |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10j |  |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10k |  |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10l |  |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10m |  |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10n |  |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10o |  |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10p |  |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10q |  |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10r |  |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10s |  |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10t |  |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10u |  |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |

**Qualifying parents and grandparents, continued from page 1.**

|     | (a)<br>FIRST AND LAST NAME<br><small>(Do not list yourself or spouse.)</small> | (b)<br>SOCIAL SECURITY NO. | (c)<br>RELATIONSHIP | (d)<br>NO. OF MONTHS<br>LIVED IN YOUR<br>HOME IN 2016 | (e)<br>✓ if<br>age 65 or over | (f)<br>✓ if<br>died in 2016 |
|-----|--|----------------------------|---------------------|---|-------------------------------|-----------------------------|
| 11d |  |                            |                     |   | <input type="checkbox"/>      | <input type="checkbox"/>    |
| 11e |  |                            |                     |   | <input type="checkbox"/>      | <input type="checkbox"/>    |
| 11f |  |                            |                     |   | <input type="checkbox"/>      | <input type="checkbox"/>    |
| 11g |  |                            |                     |   | <input type="checkbox"/>      | <input type="checkbox"/>    |
| 11h |  |                            |                     |   | <input type="checkbox"/>      | <input type="checkbox"/>    |
| 11i |  |                            |                     |   | <input type="checkbox"/>      | <input type="checkbox"/>    |
| 11j |  |                            |                     |   | <input type="checkbox"/>      | <input type="checkbox"/>    |
| 11k |  |                            |                     |   | <input type="checkbox"/>      | <input type="checkbox"/>    |

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**2016 Resident Personal Income Tax Return (Short Form)**

**For information or help, call one of the numbers listed:**

Phoenix (602) 255-3381  
From area codes 520 and 928, toll-free (800) 352-4090

**Tax forms, instructions, and other tax information**

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

**Income Tax Procedures and Rulings**

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website and click on *Legal Research* then click on *Procedures* or *Rulings* and select a tax type from the drop down menu.

**Publications**

To view or print the department's publications, go to our website and click on *Publications*.



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Visit our website at [www.azdor.gov](http://www.azdor.gov) for a listing of approved *e-file* providers and on-line filing sources.

\*\* For free *e-file* requirements, go to our website at [www.azdor.gov](http://www.azdor.gov).

**Who Can Use Form 140A?**

You can use Form 140A to file for 2016 if **all** of the following apply to you:

- You (and your spouse if married filing a joint return) are both full year residents of Arizona.
- Your Arizona **taxable income** is less than \$50,000, regardless of your filing status.
- You are a calendar year filer.
- You are not making any adjustments to income.
- You do not itemize deductions.
- The **only** tax credits you will claim are:
  - the Family Income Tax credit
  - the Property Tax credit
  - the credit for Increased Excise Taxes
- You are **not** claiming estimated tax payments.

**NOTE:** *Do not use Form 140A if you are an active duty military member. You may subtract all of your active duty military pay included in your federal adjusted gross income, but you cannot do this on Form 140A. To take this subtraction, you must file your 2016 return using Arizona Form 140. For more information, see Form 140 instructions.*

**Do You Have to File?**

| <b>Arizona Filing Requirements</b><br>These rules apply to all Arizona taxpayers. |   |                                   |
|---|---|-----------------------------------|
| You must file if you are:   | and your Arizona adjusted gross income is at least: | or your gross income is at least: |
| • Single  | \$ 5,500  | \$15,000                          |
| • Married filing joint  | \$11,000  | \$15,000                          |
| • Married filing separate   | \$ 5,500  | \$15,000                          |
| • Head of household   | \$ 5,500  | \$15,000                          |

If you are an Arizona resident, you must report income from **all** sources including **out-of-state** income.

To see if you have to file, figure your gross income the same as you would figure your gross income for federal income tax purposes. Then, you should exclude income Arizona law does not tax.

Income Arizona law does not tax includes:

- interest from U.S. Government obligations,
- social security retirement benefits received under Title II of the Social Security Act,
- benefits received under the Railroad Retirement Act, tier 1 or tier 2 railroad retirement benefits, railroad disability benefits reported on federal forms RRB-1099 and RRB-1099-R, railroad unemployment benefits and railroad sickness payments paid by the Railroad Retirement Board, or
- pay received for active service as a member of the Reserves, National Guard or the U.S. Armed Forces.

You can find your Arizona adjusted gross income on line 17 of Arizona Form 140A.

**NOTE:** *Even if you do not have to file, you must still file a return to get a refund of any Arizona income tax withheld.*

**Do You Have to File if You Are an American Indian?**

You must file if you meet the Arizona filing requirements unless **all** of the following apply to you:

- You are an enrolled member of an Indian tribe.
- You live on the reservation established for that tribe.
- You earned **all** of your income on that reservation.

Enrolled members of American Indian tribes that must file a return may subtract wages earned while living and working on their tribe's reservation. **If you are eligible to subtract these wages, you must file Arizona Form 140.** In this case, do not file Form 140A. For more information, see the department's ruling, ITR 96-4, *Income Taxation of Indians and Spouses*.

### **Do You Have to File if You Are the Spouse of an American Indian and You Are Not an Enrolled Indian?**

You must file if you meet the Arizona filing requirements. For more information on the tax treatment of spouses of American Indians, see the department's ruling, ITR 96-4, *Income Taxation of Indians and Spouses*.

### **Do You Have to File if You Are in the Military?**

You must file if you meet the Arizona filing requirements unless **all** the following apply to you:

- You are an active duty member of the United States armed forces.
- Your only income for the taxable year is pay received for active duty military service.
- There was no Arizona tax withheld from your active duty military pay.

If Arizona tax was withheld from your active duty military pay, you must file an Arizona income tax return to claim any refund you may be due from that withholding.

You must also file an Arizona income tax return if you have any other income besides pay received for active duty military service.

If you are an Arizona resident and you have to file an Arizona return, you should file using Form 140. If you were an Arizona resident when you entered the service, you remain an Arizona resident, no matter where stationed, until you establish a new domicile.

As an Arizona resident, you must report all of your income, no matter where stationed. You must include your military pay, but using Form 140, you may subtract all pay received for active duty military service; to the extent it is included in your federal adjusted gross income.

If you are not an Arizona resident, but stationed in Arizona, the following applies to you:

- You are not subject to Arizona income tax on your military pay.
- You must report any other income you earn in Arizona. Use Arizona Form 140NR, *Nonresident Personal Income Tax Return*, to report this income.

To find out more, see the department's publication, Pub 704, *Taxpayers in the Military*.

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## **Residency Status**

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If you are not sure if you are an Arizona resident for state income tax purposes, we may be able to help. See the department's procedure, ITP 92-1, *Procedure for Determining Residency*.

## **Residents**

You are a resident of Arizona if your domicile is in Arizona. Domicile is the place where you have your permanent home. It is where you intend to return if you are living or working temporarily in another state or country. If you leave Arizona for a temporary period, you are still an Arizona resident while gone. A resident is subject to tax on all income no matter where the income is earned.

### **Part-Year Residents**

If you are a part-year resident, you must file Arizona Form 140PY, *Part-Year Resident Personal Income Tax Return*.

You are a part-year resident if you did either of the following during 2016:

- You moved into Arizona with the intent of becoming a resident.
- You moved out of Arizona with the intent of giving up your Arizona residency.

### **Nonresidents**

If you are a nonresident, you must file Arizona Form 140NR, *Nonresident Personal Income Tax Return*.

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## **What if a Taxpayer Died?**

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If a taxpayer died before filing a return for 2016, the taxpayer's spouse or personal representative may have to file and sign a return for that taxpayer. A personal representative can be an executor, administrator, or anyone who is in charge of the deceased taxpayer's property.

If the deceased taxpayer did not have to file a return but had tax withheld, a return must be filed to get a refund.

The person who files the return should use the form the taxpayer would have used. The person who files the return should print the word "deceased" after the decedent's name in the address section of the form. Also, enter the date of death after the decedent's name.

If your spouse died in 2016, and you did not remarry in 2016 or if your spouse died in 2017 before filing a return for 2016, you may file a joint return. If your spouse died in 2016, the joint return should show your spouse's 2016 income before death and your income for all of 2016. If your spouse died in 2017, before filing the 2016 return, the joint return should show all of your income and all of your spouse's income for 2016. Print "Filing as surviving spouse" in the area where you sign the return. If someone else is the personal representative, he or she must also sign the return.

### **Are Any Other Returns Required?**

You may also have to file a fiduciary income tax return (Form 141AZ). For details about filing a fiduciary income tax return, call the department at (602) 255-3381.

### **Claiming a Refund for a Deceased Taxpayer**

If you are claiming a refund for a deceased taxpayer, you **must** complete Arizona Form 131, *Claim for Refund on Behalf of Deceased Taxpayer*.

Place the completed Form 131 on top of the front of the return.

## What Are the Filing Dates and Penalties?

### When Should You File?

Your 2016 calendar year tax return is due no later than midnight, April 18, 2017. File your return as soon as you can after January 1, but no later than April 18, 2017.

**NOTE:** Because April 15, 2017, falls on a Saturday, and District of Columbia Emancipation Day will be observed on April 17, 2017, you have until Tuesday, April 18, 2017, to file your return.

### What if You Cannot File on Time?

You may request an extension if you know you will not be able to file on time.

**NOTE:** An extension does not extend the time to pay your income tax. See the instructions for Arizona Form 204.

### To get a filing extension, you can either

- Apply for a state extension. To apply for a state extension, file Arizona Form 204 by April 18, 2017. See Form 204 for details. You do not have to include a copy of the extension with your return when you file, but make sure that you check box **82F** on page 1 of the return. If you must make a payment, use Arizona Form 204, or visit [www.AZTaxes.gov](http://www.AZTaxes.gov) to make an electronic payment.
- Use your federal extension (federal Form 4868). File your Arizona return by the same due date. You do not have to include a copy of your federal extension with your return, but make sure that you check box **82F** on page 1 of the return.

**NOTE:** Because October 15, 2017, falls on a Sunday, you have until Monday, October 16, 2017, to file your return.

### When Should You File if You Are a Nonresident Alien?

The due date for your Arizona return is not the same as the due date for your federal return. Your Arizona return is due by April 18, 2017, even though your federal return is due on June 15, 2017. If you want to file your Arizona return after April 18, 2017, you must ask for a filing extension. You must file this request by April 18, 2017. Arizona will allow up to a 6-month extension. This will allow you to file your return by October 16, 2017. See Arizona Form 204 for extension filing details.

If you have a federal 6-month extension, you can file your Arizona return under that extension. If you file using your federal extension, Arizona will also allow you an extra 6 months.

Because we will allow only 6 months, the due date for your Arizona return is not the same as the due date for your federal return. In this case, your Arizona return will be due by October 16, 2017, even though your federal return will not be due until December 15, 2017.

If you file your 2016 Arizona calendar year return after October 16, 2017, your return will be late.

**NOTE:** Because October 15, 2017, falls on a Sunday, you have until October 16, 2017, to file your return.

## What if You File or Pay Late?

If you file or pay late, we will charge you interest and penalties on the amount you owe. If the U.S. Post Office postmarks your 2016 calendar year return by April 18, 2017, your return will not be late. You may also use certain private delivery services designated by the Internal Revenue Service (IRS) to meet the “timely mailing as timely filed” rule. For more information, see “Mailing Your Return” at the end of these instructions.

### Late Filing Penalty

If you file late, we will charge you a late filing penalty. This penalty is 4½% (.045) of the tax required to be shown on the return for each month or fraction of a month the return is late. This penalty cannot exceed 25% (.25) of the tax found to be remaining due.

### Late Payment Penalty

If you pay your tax late, we will charge you a late payment penalty. This penalty is ½ of 1% (.005) of the amount shown as tax for each month or fraction of a month for which the failure continues. We charge this penalty from the original due date of the return until the date you pay the tax. This penalty cannot exceed a total of 10% (.10) of the unpaid tax.

### Extension Underpayment Penalty

If you file your return under an extension, you must pay 90% (.90) of the tax shown on your return by the return's original due date. If you do not pay this amount, we may charge you a penalty. This penalty is ½ of 1% (.005) of the tax not paid for each 30-day period or fraction of a 30-day period. We charge this penalty from the original due date of the return until the date you pay the tax. This penalty cannot exceed 25% (.25) of the unpaid tax. If we charge you the extension underpayment penalty, we will not charge you the late payment penalty under Arizona Revised Statutes (A.R.S.) § 42-1125(D).

**NOTE:** If you are subject to two or more of the above penalties, the total cannot exceed 25%.

### Interest

We charge interest on any tax not paid by the due date. We will charge you interest even if you have an extension. If you have an extension, we will charge you interest from the original due date until the date you pay the tax. The Arizona interest rate is the same as the federal rate.

## When Should You Amend a Return?

If you need to make changes to your return after you have filed, **do not** file a new return using Form 140A. You **must** file Arizona Form 140X, *Individual Amended Income Tax Return*. File your amended return after your original return has processed. Generally, you have four years to amend a return to claim a refund.

If you amend your federal return for any year, you must also file a Form 140X for that year.

If the IRS makes a change to your federal taxable income for any year, you must report that change to Arizona. You must file Form 140X within 90 days of the final determination of the IRS. You may use one of the following two options to report this change.

#### Option 1

You may file a Form 140X for that year. If you choose this option, you must amend your Arizona return within 90 days of the final determination of the IRS. Include a complete copy of the federal notice with your Form 140X.

#### Option 2

You may file a copy of the final federal notice with the department within 90 days of the final determination of the IRS. If you choose this option, you must include a statement in which you must:

1. Request that the department recompute your tax.
2. Indicate if you agree or disagree with the federal notice.

If you do not agree with the federal notice, you must also include any documents that show why you do not agree.

If you choose option 2, mail the federal notice and any other documents to:

Individual Income Audit  
Arizona Department of Revenue  
PO Box 29084  
Phoenix, AZ 85038-9084

---

## Line-by-Line Instructions

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### Tips for Preparing Your Return

- Make sure that you write your Social Security Number (SSN) on your return.
- Complete your return using black ink.
- You **must** round dollar amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar; if less than 50 cents, round down. Do not enter cents.
- You must complete your federal return before you can start your Arizona return.
- Make sure you include your daytime telephone number.

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### Entering Your Name, Address, and SSN

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#### Lines 1, 2, and 3 -

Print or type your name, address, and SSN in the space provided. If you are filing a joint return, enter your SSNs in the same order as your names. *If your name appears first on the return, make sure your SSN is the first number listed.*

If you are married filing separately, enter your name and SSN on the first line 1. Enter your spouse's name and SSN on the second line 1. If you are a nonresident of the United States or a resident alien who does not have an SSN, use the individual taxpayer identification number (ITIN) the IRS issued to you.

**NOTE:** Make sure your SSN is correct. If you are filing a joint return, also make sure you list your SSNs in the same order every year.

Make sure that you enter your SSN on your return. Make sure that all SSNs are clear and correct. You may be subject to a penalty if you fail to include your SSN. It will take longer to process your return if SSNs are missing, incorrect, or unclear.

Use your current home address. The department will mail your refund or correspond with you at that address. For a deceased taxpayer, see page 2 of these instructions.

### Foreign Addresses

If you have a foreign address, enter the information in the following order: city, province or state, and country. Follow the country's practice for entering the postal code. Do not abbreviate the country name.

### Last Name(s) Used in Last 4 Prior Years

If the last name that you or your spouse are using on this return is not the same as the last name you or your spouse used on returns filed for the last 4 years, enter any other last name(s) that you or your spouse used when filing your return during the last 4 years.

### Identification Numbers for Paid Preparers

If you pay someone else to prepare your return, that person must also include an identification number where requested.

A paid preparer may use any of the following:

- his or her PTIN,
- his or her SSN, or
- the EIN for the business.

A paid preparer who fails to include the proper identification number may also be subject to a penalty.

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## Determining Your Filing Status

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The filing status that you use on your Arizona return may be different from that used on your federal return.

Use this section to determine your filing status. Check the correct box (4 through 7) on the front of Form 140A.

If you qualify as married for federal purposes, you qualify as married for Arizona purposes and must file using the status of either married filing joint or married filing separate.

If you are single you must file as single or if qualified you may file as head of household (see the instructions for box 5).

### Box 4 - Married Filing Joint Return

If you are married and filing a joint return, check box 4.

You may file a joint return if you were married as of December 31, 2016. It does not matter whether or not you were living with your spouse. You may file a joint return, even if you and your spouse filed separate federal returns.

You may file a joint return if your spouse died during 2016 and you did not remarry in 2016. See page 2 of these instructions for details.

Form 140A is for full year residents only. You may not file a joint Arizona income tax return on Form 140A if any of the following apply:

- Your spouse is a nonresident alien (citizen of and living in another country).

- Your spouse is a resident of another state.
- Your spouse is a part-year Arizona resident.

If filing a joint return with your nonresident spouse, you must file a joint return using Arizona Form 140NR. See Form 140NR instructions.

If filing a joint return with your part-year resident spouse, you must file a joint return using Arizona Form 140PY. See Form 140PY instructions.

**NOTE:** For more information, see the department's ruling, *ITR 14-1, Filing a Joint Tax Return When a Resident Spouse is Married to a Part-Year Resident or Nonresident.*

### Box 5 - Head of Household

If you are filing as a head of household, check box 5.

You may file as head of household on your Arizona return, only if one of the following applies:

- You qualify to file as head of household on your federal return.
- You qualify to file as a qualifying widow or widower on your federal return.

### Box 6 - Married Filing Separate Return

If you are filing a separate return, check box 6 and enter your spouse's name and SSN on the second line 1.

If you were married as of December 31, 2016, you may choose to file a separate return. You may file a separate return, even if you and your spouse filed a joint federal return.

Arizona is a community property state. If you file a separate return, you must figure how much income to report using community property laws. Under these laws, a separate return must reflect one-half of the community income from all sources plus any separate income.

When you file separate returns, you must account for community deductions and credits on the same basis as community income. Both you and your spouse must either itemize or not itemize. If one of you itemizes, you both must itemize. If one of you takes a standard deduction, you both must take a standard deduction. One of you may not claim a standard deduction while the other itemizes.

If you and your spouse support a dependent child from community income, either you or your spouse may claim the dependent. Both of you cannot claim the same dependent on both returns.

For more information, see the department's ruling, *ITR 93-18, Income Reporting Requirements for Married Arizona Residents Who File Separate Arizona Individual Income Tax Returns*, and *ITR 93-19, Deductions, Exemptions, and Credits for Married Taxpayers Who File Separate Arizona Individual Income Tax Returns*.

**NOTE:** In some cases, you may treat community income as separate income. For more information, see the department's ruling, *ITR 93-22, When Community Income May Be Treated as Separate Income*.

If one spouse is a resident and the other spouse is not, other special rules may apply when filing a separate return. For more information, see the department's ruling, *ITR 93-20, Income Reporting Requirements of Resident and Nonresident Spouses Who File Separate Arizona Individual Income Tax Returns*; and publication, *Pub. 200, Income Tax Issues Affecting Married and Divorced Taxpayers*.

### Box 7 - Single Return

If you are filing as single, check box 7.

Use this filing status if you were single on December 31, 2016. You are single if any of the following apply to you:

- You have never been married.
- You are legally separated under a decree of divorce or of separate maintenance.
- You were widowed before January 1, 2016, and you did not remarry in 2016, and you do not qualify to file as a qualifying widow or widower with dependent children on your federal return.

**NOTE:** If you got divorced during the year, see the department's *Individual Income Tax Ruling, ITR 14-2, Reporting Income, Deductions, Exemptions, and Withholding for Divorced Individuals for the Year of Divorce*; and publication, *Pub. 200, Income Tax Issues Affecting Married and Divorced Taxpayers, for help completing your return*.

## Exemptions

Enter the **number** of exemptions you are claiming in boxes 8, 9, 10, and 11. **Do not put a check mark.** You may lose the exemption if you put a checkmark in these boxes. You may lose the dependent exemption if you do not complete the Dependent Section, on page 1. You may lose the exemption for qualifying parents or grandparents if you do not complete the Dependent Section, on page 1.

### Box 8 - Age 65 or Over

- If you are single or filing as head of household, enter "1" in box 8 if you were 65 or older in 2016 and not claimed as a dependent by another taxpayer.
- If you are married filing a joint return, enter "1" in box 8 if you were 65 or older and not claimed as a dependent by another taxpayer or your spouse was 65 or older in 2016 and not claimed as a dependent by another taxpayer. Enter "2" in box 8 if both you and your spouse were 65 or older in 2016 and neither of you are claimed as a dependent by another taxpayer.
- If you are married and filing a separate return, enter "1" in box 8 if you were 65 or older and not claimed by another taxpayer. You cannot take an exemption for your spouse. Your spouse, if 65 or older and not claimed by another taxpayer, may take this exemption on his/her own separate return.

### Box 9 - Blind

If you or your spouse were partially blind as of December 31, 2016, you must get a statement certified by your eye doctor or registered optometrist that:

- You cannot see better than 20/200 in your better eye with glasses or contact lenses.
- Your field of vision is 20 degrees or less.

If your eye condition is not likely to improve beyond the conditions listed above, you can get a statement certified by your eye doctor or registered optometrist to that effect instead. You must keep the statement for your records.

- If you are single or filing as head of household, enter "1" in box 9 if you are totally or partially blind.
- If you are married filing a joint return, enter "1" in box 9 if you or your spouse is totally or partially blind. Enter "2" in box 9 if both you and your spouse are totally or partially blind.
- If you are married and filing a separate return, you may take an exemption for yourself if you are totally or partially blind. You may only claim an exemption for your spouse if (1) your spouse is totally or partially blind, (2) has no Arizona adjusted gross income for the calendar year, and (3) is not the dependent of another taxpayer. Enter "1" in box 9 if you are totally or partially blind or your spouse is totally or partially blind and your spouse meets the above criteria. Enter "2" in box 9 if you are totally or partially blind and your spouse is totally or partially blind and your spouse meets the above criteria.

**Box 10 - Dependents**

**NOTE:** *If a person who qualifies as your dependent is also a qualifying parent or grandparent, you may claim that person as a dependent in Box 10, or you may claim that person as a qualifying parent or grandparent in Box 11. You may not claim that same person in both Box 10 and Box 11.*

You must complete the Dependent section on page 1 (and page 3, if more space is needed) of your return before you can total your dependent exemptions. You may claim only the following as a dependent:

- A person that qualifies as your dependent on your federal return.  
If you do not claim a dependent exemption for a student on your federal return in order to allow the student to claim a federal education credit on the student's federal return, you may still claim the exemption on your Arizona return. For more information, see the department's ruling, ITR 05-02, *Will Arizona Allow a Dependent Exemption When a Taxpayer Does Not Claim Federal Exemption in Order to Claim the Education Credit?*
- A person who is age 65 or over (related to you or not) that does not qualify as your dependent on your federal return, but one of the following applies:
  1. In 2016, you paid more than one-fourth of the cost of keeping this person in an Arizona nursing care institution, an Arizona residential care institution, or an Arizona assisted living facility. Your cost must be more than \$800.
  2. In 2016, you paid more than \$800 for either Arizona home health care or other medical costs for the person.

- A stillborn child if the following applies:
  1. The stillbirth occurred during 2016.
  2. You received a certificate of birth resulting in stillbirth from the Arizona Department of Health Services.
  3. The child would have otherwise been a member of your household.

**Box 11 - Qualifying Parents and Grandparents**

**NOTE:** *If a person who is a qualifying parent or grandparent also qualifies as your dependent, you may claim that person as a dependent in Box 10, or you may claim that person as a qualifying parent or grandparent in Box 11. You may not claim that same person in both Box 10 and Box 11.*

You must complete the Qualifying parents and grandparents section on page 1 (and page 3, if more space is needed), before you can total your exemptions for qualifying parents and grandparents. A qualifying parent or grandparent may be any one of the following.

- Your parent, grandparent, or great grandparent, etc.
- If married filing a joint return, your spouse's parent, grandparent, or great grandparent, etc.

You may claim this exemption if **all** of the following apply.

1. The parent, grandparent or great grandparent was 65 years old or older during 2016.
2. The parent, grandparent or great grandparent lived in your principal residence for the entire taxable year.  
If your parent or grandparent died during the taxable year, this requirement will still be met if he or she lived with you for the entire part of the year in which he or she was alive. Temporary absences by the parent or grandparent for special circumstances, such as a hospital stay or care in a hospice facility, count as time lived in the taxpayer's principle residence.
3. You paid more than one-half of the support and maintenance costs of the parent or grandparent during the taxable year.

To help you determine if you paid more than one-half of your parent or grandparent's support during the taxable year, it is recommended that you review the department's procedure, ITP 14-1, *Procedure for Determining Support for Purposes of the Parents and Grandparents Exemption Allowed under A.R.S. § 43-1023(C)*, and complete the worksheet. Keep the worksheet for your records.

4. The parent or grandparent required assistance with activities of daily living.  
The term "activities of daily living" means two or more of the listed categories. Activities of daily living include both basic activities of daily living and instrumental activities of daily living. The categories of activities of daily living are dressing, eating, ambulating, toileting, medicating and hygiene, shopping, housekeeping, managing personal finances, basic communication, food-preparation and transportation.

For more information regarding what the term “activities of daily living” means when determining an Arizona resident taxpayer’s eligibility for this exemption, see the department’s ruling, ITR 14-3, *“Activities of Daily Living” for the Purpose of the Exemption Allowed Under A.R.S. § 43-1023(C)*.

To help you determine if your parent or grandparent required assistance with activities of daily living to meet this requirement, it is recommended that you review the department’s procedure, ITP 14-2, *Procedure for Determining Whether a Parent or Grandparent Requires Assistance with Activities of Daily Living for Purposes of the Exemption Allowed under A.R.S. § 43-1023(C)*, and complete the checklist. Keep the checklist for your records.

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## Dependents

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### Completing the Dependent Section

If you need additional lines to list **all** of your dependents, including qualifying parents and grandparents, **complete page 3, Dependent Information – Continuation Sheet**, and include this page with your return. **Be sure to check the box on page 1 indicating you are completing page 3.** Do not include page 3 with your return if you do not use it.

### Dependent information: children and other dependents

Enter the following in columns (a) through (f):

- a) The dependent's name. If you are claiming an exemption for a stillborn child and the child was not named, enter “stillborn child” in place of a name.
- b) The dependent's SSN. If you are claiming an exemption for a stillborn child, enter the certificate number from the certificate of birth resulting in stillbirth.
- c) The dependent's relationship to you.
- d) The number of months the dependent lived in your home during 2016. If you are claiming an exemption for a stillborn child, enter the date of birth resulting in the stillbirth.

**Temporary absences:** Your child or dependent is considered to have lived with you during periods of time when temporarily absent due to special circumstances such as: illness; education; business; or vacation. Your child is also considered to have lived with you during any required hospital stay following birth, as long as the child would have lived with you during that time but for the hospitalization.

- e) Check the box if this person did not qualify as a dependent on your federal return.
- f) Check the box if you did not claim this person (student) as an dependent on your federal return in order to allow that student to claim a federal education credit on the student’s federal return.

You may lose the exemption if you do not furnish this information.

Enter the total **number** of dependents listed in Box 10.

### Qualifying parents and grandparents

Enter the following in columns (a) through (f):

- a) The name of the qualifying parent or grandparent.
- b) The SSN of the qualifying parent or grandparent.
- c) The qualifying parent’s or grandparent’s relationship to you, or your spouse if filing a joint return.
- d) The number of months the qualifying parent or grandparent lived in your home during 2016.

**Temporary absences:** Temporary absences by the parent or grandparent for special circumstances, such as a hospital stay or care in a hospice facility, count as time lived in the taxpayer’s principal residence.

- e) Check the box if this person is age 65 or older.
- f) Check the box if this person died in 2016.

You may lose the exemption if you do not furnish this information.

Enter the total **number** of qualifying parents and grandparents listed in box 11.

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## Totaling Your Income

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### Line 12 - Federal Adjusted Gross Income

You must complete your federal return before you enter an amount on line 12. You must complete a 2016 federal return to figure your federal adjusted gross income. You must complete a federal return even if you do not have to file a federal return.

Arizona uses federal adjusted gross income as a starting point to determine Arizona taxable income. Your federal adjusted gross income is your Arizona gross income.

**NOTE:** *Be sure to use your federal adjusted gross income and not your federal taxable income.*

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## Exemptions

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### Line 13 - Age 65 or Over

Multiply the number you entered in box 8 by \$2,100.

### Line 14 - Blind

Multiply the number you entered in box 9 by \$1,500.

### Line 15 - Dependents

Multiply the number you entered in box 10 by \$2,300.

### Line 16 - Qualifying Parents and Grandparents

Multiply the number you entered in box 11 by \$10,000.

### Line 17 - Arizona Adjusted Gross Income

Subtract lines 13, 14, 15 and 16 from line 12.

## Figuring Your Tax

### Line 18 - Standard Deduction

| If your filing status is: | Your standard deduction is: |
|---------------------------|-----------------------------|
| • Single                  | \$5,099                     |
| • Married filing separate | \$5,099                     |
| • Married filing joint    | \$10,189                    |
| • Head of household       | \$10,189                    |

### Line 19 - Personal Exemptions

The amount you may claim as a personal exemption depends on your filing status. If married, the amount you may claim as a personal exemption also depends on whether you or your spouse claims dependents.

You may use the following chart to figure your personal exemption. If married, you may also use Arizona Form 202, *Personal Exemption Allocation Election*, to figure your personal exemption.

| Personal Exemption Chart   |                               |
|--|-------------------------------|
| If you checked filing status:  | Enter:                        |
| • Single (Box 7)   | \$2,100                       |
| • Married filing joint return (Box 4) and claiming no dependents (Box 10)  | \$4,200                       |
| • Married filing joint return (Box 4) and claiming at least one dependent (Box 10) excluding persons listed who did not qualify as a dependent on your federal return [Box 10, column (e)].                | \$6,300                       |
| • Head of household and you are not married (Box 5)  | \$4,200                       |
| • Head of household and you are a married person who qualifies to file as head of household (Box 5)  | \$3,150, or Complete Form 202 |
| • Married filing separate return (Box 6) with neither spouse claiming any dependents (Box 10)  | \$2,100, or Complete Form 202 |
| • Married filing separate return (Box 6) with one spouse claiming at least one dependent (Box 10) excluding persons listed who did not qualify as a dependent on your federal return [Box 10, column (e)]. | \$3,150, or Complete Form 202 |

A married couple who does not claim any dependents may take one personal exemption of \$4,200. If the husband and wife file separate returns, either spouse may take the entire \$4,200 exemption, or the spouses may divide the \$4,200 between them. You and your spouse must complete Form 202 if either you or your spouse claims a personal exemption of more than \$2,100. If you and your spouse do not complete Form 202, you may take an exemption of only \$2,100 (one-half of the total \$4,200).

A married couple who claims at least one dependent may take one personal exemption of \$6,300. If the husband and wife file

separate returns, either spouse may take the entire \$6,300 exemption, or the spouses may divide the \$6,300 between them. You and your spouse must complete Form 202 if either you or your spouse claims a personal exemption of more than \$3,150. If you and your spouse do not complete Form 202, you may take an exemption of only \$3,150 (one-half of the total \$6,300).

If you are a married person who qualifies to file as a head of household, you may take the entire \$6,300 personal exemption or you may divide the exemption with your spouse. You and your spouse must complete Form 202 if either you or your spouse claims a personal exemption of more than \$3,150. If you and your spouse do not complete Form 202, you may take an exemption of only \$3,150 (one-half of the total \$6,300).

The spouse who claims more than one-half of the total personal exemption must include the original Form 202 with his or her return. The spouse who claims less than one-half of the total personal exemption must include a copy of the completed Form 202 with his or her return.

### Line 20 - Arizona Taxable Income

Subtract lines 18 and 19 from line 17 and enter the difference. Use this amount to find your tax using the Optional Tax Tables.

**STOP!** You must file a Form 140 if your Arizona taxable income is \$50,000 or more.

### Line 21 - Tax Amount

Enter the tax from the Optional Tax Tables.

### Line 22 - Family Income Tax Credit

**e-file** E-file software will let you know if you are eligible and will figure the credit for you.

**NOTE:** The family income tax credit will only reduce your tax and cannot be refunded.

You may take this credit if your income does not exceed the maximum income allowed for your filing status. You may qualify for this credit even if your parents can claim you as a dependent on their income tax return.

- Complete Steps 1, 2, and 3 to see if you qualify for this credit.
- If you qualify to take this credit, complete the worksheet in Step 4.

#### Step 1

|   |    |
|---|----|
| Enter the amount from Form 140A, page 1, line 12. | \$ |
|---|----|

#### Step 2

Look at the following tables. Find your filing status.

- Use Table I if married filing a joint return.
- Use Table II if head of household.
- Use Table III if single or married filing a separate return.

#### Step 3

- Look at the column (a) labeled "number of dependents" and find the number of dependents you are claiming on



Form 140A, page 1, box 10, excluding persons listed who did not qualify as your dependent on your federal return [Box 10, column (e)].

- Find the maximum income [in column (b)] for the number of dependents you are claiming.
- Compare that income [the amount in column (b)] with the income listed in Step 1.

If the amount entered in Step 1 is equal to or less than the maximum income allowed for the number of dependents you are claiming on Form 140A, page 1, box 10, excluding persons listed who did not qualify as your dependent on your federal return, you qualify to claim this credit. To figure your credit, complete Step 4.

| <b>Table I<br/>Married Filing Joint</b>  |                   |
|--|-------------------|
| <b>Column (a)</b>  | <b>Column (b)</b> |
| Number of dependents you are claiming on Form 140A, page 1, box 10, excluding persons listed who did not qualify as a dependent on your federal return [Box 10, column (e)]. | Maximum Income    |
| • 0 or 1   | \$20,000          |
| • 2  | \$23,600          |
| • 3  | \$27,300          |
| • 4 or more  | \$31,000          |

| <b>Table II<br/>Head of Household</b>  |                   |
|--|-------------------|
| <b>Column (a)</b>  | <b>Column (b)</b> |
| Number of dependents you are claiming on Form 140A, page 1, box 10, excluding persons listed who did not qualify as a dependent on your federal return [Box 10, column (e)]. | Maximum Income    |
| • 0 or 1   | \$20,000          |
| • 2  | \$20,135          |
| • 3  | \$23,800          |
| • 4  | \$25,200          |
| • 5 or more  | \$26,575          |

| <b>Table III<br/>Single or Married Filing Separate</b>   |                   |
|--|-------------------|
| <b>Column (a)</b>  | <b>Column (b)</b> |
| Number of dependents you are claiming on Form 140A, page 1, box 10, excluding persons listed who did not qualify as a dependent on your federal return [Box 10, column (e)]. | Maximum Income    |
| • 0 or more  | \$10,000          |

**Step 4**

If you qualify to claim the credit complete worksheet II.

| <b>Worksheet II<br/>You must complete Steps 1 through 3 before you complete this Worksheet.</b>  |    |
|--|----|
| 1. Enter the number of dependents you entered on Form 140A, page 1, box 10, excluding persons listed who did not qualify as a dependent on your federal return [Box 10, column (e)]. |    |
| 2. Number of personal exemptions. If you checked filing status 4, enter the number 2. If you checked filing status 5, 6, or 7, enter the number 1.                                   |    |
| 3. Add lines 1 and 2. Enter the total.   |    |
| 4. Multiply the number on line 3 by \$40. Enter the result.  | \$ |
| 5. If you checked filing status 4 or 5, enter \$240 here. If you checked filing status 6 or 7, enter \$120 here.   | \$ |
| 6. Enter the lesser of line 4 or line 5. Also, enter this amount on Form 140A, page 1, line 22.  | \$ |

**Line 23 - Balance of Tax**

Subtract line 22 from line 21. Enter the difference. If line 22 is more than line 21, enter zero.

**Totaling Payments and Credits**

**Line 24 - Arizona Income Tax Withheld**

Enter the Arizona income tax withheld shown on the Form(s) W-2 from your employer. Include the Form(s) W-2 after the last page of your return.

**NOTE:** You should receive your Form(s) W-2 no later than January 31. If you did not receive a Form W-2 or you think your Form W-2 is wrong, contact your employer.

**Line 25 - 2016 Arizona Extension Payment (Form 204)**

Use this line to report the payment you sent with your 2016 extension request (Arizona Form 204) or the electronic extension payment you made using [www.AZTaxes.gov](http://www.AZTaxes.gov).

**Line 26 - Increased Excise Tax Credit**

You may claim this credit if you meet **all** of the following:

- You **must** have an SSN that is valid for employment.
- You meet the income threshold for your filing status;
  - If you are married filing a joint return, or a head of household, you may claim this credit if the amount on Form 140A, line 12, is \$25,000 or less.
  - If you are single or married filing a separate return, you may claim this credit if the amount on Form 140A, line 12, is \$12,500 or less.
- You are not claimed as a dependent by any other taxpayer.
- You were not sentenced for at least 60 days of 2016 to a county, state, or federal prison.

**NOTE:** If you are filing a joint return with your spouse, and your spouse was sentenced for at least 60 days during 2016 to a county, state or federal prison, you may claim the Excise Tax Credit if you otherwise qualify to claim the credit, but you cannot claim the credit for your spouse. If your spouse has a valid SSN, but you do not, neither you nor your spouse can claim this credit.

For complete information on how incarceration affects this credit, see the department's publication, Pub. 709, *Excise Tax Credit – How Does Incarceration Affect Eligibility?*

If you are married filing a joint return, you may also claim a credit for your spouse if your spouse has either a valid SSN or an ITIN issued by the IRS.

If you also claim a credit for qualifying children, your qualifying children must have either a valid SSN or an ITIN issued by the IRS. To figure your credit, complete the following worksheet.

**NOTE:** Do not complete the following worksheet if you are claiming the property tax credit on Arizona Form 140PTC. Use Form 140PTC to figure both the credit for increased excise taxes and the property tax credit.

If you are claiming both the credit for increased excise taxes and the property tax credit, enter the increased excise tax credit from Form 140PTC, page 1, line 17, here and enter the property tax credit from Form 140PTC, page 1, line 15, on Form 140A, line 27.

| Credit for Increased Excise Taxes Worksheet   |           |    |
|---|-----------|----|
| If you checked filing status 4 or 5, is the amount on Form 140A, line 12, \$25,000 or less?<br>If you checked filing status 6 or 7, is the amount on Form 140A, line 12, \$12,500 or less?  | Check one |    |
|   | Yes       | No |
| <b>If you checked no, STOP.</b> You do not qualify for this credit. If you checked yes, complete the worksheet.   |           |    |
| 1. Enter the number of dependents you entered on Form 140A, box 10, excluding persons who did not qualify as your dependent on your federal return [Box 10, column (e)]. Also, exclude any dependent that is not an Arizona resident. |           |    |
| 2. Number of personal exemptions. If you checked filing status 4, enter the number 2 here. If you checked filing status 5, 6, or 7, enter the number 1 here.  |           |    |
| 3. Add lines 1 and 2. Enter the total.  |           |    |
| 4. Multiply the amount on line 3 by \$25. Enter the result.   | \$        |    |
| 5. Maximum credit.  | \$ 100    | 00 |
| 6. Enter the smaller of line 4 or line 5 here and also on Form 140A, page 1, line 26.   | \$        | 00 |

**NOTE:** The credit cannot exceed \$100 per household. Do not claim this credit if someone else in your household has already claimed \$100 of the credit. If someone else in your household has claimed less than \$100, you may claim the credit as long as all credit claims filed from your household do not exceed \$100.

**Line 27 - Property Tax Credit**

You may claim the property tax credit if you meet **all** the following:

1. You were either 65 or older in 2016 or, if under age 65, you were receiving SSI Title 16 income from the Social Security Administration.

**NOTE:** SSI Title 16 income is not the normal Social Security disability.

2. You were an Arizona resident for the full year in 2016.
3. You paid property tax on your Arizona home in 2016. You paid rent on taxable property for the entire year or you did a combination of both.
4. If you lived alone, your total household income was under \$3,751. If you lived with others, the total household income was under \$5,501. To see what income is included in household income, see Arizona Form 140PTC instructions.

Complete Form 140PTC to figure your credit. Enter the amount from Form 140PTC, page 1, line 15. Include Form 140PTC with your return.

**TAX TIP:** To claim a property tax credit, you must file your claim or extension request by April 18, 2017. You cannot claim this credit on an amended return if you file the amended return after the due date of your return.

**Figuring Your Tax Due or Overpayment**

**Line 28 - Total Payments and Refundable Credits**

Add lines 24 through 27. Enter the total.

**Line 29 - Tax Due**

If line 23 is larger than line 28, you have tax due. Subtract line 28 from line 23 and enter the amount of tax due. Skip line 30.

**Line 30 - Overpayment**

If line 28 is larger than line 23, subtract line 23 from line 28 and enter the difference.

**Line 31 -**

Enter the amount from page 1, line 29 (Tax Due) **or** from line 30 (Overpayment).

**Making Voluntary Gifts**

You can make voluntary gifts to each of the funds shown below. A gift will reduce your refund or increase the amount due with your return.

**NOTE:** If you make a gift, you cannot change the amount of that gift later on an amended return.

**Line 32 - Solutions Teams Assigned to Schools Fund**

You may give some or all of your refund to the Solutions Teams Assigned to Schools Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 45. Enter the amount you want to donate on line 32.

Gifts go to the Arizona Assistance for Education Fund. The Arizona Board of Education will distribute money to the Arizona Department of Education to fund solutions teams assigned to schools.

**Line 33 - Arizona Wildlife Fund**

You may give some or all of your refund to the Arizona Wildlife Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 45. Enter the amount you want to donate on line 33.

Your gift to the Arizona Wildlife Fund helps protect wildlife in the state. Many species like bald eagles, Apache trout, and black-footed ferrets benefit from your gifts to this fund. Gifts are also used to improve areas for watching wildlife statewide.

**Line 34 - Child Abuse Prevention Fund**

You may give some or all of your refund to the Arizona Child Abuse Prevention Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 45. Enter the amount you want to donate on line 34.

Gifts go to the Arizona Child Abuse Prevention Fund. This fund provides financial aid to community agencies for child abuse prevention programs.

**Line 35 - Domestic Violence Shelter Fund**

You may give some or all of your refund to the Domestic Violence Shelter Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 45. Enter the amount you want to donate on line 35.

Gifts go to the Domestic Violence Shelter Fund. This fund provides financial aid to shelters for victims of domestic violence.

**Line 36 - Political Gift**

You may give some or all of your refund to a political party. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 45. Enter the amount you want to donate on line 36.

If you donate to a political party, complete line 42.

Gifts go to one of the following political parties:

- Democratic
- Green Party
- Libertarian
- Republican

**Line 37 - Neighbors Helping Neighbors Fund**

You may give some or all of your refund to the Neighbors Helping Neighbors Fund. You may also give more than your

entire refund. If you send in additional money with your return, include that amount on line 45. Enter the amount you want to donate on line 37.

Gifts go to the Neighbors Helping Neighbors Fund. This fund provides eligible recipients with emergency aid in paying utility bills, conserving energy and weatherization.

**Line 38 - Special Olympics Fund**

You may give some or all of your refund to the Special Olympics Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 45. Enter the amount you want to donate on line 38.

Gifts go to the Special Olympics Fund. This fund helps provide programs of the Arizona Special Olympics.

**Line 39 - Veterans' Donations Fund**

You may give some or all of your refund to the Veterans' Donations Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 45. Enter the amount you want to donate on line 39.

Gifts go to the Veterans' Donations Fund, which may be used for veterans in Arizona.

**Line 40 - I Didn't Pay Enough Fund**

You may give some or all of your refund to the I Didn't Pay Enough Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 45. Enter the amount you want to donate on line 40.

Gifts that you make to the I Didn't Pay Enough Fund will aid the state by going to the Arizona general fund.

**Line 41 - Sustainable State Parks and Roads Fund**

You may give some or all of your refund to the Sustainable State Parks and Roads Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 45. Enter the amount you want to donate on line 41.

Gifts that you make to the Sustainable State Parks and Roads Fund will aid the state to operate, maintain and make capital improvements to buildings, roads, parking lots, highway entrances and any related structure used to operate state parks.

**Line 42 - Political Party**

If line 36 has an amount entered, check the box for the political party to which you wish to give. You may select only one party. If you do not select a political party, the department will return the amount on line 36.

**Line 43 - Total Voluntary Gifts**

Add lines 32 through 41 and enter the total.

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**Figuring Your Refund or Amount Owed**

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**Line 44 - Refund**

If line 31 is an overpayment, subtract line 43 from line 31. Enter your refund on line 44 and skip line 45.

If you owe money to any Arizona state agency, court, county, incorporated city or town and certain federal agencies, your refund may go to pay some of the debt. If so, the department will let you know by letter.

**TAX TIP:** *If you change your address before you get your refund, let the department know. Write to Refund Desk, Arizona Department of Revenue, PO Box 29216, Phoenix, AZ 85038-9216. Include your SSN in your letter.*

**Direct Deposit of Refund**

Complete the direct deposit line if you want us to directly deposit the amount shown on line 44 into your account at a bank or other financial institution (such as a mutual fund, brokerage firm or credit union) instead of sending a check.

**NOTE:** *Check the box on line 44A if the direct deposit will ultimately be placed in a foreign account. If you check box 44A, do not enter your routing or account numbers. If this box is checked, we will not direct deposit your refund. We will send you a check instead.*

**Why Use Direct Deposit?**

- You will get your refund fast – even faster if you e-file!
- Payment is more secure - there is no check to get lost.
- It is more convenient. No trip to the bank to deposit your check.
- It saves tax dollars. A refund by direct deposit costs less to process than a check.

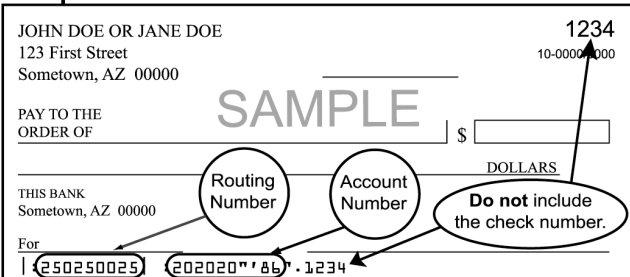
**NOTE:** *We are not responsible for a lost refund if you enter the wrong account information. Check with your financial institution to get the correct routing and account numbers and to make sure your direct deposit will be accepted.*

**Routing Number**

**MAKE SURE YOU ENTER THE CORRECT ROUTING NUMBER.**

The routing number must be nine digits. The first 2 digits must be 01 through 12 or 21 through 32. Otherwise, the direct deposit will be rejected and a check sent instead. On the sample check, the routing number is 250250025.

**Sample Check**



**Note:** *The routing and account numbers may be in different places on your check.*

Your check may state that it is payable through a financial institution different from the one at which you have your checking account. If so, **do not** use the routing number on that check. Instead, contact your financial institution for the correct routing number to enter here.

**Account Number**

**MAKE SURE YOU ENTER THE CORRECT ACCOUNT NUMBER.**

The account number can be up to 17 characters (both numbers and letters). **DO NOT** include hyphens, spaces, or special symbols. Enter the number from left to right and leave any unused boxes blank. On the sample check, the account number is 20202086. Be sure **not** to include the check number.

**NOTE:** *If the direct deposit is rejected, a check will be mailed instead.*

**Line 45 - Amount Owed**

If line 31 is a tax due, add lines 31 and 43. Enter the amount you owe on line 45. If you are making voluntary donations on lines 32 through 41 in excess of your overpayment, enter the difference on line 45. You may pay only with a check, electronic check, money order, or credit card.

**Check or money order**

Include your check or money order with your return. Please do not send cash.

Make your check payable to Arizona Department of Revenue. Write your SSN and tax year on the front of your check or money order.

The department cannot accept checks or money orders in foreign currency. You must make payment in U.S. dollars.

**Electronic payment from your checking or savings account**

You can make an electronic payment from your checking or savings account to pay your balance due for 2016. There is no fee to use this method. To make an electronic payment, go to [www.AZTaxes.gov](http://www.AZTaxes.gov) and click on the "Make a Payment" link.

Be sure to enter the correct routing number and account number for your checking or savings account. You will be charged a \$25 NSF (non-sufficient funds) fee if you provide an incorrect routing number or an incorrect account number. Check with your financial institution to get the correct routing and account numbers.

The "E-Check" option in the "Payment Method" drop-down box will debit the amount from the checking or savings account that you specify. If you make an electronic payment from your checking or savings account, you will receive a confirmation number. **Please keep this confirmation number as proof of payment.**

**NOTE:** *You may not make an electronic payment from your checking or savings account if the payment will ultimately be coming from a foreign account. In this case, you must pay by check or money order.*

**Credit card payment**

You can pay with your Discover, MasterCard, Visa, or American Express credit card. Go to [www.AZTaxes.gov](http://www.AZTaxes.gov) and click on the "Make a Payment" link and choose the credit card option. This will take you to a third party vendor site (provider). The provider **will charge** you a convenience fee

based on the amount of your tax payment. The provider will tell you what the fee is during the transaction; you will have the option to continue or cancel the transaction. If you complete the credit card transaction, you will receive a confirmation number. **Please keep this confirmation number as proof of payment.**

### Installment Payments

If you cannot pay the full amount shown on line 45 when you file, you may ask to make monthly installment payments. To make this request, complete Arizona Form 140-IA and mail the completed form to the address on the Form 140-IA. **Do not mail Form 140-IA with your income tax return.** You may obtain Arizona Form 140-IA from our website at [www.azdor.gov](http://www.azdor.gov).

If you cannot pay the full amount shown on line 45, you will be charged interest and may be charged a late payment penalty on the tax not paid by April 18, 2017. To limit the interest and penalty charges, pay as much of the tax as possible when you file.

### Sign Your Return

You must sign your return. If married filing a joint return, both you and your spouse must sign even if only one had income. Form 140A is not considered a valid return unless you sign it. If the return does not have the proper signatures, the department cannot send a refund check.

### Instructions Before Mailing

- **DO NOT STAPLE YOUR RETURN. DO NOT STAPLE ANY SCHEDULE, FORM OR PAYMENT TO YOUR RETURN.**
- Make sure your **NAME** is on the return.
- Make sure your **SSN** is on your return.
- Be sure you enter your daytime telephone number in the space provided on the front of your return.
- Check to make sure that your math is correct. A math error can cause delays in processing your return.
- If claiming **dependent** exemptions, write the number of dependents claimed on the **front** of the return. On page 1 of the return, also write each dependent's name, relationship, SSN, and the number of months that he or she lived in your home.
- If claiming exemptions for qualifying parents or grandparents, write the number of qualifying parents or grandparents claimed on the **front** of the return. On page 1 of the return, also write each parent's or grandparent's name, relationship, SSN, and the number of months that he or she lived in your home.
- Check the **boxes** to make sure you filled in all required boxes.
- If you requested a filing extension, make sure that you check box **82F** on page 1 of the return.
- Sign your return and have your spouse sign, if filing jointly.

- Write your SSN and tax year on the front of your check. Include your check with your return.

The Department of Revenue may charge you \$25 for a check returned unpaid by your financial institution.

- Include **all** required documents.
  1. Include Form(s) W-2 after the last page of your return.
  2. If you are claiming a property tax credit, include a completed Form 140PTC and all required documents.
- Do not send correspondence with your return.

### Mailing Your Return

If you are mailing your return, make a copy of your return before mailing. Also, make a copy of any schedules that you are sending in with your return. Keep the copies for your records. Be sure that you file the original and not a copy.

To avoid delays, if you are mailing more than one return, please use separate envelopes for each return.

### Where Should I Mail My Return?

If you are **sending a payment** with this return, mail the return to:

Arizona Department of Revenue  
PO Box 52016  
Phoenix, AZ 85072-2016

If you are **expecting a refund, or owe no tax, or owe tax but are not sending a payment**, mail the return to:

Arizona Department of Revenue  
PO Box 52138  
Phoenix, AZ 85072-2138

### Make sure you put enough postage on the envelope

The U.S. Post Office or United States mail service must postmark your return or extension request by midnight April 18, 2017.

The term "United States mail" includes any private delivery service designated by the United States Secretary of the Treasury pursuant to Internal Revenue Code § 7502(f) and the term "postmark" includes any date recorded or marked by any such designated delivery service.

An income tax return that is mailed to the department is timely filed if it is delivered on or before its due date. Additionally, if the envelope or wrapper containing the return sent through the United States mail bears a postmark of the United States mail and that tax return is delivered to the department after its due date that return will be considered timely filed if all of the following apply:

1. The return was deposited in an official depository of the United States mail;
2. The date of the postmark is no later than the due date;
3. The return was properly addressed; and
4. The return had proper postage.

If the envelope or wrapper containing a return sent through the United States mail bears a private meter postmark made by other than the United States mail, the return is treated as timely filed if both of the following apply:

1. The private meter postmark bears a date on or before the due date for filing; and
2. The return is received no later than the time it would ordinarily have been received from the same point of origin by the same class of U.S. postage. If the return is received by the department within five business days of the private meter postmark date the department will consider this requirement satisfied.

You may also use certain private delivery services designated by the IRS to meet the “timely mailing as timely filed” rule.

**For more information, see the department’s ruling, GTR 16-1, *Timely Filing of Income or Withholding Tax Returns Through the United States Mail.***

### **How Long to Keep Your Return**

You must keep your records as long as they may be needed for the administration of any provision of Arizona tax law. Generally, this means you must keep records that support items shown on your return until the period of limitations for that return runs out.

The period of limitations is the period of time in which you can amend your return to claim a credit or refund or the department can assess additional tax. A period of limitations is the limited time after which no legal action can be brought. Usually, this is four years from the date the return was due or filed.

In some cases, the limitation period is longer than four years. The period is six years from when you file a return if you underreport the income shown on that return by more than 25% (.25). The department can bring an action at any time if a return is false or fraudulent, or you do not file a return. To find out more about what records you should keep, get federal Publication 552.

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### **Where is my Refund?**

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You can check on your refund by visiting [www.azdor.gov](http://www.azdor.gov) or [AZTaxes.gov](http://AZTaxes.gov) and clicking on “Where’s my refund?” or you may call one of the numbers listed on page 1 of these instructions. Before you call, be sure to have a copy of your 2016 tax return on hand. You will need to know your SSN, your filing status and your 5-digit ZIP Code.

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### **Contacting the Department**

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Your tax information on file with the department is confidential. If you want the department to discuss your tax matters with someone other than yourself, you must authorize the department to release confidential information to that person. You may use Arizona Form 285 to authorize the department to release confidential information to your appointee. See Form 285 for details.

**HOW MUCH INCOME CAN YOU HAVE AND PAY NO TAXES?**

**EXAMPLES:**

You still have to file a return, but you pay no taxes if your income is less than the levels shown in the chart below. **\*For purposes of this chart, “income” means Arizona adjusted gross income plus the dependent exemption claimed** (Form 140, page 2, line 42 plus the amount on Form 140, page 2, line 40; or Form 140A, page 1, line 17, plus the amount on Form 140A, page 1, line 15, or Form 140EZ, page 1, line 6). *To rely on this chart, you must claim the family income tax credit, if you qualify.*

| FILING STATUS        |            |                         |                             |                      |
|----------------------|------------|-------------------------|-----------------------------|----------------------|
| NUMBER OF DEPENDENTS | SINGLE     | MARRIED FILING SEPARATE | UNMARRIED HEAD OF HOUSEHOLD | MARRIED FILING JOINT |
| 0                    | \$ 8,748   | \$ 8,748                | N/A                         | \$ 17,488            |
| 1                    | (A) 10,000 | 10,568                  | \$ 19,788                   | 20,000               |
| 2                    | 11,818     | 12,868                  | 20,135                      | 23,600               |
| 3                    | 14,118     | 15,168                  | 23,800                      | 27,300               |
| 4                    | 16,418     | 17,468                  | 25,200                      | (C) 31,000           |
| 5                    | 18,718     | 19,768                  | (B) 26,575                  | 31,000               |

|                           | (A) single,<br>\$10,000 income*,<br>one dependent | (B) unmarried head of household,<br>\$26,575 income*,<br>five dependents | (C) married filing joint,<br>\$31,000 income*,<br>four dependents |
|---------------------------|---|--|---|
| Income*                   | \$ 10,000   | \$ 26,575  | \$ 31,000   |
| less: Dependent exemption | -2,300  | -11,500  | -9,200  |
| Standard deduction        | -5099   | -10,189  | -10,189   |
| Personal exemption        | -2,100  | -4,200   | -6,300  |
| Net taxable income        | \$ 501  | \$ 786   | \$ 5,311  |
| Tax (optional tax table)  | \$ 14   | \$ 17  | \$ 138  |
| less: Family tax credit   | -80   | -240   | -240  |
| <b>Tax owed</b>           | <b>\$ 0</b>                                       | <b>\$ 0</b>  | <b>\$ 0</b>   |

\*For purposes of these examples, “income” means Arizona adjusted gross income plus the dependent exemption claimed.

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DO NOT STAPLE ANY ITEMS TO THE RETURN.

Arizona Form 140EZ

Resident Personal Income Tax Return (EZ Form)

FOR CALENDAR YEAR 2016

1 Your First Name and Middle Initial Last Name Your Social Security Number
1 Spouse's First Name and Middle Initial (if box 4 is checked) Last Name Spouse's Social Security No.
2 Current Home Address - number and street, rural route Apt. No. Daytime Phone (with area code)
3 City, Town or Post Office State ZIP Code Last Names Used in Last Four Prior Year(s) (if different)

82F Check box 82F if filing under extension



You must use Arizona Form 140 if:

- Your Arizona taxable income on line 8 is \$50,000 or more.
You are claiming estimated payments.
You are taking a subtraction for:
- active duty military pay
- wages earned on Indian reservation(s)

REVENUE USE ONLY. DO NOT MARK IN THIS AREA.

88

81 PM

80 RCVD

FILING STATUS: Check one box.

- 4 Married filing joint return
5 Single

Table with 3 columns: Line number, Description, Amount. Lines 6-17 including Federal adjusted gross income, deductions, Arizona taxable income, tax due, and overpayment/refund.

98

- C Checking or
S Savings

ROUTING NUMBER

ACCOUNT NUMBER

Under penalties of perjury, I declare that I have read this return and any documents with it, and to the best of my knowledge and belief, they are true, correct and complete.

PLEASE SIGN HERE

YOUR SIGNATURE DATE OCCUPATION

SPOUSE'S SIGNATURE DATE SPOUSE'S OCCUPATION

PAID PREPARER'S SIGNATURE DATE FIRM'S NAME (PREPARER'S IF SELF-EMPLOYED)

PAID PREPARER'S STREET ADDRESS PAID PREPARER'S TIN

PAID PREPARER'S CITY STATE ZIP CODE PAID PREPARER'S PHONE NUMBER

- If you are sending a payment with this return, mail to: Arizona Department of Revenue, PO Box 52016, Phoenix, AZ 85072-2016. Include the payment with Form 140EZ.
If you are expecting a refund or owe no tax, or owe tax but are not sending a payment, mail to: Arizona Department of Revenue, PO Box 52138, Phoenix, AZ 85072-2138.

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**2016 Resident Personal Income Tax Return (EZ Form)**

**For information or help, call one of the numbers listed:**

Phoenix (602) 255-3381  
From area codes 520 and 928, toll-free (800) 352-4090

**Tax forms, instructions, and other tax information**

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

**Income Tax Procedures and Rulings**

These instructions may refer to the department's income tax procedures or rulings for more information. To view or print these, go to our website and click on *Legal Research* then click on *Procedures* or *Rulings* and select a tax type from the drop down menu.

**Publications**

To view or print the department's publications, go to our website and click on *Publications*.

***e-file* Leave the Paper Behind - *e-file!***

- **Quicker Refunds**
- **Accurate**
- **Proof of Acceptance**
- **Free \*\***

No more paper, math errors, or mailing delays if you *e-file!*

Get your refund quicker with direct deposit option.

*E-file* today, pay by April 18, 2017 to avoid penalties and interest.

*E-file* through an Authorized IRS/DOR *e-file* provider or by using your personal computer and the Internet.

Visit our website at [www.azdor.gov](http://www.azdor.gov) for a listing of approved *e-file* providers and on-line filing sources.

\*\* For free *e-file* requirements, go to our website.

**Who Can Use Form 140EZ?**

You can use Form 140EZ to file for 2016 if **all** of the following apply to you:

- You are single, or if married, you and your spouse are filing a joint return.
- You (and your spouse, if married filing a joint return) are full year residents of Arizona.
- You (and your spouse, if married filing a joint return) were under age 65 and not blind at the end of 2016.
- You are not claiming any dependents.
- You are not claiming an exemption for a qualifying parent or grandparent.
- You are not making any adjustments to income.
- You do not itemize deductions.
- You are not making voluntary gifts through means of a refund check-off.

- Your Arizona taxable income is less than \$50,000, regardless of your filing status.
- The **only** tax credits you are claiming are the:
  - Family Income Tax credit, and/or
  - Increased Excise Tax Credit

**NOTE:** *Do not use Form 140EZ if you are an active duty military member. You may subtract all of your active duty military pay included in your federal adjusted gross income, but you cannot do this on Form 140EZ. To take this subtraction, you must file your 2016 return using Arizona Form 140. For more information, see Form 140 instructions.*

**Do You Have to File?**

| <b>Arizona Filing Requirements</b><br>These rules apply to all Arizona taxpayers |   |                                   |
|--|---|-----------------------------------|
| You must file if you are:  | and your Arizona adjusted gross income is at least: | or your gross income is at least: |
| • Single   | \$ 5,500  | \$15,000                          |
| • Married filing joint   | \$11,000  | \$15,000                          |
| • Married filing separate  | \$ 5,500  | \$15,000                          |
| • Head of household  | \$ 5,500  | \$15,000                          |

If you are an Arizona resident, you must report income from **all** sources. This includes out-of-state income.

To see if you have to file, figure your gross income the same as you would figure your gross income for federal income tax purposes. Then, you should exclude income Arizona law does not tax.

Income Arizona law does not tax includes the following:

- interest from U.S. Government obligations,
- social security retirement benefits received under Title II of the Social Security Act,
- benefits received under the Railroad Retirement Act, tier 1 or tier 2 railroad retirement benefits, railroad disability benefits reported on federal forms RRB-1099 and RRB-1099-R, railroad unemployment benefits and railroad sickness payments paid by the Railroad Retirement Board, or
- pay received for service as a member of the Reserves, National Guard or the U.S. Armed Forces

If you use this form, your Arizona adjusted gross income is the same as your federal adjusted gross income that you entered on line 6.

**NOTE:** *Even if you do not have to file, you must still file a return to get a refund of any Arizona income tax withheld.*

## Do You Have to File if You Are an American Indian?

You must file if you meet the Arizona filing requirements unless **all** the following apply to you:

- You are an enrolled member of an Indian tribe.
- You live on the reservation established for that tribe.
- You earned **all** of your income on that reservation.

Enrolled members of American Indian tribes that must file a return may subtract wages earned while living and working on their tribe's reservation. **If you are eligible to subtract these wages, you must file Arizona Form 140.** In this case, do not file Form 140EZ.

For more information on the Arizona tax treatment of American Indians, see the department's ruling is ITR 96-4, *Income Taxation of Indians and Spouses*.

## Do You Have to File if You Are the Spouse of an American Indian and You Are Not an Enrolled Indian?

You must file if you meet the Arizona filing requirements. For more information on the tax treatment of spouses of American Indians, see the department's ruling, ITR 96-4, *Income Taxation of Indians and Spouses*.

## Do You Have to File if You Are in the Military?

You must file if you meet the Arizona filing requirements unless **all** the following apply to you:

- You are an active duty member of the United States armed forces.
- Your only income for the taxable year is pay received for active duty military service.
- There was no Arizona tax withheld from your active duty military pay.

If Arizona tax was withheld from your active duty military pay, you must file an Arizona income tax return to claim any refund you may be due from that withholding.

You must also file an Arizona income tax return if you have any other income besides pay received for active duty military service.

If you are an Arizona resident and you have to file an Arizona return, you should file using Form 140. If you were an Arizona resident when you entered the service, you remain an Arizona resident, no matter where stationed, until you establish a new domicile.

As an Arizona resident, you must report all of your income, no matter where stationed. You must include your military pay, but using Form 140, you may subtract all pay received for active duty military service; to the extent it is included in your federal adjusted gross income.

If you are **not** an Arizona resident, but stationed in Arizona, the following applies to you:

- You are not subject to Arizona income tax on your military pay.
- You must report any other income you earn in Arizona. Use Arizona Form 140NR, *Nonresident Personal Income Tax Return*, to report this income.

To find out more, see the department's publication, Pub. 704, *Taxpayers in the Military*.

## Residency Status

If you are not sure if you are an Arizona resident for state income tax purposes, we may be able to help. For help on determining residency status, see the department's procedure, ITP 92-1, *Procedure For Determining Residency Status*.

### Residents

You are a resident of Arizona if your domicile is in Arizona. Domicile is the place where you have your permanent home. It is where you intend to return if you are living or working temporarily in another state or country. If you leave Arizona for a temporary period, you are still an Arizona resident while gone. A resident is subject to tax on all income no matter where the income is earned.

### Part-Year Residents

If you are a part-year resident, you must file Arizona Form 140PY, *Part-Year Resident Personal Income Tax Return*. You are a part-year resident if you did either of the following during 2016:

- You moved into Arizona with the intent of becoming a resident.
- You moved out of Arizona with the intent of giving up your Arizona residency.

### Nonresidents

If you are a nonresident, you must file Arizona Form 140NR, *Nonresident Personal Income Tax Return*.

## What if a Taxpayer Died?

If a taxpayer died before filing a return for 2016, the taxpayer's spouse or personal representative may have to file and sign a return for that taxpayer. A personal representative can be an executor, administrator, or anyone who is in charge of the deceased taxpayer's property.


If the deceased taxpayer did not have to file a return but had tax withheld, a return must be filed to get a refund.

The person who files the return should use the form the taxpayer would have used. The person who files the return should print the word "deceased" after the decedent's name in the address section of the form. Also enter the date of death after the decedent's name.

If your spouse died in 2016 and you did not remarry in 2016, or if your spouse died in 2017 before filing a return for 2016, you may file a joint return. If your spouse died in 2016, the joint return should show your spouse's 2016 income before death and your income for all of 2016. If your spouse died in 2017, before filing the 2016 return, the joint return should show all of your income and all of your spouse's income for 2016. Print "Filing as surviving spouse" in the area where you sign the return. If someone else is the personal representative, he or she must also sign the return.

## Are Any Other Returns Required?

You may also have to file a fiduciary income tax return (Form 141AZ). For details about filing a fiduciary income tax return, call the department at (602) 255-3381.

| <b><u>DIRECT DEPOSIT</u></b>  | <b><u>DIRECT PAYMENT</u></b>                                    |
|---|---|
| <b>FAST</b>   | <b>FAST</b>   |
| -- e-file Refunds are fast*   | -- e-file and e-pay in a single step                            |
| <b>CONVENIENT</b>   | <b>CONVENIENT</b>   |
| -- No extra trips to the bank   | -- You choose the payment date*                                 |
| <b>SECURE</b>   | <b>SECURE</b>   |
| -- No lost or forged checks   | -- Payment data is safeguarded along with other tax information |
|  |   |
| <small>*PAYMENT DATE CANNOT BE LATER THAN THE APRIL DEADLINE.</small>             |   |

## Claiming a Refund for a Deceased Taxpayer

If you are claiming a refund for a deceased taxpayer, you **must** complete Arizona Form 131, *Claim for Refund on Behalf of Deceased Taxpayer*. Place this form on top of the return.

## What Are the Filing Dates and Penalties?

### When Should You File?

Your 2016 calendar year tax return is due no later than midnight, April 18, 2017. File your return as soon as you can after January 1, but no later than April 18, 2017.

**NOTE:** Because April 15, 2017, falls on a Saturday, and District of Columbia Emancipation Day will be observed on April 17, 2017, you have until Tuesday April 18, 2017, to file your return.

### What if You Cannot File on Time?

You may request an extension if you know you will not be able to file on time.

**NOTE:** An extension does not extend the time to pay your income tax. For details, see the instructions for Arizona Form 204.

### To get a filing extension, you can either:

1. Apply for a state extension (Arizona Form 204). To apply for a state extension, file Arizona Form 204 by April 18, 2017. See Form 204 for details. You do not have to include a copy of the extension with your return when you file, but make sure that you check box **82F** on page 1 of the return. If you must make a payment, use Form 204, or visit [www.AZTaxes.gov](http://www.AZTaxes.gov) to make an electronic payment; or
2. You may use your federal extension (federal Form 4868). File your Arizona return by the same due date. You do not have to include a copy of your federal extension with your return, but make sure that you check box **82F** on page 1 of the return.

**NOTE:** Because October 15, 2017, falls on a Sunday, you have until October 16, 2017, to file your return.

## When Should You File if You Are a Nonresident Alien?

The due date for your Arizona return is not the same as the due date for your federal return. Your Arizona return is due by April 18, 2017, even though your federal return is due on June 15, 2017. If you want to file your Arizona return after April 18, 2017, you must ask for a filing extension. You must file this request by April 18, 2017. Arizona will allow up to a 6-month extension. This will allow you to file your return by October 16, 2017. See Form 204 for extension filing details.

If you have a federal 6-month extension, you can file your Arizona return under that extension. If you file using your federal extension, Arizona will also allow you an extra 6 months.

Because we will allow only 6 months, the due date for your Arizona return is not the same as the due date for your federal return. In this case, your Arizona return will be due by October 16, 2017, even though your federal return will not be due until December 15, 2017. If you file your 2016 Arizona calendar year return after October 16, 2017, your return will be late.

**NOTE:** Because October 15, 2017, falls on a Sunday, you have until October 16, 2017, to file your return.

If you are a fiscal year filer, your return is due on the 15th day of the fourth month following the close of your fiscal year.

## What if You File or Pay Late?

If you file or pay late, we will charge you interest and penalties on the amount you owe. If the U.S. Post Office postmarks your 2016 calendar year return by April 18, 2017, your return will not be late. You may also use certain private delivery services designated by the IRS to meet the “timely mailing as timely filed” rule. For more information, see “Mailing Your Return” at the end of these instructions.

### Late Filing Penalty

If you file late, we will charge you a late filing penalty. This penalty is 4½% (.045) of the tax required to be shown on the return for each month or fraction of a month the return is late. This penalty cannot exceed 25% (.25) of the tax found to be remaining due.

### Late Payment Penalty

If you pay your tax late, we will charge you a late payment penalty. This penalty is ½ of 1% (.005) of the amount shown as tax for each month or fraction of a month for which the failure continues. We charge this penalty from the original due date of the return until the date you pay the tax. This penalty cannot exceed a total of 10% (.10) of the unpaid tax.

### Extension Underpayment Penalty

If you file your return under an extension, you must pay 90% of the tax shown on your return by the return's original due date. If you do not pay this amount, we will charge you a penalty. This penalty is ½ of 1% (.005) of the tax not paid for each 30 day period or fraction of a 30 day period. We charge this penalty from the original due date of the return until the

date you pay the tax. This penalty cannot exceed 25% (.25) of the unpaid tax. If we charge you the extension underpayment penalty, we will not charge you the late payment penalty under Arizona Revised Statutes (A.R.S.) § 42-1125(D).

**NOTE:** *If you are subject to two or more of the above penalties, the total cannot exceed 25%.*

### Interest

We charge interest on any tax not paid by the due date. We will charge you interest even if you have an extension. If you have an extension, we will charge you interest from the original due date until the date you pay the tax. The Arizona interest rate is the same as the federal rate.

## When Should You Amend a Return?

If you need to make changes to your return after you have filed, **do not** file a new return using Form 140EZ for the year you are correcting. You **must** file Arizona Form 140X, *Individual Amended Income Tax Return*. File your amended return after your original return has processed. Generally, you have four years to amend a return to claim a refund.

If you amend your federal return for any year, you must also file an Arizona Form 140X for that year.

If the IRS makes a change to your federal taxable income for any year, you must report that change to Arizona. You must file Form 140X within 90 days of the final determination of the IRS. You may use one of the following two options to report this change.

### Option 1

You may file a Form 140X for that year. If you choose this option, you must amend your Arizona return within 90 days of the final determination of the IRS. Include a complete copy of the federal notice with your Form 140X.

### Option 2

You may file a copy of the final federal notice with the department within 90 days of the final determination of the IRS. If you choose this option, you must include a statement in which you must:

1. Request that the department recompute your tax.
2. Indicate if you agree or disagree with the federal notice.

If you do not agree with the federal notice, you must also include any documents that show why you do not agree.

If you choose option 2, mail the federal notice and any other documents to:

Individual Income Audit  
Arizona Department of Revenue  
PO Box 29084  
Phoenix, AZ 85038-9084

## Line-by-Line Instructions

### Tips for Preparing Your Return

- Make sure that you write your SSN on your return.
- Complete your return using black ink.
- You **must** round dollar amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar; if less than 50 cents, round down. Do not enter cents.

- You must complete your federal return before you can start your Arizona return.
- Make sure you include your daytime telephone number.

## Entering Your Name, Address, and SSN

### Lines 1, 2, and 3 -

*Please make sure that you write in your social security number (SSN) on the appropriate line.*

Print or type your name, address, and SSN in the space provided. If you are filing a joint return, enter your SSNs in the same order as your names. *If your name appears first on the return, make sure your SSN is the first number listed.*

If you are a nonresident of the United States or a resident alien who does not have an SSN use the individual taxpayer identification number (ITIN) the IRS issued to you.

**NOTE:** *Make sure your SSN is correct. If you are filing a joint return, also make sure you list your SSNs in the same order every year.*

Make sure that you enter your SSN on your return. Make sure that all SSNs are clear and correct. You may be subject to a penalty if you fail to include your SSN. It will take longer to process your return if SSNs are missing, incorrect, or unclear. Use your current home address. The department will mail your refund or correspond with you at that address.

For a deceased taxpayer, see page 2 of these instructions.

### Foreign Addresses

If you have a foreign address, enter the information in the following order: city, province or state, and country. Follow the country's practice for entering the postal code. Do not abbreviate the country name.

### Last Name(s) Used in Prior Years

If the last name that you or your spouse are using on this return is not the same as the last name you used on returns filed for the last 4 years. Enter any other last name(s) that you or your spouse used when filing your return during the last 4 years.

### Identification Numbers for Paid Preparers

If you pay someone else to prepare your return, that person must also include an identification number where requested.

A paid preparer may use any of the following:

- his or her PTIN,
- his or her SSN, or
- the EIN for the business.

A paid preparer who fails to include the proper identification number may be subject to a penalty.

## Your Filing Status

If you qualify as married for federal purposes, you qualify as married for Arizona purposes and must file using the status of either married filing joint or married filing separate. If you are married and filing a separate return, you cannot use Form 140EZ.

**Box 4 - Married Filing Joint Return**

If you are married and filing a joint return, check box 4. You may file a joint return if you were married as of December 31, 2016. It does not matter whether or not you were living with your spouse. You may file a joint return, even if you and your spouse filed separate federal returns. You may file a joint return if your spouse died during 2016 and you did not remarry in 2016. See page 2 of these instructions for details.

**Box 5 - Single Return**

If you are filing as single, check box 5. Use this filing status if you were single on December 31, 2016. You are single if any of the following apply to you:

- You have never been married.
- You are legally separated under a decree of divorce or of separate maintenance.
- You were widowed before January 1, 2016, and you did not remarry in 2016, and you do not qualify to file as a qualifying widow or widower with dependent children on your federal return.

**NOTE:** *If you got divorced during the year and need help completing your return, see the department's ruling, ITR 14-2, Reporting Income, Deductions, Exemptions, and Withholding for Divorced Individuals for the Year of Divorce; and publication, Pub. 200, Income Tax Issues Affecting Married and Divorced Taxpayers.*

**Income**

**Line 6 - Federal Adjusted Gross Income**

You must complete your federal return before you enter an amount on line 6. You must complete a 2016 federal return to figure your federal adjusted gross income. You must complete a federal return even if you do not have to file a federal return. Arizona uses federal adjusted gross income as a starting point to determine Arizona taxable income. Your federal adjusted gross income is your Arizona gross income.

**NOTE:** *Be sure to use your federal adjusted gross income and not your federal taxable income.*

**Figuring Your Tax**

**Line 7 - Standard Deduction and Personal Exemption**

| If your filing status is: | Your total standard deduction and personal exemption amount is: |
|---------------------------|---|
| Married filing jointly    | \$ 14,389   |
| Single                    | \$ 7,199  |


**Line 8 - Arizona Taxable Income**

Subtract line 7 from line 6 and enter the difference. If less than zero, enter "0". Use this amount to find your tax using the *Optional Tax Tables*.

**Line 9 - Tax Amount**

Enter the tax from the *Optional Tax Tables*.

**Line 10 - Family Income Tax Credit**

 *e-file* software will let you know if you are eligible and will figure the credit for you.

**NOTE:** *The family income tax credit will only reduce your tax and cannot be refunded.*

You may take this credit if your income does not exceed the maximum income allowed for your filing status.

If you are married filing a joint return with no dependents, you may take this credit if the amount on Form 140EZ, line 6, is \$20,000 or less.

If you are single with no dependents, you may take this credit if the amount on Form 140EZ, line 6, is \$10,000 or less. You may qualify for this credit even if your parents can claim you as a dependent on their income tax return. To figure your credit, complete the following worksheet.

| Family Income Tax Credit Worksheet  |   |           |  |     |    |
|---|---|-----------|--|-----|----|
| If you checked filing status 4, is the amount on Form 140EZ, page 1, line 6, \$20,000 or less?<br><br>If you checked filing status 5, is the amount on Form 140EZ, page 1, line 6, \$10,000 or less?<br><br><b>If you checked no, STOP.</b> You do not qualify for this credit.<br><br>If you checked yes, complete the rest of this worksheet. | <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="2" style="text-align: center;">Check one</th> </tr> <tr> <td style="width: 50%; text-align: center;">Yes</td> <td style="width: 50%; text-align: center;">No</td> </tr> </table> | Check one |  | Yes | No |
| Check one   |   |           |  |     |    |
| Yes   | No  |           |  |     |    |
| If you checked filing status 4 (married filing jointly), enter \$80 here. If you checked filing status 5 (single), enter \$40 here. Also enter this amount on Form 140EZ, page 1, line 10.  | \$  |           |  |     |    |

**Line 11 - Balance of Tax**

Subtract line 10 from line 9. If line 10 is more than line 9, enter zero, "0".

**Payments**

**Line 12 - 2016 Arizona Income Tax Withheld**

Enter the Arizona income tax withheld shown on the Form(s) W-2 from your employer. Include the Form(s) W-2 after the last page of your return.

**NOTE:** *You should receive your Form(s) W-2 no later than January 31. If you did not receive a Form W-2 or you think your Form W-2 is wrong, contact your employer.*

**Line 13 - 2016 Arizona Extension Payment (Form 204)**

Use this line to report the payment you sent with your extension request or the electronic extension payment you made using [www.AZTaxes.gov](http://www.AZTaxes.gov).

**Line 14 - Increased Excise Tax Credit**

You may take this credit if you meet **all** of the following:

- You have a SSN that is valid for employment.
- You meet the income threshold for your filing status.
  - If you are married filing a joint return, you may take this credit if the amount on Form 140EZ, page 1, line 6, is \$25,000 or less.
  - If you are single, you may take this credit if the amount on Form 140EZ, page 1, line 6, is \$12,500 or less.
- You are not claimed as a dependent by any other taxpayer.
- You were not sentenced for at least 60 days of 2016 to a county, state or federal prison.

**NOTE:** *If you are filing a joint return with your spouse, and your spouse was sentenced for at least 60 days during 2016 to a county, state or federal prison, you may claim the Excise Tax Credit if you otherwise qualify to claim the credit, but you cannot claim the credit for your spouse. If your spouse has a valid SSN, but you do not, neither you nor your spouse can claim this credit.*

For more information about how incarceration affects this credit, see the department’s publication, Pub. 709, *Excise Tax Credit – How Does Incarceration Affect Eligibility*. If you are married filing a joint return, you may also claim a credit for your spouse if your spouse has either a valid SSN or an ITIN.

If you also claim a credit for qualifying children, your qualifying children must have either a valid SSN or an ITIN.

To figure your credit, complete the following worksheet.

| <b>Credit for Increased Excise Taxes Worksheet</b>   |  |     |
|--|--|-----|
| If you checked filing status 4, is the amount on Form 140EZ, page 1, line 6, \$25,000 or less?<br><br>If you checked filing status 5, is the amount on Form 140EZ, page 1, line 6, \$12,500 or less?<br><br><b>If you checked no, STOP.</b> You do not qualify for this credit. If you checked yes, complete the rest of this worksheet. | <b>Check one</b>   |     |
|  | <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: center;">Yes</td> <td style="width: 50%; text-align: center;">No</td> </tr> </table> | Yes |
| Yes  | No   |     |
| If you checked filing status 4 (married filing jointly), enter \$50 here. If you checked filing status 5 (single), enter \$25 here. Also enter this amount on Form 140EZ, page 1, line 14.   | \$   |     |

**NOTE:** *The credit cannot exceed \$100 per household. Do not claim this credit if someone else in your household has already claimed \$100 of the credit. If someone else in your household has claimed less than \$100, you may claim the credit as long as all credit claims filed from your household do not exceed \$100.*

**Line 15 – Total Payments/Credits**

Add lines 12 through 14. Enter the total.

**Tax Due or Overpayment**

**Line 16 - Tax Due**

If line 11 is more than line 15, subtract line 15 from line 11 and enter the amount of tax due. Skip line 17. You may pay only with a check, electronic check, money order, or credit card.

**Check or money order**

**NOTE:** Include your check or money order with your return. *Do not send cash.*

Make your check payable to Arizona Department of Revenue. Write your SSN and tax year on the front of your check or money order. The department cannot accept checks or money orders in foreign currency. You must make payment in U.S. dollars.

**Electronic payment from your checking or savings account**

You can make an electronic payment from your checking or savings account to pay your balance due for 2016. There is no fee to use this method. To make an electronic payment, go to [www.AZTaxes.gov](http://www.AZTaxes.gov) and click on the “Make a Payment” link.

Be sure to enter the correct routing number and account number for your checking or savings account. You will be charged a \$25 NSF (non-sufficient funds) fee if you provide an incorrect routing number or an incorrect account number. Check with your financial institution to get the correct routing and account numbers.

The “E-Check” option in the “Payment Method” drop-down box will debit the amount from the checking or savings account that you specify. If you make an electronic payment from your checking or savings account, you will receive a confirmation number. **Please keep this confirmation number as proof of payment.**

**NOTE:** *You may not make an electronic payment from your checking or savings account if the payment will ultimately be coming from a foreign account. In this case, you must pay by check or money order.*

**Credit card payment**

You can pay with your Discover, MasterCard, Visa, or American Express credit card. Go to [www.AZTaxes.gov](http://www.AZTaxes.gov) and click on the “Make a Payment” link, and choose the credit card option. This will take you to a third party vendor site (provider). The provider **will charge** you a convenience fee based on the amount of your tax payment. The provider will tell you what the fee is during the transaction; you will have the option to continue or cancel the transaction. If you complete the credit card transaction, you will receive a confirmation number. **Please keep this confirmation number as proof of payment.**



## Installment Payments

If you cannot pay the full amount shown on line 16 when you file, you may ask to make monthly installment payments. To make this request, complete Arizona Form 140-IA, *Individual Income Tax Installment Agreement Request*, and mail the completed form to the address on the Form 140-IA. **Do not mail Form 140-IA with your income tax return.** You may obtain this form from our website at [www.azdor.gov](http://www.azdor.gov).

If you cannot pay the full amount shown on line 16, you will be charged interest and may be charged a late payment penalty on the tax not paid by April 18, 2017. To limit the interest and penalty charges, pay as much of the tax as possible when you file.

## Line 17 –Overpayment/Refund

If line 15 is more than line 11, subtract line 11 from line 15. If you owe money to any Arizona state agency, court, county, incorporated city or town and certain federal agencies, your refund may go to pay some of the debt. If so, the department will let you know by letter.

**TAX TIP:** *If you change your address before you get your refund, let the department know. Write to: Refund Desk, Arizona Department of Revenue, PO Box 29216, Phoenix AZ 85038-9216. Make sure that you include your SSN in your letter.*

## Direct Deposit of Refund

Complete the direct deposit line if you want us to directly deposit the amount shown on line 17 into your account at a bank or other financial institution (such as a mutual fund, brokerage firm or credit union) instead of sending you a check. Be sure to check the box if the direct deposit will ultimately be placed in a foreign account.

**NOTE:** *Check the box on line 17A if the direct deposit will ultimately be placed in a foreign account. If you check box 17A, do not enter your routing or account numbers. If this box is checked, we will not direct deposit your refund. We will send you a check instead.*

## Why Use Direct Deposit?

- You will get your refund fast – even faster if you e-file!
- Payment is more secure since there is no check to get lost.
- It is more convenient. No trip to the bank to deposit your check.
- It saves tax dollars. A refund by direct deposit costs less to process than a check.

**NOTE:** *We are not responsible for a lost refund if you enter the wrong account information. Check with your financial institution to get the correct routing and account numbers and to make sure your direct deposit will be accepted.*

## Routing Number

**MAKE SURE YOU ENTER THE CORRECT ROUTING NUMBER.**

The routing number must be nine digits. The first 2 digits must be 01 through 12 or 21 through 32. Otherwise, the direct deposit will be rejected and a check sent instead. On the following sample check, the routing number is 250250025.

Your check may state that it is payable through a financial institution different from the one at which you have your checking account. If so, **do not** use the routing number on that check. Instead, contact your financial institution for the correct routing number to enter here.

## Account Number

**MAKE SURE YOU ENTER THE CORRECT ACCOUNT NUMBER.**

The account number can be up to 17 characters (both numbers and letters). **DO NOT** include hyphens, spaces or special symbols. Enter the number from left to right and leave any unused boxes blank. On the sample check, the account number is 20202086. Be sure **not** to include the check number.

## Sample Check

JOHN DOE OR JANE DOE  
123 First Street  
Sometown, AZ 00000

PAY TO THE ORDER OF \_\_\_\_\_ \$ \_\_\_\_\_

THIS BANK Sometown, AZ 00000

For \_\_\_\_\_

Routing Number: 250250025  
Account Number: 20202086  
Check Number: 1234

**Do not include the check number.**

**Note:** *The routing and account numbers may be in different places on your check.*

**NOTE:** *If the direct deposit is rejected, a check will be mailed instead.*

## Sign Your Return

You must sign your return. If married filing a joint return, both you and your spouse must sign, even if only one had income. Form 140EZ is not considered a valid return unless you sign it.

The department cannot send a refund check if you, and your spouse if married filing jointly, fail to sign the return.

## Instructions Before Mailing

- **DO NOT STAPLE YOUR RETURN OR ANY SCHEDULE, FORM OR PAYMENT TO YOUR RETURN.**
- Make sure your **NAME** is on the return.
- Make sure your **SSN** is on your return.
- Be sure you enter your daytime telephone number in the space provided on the front of your return.
- Check to make sure that your math is correct. A math error can cause delays in processing your return.
- Do not send correspondence with your return.
- Check the boxes to make sure you filled in all required boxes.
- Sign your return and have your spouse sign, if filing jointly.
- Include all required documents. Include Form(s) W-2 after the last page of your return.
- Write your SSN and tax year on the front of your check.

The department may charge you \$25 for a check returned unpaid by your financial institution.

## Mailing Your Return

If you are mailing your return, make a copy of your return before mailing. Keep the copy for your records. Be sure that you mail the original and not a copy. **To avoid delays, please use separate envelopes for each return.**

### Where Should I Mail My Return?

If you are **expecting a refund, or owe no tax, or owe tax but are not sending a payment**, mail the return to:

Arizona Department of Revenue  
PO Box 52138  
Phoenix, AZ 85072-2138

If you are **sending a payment** with this return, mail the return to:

Arizona Department of Revenue  
PO Box 52016  
Phoenix, AZ 85072-2016

### Make Sure You Put Enough Postage on the Envelope.

The U.S. Post Office or United States mail service must postmark your return or extension request by midnight April 18, 2017.

The term "United States mail" includes any private delivery service designated by the United States Secretary of the Treasury pursuant to Internal Revenue Code § 7502(f) and the term "postmark" includes any date recorded or marked by any such designated delivery service.

An income tax return that is mailed to the department is timely filed if it is delivered on or before its due date. Additionally, if the envelope or wrapper containing the return sent through the United States mail bears a postmark of the United States mail and that tax return is delivered to the department after its due date that return will be considered timely filed if all of the following apply:

1. The return was deposited in an official depository of the United States mail;
2. The date of the postmark is no later than the due date;
3. The return was properly addressed; and
4. The return had proper postage.

If the envelope or wrapper containing a return sent through the United States mail bears a private meter postmark made by other than the United States mail, the return is treated as timely filed if both of the following apply:

1. The private meter postmark bears a date on or before the due date for filing; and
2. The return is received no later than the time it would ordinarily have been received from the same point of origin by the same class of U.S. postage. If the return is received by the department within five business days of the private meter postmark date the department will consider this requirement satisfied.

You may also use certain private delivery services designated by the IRS to meet the "timely mailing as timely filed" rule.

For more information, see the department's ruling, GTR 16-1, *Timely Filing of Income or Withholding Tax Returns Through the United States Mail*.

### How Long to Keep Your Return

You must keep your records as long as they may be needed for the administration of any provision of Arizona tax law. Generally, this means you must keep records that support items shown on your return until the period of limitations for that return runs out. The period of limitations is the period of time in which you can amend your return to claim a credit or refund or the department can assess additional tax. A period of limitations is the limited time after which no legal action can be brought. Usually, this is four years from the date the return was due or filed.

In some cases, the limitation period is longer than four years. The period is six years from when you file a return if you underreport the income shown on that return by more than 25% (.25). The department can bring an action at any time if a return is false or fraudulent, or you do not file a return. To find out more about what records you should keep, get federal Publication 552.

### Where's My Refund?

You can check on your refund by visiting [www.azdor.gov](http://www.azdor.gov) or [AZTaxes.gov](http://AZTaxes.gov) and clicking on "Where's my refund?" or you may call one of the numbers listed on page 1 of these instructions. Before you call, be sure to have a copy of your 2016 tax return on hand. You will need to know your SSN, your filing status and your 5-digit ZIP Code.

### Contacting the Department

Your tax information on file with the department is confidential. If you want the department to discuss your tax matters with someone other than yourself, you must authorize the department to release confidential information to that person. You may use Arizona Form 285, to authorize the department to release confidential information to your appointee. See Form 285 for details.

## HOW MUCH INCOME CAN YOU HAVE AND PAY NO TAXES? EXAMPLES

You still have to file a return, but you pay no taxes if your income is less than the levels shown in the chart below. **For purposes of this chart, “income” means Arizona adjusted gross income plus the dependent exemption claimed** (Form 140, page 2, line 42 plus the amount on Form 140, page 2, line 40; or Form 140A, page 1, line 17, plus the amount on Form 140A, page 1, line 15; or Form 140EZ, page 1, line 6). **To rely on this chart, you must claim the family income tax credit, if you qualify.** For purposes of this chart, “income” means Arizona adjusted gross income plus the dependent exemption claimed.

| FILING STATUS             |   |  |   |                      |
|---------------------------|---|--|---|----------------------|
| NUMBER OF DEPENDENTS      | SINGLE  | MARRIED FILING SEPARATE  | UNMARRIED HEAD OF HOUSEHOLD                                       | MARRIED FILING JOINT |
| 0                         | \$ 8,748  | \$ 8,748   | N/A   | \$ 17,488            |
| 1                         | (A) 10,000  | 10,568   | \$ 19,788   | 20,000               |
| 2                         | 11,818  | 12,868   | 20,135  | 23,600               |
| 3                         | 14,118  | 15,168   | 23,800  | 27,300               |
| 4                         | 16,418  | 17,468   | 25,200  | (C) 31,000           |
| 5                         | 18,718  | 19,768   | (B) 26,575  | 31,000               |
|                           | (A) single,<br>\$10,000 income*,<br>one dependent | (B) unmarried head of household,<br>\$26,575 income*,<br>five dependents | (C) married filing joint,<br>\$31,000 income*,<br>four dependents |                      |
| Income*                   | \$ 10,000   | \$ 26,575  | \$ 31,000   |                      |
| less: Dependent exemption | -2,300  | -11,500  | -9,200  |                      |
| Standard deduction        | -5,099  | -10,189  | -10,189   |                      |
| Personal exemption        | -2,100  | -4,200   | -6,300  |                      |
| Net taxable income        | \$ 501  | \$ 686   | \$ 5,311  |                      |
| Tax (optional tax table)  | \$14  | \$17   | \$ 138  |                      |
| less: Family tax credit   | -80   | -240   | -240  |                      |
| <b>Tax owed</b>           | <b>\$ 0</b>                                       | <b>\$ 0</b>  | <b>\$ 0</b>   |                      |

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DO NOT STAPLE ANY ITEMS TO THE RETURN.

Arizona Form 140PY

Part-Year Resident Personal Income Tax Return

FOR CALENDAR YEAR

2016

82F Check box 82F if filing under extension OR FISCAL YEAR BEGINNING [M,M,D,D] 2,0,1,6 AND ENDING [M,M,D,D] 2,0,Y,Y. 66F

1 Your First Name and Middle Initial Last Name Enter your SSN(s) Your Social Security Number

1 Spouse's First Name and Middle Initial (if box 4 or 6 checked) Last Name Spouse's Social Security No.

2 Current Home Address - number and street, rural route Apt. No. Daytime Phone (with area code) 94

3 City, Town or Post Office State ZIP Code Last Names Used in Last Four Prior Year(s) (if different) 97

4 Married filing joint return
5 Head of household: Enter name of qualifying child or dependent on next line:
6 Married filing separate return: Enter spouse's name and Social Security Number above.
7 Single
FILING STATUS

8 Age 65 or over (you and/or spouse)
9 Blind (you and/or spouse)
10 Dependents: Do not include self or spouse.
11 Qualifying parents and grandparents
EXEMPTIONS
If completing lines 8 through 11, also complete lines 48 through 53.
81P PM 80R RCVD

12-13 Residency Status (check one): 12 Part-Year Resident Other than Active Military 13 Part-Year Resident Active Military

Table with 6 columns: (a) FIRST AND LAST NAME, (b) SOCIAL SECURITY NO., (c) RELATIONSHIP, (d) NO. OF MONTHS LIVED IN YOUR HOME IN 2016, (e) if this person did not qualify as a dependent on your federal return, (f) if you did not claim this person on your federal return due to educational credits. Rows 10a, 10b.

Table with 6 columns: (a) FIRST AND LAST NAME, (b) SOCIAL SECURITY NO., (c) RELATIONSHIP, (d) NO. OF MONTHS LIVED IN YOUR HOME IN 2016, (e) if age 65 or over, (f) if died in 2016. Rows 11a, 11b.

14 Dates of Arizona residency: From [M,M,D,D] Y,Y,Y,Y to [M,M,D,D] Y,Y,Y,Y. List other state(s) of residency:
2016 FEDERAL Amount from Federal Return
2016 ARIZONA Amount Only

Main income table with 3 columns: Line number, 2016 FEDERAL Amount, 2016 ARIZONA Amount. Rows 15-38 including Wages, Interest, Dividends, Arizona income tax refunds, Alimony received, Business income, Gains, Rents, Other income, Total income, Federal adjusted gross income, Arizona gross income, Arizona income ratio, Total depreciation, Other Additions to Income, Subtotal, Capital gains, Net capital gain.

Place any required federal and AZ schedules or other documents after Form 140PY.

Dependents

Arizona Income

Additions

Subtractions - cont. on page 2

Your Name (as shown on page 1) \_\_\_\_\_ Your Social Security Number \_\_\_\_\_

|                                  |    |   |    |    |
|----------------------------------|----|---|----|----|
| Subtractions - cont. from page 1 | 39 | Enter the amount from page 1, line 38   | 39 | 00 |
|                                  | 40 | Recalculated Arizona depreciation   | 40 | 00 |
|                                  | 41 | Contributions to 529 College Savings Plans  | 41 | 00 |
|                                  | 42 | Adjustment for I.R.C. §179 expense not allowed  | 42 | 00 |
|                                  | 43 | Interest on U.S. obligations such as U.S. savings bonds and treasury bills                    | 43 | 00 |
|                                  | 44 | Arizona state lottery winnings included as income on your federal return (up to \$5,000 only) | 44 | 00 |
|                                  | 45 | U.S. Social Security or Railroad Retirement Act benefits included in your Arizona income      | 45 | 00 |
|                                  | 46 | Other Subtractions from Income: See instructions and include your own schedule                | 46 | 00 |

|            |    |  |    |    |
|------------|----|--|----|----|
| Exemptions | 47 | Subtract lines 40 through 46 from line 39                                      | 47 | 00 |
|            | 48 | Age 65 or over: Multiply the number in box 8 by \$2,100                        | 48 | 00 |
|            | 49 | Blind: Multiply the number in box 9 by \$1,500                                 | 49 | 00 |
|            | 50 | Dependents: Multiply the number in box 10 by \$2,300                           | 50 | 00 |
|            | 51 | Qualifying parents and grandparents: Multiply the number in box 11 by \$10,000 | 51 | 00 |
|            | 52 | Add lines 48 through 51  | 52 | 00 |

53 Multiply line 52 by the Arizona income ratio on line 28 ..... 53 00  
**54 Arizona adjusted gross income:** Subtract line 53 from line 47 ..... 54 00

|                |    |  |
|----------------|----|--|
| Balance of Tax | 55 | <b>Deductions: Check box and enter amount.</b> See instructions ..... 55 <input type="checkbox"/> ITEMIZED <input type="checkbox"/> STANDARD 55 00 |
|                | 56 | Personal exemptions: See instructions ..... 56 00  |
|                | 57 | Arizona taxable income: Subtract lines 55 and 56 from line 54. If less than zero, enter zero ..... 57 00   |
|                | 58 | Compute the tax using amount from line 57 and Tax Table X or Y ..... 58 00   |
|                | 59 | Tax from recapture of credits from Arizona Form 301, Part 2, line 40 ..... 59 00   |
|                | 60 | Subtotal of tax: Add lines 58 and 59 and enter the total ..... 60 00   |
|                | 61 | Family income tax credit (from the worksheet - see instructions) ..... 61 00   |
|                | 62 | Credits from Arizona Form 301, Part 2, line 76 ..... 62 00   |
|                | 63 | <b>Balance of tax:</b> Subtract lines 61 and 62 from line 60. If the sum of lines 61 and 62 is more than line 60, enter zero ..... 63 00           |

|                                       |    |   |
|---------------------------------------|----|---|
| Total Payments and Refundable Credits | 64 | 2016 AZ income tax withheld ..... 64 00   |
|                                       | 65 | 2016 AZ estimated tax payments. <b>65a</b> <input type="text"/> 00 Claim of Right <b>65b</b> <input type="text"/> 00 Add 65a and 65b. <b>65c</b> 00   |
|                                       | 66 | 2016 AZ extension payment (Form 204) ..... 66 00  |
|                                       | 67 | Increased Excise Tax Credit (from the worksheet - see instructions) ..... 67 00   |
|                                       | 68 | Other refundable credits: Check the box(es) and enter the total amount ..... <b>681</b> <input type="checkbox"/> 308-I <b>682</b> <input type="checkbox"/> 342 <b>683</b> <input type="checkbox"/> 349 <b>68</b> 00 |

|                        |    |   |
|------------------------|----|---|
| Tax Due or Overpayment | 69 | <b>Total payments and refundable credits:</b> Add lines 64 through 68 and enter the total ..... 69 00   |
|                        | 70 | <b>TAX DUE:</b> If line 63 is larger than line 69, subtract line 69 from line 63, and enter amount of tax due. Skip lines 71, 72 and 73 ..... 70 00 |
|                        | 71 | <b>OVERPAYMENT:</b> If line 69 is larger than line 63, subtract line 63 from line 69, and enter amount of overpayment ..... 71 00                   |
|                        | 72 | Amount of line 71 to be applied to 2017 estimated tax ..... 72 00   |

|                 |   |   |
|-----------------|---|---|
| Voluntary Gifts | 74 - 83   | <b>Voluntary Gifts to:</b>                      |
|                 | 74  | Solutions Teams Assigned to Schools ..... 74 00 |
|                 | 75  | Arizona Wildlife ..... 75 00                    |
|                 | 76  | Child Abuse Prevention ..... 76 00              |
|                 | 77  | Domestic Violence Shelter ..... 77 00           |
|                 | 78  | Political Gift ..... 78 00                      |
|                 | 79  | Neighbors Helping Neighbors ..... 79 00         |
| 80              | Special Olympics ..... 80 00  |   |
| 81              | Veterans' Donations Fund ..... 81 00  |   |
| 82              | I Didn't Pay Enough Fund ..... 82 00  |   |
| 83              | Sustainable State Parks and Road Fund ..... 83 00   |   |
| 84              | Political Party (if amount is entered on line 78 - check only one): <b>841</b> <input type="checkbox"/> Democratic <b>842</b> <input type="checkbox"/> Green Party <b>843</b> <input type="checkbox"/> Libertarian <b>844</b> <input type="checkbox"/> Republican |   |

|         |    |  |
|---------|----|--|
| Penalty | 85 | Estimated payment penalty and Arizona Long-Term Health Care Savings Account (AZLTHSA) penalty ..... 85 00  |
|         | 86 | <b>861</b> <input type="checkbox"/> Annualized/Other <b>862</b> <input type="checkbox"/> Farmer or Fisherman <b>863</b> <input type="checkbox"/> Form 221 included <b>864</b> <input type="checkbox"/> AZLTHSA Penalty |
|         | 87 | Add lines 74 through 83 and 85; enter the total ..... 87 00  |

|                       |    |  |
|-----------------------|----|--|
| Refund or Amount Owed | 88 | <b>REFUND:</b> Subtract line 87 from line 73. If less than zero, enter amount owed on line 89 ..... 88 00  |
|                       |    | <b>Direct Deposit of Refund: Check box 88A</b> if your deposit will be ultimately placed in a foreign account; see instructions. <b>88A</b> <input type="checkbox"/>   |
|                       |    | <input checked="" type="checkbox"/> <b>C</b> <input type="checkbox"/> Checking or <input type="checkbox"/> <b>S</b> <input type="checkbox"/> Savings<br>ROUTING NUMBER: [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ]<br>ACCOUNT NUMBER: [ ] |

89 **AMOUNT OWED:** Add lines 70 and 87. Make check payable to Arizona Department of Revenue; write your SSN on payment. **89** 00

**PLEASE SIGN HERE**

Under penalties of perjury, I declare that I have read this return and any documents with it, and to the best of my knowledge and belief, they are true, correct and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

YOUR SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_ OCCUPATION \_\_\_\_\_

SPOUSE'S SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_ SPOUSE'S OCCUPATION \_\_\_\_\_

PAID PREPARER'S SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_ FIRM'S NAME (PREPARER'S IF SELF-EMPLOYED) \_\_\_\_\_

PAID PREPARER'S STREET ADDRESS \_\_\_\_\_ PAID PREPARER'S TIN \_\_\_\_\_

PAID PREPARER'S CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP CODE \_\_\_\_\_ ( ) \_\_\_\_\_ PAID PREPARER'S PHONE NUMBER \_\_\_\_\_

If you are sending a payment with this return, mail to Arizona Department of Revenue, PO Box 52016, Phoenix, AZ 85072-2016.  
If you are expecting a refund or owe no tax, or owe tax but are not sending a payment, mail to Arizona Department of Revenue, PO Box 52138, Phoenix, AZ 85072-2138.

|                                |                             |
|--------------------------------|-----------------------------|
| Your Name (as shown on page 1) | Your Social Security Number |
|--------------------------------|-----------------------------|

## Dependent Information - Continuation Sheet from Page 1 Dependents

Include with your return **only** if listing additional dependents.

Complete this form *only* if you need additional space from page 1 to list your dependents.  
If you do not list **all** dependents claimed on page 1 of your income tax return, you may lose the exemptions.

**Children and other dependents, continued from page 1.**

|     | (a)<br>FIRST AND LAST NAME<br>(Do not list yourself or spouse.) | (b)<br>SOCIAL SECURITY NO. | (c)<br>RELATIONSHIP | (d)<br>NO. OF MONTHS<br>LIVED IN YOUR<br>HOME IN 2016 | (e)<br>✓ if this person<br>did not qualify as a<br>dependent on your<br>federal return | (f)<br>✓ if you did not claim<br>this person on your<br>federal return due to<br>educational credits |
|-----|---|----------------------------|---------------------|---|--|--|
| 10c |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10d |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10e |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10f |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10g |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10h |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10i |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10j |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10k |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10l |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10m |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10n |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10o |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10p |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10q |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10r |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10s |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10t |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |

**Qualifying parents and grandparents, continued from page 1.**

|     | (a)<br>FIRST AND LAST NAME<br>(Do not list yourself or spouse.) | (b)<br>SOCIAL SECURITY NO. | (c)<br>RELATIONSHIP | (d)<br>NO. OF MONTHS<br>LIVED IN YOUR<br>HOME IN 2016 | (e)<br>✓ if<br>age 65 or over | (f)<br>✓ if<br>died in 2016 |
|-----|---|----------------------------|---------------------|---|-------------------------------|-----------------------------|
| 11c |   |                            |                     |   | <input type="checkbox"/>      | <input type="checkbox"/>    |
| 11d |   |                            |                     |   | <input type="checkbox"/>      | <input type="checkbox"/>    |
| 11e |   |                            |                     |   | <input type="checkbox"/>      | <input type="checkbox"/>    |
| 11f |   |                            |                     |   | <input type="checkbox"/>      | <input type="checkbox"/>    |
| 11g |   |                            |                     |   | <input type="checkbox"/>      | <input type="checkbox"/>    |
| 11h |   |                            |                     |   | <input type="checkbox"/>      | <input type="checkbox"/>    |
| 11i |   |                            |                     |   | <input type="checkbox"/>      | <input type="checkbox"/>    |
| 11j |   |                            |                     |   | <input type="checkbox"/>      | <input type="checkbox"/>    |

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**2016 Part-Year Resident Personal Income Tax Return**

**For information or help, call one of the numbers listed:**

Phoenix (602) 255-3381  
From area codes 520 and 928, toll-free (800) 352-4090

**Tax forms, instructions, and other tax information**

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

**Income Tax Procedures and Rulings**

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website and click on *Legal Research* then click on *Procedures* or *Rulings* and select a tax type from the drop down menu.

**Publications**

To view or print the department's publications, go to our website and click on *Publications*.

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*E-file* through an Authorized IRS/DOR *e-file* provider or by using your personal computer and the Internet.

Visit our website at [www.azdor.gov](http://www.azdor.gov) for a listing of approved *e-file* providers and on-line filing sources.

\*\* For free *e-file* requirements, check out our website at [www.azdor.gov](http://www.azdor.gov).

**Are You Subject to Tax in Arizona?**

As a part-year resident, you are subject to tax on **all** of the following:

1. Any income you earned in 2016 while an Arizona resident. This includes any interest or dividends received from sources outside Arizona.
2. Any income you earned from an Arizona source in 2016 before moving to (or after leaving) the state.

**NOTE:** *If you also have Arizona source income and deductions for the portion of the year you were an Arizona nonresident, file AZ Form 140PY for the entire taxable year.*

**Do You Have to File?**

| <b>Arizona Filing Requirements</b>                |  |  |
|---|--|--|
| <b>These rules apply to all Arizona taxpayers</b> |  |  |
| You must file if you are:                         | <b>and</b> your Arizona adjusted gross income is at least: | <b>or</b> your gross income is at least: |
| • Single  | \$ 5,500   | \$15,000                                 |
| • Married filing joint                            | \$11,000   | \$15,000                                 |
| • Married filing separate                         | \$ 5,500   | \$15,000                                 |
| • Head of household                               | \$ 5,500   | \$15,000                                 |

If you are a part-year resident, you must report all income for the part of the year you were an Arizona resident, plus any income from Arizona sources for the part of the year you were an Arizona nonresident.

To see if you have to file, figure your gross income the same as you would figure your gross income for federal income tax purposes. Then you should exclude income Arizona law does not tax.

You can find your Arizona adjusted gross income on line 54 of Arizona Form 140PY.

**NOTE:** *You must file a state return even if your employer withheld all or part of the tax. Even if you do not have to file, you must still file a return to get a refund of any Arizona income tax withheld.*

**Do You Have to File if You Are an American Indian?**

You must file if you meet the Arizona filing requirements unless **all** the following apply to you:

- You are an enrolled member of an Indian tribe.
- You live on the reservation established for that tribe.
- You earned **all** of your income on that reservation.

For more information on the Arizona tax treatment of American Indians, see the department's ruling, ITR 96-4, *Income Taxation of Indians and Spouses*.

**Do You Have to File if You Are the Spouse of an American Indian and You Are Not an Enrolled Indian?**

You must file if you meet the Arizona filing requirements. For more information on the tax treatment of spouses of American Indians, see the department's ruling, ITR 96-4, *Income Taxation of Indians and Spouses*.

**Do You Have to File if You Are in the Military?**

You must file if you meet the Arizona filing requirements unless **all** the following apply to you:

- You are an active duty member of the United States armed forces.

- Your only income for the taxable year is pay received for active duty military service.
- There was no Arizona tax withheld from your active duty military pay.

If Arizona tax was withheld from your active duty military pay, you must file an Arizona income tax return to claim any refund you may be due from that withholding.

You must also file an Arizona income tax return if you have any other income besides pay received for active duty military pay.

If you were an Arizona resident when you entered the service, you remain an Arizona resident, no matter where stationed, until you establish a new domicile.

As an Arizona part-year resident, you must report all of your income for the portion of the year you were an Arizona resident, no matter where stationed. You must include your military pay, but using Form 140PY, you may subtract all pay received for active duty military service; to the extent it is included in your Arizona gross income.

If you are **not** an Arizona resident, but stationed in Arizona, the following applies to you:

- You are not subject to Arizona income tax on your military pay.
- You must report any other income you earn in Arizona. Use Form 140NR, *Nonresident Personal Income Tax Return*, to report this income.

To find out more, see our publication, Pub. 704, *Taxpayers in the Military*.

### **If You Included Your Child's Unearned Income on Your Federal Return, Does Your Child Have to File an Arizona Return?**

No. In this case, the child should not file an Arizona return. The parent must include that same income in his or her Arizona taxable income.

## **Residency Status**

If you are not sure if you are an Arizona resident for state income tax purposes, we may be able to help. For more information on determining residency status, see the department's procedure, ITP 92-1, *Procedure For Determining Residency Status*.

### **Residents**

You are a resident of Arizona if your domicile is in Arizona. Domicile is the place where you have your permanent home. It is where you intend to return if you are living or working temporarily in another state or country. If you leave Arizona for a temporary period, you are still an Arizona resident while gone.

A resident is subject to tax on all income no matter where the resident earns the income.

If you are a full year resident, you must file either Arizona Form 140, Form 140A, or Form 140EZ.

## **Part-Year Residents**

If you are a part-year resident, you must file Arizona Form 140PY, *Part-Year Resident Personal Income Tax Return*.

You are a part-year resident if you did either of the following during 2016:

- You moved into Arizona with the intent of becoming a resident.
- You moved out of Arizona with the intent of giving up your Arizona residency.

## **Nonresidents**

If you are a nonresident, you must file Form Arizona 140NR, *Nonresident Personal Income Tax Return*.

## **What if a Taxpayer Died?**

If a taxpayer died before filing a return for 2016, the taxpayer's spouse or personal representative may have to file and sign a return for that taxpayer. A personal representative can be an executor, administrator, or anyone who is in charge of the deceased taxpayer's property.

If the deceased taxpayer did not have to file a return but had tax withheld, a return must be filed to get a refund. The person who files the return should use the form the taxpayer would have used. The person who files the return should print the word "deceased" after the decedent's name. Also enter the date of death after the decedent's name. If your spouse died in 2016 and you did not remarry in 2016, or if your spouse died in 2017 before filing a return for 2016, you may file a joint return. If your spouse died in 2016, the joint return should show your spouse's 2016 income before death and your income for all of 2016. If your spouse died in 2017, before filing the 2016 return, the joint return should show all of your income and all of your spouse's income for 2016. Print "Filing as surviving spouse" in the area where you sign the return. If someone else is the personal representative, he or she must also sign the return.

## **Are Any Other Returns Required?**

You may also have to file a fiduciary income tax return (Form 141AZ). For details about filing a fiduciary income tax return, call the department at (602) 255-3381.

## **Claiming a Refund for a Deceased Taxpayer**

If you are claiming a refund for a deceased taxpayer, you **must** complete Arizona Form 131, *Claim for Refund on Behalf of Deceased Taxpayer*. Place this form on top of the return.

## **What Are the Filing Dates and Penalties?**

### **When Should You File?**

Your 2016 calendar year tax return is due no later than midnight, April 18, 2017. File your return as soon as you can after January 1, but no later than April 18, 2017.

**NOTE:** Because April 15, 2017, falls on a Saturday and District of Columbia Emancipation Day will be observed on April 17, 2017, you have until April 18, 2017, to file your return.

If you are a fiscal year filer, your return is due on the 15th day of the fourth month following the close of your fiscal year.

### What if You Cannot File on Time?

You may request an extension if you know you will not be able to file on time.

**NOTE:** *An extension does not extend the time to pay your income tax. For details, see the instructions for Arizona Form 204.*

### To get a filing extension, you can either

1. Apply for a state extension (Arizona Form 204). To apply for a state extension, file Form 204 by April 18, 2017. See Form 204 for details. You do not have to include a copy of the extension with your return when you file, but make sure that you check box **82F** on page 1 of the return. If you must make a payment, use Arizona Form 204, or visit [www.AZTaxes.gov](http://www.AZTaxes.gov) to make an electronic payment.
2. You may use your federal extension (federal Form 4868). File your Arizona return by the same due date. You do not have to include a copy of your federal extension with your return, but make sure that you check box **82F** on page 1 of the return.

### When Should You File if You Are a Nonresident Alien?

The due date for your Arizona return is not the same as the due date for your federal return. Your Arizona return is due by April 18, 2017, even though your federal return is due on June 15, 2017. If you want to file your Arizona return after April 18, 2017, you must ask for a filing extension. You must file this request by April 18, 2017. Arizona will allow up to a 6-month extension. This will allow you to file your return by October 16, 2017. See Arizona Form 204 for extension filing details.

If you have a federal 6-month extension, you can file your Arizona return under that extension. If you file using your federal extension, Arizona will also allow you an extra 6 months. Because we will allow only 6 months, the due date for your Arizona return is not the same as the due date for your federal return. In this case, your Arizona return will be due by October 16, 2017, even though your federal return will not be due until December 15, 2017. If you file your 2016 Arizona calendar year return after October 16, 2017, your return will be late.

**NOTE:** *Because October 15, 2017, falls on a Sunday, you have until October 16, 2017, to file your return.*

If you are a fiscal year filer, your return is due on the 15th day of the fourth month following the close of your fiscal year.

### What if You File or Pay Late?

If you file or pay late, we will charge you interest and penalties on the amount you owe. If the U.S. Post Office postmarks your 2016 calendar year return by April 18, 2017, your return will not be late.

You may also use certain private delivery services designated by the Internal Revenue Service (IRS) to meet the “timely

mailing as timely filed” rule. For more information, see “Mailing Your Return” at the end of these instructions.

### Late Filing Penalty

If you file late, we will charge you a late filing penalty. This penalty is 4½% (.045) of the tax required to be shown on the return for each month or fraction of a month the return is late. This penalty cannot exceed 25% (.25) of the tax found to be remaining due.

### Late Payment Penalty

If you pay your tax late, we will charge you a late payment penalty. This penalty is ½ of 1% (.005) of the amount shown as tax for each month or fraction of a month for which the failure continues. We charge this penalty from the original due date of the return until the date you pay the tax. This penalty cannot exceed a total of 10% (.10).

### Extension Underpayment Penalty

If you file your return under an extension, you must pay 90% of the tax shown on your return by the return's original due date. If you do not pay this amount, we will charge you a penalty. This penalty is ½ of 1% (.005) of the tax not paid for each 30-day period or fraction of a 30-day period. We charge this penalty from the original due date of the return until the date you pay the tax. This penalty cannot exceed 25% of the unpaid tax. If we charge you the extension underpayment penalty, we will not charge you the late payment penalty under Arizona Revised Statutes (A.R.S.) § 42-1125(D).

**NOTE:** *If you are subject to two or more of the above penalties, the total cannot exceed 25%.*

### Interest

We charge interest on any tax not paid by the due date. We will charge you interest even if you have an extension. If you have an extension, we will charge you interest from the original due date until the date you pay the tax. The Arizona interest rate is the same as the federal rate.

### When Should You Amend a Return?

If you need to make changes to your return after you have filed, you should file Arizona Form 140X, *Individual Amended Income Tax Return*. You should file your amended return after your original return has processed. **Do not** file a new return for the year you are correcting. Generally, you have four years to amend a return to claim a refund.

If you amend your federal return for any year, you must also file an Arizona Form 140X for that year.

If the IRS makes a change to your federal taxable income for any year, you must report that change to Arizona. You must file Form 140X within 90 days of the final determination of the IRS. You may use one of the following two options to report this change.

#### Option 1

You may file a Form 140X for that year. If you choose this option, you must amend your Arizona return within 90 days of the final determination of the IRS. Include a complete copy of the federal notice with your Form 140X.

**Option 2**

You may file a copy of the final federal notice with the department within 90 days of the final determination of the IRS. If you choose this option, you must include a statement in which you must:

1. Request that the department recompute your tax.
2. Indicate if you agree or disagree with the federal notice.

If you do not agree with the federal notice, you must also include any documents that show why you do not agree. If you choose option 2, mail the federal notice and any other documents to:

Individual Income Audit  
 Arizona Department of Revenue  
 PO Box 29084  
 Phoenix, AZ 85038-9084

**Do You Need to Make Estimated Payments in 2017?**

You must make Arizona estimated income tax payments during 2017 if:

| Your filing status is:  | <b>AND</b><br>Your Arizona gross income for 2016 was greater than: | <b>AND</b><br>Your Arizona gross income for 2017 is greater: |
|-------------------------|--|--|
| Married Filing Joint    | \$150,000  | \$150,000  |
| Single                  | \$75,000   | \$75,000   |
| Head of Household       | \$75,000   | \$75,000   |
| Married Filing Separate | \$75,000   | \$75,000   |

If you met the income threshold for 2016, you must make estimated payments during 2017, unless you are sure you will not meet the threshold for 2017.

As a part-year resident, your Arizona gross income is that part of your federal adjusted gross income that you must report to Arizona. Your Arizona gross income is on line 27 of the 2016 Form 140PY.

Use the worksheet for Form 140ES to figure how much your payments should be. For more information, see the department’s publication, Pub. 012, *Arizona Individual Estimated Income Tax Payments*.

**What if You Make Your Estimated Payments Late?**

We will charge you a penalty if you fail to make any required payments. We will charge you a penalty if you make any of your required payments late. For details, see Arizona Form 221.

**Can You Make Estimated Payments Even if You Do Not Have to?**

If you do not have to make Arizona estimated income tax payments, you may still choose to make them. For details, see Arizona Form 140ES.

**Line-by-Line Instructions**

**Tips for Preparing Your Return**

- Make sure that you write your Social Security Number (SSN) on your return.
- Complete your return using black ink.
- You **must** round dollar amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down. Do not enter cents.
- When asked to provide your own schedule, include a separate sheet with your name and SSN at the top. Include your own schedules with your return. Include these schedules behind your return or behind your Schedules A, if itemizing.
- You must complete your federal return before you can start your Arizona return.
- Make sure you include your daytime telephone number.
- If filing a fiscal year return, fill in the period covered in the space provided at the top of the form.

**Entering Your Name, Address, and SSN**

**Lines 1, 2, and 3 -**

**NOTE:** Make sure that you write your SSN on the appropriate line.

Print or type your name, address, and SSN in the space provided. If you are a nonresident of the United States or a resident alien who does not have an SSN, use the individual taxpayer identification number (ITIN) the IRS issued to you.

If you are filing a joint return, enter your SSNs in the same order as your first names. *If your name appears first on the return, make sure your SSN is the first number listed.* Put your last names in the same order as your first names and SSNs.

If you are married filing separately, enter your name and SSN on the first line 1. Then enter your spouse’s name and SSN on the second line 1.

**NOTE:** Make sure your SSN is correct. If you are filing a joint return, also make sure you list your SSNs in the same order every year.

Make sure that you enter your SSN on your return. Make sure that all SSNs are clear and correct. You may be subject to a penalty if you fail to include your SSN. It will take longer to process your return if SSNs are missing, incorrect, or unclear.

Use your current home address. The department will send your refund or correspond with you at that address.

For a deceased taxpayer, see page 2 of these instructions.

**Foreign Addresses**

If you have a foreign address, enter the information in the following order: city, province or state, and country. Follow the country’s practice for entering the postal code. Do not abbreviate the country name.

**Last Name(s) Used in Last 4 Prior Years**

If the last name that you or your spouse are using on this return is not the same as the last name you or your spouse used

on returns filed for the last 4 years, enter any other last name(s) that you or your spouse used when filing your return during the last 4 years.

### ID Numbers for Paid Preparers

If you pay someone else to prepare your return, that person must also include an identification number where requested.

A paid preparer may use any of the following:

- his or her PTIN,
- his or her SSN, or
- the EIN for the business.

A paid preparer who fails to include the proper identification number may also be subject to a penalty.

### Determining Your Filing Status

The filing status that you use on your Arizona return may be different from that used on your federal return.

Use this section to determine your filing status. Check the correct box (4 through 7) on the front of Form 140PY.

If you qualify as married for federal purposes, you qualify as married for Arizona purposes and must file using the status of either married filing joint or married filing separate.

If you are single you must file as single or if qualified you may file as head of household (see the instructions for box 5).

#### Box 4 - Married Filing Joint Return

If you are married and filing a joint return, check box 4.

You may file a joint return if you were married as of December 31, 2016. It does not matter whether or not you were living with your spouse. You may file a joint return, even if you and your spouse filed separate federal returns.

You may file a joint return if your spouse died during 2016 and you did not remarry in 2016. See page 2 of these instructions for details.

If you are a part-year resident married to an Arizona full year resident, you may file a joint return with your full year resident spouse. If filing a joint return with your full year resident spouse, you must use Form 140PY.

**NOTE:** For more information on filing a joint return with your full-year resident spouse, see the department's ruling, ITR 14-1, Filing a Joint Tax Return When a Resident Spouse is Married to a Part-Year Resident or Nonresident.

#### Box 5 - Head of Household

If you are filing as a head of household, check box 5. You may file as head of household on your Arizona return, only if one of the following applies:

- you qualify to file as head of household on your federal return, or
- you qualify to file as a qualifying widow or widower on your federal return.

#### Box 6 - Married Filing Separate Return

If you are filing a separate return, check box 6 and enter your spouse's name and SSN on the second line 1.

If you were married as of December 31, 2016, you may choose to file a separate return. You may file a separate return, even if you and your spouse filed a joint federal return.

Arizona is a community property state. If you file a separate return, you must figure how much income to report using community property laws. If one spouse is a resident and the other spouse is not, special rules apply when filing a separate return.

For more information on how to report income in this case, see the department's ruling, 93-20, *Income Reporting Requirements of Resident and Nonresident Spouses Who File Separate Arizona Individual Income Tax Returns*; and the department's publication, Pub. 200, *Income Tax Issues Affecting Married and Divorced Taxpayers*.

**NOTE:** In some cases you may treat community income as separate income. For more information on when you may treat community income as separate income, see the department's ruling, ITR 93-22, When Community Income May Be Treated as Separate Income.

#### Box 7 - Single Return

If you are filing as single, check box 7.

Use this filing status if you were single on December 31, 2016. You are single if any of the following apply to you:

- You have never been married.
- You are legally separated under a decree of divorce or of separate maintenance.
- You were widowed before January 1, 2016, and you did not remarry in 2016, and you do not qualify to file as a qualifying widow or widower with dependent children on your federal return.

**NOTE:** If you got divorced during the year and need help completing your return, see the department's *Income Tax Ruling, ITR 14-2, Reporting Income, Deductions, Exemptions, and Withholding for Divorced Individuals for the Year of Divorce*; and publication, Pub. 200, *Income Tax Issues Affecting Married and Divorced Taxpayers*.

### Exemptions

Enter the number of exemptions you are claiming in boxes 8, 9, 10, and 11. **Do not put a check mark.** You may lose the exemption if you put a checkmark in these boxes.

You may lose the dependent exemption if you do not complete the Dependent section on page 1. You may lose the exemption for qualifying parents and grandparents if you do not complete the Dependent Section on page 1.

#### Box 8 - Age 65 or Over

- If you are single or filing as head of household, enter "1" in box 8 if you were 65 or older in 2016 and not claimed as a dependent by another taxpayer.
- If you are married filing a joint return, enter "1" in box 8 if you were 65 or older and not claimed as a dependent by another taxpayer or your spouse was 65 or older in 2016 and not claimed as a dependent by another taxpayer.

Enter "2" in box 8 if both you and your spouse were 65 or older in 2016 and neither of you are claimed as a dependent by another taxpayer.

- If you are married and filing a separate return, enter "1" in box 8 if you were 65 or older and not claimed by another taxpayer. You cannot take an exemption for your spouse. Your spouse, if 65 or older and not claimed by another taxpayer, may take this exemption on his/her own separate return.

### Box 9 - Blind

If you or your spouse were partially blind as of December 31, 2016, you must get a statement certified by your eye doctor or registered optometrist that:

- You cannot see better than 20/200 in your better eye with glasses or contact lenses.
- Your field of vision is 20 degrees or less.

If your eye condition is not likely to improve beyond the conditions listed above, you can get a statement certified by your eye doctor or registered optometrist to that effect instead. You must keep the statement for your records.

- If you are single or filing as head of household, enter "1" in box 9 if you are totally or partially blind.
- If you are married filing a joint return, enter "1" in box 9 if you **or** your spouse is totally or partially blind. Enter "2" in box 9 if both you **and** your spouse are totally or partially blind.

If you are married and filing a separate return, you may take an exemption for yourself if you are totally or partially blind. You may only claim an exemption for your spouse if (1) your spouse is totally or partially blind, (2) has no Arizona adjusted gross income for calendar year, and (3) is not the dependent of another taxpayer. Enter "1" in box 9 if you are totally or partially blind **or** your spouse is totally or partially blind **and** your spouse meets the above criteria. Enter "2" in box 9 if you are totally or partially blind **and** your spouse is totally or partially blind **and** your spouse meets the above criteria.

### Box 10 - Dependents

**NOTE:** *If a person who is a dependent also qualifies as your qualifying parent or grandparent, you may claim that person as a dependent **or** you may claim that person as a qualifying parent or grandparent. You may **not** claim that same person in both box 10 and box 11.*

You must complete the Dependent section on page 1 (and page 3, if more space is needed) of your return before you can total your dependent exemptions. You may claim only the following as a dependent:

- A person that qualifies as your dependent on your federal return.

**NOTE:** *If you do not claim a dependent exemption for a student on your federal return in order to allow the student to claim a federal education credit on the student's federal return, you may still claim the exemption on your Arizona return.*

*For more information, see the department's ruling, ITR 05-2, Will Arizona Allow a Dependent Exemption When a Taxpayer Does Not Claim Federal Exemption in Order to Claim the Education Credit?*

- A person who is age 65 or over (related to you or not) that does not qualify as your dependent on your federal return, but one of the following applies:
  1. In 2016, you paid more than one-fourth of the cost of keeping this person in an Arizona nursing care institution, an Arizona residential care institution, or, an Arizona assisted living facility. Your cost must be more than \$800.
  2. In 2016, you paid more than \$800 for either Arizona home health care or other medical costs for the person.
- A stillborn child if the following apply:
  1. The stillbirth occurred in Arizona during 2016.
  2. You received a certificate of birth resulting in stillbirth from the Arizona Department of Health Services.
  3. The child would have otherwise been a member of your household.

### Box 11 - Qualifying Parents and Grandparents

**NOTE:** *If a person who is a qualifying parent or grandparent also qualifies as your dependent, you may claim that person as a dependent **or** you may claim that person as a qualifying parent or grandparent. You may **not** claim that same person in both box 10 and box 11.*

You must complete the qualifying parent and grandparent section on page 1 (and page 3 if more space is needed) of your return before you can total your exemptions for qualifying parents and grandparents. A qualifying parent or grandparent may be any one of the following:

- Your parent, your grandparent, or great-grandparent, great grandparent, etc.
- If married filing a joint return, your spouse's parent or grandparent, great grandparent, great great grandparent, etc.

You may claim this exemption if **all** of the following apply.

1. The parent, grandparent or great-grandparent was 65 years old or older during 2016.
2. The parent or grandparent lived in your principal residence for the entire taxable year.

If your parent or grandparent died during the taxable year, this requirement will still be met if he or she lived with you for the entire part of the year in which he or she was alive. Temporary absences by the parent or grandparent for special circumstances, such as a hospital stay or care in a hospice facility, count as time lived in the taxpayer's principle residence.

3. You paid more than one-half of the support and maintenance costs of the parent or grandparent during the taxable year.

To help you determine if you paid more than one-half of your parent or grandparent's support during the taxable

year, it is recommended that you review the department's procedure, ITP 14-1, *Procedure for Determining Support for Purposes of the Parents and Grandparents Exemption Allowed under A.R.S. § 43-1023(C)*, and complete the worksheet. Keep the worksheet for your records.

- 4. The parent or grandparent required assistance with activities of daily living.

The term "activities of daily living" means two or more of the listed categories. Activities of daily living include both basic activities of daily living and instrumental activities of daily living. The categories of activities of daily living are dressing, eating, ambulating, toileting, medicating and hygiene, shopping, housekeeping, managing personal finances, basic communication, food-preparation and transportation.

For more information regarding what the term "activities of daily living" means when determining an Arizona resident taxpayer's eligibility for this exemption, see the department's ruling, ITR 14-3, *"Activities of Daily Living" for the Purpose of the Exemption Allowed Under A.R.S. § 43-1023(C)*.

To help you determine if your parent or grandparent required assistance with activities of daily living to meet this requirement, it is recommended that you review the department's procedure, ITP 14-2, *Procedure for Determining Whether a Parent or Grandparent Requires Assistance with Activities of Daily Living for Purposes of the Exemption Allowed under A.R.S. § 43-1023(C)*, and complete the checklist. Keep the checklist for your records.

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### Reporting Your Residency Status

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Check the appropriate box.

#### Box 12 - Part-Year Resident Other than Active Military

Check box 12 if you were an Arizona resident for part of 2016 and were not an active duty military member.

#### Box 13 - Part-Year Resident Active Military

Check box 13 if you were an active duty military member who either began or gave up Arizona residency during 2016.

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### Dependents

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#### Completing the Dependent Section

If you need additional lines to list all of your dependents, including qualifying parents and grandparents, complete page 3, *Dependent Information – Continuation Sheet*, and include this page with your return. Be sure to check the box indicating you are completing page 3.

Do **not** include page 3 with your return if you do not use it.

#### Dependent Information: children and other Dependents

Enter the following:

- a) The dependent's name. If you are claiming an exemption for a stillborn child and the child was not named, enter "stillborn child" in place of a name.

- b) The dependent's SSN. If you are claiming an exemption for a stillborn child enter the certificate number from the certificate of birth resulting in stillbirth.
- c) The dependent's relationship to you.
- d) The number of months the dependent lived in your home during 2016. If you are claiming an exemption for a stillborn child, enter the date of birth resulting in the stillbirth.

**Temporary absences:** Your child or dependent is considered to have lived with you during periods of time when temporarily absent due to special circumstances such as: illness; education; business; or vacation. Your child is also considered to have lived with you during any required hospital stay following birth, as long as the child would have lived with you during that time but for the hospitalization.

- e) Check the box if this person did not qualify as a dependent on your federal return.
- f) Check the box if you did not claim this person (student) as a dependent on your federal return in order to allow that student to claim a federal education credit on the student's federal return.

You may lose the exemption if you do not furnish this information.

Enter the total **number** of dependents listed in Box 10.

#### Qualifying parents and grandparents

Enter the following:

- a) The name of the qualifying parent or grandparent.
- b) The SSN of the qualifying parent or grandparent.
- c) The qualifying parent's or grandparent's relationship to you, or your spouse if filing a joint return.
- d) The number of months the dependent lived in your home during 2016.

**Temporary absences:** Temporary absences by the parent or grandparent for special circumstances, such as a hospital stay or care in a hospice facility, count as time lived in the taxpayer's principal residence.

- e) Check the box if this person is age 65 or older.
- f) Check the box if this person died in 2016.

You may lose the exemption if you do not furnish this information.

Enter the total **number** of qualifying parents or grandparents listed in Box 11.

#### Line 14 - Dates of Arizona Residency

If you became an Arizona resident during 2016, enter the date that you became an Arizona resident. If you gave up your Arizona residency during 2016, do both of the following:

1. Enter the date you became an Arizona resident.
2. Enter the date you gave up your Arizona residency.

Enter the name of the other state(s) of residency in the space provided.

## Determining Arizona Income

Use lines 15 through 27 to determine what portion of your total income is taxable by Arizona.

You must complete your federal return before completing your Arizona return. You must complete a 2016 federal return to determine your federal adjusted gross income, even if not filing a federal return.

Arizona uses federal adjusted gross income as a starting point to determine Arizona taxable income.

**NOTE:** *If you are unable to determine the proper line to use, please contact one of the numbers listed on page 1.*

### FEDERAL Column

Enter the actual amounts shown on your 2016 federal income tax return in the FEDERAL column. Complete lines 15 through 26. Line 26 should equal the federal adjusted gross income shown on your 2016 federal Form 1040, Form 1040A, Form 1040EZ, or Form 1040NR.

### ARIZONA Column

Enter that portion of your federal income received while you were an Arizona resident in the ARIZONA column. For example, if you became an Arizona resident on June 30, enter all income you received from that day to December 31, 2016.

**NOTE:** *If you also have Arizona source income for the portion of the taxable year you were an Arizona nonresident, also include that source income on the appropriate line in the ARIZONA column.*

The Tax Reform Act of 1986 limits the amount of losses that you may deduct from passive activities. A passive activity is one that involves the conduct of any trade or business in which the taxpayer does not materially participate.

As a part-year resident, your Arizona gross income may include some of these losses. For the part of the year you were an Arizona resident, you may consider any passive losses that arose while an Arizona resident. For the part of the year you were an Arizona nonresident, you may consider only those passive losses that arose from Arizona sources. Your 2016 Arizona gross income can include only losses you used on your 2016 federal return.

The following instructions apply to the ARIZONA column.

#### Line 15 - Wages, Salaries, Tips, etc.

Enter all amounts received while an Arizona resident. Also enter all amounts received from Arizona employment during the part of the year you were an Arizona nonresident.

For the period while a nonresident, income earned by a qualifying out-of-state employee, from performing qualified disaster recovery work during a disaster period, is exempt from Arizona income tax. Exclude this income from line 15 in the Arizona column.

For the purpose of this exemption, a qualifying out-of-state employee is an Arizona nonresident individual who is temporarily in Arizona to solely perform qualified disaster

recovery work during a disaster period. For more information, see the department's publication, Pub. 720, *Disaster Recovery Tax Relief*.

**NOTE:** *Do not include active duty military pay for the part of the year you were a nonresident.*

#### Line 16 - Interest

Enter all amounts received while an Arizona resident.

You must also enter any interest income derived from Arizona sources during the part of the year you were an Arizona nonresident. Interest income from Arizona sources is interest income that has acquired an Arizona business situs.

If you received tax exempt interest from municipal bonds, include a schedule listing the payors and the amount received from each payor. You may also want to include supporting documents for amounts received from Arizona municipal bonds that are exempt from Arizona income tax. These may be items such as bank statements, brokerage statements, etc.

Be sure you add the amount you received while an Arizona resident from non-Arizona municipal bonds to your income on line 30, *Other Additions to Income*.

#### Line 17 - Dividends

Enter all amounts received while an Arizona resident.

You must also enter any dividends derived from Arizona sources during the part of the year you were an Arizona nonresident. Dividend income from Arizona sources is dividend income that has acquired an Arizona business situs.

#### Line 18 - Arizona Income Tax Refunds

Enter the amount of Arizona income tax refunds received in 2016 that you included in your federal adjusted gross income.

#### Line 19 - Alimony Received

Enter amounts received while an Arizona resident.

#### Line 20 - Business Income or (Loss)

Enter any business or farm income or (loss) incurred while you were an Arizona resident. Also enter income or (loss) derived from Arizona businesses during the part of the year you were an Arizona nonresident.

For the period while a nonresident, income earned by a nonresident who is a sole owner of a qualifying out-of-state business, from performing qualified disaster recovery work during a disaster period, is exempt from Arizona income tax. Exclude this income from line 20 in the Arizona column.

For the purpose of this exemption, a qualifying out-of-state business is a business that is temporarily in Arizona to solely perform qualified disaster recovery work during a disaster period. For more information, see the department's publication, Pub. 720, *Disaster Recovery Tax Relief*.

#### Line 21 - Gains or (Losses)

Enter any gain or (loss) on property sold while an Arizona resident if you included the amount as income on your 2016 federal return. Also enter gains or (losses) on sales of Arizona property during the part of the year you were an Arizona nonresident.



**Line 22 - Rents, etc.**

Enter income received from rents, royalties, partnerships, estates, trusts, small business corporations, etc., while an Arizona resident.

Also enter rents or royalties earned on Arizona properties during the part of the year you were an Arizona nonresident. Enter any income or (loss) derived from Arizona sources from partnerships, small business corporations, etc., during the part of the year you were an Arizona nonresident.

**Line 23 - Other Income Reported on Your Federal Return**

Enter other income shown on your federal return that you received while an Arizona resident. Other income may include pensions, social security, unemployment, and lottery winnings. Include a schedule listing these other items. Also enter any other income derived from Arizona sources during the part of the year you were an Arizona nonresident.

**Net Operating Losses**

Arizona does not have specific provisions for calculating the net operating loss of an individual. Generally, the amount of net operating loss deduction included in your federal adjusted gross income is the amount allowable for Arizona purposes. However, there are instances when the amount allowable for Arizona purposes may be different.

As a part-year resident, Arizona recognizes that portion of the federal net operating loss which is attributable to income taxed by Arizona as the Arizona net operating loss.

As a part-year resident, include in Arizona gross income the amount of federal net operating loss carry forward or carryback attributable to Arizona unless any of the following apply:

- The net operating loss attributable to Arizona included in your federal adjusted gross income has already been deducted for Arizona purposes.
- The net operating loss included in your federal adjusted gross income was incurred from non-Arizona sources while a nonresident.

Enter the amount of net operating loss deduction included in your federal adjusted gross income that was attributable to income taxed by Arizona. Do not include any amount of the loss that has already been deducted for Arizona purposes.

For information on deducting a net operating loss carryback in cases where you did not make an election under Internal Revenue Code (IRC) § 172(b)(1)(H), see the department’s procedure, ITP 13-1, *Procedure for Individuals Deducting a Net Operating Loss Carryback*. If you made an election under IRC § 172(b)(1)(H), see the instructions for line 46, “Other Subtractions From Income.”

**Line 24 - Total Income**

Add lines 15 through 23 and enter the total.

**Line 25 - Other Federal Adjustments**

If any of the following are included in adjustments shown on your federal return, make an entry on this line as explained:

1. IRA: Enter the amount actually paid while an Arizona resident for your IRA and/or your spouse’s IRA.

2. Student loan interest: Enter the amount you paid while an Arizona resident.
3. Self-employed SEP, SIMPLE and qualified plans: Enter the amount actually paid while an Arizona resident.
4. Self-employment tax: Enter that portion of the self-employment tax that relates to self-employment income reportable to Arizona.
5. Self-employed health insurance: Enter that amount of self-employed health insurance that was actually paid while an Arizona resident.
6. Penalty on early withdrawal of savings: Multiply the federal deduction by the ratio of your Arizona interest to your federal interest.
7. Alimony: Enter the amount actually paid while an Arizona resident.
8. Moving expenses: Enter the amount of moving expenses included in your federal adjusted gross income that you accrued and paid during the part of the year you were an Arizona resident.

**NOTE:** Do not enter any amounts for items 1 through 8 above unless you deducted these items in computing your federal adjusted gross income.

If your federal return shows other adjustments to income, include your own schedule to show your calculation.

**Line 26 - Federal Adjusted Gross Income**

Subtract line 25 from line 24 in the FEDERAL column.

**Line 27 - Arizona Gross Income**

Subtract line 25 from line 24 in the ARIZONA column.

**NOTE:** Arizona gross income is made up of the portion of the federal adjusted gross income earned by the taxpayer during the period of residency (regardless of source as long as taxable by Arizona) **plus** the Arizona source income earned during the portion of the year that the taxpayer was a non-resident.

**Line 28 - Arizona Income Ratio**

Divide line 27 by line 26, and enter the result on line 28. You must round your answer to **three** decimal places. This is your Arizona income ratio of your total income. **Do not enter more than 1.000.** Do not include the percent sign (%) with the amount entered on line 28.

| Examples: cont. on next page |  |   |
|------------------------------|--|---|
| Arizona Income from line 27  | Federal Adjusted Gross Income from line 26 | Arizona income ratio  |
| \$ 17,516                    | \$ 32,000                                  | $17,516/32,000 = .547375$<br>enter on line 28:<br><div style="border: 1px solid black; display: inline-block; padding: 2px;"> <span style="border-right: 1px solid black; padding: 0 5px;"> </span> <span style="border-right: 1px solid black; padding: 0 5px;">.</span> <span style="border-right: 1px solid black; padding: 0 5px;">5</span> <span style="border-right: 1px solid black; padding: 0 5px;">4</span> <span style="padding: 0 5px;">7</span> </div> |

|           |           |  |   |   |   |   |   |
|-----------|-----------|--|---|---|---|---|---|
| \$ 25,650 | \$ 92,100 | $25,650/92,100 = .278501$<br>enter on line 28:<br><table border="1" style="display: inline-table; vertical-align: middle;"> <tr> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;">.</td> <td style="width: 20px; height: 20px;">2</td> <td style="width: 20px; height: 20px;">7</td> <td style="width: 20px; height: 20px;">9</td> </tr> </table> |   | . | 2 | 7 | 9 |
|           | .         | 2  | 7 | 9 |   |   |   |
| \$ 10,000 | \$ 9,000  | $10,000/9,000 = 1.11111$<br>enter on line 28:<br><table border="1" style="display: inline-table; vertical-align: middle;"> <tr> <td style="width: 20px; height: 20px;">1</td> <td style="width: 20px; height: 20px;">.</td> <td style="width: 20px; height: 20px;">0</td> <td style="width: 20px; height: 20px;">0</td> <td style="width: 20px; height: 20px;">0</td> </tr> </table> | 1 | . | 0 | 0 | 0 |
| 1         | .         | 0  | 0 | 0 |   |   |   |

- If Arizona gross income is positive (greater than zero), and federal adjusted gross income is equal to or less than zero (negative), enter 1.000 on line 28.
- If Arizona gross income is equal to or less than zero (negative), and federal adjusted gross income is positive, enter 0.000 on line 28.
- If Arizona gross income is zero, and federal adjusted gross income is negative, enter 0.000 on line 28.
- If Arizona gross income and federal adjusted gross income are both negative, divide the Arizona amount by the federal amount and enter the result on line 28. The percentage cannot be more than 1.000.

**Additions to Income**

**Line 29 - Total Depreciation Included in Arizona Gross Income**

Enter the amount of depreciation deducted on the federal return that is included in Arizona gross income. If you make an entry here, you should also take a subtraction on line 40, for the amount that is attributable to income taxable by Arizona. See the instructions for line 40.

**Line 30 - Other Additions to Income**

Use line 30 if any of the special circumstances below apply. Include your own schedule explaining any amounts entered on line 30.

**A. Non-Arizona Municipal Interest**

Enter interest income earned from non-Arizona municipal bonds while an Arizona resident.

**NOTE:** You must reduce this addition by any interest or other related expenses incurred to purchase or carry the obligation. As a part-year resident, you must reduce the addition by the amount of those expenses attributable to income subject to Arizona tax. You may reduce the addition by those expenses that you could not deduct on your federal return.

**B. Ordinary Income Portion of Lump Sum Distribution Excluded on Your Federal Return**

Arizona law does not provide for averaging. Enter the amount of the distributions received while an Arizona resident and treated as ordinary income on your federal return. If you chose to treat the capital gain portion of the distributions as ordinary income, you must also include that amount on line 30. For more information, see the department’s ruling, ITR 93-5, *Arizona’s Income Tax Treatment of the Capital Gain Portion of a Lump Sum Distribution from a Qualified Retirement Plan.*

**C. Fiduciary Adjustment**

A fiduciary uses Form 141AZ, Schedule K-1, to report to you your share of the fiduciary adjustment from the trust or estate. Line 3 of Form 141AZ, Schedule K-1, shows your share of the fiduciary adjustment from the estate or trust. Depending on your situation, you may either add (line 30) or subtract (line 46) this amount.

If the amount reported on line 3 of your AZ Form 141AZ, Schedule K-1, is a positive number, enter that portion of line 3 that is allocable to estate or trust income taxable by Arizona as an addition on line 30.

**NOTE:** If the amount on line 3 of your AZ Form 141AZ, Schedule K-1, is a negative number, enter that portion of line 3 that is allocable to estate or trust income taxable by Arizona as a subtraction on line 46.

**D. Partnership Income Adjustment (Positive)**

Depending on your situation, you may either add (line 30) or subtract (line 46) this amount.

Use this adjustment if line 3, of your Arizona Form 165 Schedule K-1, shows a difference between federal and state distributable income.

If the difference reported on line 3, of your Arizona Form 165 Schedule K-1, is a positive number, enter that portion of the difference that is allocable to partnership income taxable by Arizona as an addition on line 30.

**NOTE:** If the difference reported on line 3, of your Arizona Form 165 Schedule K-1, is a negative number, enter that portion of the difference that is allocable to partnership income taxable by Arizona as a subtraction on line 46.

**E. Items Previously Deducted for Arizona Purposes**

Arizona statutes prohibit a taxpayer from deducting items more than once. If your Arizona taxable income includes items previously deducted for Arizona purposes, you must add such amounts to your Arizona gross income.

**F. Claim of Right Adjustment for Amounts Repaid in 2016**

You must make an entry here if **all** of the following apply:

- During 2016, you were required to repay amounts held under a claim of right.
- The amount required to be repaid was subject to Arizona income tax in the year included in income.
- The amount required to be repaid during 2016 was more than \$3,000.
- You took a deduction for the amount repaid on your 2016 federal income tax return.
- The deduction taken on your federal income tax return is reflected in your Arizona taxable income.

If the above apply, enter the amount deducted on your federal income tax return which is reflected in your Arizona taxable income.

For more information, see the department’s procedure, ITP 16-1, *Procedure for Individuals Who Restore Substantial Amounts Held Under a Claim of Right.*

**G. Claim of Right Adjustment for Amounts Repaid in Prior Taxable Years**

You must make an entry here if **all** of the following apply:

- During a year prior to 2016 you were required to repay income held under a claim of right.
- You computed your tax for that prior year under Arizona's claim of right provisions.
- A net operating loss or capital loss was established due to the repayment made in the prior year.
- You are entitled to take that net operating loss or capital loss carryover into account when computing your 2016 Arizona taxable income.
- The amount of the loss carryover included in your Arizona gross income is more than the amount allowed to be taken into account for Arizona purposes.

Enter the amount by which the loss carryover included in your Arizona gross income is more than the amount allowed for the taxable year under Arizona law.

**H. Addition to S Corporation Income Due to Credits Claimed**

Shareholders of an S corporation who claim a credit passed through from an S corporation must make an addition to income for the amount of expenses disallowed by reason of claiming the credit.

An S corporation that passes the following credits through to its shareholders must notify each shareholder of his or her pro rata share of the adjustment. You must enter an amount on this line when claiming any of the following credits.

- Environmental Technology Facility Credit (Form 305)
- Agricultural Water Conservation System Credit (Form 312)
- Pollution Control Credit (Form 315)
- Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets (Form 319)
- Credit for Employment of TANF Recipients (Form 320)
- Agricultural Pollution Control Equipment Credit (Form 325)

**I. Solar Hot Water Heater Plumbing Stub Out and Electric Vehicle Recharge Outlet Expenses**

If you claim a credit on Form 319, for installing solar hot water heater plumbing stub outs or electric vehicle recharge outlets in a dwelling you constructed, you cannot deduct any expenses for which you claim the credit. If you take this credit, enter the amount of such expenses that you deducted on your federal return.

**J. Wage Expense for Employers of TANF Recipients**

If you claim a credit on Form 320, for employing TANF recipients, you cannot deduct any wage expense for which you claim the credit. If you take this credit, enter the amount of such expenses that you deducted on your federal return.

**K. Adjusted Basis in Property for Which You Have Claimed a Credit for Investment in Qualified Small Businesses**

If you claim a credit for an investment in a qualified small business on Form 338, you must adjust your basis in the investment by the amount of the credit claimed. You must

report this difference in basis on the Arizona return that you file for the taxable year in which you sell or otherwise dispose of the investment. If you sold or otherwise disposed of the investment during the 2016 taxable year, enter the amount by which the adjusted basis computed under the IRC with respect to that property exceeds the adjusted basis of the property computed under A.R.S. § 43-1074.02.

**L. Nonqualified Withdrawals From 529 College Savings Plans**

You must make an addition to income if both of the following apply to you:

- You received a nonqualified withdrawal from a 529 college savings plan.
- You did not include the amount of the withdrawal in your federal adjusted gross income.

The amount that you must add is the amount withdrawn, but no more than the difference between the amount of contributions subtracted in prior years and the amount added in any prior years. A nonqualified withdrawal is a withdrawal other than any of the following:

- A qualified withdrawal. A qualified withdrawal is a withdrawal from an account to pay the qualified higher education expenses of the designated beneficiary of the account.
- A withdrawal made as the result of the death or disability of the designated beneficiary of an account.
- A withdrawal that is made on the account of a scholarship, or the allowance or payment described in IRC § 135(d)(1)(B) or (C) and that is received by the designated beneficiary, but only to the extent of the amount of this scholarship, allowance or payment.
- A rollover or change of designated beneficiary.

**M. Original Issue Discount (OID) on Reacquisition of Debt Instrument**

For federal purposes, when a taxpayer made the special election to defer discharge of indebtedness (DOI) income under IRC § 108(i) (for 2009 or 2010), the taxpayer was not allowed to take a deduction with respect to the portion of any OID that accrued with respect to that DOI income, during the income deferral period. In this case, the taxpayer had to deduct the aggregate amount of the OID deductions disallowed ratably over a 5 year period, beginning with the period in which the income was includible in federal adjusted gross income.

Arizona did not adopt the federal provisions requiring a taxpayer to defer the OID deduction in cases where the taxpayer federally deferred the DOI income. For Arizona purposes you were required to add the amount of deferred DOI income to Arizona gross income on the return filed for the year in which you reacquired the debt instrument if the debt reacquisition occurred while you were an Arizona resident, or if the DOI income was from an Arizona source. In this case, you were allowed to subtract any OID related to that DOI income in the year the OID accrued. (See the instructions for line 46, "*Other Subtractions From Income.*")

If your Arizona gross income includes a deduction for any accrued OID that you have already subtracted for Arizona purposes, you must make an addition to Arizona income for the amount of deferred OID deducted on your federal return that you included in your Arizona gross income. Generally, this addition will apply to taxable years 2014 through 2018. On line 30, enter the amount of any previously deferred OID that you deducted in computing your 2016 Arizona gross income, to the extent that the amount was previously subtracted from Arizona gross income.

#### **N. Sole Proprietorship Loss of an Arizona Nonprofit Medical Marijuana Dispensary Included in Federal Adjusted Gross Income**

If you are registered as an Arizona sole proprietorship with the Arizona Department of Health Services to operate in this state as a nonprofit medical marijuana dispensary, you are required to add the amount of the loss from the dispensary that is included in the computation of your federal adjusted gross income. Include the amount of the loss on line 30.

**NOTE:** *If the Arizona nonprofit medical marijuana dispensary is registered with the Arizona Department of Health Services as anything other than a sole proprietorship, this addition does not apply.*

#### **O. Arizona Long-Term Health Care Savings Account (AZLTHSA) Withdrawals**

You must add amounts withdrawn from your AZLTHSA if you used the money for purposes other than paying qualified long-term health care expenses. For more information, see A.R.S. § 43-1032.

#### **P. Other Adjustments**

Other special adjustments may be necessary. You may need to make an addition for depreciation or amortization. You may also need to make an addition if you claimed certain tax credits. Call one of the numbers listed on page 1, if any of the following apply:

- You sold or disposed of property that was held for the production of income and your basis was computed under the Arizona Income Tax Act of 1954, as amended (1978 prior), except depreciable property.
- You claimed the Environmental Technology Facility Credit. (305)
- You claimed the Pollution Control Credit. (Form 315)
- You claimed the Recycling Equipment Credit. (307)
- You claimed the Agricultural Pollution Control Equipment Credit. (Form 325)
- You elected to amortize the cost of a child care facility under Arizona law in effect before 1990. You are still deducting amortization or depreciation for that facility on your federal income tax return.

#### **Line 31 - Subtotal**

Add lines 27, 29, and 30. Enter the total on line 31.

## **Subtractions From Income**

You may only subtract those items for which statutory authority exists. Without such authority, you cannot take a subtraction. If you have any questions concerning subtractions from income, call one of the numbers listed on page 1.

**NOTE:** *You may not subtract any amount which is allocable to income excluded from your Arizona taxable income.*

### **Lines 32 through 37 - Net Capital Gain or (loss)**

**NOTE:** *If you reported a net capital gain or (loss) on your federal tax return, you must enter the amount of qualified Arizona net gain or (loss), on line 32. See the instructions for line 32.*

*If you enter an amount on line 32, you must complete lines 33 and 34. If you do not complete lines 34 and 35, you cannot take the subtraction.*

You may subtract a percentage of any Arizona net long-term capital gain included in your federal adjusted gross income that is derived from an investment in an asset acquired after December 31, 2011. For 2016, the percentage is 25% (.25).

You **must** complete the worksheet on page 30 of these instructions, *Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired after December 31, 2011*, to take the allowable subtraction.

#### **Line 32 - Total Arizona Net Capital Gain or (Loss)**

As a part-year resident, you may take the allowable subtraction for only those qualified net long-term capital gains that are from the following:

- A qualified net long-term capital gains sourced to Arizona during the period that you were an Arizona nonresident.
- All qualified net long-term capital gains during the period that you were an Arizona resident.

Enter the total Arizona net capital gain or (loss) reported on the *Capital Gain or (Loss)* line on page 1 of your federal return. This amount should be reported in your federal adjusted gross income.

#### **Line 33 - Total Arizona Net Short-Term Capital Gain or (Loss)**

Enter the total Arizona net short-term capital gain reported on the *Capital Gain or (Loss)* line on page 1 of your federal return. This amount should be included in your federal adjusted gross income.

**NOTE:** *If you are not required to report dividend distributions and/or short-term capital gains from mutual funds on federal Form Schedule D, do not include the short-term capital gain distributed by the mutual fund on line 33.*

#### **Line 34 - Total Net Long-Term Capital Gain or (Loss)**

Enter the amount from the worksheet, line 14, column (b).

#### **Line 35 - Net Long-Term Capital Gain From Assets Acquired After December 31, 2011**

Enter the amount from the worksheet, line 14, column (d).

Only include net long-term capital gains on this line if it can be verified that the asset was acquired after December 31, 2011. For purposes of this line, an asset acquired by gift or inheritance is considered acquired on the date it was acquired by the gift-giver or the deceased individual.

**Line 36 - Net Long-Term Capital Gain Subtraction From Income**

Multiply the amount on line 35 by 25% (.25) and enter the result.

**Line 37 - Net Capital Gain from Investment in a Qualified Small Business**

You may subtract the amount of any net capital gain included in federal adjusted gross income for the taxable year derived from investment in a qualified small business as determined by the Arizona Commerce Authority (ACA) pursuant to A.R.S. § 41-1518.

To qualify for this subtraction, your investment in the qualified small business must have been made after the ACA certified the company as a qualified small business and before the company's certification expiration date. An investment made prior to certification or after the expiration of certification does not qualify for this subtraction. See the ACA's website, *Small Business Incentives: Angel Investment*, for a list of certified businesses and their certification dates.

On line 37, enter the amount of the allowable subtraction.

**CAUTION:** *If the amount entered on line 37 includes any long-term capital gain from an investment made after December 31, 2011, you cannot include that portion of the net capital gain in your computation of the allowable subtraction for any net long-term capital gain from assets acquired after December 31, 2011 and included in federal adjusted gross income. See the instructions on page 31 for the amount to enter on line 13, column (d) of the net long-term capital gain worksheet.*

**Line 38 -**

Subtract lines 36 and 37 from line 31.

**Line 39 -**

Enter the amount from line 38.

**Line 40 - Recalculated Arizona depreciation**

As a part-year resident, you may take the allowable subtraction that is from the following:

- depreciation related **only** to income sourced to Arizona during the period that you were an Arizona nonresident; and
- depreciation related to all income during the period that you were an Arizona resident.

**For assets placed in service during taxable years beginning before December 31, 2012,** enter the total amount of depreciation allowable pursuant to IRC § 167(a) for the taxable year calculated as if you had elected not to claim bonus depreciation for eligible properties for federal purposes. Enter the amount that is attributable to income taxable by Arizona.

**For assets placed in service during taxable year beginning from and after December 31, 2012 through December 31, 2013,** the amount of the subtraction depends on the method you used to compute the depreciation for these assets. Enter the amount that is attributable to income taxable by Arizona.

**NOTE:** *For more information, see the department's individual income tax procedure, ITP 16-2, Procedure for Individuals who Claim Federal and/or Arizona Bonus Depreciation.*

**For assets placed in service during the taxable years beginning from and after December 31, 2013 through December 31, 2015,** enter the total amount of depreciation allowable pursuant to IRC § 167(a) for the taxable year calculated as if the bonus depreciation is 10% of the amount of federal depreciation pursuant to IRC § 168(k). Enter the amount that is attributable to income taxable by Arizona.

**For assets placed in service in taxable years beginning from and after December 31, 2015 through December 31, 2016,** enter the total amount of depreciation allowable pursuant to IRC § 167(a) for the taxable year calculated as if the bonus depreciation is 55% of the amount of federal bonus depreciation pursuant to IRC § 168(k).

Add all amounts together and enter the total on line 40.

**NOTE:** *For more information and examples of how to calculate Arizona bonus depreciation, see the department's procedure, ITP 16-2, Procedure for Individuals who Claim Federal and/or Arizona Bonus Depreciation.*

**Line 41 - Contributions to 529 College Savings Plans**

You may subtract amounts you contribute to 529 college savings plans during the taxable year. You may subtract the amount you contributed during the year, while an Arizona resident, up to a total of \$2,000 (\$4,000 for a married couple filing a joint return). If you are married filing separate returns, either you or your spouse may take the subtraction, or you may divide it between you, but the total taken by both of you cannot be more than \$4,000.

If you contribute more than \$2,000 (\$4,000 if married) during the year, your total subtraction is still limited to \$2,000 (\$4,000 if married). For example, Jorge and Kate are married and have two children. During 2016, Jorge and Kate contributed \$2,500 to a 529 plan for Child 1 and \$2,500 to a 529 plan for Child 2. Even though Jorge and Kate contributed a total of \$5,000 during 2016, they may subtract only \$4,000 on their 2016 return.

You may take a subtraction for a contribution that you made during 2016, to a plan that existed before 2016. You may take a subtraction for a contribution that you made during 2016, to a plan established in another state. You may take a subtraction for a contribution that you made in 2016, to any 529 college savings plan. This could be a plan established for a child, grandchild, niece, nephew, or any other person for whom a plan has been established.

You cannot take a subtraction for an amount transferred from one college savings plan to a different college savings plan (a rollover).

**Line 42 - Adjustment for IRC § 179 Expense Not Allowed in Prior Years**

If you made an addition for IRC § 179 expense on your 2012 return, enter 20% of the amount added for 2012.

**Line 43 - Interest on U.S. Obligations**

Enter the amount of interest income from U.S. Government obligations included on line 16 in the ARIZONA column.

U.S. Government obligations include obligations such as U.S. savings bonds and treasury bills.

You cannot deduct any interest or other related expenses incurred to purchase or carry the obligations. If such expenses are included in your Arizona gross income, you must reduce the subtraction by such expenses.

If you are itemizing deductions on your Arizona return, you must exclude such expenses from the amount deducted.

**NOTE:** Do not subtract interest earned on Fannie Mae (FNMA) or Ginnie Mae (GNMA) bonds since this interest is taxable by Arizona. For details, see the department's ruling, ITR 06-1, Obligations of the United States Government, Federal Agencies, and United States Territories.

Do not subtract any amount received from a qualified pension plan that invests in U.S. Government obligations. Do not subtract any amount received from an IRA that invests in U.S. Government obligations. These amounts are not interest income.

For more information, see the department's rulings, ITR 96-2, Pension Plan Distributions Derived from Investment in U.S. Government Obligation; and ITR 96-3, Distributions Comprised of Income Earned by the IRA.

**Line 44 - Arizona Lottery Winnings**

You may subtract up to \$5,000 of winnings received in 2016 for Arizona lottery prizes. Only subtract those Arizona lottery winnings that you included on line 23 in the ARIZONA column and reported on your federal income tax return.

If you subtract Arizona lottery winnings here, you may have to adjust the amount of gambling losses claimed as an itemized deduction.

**Line 45 - U.S. Social Security Benefits or Railroad Retirement Benefits**

Arizona does not tax social security benefits received under Title II of the Social Security Act. Arizona does not tax railroad retirement benefits received from the Railroad Retirement Board under the Railroad Retirement Act. If you included such social security or railroad retirement benefits on your federal return as income and also included this amount in the ARIZONA column on line 23, subtract this income on line 45.

Subtract only the amount you reported as income on your federal return and included on line 23 in the ARIZONA column.

For more information about railroad retirement benefits, see the department's ruling, ITR 16-1, Railroad Retirement Benefits, Railroad Disability Benefits, Railroad Unemployment Benefits and Railroad Sickness Payments.

**Line 46 - Other Subtractions From Income**

Use line 46 if any of the following special circumstances apply. Include your own schedule, explaining any amounts entered here.

**A. Exclusion for U.S. Government, Arizona State, or Local Government Pensions**

If you receive pension income from any of the sources listed below, subtract the amount you received or \$2,500, whichever is less. Include only the amount you reported as income on your federal return and included on line 23 in the ARIZONA column. If both you and your spouse receive such pension income, each spouse may subtract the amount received or \$2,500, whichever is less.

**Public pensions from the following sources qualify for this subtraction:**

- the United States Government Service Retirement and Disability Fund
- the United States Foreign Service Retirement and Disability System
- retired or retainer pay of the uniformed services of the United States
- any other retirement system or plan established by federal law

**NOTE:** This applies only to those retirement plans authorized and enacted into the U.S. Code. This does not apply to a retirement plan that is only regulated by federal law (i.e., plans which must meet certain federal criteria to be qualified plans).

- the Arizona State Retirement System
- the Arizona State Retirement Plan
- the Corrections Officer Retirement Plan
- the Public Safety Personnel Retirement System
- the Elected Officials' Retirement Plan
- a retirement plan established for employees of a county, city, or town in Arizona
- an optional retirement program established by the Arizona Board of Regents under Arizona Revised Statutes
- an optional retirement plan established by an Arizona community college district

**NOTE:** Public retirement pensions from states other than Arizona do not qualify for this subtraction.

**B. Agricultural Crops Given to Arizona Charitable Organizations**

Arizona law allows a subtraction for qualified crop gifts made during 2016 to one or more charitable organizations. To take this subtraction, **all** of the following must apply:

- You must be engaged in the business of farming or processing agricultural crops.
- The crop must be grown in Arizona.
- You made your gift to a charitable organization located in Arizona that is exempt from Arizona income tax.

The subtraction is the greater of the wholesale market price or the most recent sale price for the given crop. The amount of

the subtraction cannot include any amount deducted pursuant to IRC § 170 with respect to the crop contribution that exceeds the cost of producing the contributed crop.

To determine if your crop contribution qualifies for this subtraction, see the department's procedure, ITP 12-1, *Establishing an Income Tax Subtraction for Agricultural Crops Contributed to Charitable Organizations*.

### C. Certain Wages of American Indians

Enrolled members of American Indian tribes may subtract wages earned while living and working on their tribe's reservation. You can subtract only those amounts that you included on line 15, ARIZONA column. The federal government must recognize these tribes. For more information, see the department's ruling, ITR 96-4, *Income Taxation of Indians and Spouses*.

### D. Pay Received for Active Service as a Member of the Reserves, National Guard, or the U.S. Armed Forces

If you are a member of the reserves or the National Guard, you may subtract pay received for active service as a reservist or as a National Guard member, including pay received for weekend or two-week training periods. You may subtract the amount of pay received for active service as a reservist or as a National Guard member that you had to include in your Arizona gross income. Enter only that amount of pay reported on your 2016 federal return that you also included on line 15 in the ARIZONA column.

Members of the U.S. armed forces may subtract pay received for active duty military service, including pay for serving in a combat zone or an area given the treatment of a combat zone. If you are a member of the U.S. armed forces, you may subtract the amount of pay received for active duty military service that you had to include in your Arizona gross income. Enter only that amount of pay reported on your 2016 federal return that you also included on line 15 in the ARIZONA column.

#### Military Technician (dual status)

You may not subtract any income you received for full-time civil service employment as a "military technician (dual status)". Compensation received by a "military technician (dual status)" for federal civil service employment for the National Guard or for the United States Reserves, is not income received for active service as a National Guard member for a Reserve member even though the employee may be required to wear a military uniform while at work.

For more information, see the department's ruling, ITR 12-2, *Compensation Received by a National Guard member or a member of the United States Reserves*.

**NOTE:** You may not subtract pay received for active duty service as a member of the U.S. Public Health Service or NOAA. For more information, see the department's ruling, ITR 10-1, Does the subtraction, for armed forces personnel, under A.R.S. § 43-1022 apply to Arizona residents who are active duty service members of the commissioned corps of the United States Public Health Service or the National Oceanic and Atmospheric Administration?

### E. Federally Taxable Arizona Municipal Interest as Evidenced by Bonds

Enter the amount of any interest income received on obligations of the State of Arizona, or any political subdivisions of Arizona, as evidenced by bonds and is included in your Arizona gross income. Enter only that amount of Arizona municipal interest income that you included on line 16 in the ARIZONA column. Do not enter any Arizona municipal interest that is exempt from federal taxation and not included in your federal adjusted gross income. For more information, see the department's ruling, ITR 15-1, *Arizona Municipal Interest that is Included in Federal Adjusted Gross Income*.

### F. Adoption Expenses

You may take this subtraction only in the year the final adoption order is granted.

Enter the lesser of the total of the following adoption expenses or \$3,000.

When figuring your subtraction, you may include expenses incurred in prior years.

The following expenses are qualified adoption expenses:

- nonreimbursed medical and hospital costs,
- adoption counseling,
- legal and agency fees, and
- other nonrecurring costs of adoption.

If filing separately, you may take the entire subtraction, or you may divide the subtraction with your spouse. However, the total subtraction taken by both you and your spouse cannot exceed \$3,000.

### G. Qualified Wood Stove, Wood Fireplace, or Gas Fired Fireplace

Arizona law provides a subtraction for converting an existing fireplace to one of the following:

- a qualified wood stove,
- a qualified wood fireplace, or
- a gas fired fireplace and non-optional equipment directly related to its operation.

You may subtract up to \$500 of the costs incurred for converting an existing fireplace on your property located in Arizona. When you figure your subtraction, do not include taxes, interest, or other finance charges.

A qualified wood stove or a qualified wood fireplace is a residential wood heater that was manufactured on or after July 1, 1990, or sold at retail on or after July 1, 1992. The residential wood heater must also meet the U.S. Environmental Protection Agency's July 1990 particulate emissions standards.

A qualified gas fired fireplace is any device that burns natural or liquefied petroleum gas as its fuel through a burner system that is permanently installed in the fireplace. The conversion of an existing wood burning fireplace to noncombustible gas logs that are permanently installed in the fireplace also qualifies as a gas fired fireplace.

**H. Claim of Right Adjustment for Amounts Repaid in Prior Taxable Years**

You must make an entry here if **all** of the following apply:

1. During a year prior to 2016 you were required to repay income held under a claim of right.
2. The amount required to be repaid was subject to Arizona income tax in the year included in income.
3. You computed your tax for that prior year under Arizona's claim of right provisions.
4. A net operating loss or capital loss was established due to the repayment made in the prior year.
5. You are entitled to take that net operating loss or capital loss carryover into account when computing your 2016 Arizona taxable income.
6. The amount of the loss carryover allowed to be taken into account for Arizona purposes is more than the amount included in your Arizona gross income.

Enter the amount by which the loss carryover allowed for the taxable year under Arizona law is more than the amount included in your Arizona gross income.

**I. Certain Expenses Not Allowed for Federal Purposes**

You may subtract some expenses that you cannot deduct on your federal return when you claim certain federal tax credits. These federal tax credits include the following:

- the federal work opportunity credit,
- the empowerment zone employment credit,
- the credit for employer-paid social security taxes on employee cash tips, and
- the Indian employment credit.

If you received any of the above federal tax credits for 2016, enter the portion of wages or salaries attributable to income subject to Arizona tax that you paid or incurred during the taxable year that is equal to the amount of those federal tax credits you received.

**J. Qualified State Tuition Program Distributions**

If you are a beneficiary of a qualified state tuition program, you may subtract some of the amount distributed from the program for qualified education expenses. Enter the amount of the distribution included in your federal adjusted gross income that you included as income in the ARIZONA column. A qualified state tuition program is a program that meets the requirements of IRC § 529.

**K. Subtraction for World War II Victims**

You may subtract distributions made to you for your persecution or the persecution of your ancestors by Nazi Germany or any other Axis regime for racial, religious or political reasons. If you are the first recipient of such distributions, enter the amount of the distributions that you had to include in your federal adjusted gross income that you also entered in the ARIZONA column on your Form 140PY.

You may also subtract items of income that are attributable to, derived from or related to assets that were stolen or hidden from or lost to you if you were persecuted by Nazi Germany or any other Axis regime for racial, religious or political

reasons before, during or immediately after World War II. If you are the first recipient of such income, enter the amount of income that you had to include in your federal adjusted gross income that you also entered in the ARIZONA column on your Form 140PY.

**L. Installment Sale Income From Another State Taxed by the Other State in a Prior Taxable Year**

You may subtract income from an installment sale if **both** of the following apply:

1. The income from the sale is subject to Arizona income tax in 2016.
2. You paid income tax to another state on that income in a prior tax year.

Enter the amount of such income that you included in your Arizona gross income for 2016.

Do not enter any amount that is subject to tax by both Arizona and another state in 2016. In this case, you may be eligible for a tax credit. See Arizona Form 309 for details.

**M. Basis Adjustment for Property Sold or Otherwise Disposed of During the Taxable Year**

With respect to property that is sold or otherwise disposed of during the taxable year by a taxpayer who has complied with the requirement to add back all depreciation attributable to income taxable by Arizona with respect to that property on tax returns for all taxable years beginning from and after December 31, 1999, enter the amount of depreciation that has been allowed pursuant to IRC § 167(a) attributable to income taxable by Arizona to the extent that the amount has not already reduced Arizona taxable income in the current or prior years. (Note: The practical effect of this is to allow a subtraction for the difference in basis for any asset for which bonus depreciation has been claimed on the federal return.)

A part-year resident may subtract only that amount that is attributable to income subject to Arizona tax.

**N. Fiduciary Adjustment**

A fiduciary uses Form 141AZ, Schedule K-1, to report to you your share of the fiduciary adjustment from the trust or estate. Line 3 of Form 141AZ, Schedule K-1, shows your share of the fiduciary adjustment from the estate or trust.

Depending on your situation, you may either add (line 30) or subtract (line 46) this amount.

If the amount reported on line 3 of your Form 141AZ, Schedule K-1, is a negative number, enter that portion of Form 141AZ, Schedule K-1, line 3 that is allocable to estate or trust income taxable by Arizona as a subtraction on line 46.

**NOTE:** *If the amount reported on line 3 of your Form 141AZ, Schedule K-1, is a positive number, enter that portion of line 3 that is allocable to estate or trust income taxable by Arizona as an addition on line 30.*

**O. Partnership Income Adjustment (Negative)**

Depending on your situation, you may either add (line 30) or subtract (line 46) this amount.

Use this adjustment if line 3, of your Arizona Form 165 Schedule K-1, shows a difference between federal and state



distributable income. If the difference reported on line 3, of your Arizona Form 165 Schedule K-1, is a negative number, enter that portion of the difference that is allocable to partnership income taxable by Arizona as a subtraction on line 46. **Do not include a minus sign or parentheses.**

**NOTE:** *If the difference reported on line 3, of your Arizona Form 165 Schedule K-1, is a positive number, enter that portion of the difference that is allocable to partnership income taxable by Arizona as an addition on line 30.*

#### **P. Net Operating Loss Adjustment**

**NOTE:** *This subtraction applies to only those individuals who made an election under the special federal net operating loss rules for 2008 and 2009. Under the special rules for 2008 and 2009, you could have elected to carry the net operating loss back for 3, 4 or 5 years, instead of the normal 2 years. This election would have been allowed under IRC § 172(b)(1)(H) as amended by the American Recovery and Reinvestment Act of 2009 or the Worker, Homeownership, and Business Assistance Act of 2009.*

Arizona did not adopt the special federal net operating loss rules for losses incurred during 2008 or 2009. For Arizona purposes, you must deduct an Arizona source net operating loss as if the loss was computed under IRC § 172 in effect prior to the enactment of those special rules. If you made an election to deduct your 2008 or 2009 federal net operating loss under IRC § 172(b)(1)(H), you may have to enter an amount here. Figure how much of the net operating loss carry forward would have been allowed as a deduction on your 2016 federal income tax return, if the election described in IRC § 172(b)(1)(H) had not been made in the year of the loss. Then figure how much of the carry forward computed under that method is attributable to income taxed by Arizona. The amount you may take as a subtraction is the difference between the Arizona amount and the amount actually taken for federal purposes that you included in your Arizona gross income. On line 46, enter the amount of carry forward deduction allowable on your Arizona return that exceeds the actual amount of net operating loss carry forward deduction that was deducted in arriving at Arizona gross income.

#### **Q. Previously Deferred Discharge of Indebtedness (DOI) Income Adjustment**

Generally, when a loan is settled for less than the amount owed, DOI income is realized by the debtor and usually must be included in the debtor's gross income. The amount of DOI income is generally equal to the amount of loan forgiveness. DOI income also occurs when a debtor repurchases his or her own debt at a discount (a price lower than the adjusted basis issue price of the debt instrument). In debt repurchase transactions, the amount of DOI income is generally equal to the difference between the adjusted issue price and the price paid for the debt instrument.

For federal purposes, a taxpayer may have made a special election for taxable years 2009 or 2010 to include DOI income in connection with the reacquisition of a business debt instrument, ratably over a 5 year period. A taxpayer that made

this election will generally include this income in federal adjusted gross income beginning with the 2014 taxable year. A taxpayer would have made the federal election under IRC § 108(i) as added by the American Recovery and Reinvestment Act of 2009.

Arizona did not adopt the special federal DOI income deferral provisions for the 2009 or 2010 taxable year. For Arizona purposes, if you made the federal election to defer the inclusion of DOI income under IRC § 108(i), you were required to add the amount of deferred DOI income to Arizona gross income on the return filed for the year in which you reacquired the debt instrument if the debt reacquisition occurred while you were an Arizona resident, or if the DOI income was from an Arizona source. If you made the required addition to Arizona income on the Arizona return filed for the year in which you reacquired the debt instrument (2009 or 2010), Arizona will not tax that DOI income twice. In the year in which you include that deferred DOI income in your federal adjusted gross income and likewise, your Arizona gross income, you may take a subtraction for the amount included for that year. Usually this subtraction will apply to taxable years 2014 through 2018. On line 46, enter the amount of previously deferred DOI income that you included in your Arizona gross income for the current taxable year to the extent that the amount was previously added to your Arizona income.

#### **R. Original Issue Discount (OID) on Reacquisition of Debt Instrument**

For federal purposes, when a taxpayer made the special election to defer DOI income under IRC § 108(i), the taxpayer was not allowed to take a deduction with respect to the portion of any OID that accrued with respect to that DOI income, during the income deferral period. In this case, the taxpayer must deduct the aggregate amount of the OID deductions disallowed ratably over a 5 year period, beginning with the period in which the income is includible in federal adjusted gross income.

Arizona did not adopt the federal provisions requiring a taxpayer to defer the OID deduction in cases where the taxpayer federally deferred the DOI income under IRC § 108(i). For Arizona purposes, you were required to add the amount of deferred DOI income to Arizona gross income on the return filed for the year in which you reacquired the debt instrument if the debt reacquisition occurred while you were an Arizona resident, or if the DOI income was from an Arizona source. If Arizona taxed the federally deferred DOI income for 2009 or 2010 on your 2009 or 2010 Arizona return, you may subtract the amount of OID that accrued during the taxable year with respect to that DOI income. On line 46, enter the amount of any OID related to that DOI income that was deferred and not allowed to be deducted in computing your federal adjusted gross income for 2016 under IRC § 108(i).

**S. Sole Proprietorship Income of an Arizona Nonprofit Medical Marijuana Dispensary Included in Federal Adjusted Gross Income**

If you are registered as an Arizona sole proprietorship with the Arizona Department of Health Services to operate in this state as a nonprofit medical marijuana dispensary, you may subtract the amount of the income from the dispensary that is included in the computation of your federal adjusted gross income. Include the amount of the income on line 46.

**NOTE:** *If the Arizona nonprofit medical marijuana dispensary is registered with the Arizona Department of Health Services as anything other than a sole proprietorship, this subtraction does not apply.*

**T. Long-Term Care Insurance Premiums**

You may subtract the amount of premium costs for long-term care insurance for qualified long-term care services. Qualified long-term care services are necessary diagnostic, preventive, therapeutic, curing, treating, mitigating, rehabilitative services, and maintenance and personal care services.

You may take this subtraction only if you are **not** claiming itemized deductions for the taxable year. An individual who claims itemized deductions may **not** take this subtraction.

You may only subtract the amount of premiums paid during the period you were an Arizona resident. Do not include the costs of any premiums paid during the period you were a nonresident. Include the allowable subtraction on line 46.

**U. Arizona Long-Term Health Care Savings Accounts**

You may subtract amounts you paid into a long-term health care savings account established under Arizona law. An individual may establish a long-term health care savings account with an account Administrator who will manage the account. For more information regarding the subtraction for contributions made to a long-term health care savings account, see A.R.S. § 43-1032.

The total amount you may subtract is equal to the amount of your contributions that are included in your federal adjusted gross income. Include the amount of the allowable subtraction on line 46.

Do not include any amounts already excluded in the computation of your federal adjusted gross income on line 26.

**V. Other Adjustments**

Other special adjustments may be necessary. Call one of the numbers listed on page 1 if any of the following apply:

- You sold or disposed of property that was held for the production of income and your basis was computed under the Arizona Income Tax Act of 1954, as amended (1978 prior), except depreciable property.
- You deferred exploration expenses determined under IRC § 617 in a taxable year ending before January 1, 1990, and you have not previously taken a subtraction for those expenses.

**Line 47 -**

Subtract lines 40 through 46 from line 39.

**Exemptions**

**Line 48 - Exemption: Age 65 or Over**

Multiply the number in box 8 on the front of your return by \$2,100 and enter the result.

**Line 49 - Exemption: Blind**

Multiply the number in box 9 on the front of your return by \$1,500 and enter the result.

**Line 50 - Exemption: Dependents**

Multiply the number in box 10 on the front of your return by \$2,300 and enter the result.

**Line 51 - Exemption: Qualifying Parents and Grandparents**

Multiply the number in box 11 on the front of your return by \$10,000 and enter the result.

**Line 52 - Total Exemptions**

Add lines 48 through 51 and enter the total.

**Line 53 - Prorated Exemptions**

Multiply the amount on line 52 by the Arizona income ratio from line 28 and enter the result.

**Active Duty Military Personnel Only:** *If you were an active duty military member who either began or gave up Arizona residency during 2016, do not prorate these exemptions.*

*You are allowed 100 % deductions for the age 65, the blind, the dependent and qualifying parent and grandparent exemptions. Enter the amount on line 52 (Total) on this line.*

**Line 54 - Arizona Adjusted Gross Income**

Subtract line 53 from line 47 and enter the difference.

**Figuring Your Arizona Tax**

**e-file** When you **e-file**, the software completes the math for you.

**Line 55 - Standard or Itemized Deductions**

You must decide whether to take the standard deduction or to itemize your deductions.

Your Arizona income tax will be less if you take the larger of your standard deduction or your itemized deductions.

**Your Standard Deduction**

**Tax Tip:** *The standard deduction is not prorated.*

**If you take the standard deduction, check box 55S.**

| If your filing status is:        | Your standard deduction is: |
|----------------------------------|-----------------------------|
| • Single                         | \$ 5,099                    |
| • Married filing separate return | \$ 5,099                    |
| • Married filing joint return    | \$10,189                    |
| • Head of household              | \$10,189                    |

**Your Itemized Deductions**

If you itemize deductions, check box 55I.

You may itemize deductions on your Arizona return even if you do not itemize deductions on your federal return.

The itemized deductions allowed for Arizona purposes are, with some exceptions, those itemized deductions that are allowable under the IRC.

A part-year resident who has no Arizona source income during the part of the year while an Arizona nonresident can deduct **all** of the following:

1. Those expenses incurred and paid during the part of the year while an Arizona resident.
2. Arizona source itemized deductions incurred and paid during the period of nonresidency.

Complete Arizona Form 140PY, Schedule A(PY), to determine your Arizona itemized deductions.

A part-year resident who also had Arizona source income during the part of the year while an Arizona nonresident can deduct all of the following:

1. Those expenses incurred and paid during the part of the year while an Arizona resident.
2. Arizona source itemized deductions incurred and paid during the period of nonresidency.
3. A portion of all other itemized deductions paid during the period of nonresidency.

Complete Form 140PY, Schedule A(PYN), to determine your Arizona itemized deductions. Form 140PY, Schedule A(PYN), is not included in your booklet.

You may get this form by visiting our website at [www.azdor.gov](http://www.azdor.gov).

To determine your Arizona itemized deductions, complete a federal Form 1040, Schedule A. Then complete the Form 140PY, Schedule A(PY) or A(PYN).

**NOTE:** *If you itemize, you must include a copy of your federal Schedule A with your Arizona return.*

For more information on itemized deductions allowed to a part-year Arizona resident, see the department’s ruling, ITR 94-10, *Part-Year Resident Deductions*.

**Line 56 - Personal Exemptions**

Your personal exemption depends on your filing status. See the Personal Exemption Chart. Then complete the Personal Exemption Worksheet.

If married, you may also use Arizona Form 202, *Personal Exemption Allocation Election*, to figure your personal exemption.

**NOTE: For Active Duty Military Personnel Only** - *If you were an active duty military member who either began or gave up Arizona residency during 2016, do not prorate the personal exemption.*

*You are allowed a 100% deduction for the personal exemption (to include spouse).*

| <b>Personal Exemption Chart</b>   |   |
|---|---|
| <b>Be sure to complete the Exemption worksheet</b>  |   |
| <b>If you checked filing status:</b>  | <b>Personal Exemption before proration:</b> |
| • Single (Box 7)  | \$2,100                                     |
| • Married filing joint return (Box 4) and claiming no dependents (Box 10)   | \$4,200                                     |
| • Married filing joint return (Box 4) and claiming at least one dependent (Box 10 excluding persons listed who did not qualify as a dependent on your federal return)         | \$6,300                                     |
| • Head of household and you are <b>not</b> married (Box 5)  | \$4,200                                     |
| • Head of household and you <b>are</b> a married person who qualifies to file as head of household (Box 5)  | \$3,150 or complete Form 202.               |
| • Married filing separate (Box 6) with neither spouse claiming any dependents (Box 10)  | \$2,100 or complete Form 202                |
| • Married filing separate (Box 6) with one spouse claiming at least one dependent (Box 10 excluding persons listed who did not qualify as a dependent on your federal return) | \$3,150 or complete Form 202                |

| <b>Personal Exemption Worksheet</b>  |   |  |  |  |  |  |
|--|---|--|--|--|--|--|
| 1. Enter amount from the Personal Exemption chart. Taxpayers, other than active duty military members, complete lines 2 and 3. If you are an active duty military member who either began or gave up Arizona residency during 2016, skip lines 2 and 3 and enter this amount on Form 140PY, line 56. |   |  |  |  |  |  |
| 2. Enter your Arizona income ratio from Form 140PY, line 28.   | <table border="1" style="width: 100%; height: 20px;"> <tr> <td style="width: 20%;"></td> <td style="width: 20%;"></td> <td style="width: 20%;"></td> <td style="width: 20%;"></td> <td style="width: 20%;"></td> </tr> </table> |  |  |  |  |  |
|  |   |  |  |  |  |  |
| 3. Multiply line 1 by the income ratio on line 2. Enter the result here and on Form 140PY, line 56.  |   |  |  |  |  |  |

A married couple who does not claim any dependents may take one personal exemption of \$4,200 (prior to prorating). If the husband and wife file separate returns, either spouse may (prior to prorating) take the entire \$4,200 exemption, or the spouses may divide the \$4,200 (prior to prorating) between them. You and your spouse must complete Arizona Form 202 if either you or your spouse claim a personal exemption of more than \$2,100 (prior to prorating). If you and your

spouse do not complete Form 202, you may (prior to prorating) take an exemption of only \$2,100 (one-half of the total \$4,200).

A married couple who claims at least one dependent may take one personal exemption of \$6,300 (prior to prorating). If the husband and wife file separate returns, either spouse may (prior to prorating) take the entire \$6,300 exemption, or the spouses may divide the \$6,300 (prior to prorating) between them. You and your spouse must complete Form 202 if either you or your spouse claim a personal exemption of more than \$3,150 (prior to prorating). If you and your spouse do not complete Form 202, you may (prior to prorating) take an exemption of only \$3,150 (one-half of the total \$6,300).

If you are a married person who qualifies to file as a head of household, you may take the entire \$6,300 (prior to prorating) personal exemption or you may divide the exemption with your spouse. You and your spouse must complete Form 202 if either you or your spouse claim a personal exemption of more than \$3,150 (prior to prorating). If you and your spouse do not complete Form 202, you may (prior to prorating) take an exemption of only \$3,150 (one-half of the total \$6,300).

The spouse who claims more than one-half of the total personal exemption (prior to prorating) must include the original Form 202 with his or her return. The spouse who claims less than one-half of the total personal exemption (prior to prorating) must include a copy of the completed Form 202 with his or her return.

**Line 57 – Arizona Taxable Income**

Subtract lines 55 and 56 from line 54 and enter the difference. If less than zero, enter zero. Use this amount to calculate your tax using Tax Table X or Y.

**Line 58 - Tax Amount**

Enter the tax from Tax Table X or Y.

**Line 59 - Tax From Recapture of Credits From Arizona Form 301**

Enter the amount of tax due from recapture of credits from Form 301, Part 2, line 40.

**Line 60 - Subtotal of Tax**

Add lines 58 and 59. Enter the total.

**Line 61 - Family Income Tax Credit**

**e-file** e-file software will let you know if you are eligible and will figure the credit for you.

You may claim this credit if your income does not exceed the maximum income allowed for your filing status.

- Complete Steps 1, 2, and 3 to see if you qualify.
- If you qualify, complete Worksheet II in Step 4.

**Step 1**

Complete Worksheet I.

| Worksheet I                            |    |
|--|----|
| 1. Enter the amount from line 54.      | \$ |
| 2. Enter the amount from line 53.      | \$ |
| 3. Add lines 1 and 2. Enter the total. | \$ |

**Step 2**

Look at the following tables. Find your filing status.

- Use Table I if married filing a joint return.
- Use Table II if head of household.
- Use Table III if single or married filing a separate return.

**Step 3**

- Look at the column (a) labeled "number of dependents" and find the number of dependents you are claiming (Form 140PY, page 1, box 10, excluding persons who did not qualify as your dependent on your federal return [Box 10, column (e)]).
- Find the maximum income [amount in column (b)] for the number of dependents you are claiming.
- Compare that income [the amount in column (b)] with the income listed in Step 1 on Worksheet I, line 3.

If the amount entered in Step 1 on Worksheet I, line 3, is equal to or less than the maximum income allowed for the number of dependents you are claiming, you qualify to take this credit.

To figure your credit, complete Step 4.

| Table I<br>Married Filing a Joint Return   |                |
|--|----------------|
| Column (a)   | Column (b)     |
| Number of dependents you are claiming on Form 140PY, page 1, box 10, excluding persons listed who did not qualify as your dependent on your federal return [Box 10, column (e)]. | Maximum Income |
| • 0 or 1   | \$20,000       |
| • 2  | \$23,600       |
| • 3  | \$27,300       |
| • 4 or more  | \$31,000       |

| Table II<br>Head of Household<br>(table cont. on next page)  |                |
|--|----------------|
| Column (a)   | Column (b)     |
| Number of dependents you are claiming on Form 140PY, page 1, box 10, excluding persons listed who did not qualify as your dependent on your federal return [Box 10, column (e)]. | Maximum Income |
| • 0 or 1   | \$20,000       |
| • 2  | \$20,135       |
| • 3  | \$23,800       |
| • 4  | \$25,200       |
| • 5 or more  | \$26,575       |

| <b>Table III<br/>Single or<br/>Married Filing a Separate Return</b>  |                |
|--|----------------|
| Column (a)   | Column (b)     |
| Number of dependents you are claiming on Form 140PY, page 1, box 10, excluding persons listed who did not qualify as your dependent on your federal return [Box 10, column (e)]. | Maximum Income |
| • 0 or more  | \$10,000       |

**Step 4**

If you qualify to take the credit, complete the following Worksheet II.

| <b>Worksheet II<br/>You must complete Steps 1 through 3 before<br/>you complete Worksheet II.</b>  |    |
|--|----|
| 1. Enter the number of dependents you entered on Form 140PY, page 1, box 10, excluding persons listed who did not qualify as your dependent on your federal return [Box 10, column (e)]. |    |
| 2. Number of personal exemptions. If you checked filing status 4, <b>enter</b> the number 2. If you checked filing status 5, 6, or 7, <b>enter</b> the number 1.                         |    |
| 3. Add lines 1 and 2. Enter the total.   |    |
| 4. Multiply the number on line 3 by \$40. Enter the result.  | \$ |
| 5. If you checked filing status 4 or 5, enter \$240 here. If you checked filing status 6 or 7, enter \$120 here.   | \$ |
| 6. Family income tax credit. Enter the lesser of line 4 or line 5. Enter amount on Form 140PY, page 2, line 61.  | \$ |
| <b>NOTE:</b> <i>The family income tax credit will only reduce your tax and cannot be refunded.</i>   |    |

**Line 62 - Nonrefundable Credits From Arizona Form 301**

Complete line 62 if you claim any of the following credits. Complete and include the Form 301 and the appropriate credit form or forms with your return.

- Enterprise Zone Credit.** The enterprise zone credit for individuals was repealed. All credits for enterprise zones that were properly established can be carried forward for the respective five year carry forward period. See Form 304 for more information.
- Environmental Technology Facility Credit.** You may qualify for this credit if your business incurred expenses in constructing a qualified environmental technology manufacturing facility. Use Form 305 to figure this credit.
- Military Reuse Zone Credit.** You may qualify for this credit if you have qualifying net increases in full-time employment within a military reuse zone. Use Form 306 to figure this credit.

**4. Recycling Equipment Credit.** The recycling equipment credit for individuals was repealed. All credits for recycling equipment that were properly established can be carried forward for the respective 15 year carry forward period. Use Form 307 to figure any allowable credit carryover.

**5. Credit for Increased Research Activities - Individuals.** You may qualify for this credit if you incurred qualified research expenses for research conducted in Arizona. Use Form 308-I to figure this credit. Be sure to include only the nonrefundable portion on Form 140PY, line 62.

**6. Credit for Taxes Paid to Another State or Country.** You may qualify for this credit if you paid tax to Arizona and another state or country on the same income. Use Form 309 to figure this credit.

**7. Credit for Solar Energy Devices.** You may qualify for this credit if you installed a solar energy device in your residence located in Arizona. Use Form 310 to figure this credit.

**8. Agricultural Water Conservation System Credit.** You may qualify for this credit if you incurred expenses to purchase and install an agricultural water conservation system in Arizona. Use Form 312 to figure this credit.

**9. Pollution Control Credit.** You may qualify for this credit if you purchased depreciable property used in a trade or business to reduce or prevent pollution. Use Form 315 to figure this credit.

**10. Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets.** You may qualify for this credit if you installed solar hot water heater plumbing stub outs or electric vehicle recharge outlets in houses or dwelling units you constructed. The taxpayer that constructed the dwelling may also transfer the credit to a purchaser. Use Form 319 to figure this credit.

**11. Credit for Employment of TANF Recipients.** You may qualify for this credit if you employed TANF recipients during the taxable year. Use Form 320 to figure this credit.

**12. Credit for Contributions to Qualifying Charitable Organizations.** You may qualify for this credit if you made contributions to certain qualifying charitable organizations. Use Form 321 to figure this credit.

**13. Credit for Contributions Made or Fees Paid to Public Schools.** You may qualify for this credit if you made contributions or paid certain fees to public schools in Arizona. Use Form 322 to figure this credit.

**14. Credit for Contributions to Private School Tuition Organizations.** You may qualify for this credit if you made contributions to a school tuition organization that provides scholarships or grants to qualified schools. Use Form 323 to figure this credit.

**15. Agricultural Pollution Control Equipment Credit.** You may qualify for this credit if you are involved in commercial agriculture and incurred expenses to purchase tangible personal property that is primarily used in your trade or business to control or prevent pollution. Use Form 325 to figure this credit.

**16. Credit for Donation of School Site.** You may qualify for this credit if you donated real property and improvements to a school district or a charter school for use as a school or as a site for the construction of a school. Use Form 331 to figure this credit.

**17. Credits for Healthy Forest Enterprises.** You may qualify for these credits, if you had net increases in qualified employment positions in a healthy forest enterprise and net training and certifying costs. Use Form 332 to figure these credits.

**18. Credit for Employing National Guard Members.** You may qualify for this credit if you are an employer who has an employee that is a member of the Arizona National Guard if the employee is placed on active duty. Use Form 333 to figure this credit.

**19. Credit for Business Contributions by an S Corporation to School Tuition Organizations - Individual.** S corporations that make qualifying contributions of \$5,000 or more may pass-through the credit to its individual shareholders on a pro rata basis. See Form 335-I for more information.

**20. Credit for Solar Energy Devices - Commercial or Industrial Applications.** This credit is available to taxpayers that installed solar energy devices for commercial, industrial, or other nonresidential applications in Arizona. Use Form 336 to figure this credit.

**21. Credit for Investment in Qualified Small Businesses.** You may qualify for this credit if you made an investment in a qualified small business. Use Form 338 to figure this credit.

**22. Credit for Water Conservation Systems.** The credit for water conservation systems was repealed. All credits for water conservation systems that were properly established can be carried forward for the respective five year carry forward period. Use Form 339 to figure any credit carryover.

**23. Credit for Donations to the Military Family Relief Fund.** You may qualify for this credit if you made a cash contribution to the Arizona Military Family Relief Fund during the taxable year. Use Form 340 to figure this credit.

**24. Credit for Business Contributions by an S Corporation to School Tuition Organizations for Displaced Students or Students with Disabilities - Individual.** S corporations that make qualifying contributions of \$5,000 or more may pass-through the credit to its individual shareholders on a pro rata basis. See Form 341-I for more information.

**25. Renewable Energy Production Tax Credit.** You may qualify for this credit if you produced electricity using renewable energy resources. Use Form 343 to figure this credit.

**26. Solar Liquid Fuel Credit.** You may qualify for this credit if you incurred expenses for (1) research and development costs associated with solar liquid fuel, (2) for the production of solar liquid fuel in this state in commercial quantities, and (3) for costs incurred during the taxable year to convert or modify existing motor vehicle fuel service stations for the retail sale of solar liquid fuel to customers. Use Form 344 to figure this credit.

**27. Credit for New Employment.** For taxable years beginning from and after June 30, 2011, you may qualify for this credit if your business had a net increase in qualified employment positions. Use Form 345 to figure this credit.

**28. Additional Credit for Increased Research Activities for Basic Research Payments.** You may qualify for this credit for qualified basic research payments for research conducted in Arizona. Approval by the Department of Revenue is required prior to claiming this credit. Use Form 346 to figure this credit.

**29. Credit for Qualified Health Insurance Plans.** The credit for qualified health insurance plans for individuals was repealed. Any unused credit that was properly established can be carried forward for the respective three year carry forward period. Use Form 347 to figure this credit.

**30. Credit for Contributions to Certified School Tuition Organization (for the amounts that exceed the allowable credit on Arizona Form 323).** You may qualify for this credit if you made contributions to school tuition organization(s) that exceed the allowable credit amount on Form 323. Use Form 348 to figure this credit.

**31. Credit for Renewable Energy Investment & Productions for Self-Consumption by Manufacturers and International Operations Centers.** You may qualify for this tax credit if you made investment in new renewable energy facilities that produce energy for self-consumption using renewable energy resources if the power will be used primarily for manufacturing or in an international operations center. Use Form 351 to figure this credit.

**32. Credit for Contributions to Qualifying Foster Care Charitable Organizations.** You may qualify for this credit if you made contributions to certain qualifying foster care charitable organizations. Use Form 352 to figure this credit.

Compute your credit on the appropriate form. Complete Form 301 and enter the amount from Form 301, Part 2, line 76. The amount on line 62 cannot reduce your tax below zero. These credits are not refundable credits.

Include Form 301 along with any supporting documents with your return.

### **Line 63 - Balance of Tax**

Subtract lines 61 and 62 from line 60. If the sum of lines 61 and 62 is more than line 60, enter zero.

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## **Totaling Payments and Refundable Credits**

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### **Line 64 - 2016 Arizona Income Tax Withheld**

Enter the Arizona income tax withheld as shown on Form(s) W-2 from your employer(s). Also enter the Arizona income tax withheld shown on your Form(s) 1099-R (distributions from pensions, annuities, etc.). Include the Form(s) W-2 and 1099 after the last page of your return. Do **not** include income taxes withheld by any other state.

**Line 65 - (Boxes a, b and c) - 2016 Arizona Estimated Tax Payments including Amount Applied from Your 2015 Return; and Arizona Claim of Right**

Use this line if you did any of the following:

- made estimated income tax payments to Arizona for 2016;
- applied any of your refund from your 2015 Arizona tax return to 2016 estimated taxes for Arizona; or
- recomputed a prior year's tax under Arizona's Claim of Right provisions.

Beginning 2016, you **must** also complete and include the *Arizona Claim of Right - Individual* form(s) with your income tax return. If you fail to complete and include the form(s), the amount of your claim may be denied. The form is available on the department's website at [www.azdor.gov](http://www.azdor.gov).

**Box 65a:** Enter the total amount of *estimated taxes* paid and/or applied to your 2016 taxes.

**NOTE:** *If you are married and made joint Arizona estimated payments for 2016, but are filing separate 2016 Arizona income tax returns, see Arizona Department of Revenue Income Tax Ruling ITR 02-3, Allocating Joint Estimated Payments to Separate Returns.*

**Box 65b:** Enter the amount from your *Arizona Claim of Right - Individual* form, line 8.

If you completed more than one Claim of Right form for the current taxable year, add all amounts on line 8 and enter the total in box 65b.

**NOTE:** *For more information on Arizona's claim of right provisions, see the department's procedure, ITP 16-1, Procedure for Individuals Who Restore Substantial Amounts Held Under a Claim of Right.*

**Line 65c:** Add the amounts in box 65a and box 65b. Enter the total on line 65c.

**Line 66 - 2016 Arizona Extension Payment (Arizona Form 204)**

Use this line to report the payment you sent with your extension request or the electronic extension payment you made using [www.AZTaxes.gov](http://www.AZTaxes.gov).

**Line 67 - Increased Excise Tax Credit**

You may claim this credit if you meet **all** of the following:

- You **must** have a SSN that is valid for employment.
- You meet the income threshold for your filing status.
  - If you are married filing a joint return, or a head of household, you may take this credit if the amount on Form 140PY, page 1, line 26, is \$25,000 or less.
  - If you are single or married filing a separate return, you may claim this credit if the amount on Form 140PY, page 1, line 26, is \$12,500 or less.
- **You are not claimed as a dependent by any other taxpayer.**
- You were not sentenced for at least 60 days of 2016 to a county, state or federal prison.

If you are married filing a joint return, you may also claim a credit for your spouse. Your spouse **must** have either a valid SSN or an ITIN.

**NOTE:** *If you are filing a joint return with your spouse, and your spouse was sentenced for at least 60 days during 2016 to a county, state or federal prison, you may claim the Excise Tax Credit if you otherwise qualify to claim the credit, but you cannot claim the credit for your spouse. If your spouse has a valid SSN, but you do not, neither you nor your spouse can claim this credit.*

For more information about how incarceration affects this credit, see the department's publication, 709, *Excise Tax Credit – How Does Incarceration Affect Eligibility*. If you also claim a credit for your qualifying children, your qualifying children **must** have either a valid SSN or an ITIN.

To figure your credit, complete the following worksheet.

| <b>Credit for Increased Excise Taxes Worksheet</b>  |                  |    |
|---|------------------|----|
| If you checked filing status 4 or 5, is the amount on Form 140PY, page 1, line 26, \$25,000 or less?<br><br>If you checked filing status 6 or 7, is the amount on Form 140PY, page 1, line 26, \$12,500 or less?                              | <i>Check one</i> |    |
|   | Yes              | No |
| <b>If you checked no, STOP. You do not qualify for this credit. If you checked yes, complete the rest of this worksheet on the following page.</b>  |                  |    |
| 1. Enter the number of dependents you entered on Form 140PY, page 1, box 10, excluding persons who did not qualify as your dependent on your federal return [Box 10, column (e)]. Also exclude any dependent that is not an Arizona resident. |                  |    |
| 2. Number of personal exemptions. If you checked filing status 4, enter the number 2 here. If you checked filing status 5, 6, or 7, enter the number 1 here.  |                  |    |
| 3. Add lines 1 and 2. Enter the total.  |                  |    |
| 4. Multiply the number on line 3 by \$25. Enter the result.   | \$               |    |
| 5. Maximum credit.  | \$ 100           |    |
| 6. Enter the smaller of line 4 or line 5 here and also on Form 140PY, page 2, line 67.  | \$               |    |

**NOTE:** *The credit cannot exceed \$100 per household. Do not claim this credit if someone else in your household has already claimed \$100 of the credit. If someone else in your household has claimed less than \$100, you may claim the credit as long as all credit claims filed from your household do not exceed \$100.*

For more information about this credit, see the department’s publication, Pub. 709

**Line 68 - Other Refundable Credits**

Enter the total of refundable credits you are claiming from any of the following:

- Form 308-I – *Credit for Increased Research Activities - Individuals*
- Form 342 – *Credit for Renewable Energy Industry*
- Form 349 – *Credit for Qualified Facilities*

If you enter an amount on this line, be sure you check the box or boxes to show which credits you are claiming. Include the credit form(s) with your return when you file.

**Credit for Increased Research Activities - Individuals (Arizona Form 308-I)**

A portion of this credit may be refundable. You may qualify for the refundable increased research activities credit if you incurred qualified research expenses for research conducted in Arizona. For more information about this credit, and to see whether you may claim a refund of this credit, see Form 308-I.

You must include a copy of your “Certificate of Qualification” from the Arizona Commerce Authority, Form 301 and Form 308-I with your return to claim this credit. If you are claiming a refund of the increased research activities credit from Form 308-I, enter the amount from Form 308-I, Part 4, line 34, here.

**Credit for Renewable Energy Industry (Arizona Form 342)**

You may qualify for the refundable credit for renewable energy industry if you expanded or located a qualified renewable energy operation in Arizona. The tax credit is refundable in five equal installments. Pre-approval and post-approval are required through the Arizona Commerce Authority. For more information about this credit, see Form 342.

You must include a copy of your “Certificate of Qualification” from the Arizona Commerce Authority, and Form 342 with your return to claim this credit.

If you are claiming the credit for renewable energy industry, from Form 342, enter the amount from Form 342, Part 6, line 18, here.

**Credit for Qualified Facilities (Arizona Form 349)**

You may qualify for the refundable qualified facilities credit if you expanded or located a qualified facility in Arizona. This credit is refundable in five equal installments. Pre-approval and post-approval are required through the Arizona Commerce Authority. For more information about this credit, see Form 349.

You must include a copy of your “Certificate of Qualification” from the Arizona Commerce Authority and Form 349 with your tax return to claim this credit. If you are claiming a refund of the qualified facilities credit from Form 349, enter the amount from Form 349, Part 8, line 18, here.

**If you are claiming more than one of the refundable tax credits**, add the amounts from the credit forms together and enter the total on line 68. You may use the following table to figure the amount to enter on line 68.

| <b>2016 - Refundable Credit Worksheet</b>                                     |  |
|---|--|
| 1. Enter the refundable credit from Form 308-I, Part 4, line 34               |  |
| 2. Enter the refundable credit from Form 342, Part 6, line 18.                |  |
| 3. Enter the refundable credit from Form 349, Part 8, line 18.                |  |
| 4. Add the amounts on lines 1 through 3. Enter the total here and on line 68. |  |

**Line 69 - Total Payments and Refundable Credits**

Line 69 is the total payments and refundable credits claimed. Add lines 64 through 68. Enter the total

**Arizona’s Claim of Right Provision**

**NOTE:** *Arizona’s Claim of Right amount is now reported on line 65. See line 65 for instructions.*

**Figuring Your Tax Due or Overpayment**

**Line 70 - Tax Due**

If line 63 is more than line 69, you have tax due. Subtract line 69 from line 63. Skip lines 71, 72 and 73.

**Line 71 - Overpayment**

If line 69 is more than line 63, subtract line 63 from line 69. Complete lines 72 and 73.

**Line 72 - Amount of Line 71 to Apply to 2017 Estimated Tax**

If you want all or part of your refund applied to next year’s Arizona estimated taxes, enter that amount on line 72.

**NOTE:** *If you apply any of the amount shown on line 71 to 2017, you cannot use that amount to pay any tax that is later found to be due for 2016. You also may not claim a refund for that amount until you file your 2017 return.*

**Line 73 - Balance of Overpayment**

Subtract line 72 from line 71 to determine your overpayment balance before voluntary gifts and any estimated payment penalty and/or an Arizona Long-Term Health Care Savings Account (AZLTHSA) withdrawal penalty.

**Making Voluntary Gifts**

You can make voluntary gifts to each of the funds shown below. A gift will reduce your refund or increase the amount due with your return.

**NOTE:** *If you make a gift, you cannot change the amount of that gift later on an amended return.*

**Line 74 - Solutions Teams Assigned to Schools Fund**

You may give some or all of your refund to the Solutions Teams Assigned to Schools Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 89. Enter the amount you want to donate on line 74.



Gifts go to the Arizona Assistance for Education Fund. The Arizona Board of Education will distribute money to the Arizona Department of Education to fund solutions teams assigned to schools.

#### **Line 75 - Arizona Wildlife Fund**

You may give some or all of your refund to the Arizona Wildlife Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 89. Enter the amount you want to donate on line 75.

Your gift to the Arizona Wildlife Fund helps protect wildlife in the state. Many species like bald eagles, Apache trout and black-footed ferrets benefit from your gifts to this fund. Gifts are also used to improve areas for watching wildlife statewide.

#### **Line 76 - Child Abuse Prevention Fund**

You may give some or all of your refund to the Arizona Child Abuse Prevention Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 89. Enter the amount you want to donate on line 76.

Gifts go to the Arizona Child Abuse Prevention Fund. This fund provides financial aid to community agencies for child abuse prevention programs.

#### **Line 77 - Domestic Violence Shelter Fund**

You may give some or all of your refund to the Domestic Violence Shelter Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 89. Enter the amount you want to donate on line 77.

Gifts go to the Domestic Violence Shelter Fund. This fund provides financial aid to shelters for victims of domestic violence.

#### **Line 78 - Political Gift**

You may give some or all of your refund to a political party. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 89. Enter the amount you want to donate on line 78.

If you donate to a political party, complete line 84.

Gifts go to one of the following political parties.

- Democratic
- Green Party
- Libertarian
- Republican

#### **Line 79 - Neighbors Helping Neighbors Fund**

You may give some or all of your refund to the Neighbors Helping Neighbors Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 89. Enter the amount you want to donate on line 79.

Gifts go to the Neighbors Helping Neighbors Fund. This fund provides eligible recipients with emergency aid in paying utility bills, conserving energy and weatherization.

#### **Line 80 - Special Olympics Fund**

You may give some or all of your refund to the Special Olympics Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 89. Enter the amount you want to donate on line 80.

Gifts go to the Special Olympics Fund. This fund helps provide programs of the Arizona Special Olympics.

#### **Line 81 - Veterans' Donations Fund**

You may give some or all of your refund to the Veterans' Donations Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 89. Enter the amount you want to donate on line 81.

Gifts go to the Veterans' Donations Fund, which may be used for veterans in Arizona.

#### **Line 82 - I Didn't Pay Enough Fund**

You may give some or all of your refund to the I Didn't Pay Enough Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 89. Enter the amount you want to donate on line 82.

Gifts that you make to the I Didn't Pay Enough Fund will aid the state by going to the Arizona general fund.

#### **Line 83 - Sustainable State Parks and Roads Fund**

You may give some or all of your refund to the Sustainable State Parks and Roads Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 89. Enter the amount you want to donate on line 83.

Gifts that you make to the Sustainable State Parks and Roads Fund will aid the state to operate, maintain and make capital improvements to buildings, roads, parking lots, highway entrances and any related structure used to operate state parks.

#### **Line 84 - Political Party**

If you entered an amount on line 78, check the box for the political party to which you wish to give. Select only one party. If you do not select a political party, the department will return the amount on line 78.

#### **Line 85 -**

- Estimated Payment Penalty
- Arizona Long-Term Health Care Savings Account (AZLTHSA) Withdrawal Penalty

#### **Estimated Payment Penalty**

**NOTE:** Do not complete Arizona Form 221, Underpayment of Estimated Tax by Individuals, if the amount on Form 140PY, line 64, is more than the amount on Form 140PY, line 63. If the amount on Form 140PY, line 64, is more than the amount on Form 140PY, line 63, skip line 85, unless you must report an Arizona Long-Term Health Care Savings Account penalty.

|  |  |   |
|--|--|---|
| You must have made Arizona estimated income tax payments during 2016 if: |  |   |
| Your filing status is:   | <b>AND</b><br>Your Arizona gross income for 2015 was greater than: | <b>AND</b><br>Your Arizona gross income for 2016 is greater than: |
| Married Filing Joint   | \$150,000  | \$150,000   |
| Single   | \$ 75,000  | \$ 75,000   |
| Head of Household  | \$ 75,000  | \$ 75,000   |
| Married Filing Separate  | \$ 75,000  | \$ 75,000   |

If you report as a farmer or fisherman for federal purposes, you were not required to make estimated payments during 2016 if the following apply:

1. You are a calendar year filer. You file your Arizona return by March 1, 2017. You pay in full the amount stated on your return as owed.
2. You are a fiscal year filer. You file your Arizona return by the first day of the third month after the end of your fiscal year. You pay in full the amount stated on your return as owed.

**If the above applies, check box 862 on line 86 and do not complete Form 221.**

An individual who fails to make the required estimated payments is subject to penalty on any estimated tax payment that is late or underpaid.

Complete and include Form 221, *Underpayment of Estimated Tax by Individuals*, to determine if any penalty is due. Enter the total penalty from Form 221.

### Arizona Long-Term Health Care Savings Account Withdrawal Penalty

You must pay a withdrawal penalty if you made a long-term health care savings account withdrawal during 2016 for purposes other than to pay for qualified long-term health care expenses. *Long-term health care expense* means any expense you paid for long-term health care costs, including the following:

- expenses for skilled nursing care,
- expenses for home health care, and
- personal care or supportive services due to the loss of some capacity for self-care based on a chronic illness or condition.

The penalty is equal to 10% (.10) of the withdrawal. You must remit this penalty with your income tax return filed for the year in which you made the withdrawal.

Multiply the amount of your withdrawal subject to penalty by 10%. Enter the result on line 85.

### Line 86 - Box 861 through Box 864

**Box 861:** check if any of the following applies to you:

1. You checked the box on line 1 of Form 221.
2. You completed the annualized income worksheet on Form 221.

3. You elected to be treated as a nonresident alien on your federal income tax return. You made three estimated payment installments. Your first installment equaled 50% of the total of all of your required installments.

**Box 862:** check if you are an individual who for federal purposes reports as a farmer or fisherman.

**Box 863:** check if you completed and are including Arizona Form 221.

**Box 864:** check if you included an AZLTHSA penalty on line 85.

### Line 87 -

Add lines 74 through 83 and line 85. Enter the total.

## Figuring Your Refund or Amount Owed

**e-file** You can get your refund quicker when you *e-file* and use direct deposit.

### Line 88 - Refund

Subtract line 87 from line 73. Enter your refund on line 88 and skip line 89. If you owe money to any Arizona state agency, court, county, incorporated city or town and certain federal agencies, your refund may go to pay some of the debt. If so, the department will let you know by letter.

**TAX TIP:** *If you change your address before you get your refund, let the department know. Write to: Refund Desk, Arizona Department of Revenue, PO Box 29216, Phoenix, AZ 85038-9216. Include your SSN in your letter.*

### Direct Deposit of Refund

Complete the direct deposit line if you want us to directly deposit the amount shown on line 88 into your account at a bank or other financial institution (such as a mutual fund, brokerage firm or credit union) instead of sending you a check.

**NOTE:** *Check the box on line 88A if the direct deposit will ultimately be placed in a foreign account. If you check box 88A, do not enter your routing or account numbers. If this box is checked, we will not direct deposit your refund. We will mail you a check instead.*

### Why Use Direct Deposit?

- You will get your refund fast - even faster if you e-file!
- Payment is more secure - there is no check to get lost.
- It is more convenient - no trip to the bank.
- It saves tax dollars - a refund by direct deposit costs less to process than a check.

**NOTE:** *We are not responsible for a lost refund if you enter the wrong account information. Check with your financial institution to get the correct routing and account numbers and to make sure your direct deposit will be accepted.*

### Routing Number

**MAKE SURE YOU ENTER THE CORRECT ROUTING NUMBER.**

The routing number must be nine digits. The first 2 digits must be 01 through 12 or 21 through 32. Otherwise, the

direct deposit will be rejected and a check will be mailed instead. On the sample check, the routing number is 250250025.

**Sample Check**

JOHN DOE OR JANE DOE  
123 First Street  
Sometown, AZ 00000

PAY TO THE ORDER OF **SAMPLE** \$  1234

THIS BANK, Sometown, AZ 00000

For  (250250025) (20202086) 1234

**Note:** The routing and account numbers may be in different places on your check.

Your check may state that it is payable through a financial institution different from the one at which you have your checking account. If so, **do not** use the routing number on that check. Instead, contact your financial institution for the correct routing number to enter here.

### Account Number

#### MAKE SURE YOU ENTER THE CORRECT ACCOUNT NUMBER.

The account number can be up to 17 characters (both numbers and letters). **DO NOT** include hyphens, spaces or special symbols. Enter the number from left to right and leave any unused boxes blank.

On the sample check, the account number is 20202086. Be sure **not** to include the check number.

**NOTE:** If the direct deposit is rejected, a check will be mailed instead.

### Line 89 - Amount Owed

Add lines 70 and 87. Enter the amount you owe on line 89. If you are making voluntary donations on lines 74 through 83 in excess of your overpayment, enter the difference on line 89.

You may pay only with a check, electronic check, money order, or credit card. If you want to make a cash payment, please visit one of our offices.

### Check or money order

**NOTE:** Include your check with your return. Please do not send cash.

Make your check payable to Arizona Department of Revenue. Write your SSN and tax year on the front of your check or money order. It may take 2-3 weeks for your payment to process.

The department cannot accept checks or money orders in foreign currency. You must make payment in U.S. dollars.

### Electronic payment from your checking or savings account

You can make an electronic payment from your checking or savings account to pay your balance due for 2016. There is no fee to use this method. To make an electronic payment, go to [www.AZTaxes.gov](http://www.AZTaxes.gov) and click on the "Make a Payment" link.

Be sure to enter the correct routing number and account number for your checking or savings account. You will be

charged a \$25 NSF (non-sufficient funds) fee if you provide an incorrect routing number or an incorrect account number. Check with your financial institution to get the correct routing and account numbers.

The "E-Check" option in the "Payment Method" drop-down box will debit the amount from the checking or savings account that you specify.

If you make an electronic payment from your checking or savings account, you will receive a confirmation number. **Please keep this confirmation number as proof of payment.**

**NOTE:** You may not make an electronic payment from your checking or savings account if the payment will ultimately be coming from a foreign account. In this case, you must pay by check or money order.

### Credit card payment

You can pay with your Discover, MasterCard, Visa, or American Express credit card. Go to [www.AZTaxes.gov](http://www.AZTaxes.gov) and click on the "Make a Payment" link and choose the credit card option. This will take you to a third party vendor site (provider). The provider **will charge** you a convenience fee based on the amount of your tax payment.

The provider will tell you what the fee is during the transaction; you will have the option to continue or cancel the transaction. If you complete the credit card transaction, you will receive a confirmation number. **Please keep this confirmation number as proof of payment.**

### Installment Payments

If you cannot pay the full amount shown on line 89 when you file, you may ask to make monthly installment payments. To make this request, complete Arizona Form 140-IA and mail the completed form to the address on the Form 140-IA. **Do not mail Form 140-IA with your income tax return.** You may obtain Arizona Form 140-IA from our website.

If you cannot pay the full amount shown on line 89, you will be charged interest and may be charged a late payment penalty on the tax not paid by April 18, 2017. To limit the interest and penalty charges, pay as much of the tax as possible when you file.

### Sign Your Return

You must sign your return. If married filing a joint return, both you and your spouse must sign even if only one had income. Form 140PY is not considered a valid return unless you sign it. The department cannot send a refund check without proper signatures on the return.

### Instructions Before Mailing

- **DO NOT STAPLE YOUR RETURN. DO NOT STAPLE ANY SCHEDULES, DOCUMENTS OR PAYMENT TO YOUR RETURN.**
- Make sure your SSN is on your return.
- Be sure you enter your daytime telephone number in the space provided on the front of your return.

- Check to make sure that your math is correct. A math error can cause delays in processing your return.
- If claiming **dependent** exemptions, write the number of dependents claimed on the **front** of the return. On page 1 of the return, also write each dependent's name, SSN, relationship, and the number of months that he or she lived in your home. If more space is needed, complete page 3 and include with your return.
- If claiming exemptions for qualifying parents or grandparents, write the number of qualifying parents or grandparents claimed on the **front** of the return. On page 1 (and page 3, if needed) of the return, also write each parent's or grandparent's name, SSN, relationship, and the number of months that he or she lived in your home.
- Check the **boxes** to make sure you filled in all required boxes.
- If you requested a filing extension, make sure that you check box 82F on page 1 of the return.
- Sign your return and have your spouse sign, if filing jointly.
- Write your SSN and tax year on the front of your check.

The Department of Revenue may charge you \$25 for a check returned unpaid by your financial institution.

- Include **all** required documents. Include these documents to the back of your return. Documents you must include with your return include those items listed in numbers 1 through 5 below.
  1. Include Form(s) W-2 after the last page of your return. Also include Form(s) 1099-R after the last page of your return if you had Arizona tax withheld from your pension or annuity.
  2. Include AZ Form 301, applicable credit forms, and your own schedules after the last page of your return. If itemizing, include these forms after your Arizona Schedule A and your federal Schedule A.
  3. If you are claiming a credit for taxes paid to another state or country, include copies of the other state's or country's filed return.
  4. If you have tax exempt interest income, be sure to include a schedule listing the payors and the amount received from each payor.
  5. If you itemize, be sure to include AZ Schedule A(PY), or A(PYN), and a copy of the federal Schedule A. Include the AZ Schedule A(PY) or A(PYN) and the federal Schedule A directly after page 2 of your return. Include other forms and schedules behind the Schedules A.
- Do **not** include correspondence with your return.

## **Filing Your Return**

Before you mail your return, make a copy of your return. Also make a copy of any schedules that you are including in with your return. Keep the copies for your records. Be sure that you mail the original and not a copy.

To avoid delays, if you are mailing more than one return, please use separate envelopes for each return.

## **Where Should I Mail My Return?**

If you are **sending a payment** with this return, mail the return to:

Arizona Department of Revenue  
PO Box 52016  
Phoenix, AZ 85072-2016

If you are **expecting a refund, or owe no tax, or owe tax but are not sending a payment**, mail the return to:

Arizona Department of Revenue  
PO Box 52138  
Phoenix, AZ 85072-2138

## **Make sure you put enough postage on the envelope**

The U.S. Post Office or the United States mail service must postmark your return or extension request by midnight April 18, 2017.

The term "United States mail" includes any private delivery service designated by the United States Secretary of the Treasury pursuant to Internal Revenue Code § 7502(f) and the term "postmark" includes any date recorded or marked by any such designated delivery service.

An income tax return that is mailed to the department is timely filed if it is delivered on or before its due date. Additionally, if the envelope or wrapper containing the return sent through the United States mail bears a postmark of the United States mail and that tax return is delivered to the department after its due date that return will be considered timely filed if all of the following apply:

1. The return was deposited in an official depository of the United States mail;
2. The date of the postmark is no later than the due date;
3. The return was properly addressed; and
4. The return had proper postage.

If the envelope or wrapper containing a return sent through the United States mail bears a private meter postmark made by other than the United States mail, the return is treated as timely filed if both of the following apply:

1. The private meter postmark bears a date on or before the due date for filing; and
2. The return is received no later than the time it would ordinarily have been received from the same point of origin by the same class of U.S. postage. If the return is received by the department within five business days of the private meter postmark date the department will consider this requirement satisfied.

You may also use certain private delivery services designated by the IRS to meet the "timely mailing as timely filed" rule.

For more information, see the department's ruling, GTR 16-1, *Timely Filing of Income or Withholding Tax Returns Through the United States Mail*.

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## How Long To Keep Your Return

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You must keep your records as long as they may be needed for the administration of any provision of Arizona tax law. Generally, this means you must keep records that support items shown on your return until the period of limitations for that return runs out.

The period of limitations is the period of time in which you can amend your return to claim a credit or refund or the department can assess additional tax. A period of limitations is the limited time after which no legal action can be brought. Usually, this is four years from the date the return was due or filed.

In some cases, the limitation period is longer than four years. The period is six years from when you file a return if you underreport the income shown on that return by more than 25% (.25).

The department can bring an action at any time if a return is false or fraudulent, or you do not file a return. To find out more about what records you should keep, get federal Publication 552.

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## Where's My Refund?

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You can check on your refund by visiting [www.azdor.gov](http://www.azdor.gov) . [www.AZTaxes.gov](http://www.AZTaxes.gov) and clicking on "Where's my refund?" or you may call one of the numbers listed on page 1.

Before you call, be sure to have a copy of your 2016 tax return on hand. You will need to know your SSN, your filing status and your 5-digit ZIP Code.

### Contacting the Department

Your tax information on file with the department is confidential. If you want the department to discuss your tax matters with someone other than yourself, you must authorize the department to release confidential information to that person.

You may use Arizona Form 285 to authorize the department to release confidential information to your appointee. See Form 285 for details.

**Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired After December 31, 2011**

2016 Original return  2016 Amended return

| <p><b>Long-Term Capital Gain or (loss) as reported on federal Schedule D (or other form/schedule) and included in computation of federal adjusted gross income.</b><br/> <i>Enter the <b>total</b> net long-term capital gains or (losses) from the following forms in each applicable column. See page 31 for instructions.</i></p> |  | (a)<br>Total net long-term capital gains or (losses) for all assets | (b)<br>For amounts to enter, see instructions for column (b) | (c)<br>Net long-term capital gains or (losses) included in column (b) from assets acquired before 1/1/2012 | (d)<br>Net long-term capital gains or (losses) included in column (b) from assets acquired after 12/31/2011 |
|--|--|---|--|--|---|
| 1  | Form(s) 8949 <i>Sales and Other Dispositions of Capital Assets; and</i> Form(s) 1099-B, <i>Proceeds from Broker and Barter Exchange Transactions</i> , for long-term transactions directly reported on federal Schedule D.   | 1   |  |  |   |
| 2  | Form(s) 4797 <i>Sales of Business Property</i>   | 2   |  |  |   |
| 3  | Form(s) 2439 <i>Notice to Shareholder of Undistributed Long-Term Capital Gains</i>   | 3   |  |  |   |
| 4  | Form(s) 6252 <i>Installment Sale Income</i>  | 4   |  |  |   |
| 5  | Form(s) 4684 <i>Casualties and Thefts</i>  | 5   |  |  |   |
| 6  | Form(s) 6781 <i>Gains and Losses from Sec. 1256 Contracts and Straddles</i>  | 6   |  |  |   |
| 7  | Form(s) 8824 <i>Like-Kind Exchanges</i>  | 7   |  |  |   |
| 8  | Partnerships, S corporations, estates, and trusts – from AZ Form 120S Schedule K-1; AZ Form 165 Schedule K-1; and AZ Form 141 Schedule K-1.  | 8   |  |  |   |
| 9  | Form(s) 1099-DIV <i>Dividends and Distributions</i>  | 9   |  |  |   |
| 10   | Subtotal: for each column, combine the amounts and enter the total.  | 10  |  |  |   |
| 11   | Long-term capital loss carryover. See the instructions for the amount(s) to enter, if any, in each applicable column.  | 11  |  |  |   |
| 12   | Subtract line 11 from line 10 and enter the difference in each applicable column.  | 12  |  |  |   |
| 13   | For amount to enter on line 13, column (d), see worksheet instructions.  | 13  |  |  |   |
| 14   | <p><b>Net Long-term capital gain or (loss) included in computation of your federal adjusted gross income.</b> Subtract line 13 from line 12 and enter the difference in each applicable column.</p> <ul style="list-style-type: none"> <li>If the amount on line 14, column (d) is a net capital (loss), you do not qualify to take the subtraction.</li> <li>If the amount on line 14, column (d) is a net capital gain, enter the result on Form 140PY, page 1, line 35. Also enter the amount from line 14, column (b) on Form 140PY, page 1, line 34.</li> </ul> | 14  |  |  |   |

## Instructions for completing the worksheet for the subtraction from Arizona gross income for any net long-term capital gain from assets acquired *after* December 31, 2011.

### Purpose of the Worksheet

You may subtract a percentage of any net long-term capital gain included in your federal adjusted gross income that is from an investment in an asset acquired after December 31, 2011.

For purposes of this subtraction, “*qualified*” means an Arizona asset that was acquired *after* December 31, 2011.

As a part-year resident, you may take the allowable subtraction for only those qualified net long-term capital gains that are from the following.

- Only those qualified net long-term capital gains sourced to Arizona during the period that you were an Arizona nonresident.
- All qualified net long-term capital gains during the period that you were an Arizona resident.

To take the allowable subtraction, you must know whether the capital gain or (loss) is considered short-term or long-term. Only the net long-term capital gain from assets acquired *after* December 31, 2011, is used in the computation for the subtraction.

For more information about determining whether a gain or (loss) is short term or long term, see federal *Publication 544* at [www.irs.gov](http://www.irs.gov).

If you cannot verify that the capital gain is from the sale of an asset acquired after December 31, 2011, then the capital gain should be included in column (b) of the worksheet as a capital gain from an asset acquired before January 1, 2012.

An asset acquired by gift or inheritance is considered acquired on the date it was acquired by the gift-giver or the deceased individual.

### Who Should Complete the Worksheet?

You *must* complete this worksheet to take the allowable subtraction if you have a net capital gain included in your federal adjusted gross income and the gain includes assets purchased *after* December 31, 2011.

Do *not* complete this worksheet if either of the following applies.

- You do not have any capital gains to report for the current tax year; or
- You do not have any net capital gain from asset(s) acquired *after* December 31, 2011, to report for the current tax year.

## General Instructions

1. Check the box if this worksheet is for an original or an amended return.
2. Keep this worksheet for your records.

## Line-by-Line instructions

Lines 1 through 8, lists the federal forms reported on federal Schedule D. Line 9 identifies the total capital gain distributions reported on Form(s) 1099-DIV.

- **Column (a)** is the **total** amount of long-term capital gains or (losses) reported on federal Schedule D or other forms/schedules.
- **Column (b)** is the amount of long-term capital gains or (losses) included in column (a) from the following.
  - Only those qualified net long-term capital gains sourced to Arizona during the period that you were an Arizona nonresident.
  - All qualified net long-term capital gains during the period that you were an Arizona resident.
- **Column (c)** is the amount of the long-term capital gains or (losses), included in column (b) for assets acquired *before* January 1, 2012.
- **Column (d)** is the amount of the long-term capital gains or (losses), included in column (b) for assets acquired *after* December 31, 2011.

### Lines 1 through 8 - Capital Gains or (Losses) Reported on Federal Schedule D

Enter the long-term capital gain or (loss) from the federal form listed that was reported on your federal Schedule D and included in the computation of your federal adjusted gross income.

### Line 9 - Long-Term Capital Gains or (Losses)

Capital gains listed on a 1099-DIV are gains passed on from a fund, such as a mutual fund, from the sale of assets within the fund. Generally, such funds do not provide the information needed to determine when the asset that was sold was acquired. In this situation, the capital gains will be considered as acquired before January 1, 2012, and would not qualify for this subtraction.

Enter the long-term capital gain or (loss) reported on Form(s) 1099-DIV and included in your computation of federal adjusted gross income.

**NOTE:** *Some taxpayers are not required to file federal Schedule D to report certain capital gains or (losses). In these cases, the long-term capital gains or (losses) are reported directly on the taxpayer’s income tax return. Enter those items on line 9 of the worksheet.*

### Line 10 - Subtotal

For each column, combine the amounts listed on lines 1 through 9 and enter the total.

### Line 11 - Long-Term Capital (Loss) Carryover

- Column (a), enter the total amount of long-term capital loss carryover *actually used* on the federal return for the current table year.
- Column (b), enter the portion from column (a) that is *from Arizona sources*.

- Column (c), enter the portion from column (b) that is from assets acquired before January 1, 2012.
- Column (d), enter the portion from column (b) that is from assets acquired after December 31, 2011.

**Line 12 -**

Subtract Line 11 from line 10 and enter the difference in each applicable column.

**Line 13 - Net Long-Term Capital Gain from Investment in Qualified Small Business**

To determine the amount to enter on line 13, column (d); answer the following questions.

Did you take a subtraction for any net capital gain included in federal adjusted gross income for the taxable year derived from investment in a qualified small business on Arizona Form 140PY, page 1, line 37?

- If “No”, enter zero on line 13, column (d).
- If “Yes”, does that amount include any net long-term capital gain from an investment made *after* December 31, 2011?
  - If “No”, enter zero on line 13, column (d).
  - If “Yes”, enter on line 13, column (d) the amount of any net long-term capital gain from an investment made *after* December 31, 2011, and included in the amount subtracted on AZ Form 140PY, line 37.

**Line 14 - Current Year Net Long-Term Capital Gain or (Loss)**

Subtract line 13 from line 12 and enter the difference in each applicable column.

- If the amount on line 14, column (d) is a net capital (loss), you do not qualify to take the subtraction.
- If the amount on line 14, column (d) is a net capital gain, enter the amount on Form 140PY, line 35.

Also enter the amount from line 12, column (b) on Form 140PY, line 34.



**Include with your return.**

|  |                                 |
|--|---------------------------------|
| Your Name as shown on Form 140PY                       | Your Social Security Number     |
| Spouse's Name as shown on Form 140PY (if filing joint) | Spouse's Social Security Number |

**Medical and Dental Expenses • Taxes • Interest Expense • Gifts to Charity**

|   |   |  |    |
|---|---|--|----|
| 1 Medical and dental expenses incurred and paid while an Arizona resident plus the amount of such expenses from Arizona sources that you incurred and paid during the part of the year while an Arizona nonresident.....  | 1 |  | 00 |
| 2 Taxes allowable on federal Form 1040, Schedule A, that you incurred and paid while an Arizona resident plus the amount of such taxes from Arizona sources that you incurred and paid during the part of the year while an Arizona nonresident.....            | 2 |  | 00 |
| 3 Interest expense: See instructions .....  | 3 |  | 00 |
| 4 Gifts to charity allowable on federal Form 1040, Schedule A, that you incurred and paid while an Arizona resident plus the amount of such gifts from Arizona sources that you incurred and paid during the part of the year while an Arizona nonresident..... | 4 |  | 00 |

**Casualty and Theft Losses**

|   |   |  |    |
|---|---|--|----|
| 5 Casualty loss(es) allowable on federal Form 1040, Schedule A, after applying the 10% federal adjusted gross income limitation and the \$100 per loss floor.....   | 5 |  | 00 |
| 6 Casualty loss(es) allowable on federal Form 4684 before applying the 10% federal adjusted gross income limitation and the \$100 per loss floor .....  | 6 |  | 00 |
| 7 Amount of loss on line 6 incurred while you were an Arizona resident plus the amount of loss from Arizona sources on line 6 that you incurred during the part of the year while an Arizona nonresident..... | 7 |  | 00 |
| 8 Divide line 7 by line 6, and enter the ratio .....  | 8 |  |    |
| 9 Multiply line 5 by the ratio on line 8 .....  | 9 |  | 00 |

**Job Expenses and Other Miscellaneous Expenses**

|   |    |  |    |
|---|----|--|----|
| 10 Miscellaneous expenses subject to the 2% federal adjusted gross income limitation allowable on federal Form 1040, Schedule A, before applying the limitation .....   | 10 |  | 00 |
| 11 Amount on line 10 that you incurred and paid while an Arizona resident plus the amount on line 10 from Arizona sources that you incurred and paid during the part of the year while an Arizona nonresident.....  | 11 |  | 00 |
| 12 Divide line 11 by line 10, and enter the ratio.....  | 12 |  |    |
| 13 Miscellaneous deductions subject to the 2% federal adjusted gross income limit allowable on federal Form 1040, Schedule A, after applying the limitation .....   | 13 |  | 00 |
| 14 Multiply line 13 by the ratio on line 12 .....   | 14 |  | 00 |
| 15 Other miscellaneous expenses allowable on federal Form 1040, Schedule A, not subject to the 2% federal adjusted gross income limitation that you incurred and paid while an Arizona resident plus the amount of such expenses from Arizona sources that you incurred and paid during the part of the year while an Arizona nonresident ..... | 15 |  | 00 |
| <b>SKIP LINES 16 THROUGH 20 IF NOT DEDUCTING GAMBLING LOSSES.</b>   |    |  |    |
| 16 Wagering losses included on line 15 .....  | 16 |  | 00 |
| 17 Total gambling winnings included in your Arizona gross income.....   | 17 |  | 00 |
| 18 Arizona lottery subtraction from Form 140PY, page 2, line 44 .....   | 18 |  | 00 |
| 19 Maximum allowable gambling loss deduction: Subtract line 18 from line 17.....  | 19 |  | 00 |
| 20 If line 19 is less than line 16, subtract line 19 from line 16; otherwise enter "zero" .....   | 20 |  | 00 |
| 21 If you completed lines 16 through 20, subtract line 20 from line 15. If you skipped lines 16 through 20, enter amount on line 15 here .....  | 21 |  | 00 |
| 22 Add lines 14 and 21 .....  | 22 |  | 00 |

Continued on page 2 →

|                                |                             |
|--------------------------------|-----------------------------|
| Your Name (as shown on page 1) | Your Social Security Number |
|--------------------------------|-----------------------------|

**Total Itemized Deductions**

**23** Tentative Arizona itemized deduction: Add lines 1, 2, 3, 4, 9, and 22, and enter the total on line 23.

Complete lines 24 through 28 below if your federal adjusted gross income is:

- more than \$311,300 (married taxpayers filing a joint return or surviving spouse), or
- \$285,350 (head of household), or
- \$259,400 (unmarried individual who is not a surviving spouse or head of household), or
- \$155,650 (married filing a separate return)

Otherwise, enter the amount on line 23 on Form 140PY, page 2, line 55 ..... **23**

**24** Enter on line 24 the amount by which you have to reduce your federal itemized deductions because your federal adjusted gross income was over this threshold if your federal adjusted gross income is:

- more than \$311,300 (married taxpayers filing a joint return or surviving spouse), or
- \$285,350 (head of household), or
- \$259,400 (unmarried individual who is not a surviving spouse or head of household) or
- \$155,650 (married filing a separate return) .....

**25** Enter your total federal itemized deductions allowable on federal Form 1040, Schedule A, prior to the federal adjusted gross income limitation ..... **25**

**26** Divide line 23 by line 25, and enter the ratio ..... **26**

**27** Multiply line 24 by the ratio on line 26, and enter the result ..... **27**

**28** Subtract line 27 from line 23. Enter the result here and on Form 140PY, page 2, line 55..... **28**

|  |    |  |
|--|----|--|
|  | 00 |  |
|  | 00 |  |
|  | 00 |  |
|  | 00 |  |
|  | 00 |  |
|  | 00 |  |
|  | 00 |  |
|  | 00 |  |

# 2016 Form 140PY Schedule A(PY) Itemized Deductions

## For Part-Year Residents Only

You may itemize your deductions on your Arizona return even if you do not itemize deductions on your federal return. Before you complete Arizona Form 140PY, Schedule A(PY), you must complete a federal Form 1040, Schedule A.

Even if you don't itemize deductions on your federal return, you must complete and include a copy of the federal Form 1040, Schedule A, with this form.

For the most part, you can deduct those items that are allowable itemized deductions under the Internal Revenue Code (IRC).

A part-year resident who has no Arizona source income during the part of the year while an Arizona nonresident can deduct **all** of the following:

- Those expenses incurred and paid during the part of the year while an Arizona resident.
- Arizona source itemized deductions incurred and paid during the part of the year while a nonresident.

For more information, see the department's ruling, ITR 94-10, *Part-Year Resident Deductions* at [www.azdor.gov](http://www.azdor.gov).

In some cases, the itemized deductions allowed on your Arizona return are not the same as those allowable under the IRC. The itemized deductions allowed on your Arizona return can differ if any of the following apply:

- You are deducting medical and dental expenses.
- You are claiming a federal credit (from federal Form 8396) for interest paid on mortgage credit certificates.
- You are deducting gambling losses while claiming a subtraction for Arizona lottery winnings.
- You are claiming a credit for any amount allowed as a charitable contribution.

Complete Form 140PY, Schedule A(PY), as instructed below.

## Line-by-Line Instructions

### Line 1 - Medical and Dental Expenses

Enter the amount of medical and dental expenses incurred and paid while an Arizona resident. Also enter the amount of such expenses from Arizona sources that you incurred and paid during the part of the year that you were a nonresident.

The medical and dental expenses that you can deduct on your Arizona return are the same expenses that you can deduct on your federal return.

Be sure you reduce these expenses by any payments received from insurance or other sources. Do not include the following amounts you paid through an employer-sponsored health insurance plan (cafeteria plan) unless your employer included the amount(s) in Box 1 of your Form W-2.

- Insurance premiums you paid through the plan.
- Other medical and dental expenses paid by the plan.

If you are self-employed, do not include any amount that you paid for health insurance that you deducted in computing your federal adjusted gross income.

Do not include any medical and dental expenses paid from your Arizona Long-term Health Care Savings Account (AZLTHSA).

### Line 2 - Taxes

Enter the amount of taxes allowable on federal Form 1040, Schedule A, that you incurred and paid while an Arizona resident. Also enter the amount of such taxes from Arizona sources that you incurred and paid during the part of the year while a nonresident.

Do not include any state taxes paid to other states for prior years if you were not an Arizona resident for that prior year.

### Line 3 - Interest Expense

Enter the amount of interest expense allowable on federal Form 1040, Schedule A, that you incurred and paid while an Arizona resident. Also enter the amount of such interest from Arizona sources that you incurred and paid during the part of the year while a nonresident.

If you received a federal credit for interest paid on mortgage credit certificates (from federal Form 8396), you may deduct some of the mortgage interest you paid for 2016 that you could not deduct for federal purposes. Include that portion of such interest that you incurred and paid during the part of the year while an Arizona resident.

Do not enter any interest expense that you incurred to purchase or carry U.S. obligations, the income from which is exempt from Arizona income tax.

### Line 4 - Gifts to Charity

Enter the amount of gifts to charity allowable on federal Form 1040, Schedule A, that you incurred and paid while an Arizona resident. Also enter the amount of such gifts from Arizona sources that you incurred and paid during the part of the year while a nonresident.

If you claimed a tax credit for any charitable contribution, do not include any contribution for which you claimed a tax credit.

| For Example:<br>(table continued on next page) |  |   |
|--|--|---|
| If you claimed a credit on Arizona Form:       | For:   | You cannot take a deduction on the Arizona Form 140PY, Schedule A (PY) for the amount of that contribution. |
| 321  | Contributions to Qualifying Charitable Organizations                                 |   |
| 322  | Contributions Made or Fees Paid to Public Schools                                    |   |
| 323  | Contributions to Private School Tuition Organization                                 |   |
| 331  | Donation of School Site  |   |
| 335-I  | Contributions made by an S Corporation to a School Tuition Organization - Individual |   |
| 340  | Donation to the Military Family Relief Fund  |   |

|       |   |  |
|-------|---|--|
| 341-I | Contributions made by an S Corporation to a School Tuition Organization for Displaced Students or Students with Disabilities - Individual |  |
| 348   | Contributions to Certified School Tuition Organization - Individual   |  |
| 352   | Contributions to Qualifying Foster Care Charitable Organizations  |  |

If you claimed a credit on your 2015 return for a contribution that you made during 2016 (see Arizona Forms 322, 323 and 348), you must exclude this deduction on your 2016 Arizona return, even though you claimed the credit on your 2015 Arizona return.

If you are claiming a credit on your 2016 return for a contribution made during 2017 (see Arizona Forms 321, 322, 323, 348 and 352), you must exclude this deduction on your 2017 return, even though you are claiming the credit on your 2016 return.

**Lines 5 through 9 - Casualty and Theft Losses**

**Line 5 -**

Enter the casualty loss(es) allowable on federal Form 1040, Schedule A, **after** applying the 10% federal adjusted gross income limitation and the \$100 per loss floor.

**Line 6 -**

Enter the casualty loss(es) allowable on federal Form 4684 **before** applying the 10% federal adjusted gross income limitation and the \$100 per loss floor.

**Line 7 -**

Enter the amount of casualty loss shown on line 6 that you incurred and paid while an Arizona resident. Also enter the amount of casualty loss shown on line 6 from Arizona sources that you incurred during the part of the year while a nonresident.

**Line 8 -**

Divide the amount on line 7 by the amount on line 6. Enter the result in decimal form. You must round your answer to **three** decimal places.

**Line 9 -**

Multiply the amount on line 5 by the ratio on line 8. Enter the result.

**Lines 10 through 15 - Job Expenses and Other Miscellaneous Expenses**

**Line 10 -**

Enter the amount of miscellaneous expenses subject to the 2% federal adjusted gross income limitation allowable on federal Form 1040, Schedule A, before applying the limitation.

**Lines 11 through 14 -**

Complete lines 11 through 14 as instructed on Form 140PY, Schedule A(PY).

Do not include on line 11 any amount that is allocable to income excluded from your Arizona taxable income. Such amounts would include employee business expenses attributable to income excluded from your Arizona taxable income.

**When entering the income ratio on line 12**, you must round your answer to **three** decimal places.

**Line 15 -**

Combine the following amounts and enter the total on line 15.

- Other allowable miscellaneous expenses not subject to the 2% federal adjusted gross income limitation that you incurred and paid while an Arizona resident; and
- Other allowable miscellaneous expenses not subject to the 2% federal adjusted gross income limitation from Arizona sources that you incurred and paid during the part of the year while a nonresident.

**Lines 16 through 20 - Gambling Losses**

Skip lines 16 through 20 if not deducting gambling losses.

**Line 16 -**

Enter the amount of wagering losses included on line 15, Form 140PY, Schedule A(PY).

**Line 17 -**

Enter the total gambling winnings included in your Arizona gross income.

**Line 18 -**

Enter the Arizona lottery subtraction from Form 140PY, page 2, line 44.

**Line 19 -**

Maximum allowable gambling loss deduction. Subtract the amount on line 18 from the amount on line 17.

**Line 20 -**

If the amount on line 19 is less than the amount on line 16, subtract line 19 from line 16. Otherwise, enter zero (0).

**Line 21 -**

If you completed lines 16 through 20, subtract line 20 from line 15. If you skipped lines 16 through 20, enter the amount from line 15 here.

**Line 22 -**

Add lines 14 and 21. This is your tentative Arizona miscellaneous deduction.

**Lines 23 through 28 - Total Arizona Itemized Deductions**

Complete lines 23 through 28 as instructed on Form 140PY, Schedule A(PY).

**When entering the income ratio on line 26**, you must round your answer to **three** decimal places.

**Include with your return.**

|  |                                 |
|--|---------------------------------|
| Your Name as shown on Form 140PY                       | Your Social Security Number     |
| Spouse's Name as shown on Form 140PY (if filing joint) | Spouse's Social Security Number |

**Part 1 Itemized Deductions for the Period of the Year While an Arizona Resident Plus Arizona Source Itemized Deductions for the Period While a Nonresident**

**Medical and Dental Expenses • Taxes • Interest Expense • Gifts to Charity**

|   |   |  |    |
|---|---|--|----|
| 1 Medical and dental expenses incurred and paid while an Arizona resident plus the amount of such expenses from Arizona sources that you incurred and paid during the part of the year while an Arizona nonresident.....  | 1 |  | 00 |
| 2 Taxes allowable on federal Form 1040, Schedule A, that you incurred and paid while an Arizona resident plus the amount of such taxes from Arizona sources that you incurred and paid during the part of the year while an Arizona nonresident.....            | 2 |  | 00 |
| 3 Interest expense: See instructions .....  | 3 |  | 00 |
| 4 Gifts to charity allowable on federal Form 1040, Schedule A, that you incurred and paid while an Arizona resident plus the amount of such gifts from Arizona sources that you incurred and paid during the part of the year while an Arizona nonresident..... | 4 |  | 00 |

**Casualty and Theft Losses**

|   |   |  |    |
|---|---|--|----|
| 5 Casualty loss(es) allowable on federal Form 1040, Schedule A, after applying the 10% federal adjusted gross income limitation and the \$100 per loss floor.....   | 5 |  | 00 |
| 6 Casualty loss(es) allowable on federal Form 4684 before applying the 10% federal adjusted gross income limitation and the \$100 per loss floor .....  | 6 |  | 00 |
| 7 Amount of loss on line 6 incurred while you were an Arizona resident plus the amount of loss from Arizona sources on line 6 that you incurred during the part of the year while an Arizona nonresident..... | 7 |  | 00 |
| 8 Divide line 7 by line 6, and enter the ratio .....  | 8 |  |    |
| 9 Multiply line 5 by the ratio on line 8 .....  | 9 |  | 00 |

**Job Expenses and Other Miscellaneous Expenses**

|   |    |  |    |
|---|----|--|----|
| 10 Miscellaneous expenses subject to the 2% federal adjusted gross income limitation allowable on federal Form 1040, Schedule A, before applying the limitation .....   | 10 |  | 00 |
| 11 Amount on line 10 that you incurred and paid while an Arizona resident plus the amount on line 10 from Arizona sources that you incurred and paid during the part of the year while an Arizona nonresident.....  | 11 |  | 00 |
| 12 Divide line 11 by line 10, and enter the ratio.....  | 12 |  |    |
| 13 Miscellaneous deductions subject to the 2% federal adjusted gross income limit allowable on federal Form 1040, Schedule A, after applying the limitation .....   | 13 |  | 00 |
| 14 Multiply line 13 by the ratio on line 12 .....   | 14 |  | 00 |
| 15 Other miscellaneous expenses allowable on federal Form 1040, Schedule A, not subject to the 2% federal adjusted gross income limitation that you incurred and paid while an Arizona resident plus the amount of such expenses from Arizona sources that you incurred and paid during the part of the year while an Arizona nonresident ..... | 15 |  | 00 |
| <b>Skip lines 16 through 20 if not deducting gambling losses.</b>   |    |  |    |
| 16 Wagering losses included on line 15 .....  | 16 |  | 00 |
| 17 Total gambling winnings included in your Arizona gross income.....   | 17 |  | 00 |
| 18 Arizona lottery subtraction from Form 140PY, page 2, line 44 .....   | 18 |  | 00 |
| 19 Maximum allowable gambling loss deduction: Subtract line 18 from line 17.....  | 19 |  | 00 |
| 20 If line 19 is less than line 16, subtract line 19 from line 16; otherwise enter "zero". .....  | 20 |  | 00 |
| 21 If you completed lines 16 through 20, subtract line 20 from line 15. If you skipped lines 16 through 20, enter amount on line 15 here.....   | 21 |  | 00 |
| 22 Add lines 14 and 21 .....  | 22 |  | 00 |

Continued on page 2 →

|                                |                             |
|--------------------------------|-----------------------------|
| Your Name (as shown on page 1) | Your Social Security Number |
|--------------------------------|-----------------------------|

**Subtotal Itemized Deductions**

**23** Tentative Arizona itemized deduction: Add lines 1, 2, 3, 4, 9, and 22, and enter the total on line 23.

Complete lines 24 through 28 below if your federal adjusted gross income is:

- more than \$311,300 (married taxpayers filing a joint return or surviving spouse), or
- \$285,350 (head of household), or
- \$259,400 (unmarried individual who is not a surviving spouse or head of household), or
- \$155,650 (married filing a separate return)

Otherwise, skip lines 24 through 28 ..... **23** 00

**24** Enter on line 24 the amount by which you have to reduce your federal itemized deductions because your federal adjusted gross income was over this threshold if your federal adjusted gross income is:

- more than \$311,300 (married taxpayers filing a joint return or surviving spouse), or
- \$285,350 (head of household), or
- \$259,400 (unmarried individual who is not a surviving spouse or head of household) or
- \$155,650 (married filing a separate return) .....

..... **24** 00

**25** Enter your total federal itemized deductions allowable on federal Form 1040, Schedule A, prior to the federal adjusted gross income limitation ..... **25** 00

**26** Divide line 23 by line 25, and enter the ratio ..... **26** 00

**27** Multiply line 24 by the ratio on line 26, and enter the result ..... **27** 00

**28** Subtract line 27 from line 23. Enter the result here ..... **28** 00

**Part 2 Portion of Itemized Deductions Allowable for the Part of the Year While a Nonresident**

**Adjustment to Medical and Dental Expenses**

**29** Medical and dental expenses ..... **29** 00

**30** Amount of distributions used to pay qualified medical expenses from your Arizona Long-Term Health Care Savings Account (AZLTHSA) included on line 29 ..... **30** 00

**31** Medical expenses allowed to be taken as a federal itemized deduction ..... **31** 00

**32** Add lines 30 and 31, and enter the total ..... **32** 00

**33** If line 29 is the same as or more than line 32, subtract line 32 from line 29. Otherwise, go to line 34 ..... **33** 00

**34** If line 32 is more than line 29, subtract line 29 from line 32 ..... **34** 00

**Adjustment to Interest Deduction**

**35** If you received a federal credit for interest paid on mortgage credit certificates (from federal Form 8396), enter the amount of mortgage interest you paid for 2016 that is equal to the amount of your 2016 federal credit ..... **35** 00

**Adjustment to Gambling Losses**

**36** Wagering losses allowed as a federal itemized deduction ..... **36** 00

**37** Total gambling winnings included in your federal adjusted gross income ..... **37** 00

**38** Arizona lottery subtraction from Form 140PY, page 2, line 44 ..... **38** 00

**39** Maximum allowable gambling loss deduction: Subtract line 38 from line 37 ..... **39** 00

**40** If line 39 is less than line 36, subtract line 39 from line 36; otherwise enter "zero" ..... **40** 00

**Adjustment to Charitable Contributions**

**41** Amount of charitable contributions for which you are taking a credit under Arizona law ..... **41** 00

**Adjusted Itemized Deductions**

**42** Add the amounts on lines 33 and 35 ..... **42** 00

**43** Add lines 34, 40 and 41 ..... **43** 00

**44** Total itemized deductions allowed to be taken on federal return ..... **44** 00

**45** Enter the amount from line 42 above ..... **45** 00

**46** Add the amount on lines 44 and 45 ..... **46** 00

**47** Enter the amount from line 43 above ..... **47** 00

**48** Subtract line 47 from line 46 ..... **48** 00

**49** If you skipped lines 24 through 28, enter the amount on line 23 here. If you completed lines 24 through 28, enter the amount from line 28 here. .... **49** 00

**50** Subtract line 49 from line 48 ..... **50** 00

**51** Arizona income ratio from line 4 of the worksheet on page 3 of Schedule A(PYN) instructions. **51** 00

**52** Multiply the ratio on line 51 by the amount on line 50 ..... **52** 00

**53** Add lines 49 and 52. Enter the total here and on Form 140PY, page 2, line 55 ..... **53** 00

# 2016 Form 140PY Schedule A(PYN) Itemized Deductions

## **For Part-Year Residents who also had Arizona source income during the part of the year while an Arizona nonresident.**

Before you complete Arizona Form 140PY, Schedule A(PYN), you must complete a federal Form 1040, Schedule A.

You may itemize your deductions on your Arizona return even if you do not itemize deductions on your federal return. For the most part, you can deduct those items that are allowable itemized deductions under the Internal Revenue Code (IRC).

A part-year resident who also has Arizona source income during the part of the year while an Arizona nonresident can deduct **all** of the following:

- Those expenses incurred and paid during the part of the year while an Arizona resident.
- Arizona source itemized deductions incurred and paid during the part of the year while a nonresident.
- A portion of all other itemized deductions paid during the part of the year while a nonresident.

For more information, see the department's ruling, ITR 94-10, *Part-Year Resident Deductions*, at [www.azdor.gov](http://www.azdor.gov).

In some cases, the itemized deductions allowed on your Arizona return are not the same as those allowable under the IRC. The itemized deductions allowed on your Arizona return can differ if any of the following apply:

- You are deducting medical and dental expenses.
- You are claiming a federal credit (from federal Form 8396) for interest paid on mortgage credit certificates.
- You are deducting gambling losses while claiming a subtraction for Arizona lottery winnings.
- You are claiming a credit for any amount allowed as a charitable contribution.

## **PART 1**

### **Line 1 - Medical and Dental Expenses**

Enter the amount of medical and dental expenses incurred and paid while an Arizona resident. Also enter the amount of such expenses from Arizona sources that you incurred and paid during the part of the year that you were a nonresident.

The medical and dental expenses that you can deduct on your Arizona return are the same expenses that you can deduct on your federal return.

Be sure you reduce these expenses by any payments received from insurance or other sources. Do not include the following amounts you paid through an employer-sponsored health insurance plan (cafeteria plan) unless your employer included the amount(s) in Box 1 of your Form W-2.

- Insurance premiums you paid through the plan.
- Other medical and dental expenses paid by the plan.

If you are self-employed, do not include any amount that you paid for health insurance that you deducted in computing your federal adjusted gross income.

Do not include any medical and dental expenses paid from your Arizona Long-Term Health Care Savings Account (AZLTHSA).

### **Line 2 - Taxes**

Enter the amount of taxes allowable on federal Form 1040, Schedule A, that you incurred and paid while an Arizona resident. Also enter the amount of such taxes from Arizona sources that you incurred and paid during the part of the year while a nonresident.

Do not include any state taxes paid to other states for prior years if you were not an Arizona resident for that prior year.

### **Line 3 - Interest Expense**

Enter the amount of interest expense allowable on federal Form 1040, Schedule A, that you incurred and paid while an Arizona resident. Also enter the amount of such interest from Arizona sources that you incurred and paid during the part of the year while a nonresident.

If you received a federal credit for interest paid on mortgage credit certificates (from federal Form 8396), you may deduct some of the mortgage interest you paid for 2016 that you could not deduct for federal purposes. Include that portion of such interest that you incurred and paid during the part of the year while an Arizona resident.

Do not enter any interest expense that you incurred to purchase or carry U.S. obligations, the income from which is exempt from Arizona income tax.

### **Line 4 - Gifts to Charity**

Enter the amount of gifts to charity allowable on federal Form 1040, Schedule A, that you incurred and paid while an Arizona resident. Also enter the amount of such gifts from Arizona sources that you incurred and paid during the part of the year while a nonresident.

If you claimed a credit for any charitable contribution, do not include any contribution for which you claimed a tax credit.

| <b>For Example:<br/>(table continued on next page)</b> |  |   |
|--|--|---|
| <b>If you claimed a credit on Arizona Form:</b>        | <b>For:</b>  | <b>You can not claim a deduction on the Arizona Form 140PY, Schedule A (PYN) for the amount of that contribution.</b> |
| 321  | Contributions to Qualifying Charitable Organizations                                 |   |
| 322  | Contributions Made or Fees paid to Public Schools                                    |   |
| 323  | Contributions to Private School Tuition Organizations                                |   |
| 331  | Donation of School Site  |   |
| 335-I  | Contributions made by an S Corporation to a School Tuition Organization - Individual |   |
| 340  | Donations to the Military Family Relief Fund   |   |

|       |   |  |
|-------|---|--|
| 341-I | Contributions made by an S Corporation to a School Tuition Organization for Displaced Students or Students with Disabilities - Individual |  |
| 348   | Contributions to Certified School Tuition Organization - Individual   |  |
| 352   | Contributions to Qualifying Foster Care Charitable Organizations  |  |

If you claimed a credit on your 2015 return for a contribution that you made during 2016 (see Arizona Forms 322, 323 and 348), you must exclude this deduction on your 2016 Arizona return, even though you claimed the credit on your 2015 Arizona return.

If you are claiming a credit on your 2016 return for a contribution made during 2017 (see Arizona Forms 321, 322, 323, 348 and 352), you must exclude this deduction on your 2017 return, even though you are claiming the credit on your 2016 return.

**Lines 5 through 9 - Casualty and Theft Losses**

Enter the casualty loss(es) allowable on federal Form 1040, Schedule A, **after** applying the 10% federal adjusted gross income limitation and the \$100 per loss floor.

**Line 6 -**

Enter the casualty loss(es) allowable on federal Form 4684 **before** applying the 10% federal adjusted gross income limitation and the \$100 per loss floor.

**Line 7 -**

Enter the amount of casualty loss shown on line 6 that you incurred and paid while an Arizona resident. Also enter the amount of casualty loss shown on line 6 from Arizona sources that you incurred during the part of the year while a nonresident.

**Line 8 -**

Divide the amount on line 7 by the amount on line 6. Enter the result in decimal form. You must round your answer to **three** decimal places.

**Line 9 -**

Multiply line 5 by the ratio on line 8 and enter the result.

**Lines 10 through 15 - Job Expenses and Other Miscellaneous Expenses**

Enter the amount of miscellaneous expenses subject to the 2% federal adjusted gross income limitation allowable on federal Form 1040, Schedule A, before applying the limitation.

**Lines 11 through 14 -**

Complete lines 11 through 14 as instructed on Form 140PY, Schedule A(PYN).

Do not include on line 11 any amount that is allocable to income excluded from your Arizona taxable income. Such amounts would include employee business expenses attributable to income excluded from your Arizona taxable income.

**When entering the ratio on line 12,** you must round your answer to **three** decimal places.

**Line 15 -**

Enter the amount of other allowable miscellaneous expenses not subject to the 2% federal adjusted gross income limitation that you incurred and paid while an Arizona resident.

Also enter the amount of other allowable miscellaneous expenses not subject to the 2% federal adjusted gross income limitation from Arizona sources that you incurred and paid during the part of the year while a nonresident.

**Lines 16 through 20 - Gambling Losses**

Skip lines 16 through 20 if not deducting gambling losses.

**Line 16 -**

Enter the amount of wagering losses included on line 15, Form 140PY Schedule A(PYN).

**Line 17 -**

Enter the total gambling winnings included in your Arizona gross income.

**Line 18 -**

Enter the Arizona lottery subtraction from Form 140PY, page 2, line 44.

**Line 19 -**

Maximum allowable gambling loss deduction. Subtract the amount on line 18 from the amount on line 17.

**Line 20 -**

If the amount on line 19 is less than the amount on line 16, subtract line 19 from line 16. Otherwise, enter zero (0).

**Line 21 -**

If you completed lines 16 through 20, subtract line 20 from line 15. If you skipped lines 16 through 20, enter the amount from line 15 here.

**Line 22 -**

Add lines 14 and 21.

**Lines 23 through 28 - Subtotal Itemized Deductions**

Complete lines 23 through 28 as instructed on Form 140PY, Schedule A(PYN).

**When entering the ratio on line 26,** you must round your answer to **three** decimal places.

---

**PART 2 –**

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**Portion of Itemized Deductions Allowable for the Part of the Year While a Nonresident**

**Line 29 -**

Enter the **total** of your medical and dental expenses after you reduce these expenses by any payments received from insurance or other sources. Do not reduce the amount on line 29 by amounts paid from an AZLTHSA.

Do not include insurance premiums you paid through an employer-sponsored health insurance plan (cafeteria plan)



unless your employer included the premiums in Box 1 of your Form(s) W-2.

Also, do not include any other medical and dental expenses paid by the plan unless your employer included the amount paid in Box 1 of your Form(s) W-2.

If self-employed, do not include any amount paid for health insurance that you deducted in computing your federal adjusted gross income.

The medical and dental expenses for Arizona purposes are the same as for federal purposes.

**Line 30 -**

Enter any amount of medical and dental expenses included on line 29 that were paid from your AZLTHSA.

**Lines 31 through 40 -**

Complete lines 31 through 40 as instructed on Form 140PY, Schedule A(PYN).

**Line 41 -**

You cannot claim both a deduction and a credit for the same charitable contributions. Enter the amount of charitable contributions for which you are taking a credit.

| For Example:                             |   |   |
|--|---|---|
| If you claimed a credit on Arizona Form: | For:  | You must make an entry here if you deducted the amount contributed as an itemized deduction on federal Form 1040, Schedule A. |
| 321                                      | Contributions to Qualifying Charitable Organizations  |   |
| 322                                      | Contributions Made or Fees Paid to Public Schools   |   |
| 323                                      | Contributions to Private School Tuition Organizations   |   |
| 331                                      | Donation of School Site   |   |
| 335-I                                    | Contributions made by an S Corporation to a School Tuition Organization - Individual  |   |
| 340                                      | Donations to the Military Family Relief Fund  |   |
| 341-I                                    | Contributions made by an S Corporation to a School Tuition Organization for Displaced Students or Students with Disabilities - Individual |   |
| 348                                      | Contributions to Certified School Tuition Organization - Individual   |   |
| 352                                      | Contributions to Qualifying Foster Care Charitable Organizations  |   |

If you claimed a tax credit on your 2015 return for a contribution that you made during 2016 (see Arizona Form 322, 323 and 348), you must make this adjustment on your 2016 return, even though you claimed the credit on your 2015 return.

If you are claiming a tax credit on your 2016 return for contributions made during 2017 (see Arizona Forms 321, 322, 323, 348 and 352), you must make this adjustment on your 2017 return, even though you are claiming the credit on your 2016 return.

**Lines 42 through 50 - Adjusted Itemized Deductions**

Complete lines 42 through 50 as instructed on Form 140PY, Schedule A(PYN).

**Line 51 -**

Complete the following worksheet to determine what **income ratio** to enter on line 51.

| Worksheet   |  |   |  |   |  |  |
|---|--|---|--|---|--|--|
| 1. Arizona source income  | Amount   |   |  |   |  |  |
| a. _____  | a. _____   |   |  |   |  |  |
| b. _____  | b. _____   |   |  |   |  |  |
| c. _____  | c. _____   |   |  |   |  |  |
| d. _____  | d. _____   |   |  |   |  |  |
| 2. Add the amounts on lines 1a through line 1d.   |  |   |  |   |  |  |
| 3. Enter the amount from Form 140PY, page 1, line 26.   |  |   |  |   |  |  |
| 4. Divide the amount on line 2 by the amount on line 3. Enter the percent in decimal form here and on Form 140PY, Schedule A (PYN), line 51. <b>You must round your answer to three decimal places.</b><br>Do not enter more than 1.000 | <table border="1" style="width: 100px; height: 30px;"> <tr> <td style="width: 20px;"></td> <td style="width: 20px;"></td> <td style="width: 20px; text-align: center;">.</td> <td style="width: 20px;"></td> <td style="width: 20px;"></td> </tr> </table> |   |  | . |  |  |
|   |  | . |  |   |  |  |

**Lines 52 and 53 -**

Complete lines 52 and 53 as instructed on Form 140PY, Schedule A(PYN).

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DO NOT STAPLE ANY ITEMS TO THE RETURN.

82F Check box 82F if filing under extension OR FISCAL YEAR BEGINNING [M,M,D,D] 2,0,1,6 AND ENDING [M,M,D,D] 2,0,Y,Y. 66F

1 Your First Name and Middle Initial Last Name Enter your SSN(s) Your Social Security Number

1 Spouse's First Name and Middle Initial (if box 4 or 6 checked) Last Name Spouse's Social Security No.

2 Current Home Address - number and street, rural route Apt. No. Daytime Phone (with area code) 94

3 City, Town or Post Office State ZIP Code Last Names Used in Last Four Prior Year(s) (if different) 97

FILING STATUS: 4 Married filing joint return, 5 Head of household, 6 Married filing separate return, 7 Single. EXEMPTIONS: 8 Age 65 or over, 9 Blind, 10 Dependents. REVENUE USE ONLY. DO NOT MARK IN THIS AREA. 88R, 81P PM, 80R RCVD.

11-13 Residency Status (check one): 11 Nonresident, 12 Nonresident Active Military, 13 Composite Return

(Box 10): Dependent Information: Children and other dependents. For more space, (check) and complete page 3.

Table with 6 columns: (a) FIRST AND LAST NAME, (b) SOCIAL SECURITY NO., (c) RELATIONSHIP, (d) NO. OF MONTHS LIVED IN YOUR HOME IN 2016, (e) if this person did not qualify as a dependent, (f) if you did not claim this person. Rows 10a, 10b, 10c, 10d.

Table for Arizona Income. Columns: 2016 FEDERAL Amount from Federal Return, 2016 ARIZONA Source Amount Only. Rows 14-27.

Table for Additions. Rows 28-31.

Table for Subtractions - cont. on page 2. Rows 32-41.

Place any required federal and AZ schedules or other documents after Form 140NR.



Your Name (as shown on page 1)

Your Social Security Number

### Dependent Information - Continuation Sheet from Page 1 Dependents

Include with your return **only** if listing additional dependents.

Complete this form **only** if you need additional space from page 1 to list your dependents.  
If you do not list **all** dependents claimed on page 1 of your income tax return, you may lose the exemptions.

**Children and other dependents, continued from page 1.**

|     | (a)<br>FIRST AND LAST NAME<br>(Do not list yourself or spouse.) | (b)<br>SOCIAL SECURITY NO. | (c)<br>RELATIONSHIP | (d)<br>NO. OF MONTHS<br>LIVED IN YOUR<br>HOME IN 2016 | (e)<br>✓ if this person<br>did not qualify as a<br>dependent on your<br>federal return | (f)<br>✓ if you did not claim<br>this person on your<br>federal return due to<br>educational credits |
|-----|---|----------------------------|---------------------|---|--|--|
| 10e |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10f |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10g |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10h |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10i |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10j |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10k |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10l |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10m |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10n |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10o |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10p |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10q |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10r |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10s |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10t |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10u |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 10v |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |

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**2016 Nonresident Personal Income Tax Return**

**For information or help, call one of the numbers listed:**

Phoenix (602) 255-3381  
From area codes 520 and 928, toll-free (800) 352-4090

**Tax forms, instructions, and other tax information**

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

**Income Tax Procedures and Rulings**

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website and click on *Legal Research* then click on *Procedures* or *Rulings* and select a tax type from the drop down menu.

**Publications**

To view or print the department's publications, go to our website and click on *Publications*.

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**E-file** through an Authorized IRS/DOR **e-file** provider or by using your personal computer and the Internet.

Visit our website at [www.azdor.gov](http://www.azdor.gov) for a listing of approved **e-file** providers and on-line filing sources.

\*\* For free **e-file** requirements, check out our website at [www.azdor.gov](http://www.azdor.gov).

**NOTE:** A nonresident composite return **cannot** be e-filed. Partnerships and S corporations filing a composite return on behalf of its nonresident partners or shareholders **must** mail Form 140NR.

**Are You Subject to Tax in Arizona?**

You are subject to Arizona income tax on all income derived from Arizona sources. If you are in this state for a temporary or transitory purpose or did not live in Arizona but received income from sources within Arizona during 2016, you are subject to Arizona tax. Income from Arizona sources includes the following:

- wages,
- rental income,
- business income,
- the sale of Arizona real estate,
- interest and dividends having a taxable or business situs, in this state, and
- any other income from an Arizona source.

**Do You Have to File?**

| <b>Arizona Filing Requirements</b><br>These rules apply to all Arizona taxpayers. |   |                                   |
|---|---|-----------------------------------|
| You must file if you are:   | and your Arizona adjusted gross income is at least: | or your gross income is at least: |
| • Single  | \$ 5,500  | \$15,000                          |
| • Married filing joint  | \$11,000  | \$15,000                          |
| • Married filing separate   | \$ 5,500  | \$15,000                          |
| • Head of household   | \$ 5,500  | \$15,000                          |

If you are a nonresident, you must report income derived from Arizona sources.

To see if you have to file, figure your gross income the same as you would figure your gross income for federal income tax purposes. Then you should exclude income Arizona law does not tax.

Income earned by a qualifying out-of-state employee, from performing qualified disaster recovery work during a disaster period, is exempt from Arizona income tax. For more information, see the instructions for line 15.

You can find your Arizona adjusted gross income on line 52 of Arizona Form 140NR.

**NOTE:** Even if you do not have to file, you must still file a return to get a refund of any Arizona income tax withheld.

**Do You Have to File if You Are an American Indian?**

You must file if you meet the Arizona filing requirements unless **all** the following apply to you:

- You are an enrolled member of an Indian tribe.
- You live on the reservation established for that tribe.
- You earned **all** of your income on that reservation.

For more information on the Arizona tax treatment of American Indians, see the department's ruling, ITR 96-4, *Income Taxation of Indians and Spouses*.

**Do You Have to File if You Are The Spouse of an American Indian and You Are Not an Enrolled Indian?**

You must file if you meet the Arizona filing requirements. For more information on the tax treatment of spouses of American Indians, see the department's ruling, ITR 96-4, *Income Taxation of Indians and Spouses*.

**Do You Have to File if You Are in the Military?**

You must file if you meet the Arizona filing requirements unless **all** the following apply to you:

- You are an active duty member of the United States armed forces.
- Your only income for the taxable year is pay received for active duty military service.

- There was no Arizona tax withheld from your active duty military pay.

If Arizona tax was withheld from your active duty military pay, you must file an Arizona income tax return to claim any refund you may be due from that withholding.

You must also file an Arizona income tax return if you have any other income besides pay received for active duty military service.

If you are an Arizona resident and you have to file an Arizona return, you should file using Form 140. If you were an Arizona resident when you entered the service, you remain an Arizona resident, no matter where stationed, until you establish a new domicile. As an Arizona resident, you must report all of your income to Arizona, no matter where stationed. You must include your military pay, but using Form 140, you may subtract all pay received for active duty military service; to the extent it is included in your federal adjusted gross income.

If you are not an Arizona resident, but stationed in Arizona, the following applies to you:

- You are not subject to Arizona income tax on your military pay.
- You must report any other income you earn in Arizona. Use Form 140NR, *Nonresident Personal Income Tax Return*, to report this income.

To find out more, see our publication, Pub. 704, *Taxpayers in the Military*.

### **If You Included Your Child's Unearned Income On Your Federal Return, Does Your Child Have To File An Arizona Return?**

No. In this case, the child should not file an Arizona return. The parent must include that same income in his or her Arizona taxable income.

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## **Residency Status**

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If you are not sure if you are an Arizona resident for state income tax purposes, we may be able to help. For more information on determining residency status, see the department's procedure, ITP 92-1, *Procedure For Determining Residency Status*.

### **Residents**

You are a resident of Arizona if your domicile is in Arizona. Domicile is the place where you have your permanent home. It is where you intend to return if you are living or working temporarily in another state or country. If you leave Arizona for a temporary period, you are still an Arizona resident while gone.

A resident is subject to tax on all income no matter where the resident earns the income.

If you are a full year resident, you **must** file Arizona Form 140, Form 140A, or Form 140EZ.

## **Part-Year Residents**

If you are a part-year resident, you must file Arizona Form 140PY, *Part-Year Resident Personal Income Tax Return*. You are a part-year resident if you did either of the following during 2016:

- You moved into Arizona with the intent of becoming a resident.
- You moved out of Arizona with the intent of giving up your Arizona residency.

## **Nonresidents**

If you are a nonresident, you must file Form Arizona 140NR, *Nonresident Personal Income Tax Return*.

---

## **What if a Taxpayer Died?**

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If a taxpayer died before filing a return for 2016, the taxpayer's spouse or personal representative may have to file and sign a return for that taxpayer. A personal representative can be an executor, administrator, or anyone who is in charge of the deceased taxpayer's property.

If the deceased taxpayer did not have to file a return but had tax withheld, a return must be filed to get a refund.

The person who files the return should use the form the taxpayer would have used. The person who files the return should print the word "deceased" after the decedent's name. Also, enter the date of death after the decedent's name.

If your spouse died in 2016 and you did not remarry in 2016 or if your spouse died in 2017 before filing a return for 2016, you may file a joint return. If your spouse died in 2016, the joint return should show your spouse's 2016 income before death and your income for all of 2016. If your spouse died in 2017, before filing the 2016 return, the joint return should show all of your income and all of your spouse's income for 2016. Print "Filing as surviving spouse" in the area where you sign the return. If someone else is the personal representative, he or she must also sign the return.

### **Are any Other Returns Required?**

You may also have to file a fiduciary income tax return (Form 141AZ). For details about filing a fiduciary income tax return, call the department at (602) 255-3381.

### **Claiming a Refund for a Deceased Taxpayer**

If you are claiming a refund for a deceased taxpayer, you **must** complete Arizona Form 131, *Claim for Refund on Behalf of Deceased Taxpayer*. Include this form with the return.

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## **What Are the Filing Dates and Penalties?**

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### **When Should You File?**

Your 2016 calendar year tax return is due no later than midnight, April 18, 2017. File your return as soon as you can after January 1, but no later than April 18, 2017.



**NOTE:** Because April 15, 2017, falls on a Saturday and District of Columbia Emancipation Day will be observed on April 17, 2017, you have until Tuesday, April 18, 2017, to file your return.

If you are a fiscal year filer, your return is due on the 15th day of the fourth month following the close of your fiscal tax year.

### What if You Cannot File on Time?

You may request an extension if you know you will not be able to file on time.

**NOTE:** An extension does not extend the time to pay your income tax. See the instructions for Arizona Form 204.

### To get a filing extension, you can either

- Apply for a state extension (Arizona Form 204). To apply for a state extension, file Form 204 by April 18, 2017. See Form 204 for details. You do not have to include a copy of the extension with your return when you file, but make sure that you check box **82F** on page 1 of the return. If you must make a payment, use Arizona Form 204, or visit [www.AZTaxes.gov](http://www.AZTaxes.gov) to make an electronic payment.
- Use your federal extension (federal Form 4868). File your Arizona return by the same due date. You do not have to include a copy of your federal extension with your return, but make sure that you check box **82F** on page 1 of the return.

**NOTE:** Because October 15, 2017, falls on a Sunday, you have until Monday, October 16, 2017, to file your return.

### When Should You File if You Are a Nonresident Alien?

The due date for your Arizona return is not the same as the due date for your federal return. Your Arizona return is due by April 18, 2017, even though your federal return is due on June 18, 2017. If you want to file your Arizona return after April 18, 2017, you must ask for a filing extension. You must file this request by April 18, 2017. Arizona will allow up to a 6-month extension. This will allow you to file your return by October 16, 2017. See Form 204 for extension filing details.

If you have a federal 6-month extension, you can file your Arizona return under that extension. If you file using your federal extension, Arizona will also allow you an extra 6 months.

Because we will allow only 6 months, the due date for your Arizona return is not the same as the due date for your federal return. In this case, your Arizona return will be due by October 16, 2017, even though your federal return will not be due until December 15, 2017. If you file your 2016 Arizona calendar year return after October 16, 2017, your return will be late.

**NOTE:** Because October 15, 2016, falls on a Sunday, you have until October 16, 2017, to file your return.

If you are a fiscal year filer, your return is due on the 15th day of the fourth month following the close of your fiscal year.

## What if You File or Pay Late?

If you file or pay late, we will charge you interest and penalties on the amount you owe. If the U.S. Post Office postmarks your 2016 calendar year return by April 18, 2017, your return will not be late. You may also use certain private delivery services designated by the Internal Revenue Service (IRS) to meet the “timely mailing as timely filed” rule. For more information, see “Mailing Your Return” at the end of these instructions.

### Late Filing Penalty

If you file late, we will charge you a late filing penalty. This penalty is 4½% (.045) of the tax required to be shown on the return for each month or fraction of a month the return is late. This penalty cannot exceed 25% (.25) of the tax found to be remaining due.

### Late Payment Penalty

If you pay your tax late, we will charge you a late payment penalty. This penalty is ½ of 1% (.005) of the amount shown as tax for each month or fraction of a month for which the failure continues. We charge this penalty from the original due date of the return until the date you pay the tax. This penalty cannot exceed a total of 10% (.10) of the unpaid tax.

### Extension Underpayment Penalty

If you file your return under an extension, you must pay 90% of the tax shown on your return by the return's original due date. If you do not pay this amount, we will charge you a penalty. This penalty is ½ of 1% (.005) of the tax not paid for each 30-day period or fraction of a 30-day period. We charge this penalty from the original due date of the return until the date you pay the tax. This penalty cannot exceed 25% (.25) of the unpaid tax. If we charge you the extension underpayment penalty, we will not charge you the late payment penalty under Arizona Revised Statutes (A.R.S.) § 42-1125(D).

**NOTE:** If you are subject to two or more of the above penalties, the total cannot exceed 25%.

### Interest

We charge interest on any tax not paid by the due date. We will charge you interest even if you have an extension. If you have an extension, we will charge you interest from the original due date until the date you pay the tax. The Arizona interest rate is the same as the federal rate.

## When Should You Amend a Return?

If you need to make changes to your return after you have filed, **do not** file a new return using Form 140NR. You must file Arizona Form 140X, *Individual Amended Income Tax Return*. File your amended return after your original return has processed. Generally, you have four years to amend a return to claim a refund.

If you amend your federal return for any year, you must also file an Arizona Form 140X for that year.

If the IRS makes a change to your federal taxable income for any year, you must report that change to Arizona. You must

file Form 140X within 90 days of the final determination of the IRS. You may use one of the following two options to report this change.

**Option 1**

You may file a Form 140X for that year. If you choose this option, you must amend your Arizona return within 90 days of the final determination of the IRS. Include a complete copy of the federal notice with your Form 140X.

**Option 2**

You may file a copy of the final federal notice with the department within 90 days of the final determination of the IRS. If you choose this option, you must include a statement in which you must:

1. Request that the department recompute your tax.
2. Indicate if you agree or disagree with the federal notice.

If you do not agree with the federal notice, you must also include any documents that show why you do not agree. If you choose option 2, mail the federal notice and any other documents to:

Individual Income Audit  
 Arizona Department of Revenue  
 PO Box 29084  
 Phoenix, AZ 85038-9084

**Do You Need to Make Estimated Payments in 2017?**

|   |  |   |
|---|--|---|
| You must make Arizona estimated income tax payments during 2017 if: |  |   |
| Your filing status is:  | <b>AND</b>   | <b>AND</b>  |
|   | Your Arizona gross income for 2016 was greater than: | Your Arizona gross income for 2017 is greater than: |
| Married Filing Joint  | \$150,000  | \$150,000   |
| Single  | \$75,000   | \$75,000  |
| Head of Household   | \$75,000   | \$75,000  |
| Married Filing Separate   | \$75,000   | \$75,000  |

If you met the income threshold for 2016, you must make estimated payments during 2017 unless you are sure you will not meet the threshold for 2017. As a nonresident, your Arizona gross income is that part of your federal adjusted gross income derived from Arizona sources. Your Arizona gross income is on line 26 of the 2016 Arizona Form 140NR.

See the worksheet for Arizona Form 140ES to figure how much your payments should be. For more information about making estimated payments, see the department’s publication, Pub. 012, *Arizona Individual Estimated Income Tax Payments*.

**What if You Make Your Estimated Payments Late?**

We will charge you a penalty if you are late or if you fail to make any required payments. See Arizona Form 221.

**Can You Make Estimated Payments Even if You Do Not Have to?**

If you do not have to make Arizona estimated income tax payments, you may still choose to make them. For details, see Arizona Form 140ES.

**Line-by-Line Instructions**

**Tips for Preparing Your Return**

- Make sure that you write your Social Security Number (SSN) on your return.
- Complete your return using black ink.
- You must round dollar amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down. Do not enter cents.
- When asked to provide your own schedule, include a separate sheet with your name and SSN at the top. Include these schedules behind your return and behind your Schedules A, if itemizing.
- You must complete your federal return before you can start your Arizona return.
- Make sure you include your daytime telephone number.
- If filing a fiscal year return, fill in the period covered in the space provided at the top of the form.

**Entering Your Name, Address, and SSN**

**Lines 1, 2, and 3 -**

**NOTE:** *Make sure that you write your SSN on the appropriate line and your SSN is correct. If you are filing a joint return, also make sure you enter your SSNs in the same order every year.*

Print or type your name, address, and SSN in the space provided. If you are filing a joint return, enter your SSNs in the same order as your names. *If your name appears first on the return, make sure your SSN is the first number listed.*

If you are married filing separately, enter your name and SSN on the first line 1. Then enter your spouse’s name and SSN on the second line 1.

If you are a nonresident of the United States or a resident alien who does not have an SSN, use the individual taxpayer identification number (ITIN) the IRS issued to you.

Make sure that you enter your SSN on your return. Make sure that all SSNs are clear and correct. You may be subject to a penalty if you fail to include your SSN. It will take longer to process your return if SSNs are missing, incorrect, or unclear.

Use your current home address. The department will mail your refund to, or correspond with, you at that address.

For a deceased taxpayer, see page 2 of these instructions.

**Foreign Addresses**

If you have a foreign address, enter the information in the following order: city, province or state, and country. Follow the country’s practice for entering the postal code. Do not abbreviate the country name.

### Last Names Used in Last 4 Prior Years

If the last name that you or your spouse are using on this return is not the same as the last name you or your spouse used on returns filed for the last 4 years, enter any other last name(s) that you or your spouse used when filing your return during the last 4 years.

### Identification Numbers for Paid Preparers

If you pay someone else to prepare your return, that person must also include an identification number where requested.

A paid preparer may use any of the following:

- his or her PTIN,
- his or her SSN, or
- the EIN for the business.

A paid preparer who fails to include the proper identification number may be subject to a penalty.

### Determining Your Filing Status

The filing status that you use on your Arizona return may be different from that used on your federal return.

Use this section to determine your filing status. Check the correct box (4 through 7) on the front of Form 140NR.

If you qualify as married for federal purposes, you qualify as married for Arizona purposes and must file using the status of either married filing joint or married filing separate.

If you are single you must file as single or if qualified you may file as head of household (see the instructions for box 5).

#### Box 4 - Married Filing Joint Return

If you are married and filing a joint return, check box 4.

You may file a joint return if you were married as of December 31, 2016. It does not matter whether or not you were living with your spouse. You may file a joint return, even if you and your spouse filed separate federal returns.

You may file a joint return if your spouse died during 2016 and you did not remarry in 2016. See page 2 of these instructions for details.

If you are married to an Arizona full year resident, you may file a joint return with your Arizona resident spouse. If filing a joint return with your Arizona resident spouse, you must use Form 140NR.

**NOTE:** For help on filing a joint return with your full-year resident spouse, see the department's ruling, ITR 14-1, Filing a Joint Tax Return When a Resident Spouse is Married to a Part-Year Resident or Nonresident.

#### Box 5 - Head of Household Return

If you are filing as a head of household, check box 5 and enter the name of the qualifying child or dependent in the space provided. You may file as head of household on your Arizona return, only if one of the following applies:

- You qualify to file as head of household on your federal return.
- You qualify to file as a qualifying widow or widower on your federal return.

### Box 6 - Married Filing Separate Return

If you are filing a separate return, check box 6 and enter your spouse's name and SSN on the second line 1.

If you were married as of December 31, 2016, you may choose to file a separate return. You may file a separate return, even if you and your spouse filed a joint federal return.

Arizona is a community property state. If you file a separate return, you must figure how much income to report using community property laws. If one spouse is a resident and the other spouse is not, special rules apply when filing a separate return. For more information on how to report income in this case, see the department's ruling, ITR 93-20, *Income Reporting Requirements of Resident and Nonresident Spouses Who File Separate Arizona Individual Income Tax Returns*.

**NOTE:** In some cases, you may treat community income as separate income. For more information on when you may treat community income as separate income, see the department's ruling, 93-22, When Community Income May Be Treated as Separate Income.

#### Box 7 - Single Return

If you are filing as single, check box 7.

Use this filing status if you were single on December 31, 2016. You are single if any of the following apply to you:

- You have never been married.
- You are legally separated under a decree of divorce or of separate maintenance.
- You were widowed before January 1, 2016, and you did not remarry in 2016, and you do not qualify to file as a qualifying widow or widower with dependent children on your federal return.

**NOTE:** If you got divorced during the year, see the department's ruling, ITR 14-2, Reporting Income, Deductions, Exemptions, and Withholding for Divorced Individuals for the Year of Divorce; and publication, Pub. 200, Income Tax Issues Affecting Married and Divorced Taxpayers.

### Exemptions

Enter the number of exemptions you are claiming in boxes 8, 9, and 10. **Do not put a check mark.** You may lose the exemption if you put a checkmark in these boxes. You may lose the dependent exemption if you do not complete the Dependent section on page 1.

#### Box 8 - Age 65 or Over

- If you are single or filing as head of household, enter "1" in box 8 if you were 65 or older in 2016 and not claimed as a dependent by another taxpayer.
- If you are married filing a joint return, enter "1" in box 8 if you were 65 or older and not claimed as a dependent by another taxpayer or your spouse was 65 or older in 2016 and not claimed as a dependent by another taxpayer. Enter "2" in box 8 if both you and your spouse were 65 or older in 2016 and neither of you are claimed as a dependent by another taxpayer.

- If you are married and filing a separate return, enter "1" in box 8 if you were 65 or older and not claimed by another taxpayer. You cannot take an exemption for your spouse. Your spouse, if 65 or older and not claimed by another taxpayer, may take this exemption on his/her own separate return.

### Box 9 - Blind

If you or your spouse were partially blind as of December 31, 2016, you must get a statement certified by your eye doctor or registered optometrist that:

- You cannot see better than 20/200 in your better eye with glasses or contact lenses.
- Your field of vision is 20 degrees or less.

If your eye condition is not likely to improve beyond the conditions listed above, you can get a statement certified by your eye doctor or registered optometrist to that effect instead. You must keep the statement for your records.

- If you are single or filing as head of household, enter "1" in box 9 if you are totally or partially blind.
- If you are married filing a joint return, enter "1" in box 9 if you **or** your spouse is totally or partially blind. Enter "2" in box 9 if both you **and** your spouse are totally or partially blind.
- If you are married and filing a separate return, you may take an exemption for yourself if you are totally or partially blind. You may only claim an exemption for your spouse if (1) your spouse is totally or partially blind, (2) has no Arizona adjusted gross income for calendar year, and (3) is not the dependent of another taxpayer.

Enter "1" in box 9 if you are totally or partially blind **or** your spouse is totally or partially blind **and** your spouse meets the above criteria. Enter "2" in box 9 if you are totally or partially blind and your spouse is totally or partially blind and your spouse meets the above criteria.

### Box 10 - Dependents

You must complete the Dependent section on page 1 (and page 3, if more space is needed) of your return before you can total your dependent exemptions.

You may claim only the following as a dependent.

- A person that qualifies as your dependent on your federal return.

**NOTE:** *If you do not claim a dependent exemption for a student on your federal return in order to allow the student to claim a federal education credit on the student's federal return, you may still claim the exemption on your Arizona return. For more information, see the department's ruling ITR 05-02, Will Arizona Allow a Dependent Exemption When a Taxpayer Does Not Claim Federal Exemption in Order to Claim the Education Credit?*

- A person who is age 65 or over (related to you or not) that does not qualify as your dependent on your federal return, but one of the following applies:
  - In 2016, you paid more than one-fourth of the cost of keeping this person in an Arizona nursing care

institution, an Arizona residential care institution, or an Arizona assisted living facility. Your cost must be more than \$800.

- In 2016, you paid more than \$800 for either Arizona home health care or other medical costs for the person.
- A stillborn child if the following apply:
    - The stillbirth occurred in Arizona during 2016.
    - You received a certificate of birth resulting in stillbirth from the Arizona Department of Health Services.
    - The child would have otherwise been a member of your household.

## Dependents

### Completing the Dependent Section

If you need additional lines to list all of your dependents, **complete page 3**, Dependent Information – Continuation Sheet, and include this page with your return. **Be sure to check the box indicating you are completing page 3.**

Do **not** include page 3 with your return if you do not use it.

### Dependent information: children and other dependents

Enter the following in columns (a) through (f):

- The dependent's name. If you are claiming an exemption for a stillborn child and the child was not named, enter "stillborn child" in place of a name.
  - The dependent's SSN. If you are claiming an exemption for a stillborn child, enter the certificate number from the certificate of birth resulting in stillbirth.
  - The dependent's relationship to you.
  - The number of months the dependent lived in your home during 2016. If you are claiming an exemption for a stillborn child, enter the date of birth resulting in the stillbirth.
- Temporary absences:** Your child or dependent is considered to have lived with you during periods of time when temporarily absent due to special circumstances such as: illness; education; business; or vacation. Your child is also considered to have lived with you during any required hospital stay following birth, as long as the child would have lived with you during that time but for the hospitalization.
- Check this box if this person did not qualify as a dependent on your federal return.
  - Check the box if you did not claim this person (student) as a dependent on your federal return in order to allow that student to claim a federal education credit on the student's federal return.

You may lose the exemption if you do not furnish this information. Enter the total **number** of dependents listed on line 10 (Box).

## Reporting Your Residency Status

Check the appropriate box (11 through 13). Check only one box.

### Box 11 - Nonresident

Check box 11, if you were not an Arizona resident during 2016, and were not on active military duty in Arizona.

### Box 12 - Nonresident Active Military

Check box 12, if you were a nonresident on active duty military assignment in Arizona during 2016.

### Box 13 - Composite Return

Check box 13, if this is a composite return to be filed by one of the following:

1. A partnership filing on behalf of its nonresident partners.
2. An S corporation filing on behalf of its nonresident shareholders.

For a list of qualifications and additional information on filing an Arizona nonresident composite income tax return, see the department's ruling, ITR 16-2, *Composite Individual Income Tax Returns*.

## Determining Arizona Income

Use lines 15 through 27 to determine what portion of your total income is taxable by Arizona.

**NOTE:** *If you are unable to determine the proper line to use, please call one of the numbers listed on page 1.*

### FEDERAL Column

Enter the actual amounts shown on your 2016 federal income tax return in the FEDERAL column. Complete lines 15 through 25. Line 25 should equal the federal adjusted gross income shown on your 2016 federal Form 1040, Form 1040A, Form 1040EZ, or Form 1040NR.

### ARIZONA Column

Enter that portion of your federal income received from Arizona sources in the ARIZONA column. Such income includes wages earned in Arizona, Arizona rental and business income, and gains on the sale of Arizona property.

**NOTE:** *If you are filing a joint return with your full year resident spouse, you must enter your Arizona source income in the ARIZONA column and your spouse must enter all income from all sources in the ARIZONA column. For details, see the department's ruling, ITR 14-1, Filing a Joint Tax Return When a Resident Spouse is Married to a Part-Year Resident or Nonresident*

The Tax Reform Act of 1986 limits the amount of losses that you may deduct from passive activities. A passive activity is one that involves the conduct of any trade or business in which the taxpayer does not materially participate.

As a nonresident, your Arizona gross income may include some of these losses. You may consider only those passive losses that arose from Arizona sources. Your 2016 Arizona gross income can include only Arizona source losses you used on your 2016 federal return.

### Line 14 Box - Spouse of Active Duty Military Member

Check line 14 Box if married and you are the spouse of an active duty military member and you qualify for relief under the Military Spouses Residency Relief Act. For information about who qualifies for relief, see the department's publication, Pub. 705, *Spouses of Active Duty Military Members*.

### Lines 15 through 24 -

The following line-by-line instructions apply to the ARIZONA column.

#### Line 15 - Wages, Salaries, Tips, etc.

Enter all amounts received for services performed in Arizona.

Income earned by a qualifying out-of-state employee, from performing qualified disaster recovery work during a disaster period, is exempt from Arizona income tax. Exclude this income from line 15 in the Arizona column.

For the purpose of this exemption, a qualifying out-of-state employee is an Arizona nonresident individual who is temporarily in Arizona to solely perform qualified disaster recovery work during a disaster period. For more information, see the department's publication, Pub. 720.

**NOTE: Active Duty Military Members -** *Do not include active duty military pay unless the active duty military member is an Arizona resident filing a joint return with his or her Arizona nonresident spouse on Form 140NR. If you are an Arizona resident active duty military member including military pay on line 15 in the "ARIZONA" column, also include that amount in the amount entered as an "Other Subtraction From Income" on Form 140NR, page 2, line 46.*

**NOTE: Spouses of Active Duty Military Members** *If you are the spouse of an active duty military and you qualify for relief under the Military Spouses Residency Relief Act, do not enter any wages, salaries or tips you earned during the taxable year for services performed in Arizona.*

#### Line 16 - Interest

If you have an Arizona business, enter only interest (including U.S. Government interest) you earned on accounts pledged as collateral. Also, enter your distributive share of interest from a partnership doing business in Arizona or an S corporation doing business in Arizona. Do **not** include any other interest income, even if it was earned in Arizona banks.

#### Line 17 - Dividends

If you have an Arizona business, enter only those dividends earned on stocks pledged as collateral, including dividends from small business corporations. Also, enter your distributive share of dividend income from a partnership doing business in Arizona or an S corporation doing business in Arizona. Do **not** include any other dividend income.

#### Line 18 - Arizona Income Tax Refunds

Enter the amount of Arizona income tax refunds received in 2016 that you included in your federal adjusted gross income.

**Line 19 - Business Income or (Loss)**

Enter income or (loss) from Arizona businesses.

Income earned by a nonresident, who is a sole owner of a qualifying out-of-state business, from performing qualified disaster recovery work during a disaster period, is exempt from Arizona income tax. Exclude this income from line 19 in the Arizona column.

For the purpose of this exemption, a qualifying out-of-state business is a business that is temporarily in Arizona to solely perform qualified disaster recovery work during a disaster period. For more information, see the department's publication, Pub. 720, *Disaster Recovery Tax Relief*.

**Line 20 - Gains or (Losses)**

Enter gains or (losses) on sales of Arizona property.

**Line 21 - Rents, etc.**

Enter the following income on line 21.

- Rent or royalty income earned on Arizona properties.
- Income from Form 141AZ, Schedule K-1(NR), line 2, from estates or trusts.
- Income or (loss) from Schedule(s) K-1(NR) from Arizona partnerships (Arizona Form 165), or small business corporations (Arizona Form 120S).

**Line 22 - Other Income Reported on Your Federal Return**

Enter other income from sources within Arizona. Do not include pension income or social security taxed by the federal government.

**Line 23 - Total Income**

Add lines 15 through 22 and enter the total.

**Line 24 - Other Federal Adjustments**

Include on line 24 any other federal adjustments included in your federal adjusted gross income that are attributable to the Arizona source income reported on your 2016 Arizona nonresident return.

**Line 25 - Federal Adjusted Gross Income**

Subtract line 24 from line 23 in the **FEDERAL** column.

**Line 26 - Arizona Gross Income**

Subtract line 24 from line 23 in the **ARIZONA** column.

**Line 27 - Arizona Income Ratio**

Divide line 26 by line 25 and enter the result on line 27. You must round your answer to **three** decimal places.

**Do not enter more than 1.000.** Do not include the percent sign (%) with the amount entered on line 27.

This is your Arizona income ratio of your total income.

| Examples:                         |  |   |
|-----------------------------------|--|---|
| Arizona Gross Income from line 26 | Federal Adjusted Gross Income from line 25 | Arizona income ratio  |
| \$ 17,516                         | \$ 32,000                                  | $17,516/32,000 = .547375$<br>enter on line 27:<br><input type="text"/> . <input type="text"/> 5 <input type="text"/> 4 <input type="text"/> 7                       |
| \$ 25,650                         | \$ 92,100                                  | $25,650/92,100 = .278501$<br>enter on line 27:<br><input type="text"/> . <input type="text"/> 2 <input type="text"/> 7 <input type="text"/> 9                       |
| \$ 10,000                         | \$ 9,000                                   | $10,000/9,000 = 1.11111$<br>enter on line 27:<br><input type="text"/> 1 <input type="text"/> . <input type="text"/> 0 <input type="text"/> 0 <input type="text"/> 0 |

- If Arizona gross income is positive (greater than zero), and federal adjusted gross income is equal to or less than zero (negative), enter 1.000 on line 27.
- If Arizona gross income is equal to or less than zero (negative), and federal adjusted gross income is positive, enter 0.000 on line 27.
- If Arizona gross income is zero, and federal adjusted gross income is negative, enter 0.000 on line 27.
- If Arizona gross income and federal adjusted gross income are both negative, divide the Arizona amount by the federal amount and enter the result on line 27. The result cannot be more than 1.000.

**Additions to Income**

**Line 28 - Total Depreciation Included in Arizona Gross Income**

Enter the amount of depreciation deducted on the federal return that is included in Arizona gross income. If you make an entry here, you should also take a subtraction on line 38 for allowable depreciation attributable to assets used in your Arizona business. See the instructions for line 38.

**Line 29 - Partnership Income Adjustment (Positive)**

Depending on your situation, you may either add (line 29) or subtract (line 40) this amount.

Use this adjustment if line 17, column (c) of your Arizona Form 165 Schedule K-1(NR), shows a difference between federal and state distributable income.

If the difference reported on line 17, column (c) of your Arizona Form 165 Schedule K-1(NR) is a positive number, enter that portion of the difference that is allocable to partnership income taxable by Arizona as an addition on line 29.

**NOTE:** *If the difference reported on line 17, column (c) of your Arizona Form 165 Schedule K-1(NR), is a negative number, enter that portion of the difference that is allocable to partnership income taxable by Arizona as a subtraction on line 40.*

**Line 30 - Other Additions to Income**

Use line 30 if any of the special circumstances below apply. Include your own schedule with your return, explaining any amounts entered on line 30.

**A. Fiduciary Adjustment**

A fiduciary uses Form 141AZ, Schedule K-1(NR), to report to you your share of the fiduciary adjustment from the trust or estate. Line 5 of Form 141AZ, Schedule K-1(NR), shows your share of the fiduciary adjustment from the estate or trust.

Depending on your situation, you may either add (line 30) or subtract (line 46) this amount.

If the amount reported on line 5 of your Arizona Form 141AZ, Schedule K-1(NR), is a positive number, enter that amount as an addition on line 30.

**NOTE:** *If the amount reported on line 5 of your Arizona Form 141AZ, Schedule K-1(NR), is a negative number, enter that amount as a subtraction from income on line 46.*

**B. Items Previously Deducted for Arizona Purposes**

Arizona statutes prohibit a taxpayer from deducting items more than once. If your Arizona taxable income includes items previously deducted for Arizona purposes, you must add back such amounts to your Arizona gross income.

**C. Claim of Right Adjustment for Amounts Repaid in 2016**

You must make an entry here if **all** of the following apply:

1. During 2016, you were required to repay amounts held under a claim of right.
2. The amount required to be repaid was subject to Arizona income tax in the year included in income.
3. The amount required to be repaid during 2016 was more than \$3,000.
4. You took a deduction for the amount repaid on your 2016 federal income tax return.
5. The deduction taken on your federal income tax return is reflected in your Arizona taxable income.

If the above apply, enter the amount deducted on your federal income tax return which is reflected in your Arizona taxable income.

For more information on the Arizona claim of right provisions, see the department's procedure, ITP 16-1, *Procedure for Individuals Who Restore Substantial Amounts Held Under a Claim of Right*.

**D. Claim of Right Adjustment for Amounts Repaid in Prior Taxable Years**

You must make an entry here if **all** of the following apply:

1. During a year prior to 2016, you were required to repay income held under a claim of right.
2. You computed your tax for that prior year under Arizona's claim of right provisions.
3. A net operating loss or capital loss was established due to the repayment made in the prior year.
4. You are entitled to take that net operating loss or capital loss carryover into account when computing your 2016 Arizona taxable income.

5. The amount of the loss carryover included in your Arizona gross income is more than the amount allowed to be taken into account for Arizona purposes.

Enter the amount by which the loss carryover included in your Arizona gross income is more than the amount allowed for the taxable year under Arizona law.

**E. Addition to S Corporation Income Due to Credits Claimed**

Shareholders of an S corporation who claim a credit passed through from an S corporation must make an addition to income for the amount of expenses disallowed by reason of claiming the credit.

An S corporation that passes the following credits through to its shareholders must notify each shareholder of his or her pro rata share of the adjustment. You must enter an amount on this line when claiming any of the following credits:

- Environmental Technology Facility Credit (Form 305)
- Agricultural Water Conservation System Credit (Form 312)
- Pollution Control Credit (Form 315)
- Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets (Form 319)
- Credit for Employment of TANF Recipients (Form 320)
- Agricultural Pollution Control Equipment Credit (Form 325)

**F. Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlet Expenses**

If you claim a credit for installing solar hot water heater plumbing stub outs or electric vehicle recharge outlets in a dwelling you constructed (Form 319), you cannot deduct any expenses for which you claim the credit. If you claim this credit, enter the amount of such expenses that you deducted on your federal return.

**G. Wage Expense for Employers of TANF Recipients**

If you claim a credit for employing TANF recipients (Form 320), you cannot deduct any wage expense for which you claim the credit. If you claim this credit, enter the amount of such expenses that you deducted on your federal return.

**H. Adjusted Basis in Property for Which You Have Claimed a Credit for Investment in Qualified Small Businesses**

If you claim a credit for an investment in a qualified small business on Form 338, you must adjust your basis in the investment by the amount of the credit claimed. You must report this difference in basis on the Arizona return that you file for the taxable year in which you sell or otherwise dispose of the investment. If you sold or otherwise disposed of the investment during the 2016 taxable year, enter the amount by which the adjusted basis computed under the Internal Revenue Code (IRC) with respect to that property exceeds the adjusted basis of the property computed under A.R.S. § 43-1074.02.

**I. Original Issue Discount (OID) on Reacquisition of Debt Instrument**

For federal purposes, when a taxpayer made the special election to defer discharge of indebtedness (DOI) income under IRC § 108(i) (for 2009 or 2010), the taxpayer was not

allowed to take a deduction with respect to the portion of any OID that accrued with respect to that DOI income, during the income deferral period. In this case, the taxpayer had to deduct the aggregate amount of the OID deductions disallowed ratably over a 5-year period, beginning with the period in which the income was includible in federal adjusted gross income.

Arizona did not adopt the federal provisions requiring a taxpayer to defer the OID deduction in cases where the taxpayer federally deferred the DOI income. For Arizona purposes, you had to report the Arizona source DOI income from a debt reacquisition in the year in which you reacquired the debt, and you were allowed to subtract any OID related to that DOI income in the year the OID accrued. (See the instructions for line 46, "Other Subtractions From Income.") If your Arizona gross income includes a deduction for any accrued OID that you have already subtracted for Arizona purposes, you must make an addition to Arizona income for the amount of deferred OID deducted on your federal return that you included in your Arizona gross income.

Generally, this addition will apply to taxable years 2014 through 2018. On line 30, enter the amount of any previously deferred OID that you deducted in computing your 2016 Arizona gross income, to the extent that the amount was previously subtracted from Arizona gross income.

#### **J. Sole Proprietorship Loss of an Arizona Nonprofit Medical Marijuana Dispensary Included in Federal Adjusted Gross Income**

If you are registered as an Arizona sole proprietorship with the Arizona Department of Health Services to operate in this state as a nonprofit medical marijuana dispensary, you are required to add the amount of the loss from the dispensary that is included in the computation of your federal adjusted gross income. Include the amount of the loss on line 30.

**NOTE:** *If the Arizona nonprofit medical marijuana dispensary is registered with the Arizona Department of Health Services as anything other than a sole proprietorship, this addition does not apply.*

#### **K. Arizona Long-Term Health Care Savings Account (AZLTHSA) Withdrawals**

You must add amounts withdrawn from your AZLTHSA if you withdrew money for purposes other than paying qualified long-term health care expenses. For more information, see A.R.S. § 43-1032.

#### **L. Other Adjustments**

Other special adjustments may be necessary. You may need to make an addition for depreciation or amortization. You may also need to make an addition if you claimed certain tax credits. Call one of the numbers listed on page 1 of these instructions if any of the following apply:

- You sold or disposed of property that was held for the production of income and your basis was computed under the Arizona Income Tax Act of 1954, as amended (1978 prior) except depreciable property.

- You claimed the Environmental Technology Facility Credit. (Form 305)
- You claimed the Pollution Control Credit. (Form 315)
- You claimed the Recycling Equipment Credit. (Form 307)
- You claimed the Agricultural Pollution Control Equipment Credit. (325)
- You elected to amortize cost of a childcare facility under Arizona law in effect before 1990, and you are still deducting amortization or depreciation for that facility on your federal income tax return.

#### **Line 31 - Subtotal**

Add lines 26, 28, 29 and 30. Enter the total on line 31.

### **Subtractions From Income**

You may only subtract those items for which statutory authority exists. Without such authority, you cannot take a subtraction. If you have any questions concerning subtractions from income, call one of the numbers listed on page 1 of these instructions.

**NOTE:** *You may not subtract any amount which is allocable to income excluded from your Arizona income.*

#### **Lines 32 through 37 - Net Capital Gain or (loss)**

**NOTE:** *If you reported a net capital gain or (loss) on your federal tax return, you must enter the amount of the net gain or (loss) from Arizona sources on line 32. See the instructions for line 32. If you enter an amount on line 36, you must also complete lines 34 and 35. If you do not complete these lines, you cannot take the subtraction.*

As a nonresident, you may take the allowable subtraction for only those qualified net long-term capital gains that are from Arizona sources. You may subtract 25% (.25) of any net long-term capital gain included in your federal adjusted gross income that is derived from an investment in an asset acquired after December 31, 2011.

Use the worksheet on page 24 of these instructions, *Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired after December 31, 2011*, to determine the allowable subtraction.

#### **Line 32 - Total Arizona Sourced Net Capital Gain or (Loss)**

Enter the total Arizona sourced net capital gain or (loss) reported on the *Capital Gain or (Loss)* line on page 1 of your federal return. This amount should be reported in your federal adjusted gross income.

#### **Line 33 - Total Arizona Sourced Net Short-Term Capital Gain or (Loss)**

Enter the total Arizona sourced net short-term capital gain reported on the *Capital Gain or (Loss)* line on page 1 of your federal return, in the ARIZONA Column. This amount should be reported in your federal adjusted gross income.



**NOTE:** *If you are not required to report dividend distributions and/or short-term capital gains from mutual funds on federal Form Schedule D, do not include the short-term capital gain distributed by the mutual fund on line 33.*

**Line 34 - Total Net Long-Term Capital Gain or (Loss)**

Enter the amount from the worksheet, line 14, column (b).

**Line 35 - Net Long-Term Capital Gain From Assets Acquired After December 31, 2011**

Enter the amount from the worksheet, line 14, column (d).

Only include net long-term capital gains on this line if it can be verified that the asset was acquired after December 31, 2011. For purposes of this line, an asset acquired by gift or inheritance is considered acquired on the date it was acquired by the gift-giver or the deceased individual.

**Line 36 - Net Long-Term Capital Gain Subtraction from Income for Assets Acquired After December 31, 2011**

Multiply the amount on line 35 by 25% (.25) and enter the result.

**Line 37 - Net Capital Gain from Investment in a Qualified Small Business**

You may subtract the amount of any net capital gain included in federal adjusted gross income for the taxable year derived from investment in a qualified small business as determined by the Arizona Commerce Authority (ACA) pursuant to A.R.S. § 41-1518.

To qualify for this subtraction, your investment in the qualified small business must have been made *after* the ACA certified the company as a qualified small business and *before* the company's certification expiration date. An investment made prior to certification or after the expiration of certification does not qualify for this subtraction. See the ACA's website, *Small Business Incentives: Angel Investment*, for a list of certified businesses and their certification dates.

On line 37, enter the amount of the allowable subtraction.

**CAUTION:** *If the amount entered on line 37 includes a long-term capital gain from an investment made **after** December 31, 2011, you cannot include that portion of the net capital gain in your computation of the allowable subtraction for any net long-term capital gain from assets acquired after December 31, 2011 and included in federal adjusted gross income. For more information, see the instructions on page 25 for the amount to enter on line 13, column (d) on the net long-term capital gain worksheet.*

**Line 38 - Recalculated Arizona Depreciation**

As a nonresident, you may take the allowable subtraction that is **only** related to income sourced to Arizona.

**For assets placed in service in taxable years beginning before December 31, 2012,** enter the total amount of depreciation attributable to assets used in your Arizona business allowable pursuant to IRC § 167(a) for the taxable

year calculated as if you had elected not to claim bonus depreciation for eligible properties for federal purposes.

**For assets placed in service during taxable years beginning from and after December 31, 2012 through December 31, 2013,** the amount of the subtraction depends on the method used to compute the depreciation for these assets.

**NOTE:** For more information and examples of how to calculate Arizona bonus depreciation, see the department's procedure, ITP 16-2, *Procedure for Individuals who Claim Federal and/or Arizona Bonus Depreciation*.

**For assets placed in service in taxable years beginning from and after December 31, 2013 through December 31, 2015,** enter the total amount of depreciation attributable to assets used in your Arizona business allowable pursuant to IRC § 167(a) for the taxable year calculated as if the bonus depreciation is 10% of the amount of federal bonus depreciation pursuant to IRC § 168(k).

**For assets placed in service in taxable years beginning from and after December 31, 2015 through December 31, 2016,** enter the total amount of depreciation attributable to assets used in your Arizona business allowable pursuant to IRC § 167(a) for the taxable year calculated as if the bonus depreciation is 55% of the amount of federal bonus depreciation pursuant to IRC § 168(k).

Add all amounts together and enter the total on line 38.

**Line 39 - Adjustment for IRC § 179 Expense Not Allowed in Prior Years**

If you made an addition for IRC § 179 expense on your 2012 return(s), enter 20% (.20) of the amount added for 2012.

**Line 40 - Partnership Income Adjustment (Negative)**

Depending on your situation, you may either add (line 29) or subtract (line 40) this amount. Use this adjustment if line 17, column (c) of your Arizona Form 165 Schedule K-1(NR), shows a difference between federal and state distributable income.

If the difference reported on line 17, column (c) of your Arizona Form 165 Schedule K-1(NR), is a negative number, enter that portion of the difference that is allocable to partnership income taxable by Arizona as a subtraction on line 40. **Do not include a minus sign or use parenthesis.**

**NOTE:** *If the difference reported on line 17, column (c) of your Arizona Form 165 Schedule K-1(NR), is a positive number, enter that portion of the difference that is allocable to partnership income taxable by Arizona as an addition on line 29.*

**Line 41 -**

Subtract lines 36 through 40 from line 31 and enter the result.

**Line 42 -**

Enter the amount from page 1, line 41.

**Line 43 - Interest on U.S. Obligations**

Enter the amount of interest income from U.S. Government obligations included as income on line 16 in the ARIZONA column. U.S. Government obligations include obligations such

as savings bonds and treasury bills. You must reduce this subtraction by any interest or other related expenses incurred to purchase or carry the obligation. Reduce the subtraction only by the amount of such expenses included in your Arizona gross income.

#### **Line 44 - Arizona Lottery Winnings**

You may subtract up to \$5,000 of winnings received in 2016 for Arizona lottery prizes. Only subtract those Arizona lottery winnings that you included on line 22 in the ARIZONA column and reported on your federal income tax return.

If you subtract Arizona lottery winnings here, you may have to adjust the amount of gambling losses claimed as an itemized deduction.

#### **Line 45 - Agricultural Crops Given to Arizona Charitable Organizations**

Arizona law allows a subtraction for qualified crop gifts made during 2016 to one or more charitable organizations. To take this subtraction, **all** of the following must apply:

1. You must be engaged in the business of farming or processing agricultural crops.
2. The crop must be grown in Arizona.
3. You made your gift to a charitable organization located in Arizona that is exempt from Arizona income tax.

The subtraction is the greater of the wholesale market price or the most recent sale price for the contributed crop.

The amount of subtraction cannot include any amount deducted pursuant to IRC § 170 with respect to crop contribution that exceeds the cost of producing the contributed crop. To determine if your crop gift qualifies for this subtraction, see the department's procedure, ITP 12-1, *Establishing an Income Tax Subtraction for Agricultural Crops Contributed to Charitable Organizations*.

#### **Line 46 - Other Subtractions from Income**

Use line 46 if any of the following special circumstances apply. Include your own schedule with the return, explaining any amounts entered here.

##### **A. Certain Wages of American Indians**

Enrolled members of American Indian tribes may subtract wages earned while living and working on their tribe's reservation. You can subtract only those amounts that you included on line 15, ARIZONA column. The federal government must recognize these tribes. For more information, see the department's ruling, ITR 96-4, *Income Taxation of Indians and Spouses*.

##### **B. Qualified Wood Stove, Wood Fireplace, or Gas Fired Fireplace**

Arizona law provides a subtraction for converting an existing fireplace to one of the following:

- a qualified wood stove,
- a qualified wood fireplace, or
- a gas fired fireplace and non-optional equipment directly related to its operation.

You may subtract up to \$500 of the costs incurred for converting an existing fireplace on your property located

in Arizona. When you figure your subtraction, do not include taxes, interest, or other finance charges.

A qualified wood stove or a qualified wood fireplace is a residential wood heater that was manufactured on or after July 1, 1990, or sold at retail on or after July 1, 1992. The residential wood heater must also meet the U.S. Environmental Protection Agency's July 1990 particulate emissions standards.

A qualified gas fired fireplace is any device that burns natural or liquefied petroleum gas as its fuel through a burner system that is permanently installed in the fireplace. The conversion of an existing wood burning fireplace to noncombustible gas logs that are permanently installed in the fireplace also qualifies as a gas fired fireplace.

##### **C. Claim of Right Adjustment for Amounts Repaid in Prior Taxable Years**

You must make an entry here if **all** of the following apply:

1. During a year prior to 2016, you were required to repay income held under a claim of right.
2. The amount required to be repaid was subject to Arizona income tax in the year included in income.
3. You computed your tax for that prior year under Arizona's claim of right provisions.
4. A net operating loss or capital loss was established due to the repayment made in the prior year.
5. You are entitled to take that net operating loss or capital loss carryover into account when computing your 2016 Arizona taxable income.
6. The amount of the loss carryover allowed to be taken into account for Arizona purposes is more than the amount included in your Arizona gross income.

Enter the amount by which the loss carryover allowed for the taxable year under Arizona law is more than the amount included in your Arizona gross income. For more information on the Arizona claim of right provisions, see the department's procedure, ITP 16-1, *Procedure for Individuals Who Restore Substantial Amounts Held Under a Claim of Right*.

##### **D. Certain Expenses Not Allowed for Federal Purposes**

You may subtract some expenses that you cannot deduct on your federal return when you claim certain federal tax credits. These federal tax credits include the following:

- the Federal Work Opportunity Credit,
- the Empowerment Zone Employment Credit,
- the credit for employer-paid social security taxes on employee cash tips, and
- the Indian Employment Credit.

If you claimed any of the above federal tax credits for 2016, enter the portion of wages or salaries attributable to Arizona source income that you paid or incurred during the taxable year that is equal to the amount of those federal tax credits you claimed.

##### **E. Basis Adjustment for Property Sold or Otherwise Disposed of During the Taxable Year**

With respect to property used in an Arizona business that is sold or otherwise disposed of during the taxable year by a

taxpayer who has complied with the requirement to add back all depreciation with respect to that property on tax returns for all taxable years beginning from and after December 31, 1999, enter the amount of depreciation that has been allowed pursuant to IRC § 167(a) to the extent that the amount has not already reduced Arizona taxable income in the current or prior years. (Note: The practical effect of this is to allow a subtraction for the difference in basis for any asset for which bonus depreciation has been claimed on the federal return.) You may make this adjustment only for property that was used in your Arizona business.

### F. Fiduciary Adjustment

A fiduciary uses Form 141AZ, Schedule K-1(NR), to report to you your share of the fiduciary adjustment from the trust or estate. Line 5 of Form 141AZ, Schedule K-1(NR), shows your share of the fiduciary adjustment from the estate or trust.

Depending on your situation, you may either add (line 30) or subtract (line 46) this amount.

If the amount on Form 141AZ, Schedule K-1(NR), line 5, is a negative number, enter that amount as a subtraction from income on line 46.

**NOTE:** *If the amount on Form 141AZ, Schedule K-1(NR), line 5, is a positive number, enter that amount as an addition to income on line 30.*

### G. Net Operating Loss Adjustment

**NOTE:** *This subtraction applies to only those individuals who made an election under the special federal net operating loss rules for 2008 and 2009. Under the special rules for 2008 and 2009, you could have elected to carry the net operating loss back for 3, 4, or 5 years, instead of the normal 2 years. This election would have been allowed under IRC § 172(b)(1)(H) as amended by the American Recovery and Reinvestment Act of 2009 or the Worker, Homeownership, and Business Assistance Act of 2009.*

Arizona did not adopt the special federal net operating loss rules for losses incurred during 2008 or 2009. For Arizona purposes, you must deduct an Arizona source net operating loss as if the loss was computed under IRC § 172 in effect prior to the enactment of those special rules. If you made an election to deduct your 2008 or 2009 federal net operating loss under IRC § 172(b)(1)(H), you may have to enter an amount here. Figure how much of the net operating loss carry forward would have been allowed as a deduction on your 2016 federal income tax return, if the election described in IRC § 172(b)(1)(H) had not been made in the year of the loss. Then figure how much of the carry forward computed under that method was derived from Arizona source losses. The amount you may take as a subtraction is the difference between the amount of Arizona source net operating loss carryover allowable as a deduction for federal purposes under the as if calculation and the amount of the Arizona source net operating loss deduction actually taken for federal purposes that you included in your Arizona gross income. On line 46, enter the amount of allowable Arizona source loss carry forward deduction that exceeds the actual amount of Arizona source net

operating loss carry forward deduction that was deducted in arriving at Arizona gross income.

**NOTE:** *As an Arizona nonresident, you may have had a loss from prior year Arizona business operations. However, the loss cannot offset this year's income unless the as if calculation results in an Arizona source net operating loss deduction for federal purposes. You can only take this subtraction if the as if federal net operating loss deduction for 2016 includes Arizona source losses that have not been absorbed by non-Arizona income in any intervening years. You cannot subtract any amount of that net operating loss that has been absorbed by non-Arizona income in any intervening years. You also cannot take a subtraction for any amount that has already been deducted for Arizona purposes.*

### H. Previously Deferred Discharge of Indebtedness (DOI) Income Adjustment

Generally, when a loan is settled for less than the amount owed, DOI income is realized by the debtor and usually must be included in the debtor's gross income. The amount of DOI income is generally equal to the amount of loan forgiveness. DOI income also occurs when a debtor repurchases his or her own debt at a discount (a price lower than the adjusted basis issue price of the debt instrument). In debt repurchase transactions, the amount of DOI income is generally equal to the difference between the adjusted issue price and the price paid for the debt instrument.

For federal purposes, a taxpayer may have made a special election for taxable years 2009 or 2010 to include DOI income in connection with the reacquisition of a business debt instrument, ratably over a 5-year period. A taxpayer that made this election will generally include this income in federal adjusted gross income beginning with the 2014 taxable year. A taxpayer would have made the federal election under IRC § 108(i) as added by the American Recovery and Reinvestment Act of 2009.

Arizona did not adopt the special federal DOI income deferral provisions for the 2009 or 2010 taxable year. For Arizona purposes, if you made the federal election to defer the inclusion of Arizona source DOI income under IRC § 108(i), you were required to add the amount of that deferred DOI income to Arizona income for the year for which you made the election. If you made the required addition to Arizona income on the Arizona return filed for the year in which you reacquired the debt instrument (2009 or 2010), Arizona will not tax that Arizona source DOI income twice. In the year in which you include that deferred Arizona source DOI income in your federal adjusted gross income, and likewise your Arizona gross income, you may take a subtraction for the amount included for that year. Usually this subtraction will apply to taxable years 2014 through 2018. On line 46, enter the amount of previously deferred Arizona source DOI income that you included in your Arizona gross income for the current taxable year to the extent that the amount was previously added to your Arizona income.



**Line 54 - Personal Exemptions**

Your personal exemption depends on your filing status. See Personal Exemption Chart. Then Complete the Personal Exemption Worksheet.

If married, you may also use Arizona Form 202, *Personal Exemption Allocation Election*, to figure your personal exemption.

| <b>Personal Exemption Chart</b><br>Be sure to complete the Personal Exemption worksheet  |   |
|--|---|
| <b>If you checked filing status:</b>   | <b>Personal Exemption before proration:</b> |
| • Single (Box 7)   | \$2,100                                     |
| • Married filing joint return (Box 4) and claiming no dependents (Box 10)  | \$4,200                                     |
| • Married filing joint return (Box 4) and claiming at least one dependent (Box 10 excluding persons who did not qualify as your dependent on your federal return [Box 10, column (e)]).                | \$6,300                                     |
| • Head of household and you are not married (Box 5)  | \$4,200                                     |
| • Head of household and you are a married person who qualifies to file as head of household (Box 5)  | \$3,150 or complete Form 202                |
| • Married filing separate return (Box 6) with neither spouse claiming any dependents (Box 10)  | \$2,100 or complete Form 202                |
| • Married filing separate return (Box 6) with one spouse claiming at least one dependent (Box 10 excluding persons who did not qualify as your dependent on your federal return [Box 10, column (e)]). | \$3,150 or complete Form 202                |

**NOTE: For Active Duty Military Personnel Only.** If you were on active duty in Arizona during 2016, but were a resident of another state, do not prorate your personal exemption. You are allowed a 100% deduction for the personal exemption (to include spouse).

| <b>Personal Exemption Worksheet</b>   |   |
|---|---|
| 1. Amount from the personal exemption chart. If you were an active duty military member during 2016, skip lines 2 and 3 and enter this amount on Form 140NR, page 2, line 54. All other taxpayers complete lines 2 and 3. | \$  |
| 2. Enter your Arizona income ratio from Form 140NR, page 1, line 27.  | <input type="text"/> . <input type="text"/> <input type="text"/> <input type="text"/> |
| 3. Multiply line 1 by the ratio on line 2. Enter the result here and on Form 140NR, page 2, line 54.  | \$  |

A married couple who does not claim any dependents may take one personal exemption of \$4,200 (prior to prorating). If the husband and wife file separate returns, either spouse may (prior to prorating) take the entire \$4,200 exemption, or the spouses may divide the \$4,200 (prior to prorating) between them. You and your spouse must complete Arizona Form 202 if either you or your spouse claims a personal exemption of more than \$2,100 (prior to prorating). If you and your spouse do not complete Form 202, you may (prior to prorating) take an exemption of only \$2,100 (one-half of the total \$4,200).

A married couple who claims at least one dependent may take one personal exemption of \$6,300 (prior to prorating). If the husband and wife file separate returns, either spouse may (prior to prorating) take the entire \$6,300 exemption, or the spouses may divide the \$6,300 (prior to prorating) between them. You and your spouse must complete Form 202 if either you or your spouse claims a personal exemption of more than \$3,150 (prior to prorating). If you and your spouse do not complete Form 202, you may (prior to prorating) take an exemption of only \$3,150 (one-half of the total \$6,300).

If you are a married person who qualifies to file as a head of household, you may take the entire \$6,300 (prior to prorating) personal exemption or you may divide the exemption with your spouse. You and your spouse must complete Form 202 if either you or your spouse claims a personal exemption of more than \$3,150 (prior to prorating).

If you and your spouse do not complete Form 202, you may (prior to prorating) take an exemption of only \$3,150 (one-half of the total \$6,300). The spouse who claims more than one-half of the total personal exemption (prior to prorating) must include the original Form 202 with his or her return. The spouse who claims less than one-half of the total personal exemption (prior to prorating) must include a copy of the completed Form 202 with his or her return.

**Line 55 - Arizona Taxable Income**

Subtract lines 53 and 54 from line 52 and enter the difference. If less than zero, enter zero.

Use this amount to calculate your tax using Tax Table X or Y.

**Line 56 - Tax Amount**

Enter the tax from Tax Table X or Y.

**Line 57 - Tax From Recapture of Credits From Arizona Form 301**

Enter the amount of tax due from recapture of credits from Arizona Form 301, Part 2, line 40.

**Line 58 - Subtotal of Tax**

Add lines 56 and 57 and enter the total.

**Line 59 - Nonrefundable Credits from Arizona Form 301**

Complete line 59 if you claim any of the following credits. Also, make sure that you include Arizona Form 301 and the appropriate credit form or forms with your return.

1. **Enterprise Zone Credit.** The enterprise zone credit allowable to individuals was repealed. All credits for enterprise zones that were properly established can be carried forward for the respective five year carry forward period. See Form 304 for more information.

2. **Environmental Technology Facility Credit.** You may qualify for this credit if your business incurred expenses in constructing a qualified environmental technology manufacturing facility. Use Form 305 to figure this credit.

3. **Military Reuse Zone Credit.** You may qualify for this credit if you have qualifying net increases in full-time employment within a military reuse zone. Use Form 306 to figure this credit.

4. **Recycling Equipment Credit.** The recycling equipment credit for individuals was repealed. All credits for recycling equipment that were properly established can be carried forward for the respective 15 year carry forward period. Use Form 307 to figure any allowable credit carryover.

5. **Credit for Increased Research Activities - Individuals.** You may qualify for this credit if you incurred qualified research expenses for research conducted in Arizona. Use Form 308-I to figure this credit. Be sure to include **only** the nonrefundable portion on Form 140NR, line 59.

6. **Credit for Taxes Paid to Another State or Country.** You may qualify for this credit if you paid tax to Arizona and another state or country on the same income. Use Form 309 to figure this credit.

7. **Agricultural Water Conservation System Credit.** You may qualify for this credit if you incurred expenses to purchase and install an agricultural water conservation system in Arizona. Use Form 312 to figure this credit.

8. **Pollution Control Credit.** You may qualify for this credit if you purchased depreciable property used in a trade or business to reduce or prevent pollution. Use Form 315 to figure this credit.

9. **Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets.** You may qualify for this credit if you installed solar hot water heater plumbing stub outs or electric vehicle recharge outlets in houses or dwelling units you constructed. The taxpayer that constructed the dwelling may also transfer the credit to a purchaser. Use Form 319 to figure this credit.

10. **Credit for Employment of TANF Recipients.** You may qualify for this credit if you employed TANF recipients during the taxable year. Use Form 320 to figure this credit.

11. **Credit for Contributions to Qualifying Charitable Organizations.** You may qualify for this credit if you made contributions to qualifying charitable organizations. Use Form 321 to figure this credit.

12. **Credit for Contributions Made or Fees Paid to Public Schools.** You may qualify for this credit if you paid certain fees to public schools in Arizona. Use Form 322 to figure this credit.

13. **Credit for Contributions to Private School Tuition Organizations.** You may qualify for this credit if you made contributions to a school tuition organization that provides scholarships or grants to qualified schools. Use Form 323 to figure this credit.

14. **Agricultural Pollution Control Equipment Credit.** You may qualify for this credit if you are involved in commercial agriculture and incurred expenses to purchase tangible personal property that is primarily used in your trade or business in Arizona to control or prevent pollution. Use Form 325 to figure this credit.

15. **Credit for Donation of School Site.** You may qualify for this credit if you donated real property and improvements to a school district or a charter school for use as a school or as a site for the construction of a school. Use Form 331 to figure this credit.

16. **Credits for Healthy Forest Enterprises.** You may qualify for these credits if you had net increases in qualified employment positions in a healthy forest enterprise and net training and certifying costs. Use Form 332 to figure these credits.

17. **Credit for Employing National Guard Members.** You may qualify for this credit if you are an employer who has an employee that is a member of the Arizona National Guard if the employee is placed on active duty. Use Form 333 to figure this credit.

18. **Credit for Business Contributions by an S Corporation to School Tuition Organizations - Individual.** S corporations that make qualifying contributions of \$5,000 or more may pass-through the credit to its individual shareholders on a *pro rata* basis. See Form 335-I for more information.

19. **Credit for Solar Energy Devices - Commercial or Industrial Applications.** This credit is available to taxpayers that install solar energy devices for commercial, industrial, or other nonresidential applications in Arizona. Use Form 336 to figure this credit.

20. **Credit for Investment in Qualified Small Businesses.** You may qualify for this credit if you made an investment in a qualified small business. Use Form 338 to figure this credit.

21. **Credit for Donations to the Military Family Relief Fund.** You may qualify for this credit if you made a cash contribution to the Arizona Military Family Relief Fund during the taxable year. Use Form 340 to figure this credit.

**22. Credit for Business Contributions by an S Corporation to School Tuition Organizations for Displaced Students or Students with Disabilities - Individual.** S corporations that make qualifying contributions of \$5,000 or more may pass-through the credit to its individual shareholders on a *pro rata* basis. See Form 341-I for more information.

**23. Renewable Energy Production Tax Credit.** You may qualify for this credit if you produced electricity using renewable energy resources. Use Form 343 to figure this credit.

**24. Solar Liquid Fuel Credit.** You may qualify for this credit if you incurred expenses for (1) research and development costs associated with solar liquid fuel, (2) for the production of solar liquid fuel in this state in commercial quantities, and (3) for costs incurred during the taxable year to convert or modify existing motor vehicle fuel service stations for the retail sale of solar liquid fuel to customers. Use Form 344 to figure this credit.

**25. Credit for New Employment.** For taxable years beginning from and after June 30, 2011, you may qualify for this credit if your business had a net increase in qualified employment positions. Use Form 345 to figure this credit.

**26. Additional Credit for Increased Research Activities for Basic Research Payments.** You may qualify for this credit for qualified basic research payments for research conducted in Arizona. Approval by the Department of Revenue is required prior to claiming this credit. Use Form 346 to figure this credit.

**27. Credit for Qualified Health Insurance Plans.** The credit for qualified health insurance plans for individuals has been repealed. Any unused credit for qualified health insurance plans that was properly established can be carried forward for the respective three year carry forward period. Use Form 347 to figure this credit.

**28. Credit for Contributions to Certified School Tuition Organization (for the amounts that exceed the allowable credit on Arizona Form 323).** You may qualify for this credit if you made contributions to school tuition organization(s) that exceed the allowable credit amount on Form 323. Use Form 348 to figure this credit.

**29. Credit for Renewable Energy Investment & Productions for Self-Consumption by Manufacturers and International Operations Centers.** You may qualify for this tax credit if you made investment in new renewable energy facilities that produce energy for self-consumption using renewable energy resources if the power will be used primarily for manufacturing or in an international operations center. Use Form 351 to figure this credit.

**30. Credit for Contributions to Qualifying Foster Care Charitable Organizations.** You may qualify for this credit if you made contributions to qualifying foster care charitable organizations. Use Form 352 to figure this credit.

Compute your credit on the appropriate form. Then complete Arizona Form 301 and enter the amount from Form 301,

Part 2, line 76. The amount on line 59 cannot reduce your tax below zero. These credits are not refundable credits.

Include Form 301 along with any supporting documents with your return.

#### **Line 60 - Balance of Tax**

Subtract line 59 from line 58. If line 59 is more than line 58, enter "0" on line 60.

### **Totaling Payments and Refundable Credits**

#### **Line 61 - 2016 Arizona Income Tax Withheld**

Enter the Arizona income tax withheld shown on Form(s) W-2 from your employer. Do not include income taxes withheld by any other state. Include the Form(s) W-2 with your return.

#### **Line 62 (Boxes a, b, and c) – 2016 Arizona Estimated Tax Payments including Amount Applied from 2015 Return; and Arizona Claim of Right**

Use this line if you did one of the following:

- made estimated income tax payments to Arizona for 2016;
- applied any of your refund from your 2015 Arizona return to 2016 estimated taxes for Arizona; or
- recomputed a prior year's tax under Arizona's Claim of Right provisions.

Beginning 2016, you **must** also complete and include the *Arizona Claim of Right - Individual* form(s) with your income tax return. If you fail to complete and include the form(s), the amount of your claim may be denied. The form is available on the department's website.

**Box 62a:** Enter the total amount of estimated taxes paid and/or applied to your 2016 taxes.

**NOTE:** *If you are married and made joint Arizona estimated payments for 2016, but are filing separate 2016 Arizona income tax returns, see the department's ruling ITR 02-3, Allocating Joint Estimated Payments to Separate Returns.*

**Box 62b:** Enter the amount from your *Arizona Claim of Right - Individual* form, line 8.

If you completed more than one Claim of Right form for the current taxable year, add all amounts on line 8 and enter the total in box 62b.

**NOTE:** *For more information on Arizona's Claim of Right provisions, see the department's procedure, ITP 16-1, Procedure for Individuals Who Restore Substantial Amounts Held Under a Claim of Right.*

**Line 62c:** Add the amounts in box 62a and box 62b and enter the total on line 62c.

#### **Line 63 - 2016 Arizona Extension Payment (Arizona Form 204)**

Use this line to report the payment you sent with your extension request or the electronic extension payment you made using [www.AZTaxes.gov](http://www.AZTaxes.gov).

**Line 64 - Other Refundable Credits**

Enter the total of refundable credits you are claiming from any of the following:

- Credit for Increased Research Activities - Individuals, (Form 308-I)
- Credit for Renewable Energy Industry (Form 342)
- Credit for Qualified Facilities (Form 349)

If you enter an amount on this line, be sure you check the box or boxes to show which credit(s) you are claiming. Also, be sure to include the credit form(s) with your return.

**Credit for Increased Research Activities - Individuals (Form 308-I)**

A portion of this credit may be refundable. You may qualify for the refundable increased research activities credit if you incurred qualified research expenses for research conducted in Arizona. For more information about this credit, and to see whether you may claim a partial refund of this credit, see Arizona Form 308-I.

You must include a copy of your “Certificate of Qualification” from the Arizona Commerce Authority, Form 301 and Form 308-I with your return to claim this credit.

If you are claiming a refund of the increased research activities credit from Form 308-I, enter the amount from Form 308-I, Part 4, line 34.

**Credit for Renewable Energy Industry (Form 342)**

You may qualify for the refundable credit for renewable energy industry if you expanded or located a qualified renewable energy operation in Arizona. The tax credit is refundable in five equal installments. Pre-approval and post-approval are required through the Arizona Commerce Authority. For more information about this credit, see Arizona Form 342.

You must include a copy of your “Certificate of Qualification” from the Arizona Commerce Authority, and Form 342 with your return to claim this credit.

If you are claiming the renewable energy industry credit, from Form 342, enter the amount from Form 342, Part 6, line 18.

**Credit for Qualified Facilities (Form 349)**

You may qualify for the refundable qualified facilities credit if you expanded or located a qualified facility in Arizona. This credit is refundable in five equal installments. Pre-approval and post-approval are required through the Arizona Commerce Authority. For more information, see Arizona Form 349.

You must include a copy of your “Certificate of Qualification” from the Arizona Commerce Authority and Form 349 with your tax return to claim this credit. If you are claiming a refund of the qualified facilities credit from Form 349, enter the amount from Form 349, Part 8, line 18, here.

**If you are claiming more than one refundable tax credits,** check the appropriate boxes and add the amounts from the credit forms together and enter the total on line 64. You may use the table to figure the amount to enter on line 64.

| 2016 - Refundable Credit Worksheet  |  |
|---|--|
| 1. Enter the refundable credit from Form 308-I, Part 4, line 34.              |  |
| 2. Enter the refundable credit from Form 342, Part 6, line 18.                |  |
| 3. Enter the refundable credit from Form 349, Part 8, line 18.                |  |
| 4. Add the amounts on lines 1 through 3. Enter the total here and on line 64. |  |

**Line 65 - Total Payments and Refundable Credits**

Line 65 is the total payments and refundable credits claimed. Add lines 61 through 64 and enter the total.

**NOTE:** *Arizona’s Claim of Right amount is now reported on line 62. See line 62 for instructions.*

**Figuring Your Tax Due or Overpayment**

**Line 66 - Tax Due**

If line 60 is more than line 65, you have tax due. Subtract line 65 from line 60 and enter the difference. Skip lines 67, 68 and 69.

**Line 67 - Overpayment**

If line 65 is more than line 60, subtract line 60 from line 65. Complete lines 68 and 69.

**Line 68 - Amount of Line 67 to be Applied to 2017 Estimated Tax**

If you want all or part of your refund applied to next year’s Arizona estimated taxes, enter that amount on line 68.

**NOTE:** *If you apply any of the amount shown on line 67 to 2017, you cannot use that amount to pay any tax that is later found to be due for 2016. You also may not claim a refund for that amount until you file your 2017 return.*

**Line 69 - Balance of Overpayment**

Subtract line 68 from line 67 to determine your overpayment balance before voluntary gifts and any estimated payment penalty and/or Arizona Long-Term Health Care Savings Account (AZLTHSA) withdrawal penalty.

**Making Voluntary Gifts**

You can make voluntary gifts to each of the funds shown below. A gift will reduce your refund or increase the amount due with your return.

**NOTE:** *If you make a gift, you cannot change the amount of that gift later on an amended return.*

**Line 70 - Solutions Teams Assigned to Schools Fund**

You may give some or all of your refund to the Solutions Teams Assigned to Schools Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 85. Enter the amount you want to donate on line 70.

Gifts go to the Arizona Assistance for Education Fund. The Arizona Board of Education will distribute money to the Arizona Department of Education to fund solutions teams assigned to schools.



**Line 71 - Arizona Wildlife Fund**

You may give some or all of your refund to the Arizona Wildlife Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 85. Enter the amount you want to donate on line 71.

Your gift to the Arizona Wildlife Fund helps protect wildlife in the state. Many species like bald eagles, Apache trout and black-footed ferrets benefit from your gifts to this fund. Gifts are also used to improve areas for watching wildlife statewide.

**Line 72 - Child Abuse Prevention Fund**

You may give some or all of your refund to the Arizona Child Abuse Prevention Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 85. Enter the amount you want to donate on line 72.

Gifts go to the Arizona Child Abuse Prevention Fund. This fund provides financial aid to community agencies for child abuse prevention programs.

**Line 73 - Domestic Violence Shelter Fund**

You may give some or all of your refund to the Domestic Violence Shelter Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 85. Enter the amount you want to donate on line 73.

Gifts go to the Domestic Violence Shelter Fund. This fund provides financial aid to shelters for victims of domestic violence.

**Line 74 - Political Gift**

You may give some or all of your refund to a political party. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 85. Enter the amount you want to donate on line 74. If you donated to a political party, complete line 80.

Gifts go to one of the following political parties:

- Democratic
- Green Party
- Libertarian
- Republican

**Line 75 - Neighbors Helping Neighbors Fund**

You may give some or all of your refund to the Neighbors Helping Neighbors Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 85. Enter the amount you want to donate on line 75.

Gifts go to the Neighbors Helping Neighbors Fund. This fund provides eligible recipients with emergency aid in paying utility bills, conserving energy and weatherization.

**Line 76 - Special Olympics Fund**

You may give some or all of your refund to the Special Olympics Fund. You may also give more than your entire refund. If you send in additional money with your return,

include that amount on line 85. Enter the amount you want to donate on line 76.

Gifts go to the Special Olympics Fund. This fund helps provide programs of the Arizona Special Olympics.

**Line 77 - Veterans' Donations Fund**

You may give some or all of your refund to the Veterans' Donations Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 85. Enter the amount you want to donate on line 77.

Gifts go to the Veterans' Donations Fund, which may be used for veterans in Arizona.

**Line 78 - I Didn't Pay Enough Fund**

You may give some or all of your refund to the I Didn't Pay Enough Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 85. Enter the amount you want to donate on line 78.

Gifts that you make to the I Didn't Pay Enough Fund will aid the state by going to the Arizona general fund.

**Line 79 - Sustainable State Parks and Roads Fund**

You may give some or all of your refund to the Sustainable State Parks and Roads Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 85. Enter the amount you want to donate on line 79.

Gifts that you make to the Sustainable State Parks and Roads Fund will aid the state to operate, maintain and make capital improvements to buildings, roads, parking lots, highway entrances and any related structure used to operate state parks.

**Line 80 - Political Party**

If you entered an amount on line 74, check the box for the political party to which you wish to give. Select only one party. If you do not select a political party, the department will return the amount on line 74.

**Line 81 -**

- Estimated Payment Penalty
- Arizona Long-Term Health Care Savings Account (AZLTHSA) Withdrawal Penalty

**Estimated Payment Penalty**

**NOTE:** Do not complete Arizona Form 221, Underpayment of Estimated Tax by Individuals, if the amount on Form 140NR, line 61 is more than the amount on Form 140NR, line 60. If the amount on Form 140NR, line 61, is more than the amount on Form 140NR, line 60, skip line 81, unless you must report an Arizona Long-Term Health Care Savings Account penalty.

|  |  |  |
|--|--|--|
| You must have made Arizona estimated income tax payments during 2016 if: |  |  |
| Your filing status is:   | <b>AND</b><br>Your Arizona gross income for 2015 was greater than: | <b>AND</b><br>Your Arizona gross income for 2016 was greater than: |
| Married Filing Joint   | \$150,000  | \$150,000  |
| Single   | \$75,000   | \$75,000   |
| Head of Household  | \$75,000   | \$75,000   |
| Married Filing Separate  | \$75,000   | \$75,000   |

If you report as a farmer or fisherman for federal purposes, you were not required to make estimated payments during 2016 if the following apply:

1. You are a calendar year filer. You file your Arizona return by March 1, 2017. You pay in full the amount stated on your return as owed.
2. You are a fiscal year filer. You file your Arizona return by the first day of the third month after the end of your fiscal year. You pay in full the amount stated on your return as owed.

**If the above applies, check box 822 on line 82 and do not complete Form 221.**

An individual who fails to make the required estimated payments is subject to penalty on any estimated tax payment that is late or underpaid.

Complete and include Form 221, *Underpayment of Estimated Tax by Individuals*, to determine if any penalty is due. Enter the total penalty from Form 221.

**Arizona Long-Term Health Care Savings Account (AZLTHSA) Withdrawal Penalty**

You must pay a withdrawal penalty if you made a long-term health care savings account withdrawal during 2016 for purposes other than to pay for qualified long-term health care expenses. *Long-term health care expense* means any expense you paid for long-term health care costs, including the following:

- expenses for skilled nursing care,
- expenses for home health care; and
- personal care or supportive services due to the loss of some capacity for self-care based on a chronic illness or condition.

The penalty is equal to 10% (.10) of the withdrawal. You must remit this penalty with your income tax return filed for the year in which you made the withdrawal.

Multiply the amount of your withdrawal subject to penalty by 10%. Enter the result.

**Line 82 - Box 821 through Box 824**

**Box 821:** check if any of the following applies to you.

1. You checked the box on line 1 of Form 221.
2. You completed the annualized income worksheet on Form 221.

3. You elected to be treated as a nonresident alien on your federal income tax return. You made three estimated payment installments. Your first installment equaled 50% of the total of all of your required installments.

**Box 822:** check if you are an individual who for federal purposes reports as a farmer or fisherman.

**Box 823:** check if you completed and are including Form 221.

**Box 824:** check if you included an AZLTHSA penalty on line 81.

**Line 83 -**

Add lines 70 through 79 and 81. Enter the total

**Figuring Your Refund or Amount Owed**

**e-file** You can get your refund quicker when you *e-file* and use direct deposit.

**Line 84 - Refund**

Subtract line 83 from line 69. Enter your refund on line 84 and skip line 85. If less than zero, enter amount owed on line 85.

If you owe money to any Arizona state agency, court, county, incorporated city or town and certain federal agencies, your refund may go to pay some of the debt. If so, the department will let you know by letter.

**TAX TIP:** *If you change your address before you get your refund, let the department know. Write to: Refund Desk, Arizona Department of Revenue, PO Box 29216, Phoenix, AZ 85038-9216. Include your SSN in your letter.*

**Direct Deposit of Refund**

Complete the direct deposit line if you want us to directly deposit the amount shown on line 84 into your account at a bank or other financial institution (such as a mutual fund, brokerage firm or credit union) instead of sending you a check.

**NOTE:** *Check the box on line 84A if the direct deposit will ultimately be placed in a foreign account. If you check box 84A, do not enter your routing or account numbers. If this box is checked, we will not direct deposit your refund. We will mail you a check instead.*

**Why Use Direct Deposit?**

- You will get your refund fast - even faster if you e-file!
- Payment is more secure since there is no check to get lost.
- It is more convenient. No trip to the bank to deposit your check.
- It saves tax dollars. A refund by direct deposit costs less to process than a check.

**NOTE:** *We are not responsible for a lost refund if you enter the wrong account information. Check with your financial institution to get the correct routing and account numbers and to make sure your direct deposit will be accepted.*

## Routing Number

**MAKE SURE YOU ENTER THE CORRECT ROUTING NUMBER.**

### Sample Check

JOHN DOE OR JANE DOE  
123 First Street  
Sometown, AZ 00000

PAY TO THE ORDER OF \_\_\_\_\_ \$ 1234

THIS BANK Sometown, AZ 00000

For \_\_\_\_\_

②50250025 ②0202086 1234

10-0002000

**Do not include the check number.**

**Note:** The routing and account numbers may be in different places on your check.

The routing number must be nine digits. The first 2 digits must be 01 through 12 or 21 through 32. Otherwise, the direct deposit will be rejected and a check will be sent instead. On the sample check, the routing number is 250250025.

Your check may state that it is payable through a financial institution different from the one at which you have your checking account. If so, **do not** use the routing number on that check. Instead, contact your financial institution for the correct routing number to enter here.

## Account Number

**MAKE SURE YOU ENTER THE CORRECT ACCOUNT NUMBER.**

The account number can be up to 17 characters (both numbers and letters). **DO NOT** include hyphens, spaces or special symbols. Enter the number from left to right and leave any unused boxes blank. On the sample check, the account number is 20202086. Be sure **not** to include the check number.

**NOTE:** If the direct deposit is rejected, a check will be mailed instead.

## Line 85 - Amount Owed

Add lines 66 and 83. Enter the amount you owe on line 85. If you are making voluntary donations on lines 70 through 79 in excess of your overpayment, enter the difference on line 85. You may pay only with a check, electronic check, money order, or credit card.

## Check or money order

**NOTE:** Include your check with your return. Please do not send cash.

Make your check payable to Arizona Department of Revenue. Write your SSN and tax year on the front of your check or money order. The department cannot accept checks or money orders in foreign currency. You must make payment in U.S. dollars.

## Electronic payment from your checking or savings account

You can make an electronic payment from your checking or savings account to pay your balance due for 2016. There is no fee to use this method. To make an electronic payment, go to [www.AZTaxes.gov](http://www.AZTaxes.gov) and click on the "Make a Payment" link.

Be sure to enter the correct routing number and account number for your checking or savings account. You will be charged a \$25 NSF (non-sufficient funds) fee if you provide an incorrect routing number or an incorrect account number. Check with your financial institution to get the correct routing and account numbers.

The "E-Check" option in the "Payment Method" drop-down box will debit the amount from the checking or savings account that you specify. If you make an electronic payment from your checking or savings account, you will receive a confirmation number. **Please keep this confirmation number as proof of payment.**

**NOTE:** You may not make an electronic payment from your checking or savings account if the payment will ultimately be coming from a foreign account. In this case, you must pay by check or money order.

## Credit card payment

You can pay with your Discover, MasterCard, Visa, or American Express credit card. Go to [www.AZTaxes.gov](http://www.AZTaxes.gov) and click on the "Make a Payment" link and choose the credit card option. This will take you to a third party vendor site (provider). The provider **will charge** you a convenience fee based on the amount of your tax payment. The provider will tell you what the fee is during the transaction; you will have the option to continue or cancel the transaction. If you complete the credit card transaction, you will receive a confirmation number. **Please keep this confirmation number as proof of payment.**

## Installment Payments

If you cannot pay the full amount shown on line 85 when you file, you may ask to make monthly installment payments. To make this request, complete Arizona Form 140-IA and mail the completed form to the address on the Form 140-IA. **Do not mail Form 140-IA with your income tax return.** You may obtain Arizona Form 140-IA from our website.

If you cannot pay the full amount shown on line 85, you will be charged interest and may be charged a late payment penalty on the tax not paid by April 18, 2017.

To limit the interest and penalty charges pay as much of the tax as possible when you file.

## Sign Your Return

You must sign your return. If married filing a joint return, both you and your spouse must sign even if only one had income. Form 140NR is not considered a valid return unless you sign it. The department cannot send a refund check without proper signatures on the return.

## Instructions Before Mailing

- DO NOT STAPLE YOUR RETURN. DO NOT STAPLE ANY DOCUMENTS, SCHEDULES OR PAYMENT TO YOUR RETURN.**

- Make sure your **NAME** is on the return.
- Make sure your **SSN** is on your return.
- Be sure you enter your daytime telephone number in the space provided on the front of your return.
- Check to make sure that your math is correct. A math error can cause delays in processing your return.
- If claiming **dependent** exemptions, write the number of dependents claimed on the **front** of the return. On page 1 of the return, write each dependent's name, SSN, relationship, and the number of months that he or she lived in your home. If more space is needed, complete page 3 and include with your return.
- Check the **boxes** to make sure you filled in all required boxes.
- If you requested a filing extension, make sure that you check box **82F** on page 1 of the return.
- Sign your return and have your spouse sign, if filing jointly.
- Write your SSN and tax year on the front of your check.

The Department of Revenue may charge you \$25 for a check returned unpaid by your financial institution.

- Include **all** required documents. Place these documents to the back of your return. Documents you must include with your return are those items listed in numbers 1 through 4 below.
1. Include *Form(s) W-2* after the last page of your return. Also include Form(s) 1099-R after the last page of your return if you had Arizona tax withheld from your pension or annuity.
  2. Include Arizona Form 301, applicable credit forms, and your own schedules after page 2 of your return. If itemizing, include these forms after your Arizona Schedule A (NR) and your federal Schedule A.
  3. If claiming a credit for taxes paid to another state or country include a copy of the other state's or country's filed return.
  4. If you itemize, be sure to include Arizona Schedule A (NR) and a copy of the federal Schedule A. Include the Arizona Schedule A (NR) and the federal Schedule A directly after page 2 of your return. Include other forms and schedules behind the Schedules A.
- Do **not** include correspondence with your return.

## Mailing Your Return

If you are mailing your return, make a copy of your return before mailing. Also, make a copy of any schedules that you are including with your return. Keep the copies for your records. Be sure that you mail the original and not a copy.

To avoid delays, if you are mailing more than one tax return, please use separate envelopes for each return.

## Where Should I Mail My Return?

If you are **sending a payment** with this return, mail the return to:

Arizona Department of Revenue  
PO Box 52016  
Phoenix, AZ 85072-2016

If you are **expecting a refund, or owe no tax, or owe tax but are not sending a payment**, mail the return to:

Arizona Department of Revenue  
PO Box 52138  
Phoenix, AZ 85072-2138

## Make sure you put enough postage on the envelope

The U.S. Post Office or United States mail service must postmark your return or extension request by midnight April 18, 2017. The term "United States mail" includes any private delivery service designated by the United States Secretary of the Treasury pursuant to IRC § 7502(f) and the term "postmark" includes any date recorded or marked by any such designated delivery service.

An income tax return that is mailed to the department is timely filed if it is delivered on or before its due date. Additionally, if the envelope or wrapper containing the return sent through the United States mail bears a postmark of the United States mail and that tax return is delivered to the department after its due date that return will be considered timely filed if all of the following apply:

1. The return was deposited in an official depository of the United States mail;
2. The date of the postmark is no later than the due date;
3. The return was properly addressed; and
4. The return had proper postage.

If the envelope or wrapper containing a return sent through the United States mail bears a private meter postmark made by other than the United States mail, the return is treated as timely filed if both of the following apply:

1. The private meter postmark bears a date on or before the due date for filing; and
2. The return is received no later than the time it would ordinarily have been received from the same point of origin by the same class of U.S. postage. If the return is received by the department within five business days of the private meter postmark date the department will consider this requirement satisfied.

You may also use certain private delivery services designated by the IRS to meet the "timely mailing as timely filed" rule.

For more information, see the department's ruling, GTR 16-1, *Timely Filing of Income or Withholding Tax Returns Through the United States Mail*.

## How Long to Keep Your Return

You must keep your records as long as they may be needed for the administration of any provision of Arizona tax law.

Generally, this means you must keep records that support items shown on your return until the period of limitations for that return runs out.

The period of limitations is the period of time in which you can amend your return to claim a credit or refund or the department can assess additional tax. A period of limitations is the limited time after which no legal action can be brought. Usually, this is four years from the date the return was due or filed.

In some cases, the limitation period is longer than four years. The period is six years from when you file a return if you underreport the income shown on that return by more than 25%. The department can bring an action at any time if a return is false or fraudulent, or you do not file a return. To find out more about what records you should keep, see federal Publication 552.

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## **Where's My Refund**

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You can check on your refund by visiting [www.azdor.gov](http://www.azdor.gov) or [www.AZTaxes.gov](http://www.AZTaxes.gov) and clicking on "Where's my refund?" or you may call one of the numbers listed on page 1. Before you call, be sure to have a copy of your 2016 tax return on hand. You will need to know your SSN, your filing status and your 5-digit ZIP Code.

## **Contacting the Department**

Your tax information on file with the department is confidential. If you want the department to discuss your tax matters with someone other than yourself, you must authorize the department to release confidential information to that person.

You may use Arizona Form 285, to authorize the department to release confidential information to your appointee. See Form 285 for details.

**Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired After December 31, 2011**

2016 Original return     2016 Amended return

| <b>Long-Term Capital Gain or (loss) as reported on federal Schedule D (or other form/schedule) and included in computation of federal adjusted gross income.</b><br><i>Enter the <u>total</u> net long-term capital gains or (losses) from the following forms in each applicable column. See page 25 for instructions.</i> |  | <b>(a)</b><br><b>Total net long-term capital gains or (losses) (for all assets)</b> | <b>(b)</b><br><b>Net long-term capital gains or (losses) included in column (a) from <u>Arizona sources</u></b> | <b>(c)</b><br><b>Net long-term capital gains or (losses) included in column (b) from assets acquired before 1/1/2012</b> | <b>(d)</b><br><b>Net long-term capital gains or (losses) included in column (b) from assets acquired after 12/31/2011</b> |
|---|--|---|---|--|---|
| 1   | Form(s) 8949 <i>Sales and Other Dispositions of Capital Assets</i> ; and Form(s) 1099-B, <i>Proceeds from Broker and Barter Exchange Transactions</i> , for long-term transactions directly reported on federal Schedule D.  | 1   |   |  |   |
| 2   | Form(s) 4797 <i>Sales of Business Property</i>   | 2   |   |  |   |
| 3   | Form(s) 2439 <i>Notice to Shareholder of Undistributed Long-Term Capital Gains</i>   | 3   |   |  |   |
| 4   | Form(s) 6252 <i>Installment Sale Income</i>  | 4   |   |  |   |
| 5   | Form(s) 4684 <i>Casualties and Thefts</i>  | 5   |   |  |   |
| 6   | Form(s) 6781 <i>Gains and Losses from Sec. 1256 Contracts and Straddles</i>  | 6   |   |  |   |
| 7   | Form(s) 8824 <i>Like-Kind Exchanges</i>  | 7   |   |  |   |
| 8   | Partnerships, S corporations, estates, and trusts –from AZ Form 120S Schedule K-1(NR); AZ Form 165 Schedule K-1(NR); and AZ Form 141 Schedule K-1(NR)  | 8   |   |  |   |
| 9   | Form(s) 1099-DIV <i>Dividends and Distributions</i>  | 9   |   |  |   |
| 10  | Subtotal: for each column, combine the amounts and enter the total.  | 10  |   |  |   |
| 11  | Long-term capital loss carryover. See the instructions for the amount(s) to enter, if any, in each applicable column.  | 11  |   |  |   |
| 12  | Subtract line 11 from line 10 and enter the difference in each applicable column.  | 12  |   |  |   |
| 13  | For amount to enter on line 13, column (d), see the worksheet instructions.  | 13  |   |  |   |
| 14  | <b>Net Long-term capital gain or (loss) included in computation of your federal adjusted gross income.</b> Subtract line 13 from line 12 and enter the difference in each applicable column.<br><ul style="list-style-type: none"> <li>If the amount on line 14, column (d) is a net capital (loss), you do not qualify to take the subtraction.</li> <li>If the amount on line 14, column (d) is a net capital gain, enter the result on Form 140NR, line 35. Also enter the amount from line 14, column (b) on Form 140NR, line 34.</li> </ul> | 14  |   |  |   |

## Instructions for completing the worksheet for the subtraction from Arizona gross income for net long-term capital gain from assets acquired after December 31, 2011.

### Purpose of the Worksheet

You may subtract a percentage of any net long-term capital gain included in your federal adjusted gross income that is from an investment in an asset acquired after December 31, 2011.

As a nonresident, you may take the allowable subtraction for only those qualified net long-term capital gains that are from Arizona sources.

To take the allowable subtraction, you must know whether the capital gain or (loss) is considered short-term or long-term. Only the net long-term capital gain from assets acquired after December 31, 2011, is used in the computation for the subtraction. For more information about determining whether a gain or (loss) is short term or long term, see federal Publication 544 at [www.irs.gov](http://www.irs.gov).

If you cannot verify that the capital gain is from the sale of an asset acquired after December 31, 2011, then the capital gain should be included in column (c) of the worksheet as a capital gain from an asset acquired before January 1, 2012.

An asset acquired by gift or inheritance is considered acquired on the date it was acquired by the gift-giver or the deceased individual.

### When Should the Worksheet be Complete?

You **must** complete this worksheet to take the allowable subtraction if you have a net capital gain included in your federal adjusted gross income and the gain includes assets purchased after December 31, 2011.

Do **not** complete this worksheet if either of the following applies:

- You do not have any capital gains to report for the current tax year.
- You do not have any net capital gain from asset(s) acquired after December 31, 2011, to report for the current tax year.

### General Instructions

1. Check the box if this worksheet is for an original or an amended return.
2. Keep this worksheet for your records.

### Line-by-Line instructions

Lines 1 through 8, lists the federal forms reported on federal Schedule D. Line 9 identifies the total capital gain distributions reported on Form(s) 1099-DIV.

- **Column (a)** is the **total** amount of long-term capital gains or (losses) reported on federal Schedule D or other forms/schedules.

- **Column (b)** is the amount of long-term capital gains or (losses) included in column (a) from Arizona sources.
- **Column (c)** is the amount of the long-term capital gains or (losses), included in column (b) for assets acquired *before* January 1, 2012.
- **Column (d)** is the amount of the long-term capital gains or (losses), included in column (b) for assets acquired *after* December 31, 2011.

### Lines 1 through 8 - Capital Gains or (Losses) Reported on federal Schedule D.

Enter the long-term capital gain or (loss) from the federal form listed that was reported on your federal Schedule D and included in the computation of your federal adjusted gross income.

### Line 9 - Long-Term Capital Gains or (Losses)

Capital gains listed on a 1099-DIV are gains passed on from a fund, such as a mutual fund, from the sale of assets within the fund. Generally, such funds do not provide the information needed to determine when the asset that was sold was acquired. In this situation, the capital gains will be considered as acquired before January 1, 2012, and would not qualify for this subtraction.

Enter the long-term capital gain or (loss) reported on Form(s) 1099-DIV and included in your computation of federal adjusted gross income.

**NOTE:** *Some taxpayers are not required to file federal Schedule D to report certain capital gains or (losses). In these cases, the long-term capital gains or (losses) are reported directly on the taxpayer's income tax return. Enter those items on line 9 of the worksheet.*

### Line 10 - Subtotal

For each column, combine the amounts listed on lines 1 through 9 and enter the total.

### Line 11 - Long-Term Capital (Loss) Carryover

- Column (a), enter the total amount of long-term capital loss carryover *actually used* on the federal return for the current table year.
- Column (b), enter the portion from column (a) that is *from Arizona sources*.
- Column (c), enter the portion from column (b) that is from assets acquired before January 1, 2012.
- Column (d), enter the portion from column (b) that is from assets acquired after December 31, 2011.

### Line 12 -

Subtract line 11 from line 10 and enter the difference in applicable column.

### Line 13 -

To determine the amount to enter on line 13, column (d), answer the following questions.

Did you take a subtraction for any net capital gain included in federal adjusted gross income for the taxable year derived

from investment in a qualified small business on Arizona Form 140NR, line 37?

- If “No”, enter zero on line 13, column (d).
- If “Yes”, does that amount include any net long-term capital gain from an investment made *after* December 31, 2011?
  - If “No”, enter zero on line 13, column (d).
  - If “Yes”, enter on line 13, column (d) the amount of any net long-term capital gain from an investment made *after* December 31, 2011, and included in the amount subtracted on Arizona Form 140NR, line 37.

**Line 14 - Current Year Net Long-Term Capital Gain or (Loss)**

Subtract line 13 from line 12 and enter the difference in each applicable column.

- If the amount on line 14, column (d) is a net capital (loss), you do not qualify to take the subtraction.
- If the amount on line 14, column (d) is a net capital gain, enter the result on Form 140NR, line 35.

Also enter the amount from line 14, column (b) on Form 140NR, line 34.



*Include with your return.*

|  |                                 |
|--|---------------------------------|
| Your Name as shown on Form 140NR                       | Your Social Security Number     |
| Spouse's Name as shown on Form 140NR (if filing joint) | Spouse's Social Security Number |

**Adjustment to Medical and Dental Expenses**

|   |   |   |  |    |
|---|---|---|--|----|
| 1 | Medical and dental expenses .....   | 1 |  | 00 |
| 2 | Amount of distributions used to pay qualified medical expenses from your Arizona Long-Term Health Care Savings Account (AZLTHSA) included on line 1.. | 2 |  | 00 |
| 3 | Medical expenses allowed to be taken as a federal itemized deduction .....  | 3 |  | 00 |
| 4 | Add line 2 and line 3, and enter the result.....  | 4 |  | 00 |
| 5 | If line 1 is the same as or more than line 4, subtract line 4 from line 1; otherwise, go to line 6 .....  | 5 |  | 00 |
| 6 | If line 4 is more than line 1, subtract line 1 from line 4 .....  | 6 |  | 00 |

**Adjustment to Interest Deduction**

|   |   |   |  |    |
|---|---|---|--|----|
| 7 | If you received a federal credit for interest paid on mortgage credit certificates (from federal Form 8396), enter the amount of mortgage interest you paid for 2016 that is equal to the amount of your 2016 federal credit..... | 7 |  | 00 |
|---|---|---|--|----|

**Adjustment to Gambling Losses**

|    |   |    |  |    |
|----|---|----|--|----|
| 8  | Wagering losses allowed as a federal itemized deduction .....                             | 8  |  | 00 |
| 9  | Total gambling winnings included in your federal adjusted gross income .....              | 9  |  | 00 |
| 10 | Arizona lottery subtraction from Form 140NR, page 2, line 44.....                         | 10 |  | 00 |
| 11 | Maximum allowable gambling loss deduction: Subtract line 10 from line 9.....              | 11 |  | 00 |
| 12 | If line 11 is less than line 8, subtract line 11 from line 8; otherwise enter "zero"..... | 12 |  | 00 |

**Adjustment to Charitable Contributions**

|    |  |    |  |    |
|----|--|----|--|----|
| 13 | Amount of charitable contributions for which you are claiming a credit under Arizona law ..... | 13 |  | 00 |
|----|--|----|--|----|

**Itemized Deductions**

|    |   |    |  |    |
|----|---|----|--|----|
| 14 | Add the amounts on lines 5 and 7 .....  | 14 |  | 00 |
| 15 | Add the amounts on lines 6, 12 and 13 .....   | 15 |  | 00 |
| 16 | Total federal itemized deductions allowed to be taken on federal return.....  | 16 |  | 00 |
| 17 | Enter the amount from line 14 above .....   | 17 |  | 00 |
| 18 | Add lines 16 and 17.....  | 18 |  | 00 |
| 19 | Enter the amount from line 15 above .....   | 19 |  | 00 |
| 20 | Adjusted itemized deductions: Subtract line 19 from line 18 .....   | 20 |  | 00 |
| 21 | Enter your Arizona income ratio from Form 140NR, page 1, line 27 .....  | 21 |  |    |
| 22 | Arizona itemized deductions: Multiply line 20 by the ratio on line 21. Enter the result here and on Form 140NR, page 2, line 53 ..... | 22 |  | 00 |



**You must include a copy of federal Form 1040, Schedule A with your return if you itemize your deductions on your Arizona return.**

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# 2016 Form 140NR Schedule A(NR) Itemized Deductions

## For Nonresidents Only

You may itemize on your Arizona return, even if you do not itemize on your federal return. Before you complete this form, you must first complete federal Form 1040, Schedule A.

Even if you don't itemize deductions on your federal return, you must include a copy of the federal Form 1040, Schedule A, with this form.

The itemized deductions allowed for Arizona purposes are those itemized deductions that are allowable under the Internal Revenue Code (IRC).

**As an Arizona nonresident, you must prorate** these deductions by the income ratio which your Arizona gross income is to your federal adjusted gross income.

In some cases, the amount allowed for medical and dental expenses, mortgage interest, gambling losses, and charitable contributions may be different for Arizona purposes than for federal purposes.

**You must complete lines 1 through 13 if any of the following apply:**

- You are deducting medical and dental expenses.
- You are claiming a federal credit (from federal Form 8396) for interest paid on mortgage credit certificates.
- You are deducting gambling losses while claiming a subtraction for Arizona lottery winnings.
- You are claiming a credit for a charitable contribution for which you are also taking a credit under Arizona law.

If any of the above items apply, complete lines 1 through 13 as instructed below.

## Line-by-Line Instructions

### Lines 1 through 6 - Medical and Dental Expenses

*Skip lines 1 through 6 if you are **not** deducting medical and dental expenses.*

#### Line 1 -

Enter the total of your medical and dental expenses. Do not include any expenses that were paid by insurance or other sources. Do not reduce the amount you enter on line 1 by amounts paid from an Arizona Long-Term Health Care Savings Account (AZLTHSA).

Do not include the following amounts you paid through an employer-sponsored health insurance plan (cafeteria plan) unless your employer included the amount(s) in Box 1 of your Form W-2.

- Insurance premiums you paid through the plan.
- Other medical and dental expenses paid by the plan.

If you are self-employed, do not include any amount that you paid for health insurance that you deducted in computing your federal adjusted gross income.

#### Line 2 -

Enter any amount of medical and dental expenses included on line 1 that were paid from your AZLTHSA.

### Lines 3 through 6 -

Complete lines 3 through 6 as instructed on the form.

### Line 7 - Interest Paid on Mortgage Credit Certificates

*Skip line 7 if you are **not** claiming a federal credit for interest paid on mortgage credit certificates on your federal return.*

If you received a federal credit for interest paid on mortgage credit certificates (using federal Form 8396), you may deduct some of the mortgage interest you paid in 2016 that you could not deduct for federal purposes.

### Lines 8 through 12 - Gambling Losses

*Skip lines 8 through 12 if you are **not** deducting gambling losses.*

You can deduct wagering losses only to the extent of wagering gains. You must complete lines 8 through 12 if **both** of the following apply:

1. You took a subtraction for Arizona lottery winnings.
2. You are claiming a deduction for gambling losses.

If you take a subtraction for Arizona lottery winnings, you may have to adjust your deduction for gambling losses. Complete lines 8 through 12 as instructed on the form.

### Line 13 - Gifts to Charity

*Skip line 13 if you are **not** claiming a credit for any of your charitable contributions.*

You cannot claim both a deduction and a credit for the same charitable contributions. Enter the amount of charitable contributions for which you are claiming a credit.

| For Example:                             |   |   |
|--|---|---|
| If you claimed a credit on Arizona Form: | For:  | You must make an entry on line 13 if you deducted the amount contributed as an itemized deduction on federal Form 1040, Schedule A. |
| 321                                      | Contributions to Qualifying Charitable Organizations  |   |
| 322                                      | Contributions Made or Fees Paid to Public School  |   |
| 323                                      | Contributions to Private School Tuition Organization  |   |
| 331                                      | Donation of School Site   |   |
| 335-I                                    | Contributions made by an S Corporation to a School Tuition Organization - Individual  |   |
| 340                                      | Donations to the Military Family Relief Fund  |   |
| 341-I                                    | Contributions made by an S Corporation to a School Tuition Organization for Displaced Students or Students with Disabilities - Individual |   |
| 348                                      | Contributions to Certified School Tuition Organization - Individual   |   |
| 352                                      | Contributions to Qualifying Foster Care Charitable Organizations  |   |

If you claimed a credit on your 2015 return for a contribution that you made during 2016 (see Arizona Forms 322, 323 and 348), you must make this adjustment on your 2016 return, even though you claimed the credit on your 2015 return.

If you are claiming a credit on your 2016 return for a contribution made during 2017 (see Arizona Forms 321, 322, 323, 348 and 352), you must make this adjustment on your 2017 return, even though you are claiming the credit on your 2016 return.

**Lines 14 through 20 - Adjusted Itemized Deductions**

Complete lines 14 through 20 as instructed on the form.

**Line 21 -**

Enter your Arizona income ratio from Form 140NR, page 1, line 27. Enter the ratio in decimal form.

**Line 22 - Arizona Itemized Deductions**

Multiply line 20 by the income ratio on line 21. Enter the result on line 22 and on Form 140NR, page 2, line 53.

DO NOT STAPLE ANY ITEMS TO THE FORM.

This estimated payment is for tax year ending December 31, 2017, or for tax year ending: M M D D 2 0 Y Y

Form fields for personal information: 1 Your First Name and Middle Initial, Last Name, Your Social Security Number; 1 Spouse's First Name and Middle Initial (if filing joint), Last Name, Spouse's Social Security No.; 2 Current Home Address - number and street, rural route, Apt. No., Daytime Phone (with area code); 3 City, Town or Post Office, State, ZIP Code

REVENUE USE ONLY. DO NOT MARK IN THIS AREA.

Check if this payment is on behalf of a Nonresident Composite return - 140NR

STOP DO NOT USE THIS FORM TO MAKE DELINQUENT INCOME TAX PAYMENTS. Use this form only for estimated payments.

1 Payment: You must round your estimated payment to a whole dollar (no cents). Enter the amount of payment enclosed \$ [ ] 00

2 Check only one box for the quarter for which this payment is made. Do not select more than one quarter. You must submit a separate form for each quarter for which a payment is made.

81 PM 80 RCVD

Payment for calendar year filers are due as follows:

- 1st Quarter - January to March | Due date is April 18, 2017. Because April 15, 2017, falls on a Saturday and District of Columbia Emancipation Day will be observed on Monday, April 17, 2017, you have until Tuesday, April 18, 2017, to make this payment.
2nd Quarter - April to June | Due date is June 15, 2017.
3rd Quarter - July to September | Due date is September 15, 2017.
4th Quarter - October to December | Due date is January 16, 2018. Because January 15, 2018, is an observed holiday (Martin Luther King Day), you have until Tuesday, January 16, 2018, to make this payment.

Payment for fiscal year filers are due as follows:

- 1st Quarter - 15th day of the fourth month of the current fiscal year.
2nd Quarter - 15th day of the sixth month of the current fiscal year.
3rd Quarter - 15th day of the ninth month of the current fiscal year.
4th Quarter - 15th day of the first month of the next fiscal year.

If any of the due dates fall on a Saturday, Sunday or legal holiday, you may make the required payment for that quarter by midnight on the next business day following that day.

IMPORTANT
To ensure proper application of this payment, be sure that you:
- Complete and submit this form in its entirety. Do not cut this page in half.
- Make your check payable to Arizona Department of Revenue.
- Write your social security number and tax year on your payment.
- If payment is made on behalf of a Nonresident Composite return, write "Composite 140NR" on payment and include the tax year and entity's EIN.
- Include your payment with Form 140ES.
- Mail to Arizona Department of Revenue, PO Box 29085, Phoenix, AZ 85038-9085.
Be sure to review your estimated income and adjust your payments as necessary during the year.

# Worksheet for Computing Estimated Payments for Individuals

For use with Arizona Form 140ES

## Step 1 Estimated Arizona Taxable Income

1 Use the estimated tax worksheet attached to IRS Form 1040ES and enter here the amount shown as income on your federal worksheet ..... 1 

|  |    |
|--|----|
|  | 00 |
|--|----|

## Step 2 Additions

Below are common items of income that are not taxable under the Internal Revenue Code but are taxable under Arizona Revised Statutes.

Estimate amounts and enter in the spaces provided:

|  |   |  |    |  |
|--|---|--|----|--|
| 2 Non-Arizona municipal interest.....  | 2 |  | 00 |  |
| 3 Ordinary income portion of lump-sum distributions (excluded on your federal return)..... | 3 |  | 00 |  |
| 4 Other additions to income.....   | 4 |  | 00 |  |
| 5 Total additions to income: Add lines 2 through 4 .....                                   | 5 |  | 00 |  |
| 6 Add line 1 and line 5.....   | 6 |  | 00 |  |

## Step 3 Subtractions

Below are common items not subject to tax in Arizona but taxable under the Internal Revenue Code.

Estimate amounts and enter in the spaces provided:

|  |    |  |    |  |
|--|----|--|----|--|
| 7 Amounts received as annuities from certain federal, Arizona state, or local government retirement and disability funds (up to \$2,500) that are subject to federal tax ..... | 7  |  | 00 |  |
| 8 Interest income on obligations of the United States (e.g. U.S. savings bonds, treasury bills, etc.) .....  | 8  |  | 00 |  |
| 9 Arizona state lottery winnings (up to \$5,000) included as income on federal return .....  | 9  |  | 00 |  |
| 10 U.S. Social Security benefits or Railroad Retirement Act benefits included as income on federal return .....  | 10 |  | 00 |  |
| 11 Other exempt income .....   | 11 |  | 00 |  |
| 12 Total subtractions: Add lines 7 through 11 .....  | 12 |  | 00 |  |
| 13 Subtract line 12 from line 6.....   | 13 |  | 00 |  |

## Step 4 Deductions and Exemptions

|  |    |  |    |  |
|--|----|--|----|--|
| 14 If you plan to itemize deductions, enter the estimated total of your deductions. If you do not plan to itemize deductions, see the instructions for the allowable 2016 standard deduction ..... | 14 |  | 00 |  |
| 15 Exemptions: Enter your allowable 2016 exemption amounts.....  | 15 |  | 00 |  |
| 16 Total deductions and exemptions: Add line 14 and line 15.....   | 16 |  | 00 |  |
| 17 Subtract line 16 from line 13.....  | 17 |  | 00 |  |

## Step 5 Estimated Arizona Income Tax

|  |    |  |    |  |
|--|----|--|----|--|
| 18 Using Tax Table X or Y, use the amount on line 17 to calculate your Arizona estimated tax liability. Enter your estimated tax liability here .....  | 18 |  | 00 |  |
| 19 Enter 90% (.90) of line 18.....   | 19 |  | 00 |  |
| 20 Enter the preceding year's Arizona tax liability if you were required to file and did file a return for the preceding year, otherwise skip this line .....                                    | 20 |  | 00 |  |
| 21 If you entered an amount on line 20, enter the smaller of line 19 or line 20. Otherwise, enter the amount from line 19 .....  | 21 |  | 00 |  |
| 22 Total Arizona income tax expected to be withheld (include all employment and pensions) .....  | 22 |  | 00 |  |
| 23 Subtract line 22 from line 21, and base estimated payments on this amount .....   | 23 |  | 00 |  |
| 24 If the first payment you are required to make is due April 18, 2017, enter 1/4 of line 23 (minus any 2016 overpayment that you are applying to this installment) here and on your 140ES ..... | 24 |  | 00 |  |

## 2017 Individual Estimated Income Tax Payment

**For information or help, call one of the numbers listed:**

Phoenix (602) 255-3381  
From area codes 520 and 928, toll-free (800) 352-4090

**Tax forms, instructions, and other tax information**

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

**Income Tax Procedures and Rulings**

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website and click on *Legal Research* then click on *Procedures* or *Rulings* and select a tax type from the drop down menu.

**Publications**

To view or print the department's publications, go to our website and click on *Publications*.

**Who Should Use Form 140ES**

All of the following taxpayers should use Arizona Form 140ES:

- an individual making a voluntary or mandatory estimated payment,
- a partnership making a voluntary estimated payment on behalf of its nonresident individual partners participating in the filing of a composite return, and
- an S corporation making a voluntary estimated payment on behalf of its nonresident individual shareholders participating in the filing of a composite return.

**General Information**

- Please type or print your name, Social Security Number (SSN) or individual taxpayer identification number (ITIN) issued by the Internal Revenue Service and current address. If you are married making a joint estimated payment, enter your SSNs or ITINs in the same order as your first names and in the same order as they will be shown on your joint Arizona income tax return.
- If you have a **foreign address**, enter the information in the following order: city, province or state, and country. Follow the country's practice for entering the postal code. Do not abbreviate the country name.
- A partnership or S corporation making a voluntary estimated income tax payment for its nonresident partners or shareholders participating in the filing of a composite income tax return, should enter its Employer Identification Number (EIN) in the area designated for an individual's SSN.  
**Also**, check the box on the form to indicate the payment is made on behalf of a nonresident composite return (Arizona Form 140NR).

- Complete Form 140ES using black ink.
- Once you make an estimated payment, you must file a tax return for that year in order to claim the estimated payment.
- You must round each estimated payment to whole dollars (no cents).
- Check only **one** box for the quarter for which this payment is made. Do not select more than one quarter. You must submit a separate form for each quarter for which a payment is made.
- Use Tax Table X or Y (in the 2016 tax instruction booklet) to help estimate this year's tax liability. Figure this tax on your total annual income.

**Required Payments**

Arizona requires certain individuals to make estimated income tax payments.

|   |  |   |
|---|--|---|
| You must make Arizona estimated income tax payments during 2017 if: |  |   |
| Your filing status is:  | <b>AND</b><br>Your Arizona gross income for 2016 was greater than: | <b>AND</b><br>Your Arizona gross income for 2017 exceeds: |
| Married Filing Joint  | \$150,000  | \$150,000   |
| Single  | \$75,000   | \$75,000  |
| Head of Household   | \$75,000   | \$75,000  |
| Married Filing Separate   | \$75,000   | \$75,000  |

If you met the income threshold for 2016, you must make estimated payments during 2017 unless you are sure you will not meet the threshold for 2017. For more information, see the department's publication, Pub. 012, *Arizona Individual Estimated Income Tax Payments*.

The department will charge you a penalty if you fail to make any required estimated payment. Use Arizona Form 221, *Underpayment of Estimated Tax by Individuals*, to figure the amount of this penalty.

The penalty is equal to the interest that would accrue on the underpayment. The penalty cannot be more than 10% of the underpayment.

**What is Arizona Gross Income for the Purpose of Estimated Income Tax Payments?**

If you are a **full-year resident**, your Arizona gross income is your federal adjusted gross income.

If you are a **part-year resident**, your Arizona gross income is that part of your federal adjusted gross income that you must report to Arizona.

If you are a **nonresident**, your Arizona gross income is that part of your federal adjusted gross income derived from Arizona sources.

**How Much Should My Estimated Payments Total?**

If you have to make estimated payments, your payments, when added to your Arizona withholding, must total either 90% of the tax due for 2017, or 100% of the tax due for 2016.

You can use your 2016 tax to figure the amount of payments that you must make during 2017 only if you were required to file and did file a 2016 Arizona income tax return.

**Worksheet for Computing Estimated Payments for Individuals**

Use the worksheet on page 2 of this form to calculate your required estimated tax payments. Follow the instructions on the worksheet to complete Steps 1 through 5.

For nonresident composite return payments, see the department’s ruling, ITR 16-2, *Composite Individual Income Tax Returns*, for amounts to enter on the worksheet.

**NOTE: Deductions (Line 14)** - If you plan to itemize deductions for tax year 2017 enter the estimated total of your itemized deductions on line 14 of the worksheet. If you do not plan to itemize deductions, enter your allowable 2016 standard deduction on line 14. To determine the allowable standard deduction amount for your filing status, see the instructions for your 2016 Arizona income tax form.

**Exemptions (Line 15)** - Enter the allowable 2016 exemption amount. To determine the allowable exemption amount for your filing status, see the instructions for your 2016 Arizona income tax form.

**When Should I Make My Estimated Payments?**

For the most part, you must make your payments in four equal installments.

| Estimated payments for calendar year filers are due as follows: |   |
|---|---|
| <b>Payment 1</b>  | April 18, 2017.<br>Because April 15, 2017, falls on a Saturday, and District of Columbia Emancipation Day will be observed on April 17, 2017, you have until Tuesday, April 18, 2017, to make this payment. |
| <b>Payment 2</b>  | June 15, 2017   |
| <b>Payment 3</b>  | September 15, 2017  |
| <b>Payment 4</b>  | January 16, 2018.<br>Because January 15, 2018, is Martin Luther King Day, you have until Tuesday, January 16, 2018, to make this payment.   |

If you are a fiscal year filer, the payments are due on the 15th day of the fourth, sixth and ninth months of the current fiscal year, and the first month of the next fiscal year.

**NOTE:** *If the due date falls on a Saturday, Sunday or legal holiday, you may pay by midnight on the next business day following that day.*

If any of the following applies (1 through 3), you do not have to make your payments in four equal installments.

1. **File and pay by January 31, 2018.** If you file your 2017 Arizona return by January 31, 2018, and pay in full the amount stated on the return as payable, you do not have to make the **fourth** estimated tax payment.

Fiscal year filers must file and pay by the last day of the month following the close of the fiscal year.

2. **Farmer or fisherman.** If you report as a farmer or fisherman for federal purposes, you only have to make one installment for a taxable year. The due date for this installment for a 2017 calendar year filer is January 16, 2018.

The due date for a fiscal year filer is the 15th day of the first month after the end of a fiscal year.

There is no requirement to make this payment if you file your 2017 Arizona return on or before March 1, 2018, and pay in full the amount stated on the return as payable.

Fiscal year filers must file and pay on or before the first day of the third month after the end of the fiscal year.

3. **Nonresident alien.** If you are an individual who elects to be treated as a nonresident alien on the federal income tax return, you may make three estimated payments.

The due dates for these installments are June 15, 2017, September 15, 2017, and January 16, 2018. The first installment must equal 50% of your total required payments.

**Voluntary Payments**

An individual who does not have to make 2017 Arizona estimated income tax payments may choose to make them. Taxpayers who make such an election may choose one of the following methods to make their payments.

**Method 1:** If you file federal estimated tax, you can file Form 140ES at the same time.

The amount that you remit with Form 140ES should be 10%, 15%, or 20% of the amount that you paid on the federal **Form 1040-ES**.

**Method 2:** You may file installments using Form 140ES.

If you are a calendar year filer making voluntary estimated payments, see the table under *When Should I make My Estimated Payments?* for the due dates of these payments.

If you are a fiscal year filer making voluntary estimated payments, the payments are due on the 15th day of the fourth, sixth and ninth months of the current fiscal year, and the first month of the next fiscal year.

The sum of the amounts remitted should equal your estimated end-of-tax-year liability.

**Method 3:** You may file an *Individual Estimated Income Tax Payment*, Form 140ES, with a single, lump-sum payment before January 16, 2018.



The payment should reflect your estimated end-of-tax-year liability.

**Completing Lines 1 and 2**

**Line 1**

Enter the amount of your payment. Round your payment to the nearest whole dollar (no cents). Your payment is the amount you figured using the worksheet for computing estimated payments.

**Line 2**

Check the box for the quarter for which this payment is made.

**Sending Your Payment**

Individuals may make estimated payments by check, electronic check, money order, or credit card.

Partnerships or S corporations making estimated payments on behalf of nonresidents participating in the filing of a composite return **must** make those payments by check or money order.

**Check or money order**

Make your check payable to Arizona Department of Revenue and include your SSN (or the partnership or S corporation’s EIN) and tax year on the check.

If you are making a payment on behalf of a nonresident composite return, write “Composite 140NR” on the check.

Include your check with the completed Form 140ES and mail to:

Arizona Department of Revenue  
PO Box 29085  
Phoenix, AZ 85038-9085

The department cannot accept checks or money orders in foreign currency. You must make payment in U.S. dollars.

**Electronic payment from your checking or savings account**

**NOTE:** *You may not make an electronic payment from your checking or savings account if the payment will ultimately be coming from a foreign account. In this case, you must pay by check or money order.*

You can pay your 2017 estimated tax with an electronic payment from your checking or savings account. There is no fee to use this method. To make an electronic payment, go to [www.AZTaxes.gov](http://www.AZTaxes.gov) and click on the “Make a Payment” link.

The “E-Check” option in the “Payment Method” drop-down box will debit the amount from the checking or savings account that you specify. If you make an electronic payment from your checking or savings account, you will receive a confirmation number. **Please keep this confirmation number as proof of payment.**

**NOTE:** *If you are paying by electronic check, do not use Form 140ES. We will apply your estimated tax payment to your account. You must claim the estimated payment on your original return when you file.*

**Credit card payment**

You can pay your 2017 estimated tax through a third-party service provider using your Visa, MasterCard, Discover, or American Express credit card. Go to [www.AZTaxes.gov](http://www.AZTaxes.gov), click on the “Make a Payment” link and choose the credit card option.

This will take you to a third party vendor site (provider). The provider will charge you a convenience fee based on the amount of your tax payment. If you complete the credit card transaction, you will receive a confirmation number. **Please keep this confirmation number as proof of payment.**

**NOTE:** *If you are paying by credit card, do not use Form 140ES. We will apply your estimated tax payment to your account. You must claim the estimated payment on your original return when you file.*

| Record of Estimated Income Tax Payments                     |           |        |
|---|-----------|--------|
|   | Date Made | Amount |
| 1. Amount of 2016 overpayment applied to 2017 estimated tax |           | .00    |
| 2. Payment 1  |           | .00    |
| 3. Payment 2  |           | .00    |
| 4. Payment 3  |           | .00    |
| 5. Payment 4  |           | .00    |
| <b>Total:</b>   |           | .00    |

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DO NOT STAPLE ANY ITEMS TO THE CLAIM.

Arizona Form 140ET

Credit for Increased Excise Taxes

FOR CALENDAR YEAR 2016

82F [ ] Check box 82F if filing under extension 95 [ ] Check box 95 if amending credit for tax year 2016

Form fields for personal information: 1 Your First Name and Middle Initial, Last Name, Social Security Number; 1 Spouse's First Name and Middle Initial, Last Name, Social Security No.; 2 Current Home Address, Apt. No., Daytime Phone; 3 City, Town or Post Office, State, ZIP Code.

Enter your SSN(s)

FILING STATUS (check the appropriate box):

- 4 [ ] Married filing joint claim
5 [ ] Head of household: Enter name of qualifying child or dependent on next line:
6 [ ] Married filing separate claim: Enter spouse's name and Social Security Number above.
7 [ ] Single

Note: If you are married and you qualify to claim this credit, you must file a married filing separate claim if your spouse was sentenced for at least 60 days during 2016 to a county, state or federal prison.

8 I have read "Who Can File Form 140ET" on page 2, and I certify that I qualify to claim this credit on this form..8 [ ] YES [ ] NO
Note: If you checked "No", STOP. DO NOT file Form 140ET.

9 List dependents (see instructions on page 3). If married filing a joint claim, you may list up to 2 dependents; all others may list up to 3.

Table with 3 columns: FIRST NAME, LAST NAME, SOCIAL SECURITY NUMBER OR ITIN. Rows 9A1, 9A2, 9A3.

10 Total number of dependents entered on lines 9A1 through 9A3 ..... 10
11 If you checked box 4, enter the number "2" here. If you checked box 5, 6, or 7, enter the number "1" here . 11
12 Add the amount on line 10 and line 11. Enter the total..... 12
13 Multiply the amount on line 12 by \$25. Enter the result..... 13
14 Enter the smaller of line 13 or \$100..... 14

Direct Deposit of Refund: Check box 14A if your deposit will be ultimately placed in a foreign account; see instructions. 14A [ ]
98 C [ ] Checking or S [ ] Savings
ROUTING NUMBER ACCOUNT NUMBER

If this is your first claim for 2016, STOP HERE, AND GO TO THE SIGNATURE BOX BELOW.
If this is an amended claim, complete lines 15 through 17, and check box 95 at the top of the form.

AMENDED
15 Enter the amount from line 5 of the worksheet on page 4 of the instructions ..... 15
16 Additional refund: If line 14 is larger than line 15, subtract line 15 from line 14 ..... 16
17 Amount to pay: If line 14 is less than line 15, subtract line 14 from line 15..... 17
Make check payable to Arizona Department of Revenue; write your SSN on payment, and include with Form 140ET.

PLEASE SIGN HERE
Under penalties of perjury, I declare that I have read this return and any documents with it, and to the best of my knowledge and belief, they are true, correct and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.
YOUR SIGNATURE DATE OCCUPATION
SPOUSE'S SIGNATURE DATE SPOUSE'S OCCUPATION
PAID PREPARER'S SIGNATURE DATE FIRM'S NAME (PAID PREPARER'S, IF SELF-EMPLOYED)
PAID PREPARER'S STREET ADDRESS PAID PREPARER'S TIN
PAID PREPARER'S CITY STATE ZIP CODE PAID PREPARER'S PHONE NUMBER

**Who Can File Form 140ET?**

Even if you qualify to claim a credit for increased excise taxes, **do not file Form 140ET** if either of the following applies:

- You are filing a 2016 income tax return using Form 140, Form 140A, Form 140EZ, or Form 140PY. You may claim this credit on those tax forms. To figure your credit, complete the worksheet included in the instructions for those tax forms.
- You are filing Form 140PTC. You may claim the credit for increased excise taxes on Form 140PTC. To figure your credit, see the instructions for Form 140PTC, Part 2.

If you qualify to claim a credit for increased excise taxes, **file Form 140ET only if all** of the following are true.

|  | TRUE                     | FALSE                    |
|--|--------------------------|--------------------------|
| (a) You have a Social Security Number (SSN) that is valid for employment .....   | <input type="checkbox"/> | <input type="checkbox"/> |
| (b) You are not required to file a 2016 income tax return <b>and</b> you do not qualify for the property tax credit on Form 140PTC for tax year 2016 ..... | <input type="checkbox"/> | <input type="checkbox"/> |
| (c) You were an Arizona resident during 2016.....  | <input type="checkbox"/> | <input type="checkbox"/> |
| (d) You are not claimed as a dependent by any other taxpayer for the tax year 2016 .....   | <input type="checkbox"/> | <input type="checkbox"/> |
| (e) You were not sentenced for at least 60 days of 2016 to a county, state, or federal prison  | <input type="checkbox"/> | <input type="checkbox"/> |
| (f) Your federal adjusted gross income is: .....   | <input type="checkbox"/> | <input type="checkbox"/> |
| • \$25,000 or less if you are married filing a joint claim   |                          |                          |
| • \$12,500 or less if single   |                          |                          |
| • \$25,000 or less if you are filing as head of household  |                          |                          |
| • \$12,500 or less if married filing a separate claim  |                          |                          |

If **all** of the items (a) through (f) above are **true**, you may claim this credit using Form 140ET. Complete Form 140ET to figure your credit.

**Special Note:**

If your spouse was sentenced for at least 60 days during 2016 to a county, state or federal prison, the following applies:

1. Your spouse cannot take the credit.
2. You cannot file a joint claim with that spouse. You must file a married filing separate claim.
3. You cannot claim a credit for your spouse.
4. If your spouse has a valid SSN, but you do not, neither you nor your spouse can claim the credit.

For complete details about how incarceration affects this credit, see the department's publication 709.

## 2016 Credit for Increased Excise Taxes

### For information or help, call one of the numbers listed:

Phoenix (602) 255-3381  
From area codes 520 and 928, toll-free (800) 352-4090

### Tax forms, instructions, and other tax information

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

### Income Tax Procedures and Rulings

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website and click on *Legal Research* then click on *Procedures* or *Rulings* and select a tax type from the drop down menu.

### Publications

To view or print the department's publications, go to our website and click on *Publications*.

## Who Can Use Form 140ET?

**NOTE:** You *must* have a Social Security Number (SSN) that is valid for employment to claim this credit.

If you also claim a credit for your spouse and/or qualifying children, your spouse and qualifying children *must* each have a valid SSN or individual taxpayer identification number (ITIN) issued by the Internal Revenue Service.

Do **not** file Form 140ET if you are filing an income tax return using Arizona Form 140, Form 140A, Form 140EZ, or Form 140PY. You may claim this credit on those forms by completing the worksheet in the instructions for those forms.

If you meet **all** of the following you may claim a credit for increased excise taxes paid using Form 140ET. Complete Form 140ET to figure your credit.

File Form 140ET **only** if you meet the following:

- You are not required to file an income tax return and you do not qualify for the property tax credit on Arizona Form 140PTC.
- You were an Arizona resident during 2016.
- You are not claimed as a dependent by any other taxpayer.
- You were not sentenced for at least 60 days of 2016 to a county, state, or federal prison.

**NOTE:** For complete information about how incarceration affects this credit, see the department's publication, *Pub. 709, Excise Tax Credit – How Does Incarceration Affect Eligibility*.

- Your federal adjusted gross income is:
  - \$25,000 or less if you are married filing a joint claim,
  - \$25,000 or less if you are filing as head of household,
  - \$12,500 or less if single, or
  - \$12,500 or less if married filing a separate claim.

Your federal adjusted gross income is income that you must report on your federal income tax return less adjustments to

income allowed on the federal income tax return. If you are not sure if your federal adjusted gross income meets the limit, you may want to complete a federal income tax return.

**NOTE:** The credit cannot exceed \$100 per household. Do not file Form 140ET if someone else in your household has already claimed \$100 of the credit. If someone else in your household has filed Form 140ET claiming less than \$100, you may file Form 140ET. The total of all credit claims filed from your household cannot be more than \$100.

### How do I Know if I Must File an Income Tax Return?

You must file an Arizona income tax return if:

- Your gross income is \$15,000 or more. Figure your gross income the same as you would figure your gross income for federal income tax purposes.
- Your Arizona adjusted gross income is \$11,000 or more if married filing a joint return.
- Your Arizona adjusted gross income is \$5,500 or more if single, head of household or married filing a separate return.

Your Arizona adjusted gross income is your federal adjusted gross income modified by additions and subtractions allowed under Arizona law. If you are not sure if your Arizona adjusted gross income meets this limit, you may want to complete an Arizona income tax return.

### How do I Know if I Qualify for the Property Tax Credit?

You may claim the property tax credit using Arizona Form 140PTC if you meet **all** the following.

- You were either 65 or older in 2016 or, if under age 65, you were receiving Supplemental Security Income (SSI) Title 16 income from the Social Security Administration.
- You were an Arizona resident for the full year in 2016.
- You paid property tax on your Arizona home in 2016. You paid rent on taxable property for the entire year or you did a combination of both.
- If you lived alone, your total household income was under \$3,751. If you lived with others, the total household income was under \$5,501. To see what income is included in household income, see the Form 140PTC instructions.

**Do not file Form 140ET if you are filing Form 140PTC.** You may claim this credit on Form 140PTC.

### When Should I File Form 140ET?

You should file this form by April 18, 2017. You may request an extension using Form 204.

**NOTE:** Because April 15, 2017, falls on a Saturday and District of Columbia Emancipation Day will be observed on April 17, 2017, you have until April 18, 2017, to file Form 140ET.

You do not have to include a copy of the extension with this form when you file, but make sure that you check box **82F** on page 1 of the form.

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### What if a Claimant Died?

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If a claimant died before filing a claim for 2016, the taxpayer's spouse or personal representative may file and sign a Form 140ET for that person. A personal representative can be an executor, administrator, or anyone who is in charge of the deceased taxpayer's property.

Enter the word "deceased" after the decedent's name in the address section of the form. Also enter the date of death after the decedent's name.

You must also complete **Arizona Form 131, Claim for Refund on Behalf of Deceased Taxpayer**. Place this form on top of Form 140ET.

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### How do I Amend a Claim?

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For 2016, if you need to make changes to your claim once you have filed, you should file a corrected Form 140ET. Be sure to check box 95 at the top of the amended claim form.

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### General Instructions

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#### Taxpayer Identification Number

Make sure that you enter your SSN on your claim form. Make sure that all SSNs and ITINs are clear and correct.

You may be subject to a penalty if you fail to include your SSN. **It will take longer to process your claim form if SSNs and ITINs are missing, incorrect, or unclear.**

If you are filing a joint claim, enter your SSNs in the same order as your names. If your name appears first on Form 140ET, make sure your SSN is the first number listed.

#### Identification Numbers for Paid Preparers

If you pay someone else to prepare your claim form, that person must also include an identification number where asked. A paid preparer may use any of the following:

- his or her PTIN,
- his or her SSN, or
- the EIN for the business.

A paid preparer who fails to include the proper identification number may be subject to a penalty.

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### Line-by-Line Instructions

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#### Line 1 -

Type or print your name in black ink. Include your first name, middle initial and last name.

Enter your SSN in the space provided. If a joint claim, also enter your spouse's name and SSN or ITIN.

#### Line 2 -

Print or type your current address. Include your house or building number and street or rural route. Include your apartment number if you live in an apartment. Include your mobile home lot number if you live in a mobile home.

#### Line 3 -

Print or type the name of your city, town, or post office. Also include your state and zip code.

#### Boxes 4 through 7 - Filing Status

Use this section to determine your filing status. Check the correct box (4 through 7) on the Form 140ET.

##### Box 4 - Married Filing Joint Claim

You may file a joint claim if you were married as of December 31, 2016. You may also file a joint claim if your spouse died in 2016 and you did not remarry in 2016.

##### Box 5 - Head of Household

You may use the head of household status, only if one of the following applies:

- you qualify to file as head of household for federal income tax purposes; or
- you qualify to file as a qualifying widow or widower for federal income tax purposes.

For federal income tax purposes, you may be able to file as head of household if you meet **all** of the following requirements.

1. you are unmarried or considered unmarried on the last day of the year;
2. you paid more than half the cost of keeping up a home for the year; and
3. a qualifying person must live with you in the home for more than half the year (except for temporary absences, such as school).

To find out more about head of household or a qualifying widow or widower, see federal publication 501.

##### Box 6 - Married Filing Separate Claim

You may use this filing status if married as of December 31, 2016, and you elect to file a separate claim.

**NOTE:** *If you are married and you qualify to claim this credit, you **must** file a married filing separate claim if your spouse was sentenced for at least 60 days during 2016 to a county, state or federal prison.*

If you are filing a separate claim, check box 6 and enter your spouse's name and SSN on the second box 1.

##### Box 7 - Single

File a single claim if you were single on December 31, 2016. You are single if any of the following apply to you:

- you have never been married;
- you are legally separated under a decree of divorce or of separate maintenance; or
- you were widowed before January 1, 2016, and you did not remarry in 2016, and you do not qualify to file as a qualifying widow or widower with dependent children for federal income tax purposes.

**Line 8 -**

Read the information on page 2, under the heading “Who Can File Form 140ET?” and answer the question on page 1, line 8. If you answered, “No”, STOP! Do not file Form 140ET to claim this credit.

**Line 9 - Dependents**

You may claim this credit for dependents that are residents of Arizona. You cannot claim this credit for a dependent that is an Arizona nonresident. List only those people that qualify as your dependent for federal income tax purposes. **Do not list any dependent that is not an Arizona resident.**

On lines 9A1 through 9A3, enter each dependent's name and SSN or ITIN.

For federal income tax purposes, a dependent is either a qualifying child or a qualifying relative. A qualifying child or relative must be a U.S. citizen or resident alien, or a resident of Canada or Mexico. There is an exception for certain adopted children.

To claim a **qualifying child** as a dependent for federal purposes, you must meet the following five tests:

1. **Relationship test.** The child must be your son, daughter, stepchild, foster child, brother, sister, half brother, half sister, stepbrother, stepsister, or a descendant of any of them;
2. **Age test.** The child must be under age 19 at the end of the year and younger than you, or under age 24 at the end of 2016 if a full-time student (and younger than you), or any age if permanently and totally disabled;
3. **Domicile test.** The child must live with you for more than half of the year. Temporary absences for special circumstances, such as for school, vacation, medical care, military service, or detention in a juvenile facility count as time lived at home;
4. **Support test.** The child must not have provided over half of his or her own support during the year; and
5. **Joint Return Test.** If the child is married, the child is not filing a joint federal return for the year, unless that joint return is filed only as a claim for refund.

To claim a **qualifying relative** as a dependent for federal purposes, you must meet the following four tests:

1. **Relationship Test.** The person must be either your relative or have lived in your home as a member of your household all year. The person cannot be a qualifying child;
2. **Joint Return Test.** If the person is married, he or she cannot file a joint federal return. But the person can file a joint federal return if the return is filed only as a claim for refund;
3. **Income Test.** The person’s gross income must be less than \$4,050; and
4. **Support Test.** You must have provided over half of the person’s total support in 2016.

To learn more about who may be a dependent, see federal publication 501.

**Lines 10 through 14 -**

Complete lines 10 through 14 as instructed on the form.

**Direct Deposit of Refund**

Complete the direct deposit line if you want us to directly deposit the amount shown on line 14 into your account at a bank or other financial institution (such as a mutual fund, brokerage firm or credit union) instead of sending you a check.

**NOTE:** Check box 14A if the direct deposit will ultimately be placed in a foreign account. If you check box 14A, do not enter your routing or account numbers. If this box is checked, we will not direct deposit your refund. We will mail you a check instead.

**Why Use Direct Deposit?**

- You get your refund fast!
- Payment is more secure, there is no check to get lost.
- It is more convenient. No trip to the bank to deposit your check.
- It saves tax dollars. A refund by direct deposit costs less to process than a check.

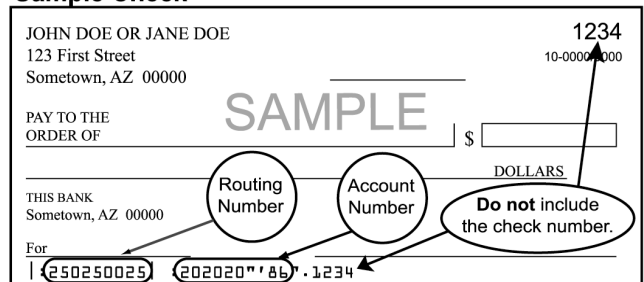
**NOTE:** We are not responsible for a lost refund if you enter the wrong account information. Check with your financial institution to get the correct routing and account numbers and to make sure your direct deposit will be accepted.

**Routing Number**

**MAKE SURE YOU ENTER THE CORRECT ROUTING NUMBER.**

The routing number must be nine digits. The first 2 digits must be 01 through 12 or 21 through 32. Otherwise, the direct deposit will be rejected and a check sent instead. On the sample check, the routing number is 250250025.

**Sample Check**



**Note:** The routing and account numbers may be in different places on your check.

Your check may state that it is payable through a financial institution different from the one at which you have your checking account. If so, do not use the routing number on that check. Instead, contact your financial institution for the correct routing number to enter here.

**Account Number**

**MAKE SURE YOU ENTER THE CORRECT ACCOUNT NUMBER.**

The account number can be up to 17 characters (both numbers and letters). DO NOT include hyphens, spaces or special symbols. Enter the number from left to right and leave any unused boxes blank. On the sample check, the account number is 20202086. Be sure **not** to include the check number.

**NOTE:** *If the direct deposit is rejected, a check will be sent instead.*

**Instructions for Amending**

Use this form to correct your credit if Form 140ET is the only form that you have filed.

If amending, check box 95 on the top of Form 140ET. Use the following lines to correct an already filed 2016 Form 140ET.

**Line 15 -**

Use the following worksheet to figure the amount to enter on this line.

|   |    |
|---|----|
| 1. Enter the total credit you received from your original 2016 Form 140ET.  | \$ |
| 2. If this is not your first amended claim, enter any additional credit received from previously filed amended 2016 Form 140ET claims.  | \$ |
| 3. Add lines 1 and 2. Enter the total.  | \$ |
| 4. If this is not your first amended claim, enter any amount of credit you repaid with previously filed amended 2016 Form 140ET claims. | \$ |
| 5. Subtract line 4 from line 3. Enter the difference here and on Form 140ET, line 15.   | \$ |

**Line 16 -**

If line 14 is larger than line 15, subtract line 15 from line 14. Enter the difference.

This is the amount of additional credit you will receive as a refund if you owe no other taxes.

**Line 17 -**

If line 14 is less than line 15, subtract line 14 from line 15. Enter the difference.

This is the amount of the credit that you must repay to the state.

- Make checks payable to: Arizona Department of Revenue.
- Write your SSN and tax year on the check.
- Include your check with Form 140ET.

The department cannot accept checks or money orders in foreign currency. You must make payment in U.S. dollars.

**Electronic payment from your checking or savings account**

You can make an electronic payment from your checking or savings account to pay your balance due for 2016. There is no fee to use this method. To make an electronic payment, go to [www.AZTaxes.gov](http://www.AZTaxes.gov) and click on the "Make a Payment" link.

Be sure to enter the correct routing number and account number for your checking or savings account. You will be charged a \$25 NSF (non-sufficient funds) fee if you provide an incorrect routing number or an incorrect account number. Check with your financial institution to get the correct account and routing numbers.

The "E-Check" option in the "Payment Method" drop-down box will debit the amount from the checking or savings account that you specify. If you make an electronic payment from your checking or savings account, you will receive a confirmation number. **Keep this confirmation number as proof of payment.**

**NOTE:** *You may not make an electronic payment from your checking or savings account if the payment will ultimately be coming from a foreign account. In this case, you must pay by check or money order.*

**Credit card payment**

You can pay with your Visa, MasterCard, Discover, or American Express credit card. Go to [www.AZTaxes.gov](http://www.AZTaxes.gov) and click on the "Make a Payment" link and choose the credit card option. This will take you to a third party vendor site (provider). The provider **will charge** you a convenience fee based on the amount of your tax payment. The provider will tell you what the fee is during the transaction; you will have the option to continue or cancel the transaction. If you complete the credit card transaction, you will receive a confirmation number. **Please keep this confirmation number as proof of payment.**

**Instructions Before Mailing**

- **DO NOT STAPLE YOUR RETURN. DO NOT STAPLE ANY DOCUMENTS, SCHEDULES OR PAYMENT TO YOUR RETURN.**
- Check to make sure that your math is correct.
- Sign your claim in the space provided on the bottom of the form.
- If amending a claim for a year before 2016, call one of the numbers listed on page 1 of these instructions.

**Make sure you put enough postage on the envelope**

The U.S. Post Office or United States mail service must postmark your return or extension request by midnight April 18, 2017.

The term "United States mail" includes any private delivery service designated by the United States Secretary of the Treasury pursuant to Internal Revenue Code § 7502(f) and the



term "postmark" includes any date recorded or marked by any such designated delivery service.

An income tax return that is mailed to the department is timely filed if it is delivered on or before its due date. Additionally, if the envelope or wrapper containing the return sent through the United States mail bears a postmark of the United States mail and that tax return is delivered to the department after its due date that return will be considered timely filed if all of the following apply:

1. The return was deposited in an official depository of the United States mail;
2. The date of the postmark is no later than the due date;
3. The return was properly addressed; and
4. The return had proper postage.

If the envelope or wrapper containing a return sent through the United States mail bears a private meter postmark made by other than the United States mail, the return is treated as timely filed if both of the following apply:

1. The private meter postmark bears a date on or before the due date for filing; and
2. The return is received no later than the time it would ordinarily have been received from the same point of origin by the same class of U.S. postage. If the return is received by the department within five business days of the private meter postmark date the department will consider this requirement satisfied.

You may also use certain private delivery services designated by the IRS to meet the "timely mailing as timely filed" rule.

For more information, see the department's ruling, GTR 16-1, *Timely Filing of Income or Withholding Tax Returns Through the United States Mail*.

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## **Where to Mail Form 140ET**

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Mail the completed Form 140ET to:

Arizona Department of Revenue  
P.O. Box 52138  
Phoenix AZ 85072-2138

**THIS PAGE INTENTIONALLY LEFT BLANK**

DO NOT STAPLE ANY ITEMS TO THE CLAIM.

You must file this form, or Arizona Form 204, by April 18, 2017.

82F  Check box 82F if filing under extension

95  Check box 95 if amending claim for tax year 2016

1 Your First Name and Middle Initial Last Name Your Social Security Number
1 Spouse's First Name and Middle Initial (if a joint claim) Last Name Spouse's Social Security No.
2 Current Home Address - number and street, rural route Apt. No. Daytime Phone (with area code)
3 City, Town or Post Office State ZIP Code
79 Your Date of Birth

REVENUE USE ONLY. DO NOT MARK IN THIS AREA.

88

QUALIFICATIONS FOR CREDIT (Check the boxes that apply):

- 4 On December 31, 2016, were you renting or did you own? If you own a mobile home but rent the space, check "Rent"
5 Were you an Arizona resident for all of 2016? If "No", STOP. You do not qualify
6 Did you pay property taxes on your home, pay rent, or pay a combination of both in 2016? See instructions for qualifications. If "No", STOP. You do not qualify
7 Is this the only Property Tax Refund being claimed in your household? If "No", STOP. You do not qualify
8 Were you age 65 or older in 2016? Enter your birth date in box 79 above
9 Did you receive Title 16, SSI payments in 2016? If "Yes", include proof. If you answered "No" to both 8 and 9, STOP. You do not qualify.

81 PM 80 RCVD

INCOME

10 Total Household Income: Enter the amount from page 2, Part 1, line J, column 4 10 00

CREDIT

- 11 a If you lived alone, enter the amount of credit from page 2, Part 1, Schedule 1, and check the box. 11a  Schedule 1
b If you lived with your spouse or one or more other persons, enter the amount of credit from page 2, Part 1, Schedule 2, and check the box. 11b  Schedule 2 11 00
12 If you owned your property, enter property taxes actually paid during 2016. Include proof of property taxes paid during 2016. 12 00
13 If you rented, enter property taxes paid by your landlord on your portion of rents. Include Form 201. 13 00
14 Total property taxes paid in 2016. Add lines 12 and 13. 14 00
15 Amount of Property Tax Credit: Enter the smaller of line 11 or line 14. 15 00

16 If you have been claimed as a dependent on anyone else's tax return, complete the following:

Name Of Taxpayer Who Claimed You Social Security Number
Address:

If you are not claimed as a dependent on anyone else's tax return, turn the form over and complete Part 2. If someone else claims you as a dependent, skip lines 17 and 18, and complete line 19.

17 Credit for increased excise taxes from Form 140PTC, page 2, Part 2, line 6 17 00

18 Enter the number from page 2, Part 2, line 2, here 18

19 Total Credit: Add lines 15 and 17, and enter the total. See page 5 of the instructions if you have to file Arizona Form 140 or Form 140A 19 00

Direct Deposit of Refund: Check box 19A if your deposit will be ultimately placed in a foreign account; see instructions. 19A

98 C  Checking or S  Savings ROUTING NUMBER ACCOUNT NUMBER

If this is your first claim for 2016, STOP HERE AND GO TO THE SIGNATURE BOX ON PAGE 2. If this is an amended claim, complete lines 20 through 22, and check the box at the top of the form.

AMENDED

- 20 Enter the amount from line 5 of the worksheet on page 6 of the instructions 20 00
21 Additional refund: If line 19 is larger than line 20, subtract line 20 from line 19 21 00
22 Amount to pay: If line 19 is less than line 20, subtract line 19 from line 20. Make check payable to Arizona Department of Revenue; write your SSN on payment, and include your payment with Form 140PTC. 22 00

Continued on page 2 ->

| <b>Part 1 Schedule of Household Income</b> |   | (1)<br>YOU | (2)<br>YOUR SPOUSE | (3)<br>OTHER PERSONS | (4)<br>TOTAL (1+2+3) |
|--|---|------------|--------------------|----------------------|----------------------|
| <b>A</b>                                   | Salaries, wages, tips, etc., received in 2016.....  |            |                    |                      |                      |
| <b>B</b>                                   | Dividend and interest income received in 2016 .....   |            |                    |                      |                      |
| <b>C</b>                                   | Business and farm income.....   |            |                    |                      |                      |
| <b>D</b>                                   | Gain or loss from sale or exchange of property .....  |            |                    |                      |                      |
| <b>E</b>                                   | Pension and annuity income. Include Arizona state and local retirement benefits, civil service, and military retirement. Do not include social security or railroad retirement benefits ..... |            |                    |                      |                      |
| <b>F</b>                                   | Rent and royalty income .....   |            |                    |                      |                      |
| <b>G</b>                                   | S corporation, partnership, estate, and trust income .....  |            |                    |                      |                      |
| <b>H</b>                                   | Alimony .....   |            |                    |                      |                      |
| <b>I</b>                                   | Other Income: Specify source on separate sheet.....   |            |                    |                      |                      |
| <b>J</b>                                   | Total household income: Add lines A through I in column (4). Enter here and on the front of this form, line 10 .....  |            |                    |                      |                      |

**Use the amount on line J, column 4, to compute your credit from the proper schedule below.**

| <b>2016 Schedule 1</b><br>If you live alone, use this Schedule. |            |                  |            | <b>2016 Schedule 2</b><br>If you live with your spouse or another person, use this Schedule. |            |                  |            |
|---|------------|------------------|------------|--|------------|------------------|------------|
| Household Income  | Tax Credit | Household Income | Tax Credit | Household Income   | Tax Credit | Household Income | Tax Credit |
| \$ 0 - 1,750  | \$502      | \$ 2,751 - 2,850 | \$256      | \$ 0 - 2,500   | \$502      | \$ 4,001 - 4,150 | \$256      |
| 1,751 - 1,850   | 479        | 2,851 - 2,950    | 234        | 2,501 - 2,650  | 479        | 4,151 - 4,300    | 234        |
| 1,851 - 1,950   | 457        | 2,951 - 3,050    | 212        | 2,651 - 2,800  | 457        | 4,301 - 4,450    | 212        |
| 1,951 - 2,050   | 435        | 3,051 - 3,150    | 189        | 2,801 - 2,950  | 435        | 4,451 - 4,600    | 189        |
| 2,051 - 2,150   | 412        | 3,151 - 3,250    | 167        | 2,951 - 3,100  | 412        | 4,601 - 4,750    | 167        |
| 2,151 - 2,250   | 390        | 3,251 - 3,350    | 145        | 3,101 - 3,250  | 390        | 4,751 - 4,900    | 145        |
| 2,251 - 2,350   | 368        | 3,351 - 3,450    | 123        | 3,251 - 3,400  | 368        | 4,901 - 5,050    | 123        |
| 2,351 - 2,450   | 345        | 3,451 - 3,550    | 100        | 3,401 - 3,550  | 345        | 5,051 - 5,200    | 100        |
| 2,451 - 2,550   | 323        | 3,551 - 3,650    | 78         | 3,551 - 3,700  | 323        | 5,201 - 5,350    | 78         |
| 2,551 - 2,650   | 301        | 3,651 - 3,750    | 56         | 3,701 - 3,850  | 301        | 5,351 - 5,500    | 56         |
| 2,651 - 2,750   | 279        | 3,751 and up     | 0          | 3,851 - 4,000  | 279        | 5,501 and up     | 0          |

**Enter the amount of credit on the front of this form, line 11.**

**Part 2 Credit for Increased Excise Taxes**

Do not complete Part 2 if you completed line 16 on page 1 of Form 140PTC. Do not complete Part 2 if you were sentenced for at least 60 days of 2016 to a county, state, or federal prison. **Note:** If you are filing a joint Property Tax Credit claim with your spouse, and you are also claiming the Excise tax credit on Form 140PTC, you cannot claim the Excise Tax Credit for your spouse if your spouse was sentenced for at least 60 days during 2016 to a county, state or federal prison.

1 List dependents. See page 4 of the instructions.

|    | (a)<br>FIRST AND LAST NAME<br>(Do not list yourself or spouse.) | (b)<br>SOCIAL SECURITY NO. | (c)<br>RELATIONSHIP | (d)<br>NO. OF MONTHS LIVED<br>IN YOUR HOME IN 2016 |
|----|---|----------------------------|---------------------|--|
| 1a |   |                            |                     |  |
| 1b |   |                            |                     |  |
| 1c |   |                            |                     |  |

|   |  |   |    |
|---|--|---|----|
| 2 | Enter total number of dependents listed on lines 1a through 1c. Also, enter this amount on Form 140PTC, page 1, line 18..... | 2 |    |
| 3 | If you are married filing a joint claim, enter the number "2" here. Otherwise, enter the number "1" .....                    | 3 |    |
| 4 | Add the amount on line 2 and line 3, and enter the total .....   | 4 |    |
| 5 | Multiply the amount on line 4 by \$25, and enter the result .....  | 5 | 00 |
| 6 | Enter the smaller of line 5 or \$100. Also, enter this amount on Form 140PTC, page 1, line 17 .....                          | 6 | 00 |

**PLEASE SIGN HERE**

Under penalties of perjury, I declare that I have read this return and any documents with it, and to the best of my knowledge and belief, they are true, correct and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

→ YOUR SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_ OCCUPATION \_\_\_\_\_

→ SPOUSE'S SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_ SPOUSE'S OCCUPATION \_\_\_\_\_

PAID PREPARER'S SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_ FIRM'S NAME (PREPARER'S IF SELF-EMPLOYED) \_\_\_\_\_

PAID PREPARER'S STREET ADDRESS \_\_\_\_\_ PAID PREPARER'S TIN \_\_\_\_\_  
( )

PAID PREPARER'S CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP CODE \_\_\_\_\_ PAID PREPARER'S PHONE NUMBER \_\_\_\_\_

**Mail to Arizona Department of Revenue, PO Box 52138, Phoenix, AZ 85072-2138**

## 2016 Property Tax Refund (Credit) Claim

**NOTICE:** *If you are age 70 or over and meet certain tests, you may be able to defer the payment of your property taxes on your home. You should contact your county assessor for details. If you defer your property taxes, you cannot claim the property tax credit for those taxes.*

### For information or help, call one of the numbers listed:

Phoenix (602) 255-3381  
From area codes 520 and 928, toll-free (800) 352-4090

### Tax forms, instructions, and other tax information

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

### Income Tax Procedures and Rulings

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website and click on *Legal Research* then click on *Procedures* or *Rulings* and select a tax type from the drop down menu.

### Publications

To view or print the department's publications, go to our website and click on *Publications*.

## Purpose of Form

Use Arizona Form 140PTC to file an original claim for the property tax credit. If you are claiming the property tax credit, you may also use Form 140PTC to claim a credit for increased excise taxes.

Also, use Form 140PTC to amend a 2016 Form 140PTC. If amending, check box 95 on the top of the form.

## Who Can Use Form 140PTC?

File Form 140PTC only if you meet the following:

1. You were a resident of Arizona for the whole year. (January 1, 2016 to December 31, 2016)
2. You were either 65 or older by December 31, 2016, or if you were under age 65, you were receiving Title 16 Supplemental Security Income (SSI) payments during 2016. (You must meet only one of these requirements.)
3. Your total household income was less than \$3,751 if you lived alone. If others lived with you, your total household income was less than \$5,501.
4. You paid property taxes or rent on your main home in Arizona during 2016. You may also have paid both property taxes and rent for the whole year of 2016. If you only paid rent during 2016, you must have rented for the whole year. You also meet this requirement if one of the following applies:
  - You were a resident of a nursing home in Arizona. The nursing home was subject to and paid property taxes. You used your social security or other personal funds to pay the nursing home.

- You were a shareholder of a cooperative corporation in Arizona. The unit that you lived in was your main home during 2016.
- You were a member of a condominium association in Arizona. Your unit was your main home during 2016.

If you meet **all** of 1 through 4, you may claim a refund of Arizona property taxes. Complete Form 140PTC to figure your credit.

## When Should I File Form 140PTC?

Form 140PTC is due by April 18, 2017. File your claim as soon as you can after January 1, but no later than April 18, 2017. **We will disallow your credit if you do not file by April 18, 2017.**

**NOTE:** *Because April 15, 2017, falls on a Saturday and District of Columbia Emancipation Day will be observed on Monday, April 17, 2017, you have until Tuesday, April 18, 2017, to file Form 140PTC.*

## What if I Cannot File on Time?

You may ask for an extension if you know you will not be able to file on time. We can grant an extension for up to six (6) months.

## To get a filing extension you can either:

- Apply for a state extension (Arizona Form 204). To apply for a state extension, file Form 204 by April 18, 2017. See Form 204 for details. You do not have to include a copy of the extension with your return when you file, but make sure that you check box **82F** on page 1 of the return. If you must make a payment, use Form 204, or visit [www.AZTaxes.gov](http://www.AZTaxes.gov) to make an electronic payment.
- Use your federal extension (federal Form 4868). File your Arizona return by the same due date. You do not have to include a copy of your federal extension with your return, but make sure that you check box **82F** on page 1 of the return.

## What Must I Include When I File?

When you file a PTC claim, you must include certain documents with your claim. Include all required documents after page 2 of Form 140PTC. If you do not include the required documents with your PTC claim, the department will disallow your claim. To find out what you must include, look at the following list. Find the heading(s) that applies to you.

### Title 16 Supplemental Security Income (SSI) Recipient

When you file your PTC claim, **you must include** a statement from the Social Security Administration (SSA) with your claim. This statement must show all of the following:

1. your name and address,
2. your SSN,

3. the payments you received or are due to receive are Title 16 SSI payments,
4. the period for which you received or are due to receive Title 16 SSI payment, and
5. the date the SSA issued the statement.

### Homeowner

When you file your PTC claim, **you must include** a copy of a statement showing your property taxes that you **paid in 2016**. Include this statement with your claim. This statement may be one of the following:

- A copy of your property tax statement from your mortgage company.
- A copy of your paid receipt from your county treasurer.
- Your property tax bill with copies of both the fronts and backs of your canceled checks that were cashed in 2016.

### Renter

When you file your PTC claim, **you must include** a completed Arizona Form 201, *Renter's Certificate of Property Taxes Paid*. Include this statement with your claim. You must get Form 201 from your landlord. You must fill out lines 13 through 15 unless they already contain the correct information. Your landlord must complete and sign the Form 201. The Form 201 provides your proof of property taxes paid from your rent.

If you own a mobile home but rent the space, complete the Form 140PTC as a renter. Include a completed Form 201 **and** a statement showing the property taxes you paid in 2016. See the "homeowner" instructions to find out what kind of property tax statement you should include.

### Nursing Home Resident

When you file your PTC claim, **you must include** a completed Arizona Form 201. Include Form 201 with your claim.

You must get Form 201 from your nursing home administrator. Your nursing home administrator must complete and sign the Form 201. The nursing home will let you know how much of the amount paid to the nursing home is allocable to rent.

### Shareholder of a Cooperative Corporation

When you file your PTC claim, **you must include** a statement that shows your share of the assessed property taxes. Include this statement with your claim. You must get this statement from the cooperative corporation. You must also include one of the following:

- A copy of a statement from the mortgage company showing the corporation's total property tax.
- A copy of the corporation's tax bill stamped "paid."

### Member of a Condominium Association

When you file your PTC claim, **you must include** a statement that shows your share of the assessed property taxes. Include this statement with your claim.

You must get this statement from the condominium association. You must also include one of the following:

1. A copy of a statement from the mortgage company showing the association's total property tax.
2. A copy of the association's tax bill stamped "paid."

### What if a Claimant Died?

If a claimant died before filing a return for 2016, the taxpayer's spouse or personal representative may file and sign a Form 140PTC for that person.

Enter the word "deceased" after the decedent's name in the address section of the form. Also enter the date of death after the decedent's name.

### How do I Claim a Refund for a Deceased Claimant?

If you are claiming a refund, you must complete Arizona **Form 131, *Claim for Refund on Behalf of Deceased Taxpayer***. Include this form with the PTC claim.

### General Instructions

#### Taxpayer Identification Number

Make sure that you enter your SSN on your claim. Make sure that all SSNs are clear and correct. You may be subject to a penalty if you fail to include your SSN. It will take longer to process your return if SSNs are missing, incorrect, or unclear.

If you are filing a joint claim, enter your SSNs in the same order as your names.

If your name appears first on Form 140PTC, make sure your SSN is the first number listed.

#### ID Numbers for Paid Preparers

If you pay someone else to prepare your return, that person must also include an ID number where asked.

A paid preparer may use any of the following:

- his or her PTIN,
- his or her SSN, or
- the employer identification number for the business.

A paid preparer who fails to include the proper numbers may be subject to a penalty.

### Line-by-Line Instructions

#### Line 1 -

Enter your first name, middle initial and last name. Enter your SSN in the space provided. If filing a joint claim, enter your spouse's name and SSN.

#### Line 2 -

Enter your current address. Include your house or building number and street or rural route. Include your apartment number if you live in an apartment. Include your mobile home lot number if you live in a mobile home.

Make sure you include your daytime phone number.

**Line 3 -**

Enter the name of your city, town, or post office. Also include your state and ZIP CODE.

Enter your date of birth in the space provided.

**Line 4 -**

Check the box marked "Rent" if one of the following applies:

- You were renting a home.
- You were renting an apartment.
- You were renting a mobile home lot.
- You were a nursing home resident.

Check the box marked "Own" if one of the following applies:

- You owned your home on December 31, 2016.
- You paid property tax during 2016.
- You were a member of a condominium association.
- You were a shareholder of a cooperative corporation.

**Line 5 -**

Check "Yes" if you were a resident of Arizona for the whole year, (from January 1, 2016, to December 31, 2016.) To qualify for the property tax credit, you must have lived in Arizona for the whole year.

**Line 6 -**

Check "Yes" if one of the following applies.

- You **paid** property taxes on your main home in Arizona during 2016.
- You **paid** rent on your main home in Arizona for all of 2016.
- You **paid** both rent and property taxes on your main home in Arizona for all of 2016.
- You were a resident of a nursing home in Arizona. That nursing home was subject to and paid property taxes. You used your social security or other personal funds to pay the nursing home.
- You were a shareholder of a cooperative corporation in Arizona. The unit that you lived in was your main home during 2016.
- You were a member of a condominium association in Arizona. Your unit was your main home during 2016.

**Line 7 -**

Check "Yes" if this is the only PTC being claimed in your household.

**NOTE:** *Arizona law allows only one 140PTC claimant per household per year. If someone else in your household has already filed a 140PTC claim for 2016, do not file this claim. If you have already filed a claim for 2016, do not file another Form 140PTC for 2016, unless you are amending your original claim for 2016.*

To qualify for the tax credit, your answers to questions 5 through 7 must be "Yes."

**Line 8 -**

Check "Yes" if you were 65 or older on December 31, 2016. You must enter your date of birth under line 3, in box 79.

**Line 9 -**

Check "Yes" if you received Title 16 SSI payments in 2016.

**NOTE:** *This is not the normal social security disability. This is for people with limited incomes who are either blind, disabled, or over age 65.*

To qualify for the tax credit you must have answered "Yes" to either question 8 or 9.

**Page 2, Part 1, Schedule of Household Income**

**Turn the form over and complete the "Schedule of Household Income" under Part 1.**

You must list all income that you, your spouse, and any other member of your household received or earned in 2016. Anyone who lives in the same dwelling unit as you is a member of your household. Enter the total for each line in column (4).

You must figure the income for each household member. Household income is the total of each household member's income. Enter your income in column (1). If your spouse lived with you, enter your spouse's income in column (2). If you lived with another person, enter that person's income in column (3). If you lived with more than one other person, fill out a separate schedule for each person.

In the proper column list all income, except as noted below.

**Do not** include income from the following:

- social security benefits,
- railroad retirement benefits,
- workers' compensation "Loss of Time" insurance payments,
- Arizona unemployment insurance payments,
- veteran's disability pensions,
- welfare payments, surplus food, or other relief provided by a governmental agency,
- gifts from non-governmental sources, and
- Arizona Form 140PTC refunds received last year.

To find out more about household income and adjusted gross income for this credit, see the department's ruling, ITR 12-1, *Defining Household Income for the Purpose of the Property Tax Credit*.

**Line A -**

Enter the salaries, wages, tips, commissions, or bonuses etc., received by each member of the household in 2016.

**Line B -**

Enter all dividend and interest income. Enter all amounts received by each member of the household in 2016. You must include interest income that Arizona does not tax. Interest income that you must enter here includes the following:

- interest income from federal obligations (U.S. government interest), and
- interest income from Arizona municipalities.

**Line C -**

Enter all of the business and farm income. Enter all business and farm income for each member of the household. If you had a business or farm loss, see the department's ruling, ITR 12-1, *Defining Household Income for the Purpose of the Property Tax Credit*, for more information.

**Line D -**

For each member of the household combine gains and losses from the sale or exchange of property. If the result is a gain, enter the gain. If the result is a loss, enter only up to a maximum of (\$1,500).

When figuring household income, the maximum net loss of \$1,500 is applicable to *each* household member who had capital gains and losses during the year when the net result for that person resulted in a loss.

**Line E -**

Enter the income that each member of the household received from pensions and annuities in 2016. You should **not** include income from the following sources:

- social security benefits,
- railroad retirement benefits, and
- veteran's disability pensions.

You must include income from **all** other pensions and annuities. Pension income that you must enter here includes the following:

- all retirement payments from the federal government, except those listed above,
- all retirement payments from the State of Arizona,
- all retirement payments from any local government (including police and school districts), and
- any IRA distributions.

**Line F -**

Enter all rent and royalty income received by each member of the household in 2016.

**Line G -**

Enter all S corporation, partnership, estate, and trust income received by each member of the household in 2016.

**Line H -**

Enter all alimony received by each member of the household in 2016.

**Line I -**

Enter any other income that each member of the household received in 2016. Include a schedule listing the source of the income for all amounts listed.

Some examples of income you should enter here are:

- strike benefits exempt from tax, and
- unemployment insurance payments from states other than Arizona.

**Line J -**

Enter the total of column 4, lines A through I, on line J, column 4, and on the front page, line 10.

**Now return to the front of the form.**

**Line 11a -**

If you lived alone, enter an "X" in box 11a "Schedule 1." Look at Schedule 1 under Part 1 on the back of the form. Under "Household Income", find the amount you entered on line 10.

Find the amount shown next to your "Household Income" in the "Tax Credit" column. Enter that amount on line 11.

**Line 11b -**

If you lived with your spouse or one or more other persons, enter an "X" in box 11b "Schedule 2." Look at Schedule 2 under Part 1 on the back of the form. Under "Household Income", find the amount you entered on line 10.

Find the amount shown next to your "Household Income" in the "Tax Credit" column. Enter that amount on line 11.

**Line 12 - Complete if You Own Your Home**

If you owned your home, enter the total amount of property taxes that you **actually** paid in 2016.

If you pay your property taxes in two payments, use only those amounts actually paid in 2016. The following example will show you how to figure these amounts.

**Example:**

|   |       |
|---|-------|
| John owns his own home. Every year, John pays his property taxes in two payments. John makes the first payment in October. John makes the second payment in March.  |       |
| To figure how much property tax John paid in 2016, John must look at taxes paid for both 2015 and 2016.   |       |
| John's 2015 property taxes were   | \$600 |
| John paid 1/2 of his 2015 property taxes on October 1, 2015   | \$300 |
| John paid the other 1/2 of his 2015 property taxes on March 1, 2016   | \$300 |
| John's 2016 property taxes were   | \$700 |
| John paid 1/2 of the 2016 taxes on October 1, 2016  | \$350 |
| John paid the other 1/2 of his 2016 property taxes on March 1, 2017   | \$350 |
| During 2016, John paid property taxes for both 2015 and 2016. John paid 2015 taxes of \$300 on March 1, 2016. John also paid 2016 taxes of \$350 on October 1, 2016. John would enter \$650 on line 13. This is the amount John <b>actually paid</b> in 2016. |       |

**Line 13 - Complete if You Rented During 2016**

If you rented during 2016, enter the amount from Arizona Form 201, Part 3, line 15.

**Line 14 -**

Add lines 12 and 13.



**Line 15 - Property Tax Credit**

Enter the smaller of line 11 or line 14.

**Line 16 -**

Complete line 16 if someone else claimed you as a dependent on his or her tax return. Enter the name, address, and SSN of the person who claimed you as a dependent.

**NOTE:** *If you complete line 16, do not complete lines 1 through 6 on Page 2, Part 2.*

**Line 17 -**

If you are **not** claimed as a dependent on anyone else's tax return, turn the form over and complete Part 2. If you are claimed as a dependent on someone else's tax return, enter zero "0" here.

**Page 2, Part 2, Credit for Increased Excise Taxes****Lines 1 through 6 -**

**NOTE:** *The credit on Part 2, line 6 cannot exceed \$100 per household. Do not claim this credit if someone else in your household has already claimed \$100 of the credit.*

*If someone else in your household has claimed less than \$100, you may claim the credit, if eligible, as long as all credit claims filed from your household do not exceed \$100.*

**NOTE:** *If you were sentenced for at least 60 days of 2016 to a county, state or federal prison, you are not eligible to claim the credit for increased excise taxes for 2016. In this case, do not complete Part 2.*

If you are filing a joint return with your spouse, and your spouse was sentenced for at least 60 days during 2016 to a county, state or federal prison, you may claim the Excise Tax Credit if you otherwise qualify to claim the credit, but you cannot claim the credit for your spouse. If your spouse has a valid SSN, but you do not, neither you nor your spouse can claim this credit.

For complete information about how incarceration affects this credit, see the department's publication, Pub. 709.

If you are married and qualify to claim this credit, you may also claim a credit for your spouse. Your spouse must have either a SSN valid for employment or ITIN.

**Part 2, Line 1 - Dependents**

List your dependents. You may claim this credit for dependents that are residents of Arizona. You cannot claim this credit for a dependent that is not a resident of Arizona. List only those people that qualify as your dependent for federal income tax purposes. Do not list any dependent that is not an Arizona resident. Enter the following on line(s) 1a through 1d:

1. the dependent's name,
2. the dependent's SSN or ITIN,
3. the dependent's relationship to you, and
4. the number of months the dependent lived in your home during 2016.

For federal income tax purposes, a dependent is either a qualifying child or a qualifying relative. A qualifying child or relative must be a U.S. citizen or resident alien, or a resident of Canada or Mexico. There is an exception for certain adopted children.

To claim a **qualifying child** as a dependent for federal purposes, you must meet the following five tests:

1. **Relationship test.** The child must be your son, daughter, stepchild, foster child, brother, sister, half brother, half sister, stepbrother, stepsister, or a descendant of any of them.
2. **Age test.** The child must be under age 19 at the end of the year and younger than you, or under age 24 at the end of 2016 if a full-time student (and younger than you), or any age if permanently and totally disabled.
3. **Domicile test.** The child must live with you for more than half of the year. Temporary absences for special circumstances, such as for school, vacation, medical care, military service, or detention in a juvenile facility count as time lived at home.
4. **Support test.** The child must not have provided over half of his or her own support during the year.
5. **Joint Return Test.** If the child is married, the child is not filing a joint federal return for the year, unless that joint return is filed only as a claim for refund.

To claim a **qualifying relative** as a dependent for federal purposes, you must meet the following four tests:

1. **Relationship Test.** The person must be either your relative or have lived in your home as a member of your household all year. The person cannot be a qualifying child.
2. **Joint Return Test.** If the person is married, he or she cannot file a joint federal return unless the return is filed only as a claim for refund and no tax liability would exist for either spouse if they had filed separate returns.
3. **Income Test.** The person's gross income must be less than \$4,050.
4. **Support Test.** You must have provided over half of the person's total support in 2016.

To learn more about who may be a dependent, see federal publication 501.

Complete Part 2, lines 2 through 6 as instructed on the form. Make sure you enter the amount on Part 2, line 6 on Form 140PTC, page 1, line 17.

**Now return to the front of the form.****Line 18 -**

Enter the number from page 2, Part 2, line 2 here.

**Line 19 -**

Add the amounts on line 15 and line 17. Enter the total. This is your total credit. If you have to file an Arizona Form 140 enter the amount from Form 140PTC, page 1, line 15 on Form 140, page 2, line 56 and enter the amount from Form 140PTC, page 1, line 17 on Form 140, page 2, line 55.

If you have to file an Arizona Form 140A enter the amount from Form 140PTC, page 1, line 15 on Form 140A, page 1, line 27 and enter the amount from Form 140PTC, page 1, line 17 on Form 140A, page 1, line 26.

**Direct Deposit of Refund**

Complete the direct deposit line if you want us to directly deposit the amount shown on line 19 into your account at a bank or other financial institution (such as a mutual fund, brokerage firm or credit union) instead of sending you a check.

**NOTE:** Check the box on line 19A if the direct deposit will ultimately be placed in a foreign account. If you check box 19A, do not enter your routing or account numbers.  
If this box is checked, we will not direct deposit your refund. We will mail you a check instead.

**Why Use Direct Deposit?**

- You get your refund fast!
- Payment is more secure, there is no check to get lost.
- It is more convenient. No trip to the bank to deposit your check.
- It saves tax dollars. A refund by direct deposit costs less to process than a check.

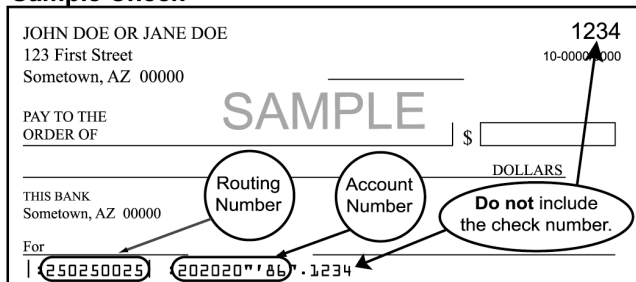
**NOTE:** We are not responsible for a lost refund if you enter the wrong account information. Check with your financial institution to get the correct routing and account numbers and to make sure your direct deposit will be accepted.

**Routing Number**

**MAKE SURE YOU ENTER THE CORRECT ROUTING NUMBER.**

The routing number must be nine digits. The first 2 digits must be 01 through 12 or 21 through 32. Otherwise, the direct deposit will be rejected and a check sent instead. On the sample check, the routing number is 250250025.

**Sample Check**



**Note:** The routing and account numbers may be in different places on your check.

Your check may state that it is payable through a financial institution different from the one at which you have your checking account. If so, **do not** use the routing number on that check. Instead, contact your financial institution for the correct routing number to enter here.

**Account Number**

**MAKE SURE YOU ENTER THE CORRECT ACCOUNT NUMBER.**

The account number can be up to 17 characters (both numbers and letters). **DO NOT** include hyphens, spaces or special symbols. Enter the number from left to right and leave any unused boxes blank.

On the sample check, the account number is 20202086. Be sure **not** to include the check number.

**Lines 20 through 22 -**

Skip lines 20, 21, and 22 if this is your original claim. Complete lines 20, 21 and 22 only if you are amending a 2016 Form 140PTC claim.

**Instructions for Amending**

Use this form to correct your credit if Form 140PTC is the only form that you have filed. If you filed Arizona Form 140 or Form 140A with your 140PTC claim, do not use this form to correct your credit. Instead, use Arizona Form 140X.

Use the following lines to correct an already filed 2016 Form 140PTC.

**Line 20 -**

Use the following worksheet to figure the amount to enter on this line.

|  |    |
|--|----|
| 1. Enter the total credit you received from your original 2016 Form 140PTC.  | \$ |
| 2. If this is not your first amended claim, enter any additional credit received from previously filed amended 2016 Form 140PTC claims.  | \$ |
| 3. Add lines 1 and 2. Enter the total.   | \$ |
| 4. If this is not your first amended claim, enter any amount of credit you repaid with previously filed amended 2016 Form 140PTC claims. | \$ |
| 5. Subtract line 4 from line 3. Enter the result here and on Form 140PTC, line 20.   | \$ |

**Line 21 -**

If line 19 is larger than line 20, subtract line 20 from line 19. Enter the difference.

This is the amount of additional credit you will receive as a refund if you owe no other taxes.

**Line 22 -**

If line 19 is less than line 20, subtract line 19 from line 20. Enter the difference. This is the amount of the credit that you must repay to the state.

Make your check payable to Arizona Department of Revenue. Write your SSN and tax year on the check. Include your check with Form 140PTC.

The department cannot accept checks or money orders in foreign currency. You must make payment in U.S. dollars.

### **Electronic payment from your checking or savings account**

You can make an electronic payment from your checking or savings account to pay your balance due for 2016. There is no fee to use this method. To make an electronic payment, go to [www.AZTaxes.gov](http://www.AZTaxes.gov) and click on the "Make a Payment" link.

Be sure to enter the correct routing number and account number for your checking or savings account. You will be charged a \$25 NSF (non-sufficient funds) fee if you provide an incorrect routing number or an incorrect account number. Check with your financial institution to get the correct account and routing numbers.

The "E-Check" option in the "Payment Method" drop-down box will debit the amount from the checking or savings account that you specify. If you make an electronic payment from your checking or savings account, you will receive a confirmation number. Please keep this confirmation number as proof of payment.

**NOTE:** *You may not make an electronic payment from your checking or savings account if the payment will ultimately be coming from a foreign account. In this case, you must pay by check or money order.*

### **Credit card payment**

You can pay with your Visa, MasterCard, Discover, or American Express credit card. Go to [www.AZTaxes.gov](http://www.AZTaxes.gov) and click on the "Make a Payment" link and choose the credit card option. This will take you to a third party vendor site (provider). The provider will charge you a convenience fee based on the amount of your tax payment. The provider will tell you what the fee is during the transaction; you will have the option to continue or cancel the transaction. If you complete the credit card transaction, you will receive a confirmation number. **Please keep this confirmation number as proof of payment.**

## **Instructions Before Filing**

**DO NOT STAPLE YOUR RETURN. DO NOT STAPLE ANY DOCUMENTS, SCHEDULES OR PAYMENT TO YOUR RETURN.**

Check to make sure that your math is correct.

Make sure you have included all required documents. Sign your claim in the space provided on page 2 of the form.

If amending a claim for a year before 2016, call the department at one of the phone numbers listed on page 1 of these instructions.

## **Where to Mail Form 140PTC**

If you must file an Arizona income tax return (Form 140 or Form 140A), include the completed Form 140PTC with your return.

If you do not have to file an Arizona income tax return, complete only the Form 140PTC and mail to:

Arizona Department of Revenue  
P O Box 52138  
Phoenix, AZ 85072-2138

### **Make sure you put enough postage on the envelope**

The U.S. Post Office or United States mail service must postmark your return or extension request by midnight April 18, 2017.

The term "United States mail" includes any private delivery service designated by the United States Secretary of the Treasury pursuant to Internal Revenue Code § 7502(f) and the term "postmark" includes any date recorded or marked by any such designated delivery service.

An income tax return that is mailed to the department is timely filed if it is delivered on or before its due date. Additionally, if the envelope or wrapper containing the return sent through the United States mail bears a postmark of the United States mail and that tax return is delivered to the department after its due date that return will be considered timely filed if all of the following apply:

1. The return was deposited in an official depository of the United States mail;
2. The date of the postmark is no later than the due date;
3. The return was properly addressed; and
4. The return had proper postage.

If the envelope or wrapper containing a return sent through the United States mail bears a private meter postmark made by other than the United States mail, the return is treated as timely filed if both of the following apply:

1. The private meter postmark bears a date on or before the due date for filing; and
2. The return is received no later than the time it would ordinarily have been received from the same point of origin by the same class of U.S. postage. If the return is received by the department within five business days of the private meter postmark date the department will consider this requirement satisfied.

You may also use certain private delivery services designated by the IRS to meet the "timely mailing as timely filed" rule.

For more information, see the department's ruling, GTR 16-1, *Timely Filing of Income or Withholding Tax Returns Through the United States Mail*.

**THIS PAGE INTENTIONALLY LEFT BLANK**

DO NOT STAPLE ANY ITEMS TO THE RETURN.

OR FISCAL YEAR BEGINNING MM,DD,YY 2,0,1,6 AND ENDING MM,DD,YY 66

1 Your First Name and Middle Initial Last Name Enter your SSN(s) Your Social Security Number
2 Spouse's First Name and Middle Initial (if box 4 or 6 checked) Last Name Spouse's Social Security No.
3 Current Home Address - number and street, rural route Apt. No. Daytime Phone (with area code)
City, Town or Post Office State ZIP Code Last Names Used in Last Four Prior Year(s) (if different)

4 Check a box to indicate both filing and residency status:
5 4 Married filing joint return
6 5 Head of household: Enter name of qualifying child or dependent on next line:
7 6 Married filing separate return: Enter spouse's name and Social Security Number above.
8 7 Single
9 8 Resident
10 9a Nonresident 9b Composite
11 10 Nonresident active military
12 11 Part-year resident
13 12 Part-year resident active military
14 13 Age 65 or over
15 14 Blind
16 15 Dependents
17 16 Qualifying parents or grandparents
18 81 PM
19 80 RCVD

Table with 3 columns: Line number, Description, Amount. Includes lines 17-52 for income, deductions, and payments. Total payments and refundable credits: 45. Balance of credits: 47. OVERPAYMENT: 48. REFUND: 50. AMOUNT OWED: 51.

Place any required federal and AZ schedules or other documents after Form 140X.

|                                |                             |
|--------------------------------|-----------------------------|
| Your Name (as shown on page 1) | Your Social Security Number |
|--------------------------------|-----------------------------|

You **must** complete Part 1, **Dependent Exemptions**, for **each** person included in the number entered on page 1, in box(es) 15 or 16. If you do not complete Part 1, the exemption(s) may be denied. Do not count or list yourself or your spouse as dependents.

**PART 1: Dependent Exemptions**

**(Box 15):** Dependent Information: Children and other dependents. **For more space, (check)  and complete page 3.**

|     | (a)<br>FIRST AND LAST NAME<br><small>(Do not list yourself or spouse.)</small> | (b)<br>SOCIAL SECURITY NO. | (c)<br>RELATIONSHIP | (d)<br>NO. OF MONTHS LIVED IN YOUR HOME IN 2016 | (e)<br><input type="checkbox"/> if this person did not qualify as a dependent on your federal return | (f)<br><input type="checkbox"/> if you did not claim this person on your federal return due to educational credits |
|-----|--|----------------------------|---------------------|---|--|--|
| 15a |  |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 15b |  |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 15c |  |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |

**(Box 16):** Qualifying parents and grandparents. See instructions. **For more space, (check)  and complete page 3.**

|     | (a)<br>FIRST AND LAST NAME<br><small>(Do not list yourself or spouse.)</small> | (b)<br>SOCIAL SECURITY NO. | (c)<br>RELATIONSHIP | (d)<br>NO. OF MONTHS LIVED IN YOUR HOME IN 2016 | (e)<br><input type="checkbox"/> if age 65 or over | (f)<br><input type="checkbox"/> if died in 2016 |
|-----|--|----------------------------|---------------------|---|---|---|
| 16a |  |                            |                     |   | <input type="checkbox"/>                          | <input type="checkbox"/>                        |
| 16b |  |                            |                     |   | <input type="checkbox"/>                          | <input type="checkbox"/>                        |

**PART 2 (A)**

**INCOME, DEDUCTIONS, CREDITS:** In column (a), list the items you are changing. In column (b), enter the amount claimed on your original return or most recent amended return. In column (c), enter the amount of the change. In column (d), enter the corrected amount for the item you are changing.

|     | (a)<br>INCOME, DEDUCTIONS, AND CREDITS YOU ARE CHANGING | (b)<br>ORIGINAL AMOUNT REPORTED | (c)<br>AMOUNT TO ADD OR SUBTRACT | (d)<br>CORRECTED AMOUNT |
|-----|---|---------------------------------|----------------------------------|-------------------------|
| 53a |   | \$                              | \$                               | \$                      |
| 53b |   | \$                              | \$                               | \$                      |
| 53c |   | \$                              | \$                               | \$                      |

**PART 2 (B)**

**NET CAPITAL GAIN OR (LOSS):** If you are changing any amount on lines 54a through 54e, complete columns (b), (c), and (d).

|     | (a)<br>ITEM   | (b)<br>ORIGINAL AMOUNT REPORTED | (c)<br>AMOUNT TO ADD OR SUBTRACT | (d)<br>CORRECTED AMOUNT |
|-----|---|---------------------------------|----------------------------------|-------------------------|
| 54a | <b>Total net capital gain or (loss)</b> reported on<br>Form 140, line 18; Form 140NR, line 32; Form 140PY, line 32 .....                                      | \$                              | \$                               | \$                      |
| 54b | <b>Total net short-term capital gain or (loss)</b> reported on<br>Form 140, line 19; Form 140NR, line 33; Form 140PY, line 33 .....                           | \$                              | \$                               | \$                      |
| 54c | <b>Total net long-term capital gain or (loss)</b> reported on<br>Form 140, line 20; Form 140NR, line 34; Form 140PY, line 34 .....                            | \$                              | \$                               | \$                      |
| 54d | <b>Net long-term capital gains from assets acquired after December 31, 2011</b><br>reported on Form 140, line 21; Form 140NR, line 35; Form 140PY, line 35... | \$                              | \$                               | \$                      |
| 54e | <b>Amount of allowable subtraction</b> reported on Form 140, line 22;<br>Form 140NR, line 36; Form 140PY, line 36 .....                                       | \$                              | \$                               | \$                      |

**PART 3**

**55 REASON FOR THE CHANGE:** Give the reason for each change listed in Part 2:

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**PART 4**

If your address is the same on this amended return as it was on your original return, write "same" on the line below.

|                                      |                                    |          |
|--------------------------------------|------------------------------------|----------|
| <b>56a</b> Name                      | <b>56b</b> Number and Street, R.R. | Apt. No. |
| <b>56c</b> City, Town or Post Office | State                              | ZIP Code |

**PLEASE SIGN HERE**

Under penalties of perjury, I declare that I have read this return and any documents with it, and to the best of my knowledge and belief, they are true, correct and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

→ YOUR SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_ OCCUPATION \_\_\_\_\_

→ SPOUSE'S SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_ SPOUSE'S OCCUPATION \_\_\_\_\_

PAID PREPARER'S SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_ FIRM'S NAME (PREPARER'S IF SELF-EMPLOYED) \_\_\_\_\_

PAID PREPARER'S STREET ADDRESS \_\_\_\_\_ PAID PREPARER'S TIN \_\_\_\_\_  
( )

PAID PREPARER'S CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP CODE \_\_\_\_\_ PAID PREPARER'S PHONE NUMBER \_\_\_\_\_

If you are sending a payment with this return, mail to Arizona Department of Revenue, PO Box 52016, Phoenix, AZ 85072-2016. Include the payment with Form 140X. Make check payable to Arizona Department of Revenue; write your SSN on payment.

If you are expecting a refund or owe no tax, or owe tax but are not sending a payment, mail to Arizona Department of Revenue, PO Box 52138, Phoenix, AZ 85072-2138.

Your Name (as shown on page 1)

Your Social Security Number

## Dependent Information - Continuation Sheet from Page 2, Part 1, Dependents

Complete this form *only* if you need additional space from page 2, Part 1 to list dependents or qualifying parents or grandparents.

### Children and other dependents, continued from page 2, Part 1.

|     | (a)<br>FIRST AND LAST NAME<br>(Do not list yourself or spouse.) | (b)<br>SOCIAL SECURITY NO. | (c)<br>RELATIONSHIP | (d)<br>NO. OF MONTHS<br>LIVED IN YOUR<br>HOME IN 2016 | (e)<br>✓ if this person<br>did not qualify as a<br>dependent on your<br>federal return | (f)<br>✓ if you did not claim<br>this person on your<br>federal return due to<br>educational credits |
|-----|---|----------------------------|---------------------|---|--|--|
| 15d |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 15e |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 15f |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 15g |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 15h |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 15i |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 15j |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 15k |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 15l |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 15m |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 15n |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 15o |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 15p |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 15q |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 15r |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 15s |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 15t |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |
| 15u |   |                            |                     |   | <input type="checkbox"/>   | <input type="checkbox"/>   |

### Qualifying parents and grandparents, continued from page 2, Part 1.

|     | (a)<br>FIRST AND LAST NAME<br>(Do not list yourself or spouse.) | (b)<br>SOCIAL SECURITY NO. | (c)<br>RELATIONSHIP | (d)<br>NO. OF MONTHS<br>LIVED IN YOUR<br>HOME IN 2016 | (e)<br>✓ if<br>age 65 or over | (f)<br>✓ if<br>died in 2016 |
|-----|---|----------------------------|---------------------|---|-------------------------------|-----------------------------|
| 16c |   |                            |                     |   | <input type="checkbox"/>      | <input type="checkbox"/>    |
| 16d |   |                            |                     |   | <input type="checkbox"/>      | <input type="checkbox"/>    |
| 16e |   |                            |                     |   | <input type="checkbox"/>      | <input type="checkbox"/>    |
| 16f |   |                            |                     |   | <input type="checkbox"/>      | <input type="checkbox"/>    |
| 16g |   |                            |                     |   | <input type="checkbox"/>      | <input type="checkbox"/>    |
| 16h |   |                            |                     |   | <input type="checkbox"/>      | <input type="checkbox"/>    |
| 16i |   |                            |                     |   | <input type="checkbox"/>      | <input type="checkbox"/>    |
| 16j |   |                            |                     |   | <input type="checkbox"/>      | <input type="checkbox"/>    |

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## 2016 Individual Amended Income Tax Return

### For information or help, call one of the numbers listed:

Phoenix (602) 255-3381  
From area codes 520 and 928, toll-free (800) 352-4090

### Tax forms, instructions, and other tax information

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

### Income Tax Procedures and Rulings

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website and click on *Legal Research* then click on *Procedures* or *Rulings* and select a tax type from the drop down menu.

### Publications

To view or print the department's publications, go to our website and click on *Publications*.

## Who Should Use Form 140X?

Use the 2016 Arizona Form 140X to correct an individual income tax return (Arizona Form 140, 140A, 140EZ, 140PY, or 140NR) **for taxable year 2016, only**.

If you are amending a return for any other tax year, you should use the amended return (Form 140X) that is available for that specific tax year. For example, if you are amending your return for tax year 2014, use the 2014 Arizona Form 140X.

The department will compute the interest and either include it in your refund or bill you for the amount due.

Form 140X will be your new tax return. This return will change your original return to include the new information. The entries you make on Form 140X are the entries you would have made on your original return had it been done correctly.

**NOTE:** Do not use Form 140X to change an earlier filed Arizona Form 140PTC. To change an earlier filed Form 140PTC, use the Form 140PTC for the year you are changing.

Do not use Form 140X to change an earlier filed Arizona Form 140ET. To change an earlier filed Form 140ET, use the Form 140ET for the year you are changing.

**You cannot amend an estimated income tax payment penalty when you reduce your tax on an amended return, unless you file your amended return after filing your original return, and before the due date of that original return.**

For more information on this topic, see the department's ruling, ITR 02-4, *Amended Return's Effect on the Estimated Tax Payment Underpayment Penalty*, at [www.azdor.gov](http://www.azdor.gov).

## What Will I Need To Complete Form 140X?

To complete Form 140X, you will need the following:

- A copy of the 2016 tax return you are amending, including supporting forms, schedules and worksheets.
- Any notices you received from the Internal Revenue Service (IRS) or the department for the tax year you are amending.

- Instructions for the return you are amending. If you have any questions about income items, deductions, or exemptions, you should refer to the 2016 instructions for your original return. If you do not have the instructions for the form you are amending, you can find them online at our website.
- If you are filing an amended return for a previously filed Composite Nonresident Income Tax Return, see the instructions for Form 140NR and the department's ruling, ITR 16-2, *Composite Individual Income Tax Returns*, for guidance on how to report income items, deductions, and exemptions.

Allow 8 to 12 weeks for your Form 140X to process.

## When Should I File an Amended Return?

You can file Form 140X only after filing an original return.

You should file your amended return *after* your original return has processed. If you are filing Form 140X for a refund, you must generally file within four years from the date you filed the original return.

If you amend your federal return for 2016, you must also file an Arizona Form 140X for 2016.

If the IRS makes a change to your federal taxable income for 2016, you must report that change to Arizona. You must file the Form 140X within 90 days of the final determination of the IRS. You may use one of the following two options to report this change.

### Option 1

You may file a Form 140X. If you choose this option, you must amend your Arizona return within 90 days of the final determination of the IRS. Include a complete copy of the federal notice with your Form 140X.

### Option 2

You may file a copy of the final federal notice with the department within 90 days of the final determination of the IRS. If you choose this option, you must include a statement in which you must:

1. request that the department recompute your tax, *and*
2. indicate if you agree or disagree with the federal notice.

If you do not agree with the federal notice, you must also include any documents that show why you do not agree.

If you choose option 2, mail the federal notice and any other documents to:

Attention: Individual Income Audit  
Arizona Department of Revenue  
PO Box 29084  
Phoenix, AZ 85038-9084

## When Should I Pay any Tax Owed?

Payment is due in full at the time you file your amended return. If paying by check, please make your check payable to Arizona Department of Revenue. Be sure to enter your SSN and tax year on the front of your check. To make an electronic payment, visit [www.AZTaxes.gov](http://www.AZTaxes.gov).

## What if a Taxpayer Died?

If you are a surviving spouse amending a joint return, enter the word "Deceased" after the decedent's name. Also enter the date of death after the decedent's name. Sign your name. Enter "Filing as Surviving Spouse" in the area for the deceased spouse's signature. (If someone else serves as personal representative for your spouse's estate, he or she must also sign the return.)

If a refund is due, complete Arizona Form 131, *Claim for Refund on Behalf of Deceased Taxpayer*. Include this form on top of your amended return.

## Penalties

We will impose a late payment penalty on your amended return if **all** of the following apply:

- you file your amended return after the due date of your original return,
- there is tax due on your amended return, and
- you do not pay that tax when you file the amended return.

Even if you do pay the tax due when you file your amended return, we may impose a late payment penalty if any of the following apply:

- you are under audit by the department,
- the department has requested or demanded that you file an amended income tax return, or
- the total additional tax you owe is a substantial underpayment. You have a substantial underpayment if the amount due is at least 10% of the actual tax liability for the tax year or \$2,000.

We will also impose a late filing penalty if you did not file your original return on time. These penalties apply to taxes due and remaining unpaid after the due date of the original return. Combined late filing and late payment penalties can go up to 25% of the unpaid tax.

## Interest

We charge interest on any tax not paid by the due date even if you have an extension. We charge interest from the original due date to the date of payment. The Arizona rate of interest is the same as the federal rate. Contact one of the phone numbers listed on page 1 for the current interest rate.

## General Instructions

**NOTE:** You must round dollar amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.

The line numbers on the Arizona Form 140X do not match the line numbers on Arizona's individual income tax forms. The proper line on which to enter your change(s) will depend on the nature of the change.

To decide where to enter your changes, use the line descriptions from your original return. To help you, we have included some examples, starting on page 10 of these instructions.

If you still need some help, call one of the numbers listed on page 1.

For specific information about tax rates, additions, subtractions, exemptions or deductions, see the form instructions for the year you are amending.

## Tax Year

File this form to amend only a 2016 tax return. If you are amending a return for a fiscal year, enter the beginning and ending dates of the fiscal tax year.

## Entering Your Name, Address, and Social Security Number (SSN)

Enter your name, SSN, and current address. If you are filing a joint amended return, enter your SSNs in the same order as your first names and in the same order as shown on your original return. *If your name appears first on the return, make sure your SSN is the first number listed.*

If you are changing your filing status from married filing separate to married filing joint and your spouse did not file an original return, enter your name and SSN first.

If you are changing your filing status from married filing separate to married filing joint, you must include your spouse's name and SSN on the second line 1.

Make sure that you put your SSN on every return, statement, or document that you file with the department. Make sure that all SSNs are clear and correct.

You may be subject to a penalty if you fail to include your SSN. It may take longer to process your return if SSNs are missing, incorrect, or unclear.

## Foreign Addresses

If you have a foreign address, enter the information in the following order: city, province or state, and country. Follow the country's practice for entering the postal code. Do not abbreviate the country name.

## Last Names Used in Prior Years

If the last name that you or your spouse are using on this return is not the same as the last name you or your spouse used on returns filed for the last 4 years, enter any other last name(s) that you or your spouse used when filing your return during the last 4 years.

## ID Numbers for Paid Preparers

If you pay someone to prepare your return, that person must also include an ID number where requested.

A paid preparer may use any of the following:

- his or her PTIN;
- his or her SSN; or
- the EIN for the business.

A paid preparer who fails to include the proper numbers may also be subject to a penalty.

**Filing Status**

If you qualify as married for federal purposes, you qualify as married for Arizona purposes and must file using the status of either married filing joint or married filing separate.

If you are single you must file as single or if qualified you may file as head of household (see the instructions for the original form you are amending).

Check the box for the filing status you are using on this amended return.

**Changing from a joint return to a separate return**

If you have an amount due from the joint return that you want to amend, you must pay that amount before you can change your filing status to married filing separate. If we have issued a proposed assessment for that joint return, you must also pay that amount before you can change your filing status.

**Changing from a separate return to a joint return**

If you or your spouse have an amount due from a separate return that you want to amend, you must pay that amount before you can change your filing status to married filing joint. If we have issued a proposed assessment for either separate return, you must also pay that amount before you can change your filing status.

If you and your spouse are changing from separate returns to a joint return, begin by combining the amounts from your return as originally filed or as previously adjusted (either by you or the department) and the amounts from your spouse’s return as originally filed or adjusted. Then make your changes to the combined amounts.

If your spouse did not file an original return, include your spouse’s income, deductions, credits, etc., to determine the amounts to enter on the appropriate lines of this form.

Generally, if you file a joint return, both you and your spouse have joint and several liability. This means both of you are responsible for the tax and any interest or penalties due on the return, as well as any amount that may become due later. If one spouse does not pay the tax due, the other may have to.

If filing an amended joint tax return, both of you must sign and date Form 140X.

**Residency Status**

Check the box for the residency status you are using on this amended return.

Check box 9b, if this is an amended composite return to be filed by one of the following:

1. A partnership filing on behalf of its nonresident partners.
2. An S corporation filing on behalf of its nonresident shareholders.

For information on filing an Arizona nonresident composite income tax return, see the department’s ruling, ITR 16-2, *Composite Individual Income Tax Returns*.

| If you are filing this amended return as a: | Check Box | See the following form instructions for the return you are amending: |
|---|-----------|--|
| Full year resident                          | 8         | Form 140   |
| Nonresident                                 | 9a        | Form 140NR   |
| Composite Nonresident                       | 9b        | Form 140NR   |
| Nonresident Active Military                 | 10        | Form 140NR   |
| Part-Year Resident                          | 11        | Form 140PY   |
| Part-Year Resident Active Military          | 12        | Form 140PY   |

**Exemptions**

Enter the number of exemptions you are claiming in boxes 13, 14, 15, and 16. **Do not put a checkmark.**

**Include the exemption amounts with your *subtractions from income reported on line 21.*** For exemption amounts, see the instructions for the form you are amending.

**Box 13 -**

In box 13, enter the number of age 65 or over exemptions you are claiming on this amended return.

**Box 14 -**

In box 14, enter the number of blind exemptions you are claiming on this amended return.

**Box 15 -**

In box 15, enter the total **number** of dependent exemptions you are claiming on this amended return.

You **must** also complete Part 1 on page 2, of Form 140X. Enter the information for **each** dependent claimed in box 15. If you need additional space, complete page 3, Dependent Information – Continuation Sheet and include it with the return.

**NOTE:** *Do not include yourself or your spouse as dependents in box 15.*

**Box 16 - Arizona Residents Only**

In box 16, enter the total **number** of qualifying parent or grandparent exemptions you are claiming on this amended return.

You **must** also complete Part 1 on page 2, of Form 140X. Enter the information for **each** qualifying parent/grandparent claimed in box 16. If you need additional space, complete page 3, Dependent Information – Continuation Sheet and include it with the return

To see who is a qualifying parent or grandparent, see the instructions for the form you are amending.

**Line-by-Line Instructions**

**Line 17 - Federal Adjusted Gross Income**

Enter your correct federal adjusted gross income.

**NOTE:** *If you were a nonresident or a part-year resident for the year you are amending, you must enter your federal adjusted gross income on line 17, then enter your Arizona gross income on line 18.*

**Line 18 - Arizona Gross Income - Nonresidents and Part-Year Residents Only**

Skip line 18 if you were a full year resident for the year you are amending (you checked box 8).

Complete line 18 if you were a nonresident or a part-year resident for the year you are amending (you checked box 9a, 10, 11 or 12).

If required to complete line 18, enter your corrected Arizona gross income. For information about how to figure your Arizona gross income, see Form 140PY or Form 140NR.

**Line 18a - Arizona Income Ratio**

If you completed line 18, divide the amount on line 18 by the amount on line 17. Enter the ratio in decimal format. You must **round** your answer to **three** decimal places. Do not enter more than 1.000.

If you were a nonresident or a part-year resident during the taxable year you are amending, you will use this ratio to prorate exemption amounts and the standard deduction amount, when required.

**Line 19 - Additions to Income**

**NOTE:** *For a list of items that must be added to income, see the 2016 instructions for the form you are amending.*

Form 140X, line 19, *Additions to Income*, is the sum of multiple addition lines that are listed as separate addition line items on the original Arizona personal income tax return.

On line 19, enter all additions to income from lines shown for the form you are amending. If you have no additions to income, enter zero. On your 2016 original return, you may have reported these amounts on the following lines.

| Form  | Additions to Income  |
|-------|----------------------|
| 140   | 13, 14, 15 and/or 16 |
| 140A  | None                 |
| 140EZ | None                 |
| 140NR | 28, 29 and/or 30     |
| 140PY | 29 and/or 30         |

**Arizona Form 165PA K-1 or 165PA K-1(NR) Positive Adjustment**

If you received an Arizona Form 165PA K-1 or 165PA K-1(NR), include the positive adjustment amount reported on Form 165PA K-1, line 3; or 165PA K-1(NR), line 5, with the total amount of additions reported on line 19.

**Line 20 - Subtotal Full Year Residents**

If you were a full year resident for 2016 (you checked box 8), add line 17 and line 19. Enter the total.

**Nonresidents and Part-Year Residents**

If you were a nonresident or a part-year resident for 2016 (you checked box 9a, 10, 11 or 12), add line 18 and line 19. Enter the total. If you checked box 9b, see the department's ruling, ITR 16-2, *Composite Individual Income Tax Returns*.

**Line 21 - Subtractions from Income**

**NOTE:** *You may only subtract those items for which statutory authority exists. Without such authority you cannot take a subtraction. For a list of items that may be subtracted from income, see the instructions for the form you are amending.*

Form 140X, line 21, *Subtractions From Income*, is the sum of multiple subtraction and exemption lines that are listed as separate subtraction and exemption lines on the original Arizona personal income tax return. On line 21, enter all subtractions from income from lines shown for the form you are amending and exemption amounts for age 65 or over, blind, dependents, and qualifying parents or grandparents. **Do not include a minus sign or use parentheses.** If you have no subtractions from income, enter zero. On your original return, you may have reported these amounts on the following lines.

| Form  | Subtractions from Income       | Exemptions: 65 or over, blind, dependents, or qualifying parents/grandparents |
|-------|--------------------------------|---|
| 140   | 24 through 33, and 35          | 38 through 41   |
| 140A  | None                           | 13 through 16   |
| 140EZ | None                           | None  |
| 140NR | 38, 39, 40, 43, 44, 45, and 46 | 47 through 51   |
| 140PY | 40, and 42 through 46          | 48 through 53   |

**Arizona Form 165PA K-1 or 165PA K-1(NR) Negative Adjustment**

If you received an Arizona Form 165PA K-1 or 165PA K-1(NR), include the negative adjustment amount reported on Form 165PA K-1, line 3; or 165PA K-1(NR), line 5, with the total amount of subtractions reported on line 21.

**NOTE:** *Do not include items separately listed on Form 140X, lines 22 through 29, in the amount on line 21.*

**Lines 22 through 26 - Net Capital Gain or (Loss)**

**NOTE:** *If you enter an amount on line 22, you must complete lines 23 through 26. If you are taking a subtraction for any net long-term capital gain from assets acquired after December 31, 2011, you must also complete lines 25 and 26. If you do not complete lines 25 through 26, you cannot take the subtraction.*

You may subtract 25% (.25) of any net long-term capital gain included in your federal adjusted gross income that is derived from an investment in an asset acquired after December 31, 2011. Use the worksheet, *Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired after*

December 31, 2011, included in the instructions for Form 140, or Form 140NR or Form 140PY, to determine the allowable subtraction. Keep the worksheet for your records.

**NOTE:** *If you are changing an amount previously reported for any amount reported on lines 22 through 26, complete page 2, Part 2, section (B) with the corrected amounts.*

### Line 22 - Total Net Capital Gain or (Loss)

If you reported a net capital gain or (loss) on your federal income tax return, enter the total net capital gain or (loss) reported on the *Capital Gain or (Loss)* line on page 1 of your federal return. This amount should be reported in your federal adjusted gross income.

### Line 23 - Total Net Short-Term Capital Gain or (Loss)

Enter the total amount of net short-term capital gain or (loss) reported on the *Capital Gain or (Loss)* line on page 1 of your federal return. This amount should be reported in your federal adjusted gross income.

**NOTE:** *If you are not required to report dividend distributions and/or short-term capital gains from mutual funds on federal Form Schedule D, do not include the short-term capital gain distributed by the mutual fund on line 23.*

### Line 24 - Total Net Long-Term Capital Gain or (Loss)

Enter the amount from the worksheet, line 14, column (a).

### Line 25 - Net Long-Term Capital Gain from Assets Acquired After December 31, 2011

Enter the amount from the worksheet, line 14, column (c).

Only include net long-term capital gains on this line if it can be verified that the asset was acquired after December 31, 2011. For purposes of this line, an asset acquired by gift or inheritance is considered acquired on the date it was acquired by the gift-giver or the deceased individual.

### Line 26 - Net Long-Term Capital Gain Subtraction From Income for Assets Acquired After December 31, 2011.

Multiply the amount on line 25 by 25% and enter the result.

### Line 27 - Net Capital Gain from Investment in a Qualified Small Business

You may subtract the amount of any net capital gain included in federal adjusted gross income for the taxable year derived from investment in a qualified small business as determined by the Arizona Commerce Authority (ACA) pursuant to A.R.S. § 41-1518.

To qualify for this subtraction, your investment in the qualified small business must have been made *after* the ACA certified the company as a qualified small business and *before* the company's certification expiration date. An investment made prior to certification or after the expiration of certification does not qualify for this subtraction. See the ACA's website, *Small Business Incentives: Angel Investment*, for a list of certified businesses and their certification dates.

On line 27, enter the amount of the allowable subtraction.

**CAUTION:** *If the amount entered on line 27 includes any long-term capital gain from an investment made **after** December 31, 2011, you cannot include that portion of the net capital gain in your computation of the allowable subtraction for any net long-term capital gain from assets acquired after December 31, 2011 and included in federal adjusted gross income.*

*For more information, see the instructions included with Form 140, or Form 140NR, or Form 140PY, for the amount to enter on line 13, column (c), of the net long-term capital gain worksheet.*

### Line 28 - Reserved

Do not enter an amount on line 28.

### Line 29 - Contributions to 529 College Savings Plans

Enter the amount of allowable subtraction for contributions made during 2016 to 529 College Plans. To determine the amount of the allowable subtraction, see the instructions for the form you are amending.

### Line 30 - Arizona Adjusted Gross Income

Subtract lines 21, and 26 through 29 from line 20. Enter the difference.

### Line 31 - Deductions

#### Standard Deduction

If you are taking the standard deduction on this amended return check box **31S**.

Enter your standard deduction on line 31.

For standard deduction amounts see the instructions for the form you are amending. If you originally filed Arizona Form 140EZ, see the 2016 Arizona Form 140 instructions for the 2016 standard deduction amounts.

**NOTE:** *Nonresident individuals, who claim the standard deduction, must prorate the deduction by the percentage which the taxpayer's Arizona gross income is of the taxpayer's federal adjusted gross income.*

*This will in effect prorate the standard deduction between income taxable to Arizona and income not taxable to Arizona. Only that portion of the deduction allocable to income taxable to Arizona is allowed. To figure the correct amount of standard deduction, see the 2016 Form 140NR instructions.*

#### Itemized Deductions

If you are claiming itemized deductions on this amended return, check box **31I**.

Enter your itemized deductions on line 31.

If you are changing itemized deduction amounts, be sure to include a copy of the corrected Arizona Schedule A. Also include a copy of your corrected federal Schedule A.

For allowable itemized deductions, see the 2016 instructions for the form you are amending.

**Line 32 - Personal Exemptions**

**NOTE:** Do not enter amounts for dependent, blind, age 65 or over, or qualifying parent or grandparent exemptions. You must enter these amounts on line 21, Subtractions from income.

Enter the correct amount of personal exemption you are claiming on this amended return. You can find the personal exemption amounts in the instructions for the form you are amending. If you originally filed Arizona Form 140EZ, see the 2016 Arizona Form 140 instructions for the 2016 personal exemption amounts.

**Line 33 - Arizona Taxable Income**

Subtract lines 31 and 32 from line 30. Enter the difference.

**Line 34 - Tax**

Compute your tax. Use the proper tax table. Enter the correct tax on line 34. You can find the 2016 tax tables in the instructions for the form you are amending. You can view the instructions on our website at [www.azdor.gov](http://www.azdor.gov).

**Line 35 - Tax From Recapture of Credits (AZ Form 301)**

Enter the amount of recapture tax from Arizona Form 301, Part 2, line 40. If you do not have a tax from recapture of tax credits, enter zero.

Include a copy of your corrected Form 301 with your amended return.

**Line 36 - Subtotal of Tax**

Add lines 34 and 35. Enter the total.

**Line 37 - Family Income Tax Credit (Arizona Residents Only)**

If you are eligible for the credit, enter the amount of family income tax credit you are claiming on this amended return. For details about the family income tax credit, see the 2016 instructions for the form you are amending.

**Line 38 - Nonrefundable Credits From Form 301**

Enter your credits from Arizona Form 301, Part 2, line 76 that you are claiming on this amended return.

You **must** complete and include Form 301 along with the required supporting documents with your amended return.

**Line 39 - Balance of Income Tax**

Subtract lines 37 and 38 from line 36. Enter the difference. If less than zero, enter zero.

**Line 40 (Boxes a, b and c) – Withholding, Estimated, and Extension Payments (and Arizona Claim of Right)**

**Box 40a:** Enter the **total amount** of Arizona income tax withheld, estimated income tax payments, and payments made with an extension request reported on your original (or most recent amended) return for 2016.

You may use the following worksheet to help you figure the amount of these payments that you should enter on line 36.

| Payment Worksheet  |                 |        |
|--|-----------------|--------|
| Withholding, Estimated, Extension  | Date of Payment | Amount |
| 1. Estimated Payment 1   |                 |        |
| 2. Estimated Payment 2   |                 |        |
| 3. Estimated Payment 3   |                 |        |
| 4. Estimated Payment 4   |                 |        |
| 5. Extension Request Payment   |                 |        |
| 6. Arizona income tax withheld on Form(s) W-2 and Form(s) 1099.                |                 |        |
| 7. Add lines 1 through 6. Enter the total here and also on Form 140X, box 40a. |                 | .00    |

**NOTE:** Do not include payments sent with original return on line 40a. You should enter those amounts on line 44.

**Box 40b:** Enter the amount from your *Arizona Claim of Right* form, line 8.

If you completed more than one Claim of Right form for the current taxable year, add all amounts on line 8 and enter the total in box 40b.

**NOTE:** For more information on Arizona's claim of right provisions, see the department's procedure, ITP 16-1, *Procedure for Individuals Who Restore Substantial Amounts Held Under a Claim of Right*.

**Line 40c:** Add the amounts in box 40a and box 40b and enter the total on line 40c.

**Line 41 - Increased Excise Tax Credit (Arizona Residents Only)**

If you qualify to take the increased excise tax credit, enter the correct amount of credit you are claiming on line 41.

If this is the first time you are claiming this credit for 2016, use the worksheet from the 2016 Arizona Form 140, 140A, 140EZ, or 140PY instructions to figure your credit.

**NOTE:** If you are amending an increased excise tax credit claimed on Arizona Form 140ET, use the 2016 Form 140ET to amend that claim. In this case, do **not** use Form 140X.

**Line 42 - Property Tax Credit (Arizona Residents Only)**

If you claimed the property tax credit on your original return, enter the amount claimed on your original return.

If you are making an adjustment to the credit, be sure to include copies of your 2016 Form 140PTC, *Property Tax Refund (Credit) Claim*, or Form 201, *Renters Certificate of Property Taxes Paid*. Also include all supporting documents filed with the original return.

**NOTE:** Use Form 140X to adjust a previously filed credit only if you claimed the credit using Form 140 or Form 140A. Use Form 140PTC if you were not required to file an Arizona income tax return for 2016.

**If you did not claim a credit on your original return, you may not claim it on Form 140X, unless you file Form 140X by the due date of your original return.**

**Line 43 - Other Refundable Credits**

- If you claimed a refund of the increased research activities credit from Form 308-I, for 2016, enter that credit here.
- If you claimed a refund of the renewable energy industry credit from Form 342, for 2016, enter that credit here.
- If you claimed a refund of the qualified facilities credit from Form 349, for 2016, enter that credit here.

Enter the correct amount(s) you are claiming on this amended return.

If you are claiming refundable credits from more than one form, add the amounts from all forms together and enter the total here.

If you enter an amount on this line, be sure you check the box or boxes to show which credits you are claiming.

Also, be sure to include the credit form(s) with your return when you file.

**Line 44 - Payment With Original Return (Plus All Additional Payments After it Was Filed)**

You may use the following worksheet to help you figure the amount of the payments that you should enter on line 44.

**NOTE:** Do not include payments reported on line 36 here.

| Payment Worksheet  |                 |        |
|--|-----------------|--------|
| Payments   | Date of Payment | Amount |
| 1. Payment with original return  |                 |        |
| 2. Payment   |                 |        |
| 3. Payment   |                 |        |
| 4. Payment   |                 |        |
| 5. Add lines 1 through 4. Enter the total here and also on Form 140X, line 44. |                 | .00    |

**Line 45 - Total Payments and Refundable Credits**

Add lines 40 through 44.

**Arizona's Claim of Right Provision**

**NOTE:** Arizona's Claim of Right amount is now reported on line 40. See line 40 for instructions.

**Line 46 - Overpayment From Original Return**

If your original (or most recent amended) return for 2016 resulted in an overpayment of taxes, enter the overpayment amount. On your original return, you reported this amount on the following line.

| 2016 Arizona Income Tax Return |      |
|--------------------------------|------|
| Form                           | Line |
| 140                            | 60   |
| 140A                           | 30   |
| 140EZ                          | 17   |
| 140PY                          | 71   |
| 140NR                          | 67   |

**NOTE:** If the department changed amounts on your original return, use the changed amounts. If the department changed amounts on an earlier filed amended return, use those amounts.

Your overpayment may have been distributed or applied by one of the following means.

- You have received all or a portion of the overpayment in the form of a refund.
- You may have applied all or a portion of the overpayment to your next year's estimated income taxes.
- You may have applied all or a portion of the overpayment to one of the voluntary gifts specified on the Arizona income tax return.
- All or a portion of your refund may have been paid to a government agency, court, county, or an incorporated city or town for an obligation owed to that court, county, city, town or agency (e.g., prior year taxes, child support, etc.).

Regardless of how the overpayment was distributed or applied, enter the overpayment amount.

**Line 47 - Balance of Credits**

Subtract line 46 from line 45. Enter the difference.

**Line 48 - Overpayment**

If line 39 is less than line 47, subtract line 39 from line 47 and enter the difference.

**Line 49 - Amount of Line 48 to be Applied to 2017 Estimated Taxes**

If you are filing this amended return prior to the original due date of your 2017 return and you want all or part of the amount on line 48 applied to your 2017 estimated taxes, enter that amount. If you want all of the amount on line 48 refunded, enter zero.

**Line 50 - Refund**

Subtract line 49 from line 48. Enter the difference. If you owe money to any Arizona state agency, court, county, incorporated city or town and certain federal agencies, your refund may go to pay some of the debt.

**TAX TIP:** If you change your address before you get your refund, let the department know. Write to: Refund Desk, Arizona Department of Revenue, PO Box 29216, Phoenix AZ 85038-9216. Include your SSN in your letter.

**Direct Deposit of Refund**

Complete this line if you want us to directly deposit the amount shown on line 50 into your account at a bank or other

financial institution (such as a mutual fund, brokerage firm or credit union) instead of sending you a check.

Check the box on line 50A if the direct deposit will ultimately be placed in a foreign account. If you check box 46A, do not enter your routing or account numbers. If this box is checked, we will not direct deposit your refund. We will mail you a check instead.

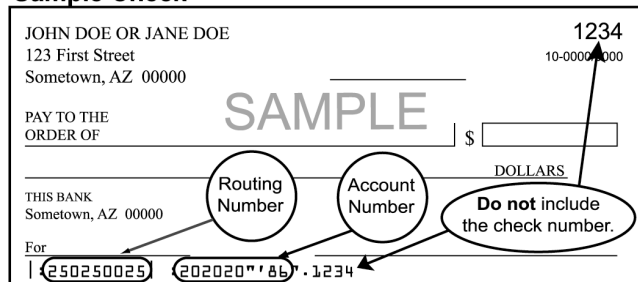
**NOTE:** *We are not responsible for a lost refund if you enter the wrong account information. Check with your financial institution to get the correct routing and account numbers and to make sure your direct deposit will be accepted.*

**Routing Number**

**MAKE SURE YOU ENTER THE CORRECT ROUTING NUMBER.**

The routing number must be nine digits. The first 2 digits must be 01 through 12 or 21 through 32. Otherwise, the direct deposit will be rejected and a check sent instead. On the following sample check, the routing number is 250250025.

**Sample Check**



**Note:** *The routing and account numbers may be in different places on your check.*

Your check may state that it is payable through a financial institution different from the one at which you have your checking account. If so, do not use the routing number on that check. Instead, contact your financial institution for the correct routing number to enter here.

**Account Number**

**MAKE SURE YOU ENTER THE CORRECT ACCOUNT NUMBER.**

The account number can be up to 17 characters (both numbers and letters). DO NOT include hyphens, spaces or special symbols. Enter the number from left to right and leave any unused boxes blank. On the sample check the account number is 20202086. Be sure not to include the check number.

**Line 51 - Amount Owed**

If line 39 is more than line 47, you owe additional tax. Subtract line 47 from line 39 and enter the difference. You may pay only with a check, electronic check, money order, or credit card. The department will bill you for any interest and penalty due.

**Check or money order**

**NOTE:** *Include your check or money order with your return. Please do not send cash.*

Make your check payable to Arizona Department of Revenue. Write your SSN and tax year on the front of your check or money order and include your payment with Form 140X.

The department cannot accept checks or money orders in foreign currency. You must make payment in U.S. dollars.

**Electronic payment from your checking or savings account**

You can make an electronic payment from your checking or savings account to pay your balance due. There is no fee to use this method. To make an electronic payment, go to [www.AZTaxes.gov](http://www.AZTaxes.gov) and click on the “Make a Payment” link.

Be sure to enter the correct account number and routing number for your checking or savings account. You may be charged a \$25 NSF (non-sufficient funds) fee if you provide an incorrect number. Check with your financial institution for to get the correct account and routing number.

The “E-Check” option in the “Payment Method” drop-down box will debit the amount from the checking or savings account that you specify. If you make an electronic payment from your checking or savings account, you will receive a confirmation number. **Please keep this confirmation number as proof of payment.**

**Credit card payment**

You can pay with your Discover, MasterCard, Visa, or American Express credit card. Go to [www.AZTaxes.gov](http://www.AZTaxes.gov) and click on the “Make a Payment” link and choose the credit card option. This will take you to a third party vendor site (provider). The provider **will charge** you a convenience fee based on the amount of your tax payment. The provider will tell you what the fee is during the transaction; you will have the option to continue or cancel the transaction. If you complete the credit card transaction, you will receive a confirmation number. **Please keep this confirmation number as proof of payment.**

**Line 52 - Net Operating Loss Carryback Question**

If you are filing this amended return as a result of a net operating loss carryback, check the box on line 52 and enter the tax year in which the net operating loss was incurred. This may speed up the processing of your refund.

**Page 2 Instructions**

*For examples of how to complete page 2 of Form 140X, see pages 10 and 11.*

**Part 1 - Dependent Exemptions**

If you need additional lines to list **all** of your dependents, including qualifying parents and grandparents, **complete page 3, Dependent Information – Continuation Sheet**, and include this page with your return. **Be sure to check the box indicating you are completing page 3.** Do not include page 3 with your return if you do not use it.

**Line(s) 15a, 15b, 15c, etc.**

Enter the information for **all** individuals you are claiming as a dependent in box 15, on page 1. Enter that dependent’s name,



SSN, relationship and the number of months that person lived in your home during 2016.

For details about who qualifies to be claimed as a dependent, see the instructions for the form you are amending.

### Part 1 - Qualifying Parents and Grandparents

#### Lines 16a, 16b, etc. - Arizona Residents Only

Enter the information for **all** individuals you are claiming as a qualifying parent or grandparent in box 16, on page 1. Enter that person's name, SSN, relationship and the number of months that person lived in your home 2016.

For details about who qualifies to be claimed as a qualifying parent or grandparent, see the instructions for the form you are amending.

### Part 2 (A) - Income, Deductions, and Credits

#### Lines 53a, 53b and 53c -

##### Explanation of Changes

We need to know what items you are changing on this amended return. We also need to know the amount of each change.

**NOTE:** *If you are making changes to any net capital gain or (loss) information reported on your income tax return, complete Part 2 (B) for those changes.*

##### Column (a)

In column (a), list each item you are changing.

##### Column (b)

In column (b), enter the amount reported on your original return or the most recently amended return for the tax year you are amending. If the department changed amounts on your original return, use the changed amounts. If the department changed amounts on an earlier filed amended return, use those amounts.

##### Column (c)

In column (c), enter the amount you are *adding to (+)* **or** *subtracting from (-)* the amount in column (b).

##### Column (d)

In column (d), enter the corrected amount ( $b+c=d$  **or**  $b-c=d$ ).

### Part 2 (B) - Net Capital Gain or (Loss)

#### Lines 54a, 54b, 54c, 54d and 54e -

##### Explanation of Changes

If you need to change any amount(s) previously reported for any net capital gain or (loss), complete columns (b), (c), and (d) on the appropriate lines.

##### Column (a)

Column (a), lists each applicable capital gain item.

##### Column (b)

In column (b), enter the amount reported on your original return or the most recently amended return for the tax year you are amending. If the department changed amounts on your original return, use the changed amounts. If the department changed amounts on an earlier filed amended return, use those amounts.

##### Column (c)

In column (c), enter the amount you are *adding to (+)* **or** *subtracting from (-)* the amount in column (b).

##### Column (d)

In column (d), enter the corrected amount ( $b+c=d$  **or**  $b-c=d$ ).

### Part 3 - Reason for Changes

#### Line 55 -

We need to know why you are filing Form 140X. For example, did you:

- Receive a notice from the IRS that changed your federal return?
- Amend your federal income tax return?
- Forget to claim a tax credit?
- Forget to claim a subtraction from income?
- Forget to make an addition to income?
- Forget to claim an exemption?
- Need to correct information regarding any net short-term or net long-term capital gains information?

In Part 3, list the line reference from page 1 for which you are reporting a change. Give the reason for each change and include any supporting document required. If you received a notice from the IRS, include a copy of that notice.

### Part 4 - Address on Original Return

#### Lines 56a, 56b and 56c -

Enter the address used on your original return. (If it is the same, write "SAME".)

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### Examples for Completing Form 140X

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The following three examples show how to complete Parts 1, 2, 3 and 4 on page 2 of Form 140X. The examples also show how amounts should be entered on the proper lines on page 1 of Form 140X.

**Example 1**

Sue, a full year resident, forgot to claim a dependent on her 2016 original return. Sue is filing this amended return to claim that dependent. Sue's son, Joe, was away at college and Sue did not claim him on her federal income tax return so that Joe could claim a federal education credit.

Because Sue is adding a dependent exemption, Sue must complete Part 1 of page 2, line 15a. Sue would complete Part 1 as follows:

**Part 1**

| (a)       | (b)         | (c)          | (d)                                      | (e)  | (f)  |
|-----------|-------------|--------------|--|--|--|
| Name      | SSN         | Relationship | No. of months lived in your home in 2016 | Check if this person did not qualify as a dependent on your federal return | Check if you did not claim this person on your federal return due to educational credits |
| Joe Smith | 111-11-1111 | Son          | 12                                       |  | X  |

**Part 2**

Sue would complete Part 2(A) as follows:

| (a)       | (b)                      | (c)                       | (d)              |
|-----------|--------------------------|---------------------------|------------------|
| Item      | Original Amount Reported | Amount to Add or Subtract | Corrected Amount |
| Dependent | 0                        | \$2,300                   | \$2,300          |

**Part 3**

Sue would complete Part 3 as follows:

Line 21, Subtractions from Income, increased to reflect dependent not claimed on original return.

**Form 140X, page 1**

When Sue completes page 1 of Form 140X, Sue would include the additional exemption amount of \$2,300 on line 21, "*Subtractions from Income*".

When Sue filed her original return she did not have any subtractions from income, so when she completes this Form 140X, Sue will enter \$2,300 (0 + \$2,300) on Form 140X, page 1, line 21.

**Example 2**

Jane, a full year resident, received a Form 1099INT showing interest income of \$1,500 after she filed her original 2016 return. Jane is filing this amended return to report that interest income.

Jane's original return, reported a federal adjusted gross income of \$50,000, which included \$2,500 of interest income.

**Part 2**

Jane would complete form 140X, page 2, Part 2(A) as follows:

| (a)             | (b)                      | (c)                       | (d)              |
|-----------------|--------------------------|---------------------------|------------------|
| Item            | Original Amount Reported | Amount to Add or Subtract | Corrected Amount |
| Interest Income | \$2,500                  | \$1,500                   | \$4,000          |

**Part 3**

Because the interest income would be included in Jane's federal adjusted gross income, Jane would complete Part 3 as follows:

Line 17, federal adjusted gross income increased by interest income reported on additional Form 1099INT.

**Form 140X, page 1**

When Jane completes page 1 of Form 140X, Jane would include this interest income in her federal adjusted gross income reported on page 1, line 17.

On Jane's original return, she reported a federal adjusted gross income of \$50,000. On this amended return, Jane will report a federal adjusted gross income \$51,500 (\$50,000 +\$1,500).

**Example 3**

Sam, a full year resident, took a subtraction from income for Arizona state retirement income on his original 2016 return for \$3,500.

Sam is filing this amended return to claim the allowable subtraction of \$2,500.

**Part 2**

Sam would complete Part 2(A) as follows.

| (a)                     | (b)                      | (c)                       | (d)              |
|-------------------------|--------------------------|---------------------------|------------------|
| Item                    | Original Amount Reported | Amount to Add or Subtract | Corrected Amount |
| Subtraction From Income | \$3,500                  | (\$1,000)                 | \$2,500          |

**Part 3**

Sam would complete Part 3 as follows:

Line 21, subtractions from income decreased to reflect the allowable subtraction for Arizona state retirement claimed on original return.

**Form 140X, page 1**

When Sam completes page 1 of Form 140X, Sam would enter \$2,500 (\$3,500 - \$1,000) on line 21.

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## Instructions Before Mailing

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- **DO NOT STAPLE YOUR RETURN. DO NOT STAPLE ANY DOCUMENTS, SCHEDULES OR PAYMENTS TO THE RETURN.**
- Sign your return and mail it to the address listed below. If you are filing a joint amended return, both you and your spouse must sign.
- Be sure you enter your daytime telephone number in the space provided on the front of your return.
- Check to make sure that your math is correct. A math error can cause delays in processing your return.
- Make sure your **NAME** is on the return.
- Write your **SSN** and tax year on the front of your check.

The Department of Revenue may charge you \$25 for a check returned unpaid by your financial institution.

- Check the **boxes** to make sure you have filled in any that apply to you.
- Make certain you have included **all** required documents and/or schedules.

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## Filing Your Arizona Amended Return

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Before you mail your return, make a copy of your return. Also make a copy of any schedules that you are including with your return. Keep the copies for your records. Be sure that you mail the original and not a copy.

The department cannot accept checks or money orders in foreign currency. You must make payment in U.S. dollars.

To avoid delays, if you are amending more than one tax return, please use a separate envelope for each return.

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## Where Should I Mail My Amended Return?

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Make sure you put enough postage on your envelope.

**If you are sending a payment** with this return, mail the amended return to:

Arizona Department of Revenue  
PO Box 52016  
Phoenix, AZ 85072-2016

**If you are expecting a refund, or owe no tax, or owe tax but are not sending a payment**, mail your amended return to:

Arizona Department of Revenue  
PO Box 52138  
Phoenix, AZ 85072-2138

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## How Long to Keep Your Return

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You must keep your records as long as they may be needed for the administration of any provision of Arizona tax law.

Generally, this means you must keep records that support items shown on your return until the period of limitations for that return runs out.

The period of limitations is the period of time in which you can amend your return to claim a credit or refund or the department can assess additional tax.

A period of limitations is the limited time after which no legal action can be brought. Usually, this is four years from the date the return was due or filed.

In some cases, the limitation period is longer than four years. The period is six years from when you file a return if you underreport the income shown on that return by more than 25%. The department can bring an action at any time if a return is false or fraudulent, or you do not file a return.

To find out more about what records you should keep, get federal Publication 552 at [www.irs.gov](http://www.irs.gov).

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## Contacting the Department

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Your tax information on file with the department is confidential. If you want the department to discuss your tax matters with someone other than yourself, you must authorize the department to release confidential information to that person.

You may use Arizona Form 285, *General Disclosure/Representation Authorization Form*, to authorize the department to release confidential information to your appointee. See Form 285 for details.

OR FISCAL YEAR BEGINNING MM/DD/2016 AND ENDING MM/DD/20YY 66F

**Include this form with your return.**

|   |                                 |
|---|---------------------------------|
| Your Name as shown on Form 140, 140NR, 140PY, or 140X                       | Your Social Security Number     |
| Spouse's Name as shown on Form 140, 140NR, 140PY, or 140X (if filing joint) | Spouse's Social Security Number |

If you figure your current year's tax under Arizona's claim of right provisions, complete this form to figure the prior year's tax reduction and explain the amounts repaid. See instructions for details. For more information on Arizona's claim of right provisions, see the department's procedure, ITP 16-1.

**Part 1 General Information**

| <b>1</b> Enter the <b>total</b> amount of <b>all income</b> that you <b>repaid</b> during the 2016 tax year that was included in income under a claim of right .....<br><i>If the amount on line 1 is \$3,000 or less, STOP. You do not qualify to compute a credit for amounts paid back under a claim of right.</i>   | <b>1</b> |  | 00   |      |      |    |      |      |      |      |      |      |  |  |  |
|---|----------|--|------|------|------|----|------|------|------|------|------|------|--|--|--|
| <b>2</b> Was the total amount repaid in 2016 from income that was reported in more than one prior tax year?<br><i>If you answered "Yes", you must complete and include with your 2016 tax return a separate Claim of Right form for each prior taxable year. See instructions for completing more than one Claim of Right form.</i>   | <b>2</b> | Yes <input type="checkbox"/> No <input type="checkbox"/> |      |      |      |    |      |      |      |      |      |      |  |  |  |
| <b>3</b> List <b>each</b> prior tax year that included income that was included in line 1:<br><table style="width: 100%; border-collapse: collapse; margin-top: 5px;"> <thead> <tr> <th style="width: 12.5%; text-align: center;">3a</th> <th style="width: 12.5%; text-align: center;">3b</th> <th style="width: 12.5%; text-align: center;">3c</th> <th style="width: 12.5%; text-align: center;">3d</th> <th style="width: 12.5%; text-align: center;">3e</th> <th style="width: 12.5%; text-align: center;">3f</th> </tr> </thead> <tbody> <tr> <td style="text-align: center; border: 1px solid gray;">YYYY</td> <td style="text-align: center; border: 1px solid gray;">YYYY</td> <td style="text-align: center; border: 1px solid gray;">YYYY</td> <td style="text-align: center; border: 1px solid gray;">YYYY</td> <td style="text-align: center; border: 1px solid gray;">YYYY</td> <td style="text-align: center; border: 1px solid gray;">YYYY</td> </tr> </tbody> </table> | 3a       | 3b   | 3c   | 3d   | 3e   | 3f | YYYY | YYYY | YYYY | YYYY | YYYY | YYYY |  |  |  |
| 3a  | 3b       | 3c   | 3d   | 3e   | 3f   |    |      |      |      |      |      |      |  |  |  |
| YYYY  | YYYY     | YYYY   | YYYY | YYYY | YYYY |    |      |      |      |      |      |      |  |  |  |
| <b>4</b> Did you take a deduction instead of a credit for the claim of right on your 2016 federal income tax return?<br><i>If you answered "Yes", you must include the amount on line 1 as an "Other Addition to Income" on Form 140, line 16; or Form 140PY, line 30; or Form 140NR, line 30; or as an "Additions to Income" on Form 140X, line 19.</i>  | <b>4</b> | Yes <input type="checkbox"/> No <input type="checkbox"/> |      |      |      |    |      |      |      |      |      |      |  |  |  |

**Part 2 Decrease in Prior Year's Tax**

|   |          |  |            |
|---|----------|--|------------|
| <b>5</b> Prior Tax Year .....   | <b>5</b> |  | MM/DD/YYYY |
| <b>6</b> Enter the amount of tax from the Arizona tax return filed for the prior tax year. See instructions .....                           | <b>6</b> |  | 00         |
| <b>7</b> For the year listed on line 5, refigure your tax for the prior tax year without including the income that you repaid in 2016 ..... | <b>7</b> |  | 00         |
| <b>8</b> Subtract line 7 from 6. Enter the difference .....   | <b>8</b> |  | 00         |

This is your claim of right credit for the current tax year. Enter the amount shown on line 8 on your income tax return.  
*Note: If you are completing more than one Claim of Right form, add all amounts on line 8 and enter the total on your tax return.*  
 Form 140, line 53, box 53b; or  
 Form 140PY, line 65, box 65b; or  
 Form 140NR, line 62, box 62b; or  
 Form 140X, line 40, box 40b.

**Part 3 Explanation of your claim of right for the prior tax year entered on line 5. Show how you figured the amounts entered in Part 2. If more space is needed, continue on page 2 or provide your own schedule.**

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**For information or help, call one of the numbers listed:**

Phoenix (602) 255-3381  
 From area codes 520 and 928, toll-free (800) 352-4090

**Tax forms, instructions, and other tax information**

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

**Income Tax Procedures and Rulings**

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website and click on *Legal Research* then click on *Procedures* or *Rulings* and select a tax type from the drop down menu.

**Publications**

To view or print the department's publications, go to our website and click on *Publications*.

**What is a Claim of Right?**

Generally, a claim of right is when:

- A taxpayer received income during a prior tax year, and reported that income on the tax return filed for that prior tax year; *and*
- Then has to repay that income back in a future tax year.

**Example:** A taxpayer received pension payments during 2013. In 2016 the individual received a letter from the pension fund stating there was a mistake and the pension amount paid during 2013 was more than the taxpayer should have received. The taxpayer must now pay the overpaid amount back to the pension plan.

For information regarding which types of income qualifies or does not qualify for a claim of right, see federal Publication 525 at [www.irs.gov](http://www.irs.gov).

**How does the Claim of Right work?**

For federal income tax purposes, you may take a deduction for the repayment of an amount included in income under a claim of right *or* claim a credit. When the amount repaid was \$3,000 or less, you may be able to deduct the amount repaid from your income for the year in which you repaid it. Or, if the amount you repaid is more than \$3,000, you may be able to claim a credit against your tax for the year in which you repaid it.

For Arizona income tax purposes, the Arizona claim of right provisions only apply in cases where the **total** amount repaid during the year was more than \$3,000. In this case, you cannot take a deduction, but must claim a "credit".

When you figure whether the amount you repaid was more or less than \$3,000, you must consider the **total** amount being repaid during the year. Each instance of re-payment is not considered separately. The total re-payment amount may include income from just one prior tax year or multiple prior tax years.

**Who Must Complete an Arizona Claim of Right Form?**

If you figure your 2016 income tax under Arizona's claim of right provisions, complete an Arizona Claim of Right form and include it with your 2016 income tax return. You **must** complete and include a separate form for each prior tax year for which you figured a tax reduction (decrease).

For more information on Arizona's Claim of Right provisions and examples of how to compute the decrease in tax for a prior taxable year (or years), see the department's procedure, ITP 16-1, *Procedure for Individuals Who Restore Substantial Amounts Held Under a Claim of Right*.

**How to complete an Arizona Claim of Right Form**

- If the total amount repaid during 2016 was from income that was reported in only **one prior tax year**, you must file one form, completing Parts 1, 2, and 3.
- If the total amount repaid during 2016 was from income that was reported in **more than one prior tax year**, file a **separate form for each tax year listed on line 3, and complete each form as follows:**
  - For the earliest tax year, complete Parts 1, 2, and 3.
  - For all other years, only complete Parts 2 and 3.

**For example**, if the total amount repaid was from income reported in tax years 2013, 2014, and 2015, complete Parts 1, 2, and 3 for tax year 2013. *Be sure to enter the **total income** that was repaid for **all prior tax years** when completing Part 1, line 1, for taxable year 2013.*

For tax years 2014 and 2015, only complete Parts 2 and 3 on both of these separate claim of right forms.

**Line-by-Line Instructions****Part 1 - General Information****Line 1 -**

Enter the **total** amount of **all income** that you **repaid** during the 2016 tax year that was included in income under a claim of right.

**CAUTION:** *If the amount on line 1 is \$3,000 or less, **STOP**. You do not qualify to figure a credit for amounts paid back under a claim of right.*

**Line 2 -**

Check "Yes" if the total amount repaid in 2016 was from income that was reported in **more** than one prior tax year.

If you checked "Yes" you **must** complete and include with your 2016 tax return a separate Claim of Right form for **each** prior taxable year. See the instructions under **How to complete an Arizona Claim of Right Form** for more than one tax year.

**Line 3 -**

List each prior tax year that included income that was repaid in 2016 and included in income under claim of right.

**Line 4 -**

If you took a deduction on your federal return instead of claiming a credit, check the box, "Yes".

You cannot take both a deduction and claim a credit on your Arizona return for the amounts repaid and included in income under a claim of right. Because the deduction is included in the computation of your federal taxable income, you must add-back the amount of the income entered on line 1 as an "Other Addition to Income" on your income tax return:

- Form 140, line 16; or
- Form 140PY, line 30; or
- Form 140NR, line 30; or
- Form 140X, line 19 (Additions to Income).

**Part 2 - Decrease in Prior Year's Tax****Line 5 -**

Using the format, MM/DD/YYYY, enter the prior tax year for which you are completing this form. If you are completing more than one form for the current tax year, complete Part 2 for each separate tax year.

**Line 6 -**

Enter the amount of tax from the Arizona return filed for the tax year listed on line 5.

**Line 7 -**

For the tax year listed on line 5, refigure your tax for the tax year listed on line 5 without including the income that you repaid in 2016.

**Line 8 -**

Subtract line 7 from line 6 and enter the difference.

This is your claim of right credit for the current tax year. Enter the amount shown on line 8 on your income tax return:

- Form 140, line 53, box 53b; or
- Form 140PY, line 65, box 65b; or
- Form 140NR, line 62, box 62b; or
- Form 140X, line 40, box 40b.

If you are completing more than one Claim of Right form, add all amounts on line 8 and enter the total on your tax return.

**Part 3 - Explanation**

Complete Part 3 explaining your claim of right. Show how you figured the amounts in Part 2. If more space is needed, continue on page 2 of the form or provide your own schedule.

**How do I file a Claim of Right form?**

Complete and include the Arizona Claim of Right form with your tax return, when filed.

If you fail to complete and include this form with your tax return, your claim may be denied. Keep a copy for your record.

If you are completing more than one Claim of Right form, include all forms with your tax return.



**Request for Innocent Spouse Relief and  
Separation of Liability and Equitable Relief**

**Do not file with your tax return.**

**Do not use Form 200 to make an injured spouse claim.** You are an injured spouse if your share of an overpayment shown on your joint return was, or is expected to be, applied against your spouse's past-due state taxes, child support or spousal maintenance, or debts owed to another Arizona state agency, the IRS, or a court. **If you are an injured spouse, see the note on page 1 of the instructions.**

|   |                  |  |
|---|------------------|--|
| Your First Name and Middle Initial                    | Last Name        | Your Social Security Number              |
| Current Home Address - number and street, rural route | Apartment Number | Daytime Phone No. (optional)<br>(      ) |
| City, Town or Post Office                             | State            | ZIP Code                                 |

**Part 1 Type of Relief.** You **must** complete this part for each tax year.

**IMPORTANT:** You must have filed an Arizona income tax return for each year for which you are requesting relief.

- Enter each tax year you want relief. It is important to enter the correct year. For example, if the department used your 2015 income tax refund to pay a 2013 tax amount you jointly owned, enter tax year 2013, not tax year 2015 .....
- Check the box for each year you would like a refund if you qualify for relief. You may be required to provide proof of payment. See instructions .....
- For each year, check the box for the type of relief claimed. See the instructions before you check any boxes on lines 3a through 3c. Also be sure to **include all required statements** for the type of relief you are requesting.  
Check all that apply:
  - 3a Separation of Liability .....
  - 3b Innocent Spouse Relief .....
  - 3c Equitable Relief .....
- Did you file a joint return for the tax year listed on line 1?.....

|    | Tax Year 1   | Tax Year 2   | Tax Year 3*  |
|----|--|--|--|
| 1  | Y, Y, Y, Y   | Y, Y, Y, Y   | Y, Y, Y, Y   |
| 2  | <input type="checkbox"/>                                 | <input type="checkbox"/>                                 | <input type="checkbox"/>                                 |
| 3a | <input type="checkbox"/>                                 | <input type="checkbox"/>                                 | <input type="checkbox"/>                                 |
| 3b | <input type="checkbox"/>                                 | <input type="checkbox"/>                                 | <input type="checkbox"/>                                 |
| 3c | <input type="checkbox"/>                                 | <input type="checkbox"/>                                 | <input type="checkbox"/>                                 |
| 4  | Yes <input type="checkbox"/> No <input type="checkbox"/> | Yes <input type="checkbox"/> No <input type="checkbox"/> | Yes <input type="checkbox"/> No <input type="checkbox"/> |

\*If you want relief for more than 3 years, include a separate schedule.

If you completed federal Form 8857, you do **not** need to complete the rest of Form 200. Check this box **and include all required statements** for the type of relief you are requesting.....

If you did **not** complete federal Form 8857, you **must** complete the rest of Form 200.



**DOCUMENTATION REQUIRED:**

- If you were granted relief by the IRS, please **include a copy of the IRS letter.**
- **Include a copy** of your completed federal Form 8857.
- **Sign Form 200** on page 5.
- Mail to the address shown below.

**Mail Form 200 to:**

|  |
|--|
| Individual Income Tax Audit • Attention Form 200<br>Arizona Department of Revenue •<br>PO Box 29084 • Phoenix, AZ 85038-9084 |
|--|

Continued on page 2 →

|                                |                             |
|--------------------------------|-----------------------------|
| Your Name (as shown on page 1) | Your Social Security Number |
|--------------------------------|-----------------------------|

If you need more room to write your answer to any question, add more pages.  
Write your name and social security number on the top of each page you include.

**Part 2 Information About You and Your Spouse** (or former spouse)

|   |                  |                                    |
|---|------------------|------------------------------------|
| 5 Spouse's (or former spouse's) Current Name          |                  | Social Security Number (if known)  |
| Current Home Address – number and street, rural route | Apartment Number | Daytime Phone No. (with area code) |
| City, Town or Post Office                             | State            | ZIP Code                           |

6 What is the current marital status between you and the person on line 5? Check one box:

- Married and still living together.
- Married and living apart since:   M  M  D  D  Y  Y  Y  Y  .
- Widowed since:   M  M  D  D  Y  Y  Y  Y  . **Include a photocopy** of the death certificate and will, if one exists.
- Legally separated since:   M  M  D  D  Y  Y  Y  Y  . **Include a photocopy** of your **entire** separation agreement.
- Divorced since:   M  M  D  D  Y  Y  Y  Y  . **Include a photocopy** of your **entire** divorce decree.



NOTE: A divorce decree stating that your former spouse must pay all taxes does not necessarily mean you qualify for relief.

7 What was the highest level of education you had completed when the return(s) were filed? If the answers are not the same for all tax years, explain.

- High school diploma, equivalent, or less
- Some college
- College degree or higher. List any degrees you have: \_\_\_\_\_

List any college-level business or tax-related courses you completed: \_\_\_\_\_

Explain: \_\_\_\_\_

8 Were you a victim of spousal abuse or domestic violence during any of the tax years you want relief? If the answers are not the same for all tax years, explain.



- Yes. **Include a statement** to explain the situation and when it started. Provide photocopies of any documentation, such as police reports, a restraining order, a doctor's report or letter, or a notarized statement from someone who was aware of the situation.
- No.

9 Did you sign the return(s)? If the answers are not the same for all tax years, explain.

- Yes. If you were forced to sign under duress (threat of harm or other form of coercion), check this box: . See instructions.
- No. Your signature was forged. See instructions.

10 When any of the returns were signed, did you have a mental or physical health problem, or do you have a mental or physical health problem now? If the answers are not the same for all tax years, explain.



- Yes. **Include a statement** to explain the problem and when it started. Provide photocopies of any documentation, such as medical bills or a doctor's report or letter.
- No.

Continued on page 3 →

|                                |                             |
|--------------------------------|-----------------------------|
| Your Name (as shown on page 1) | Your Social Security Number |
|--------------------------------|-----------------------------|

If you need more room to write your answer to any question, add more pages.  
Write your name and social security number on the top of each page you include.

**Part 3 Your Financial and Return Preparation Involvement**

**11** How were you involved with preparing the returns? Check all that apply and explain, if necessary. If the answers are not the same for all tax years, explain:

- You filled out or helped fill out the returns.
- You gathered receipts and cancelled checks.
- You gave the tax documents (such as Forms W-2, 1099, etc.) to the person who prepared the returns.
- You reviewed the returns before they were signed.
- You did **not** review the returns before they were signed. Explain below.
- You were **not** involved in preparing the returns.
- Other: \_\_\_\_\_

Explain how you were involved: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**12** When the returns were signed, were you concerned that any of the returns were incorrect or missing information? Check all that apply and explain, if necessary. If the answers are not the same for all tax years, explain:

- You knew something was incorrect or missing, but you said nothing.
- You knew something was incorrect or missing and asked about it.
- You **did not know** anything was incorrect or missing.

Explain: \_\_\_\_\_  
 \_\_\_\_\_

**13** When any of the returns were signed, what did you know about the income of the person on line 5? If the answers are not the same for all tax years, explain:

- You knew that person had income.

List each type of income on a separate line. (Examples are wages, social security, gambling winnings, or self-employment business income.)  
Enter each tax year and the amount of income for each type listed. If you don't know any details, enter, "I don't know."

| Type of Income | Who paid it to that person? | Tax Year 1 | Tax Year 2 | Tax Year 3 |
|----------------|-----------------------------|------------|------------|------------|
|                |                             | \$         | \$         | \$         |
|                |                             | \$         | \$         | \$         |
|                |                             | \$         | \$         | \$         |

- You knew that person was self-employed and you helped with the books and records.
- You knew that person was self-employed and you did not help with the books and records.
- You knew that person had no income.
- You **did not know** if that person had income.

Explain: \_\_\_\_\_  
 \_\_\_\_\_

Your Name (as shown on page 1)

Your Social Security Number

If you need more room to write your answer to any question, add more pages.  
Write your name and social security number on the top of each page you include.

**Part 3** (Continued)

**14** When the returns were signed, did you know any amount was owed to the department for those tax years? If the answers are **not** the same for all tax years, **explain**.

Yes. Explain when and how you thought the amount of tax reported on the return would be paid: \_\_\_\_\_

\_\_\_\_\_

No. Explain: \_\_\_\_\_

\_\_\_\_\_

**15** When any of the returns were signed, were you having financial problems (for example, bankruptcy or bills you could not pay)? If the answers are **not** the same for all tax years, explain.

Yes. Explain: \_\_\_\_\_

\_\_\_\_\_

No.

Did not know.

Explain: \_\_\_\_\_

\_\_\_\_\_

**16** For the years you want relief, how were you involved in the household finances? Check all that apply. If the answers are not the same for all tax years, explain.

You knew the person on line 5 had separate accounts.

You had joint accounts but you had limited use of them or did not use them. Explain below.

You used joint accounts. You made deposits, paid bills, balanced the checkbook, or reviewed the monthly bank statements.

You made decisions about how money was spent. For example, you paid bills or made decisions about household purchases.

You were **not** involved in handling money for the household.

Other: \_\_\_\_\_

Explain anything else you want to tell us about your household finances: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**17** Has the person on line 5 ever transferred assets (money or property) to you? Property includes real estate, stocks, bonds, or other property to which you have title. See instructions.

Yes. List the assets and the dates they were transferred. Explain why the assets were transferred. \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

No.

Continued on page 5 →

|                                |                             |
|--------------------------------|-----------------------------|
| Your Name (as shown on page 1) | Your Social Security Number |
|--------------------------------|-----------------------------|

If you need more room to write your answer to any question, add more pages.  
Write your name and social security number on the top of each page you include.

**Part 4 Your Current Financial Situation**

- 18** Tell us the number of people currently in your household: Adults  Children
- 19** Tell us your current average monthly income and expenses for your entire household. If family or friends are helping to support you, include the amount of support as gifts under **Monthly Income**. Under **Monthly Expenses**, enter all expenses, including expenses paid with income from gifts.

| Monthly Income  | Amount | Monthly Expenses  | Amount |
|---|--------|---|--------|
| Gifts .....   | \$     | Federal, state, and local taxes deducted from your paycheck .....                   | \$     |
| Wages (gross pay) .....   | \$     | Rent or mortgage .....  | \$     |
| Pensions .....  | \$     | Utilities .....   | \$     |
| Unemployment .....  | \$     | Telephone .....   | \$     |
| Social security .....   | \$     | Food .....  | \$     |
| Government assistance, such as housing, food stamps, grants .....                       | \$     | Car expenses, payments, insurance etc.....  | \$     |
| Alimony .....   | \$     | Medical expenses, including medical insurance                                       | \$     |
| Child support .....   | \$     | Life insurance .....  | \$     |
| Self-employment business income .....   | \$     | Clothing .....  | \$     |
| Rental income .....   | \$     | Child care .....  | \$     |
| Interest and dividends .....  | \$     | Public transportation .....   | \$     |
| Other income, such as disability payments, gambling winnings, etc. List the type below: |        | Other expenses, such as real estate taxes, child support, etc. List the type below: |        |
| Type: _____   | \$     | Type: _____   | \$     |
| Type: _____   | \$     | Type: _____   | \$     |
| Type: _____   | \$     | Type: _____   | \$     |
| <b>Total Monthly Income</b> .....   | \$     | <b>Total Monthly Expenses</b> .....   | \$     |

**20** Please provide any other information you want us to consider in determining whether it would be unfair to hold you liable for the tax: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**CAUTION: By signing this form, you understand that, by law, we must contact the person on line 5. See instructions for line 5.**

|                         |   |                               |   |
|-------------------------|---|-------------------------------|---|
| <b>PLEASE SIGN HERE</b> | Under penalties of perjury, I declare that I have examined this form and any accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge. |                               |   |
|                         | ➔   | YOUR SIGNATURE _____          | DATE _____                                      |
|                         | PAID PREPARER'S SIGNATURE _____   | DATE _____                    | FIRM'S NAME (PREPARER'S IF SELF-EMPLOYED) _____ |
|                         | PAID PREPARER'S TIN _____   | PAID PREPARER'S ADDRESS _____ | PAID PREPARER'S PHONE NUMBER (_____) _____      |

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# Request for Innocent Spouse Relief and Separation of Liability and Equitable Relief

# Arizona Form 200

## For information or help, call one of the numbers listed:

Phoenix (602) 255-3381  
From area codes 520 and 928, toll-free (800) 352-4090

## Tax forms, instructions, and other tax information

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

## Income Tax Procedures and Rulings

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website and click on *Legal Research* then click on *Procedures* or *Rulings* and select a tax type from the drop down menu.

## Publications

To view or print the department's publications, go to our website and click on *Publications*.

## General Information

We know that some of the questions on this form involve sensitive subjects, but we need this information to determine whether you qualify for relief.

## Purpose of Form

Use Arizona Form 200 to request relief from liability for tax, plus related penalties and interest, that you think only your spouse (or former spouse) should pay. You may be allowed one or more of these three types of relief.

- Separation of liability
- Innocent spouse relief
- Equitable relief.

To be eligible for relief, you must have filed a joint return for the year(s) for which you are requesting relief.

You do not need to figure the tax, interest, and penalties that qualify for relief. We will figure these amounts for you.

**NOTE:** *Do not use Form 200 to make an injured spouse claim. You are an injured spouse if your share of an overpayment shown on your joint return was, or is expected to be, applied against your spouse's past-due state taxes, child support or spousal maintenance, or debts owed to another Arizona state agency, the Internal Revenue Service (IRS), or a court.*

If you are an injured spouse, you may be entitled to receive a refund of your share of the overpayment. For information about amounts held for:

1. **Past-due state taxes**, call one of the phone numbers listed on this page.
2. **Child support or spousal maintenance**, contact the Arizona Department of Economic Security.
3. **Another Arizona state agency**, contact that agency.
4. **The IRS**, contact the IRS.
5. **A court**, contact that court.
6. **An Arizona city or town**, contact that city or town.

## When and Where to File

File Form 200 as soon as you become aware of an unpaid tax liability that you think your spouse (or former spouse) should pay. The following are some of the ways you may become aware of such a liability:

- We have examined your tax return.
- We sent you a notice.

**Do not** file Form 200 with your tax return. Mail Form 200 to:

Individual Income Tax Audit - Attention Form 200  
Arizona Department of Revenue  
PO Box 29084  
Phoenix, AZ 85038-9084

**Mail Form 200 to the above address, even if you are working with a department employee due to an audit, an appeal or collection.**

## What Happens After You File Form 200

We will review your form to make sure it is complete. We will contact your spouse or former spouse to ask if he or she wants to take part in the process. Once we have all of the information needed to make a decision, we will send a determination letter to you and your spouse or former spouse. If you or your spouse does not appeal the decision within 90 days, the decision will become final.

## Refunds Under Relief

The amount that may be refunded may be limited by the statute of limitations. In the following situations, you are eligible to receive a refund of certain payments you made.

**Underpaid tax.** If you are granted relief for an underpaid tax, you are eligible for a refund of separate payments that you made. You are not eligible for refunds of payments made with the joint return, joint payments, or payments that your spouse (or former spouse) made. For example, withholding tax and estimated tax payments cannot be refunded because they are considered joint payments made on the joint return.

**Understated tax.** If you are granted relief for an understated tax, you are eligible for a refund of certain payments made under an installment agreement that you entered into with the department if you have not defaulted on the installment agreement. Only installment payments made after the date you filed Form 200 are eligible for a refund.

## Line-by-Line Instructions

**NOTE:** *You must have filed an Arizona income tax return for each year for which you are requesting relief.*

## Name and Address Information

- Enter your name in the spaces provided.
- Enter your social security number. Make sure you enter your social security number correctly.
- Enter your current home address.

If you have a foreign address, enter the information in the following order: city, province or state, and country. Follow the country's practice for entering the postal code. Do not abbreviate the country name.

- Enter your daytime phone number.

You must complete lines 1 through 4 of Form 200. When you complete lines 3a through 3c, be sure to read the instructions for those lines. Be sure you complete any required statements for the type of relief you are requesting. Also be sure you include those required statements with Form 200 when you submit it. See the instructions for lines 3a through 3c to determine which statements you must include with Form 200.

If you completed federal Form 8857, you only need to complete lines 1 through 4 of Form 200. You may skip lines 5 through 20. In this case, do the following:

- Check the box to indicate you completed federal Form 8857.
- Include all required statements for the type of relief you are requesting.
- Include a copy of your completed federal Form 8857.
- Sign page 5 of Form 200.
- Mail Form 200 to the address shown on page 1.

**NOTE:** *If you were granted relief by the IRS, please include a copy of the IRS letter with your Form 200.*

## Part 1 - Type of Relief

### Line 1 - Relief Year(s)

Enter each tax year you want relief. If you are asking for relief for more than one tax year, you need to file only one Form 200. If you are asking for relief for more than three tax years, you must include a separate schedule.

### Line 2 - Are You Asking for a Refund?

Check the box for each year you would like a refund, if you qualify for relief. You may have to provide proof of payment.

We will only refund payments you made with your own money. You must provide proof that you made the payment with your own money. Examples of proof are a copy of your bank statement or a canceled check. No proof is required if your individual refund was used by the department to pay tax you owed on a joint tax return for another year.

### Lines 3a through 3c - Type of Relief Being Claimed

You may request innocent spouse relief for an understatement of tax no matter how small the amount. If you are divorced, separated, or no longer living with your spouse, you may request separation of liability between you and your spouse (or former spouse) for an understatement of tax on a joint return. Also, the department will consider your request for equitable relief in situations where it would be unfair to hold you liable for tax that should be paid only by your spouse (or former spouse).

On lines 3a through 3c, check the box for the type of relief you are claiming. Check all boxes that apply. Before, you

check the box(es) for the type of relief you are claiming, you should understand the following terms.

- Joint and several liability
- Understatement of tax
- Underpayment of tax

### Joint and Several Liability

Joint and several liability applies to all joint returns. This means that both you and your spouse (or former spouse) are liable for any underpayment of tax (tax shown on a return but not paid) plus any understatement of tax that may become due later. This is true even if a divorce decree states that your former spouse will be responsible for any amounts due on previously filed joint returns. Form 200 allows you to request that joint and several liability not apply to part or all of any unpaid tax.

### Understatement of Tax

An understatement of tax, or deficiency, is the difference between the total amount of tax that the department determines should have been shown on the return, and the amount that actually was shown on the return.

### Underpayment of Tax

An underpayment of tax is tax that is properly shown on the return, but not paid.

### Community Property Laws

You must generally follow community property laws when filing a tax return if you are married. Generally, community property laws require you to allocate community income and expenses equally between both spouses. However, community property laws are not taken into account in determining whether an item belongs to you or your spouse (or former spouse) for purposes of requesting any relief from liability.

### Line 3a - Separation of Liability

If you filed a joint return for the year(s) entered on line 1, you may be able to separate liability for any **understatement** of tax on the return(s) between you and your spouse (or former spouse). You can request to do so if you and that person:

- are no longer married, or
- are legally separated, or
- have lived apart at all times during the 12-month period prior to the date you file Form 200.

**NOTE:** *A widow or widower is considered no longer married.*

Even if you meet the above requirements, the department will not grant your request for separation of liability if any of the following applies:

- You and your spouse transferred assets as part of a fraudulent scheme.
- At the time you signed your joint return (unless signed under duress), you had actual knowledge that items giving rise to the deficiency and allocable to your spouse were incorrect.



- You transferred property to your spouse (or former spouse) just to avoid tax or the payment of tax.

### Requesting Separation of Liability

If you are asking for separation of liability, check the box on line 3a.

#### Required documentation (even if you included a completed federal Form 8857).

If you checked box 3a, include a statement with Form 200 that shows the total amount of the understatement of tax. For each item that resulted in an understatement of tax, explain whether the item is attributable to you, your spouse (or former spouse), or both of you. For example, unreported income earned by your spouse (or former spouse), would be allocated to that person. An overstated deduction of home mortgage interest on a home you owned jointly that was paid from a joint checking account would generally be allocated equally between both of you.

#### Line 3b - Innocent Spouse Relief

If you qualify for separation of liability, you may not need to request innocent spouse relief. The amount of relief allowed by requesting separation of liability will usually be equal to or greater than the amount allowed by requesting innocent spouse relief. However, you may still request innocent spouse relief, if you wish.

You may be allowed innocent spouse relief if **all** of the following apply:

- You filed a joint return for the year(s) entered on line 1.
- There is an **understatement** of tax on the return(s) that is due to erroneous items of your spouse (or former spouse).
- You can show that when you signed the return(s) you did not know and had no reason to know that the understatement of tax existed (or the extent to which the understatement existed).
- Taking into account all the facts and circumstances, it would be unfair to hold you liable for the understatement of tax.

### Erroneous Items

Erroneous items are either of the following:

- **Unreported income.** This is any gross income item received by your spouse that is not reported.
- **Incorrect deduction, credit, or basis.** This is any improper deduction, credit, or property basis claimed by your spouse.

The following are examples of erroneous items:

- The expense for which the deduction was taken was never made. For example, your spouse deducted \$10,000 of advertising expenses on federal Schedule C, but never paid for any advertising.
- The expense does not qualify as a deductible expense. For example, your spouse claimed a business fee deduction of \$10,000 that was for the payment of state fines: fines are not deductible.

- No legal argument can be made to support the deductibility of the expense. For example, your spouse claimed \$4,000 for security costs related to a home office, which were actually veterinary and food costs for your family's two dogs.

Any income, deduction, or credit is an erroneous item if **all** of the following apply:

- it is omitted from or incorrectly reported on the joint return,
- it is attributable to your spouse (or former spouse),
- it results in an understatement of tax, and
- you did not know and had no reason to know about the understatement or the extent of it (see **Partial Innocent Spouse Relief** next).

### Partial Innocent Spouse Relief

If you knew about any of the erroneous items, but not the full extent of the item(s), you may be allowed relief for part of the understatement. Explain in the statement you include with Form 200, how much you knew and why you did not know, and had no reason to know, the full extent of the item(s).

### Requesting Innocent Spouse Relief

If you are asking for innocent spouse relief, check the box on line 3b.

#### Required documentation (even if you included a completed federal Form 8857)

If you checked box 3b, include a statement with Form 200 explaining why you believe you qualify. The statement will vary depending on your circumstances, but should include **all** of the following:

1. The amount and a detailed description of each erroneous item, including why you had no reason to know about the item or the extent to which you knew about the item.
2. The amount of the understatement of tax for which you are liable and are seeking relief.
3. Why you believe it would be unfair to hold you liable for the understatement of tax.

### Line 3c - Equitable Relief

You may be allowed equitable relief if, taking into account all the facts and circumstances, it would be unfair to hold you liable for any understatement or underpayment of tax that should be paid only by your spouse (or former spouse).

You can be allowed equitable relief only for an underpayment of tax, or part or all of any understatement of tax that does not qualify for either separation of liability or innocent spouse relief. You should request separation of liability or innocent spouse relief for any understatement of tax; unless you are sure you are not eligible. The department will consider equitable relief if it determines that innocent spouse relief and separation of liability do not apply.

### Requesting Equitable Relief

If you are asking for equitable relief, check the box on line 3c.

**Required documentation (even if you included a completed federal Form 8857)**

If you checked box 3c, include an explanation of why you believe it would be unfair to hold **you** liable for the tax instead of your spouse (or former spouse). If you are including a statement for separation of liability or innocent spouse relief, include only the additional information you believe supports your request for equitable relief.

**Part 2 - Information About You and Your Spouse (or Former Spouse)****Line 5 -**

The department must contact your spouse or former spouse. There are no exceptions, even for victims of spousal abuse or domestic violence.

We will inform your spouse or former spouse that you filed Form 200 and will allow him or her to participate in the process. If you are asking for relief from joint and several liability on a joint return, we must also inform him or her of our determination regarding your request for relief.

To protect your privacy, we will not disclose your personal information like your current name, address or phone number. We will not disclose information about your employer, your income or assets, or any other information that does not relate to making a determination about your request for relief from liability.

On line 5, enter the current name and SSN of the person to whom you were married at the end of the year(s) listed on line 1. If the name of your spouse (or former spouse) shown on that year's tax return(s) is different from the current name, enter it in parentheses after the current name. For example: Joan Oak (formerly Joan Pine). Enter the current address and phone number if you know it.

**Lines 6 through 10 -**

Answer questions 6 through 10.

**Part 3 - Your Financial and Return Preparation Involvement****Lines 11 through 17 -**

Answer questions 11 through 17.

By law, if a person's name is signed to a return, it is presumed to be signed by that person. You must prove that your signature on the joint return was forged or that you signed under duress (threat of harm or other form of coercion). Include a statement explaining why you believe your signature was forged or why you signed under duress.

**Forged Signature**

Your signature on a joint return is considered to be forged if it was not signed by you and you did not authorize (give tacit consent) the signing of your name to the return.

**Tacit Consent**

Tacit consent means that, based on your actions at the time the joint return was filed, you agreed to the filing of

the joint return. You may be considered to have given tacit consent if any of the following apply:

- You gave tax information (such as Forms W-2 and 1099) to your spouse.
- You did not object to the filing.
- You did not have a valid reason to refuse to file jointly.
- There was an apparent advantage to you in filing a joint return.

We will also consider whether you filed joint returns with your spouse or former spouse in prior years and whether you filed a separate income tax return for that year.

**Signed Under Duress**

You are considered to have signed under duress (threat of harm or other form of coercion) if you were unable to resist demands to sign the return and you would not have signed the return except for the constraint applied by your spouse or former spouse. The duress must be directly connected with the signing of the joint return.

**Part 4 - Your Current Financial Situation****Lines 18 through 20 -**

Complete lines 18 through 20.

**Sign and Date Form 200 -**

Sign Form 200 in the space provided. We cannot consider your Form 200 if you do not sign it. If you do not sign it, we will return it to you. Also be sure to date it.

**Paid Preparer Must Sign Form 200 -**

Anyone that you pay to prepare Form 200 for you must sign the Form 200 in the space provided. The preparer must give you a copy of the completed Form 200 for your records. Someone who prepares Form 200 but does not charge you should not sign Form 200.

If you pay someone else to prepare your Form 200, that person must also include an identification number where requested.

A paid preparer may use any of the following:

- his or her PTIN,
- his or her SSN; or
- the EIN for the business.

A paid preparer who fails to include the proper identification numbers may be subject to a penalty.

Use Form 201 if you rented in 2016 and are claiming the property tax credit. This certificate shows what portion of your rent money went to pay taxes. Your landlord or designated agent must sign and complete this form in order for you to qualify for your credit. **USE BLACK INK ONLY.**

**HOW TO USE THIS FORM**

**Homeowners:**

1. If you own the home you live in, **do not** use this form. Homeowners claiming a property tax credit rebate **must** send a statement of property taxes paid rather than this form. See Form 140PTC instructions.

**Renters Seeking a Tax Rebate on Form 140PTC:**

1. Ask your landlord to complete Part 2 of this form.
2. Complete Parts 1 and 3 if you qualify. See instructions.
3. Use this information to complete your Form 140PTC.
4. **Include this certificate with your Form 140PTC and keep a copy for your tax records.**

**IMPORTANT:** For 2016, be sure to have your landlord complete this form well before **April 18, 2017** or request an extension to protect the credit. Landlords may not have the information immediately available.

**Part 1 To be Completed by Tenant**

|  |           |                        |
|--|-----------|------------------------|
| First Name and Initial - also give spouse's name and initial | Last Name | Social Security Number |
|--|-----------|------------------------|

**Part 2 To be Completed by Your Landlord**

|   |  |        |       |          |
|---|--|--------|-------|----------|
| 1 | Name of Landlord                                 |        |       |          |
| 2 | Number and Street Address                        |        |       |          |
| 3 | City   | County | State | ZIP Code |
| 4 | Business Name of Rental Property (if applicable) |        |       |          |
| 5 | Number and Street Address                        |        |       |          |
| 6 | City   | County | State | ZIP Code |

- 7 If any of your tenants received rent subsidies in 2016, check this box ..... 7
- 8 If the property was exempt from property tax during 2016, check this box ..... 8   
If you checked box 8, tenants may not claim the property tax credit on any form or schedule.
- 9 If you occupy any portion of the property you rent or lease to others, check this box..... 9
- 10 Enter property tax factor ..... 10

**Signature of Responsible Party:**

I declare that I have examined this statement and to the best of my knowledge and belief, it is correct and complete.

11 \_\_\_\_\_ DATE \_\_\_\_\_  
SIGNATURE OF OWNER, LESSOR, OR MANAGER OF RENTAL PROPERTY

12 \_\_\_\_\_ ( ) \_\_\_\_\_  
PRINT OR TYPE NAME OF SIGNING PARTY OWNER'S OR PROPERTY MANAGER'S PHONE NUMBER  
(for verification of information only)

**Part 3 Tenant Claiming Property Tax Credit Must Complete Part 3**

|    |   |    |     |
|----|---|----|-----|
| 13 | Enter total rents paid in 2016 not including subsidies .....  | 13 | .00 |
| 14 | Enter property tax factor from Part 2, line 10.....   | 14 | .   |
| 15 | Multiply line 13 by line 14. Enter the result here and on Form 140PTC, line 13. This is the amount of rent which constitutes property taxes ..... | 15 | .00 |

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**2016 Renter's Certificate of Property Taxes Paid**

**For information or help, call one of the numbers listed:**  
 Phoenix (602) 255-3381  
 From area codes 520 and 928, toll-free (800) 352-4090

**Tax forms, instructions, and other tax information**  
 If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

**Income Tax Procedures and Rulings**  
 These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website and click on *Legal Research* then click on *Procedures* or *Rulings* and select a tax type from the drop down menu.

**Publications**  
 To view or print the department's publications, go to our website and click on *Publications*.

**Notice to Landlord**

If your tenant requests an Arizona Form 201, you must provide that tenant with Form 201 to comply with Arizona law (Arizona Revised Statutes § 43-1072). You must complete and sign the Form 201 before you give the form to your tenant.

**Part 1 - To be Completed by the Tenant**

Use black ink only. Enter your first name, middle initial and last name. Make sure you enter your social security number (SSN) in the space provided.

**Part 2 - To be Completed by the Landlord or the Designated Agent**

The landlord or the landlord's agent must complete Part 2 of this form and furnish the form to the tenant. The tenant will need the information in Part 2 to claim the property tax credit.

**Lines 1, 2, and 3 -**

Use black ink only. Enter your name, address, and ZIP Code.

**Lines 4, 5, and 6 -**

Enter the business name. Also enter the address of the rental property.

**Line 7 -**

Check the box on line 7 if one or more of your tenants received a rent subsidy from federal, state, or local government.

**NOTE:** *Public housing operated by the city, county, state, or a qualified charitable institution that does not pay property taxes will report a property tax factor of zero on line 10. Add any rent (or property tax) paid by a government agency (i.e., HUD, Arizona Department of Economic Security, etc.) to the rent received from the tenant to calculate the property tax factor.*

For more information, see the department's ruling, ITR 94-6, *Requirements for Housing Authorities to Furnish Tenants With a Renter's Certificate of Property Taxes Paid.*

**Line 8 -**

Check the box on line 8 if the property was **exempt** from property tax during 2016. If you check this box, tenants may not claim the property tax credit on any form or schedule.

**Line 9 -**

Check the box on line 9 if **you** occupy any portion of the property **you** rent or lease to others.

**Line 10 -**

The landlord must provide a property tax factor to each tenant requesting a Form 201. Use the following formula to calculate the factor.

$$\frac{\text{Total property tax paid on rental units}}{\text{Total rental income}} = \text{Property tax factor}$$

**Example:**

Landlord L owns a duplex. Landlord L had three tenants during 2016. During 2016 Landlord L received \$20,000 of rental income from these tenants. During 2016, each tenant paid the following amount of rent.

|  |                  |
|--|------------------|
| Tenant A rented unit one for 8 months      | \$ 7,200         |
| Tenant B rented unit one for 4 months      | \$ 3,400         |
| Tenant C rented unit two for the full year | \$ 9,400         |
| <b>Total rental income</b>                 |                  |
|  | <b>\$ 20,000</b> |

Landlord L paid \$2,120 in property taxes for 2016. Landlord L figures the property tax factor as follows:

Landlord L divides the property taxes paid in 2016 by the total rental income received in 2016.

$$\frac{\$ 2,120}{\$20,000} = .106 \text{ Property Tax Factor}$$

Each tenant uses the same factor.

**Line 11 -**

The owner, lessor, or manager of the rental property must sign and date the Form 201.

**Line 12 -**

Enter the name signed on line 11. Also enter the telephone number the department can use to verify information on the form.

**Part 3 - To Be Completed by the Tenant (after Landlord (or agent) completes Part 2)**

**NOTE:** *Only one renter in each rental unit can claim the property tax credit. If you are filing a joint Arizona return, enter your names (in the space provided above Part 1) as they appear on your return. Only enter the social security number of the person claiming the credit.*

Some qualifications to claim the Property Tax Credit are as follows:

- you paid rent;
- You are 65 or older on December 31, 2016, **OR** if you are under age 65, you are on Supplemental Security Income (SSI) Title 16; and
- you do not live in public housing operated by the city, county, state, or qualified charitable institutions that do not pay property taxes.

**Line 13 -**

Enter the total rents you paid for the taxable year. Do not include any rent subsidies you received from federal, state, or local governments.

**Line 14 -**

If property tax factor, line 10, is **zero**, you may **not** claim a property tax credit from this form.

**Important: Keep one copy of this form for your tax records.**

For the calendar year 2016 or fiscal year beginning MM,DD,2016 and ending MM,DD,20YY.

- The spouse claiming more than one-half (1/2) of the total personal exemption must include the original election to his or her Arizona income tax return.
- The spouse claiming less than one-half (1/2) of the total personal exemption must include a copy of the election to his or her Arizona income tax return.
- Both spouses must sign and date this form on page 2.

|  |                        |
|--|------------------------|
| Name of Spouse – claiming <b>more</b> than one-half (1/2) of the total exemption | Social Security Number |
| Name of Spouse – claiming <b>less</b> than one-half (1/2) of the total exemption | Social Security Number |

**Who Must File Form 202**

The following taxpayers must complete Form 202:

1. Married taxpayers filing separate returns, claiming no dependents, with one spouse claiming a personal exemption of more than \$2,100 of the \$4,200 exemption. Complete Part 1 or Part 2.
2. Married taxpayers filing separate returns, claiming at least one dependent, with one spouse claiming a personal exemption of more than \$3,150 of the \$6,300 exemption. Complete Part 3 or Part 4.
3. A married person who qualifies to file as head of household, with one spouse claiming a personal exemption of more than \$3,150 of the \$6,300 exemption. Complete Part 3 or Part 4.

Once you make this election for the tax year, you cannot change the agreed upon amounts for that year without making another election. You must complete a new Form 202, and each spouse must file an amended Arizona income tax return (Form 140X) to change an election.

- Original Election  
 Amended Election

If one spouse is a full-year resident and the other spouse is a part-year resident or nonresident, the full-year resident should complete the appropriate column in Part 1 or Part 3, and the part-year resident or nonresident should complete the appropriate column in Part 2 or Part 4.

| <b>Part 1</b> | <b>For Full-Year Residents Only (Form 140 or 140A) Claiming No Dependents</b>   | SPOUSE CLAIMING MORE THAN 1/2 | SPOUSE CLAIMING LESS THAN 1/2 |
|---------------|---|-------------------------------|-------------------------------|
| 1             | Total personal exemption allowed married taxpayers claiming no dependents .....   | \$ 4,200.00                   | \$ 4,200.00                   |
| 2             | Amount of personal exemption each spouse is claiming on his or her separate Arizona return. Enter the result here. Also enter the result on Form 140, page 2, line 44, or Form 140A, page 1, line 19. If one spouse is a nonresident or part-year resident, that spouse should complete Part 2 below..... | \$ .00                        | \$ .00                        |

| <b>Part 2</b> | <b>For Part-Year Residents (Form 140PY) or Nonresidents (Form 140NR) Claiming No Dependents</b>  | SPOUSE CLAIMING MORE THAN 1/2 | SPOUSE CLAIMING LESS THAN 1/2 |
|---------------|--|-------------------------------|-------------------------------|
| 1             | Total personal exemption allowed (prior to prorating) married taxpayers claiming no dependents.  | \$ 4,200.00                   | \$ 4,200.00                   |
| 2             | Amount of personal exemption each spouse is claiming (prior to prorating) on his or her separate Arizona return. If you are a part-year resident who is an active duty military member who either began or gave up Arizona residency during 2016, skip lines 3 and 4, and enter this amount on Form 140PY, page 2, line 56. If you are a nonresident who is an active military member, skip lines 3 and 4, and enter this amount on Form 140NR, page 2, line 54. All other taxpayers complete lines 3 and 4..... | \$ .00                        | \$ .00                        |
| 3             | If you are a part-year resident, enter your Arizona income ratio from Form 140PY, page 1, line 28. If you are a nonresident, enter your Arizona income ratio from Form 140NR, page 1, line 27 .....  |                               |                               |
| 4             | Multiply line 2 by the ratio on line 3. If you are a part-year resident, enter the result here and on Form 140PY, page 2, line 56. If you are a nonresident, enter the result here and on Form 140NR, page 2, line 54 .....  | \$ .00                        | \$ .00                        |





DO NOT STAPLE ANY ITEMS TO THE RETURN.

For the calendar year 2016 or fiscal year beginning MM,DD,YY 2,0,1,6 and ending MM,DD,YY 2,0,1,6 **66**

|   |           |                                   |   |
|---|-----------|-----------------------------------|---|
| <b>1</b> Your First Name and Middle Initial                       | Last Name | <b>Enter<br/>your<br/>SSN(s).</b> | Your Social Security Number                 |
| <b>1</b> Spouse's First Name and Middle Initial (if filing joint) | Last Name |                                   | Spouse's Social Security No.                |
| <b>2</b> Current Home Address - number and street, rural route    |           | Apt. No.                          | Daytime Phone (with area code)<br><b>94</b> |
| <b>3</b> City, Town or Post Office                                |           | State                             | ZIP Code                                    |

**REVENUE USE ONLY. DO NOT MARK IN THIS AREA.**  
**88**

- Resident Personal Income Tax Forms – Check only one box:**
- 140     140A     140EZ     140PTC     140ET
  - Part-Year Resident Personal Income Tax, Form 140PY
  - Nonresident Personal Income Tax, Form 140NR
  - Nonresident Composite, Form 140NR

|              |                |
|--------------|----------------|
| <b>81</b> PM | <b>80</b> RCVD |
|--------------|----------------|

All extension requests must be postmarked on or before the original due date of the return, unless the original due date falls on a Saturday, Sunday, or legal holiday. In that case, your request must be postmarked on or before the business day following that Saturday, Sunday, or legal holiday. If you are a calendar year filer, your request for a 2016 filing extension must be postmarked on or before April 18, 2017.

An Arizona extension cannot be granted for more than six months beyond the original due date of the return. Arizona will grant an automatic six-month extension to individuals filing Forms 140, 140A, 140EZ, 140NR, 140PY, 140PTC or 140ET. Arizona will accept a valid federal extension for the period covered by the federal extension. This includes the automatic six-month individual federal filing extension.

**CHECK ONE BOX:**

|   | Fiscal Tax Year Ending | Return Due Date    |
|---|------------------------|--------------------|
| <input type="checkbox"/> <b>Individual Calendar Year Filers:</b><br>(filing Forms 140, 140A, 140EZ, 140NR, 140PY, 140PTC or 140ET)<br>This is a request for an automatic 6-month filing extension ..... |                        | October 16, 2017   |
| <input type="checkbox"/> <b>Individual Fiscal Year Filers:</b><br>(automatic 6-month extension period)<br>Enter taxable year-end date and 6-month extended due date .....                               | <u>MM,DD,YY,YY</u>     | <u>MM,DD,YY,YY</u> |

A federal extension will be used to file this tax return. This form is being used to transmit the Arizona extension payment.

|   |          |    |    |
|---|----------|----|----|
| 1 Tax liability for 2016. You may estimate this amount .....                                | <b>1</b> |    | 00 |
| 2 Arizona income tax withheld during 2016 .....   | <b>2</b> | 00 |    |
| 3 Arizona estimated tax payments for 2016 .....   | <b>3</b> | 00 |    |
| 4 Credits you will claim on your 2016 return. See Arizona Form 301 for a list of credits. 4 | <b>4</b> | 00 |    |
| 5 Add lines 2 through 4 .....   | <b>5</b> | 00 |    |
| 6 <b>Balance of Tax:</b> Subtract line 5 from line 1 .....                                  | <b>6</b> | 00 |    |
| 7 Enter amount of payment enclosed with this extension..... PAYMENT ENCLOSED ▶              | <b>7</b> | 00 |    |

- Make check payable to Arizona Department of Revenue; **write your SSN and tax year on your payment.**
- **Include your payment with this form.**
- For **Nonresident Composite returns**, write "Composite 140NR" on payment and include the tax year and entity's EIN.

- **IMPORTANT:** If you are filing under a federal extension but are making an Arizona extension *payment by credit card or electronic payment*, **do not mail Form 204** to us. We will apply your extension tax payment to your account.
- If you **are** sending a payment with this request, mail to Arizona Department of Revenue, PO Box 29085, Phoenix, AZ 85038-9085.
- If you are **not** sending a payment with this request, mail to Arizona Department of Revenue, PO Box 52138, Phoenix, AZ 85072-2138.

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## 2016 Filing Extension For Individuals

### For information or help, call one of the numbers listed:

Phoenix (602) 255-3381  
From area codes 520 and 928, toll-free (800) 352-4090

### Tax forms, instructions, and other tax information


If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

### Income Tax Procedures and Rulings

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website and click on *Legal Research* then click on *Procedures* or *Rulings* and select a tax type from the drop down menu.

### Publications

To view or print the department's publications, go to our website and click on *Publications*.

 **Leave the paper behind and e-file your Arizona extension request.**

Visit [www.azdor.gov](http://www.azdor.gov) for e-file requirements.

## Use of Form 204

Use Arizona Form 204 to apply for an extension of time to file an Arizona Form 140, 140A, 140EZ, 140ET, 140PTC, 140PY, or 140NR. Individuals use this form to apply for an automatic six (6) month extension.

If you are using Form 204 to request a filing extension for an Arizona Form 140NR composite return, enter the partnership or S corporation's employer identification number (EIN) in the area designated for an individual's Social Security Number (SSN).

Also, use Form 204 to remit an extension payment whether you are requesting an Arizona extension or using a valid federal extension. However, if you are filing under a federal extension, but making an electronic extension payment or making an extension payment using a credit card, you do not need to mail in Form 204.

Arizona will accept your federal extension for the period covered by the federal extension.

### Foreign Address

If you have a foreign address, enter the information in the following order: city, province or state, and country. Follow the country's practice for entering the postal code. Do not abbreviate the country name.

## When to File Form 204

All extension requests must be postmarked on or before the original due date of the return, unless the original due date falls on a Saturday, Sunday, or legal holiday.

In that case, your request must be postmarked on or before the business day following that Saturday, Sunday or legal holiday. For more information, see the department's general tax ruling,

GTR 16-2, *Timely Filing of Income or Withholding Tax Return - Holidays and Weekends*.

**For calendar year filers:** Because April 15, 2017, falls on a Saturday, and District of Columbia Emancipation Day will be observed on April 17, 2017, you have until Tuesday, April 18, 2017, to file the request for an extension.

Since October 15, 2016, falls on a Sunday, you will have until October 16, 2017, to file your income tax return.

Complete Form 204 to request an automatic six (6) month extension. **Mark your envelope "2016 Extension Request."**

If you are **sending a payment** with this request, mail the form to:

Arizona Department of Revenue  
PO Box 29085  
Phoenix, AZ 85038-9085

If you are **not sending a payment** with your request, mail the form to:

Arizona Department of Revenue  
PO Box 52138  
Phoenix, AZ 85072-2138

The department will not return a copy of the Form 204 to you. Be sure to keep a copy of the completed Form 204.

**An extension does not extend the time to pay your income tax.** You must still pay your tax liability by April 18, 2017, (or by the original due date of your return).

**NOTE:** Because April 15, 2017, falls on a Saturday and District of Columbia Emancipation Day will be observed on April 17, 2017, you have until Tuesday, April 18, 2017, to pay your tax liability.

If you do not pay at least 90% (.90) of the income tax liability disclosed by your return by the return's original due date, you will be subject to the extension underpayment penalty. We charge interest from the original due date to the date of payment.

**Extension Underpayment Penalty:** We impose this penalty if you do not pay at least 90% (.90) of the income tax liability shown on your return filed under an extension by the return's original due date. The extension underpayment penalty is ½ of 1% (.005) of the income tax not paid for each 30-day period or fraction of a 30-day period. We impose this penalty from the original due date of the return until you pay the tax. The extension underpayment penalty cannot exceed 25% (.25) of the unpaid income tax. If we charge you the extension underpayment penalty, we will not charge you the late payment penalty under Arizona Revised Statutes (A.R.S.) § 42-1125(D).

## Nonresident Aliens

The due date for your Arizona return is not the same as the due date for your federal return. Your Arizona return is due by April 18, 2017, even though your federal return is due on June 15, 2017. If you want to file your 2016 Arizona return after April 18, 2017, you must ask for a filing extension.

**For Calendar Year Filers:** *Because April 15, 2017, falls on a Saturday and District of Columbia Emancipation Day will be observed on April 17, 2017, you have until Tuesday, April 18, 2017, to pay your tax liability.*

Arizona will allow up to a 6-month extension. This will allow you to file your return by October 16, 2017.

**NOTE:** *Because October 15, 2017, falls on a Sunday, you have until October 16, 2017, to file your return.*

If you have a federal 6-month extension, you can file your Arizona return under that extension. If you file using your federal extension, Arizona will also allow you an extra 6 months.

Because we will allow only 6 months, the due date for your Arizona return is not the same as the due date for your federal return. In this case, your Arizona return will be due by October 16, 2017, even though your federal return will not be due until December 15, 2017. If you file your 2016 Arizona calendar year return after October 16, 2017, your return will be late.

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## Making Your Payment

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Individuals may make extension payments by check, electronic check, money order, or credit card.

Partnerships or S corporations making an extension payment on behalf of nonresidents participating in the filing of an Arizona Form 140NR composite return must make that payment by check or money order.

### Check or money order

If paying by check or money order, make your check or money order payable to Arizona Department of Revenue.

Write your SSN (or EIN) and *2016 Extension Request* on the **front** of your check or money order.

Include your check or money order with Form 204.

### Electronic payment from your checking or savings account

You can make an electronic payment from your checking or savings account to pay your balance due for 2016. There is no fee to use this method. To make an electronic payment, go to [www.AZTaxes.gov](http://www.AZTaxes.gov) and click on the “Make a Payment” link.

Be sure to enter the correct routing number and account number for your checking or savings account. You will be charged a \$25 NSF (non-sufficient funds) fee if you provide an incorrect routing number or an incorrect account number. Check with your financial institution to get the correct routing and account numbers.

The “E-Check” option in the “Payment Method” drop-down box will debit the amount from the checking or savings account that you specify. If you make an electronic payment from your checking or savings account, you will receive a confirmation number. **Please keep this confirmation number as proof of payment.**

**NOTE:** *You may not make an electronic payment from your checking or savings account if the payment will ultimately be coming from a foreign account. In this case, you must pay by check or money order.*

### Credit card payment

You can pay with your Visa, MasterCard, Discover, or American Express credit card. Go to [www.AZTaxes.gov](http://www.AZTaxes.gov) and click on the “Make a Payment” link and choose the credit card option. This will take you to a third party vendor site (provider). The provider **will charge** you a convenience fee based on the amount of your tax payment. The provider will tell you what the fee is during the transaction; you will have the option to continue or cancel the transaction. If you complete the credit card transaction, you will receive a confirmation number. **Please keep this confirmation number as proof of payment.**

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## Instructions Before Mailing

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Make sure that you have completed all the information requested on the **front** of the form.

To avoid an extension underpayment penalty, make sure you pay at least 90% (.90) of your Arizona tax liability.

Name (first, middle initial, last) If joint return, also give spouse's name and middle initial \_\_\_\_\_ Social Security Number \_\_\_\_\_

**Part A Calculation of Underpayment**

1 I am claiming an exception from the imposition of the estimated payment penalty because I qualified for federal relief under IRC § 6654. Check box and see instructions..... 1

2 Amount of tax for 2016 from Form 140, page 2, line 48, or Form 140PY, page 2, line 60, or Form 140NR, page 2, line 58 ..... 2 \_\_\_\_\_ 00

3 Tax credits claimed on your 2016 Arizona return ..... 3 \_\_\_\_\_ 00

4 Subtract line 3 from line 2..... 4 \_\_\_\_\_ 00

5 Arizona tax withheld during 2016. Do not include any estimated tax payments or extension payments on this line ..... 5 \_\_\_\_\_ 00

6 Subtract line 5 from line 4. If less than \$1,000, stop here. You do not owe the penalty. Do not file Form 221..... 6 \_\_\_\_\_ 00

7 Multiply line 4 by 90% (.90) ..... 7 \_\_\_\_\_ 00

8 Enter the immediately preceding year's tax liability after tax credits. See instructions ..... 8 \_\_\_\_\_ 00

9 **Required Annual Payment:** Enter the lesser of line 7 or line 8..... 9 \_\_\_\_\_ 00

|   | (a)<br>Apr-18-2016 | (b)<br>Jun-15-2016 | (c)<br>Sep-15-2016 | (d)<br>Jan-17-2017 |
|---|--------------------|--------------------|--------------------|--------------------|
| 10 Payment date..... 10   |                    |                    |                    |                    |
| 11 Divide the amount on line 9 by the number of payments required for the year (usually four). Enter the result in appropriate columns.<br><input type="checkbox"/> Check this box if you use any other installment method. If you annualize, complete the worksheet on page 2 of this form and enter the amount from line 23 of that worksheet in each column of line 11..... 11 |                    |                    |                    |                    |
| 12 Estimated tax paid and income tax withheld. See instructions..... 12   |                    |                    |                    |                    |
| 13 Overpayment: See instructions..... 13  |                    |                    |                    |                    |
| 14 Add lines 12 and 13..... 14  |                    |                    |                    |                    |
| 15 <b>Underpayment:</b> Subtract line 14 from line 11; <b>or</b><br><b>Overpayment:</b> Subtract line 11 from line 14..... 15   |                    |                    |                    |                    |

**Part B Underpayment of Estimated Tax Penalty**

|  |           |           |           |           |
|--|-----------|-----------|-----------|-----------|
| 16 <b>Rate Period One: 4%</b> (Apr-18-16 through Jun-30-16)<br>Computation starting date for this period ..... 16  | Apr-18-16 | Jun-15-16 |           |           |
| 17 Number of days after the date on line 16 through the date the amount on line 15 was paid or June 30, 2016 whichever is earlier ..... 17   | Days:     | Days:     |           |           |
| 18 Underpayment on line 15 × $\frac{\text{Number of days on line 17}}{366} \times 4\%$ ..... 18  |           |           |           |           |
| 19 <b>Rate Period Two: 4%</b> (Jul-1-16 through Sep-30-16)<br>Computation starting date for this period ..... 19   | Jun-30-16 | Jun-30-16 | Sep-15-16 |           |
| 20 Number of days after the date on line 19 through the date the amount on line 15 was paid or September 30, 2016 whichever is earlier ..... 20  | Days:     | Days:     | Days:     |           |
| 21 Underpayment on line 15 × $\frac{\text{Number of days on line 20}}{366} \times 4\%$ ..... 21  |           |           |           |           |
| 22 <b>Rate Period Three: 4%</b> (Oct-1-16 through Dec-31-16)<br>Computation starting date for this period ..... 22   | Sep-30-16 | Sep-30-16 | Sep-30-16 |           |
| 23 Number of days after the date on line 22 through the date the amount on line 15 was paid or December 31, 2016 whichever is earlier ..... 23   | Days:     | Days:     | Days:     |           |
| 24 Underpayment on line 15 × $\frac{\text{Number of days on line 23}}{366} \times 4\%$ ..... 24  |           |           |           |           |
| 25 <b>Rate Period Four: *%</b> (Jan-1-17 through Apr-18-17)<br>Computation starting date for this period ..... 25  | Dec-31-16 | Dec-31-16 | Dec-31-16 | Jan-17-17 |
| 26 Number of days after the date on line 25 through the date the amount on line 15 was paid or April 18, 2017 whichever is earlier..... 26   | Days:     | Days:     | Days:     | Days:     |
| 27 Underpayment on line 15 plus any penalty from Rate Period 1, 2, and 3 if the underpayment is unpaid as of Jan-1-17 × $\frac{\text{Number of days on line 26}}{365} \times *%$ ..... 27  |           |           |           |           |
| 28 <b>Penalty:</b><br><b>Column (a)</b> - Add lines 18, 21, 24, 27. Enter total on line 28 of col. (a).<br><b>Column (b)</b> - Add lines 18, 21, 24, 27. Enter total on line 28 of col. (b).<br><b>Column (c)</b> - Add lines 21, 24, 27. Enter total on line 28 of col. (c).<br><b>Column (d)</b> - Enter the amount from column (d), line 27..... 28 |           |           |           |           |
| 29 <b>Penalty Limitation.</b> In columns (a) through (d), list the smaller of line 15 x 10% <b>or</b> the amount from line 28..... 29  |           |           |           |           |
| 30 <b>TOTAL PENALTY:</b> Add the amounts in columns a, b, c, and d, line 29 (see instructions)..... 30   |           |           |           | 00        |

Your Name (as shown on page 1)

Your Social Security Number

### Annualized Income Installment Worksheet

Complete lines 1 through 23 of one column before completing the next column.

|  | Jan-1-16<br>to<br>Mar-31-16 | Jan-1-16<br>to<br>May-31-16 | Jan-1-16<br>to<br>Aug-31-16 | Jan-1-16<br>to<br>Dec-31-16 |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| <b>1</b> Enter your Arizona adjusted gross income without your dependent, qualifying parent or grandparent, blind, or over 65 exemptions for each period..... <b>1</b>                                 |                             |                             |                             |                             |
| <b>2</b> Annualization amounts..... <b>2</b>   | 4.0                         | 2.4                         | 1.5                         | 1.0                         |
| <b>3</b> Annualized income: Multiply line 1 by line 2..... <b>3</b>  |                             |                             |                             |                             |
| <b>4</b> Enter your itemized deductions for the period shown in each column. If you do not itemize, enter "zero" and skip to line 7..... <b>4</b>  |                             |                             |                             |                             |
| <b>5</b> Annualized amounts ..... <b>5</b>   | 4.0                         | 2.4                         | 1.5                         | 1.0                         |
| <b>6</b> Annualized itemized deductions: Multiply line 4 by line 5..... <b>6</b>   |                             |                             |                             |                             |
| <b>7</b> Enter your standard deduction from Arizona Form 140, line 43, Form 140PY, line 55, or Form 140NR, line 53..... <b>7</b>   |                             |                             |                             |                             |
| <b>8</b> Enter the amount from line 6 or line 7, whichever is larger..... <b>8</b>   |                             |                             |                             |                             |
| <b>9</b> Subtract line 8 from line 3..... <b>9</b>   |                             |                             |                             |                             |
| <b>10</b> Enter the amount allowed for personal, blind, over 65, dependent, and qualifying parent or grandparent exemptions claimed on your Arizona Form 140, Form 140PY, or Form 140NR..... <b>10</b> |                             |                             |                             |                             |
| <b>11</b> Subtract line 10 from line 9..... <b>11</b>  |                             |                             |                             |                             |
| <b>12</b> Figure your tax on the amount on line 11 using Tax Table X or Y..... <b>12</b>   |                             |                             |                             |                             |
| <b>13</b> For each period, enter the amount of tax credits allowed on your Arizona Form 140, Form 140PY, or Form 140NR..... <b>13</b>  |                             |                             |                             |                             |
| <b>14</b> Subtract line 13 from line 12. If zero or less, enter "zero"..... <b>14</b>  |                             |                             |                             |                             |
| <b>15</b> Applicable percentages ..... <b>15</b>   | 22.5%                       | 45%                         | 67.5%                       | 90%                         |
| <b>16</b> Multiply line 14 by line 15 ..... <b>16</b>  |                             |                             |                             |                             |
| <b>17</b> Enter the combined amounts of line 23 from all preceding columns..... <b>17</b>  |                             |                             |                             |                             |
| <b>18</b> Subtract line 17 from line 16. If less than zero, enter "zero" ..... <b>18</b>   |                             |                             |                             |                             |
| <b>19</b> Divide line 9 from page 1, of this Form 221, by four (4), and enter the result in each column..... <b>19</b>   |                             |                             |                             |                             |
| <b>20</b> Enter the amount from line 22 of the preceding column of this worksheet..... <b>20</b>   |                             |                             |                             |                             |
| <b>21</b> Add lines 19 and 20, and enter the total ..... <b>21</b>   |                             |                             |                             |                             |
| <b>22</b> If line 21 is more than line 18, subtract line 18 from line 21. Otherwise, enter "zero" ..... <b>22</b>  |                             |                             |                             |                             |
| <b>23</b> Enter the smaller of line 18 or line 21 here and on page 1, line 11. .... <b>23</b>  |                             |                             |                             |                             |

## 2016 Underpayment of Estimated Tax by Individuals

**For information or help, call one of the numbers listed:**

Phoenix (602) 255-3381  
From area codes 520 and 928, toll-free (800) 352-4090

**Tax forms, instructions, and other tax information**

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

**Income Tax Procedures and Rulings**

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website and click on *Legal Research* then click on *Procedures* or *Rulings* and select a tax type from the drop down menu.

**Publications**

To view or print the department's publications, go to our website and click on *Publications*.

### Purpose of Form

Certain people must make estimated income tax payments. We will charge a penalty if a person fails to make any required payment.

Use Arizona Form 221 to figure if you paid enough Arizona estimated income tax. Also, use this form to see if you are subject to penalty for any late or underpaid payment.

### Am I Subject to the Penalty?

You are subject to the penalty if you had to make Arizona estimated payments, but did not pay the right amount or made a payment late.

| <b>You must have made estimated payments during 2016 if the following apply:</b> |  |   |
|--|--|---|
|  | <b>AND</b>   | <b>AND</b>  |
| Your filing status is:   | Your Arizona gross income for 2015 was greater than: | Your Arizona gross income for 2016 is greater than: |
| Married Filing Joint   | \$150,000  | \$150,000   |
| Single   | \$75,000   | \$75,000  |
| Head of Household  | \$75,000   | \$75,000  |
| Married Filing Separate  | \$75,000   | \$75,000  |

| <b>What is my Arizona gross income for estimated payment purposes?<br/>(table continued on next column)</b> |   |
|---|---|
| <b>If you are a:</b>  | <b>Your Arizona gross income is:</b>  |
| Full year Arizona resident  | Your federal adjusted gross income. This amount is found on line 12 of your 2015 and 2016 Arizona Form 140. |

|                            |  |
|----------------------------|--|
| Part year Arizona resident | That part of your federal adjusted gross income that you must report to Arizona. This amount is found on line 27 of your 2015 and 2016 Arizona Form 140PY. |
| Arizona nonresident        | That part of your federal adjusted gross income derived from Arizona sources. This amount is found on line 26 of your 2015 and 2016 Arizona Form 140NR.    |

If your Arizona gross income was less than the prescribed thresholds (\$75,000 or \$150,000 if married filing joint) for either 2015 or 2016, you are not subject to the penalty.

### Should I Complete This Form?

If you had to make Arizona estimated payments during 2016, you must complete this form unless one of the following applies.

- Your 2016 Arizona tax liability is less than \$1,000. This is the amount of tax shown on your return reduced by any Arizona income tax withheld during the taxable year and any allowable tax credits that you are claiming.
- The Arizona tax withheld from your wages or withheld from other payments during 2016 is equal to, or is more than, your required annual payment (Form 221, line 9).
- You report as a farmer or fisherman for federal purposes and you are a calendar year filer **and**:
  - You file your Arizona return by March 1, 2017.
  - You pay in full the amount stated as payable on the return.
- You report as a farmer or fisherman for federal purposes and you are a fiscal year filer **and**:
  - You file your Arizona return on or before the first day of the third month after the end of the fiscal year.
  - You pay in full the amount stated as payable on the return.

If any of items 1 through 4 above apply to you, you do not have to complete Form 221. Otherwise, complete this form to see if you are subject to the penalty. If you have to complete Form 221, you must include the completed Form 221 with your Arizona Form 140, Form 140PY, or Form 140NR.

If you had to make estimated payments, your payments, when added to your Arizona withholding, must total either 90% of the tax due for 2016, or 100% of the tax due for 2015.

You can use your 2015 tax to figure the amount of payments that you must have made during 2016 only if you filed a 2015 Arizona income tax return.

### Part A - Calculation of Underpayment

If you file an amended return, *Arizona Form 140X*, by the due date of your original return, use the amounts shown on your amended return to figure your underpayment. If you file an amended return after the due date, use the amounts shown on your original return. For more information, see the department's ruling, ITR 02-4, *Amended Return's Effect on the Estimated Tax Payment Underpayment Penalty*.

**Line 1 -**

Complete line 1 if you are claiming an exception from the penalty because you qualified for federal relief under Internal Revenue Code (IRC) § 6654. You may claim either an exception from the penalty, or you may claim a penalty waiver.

**Penalty Exceptions**

You will not have to pay the penalty if either 1 or 2 below applies:

1. You had no federal tax liability for 2015. You were also a U.S. citizen or resident of the U.S. for the entire year and your 2015 tax return was (or would have been had you been required to file) for a full 12 months.
2. The total tax shown on your 2016 federal income tax return minus your federal withholding is less than \$1,000.

To request a penalty exception because either 1 or 2 above applies, do the following:

1. Check the box on line 1;
2. **Do not** complete the rest of Form 221.
3. Include Form 221 with Arizona Form 140, Form 140PY, or Form 140NR.

**Penalty Waivers**

If you have an underpayment on line 15, the department will waive all or part of the penalty for that underpayment if the department determines that either 1 or 2 below applies:

1. The underpayment was due to a casualty, disaster, or other unusual circumstances, and it would be inequitable to impose the penalty.
2. In 2015 or 2016, you retired after age 62 or became disabled, and your underpayment was due to reasonable cause.

To request a waiver for an underpayment described in either 1 or 2 above, do the following:

1. Check the box on line 1;
2. Complete Form 221 through line 30 without regard to the waiver. Write the amount you want waived in parentheses in the area next to line 30. Subtract this amount from the total penalty you figured without regard to the waiver, and enter the result on line 30; and
3. Include Form 221 and a statement with your return explaining why you could not meet the estimated tax requirements. Also, show the time period for which you are requesting a waiver.

**If you are asking for a penalty waiver due to a casualty, disaster, or other unusual conditions**, include documentation such as copies of police and insurance company reports.

**If you are asking for a penalty waiver due to retirement or disability**, include documentation that shows your retirement date (and your age on that date) or the date you became disabled.

**Lines 2 through 15 -**

Complete lines 2 through 15 to see if you underpaid your 2016 estimated income tax payments.

**Line 2 -**

Enter your 2016 income tax liability from Arizona Form 140, line 48, or Form 140PY, line 60, or Form 140NR, line 58.

**NOTE:** *If you compute your tax liability under the claim of right provisions enter the net tax liability as computed under the claim of right provisions.*

**Line 3 -**

Enter any tax credits claimed on your 2016 income tax return.

**Line 4 -**

Subtract line 3 from line 2.

**Line 5 -**

Enter the Arizona income tax withheld shown on the Form(s) W-2 from your employer. Also enter the Arizona income tax withheld shown on your Form(s) 1099-R (distributions from pensions, annuities, etc.). Do not include any income tax withheld for another state.

**Line 6 -**

Subtract line 5 from line 4. If less than \$1,000, you do not owe the penalty, stop here and do not file Form 221.

**Line 7 -**

Multiply the amount on line 4 by 90% (.90). Enter the result.

**Line 8 -**

Enter your 2015 tax liability (after tax credits). Only enter an amount on line 8 if you filed an Arizona personal income tax return for 2015. **If you did not file an Arizona personal income tax return for 2015, skip this line.**

**Line 9 -**

If you completed line 8, enter the smaller of line 7 or line 8. If you did not complete line 8, enter the amount from line 7.

**Line 10 -**

In columns (a) through (d), enter the due dates for your federal estimated income tax payments. Enter a date here only if these dates are different from the preprinted dates.

**Line 11 -**

Divide the amount on line 9 by four (4). Enter the result in each column. In some cases, you did not have to make your payments in four equal installments. If you did not have to make your payments in four equal installments, check the box and enter the amount of your required payment(s) in the proper column. You did not have to make payments in four equal installments if you made your payments under any of the following methods.

1. **The annualized income installment method.** If you use the annualized income installment method, complete the worksheet on Form 221, page 2. Also, enter the amount from line 23 of that worksheet in each column of line 11. If you use the annualized income installment method, you must check the box on line 11.



2. **File and pay by January 31, 2017.** If you file your Arizona return by January 31, 2017, and pay in full the amount stated on the return as payable, you do not have to make the fourth estimated tax payment. Fiscal year filers must file and pay by the last day of the month following the close of the fiscal year.
3. **Farmer or fisherman.** If you report as a farmer or fisherman for federal purposes, you only have to make one installment for a taxable year. The due date for this installment for a calendar year filer was January 17, 2017. Because January 15, 2017, falls on a Sunday and January 16, 2017, is Martin Luther King Day, you have until January 17, 2017, to make this payment.  
The due date for a fiscal year filer is the 15th day of the first month after the end of the fiscal year. You do not have to make this payment if you file your Arizona return on or before March 1, 2017, and pay in full the amount stated on the return as payable. Fiscal year filers must file and pay on or before the first day of the third month after the end of the fiscal year.
4. **Nonresident alien.** If you are an individual who elects to be treated as a nonresident alien on the federal income tax return, you may make three estimated payments. The due dates for these installments were June 15, 2016, September 15, 2016, and January 17, 2017. The first installment must have equaled 50% of the total required payments.

### Line 12 - Estimated Tax Paid and Withheld

Enter the estimated tax payments you made plus any Arizona income tax withheld for that quarter.

In column (a), enter the tax payments you made by April 18, 2016, that were for the 2016 tax year. In column (b), enter payments you made after April 18 through June 15, 2016. In column (c), enter payments you made after June 15, 2016, through September 15, 2016. In column (d), enter payments you made after September 15, 2016, through January 17, 2017.

When figuring your payment dates and the amounts to enter on line 12 of each column, apply the following rules:

1. Include  $\frac{1}{4}$  of your Arizona income tax withheld in each column. The department considers you to have paid  $\frac{1}{4}$  of Arizona income tax withheld on each payment due date unless you can show otherwise.
2. Include in your estimated tax payments any Arizona overpayment of tax from your 2015 return that you elected to apply to your Arizona 2016 estimated tax. You should report this amount in column (a).
3. If you file your return and pay the tax due by January 31, 2017, include on line 12, column (d), the amount of tax you pay with your return. In this case, you will not owe a penalty for the payment due by January 31, 2017.

**NOTE:** *If line 12 equals or is more than line 11 in all columns, you do not owe a penalty. Do not complete the rest of this form. You must include a copy of this form with your return.*

### Lines 13 through 15 - Overpayments or Underpayments

Complete lines 13 through 15 for one payment period **before** you go to the next period.

If you have an overpayment on line 15 for the period, you may apply it to a prior period underpayment to stop the accrual of penalty on that underpayment.

If you apply an overpayment in this manner, use the date the overpayment was paid when you figure the penalty on the underpayment on line 15. You may then carry the remainder of the overpayment forward to line 13 of the next period.

If you do not choose to stop the accrual of penalty on a prior underpayment, you may carry the entire overpayment forward to line 13 of the next period.

### Part B - Underpayment of Estimated Tax Penalty

Compute the penalty by applying the applicable rate to each underpayment. Compute the penalty for the number of days that the underpayment remained unpaid.

The penalty is equal to the interest that would accrue on the underpayment. The penalty cannot be more than 10% of the underpayment. Calculate this penalty like interest.

**Do not round penalty amounts calculated in Part B, lines 18, 21, 24, and 27 to the nearest whole dollar.**

The penalty rates are established at various times during the year. The rate for the first quarter of 2017 (January 1, 2017, through March 31, 2017) was not established by the time the department printed this form.

To get the interest rate that applies from January 1, 2017, to April 18, 2017, call one of the numbers listed on page 1 of these instructions.

**NOTE:** *If you have not paid the underpayment by December 31, 2016, the outstanding penalty that relates to that underpayment will compound on January 1, 2017.*

Use lines 16 through 29 to compute the penalty for each rate period. On the following tables (1 through 4), list your payments to figure the penalty applicable to these installments.

List only the payments made during the dates shown in the table heading. Apply the following rules.

1. If you have any withheld Arizona income tax, the department considers you to have paid  $\frac{1}{4}$  of these amounts on each payment due date. You may treat these amounts paid on a different due date, if you can show otherwise.

For example, if you had \$4,000 of Arizona income tax withheld during 2016, list \$1,000 as being paid on June 15, 2016, September 15, 2016, and January 15, 2017, in the proper table.

Do not list the withholding attributable to the first payment due on April 18, 2017.

- List any amount that you pay with your tax return as a payment. Use the date you file your return as the payment date, unless you file late. In that case, use April 18, 2017.

**NOTE:** Because April 15, 2017, falls on a Saturday, and District of Columbia Emancipation Day will be observed on April 17, 2017, you have until Tuesday, April 18, 2017, to make this payment.

| TABLE 1                                    |         |
|--|---------|
| Payments after 4/18/2016 through 6/30/2016 |         |
| Date                                       | Payment |
|  |         |
|  |         |
|  |         |

| TABLE 2                                    |         |
|--|---------|
| Payments after 6/30/2016 through 9/30/2016 |         |
| Date                                       | Payment |
|  |         |
|  |         |
|  |         |

| TABLE 3                                     |         |
|---|---------|
| Payments after 9/30/2016 through 12/31/2016 |         |
| Date  | Payment |
|   |         |
|   |         |
|   |         |

| TABLE 4                                     |         |
|---|---------|
| Payments after 12/31/2016 through 4/18/2017 |         |
| Date  | Payment |
|   |         |
|   |         |
|   |         |

### Chart of Total Days per Period

If an underpayment remained unpaid for an entire period, use the chart below to determine the number of days to enter on line 17, columns (a) and (b), line 20, columns (a), (b), and (c), line 23, columns (a), (b), and (c), and line 26 columns (a), (b), (c), and (d).

| Rate Period | (a) | (b) | (c) | (d) |
|-------------|-----|-----|-----|-----|
| 1 (line 17) | 73  | 15  |     |     |
| 2 (line 20) | 92  | 92  | 15  |     |
| 3 (line 23) | 92  | 92  | 92  |     |
| 4 (line 26) | 108 | 108 | 108 | 91  |

For example, if you have an underpayment on line 15, column (a), but show no payments, you would enter "73" on line 17.

### Rate Period 1

#### Lines 16 through 18 -

Enter on line 17, column (a) the number of days from 4/18/2016, to the date of the first payment listed in Table 1. If no payments are listed, enter "73".

#### If You Listed a Payment in Table 1

On a separate sheet of paper, apply the payment to the underpayment shown on line 15. The underpayment for the computation on line 18 is the amount of the payment applied to the line 15 underpayment. If the payment is more than the underpayment, apply only an amount equal to the underpayment and use that amount for the line 18 computation.

#### If You Did Not List Any Payments in Table 1

The underpayment is the whole underpayment balance since the entire underpayment was unpaid for the whole rate period.

#### Determine if You Need to Make More Computations

Use the following information to see if you need to make more computations.

- The payment listed in the table reduced the underpayment to zero. You do not need to make any further computations for column (a). Calculate the penalty for any other underpayments shown in columns (b) through (d) of line 15.
- You did not list any payments in the table. You will need to calculate the penalty for rate periods 2, 3, and 4. To do this, complete column (a) of lines 20, 21, 23, 24, 26, and 27.
- The payment listed in the table did not reduce the underpayment to zero, and no other payments are listed. Make another computation on lines 20, 21, 23, 24, 26, and 27 to calculate the penalty on the underpayment balance that remained unpaid for the entire rate period. In this case, enter another number in the space for lines 17 and 18, as follows:  
On line 17, enter "73". This is the total number of days in the first rate period (see the chart).

On line 18, make the computation and enter the result. The "underpayment" in this computation is the balance of the underpayment remaining in the period.

- Other payments are listed in the table and the first payment was not enough to reduce the underpayment to zero. Make a separate computation for each payment listed until the underpayment is reduced to zero. If there is still an underpayment balance after applying all of the payments, you will need to calculate the penalty on the balance of the underpayment in the same manner as explained in number 2 above.

## Rate Periods 2, 3, and 4

### Lines 19 through 27 -

If an underpayment balance remains after applying any payments in Table 1, compute the penalty attributable to that balance on lines 20 and 21, then if necessary, on lines 23 and 24 and 26 and 27.

Use the same steps as explained under the section, *Rate Period 1*, but use the date and penalty rate shown on lines 20 and 21, or lines 23 and 24, or lines 26 and 27.

- When figuring the penalty for rate period 2, be sure to use only the payments listed in Table 2.
- When figuring the penalty for rate period 3, be sure to use only the payments listed in Table 3.
- When figuring the penalty for rate period 4, be sure to use only the payments listed in Table 4.

**NOTE:** *Penalty compounds annually on January 1 of each year. Add any penalty outstanding on that date to the principal amount of the tax (installment underpayment/late payment). The amount added to the principal becomes a part of the principal and accrues penalty until paid.*

### Lines 28 and 29 -

For amounts to enter on line 28, columns (a) through (d), and line 29, follow the instructions on the form.

### Line 30 - Total Penalty

Add the amounts in columns (a), (b), (c), and (d), line 29.

**NOTE:** *You **must** round the total penalty amount to the nearest whole dollar.*

Enter the total. Also, enter this amount on Arizona Form 140, line 74, or Form 140PY, line 85, or Form 140NR, line 81.

## Annualized Income Installment Worksheet

If your income varied during the year because, for example, you operated your business on a seasonal basis, you may be able to lower or eliminate the amount of one or more required installments by using the annualized income installment method.

Use the Annualized Income Installment Worksheet on page 2 of Form 221, to figure the amounts to enter on line 11 of Form 221.

If you use the Annualized Income Installment Worksheet for any payment due date, you must use it for all payment due dates. To figure the amount of each required installment, the worksheet automatically selects the smaller of the annualized income installment or the regular installment (increased by the amount saved by using the annualized income installment method in figuring any earlier installments).

For more information about the annualized income installment method, see federal Publication 505.

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## 2016 Optional Tax Tables

**If your taxable income is less than \$50,000, use the Optional Tax Tables. If your taxable income is \$50,000 or more, use Tax Table X or Y. Also, if your taxable income is \$50,000 or more, you cannot use Form 140EZ or Form 140A to file for 2016. In this case, you must file using Form 140.**

**To Find Your Tax:** Read down the income column until you find your taxable income shown on Form 140, line 45. Read across until you find your filing status as shown on Form 140. Enter the tax on Form 140, line 46.

**Example:** Mr. and Mrs. Timely are filing a joint return. Their taxable income on Form 140, line 45 is \$19,360. First, they find the \$19,350-\$19,400 income line. Next they find the column for married filing jointly and read down the column. The amount shown where the income lines and filing status column meet is \$502. This is the tax amount they must write on Form 140, line 46.

| At Least             | But less than | Single or Married Filing Separately | Married Filing Jointly or Head of Household |
|----------------------|---------------|-------------------------------------|---|
| <b>Your Tax Is -</b> |               |                                     |   |
| <b>19,300</b>        | <b>19,350</b> | 528                                 | 501   |
| <b>19,350</b>        | <b>19,400</b> | 529                                 | <b>502</b>                                  |
| <b>19,400</b>        | <b>19,450</b> | 530                                 | 503   |

| At least                          | But less than | Single or Married Filing Separately | Married Filing Jointly or Head of Household | At least           | But less than | Single or Married Filing Separately | Married Filing Jointly or Head of Household | At least           | But less than | Single or Married Filing Separately | Married Filing Jointly or Head of Household |
|-----------------------------------|---------------|-------------------------------------|---|--------------------|---------------|-------------------------------------|---|--------------------|---------------|-------------------------------------|---|
| <b>If less than \$20 tax is 0</b> |               |                                     |   | <b>\$2,000</b>     |               |                                     |   | <b>\$4,000</b>     |               |                                     |   |
| <b>Your Tax Is</b>                |               |                                     |   | <b>Your Tax Is</b> |               |                                     |   | <b>Your Tax Is</b> |               |                                     |   |
| 20                                | 50            | 1                                   | 1   | 2,000              | 2,050         | 52                                  | 52  | 4,000              | 4,050         | 104                                 | 104   |
| 50                                | 100           | 2                                   | 2   | 2,050              | 2,100         | 54                                  | 54  | 4,050              | 4,100         | 106                                 | 106   |
| 100                               | 150           | 3                                   | 3   | 2,100              | 2,150         | 55                                  | 55  | 4,100              | 4,150         | 107                                 | 107   |
| 150                               | 200           | 5                                   | 5   | 2,150              | 2,200         | 56                                  | 56  | 4,150              | 4,200         | 108                                 | 108   |
| 200                               | 250           | 6                                   | 6   | 2,200              | 2,250         | 58                                  | 58  | 4,200              | 4,250         | 109                                 | 109   |
| 250                               | 300           | 7                                   | 7   | 2,250              | 2,300         | 59                                  | 59  | 4,250              | 4,300         | 111                                 | 111   |
| 300                               | 350           | 8                                   | 8   | 2,300              | 2,350         | 60                                  | 60  | 4,300              | 4,350         | 112                                 | 112   |
| 350                               | 400           | 10                                  | 10  | 2,350              | 2,400         | 62                                  | 62  | 4,350              | 4,400         | 113                                 | 113   |
| 400                               | 450           | 11                                  | 11  | 2,400              | 2,450         | 63                                  | 63  | 4,400              | 4,450         | 115                                 | 115   |
| 450                               | 500           | 12                                  | 12  | 2,450              | 2,500         | 64                                  | 64  | 4,450              | 4,500         | 116                                 | 116   |
| 500                               | 550           | 14                                  | 14  | 2,500              | 2,550         | 65                                  | 65  | 4,500              | 4,550         | 117                                 | 117   |
| 550                               | 600           | 15                                  | 15  | 2,550              | 2,600         | 67                                  | 67  | 4,550              | 4,600         | 118                                 | 118   |
| 600                               | 650           | 16                                  | 16  | 2,600              | 2,650         | 68                                  | 68  | 4,600              | 4,650         | 120                                 | 120   |
| 650                               | 700           | 17                                  | 17  | 2,650              | 2,700         | 69                                  | 69  | 4,650              | 4,700         | 121                                 | 121   |
| 700                               | 750           | 19                                  | 19  | 2,700              | 2,750         | 71                                  | 71  | 4,700              | 4,750         | 122                                 | 122   |
| 750                               | 800           | 20                                  | 20  | 2,750              | 2,800         | 72                                  | 72  | 4,750              | 4,800         | 124                                 | 124   |
| 800                               | 850           | 21                                  | 21  | 2,800              | 2,850         | 73                                  | 73  | 4,800              | 4,850         | 125                                 | 125   |
| 850                               | 900           | 23                                  | 23  | 2,850              | 2,900         | 74                                  | 74  | 4,850              | 4,900         | 126                                 | 126   |
| 900                               | 950           | 24                                  | 24  | 2,900              | 2,950         | 76                                  | 76  | 4,900              | 4,950         | 128                                 | 128   |
| 950                               | 1,000         | 25                                  | 25  | 2,950              | 3,000         | 77                                  | 77  | 4,950              | 5,000         | 129                                 | 129   |
| <b>\$1,000</b>                    |               |                                     |   | <b>\$3,000</b>     |               |                                     |   | <b>\$5,000</b>     |               |                                     |   |
| <b>Your Tax Is</b>                |               |                                     |   | <b>Your Tax Is</b> |               |                                     |   | <b>Your Tax Is</b> |               |                                     |   |
| 1,000                             | 1,050         | 27                                  | 27  | 3,000              | 3,050         | 78                                  | 78  | 5,000              | 5,050         | 130                                 | 130   |
| 1,050                             | 1,100         | 28                                  | 28  | 3,050              | 3,100         | 80                                  | 80  | 5,050              | 5,100         | 131                                 | 131   |
| 1,100                             | 1,150         | 29                                  | 29  | 3,100              | 3,150         | 81                                  | 81  | 5,100              | 5,150         | 133                                 | 133   |
| 1,150                             | 1,200         | 30                                  | 30  | 3,150              | 3,200         | 82                                  | 82  | 5,150              | 5,200         | 134                                 | 134   |
| 1,200                             | 1,250         | 32                                  | 32  | 3,200              | 3,250         | 84                                  | 84  | 5,200              | 5,250         | 135                                 | 135   |
| 1,250                             | 1,300         | 33                                  | 33  | 3,250              | 3,300         | 85                                  | 85  | 5,250              | 5,300         | 137                                 | 137   |
| 1,300                             | 1,350         | 34                                  | 34  | 3,300              | 3,350         | 86                                  | 86  | 5,300              | 5,350         | 138                                 | 138   |
| 1,350                             | 1,400         | 36                                  | 36  | 3,350              | 3,400         | 87                                  | 87  | 5,350              | 5,400         | 139                                 | 139   |
| 1,400                             | 1,450         | 37                                  | 37  | 3,400              | 3,450         | 89                                  | 89  | 5,400              | 5,450         | 141                                 | 141   |
| 1,450                             | 1,500         | 38                                  | 38  | 3,450              | 3,500         | 90                                  | 90  | 5,450              | 5,500         | 142                                 | 142   |
| 1,500                             | 1,550         | 39                                  | 39  | 3,500              | 3,550         | 91                                  | 91  | 5,500              | 5,550         | 143                                 | 143   |
| 1,550                             | 1,600         | 41                                  | 41  | 3,550              | 3,600         | 93                                  | 93  | 5,550              | 5,600         | 144                                 | 144   |
| 1,600                             | 1,650         | 42                                  | 42  | 3,600              | 3,650         | 94                                  | 94  | 5,600              | 5,650         | 146                                 | 146   |
| 1,650                             | 1,700         | 43                                  | 43  | 3,650              | 3,700         | 95                                  | 95  | 5,650              | 5,700         | 147                                 | 147   |
| 1,700                             | 1,750         | 45                                  | 45  | 3,700              | 3,750         | 96                                  | 96  | 5,700              | 5,750         | 148                                 | 148   |
| 1,750                             | 1,800         | 46                                  | 46  | 3,750              | 3,800         | 98                                  | 98  | 5,750              | 5,800         | 150                                 | 150   |
| 1,800                             | 1,850         | 47                                  | 47  | 3,800              | 3,850         | 99                                  | 99  | 5,800              | 5,850         | 151                                 | 151   |
| 1,850                             | 1,900         | 49                                  | 49  | 3,850              | 3,900         | 100                                 | 100   | 5,850              | 5,900         | 152                                 | 152   |
| 1,900                             | 1,950         | 50                                  | 50  | 3,900              | 3,950         | 102                                 | 102   | 5,900              | 5,950         | 153                                 | 153   |
| 1,950                             | 2,000         | 51                                  | 51  | 3,950              | 4,000         | 103                                 | 103   | 5,950              | 6,000         | 155                                 | 155   |

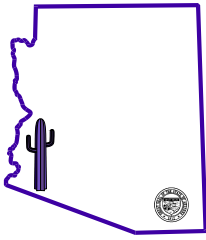
| At least                   | But less than | Single or Married Filing Separately | Married Filing Jointly or Head of Household | At least                    | But less than | Single or Married Filing Separately | Married Filing Jointly or Head of Household | At least                    | But less than | Single or Married Filing Separately | Married Filing Jointly or Head of Household |
|----------------------------|---------------|-------------------------------------|---|-----------------------------|---------------|-------------------------------------|---|-----------------------------|---------------|-------------------------------------|---|
| <b>\$6,000 Your Tax Is</b> |               |                                     |   | <b>\$9,000 Your Tax Is</b>  |               |                                     |   | <b>\$12,000 Your Tax Is</b> |               |                                     |   |
| 6,000                      | 6,050         | 156                                 | 156   | 9,000                       | 9,050         | 234                                 | 234   | 12,000                      | 12,050        | 316                                 | 311   |
| 6,050                      | 6,100         | 157                                 | 157   | 9,050                       | 9,100         | 235                                 | 235   | 12,050                      | 12,100        | 318                                 | 313   |
| 6,100                      | 6,150         | 159                                 | 159   | 9,100                       | 9,150         | 236                                 | 236   | 12,100                      | 12,150        | 319                                 | 314   |
| 6,150                      | 6,200         | 160                                 | 160   | 9,150                       | 9,200         | 238                                 | 238   | 12,150                      | 12,200        | 321                                 | 315   |
| 6,200                      | 6,250         | 161                                 | 161   | 9,200                       | 9,250         | 239                                 | 239   | 12,200                      | 12,250        | 322                                 | 317   |
| 6,250                      | 6,300         | 163                                 | 163   | 9,250                       | 9,300         | 240                                 | 240   | 12,250                      | 12,300        | 324                                 | 318   |
| 6,300                      | 6,350         | 164                                 | 164   | 9,300                       | 9,350         | 242                                 | 242   | 12,300                      | 12,350        | 325                                 | 319   |
| 6,350                      | 6,400         | 165                                 | 165   | 9,350                       | 9,400         | 243                                 | 243   | 12,350                      | 12,400        | 326                                 | 321   |
| 6,400                      | 6,450         | 166                                 | 166   | 9,400                       | 9,450         | 244                                 | 244   | 12,400                      | 12,450        | 328                                 | 322   |
| 6,450                      | 6,500         | 168                                 | 168   | 9,450                       | 9,500         | 245                                 | 245   | 12,450                      | 12,500        | 329                                 | 323   |
| 6,500                      | 6,550         | 169                                 | 169   | 9,500                       | 9,550         | 247                                 | 247   | 12,500                      | 12,550        | 331                                 | 324   |
| 6,550                      | 6,600         | 170                                 | 170   | 9,550                       | 9,600         | 248                                 | 248   | 12,550                      | 12,600        | 332                                 | 326   |
| 6,600                      | 6,650         | 172                                 | 172   | 9,600                       | 9,650         | 249                                 | 249   | 12,600                      | 12,650        | 334                                 | 327   |
| 6,650                      | 6,700         | 173                                 | 173   | 9,650                       | 9,700         | 251                                 | 251   | 12,650                      | 12,700        | 335                                 | 328   |
| 6,700                      | 6,750         | 174                                 | 174   | 9,700                       | 9,750         | 252                                 | 252   | 12,700                      | 12,750        | 336                                 | 330   |
| 6,750                      | 6,800         | 175                                 | 175   | 9,750                       | 9,800         | 253                                 | 253   | 12,750                      | 12,800        | 338                                 | 331   |
| 6,800                      | 6,850         | 177                                 | 177   | 9,800                       | 9,850         | 254                                 | 254   | 12,800                      | 12,850        | 339                                 | 332   |
| 6,850                      | 6,900         | 178                                 | 178   | 9,850                       | 9,900         | 256                                 | 256   | 12,850                      | 12,900        | 341                                 | 333   |
| 6,900                      | 6,950         | 179                                 | 179   | 9,900                       | 9,950         | 257                                 | 257   | 12,900                      | 12,950        | 342                                 | 335   |
| 6,950                      | 7,000         | 181                                 | 181   | 9,950                       | 10,000        | 258                                 | 258   | 12,950                      | 13,000        | 344                                 | 336   |
| <b>\$7,000 Your Tax Is</b> |               |                                     |   | <b>\$10,000 Your Tax Is</b> |               |                                     |   | <b>\$13,000 Your Tax Is</b> |               |                                     |   |
| 7,000                      | 7,050         | 182                                 | 182   | 10,000                      | 10,050        | 260                                 | 260   | 13,000                      | 13,050        | 345                                 | 337   |
| 7,050                      | 7,100         | 183                                 | 183   | 10,050                      | 10,100        | 261                                 | 261   | 13,050                      | 13,100        | 347                                 | 339   |
| 7,100                      | 7,150         | 185                                 | 185   | 10,100                      | 10,150        | 262                                 | 262   | 13,100                      | 13,150        | 348                                 | 340   |
| 7,150                      | 7,200         | 186                                 | 186   | 10,150                      | 10,200        | 263                                 | 264   | 13,150                      | 13,200        | 349                                 | 341   |
| 7,200                      | 7,250         | 187                                 | 187   | 10,200                      | 10,250        | 264                                 | 265   | 13,200                      | 13,250        | 351                                 | 343   |
| 7,250                      | 7,300         | 188                                 | 188   | 10,250                      | 10,300        | 266                                 | 266   | 13,250                      | 13,300        | 352                                 | 344   |
| 7,300                      | 7,350         | 190                                 | 190   | 10,300                      | 10,350        | 267                                 | 267   | 13,300                      | 13,350        | 354                                 | 345   |
| 7,350                      | 7,400         | 191                                 | 191   | 10,350                      | 10,400        | 269                                 | 269   | 13,350                      | 13,400        | 355                                 | 346   |
| 7,400                      | 7,450         | 192                                 | 192   | 10,400                      | 10,450        | 270                                 | 270   | 13,400                      | 13,450        | 357                                 | 348   |
| 7,450                      | 7,500         | 194                                 | 194   | 10,450                      | 10,500        | 272                                 | 271   | 13,450                      | 13,500        | 358                                 | 349   |
| 7,500                      | 7,550         | 195                                 | 195   | 10,500                      | 10,550        | 273                                 | 273   | 13,500                      | 13,550        | 360                                 | 350   |
| 7,550                      | 7,600         | 196                                 | 196   | 10,550                      | 10,600        | 275                                 | 274   | 13,550                      | 13,600        | 361                                 | 352   |
| 7,600                      | 7,650         | 197                                 | 197   | 10,600                      | 10,650        | 276                                 | 275   | 13,600                      | 13,650        | 362                                 | 353   |
| 7,650                      | 7,700         | 199                                 | 199   | 10,650                      | 10,700        | 277                                 | 276   | 13,650                      | 13,700        | 364                                 | 354   |
| 7,700                      | 7,750         | 200                                 | 200   | 10,700                      | 10,750        | 279                                 | 278   | 13,700                      | 13,750        | 365                                 | 355   |
| 7,750                      | 7,800         | 201                                 | 201   | 10,750                      | 10,800        | 280                                 | 279   | 13,750                      | 13,800        | 367                                 | 357   |
| 7,800                      | 7,850         | 203                                 | 203   | 10,800                      | 10,850        | 282                                 | 280   | 13,800                      | 13,850        | 368                                 | 358   |
| 7,850                      | 7,900         | 204                                 | 204   | 10,850                      | 10,900        | 283                                 | 282   | 13,850                      | 13,900        | 370                                 | 359   |
| 7,900                      | 7,950         | 205                                 | 205   | 10,900                      | 10,950        | 285                                 | 283   | 13,900                      | 13,950        | 371                                 | 361   |
| 7,950                      | 8,000         | 207                                 | 207   | 10,950                      | 11,000        | 286                                 | 284   | 13,950                      | 14,000        | 372                                 | 362   |
| <b>\$8,000 Your Tax Is</b> |               |                                     |   | <b>\$11,000 Your Tax Is</b> |               |                                     |   | <b>\$14,000 Your Tax Is</b> |               |                                     |   |
| 8,000                      | 8,050         | 208                                 | 208   | 11,000                      | 11,050        | 288                                 | 286   | 14,000                      | 14,050        | 374                                 | 363   |
| 8,050                      | 8,100         | 209                                 | 209   | 11,050                      | 11,100        | 289                                 | 287   | 14,050                      | 14,100        | 375                                 | 365   |
| 8,100                      | 8,150         | 210                                 | 210   | 11,100                      | 11,150        | 290                                 | 288   | 14,100                      | 14,150        | 377                                 | 366   |
| 8,150                      | 8,200         | 212                                 | 212   | 11,150                      | 11,200        | 292                                 | 289   | 14,150                      | 14,200        | 378                                 | 367   |
| 8,200                      | 8,250         | 213                                 | 213   | 11,200                      | 11,250        | 293                                 | 291   | 14,200                      | 14,250        | 380                                 | 368   |
| 8,250                      | 8,300         | 214                                 | 214   | 11,250                      | 11,300        | 295                                 | 292   | 14,250                      | 14,300        | 381                                 | 370   |
| 8,300                      | 8,350         | 216                                 | 216   | 11,300                      | 11,350        | 296                                 | 293   | 14,300                      | 14,350        | 383                                 | 371   |
| 8,350                      | 8,400         | 217                                 | 217   | 11,350                      | 11,400        | 298                                 | 295   | 14,350                      | 14,400        | 384                                 | 372   |
| 8,400                      | 8,450         | 218                                 | 218   | 11,400                      | 11,450        | 299                                 | 296   | 14,400                      | 14,450        | 385                                 | 374   |
| 8,450                      | 8,500         | 220                                 | 220   | 11,450                      | 11,500        | 300                                 | 297   | 14,450                      | 14,500        | 387                                 | 375   |
| 8,500                      | 8,550         | 221                                 | 221   | 11,500                      | 11,550        | 302                                 | 298   | 14,500                      | 14,550        | 388                                 | 376   |
| 8,550                      | 8,600         | 222                                 | 222   | 11,550                      | 11,600        | 303                                 | 300   | 14,550                      | 14,600        | 390                                 | 377   |
| 8,600                      | 8,650         | 223                                 | 223   | 11,600                      | 11,650        | 305                                 | 301   | 14,600                      | 14,650        | 391                                 | 379   |
| 8,650                      | 8,700         | 225                                 | 225   | 11,650                      | 11,700        | 306                                 | 302   | 14,650                      | 14,700        | 393                                 | 380   |
| 8,700                      | 8,750         | 226                                 | 226   | 11,700                      | 11,750        | 308                                 | 304   | 14,700                      | 14,750        | 394                                 | 381   |
| 8,750                      | 8,800         | 227                                 | 227   | 11,750                      | 11,800        | 309                                 | 305   | 14,750                      | 14,800        | 396                                 | 383   |
| 8,800                      | 8,850         | 229                                 | 229   | 11,800                      | 11,850        | 311                                 | 306   | 14,800                      | 14,850        | 397                                 | 384   |
| 8,850                      | 8,900         | 230                                 | 230   | 11,850                      | 11,900        | 312                                 | 308   | 14,850                      | 14,900        | 398                                 | 385   |
| 8,900                      | 8,950         | 231                                 | 231   | 11,900                      | 11,950        | 313                                 | 309   | 14,900                      | 14,950        | 400                                 | 387   |
| 8,950                      | 9,000         | 232                                 | 232   | 11,950                      | 12,000        | 315                                 | 310   | 14,950                      | 15,000        | 401                                 | 388   |

| At least        | But less than | Single or Married Filing Separately | Married Filing Jointly or Head of Household | At least        | But less than | Single or Married Filing Separately | Married Filing Jointly or Head of Household | At least        | But less than | Single or Married Filing Separately | Married Filing Jointly or Head of Household |
|-----------------|---------------|-------------------------------------|---|-----------------|---------------|-------------------------------------|---|-----------------|---------------|-------------------------------------|---|
| <b>\$15,000</b> |               | <b>Your Tax Is</b>                  |   | <b>\$18,000</b> |               | <b>Your Tax Is</b>                  |   | <b>\$21,000</b> |               | <b>Your Tax Is</b>                  |   |
| 15,000          | 15,050        | 403                                 | 389   | 18,000          | 18,050        | 489                                 | 467   | 21,000          | 21,050        | 576                                 | 547   |
| 15,050          | 15,100        | 404                                 | 390   | 18,050          | 18,100        | 491                                 | 468   | 21,050          | 21,100        | 577                                 | 548   |
| 15,100          | 15,150        | 406                                 | 392   | 18,100          | 18,150        | 492                                 | 469   | 21,100          | 21,150        | 578                                 | 549   |
| 15,150          | 15,200        | 407                                 | 393   | 18,150          | 18,200        | 493                                 | 471   | 21,150          | 21,200        | 580                                 | 551   |
| 15,200          | 15,250        | 408                                 | 394   | 18,200          | 18,250        | 495                                 | 472   | 21,200          | 21,250        | 581                                 | 552   |
| 15,250          | 15,300        | 410                                 | 396   | 18,250          | 18,300        | 496                                 | 473   | 21,250          | 21,300        | 583                                 | 554   |
| 15,300          | 15,350        | 411                                 | 397   | 18,300          | 18,350        | 498                                 | 475   | 21,300          | 21,350        | 584                                 | 555   |
| 15,350          | 15,400        | 413                                 | 398   | 18,350          | 18,400        | 499                                 | 476   | 21,350          | 21,400        | 586                                 | 557   |
| 15,400          | 15,450        | 414                                 | 400   | 18,400          | 18,450        | 501                                 | 477   | 21,400          | 21,450        | 587                                 | 558   |
| 15,450          | 15,500        | 416                                 | 401   | 18,450          | 18,500        | 502                                 | 479   | 21,450          | 21,500        | 588                                 | 559   |
| 15,500          | 15,550        | 417                                 | 402   | 18,500          | 18,550        | 504                                 | 480   | 21,500          | 21,550        | 590                                 | 561   |
| 15,550          | 15,600        | 419                                 | 403   | 18,550          | 18,600        | 505                                 | 481   | 21,550          | 21,600        | 591                                 | 562   |
| 15,600          | 15,650        | 420                                 | 405   | 18,600          | 18,650        | 506                                 | 482   | 21,600          | 21,650        | 593                                 | 564   |
| 15,650          | 15,700        | 421                                 | 406   | 18,650          | 18,700        | 508                                 | 484   | 21,650          | 21,700        | 594                                 | 565   |
| 15,700          | 15,750        | 423                                 | 407   | 18,700          | 18,750        | 509                                 | 485   | 21,700          | 21,750        | 596                                 | 567   |
| 15,750          | 15,800        | 424                                 | 409   | 18,750          | 18,800        | 511                                 | 486   | 21,750          | 21,800        | 597                                 | 568   |
| 15,800          | 15,850        | 426                                 | 410   | 18,800          | 18,850        | 512                                 | 488   | 21,800          | 21,850        | 599                                 | 570   |
| 15,850          | 15,900        | 427                                 | 411   | 18,850          | 18,900        | 514                                 | 489   | 21,850          | 21,900        | 600                                 | 571   |
| 15,900          | 15,950        | 429                                 | 412   | 18,900          | 18,950        | 515                                 | 490   | 21,900          | 21,950        | 601                                 | 572   |
| 15,950          | 16,000        | 430                                 | 414   | 18,950          | 19,000        | 516                                 | 491   | 21,950          | 22,000        | 603                                 | 574   |
| <b>\$16,000</b> |               | <b>Your Tax Is</b>                  |   | <b>\$19,000</b> |               | <b>Your Tax Is</b>                  |   | <b>\$22,000</b> |               | <b>Your Tax Is</b>                  |   |
| 16,000          | 16,050        | 432                                 | 415   | 19,000          | 19,050        | 518                                 | 493   | 22,000          | 22,050        | 604                                 | 575   |
| 16,050          | 16,100        | 433                                 | 416   | 19,050          | 19,100        | 519                                 | 494   | 22,050          | 22,100        | 606                                 | 577   |
| 16,100          | 16,150        | 434                                 | 418   | 19,100          | 19,150        | 521                                 | 495   | 22,100          | 22,150        | 607                                 | 578   |
| 16,150          | 16,200        | 436                                 | 419   | 19,150          | 19,200        | 522                                 | 497   | 22,150          | 22,200        | 609                                 | 580   |
| 16,200          | 16,250        | 437                                 | 420   | 19,200          | 19,250        | 524                                 | 498   | 22,200          | 22,250        | 610                                 | 581   |
| 16,250          | 16,300        | 439                                 | 422   | 19,250          | 19,300        | 525                                 | 499   | 22,250          | 22,300        | 612                                 | 583   |
| 16,300          | 16,350        | 440                                 | 423   | 19,300          | 19,350        | 527                                 | 501   | 22,300          | 22,350        | 613                                 | 584   |
| 16,350          | 16,400        | 442                                 | 424   | 19,350          | 19,400        | 528                                 | 502   | 22,350          | 22,400        | 614                                 | 585   |
| 16,400          | 16,450        | 443                                 | 425   | 19,400          | 19,450        | 529                                 | 503   | 22,400          | 22,450        | 616                                 | 587   |
| 16,450          | 16,500        | 444                                 | 427   | 19,450          | 19,500        | 531                                 | 504   | 22,450          | 22,500        | 617                                 | 588   |
| 16,500          | 16,550        | 446                                 | 428   | 19,500          | 19,550        | 532                                 | 506   | 22,500          | 22,550        | 619                                 | 590   |
| 16,550          | 16,600        | 447                                 | 429   | 19,550          | 19,600        | 534                                 | 507   | 22,550          | 22,600        | 620                                 | 591   |
| 16,600          | 16,650        | 449                                 | 431   | 19,600          | 19,650        | 535                                 | 508   | 22,600          | 22,650        | 622                                 | 593   |
| 16,650          | 16,700        | 450                                 | 432   | 19,650          | 19,700        | 537                                 | 510   | 22,650          | 22,700        | 623                                 | 594   |
| 16,700          | 16,750        | 452                                 | 433   | 19,700          | 19,750        | 538                                 | 511   | 22,700          | 22,750        | 624                                 | 595   |
| 16,750          | 16,800        | 453                                 | 434   | 19,750          | 19,800        | 540                                 | 512   | 22,750          | 22,800        | 626                                 | 597   |
| 16,800          | 16,850        | 455                                 | 436   | 19,800          | 19,850        | 541                                 | 513   | 22,800          | 22,850        | 627                                 | 598   |
| 16,850          | 16,900        | 456                                 | 437   | 19,850          | 19,900        | 542                                 | 515   | 22,850          | 22,900        | 629                                 | 600   |
| 16,900          | 16,950        | 457                                 | 438   | 19,900          | 19,950        | 544                                 | 516   | 22,900          | 22,950        | 630                                 | 601   |
| 16,950          | 17,000        | 459                                 | 440   | 19,950          | 20,000        | 545                                 | 517   | 22,950          | 23,000        | 632                                 | 603   |
| <b>\$17,000</b> |               | <b>Your Tax Is</b>                  |   | <b>\$20,000</b> |               | <b>Your Tax Is</b>                  |   | <b>\$23,000</b> |               | <b>Your Tax Is</b>                  |   |
| 17,000          | 17,050        | 460                                 | 441   | 20,000          | 20,050        | 547                                 | 519   | 23,000          | 23,050        | 633                                 | 604   |
| 17,050          | 17,100        | 462                                 | 442   | 20,050          | 20,100        | 548                                 | 520   | 23,050          | 23,100        | 635                                 | 606   |
| 17,100          | 17,150        | 463                                 | 444   | 20,100          | 20,150        | 550                                 | 521   | 23,100          | 23,150        | 636                                 | 607   |
| 17,150          | 17,200        | 465                                 | 445   | 20,150          | 20,200        | 551                                 | 523   | 23,150          | 23,200        | 637                                 | 608   |
| 17,200          | 17,250        | 466                                 | 446   | 20,200          | 20,250        | 552                                 | 524   | 23,200          | 23,250        | 639                                 | 610   |
| 17,250          | 17,300        | 468                                 | 447   | 20,250          | 20,300        | 554                                 | 525   | 23,250          | 23,300        | 640                                 | 611   |
| 17,300          | 17,350        | 469                                 | 449   | 20,300          | 20,350        | 555                                 | 526   | 23,300          | 23,350        | 642                                 | 613   |
| 17,350          | 17,400        | 470                                 | 450   | 20,350          | 20,400        | 557                                 | 528   | 23,350          | 23,400        | 643                                 | 614   |
| 17,400          | 17,450        | 472                                 | 451   | 20,400          | 20,450        | 558                                 | 529   | 23,400          | 23,450        | 645                                 | 616   |
| 17,450          | 17,500        | 473                                 | 453   | 20,450          | 20,500        | 560                                 | 531   | 23,450          | 23,500        | 646                                 | 617   |
| 17,500          | 17,550        | 475                                 | 454   | 20,500          | 20,550        | 561                                 | 532   | 23,500          | 23,550        | 648                                 | 619   |
| 17,550          | 17,600        | 476                                 | 455   | 20,550          | 20,600        | 563                                 | 534   | 23,550          | 23,600        | 649                                 | 620   |
| 17,600          | 17,650        | 478                                 | 456   | 20,600          | 20,650        | 564                                 | 535   | 23,600          | 23,650        | 650                                 | 621   |
| 17,650          | 17,700        | 479                                 | 458   | 20,650          | 20,700        | 565                                 | 536   | 23,650          | 23,700        | 652                                 | 623   |
| 17,700          | 17,750        | 480                                 | 459   | 20,700          | 20,750        | 567                                 | 538   | 23,700          | 23,750        | 653                                 | 624   |
| 17,750          | 17,800        | 482                                 | 460   | 20,750          | 20,800        | 568                                 | 539   | 23,750          | 23,800        | 655                                 | 626   |
| 17,800          | 17,850        | 483                                 | 462   | 20,800          | 20,850        | 570                                 | 541   | 23,800          | 23,850        | 656                                 | 627   |
| 17,850          | 17,900        | 485                                 | 463   | 20,850          | 20,900        | 571                                 | 542   | 23,850          | 23,900        | 658                                 | 629   |
| 17,900          | 17,950        | 486                                 | 464   | 20,900          | 20,950        | 573                                 | 544   | 23,900          | 23,950        | 659                                 | 630   |
| 17,950          | 18,000        | 488                                 | 466   | 20,950          | 21,000        | 574                                 | 545   | 23,950          | 24,000        | 660                                 | 631   |

| At least                    | But less than | Single or Married Filing Separately | Married Filing Jointly or Head of Household | At least                    | But less than | Single or Married Filing Separately | Married Filing Jointly or Head of Household | At least                    | But less than | Single or Married Filing Separately | Married Filing Jointly or Head of Household |
|-----------------------------|---------------|-------------------------------------|---|-----------------------------|---------------|-------------------------------------|---|-----------------------------|---------------|-------------------------------------|---|
| <b>\$24,000 Your Tax Is</b> |               |                                     |   | <b>\$27,000 Your Tax Is</b> |               |                                     |   | <b>\$30,000 Your Tax Is</b> |               |                                     |   |
| 24,000                      | 24,050        | 662                                 | 633   | 27,000                      | 27,050        | 756                                 | 719   | 30,000                      | 30,050        | 857                                 | 806   |
| 24,050                      | 24,100        | 663                                 | 634   | 27,050                      | 27,100        | 758                                 | 721   | 30,050                      | 30,100        | 859                                 | 807   |
| 24,100                      | 24,150        | 665                                 | 636   | 27,100                      | 27,150        | 759                                 | 722   | 30,100                      | 30,150        | 860                                 | 809   |
| 24,150                      | 24,200        | 666                                 | 637   | 27,150                      | 27,200        | 761                                 | 724   | 30,150                      | 30,200        | 862                                 | 810   |
| 24,200                      | 24,250        | 668                                 | 639   | 27,200                      | 27,250        | 763                                 | 725   | 30,200                      | 30,250        | 864                                 | 811   |
| 24,250                      | 24,300        | 669                                 | 640   | 27,250                      | 27,300        | 764                                 | 727   | 30,250                      | 30,300        | 865                                 | 813   |
| 24,300                      | 24,350        | 671                                 | 642   | 27,300                      | 27,350        | 766                                 | 728   | 30,300                      | 30,350        | 867                                 | 814   |
| 24,350                      | 24,400        | 672                                 | 643   | 27,350                      | 27,400        | 768                                 | 729   | 30,350                      | 30,400        | 869                                 | 816   |
| 24,400                      | 24,450        | 673                                 | 644   | 27,400                      | 27,450        | 769                                 | 731   | 30,400                      | 30,450        | 870                                 | 817   |
| 24,450                      | 24,500        | 675                                 | 646   | 27,450                      | 27,500        | 771                                 | 732   | 30,450                      | 30,500        | 872                                 | 819   |
| 24,500                      | 24,550        | 676                                 | 647   | 27,500                      | 27,550        | 773                                 | 734   | 30,500                      | 30,550        | 874                                 | 820   |
| 24,550                      | 24,600        | 678                                 | 649   | 27,550                      | 27,600        | 775                                 | 735   | 30,550                      | 30,600        | 875                                 | 822   |
| 24,600                      | 24,650        | 679                                 | 650   | 27,600                      | 27,650        | 776                                 | 737   | 30,600                      | 30,650        | 877                                 | 823   |
| 24,650                      | 24,700        | 681                                 | 652   | 27,650                      | 27,700        | 778                                 | 738   | 30,650                      | 30,700        | 879                                 | 824   |
| 24,700                      | 24,750        | 682                                 | 653   | 27,700                      | 27,750        | 780                                 | 739   | 30,700                      | 30,750        | 880                                 | 826   |
| 24,750                      | 24,800        | 684                                 | 655   | 27,750                      | 27,800        | 781                                 | 741   | 30,750                      | 30,800        | 882                                 | 827   |
| 24,800                      | 24,850        | 685                                 | 656   | 27,800                      | 27,850        | 783                                 | 742   | 30,800                      | 30,850        | 884                                 | 829   |
| 24,850                      | 24,900        | 686                                 | 657   | 27,850                      | 27,900        | 785                                 | 744   | 30,850                      | 30,900        | 885                                 | 830   |
| 24,900                      | 24,950        | 688                                 | 659   | 27,900                      | 27,950        | 786                                 | 745   | 30,900                      | 30,950        | 887                                 | 832   |
| 24,950                      | 25,000        | 689                                 | 660   | 27,950                      | 28,000        | 788                                 | 747   | 30,950                      | 31,000        | 889                                 | 833   |
| <b>\$25,000 Your Tax Is</b> |               |                                     |   | <b>\$28,000 Your Tax Is</b> |               |                                     |   | <b>\$31,000 Your Tax Is</b> |               |                                     |   |
| 25,000                      | 25,050        | 691                                 | 662   | 28,000                      | 28,050        | 790                                 | 748   | 31,000                      | 31,050        | 890                                 | 835   |
| 25,050                      | 25,100        | 692                                 | 663   | 28,050                      | 28,100        | 791                                 | 750   | 31,050                      | 31,100        | 892                                 | 836   |
| 25,100                      | 25,150        | 694                                 | 665   | 28,100                      | 28,150        | 793                                 | 751   | 31,100                      | 31,150        | 894                                 | 837   |
| 25,150                      | 25,200        | 695                                 | 666   | 28,150                      | 28,200        | 795                                 | 752   | 31,150                      | 31,200        | 895                                 | 839   |
| 25,200                      | 25,250        | 696                                 | 667   | 28,200                      | 28,250        | 796                                 | 754   | 31,200                      | 31,250        | 897                                 | 840   |
| 25,250                      | 25,300        | 698                                 | 669   | 28,250                      | 28,300        | 798                                 | 755   | 31,250                      | 31,300        | 899                                 | 842   |
| 25,300                      | 25,350        | 699                                 | 670   | 28,300                      | 28,350        | 800                                 | 757   | 31,300                      | 31,350        | 901                                 | 843   |
| 25,350                      | 25,400        | 701                                 | 672   | 28,350                      | 28,400        | 801                                 | 758   | 31,350                      | 31,400        | 902                                 | 845   |
| 25,400                      | 25,450        | 702                                 | 673   | 28,400                      | 28,450        | 803                                 | 760   | 31,400                      | 31,450        | 904                                 | 846   |
| 25,450                      | 25,500        | 704                                 | 675   | 28,450                      | 28,500        | 805                                 | 761   | 31,450                      | 31,500        | 906                                 | 847   |
| 25,500                      | 25,550        | 706                                 | 676   | 28,500                      | 28,550        | 806                                 | 763   | 31,500                      | 31,550        | 907                                 | 849   |
| 25,550                      | 25,600        | 707                                 | 678   | 28,550                      | 28,600        | 808                                 | 764   | 31,550                      | 31,600        | 909                                 | 850   |
| 25,600                      | 25,650        | 709                                 | 679   | 28,600                      | 28,650        | 810                                 | 765   | 31,600                      | 31,650        | 911                                 | 852   |
| 25,650                      | 25,700        | 711                                 | 680   | 28,650                      | 28,700        | 811                                 | 767   | 31,650                      | 31,700        | 912                                 | 853   |
| 25,700                      | 25,750        | 712                                 | 682   | 28,700                      | 28,750        | 813                                 | 768   | 31,700                      | 31,750        | 914                                 | 855   |
| 25,750                      | 25,800        | 714                                 | 683   | 28,750                      | 28,800        | 815                                 | 770   | 31,750                      | 31,800        | 916                                 | 856   |
| 25,800                      | 25,850        | 716                                 | 685   | 28,800                      | 28,850        | 817                                 | 771   | 31,800                      | 31,850        | 917                                 | 858   |
| 25,850                      | 25,900        | 717                                 | 686   | 28,850                      | 28,900        | 818                                 | 772   | 31,850                      | 31,900        | 919                                 | 859   |
| 25,900                      | 25,950        | 719                                 | 688   | 28,900                      | 28,950        | 820                                 | 774   | 31,900                      | 31,950        | 921                                 | 860   |
| 25,950                      | 26,000        | 721                                 | 689   | 28,950                      | 29,000        | 822                                 | 775   | 31,950                      | 32,000        | 922                                 | 862   |
| <b>\$26,000 Your Tax Is</b> |               |                                     |   | <b>\$29,000 Your Tax Is</b> |               |                                     |   | <b>\$32,000 Your Tax Is</b> |               |                                     |   |
| 26,000                      | 26,050        | 722                                 | 691   | 29,000                      | 29,050        | 823                                 | 777   | 32,000                      | 32,050        | 924                                 | 863   |
| 26,050                      | 26,100        | 724                                 | 692   | 29,050                      | 29,100        | 825                                 | 778   | 32,050                      | 32,100        | 926                                 | 865   |
| 26,100                      | 26,150        | 726                                 | 693   | 29,100                      | 29,150        | 827                                 | 780   | 32,100                      | 32,150        | 927                                 | 866   |
| 26,150                      | 26,200        | 727                                 | 695   | 29,150                      | 29,200        | 828                                 | 781   | 32,150                      | 32,200        | 929                                 | 868   |
| 26,200                      | 26,250        | 729                                 | 696   | 29,200                      | 29,250        | 830                                 | 783   | 32,200                      | 32,250        | 931                                 | 869   |
| 26,250                      | 26,300        | 731                                 | 698   | 29,250                      | 29,300        | 832                                 | 784   | 32,250                      | 32,300        | 932                                 | 871   |
| 26,300                      | 26,350        | 733                                 | 699   | 29,300                      | 29,350        | 833                                 | 786   | 32,300                      | 32,350        | 934                                 | 872   |
| 26,350                      | 26,400        | 734                                 | 701   | 29,350                      | 29,400        | 835                                 | 787   | 32,350                      | 32,400        | 936                                 | 873   |
| 26,400                      | 26,450        | 736                                 | 702   | 29,400                      | 29,450        | 837                                 | 788   | 32,400                      | 32,450        | 937                                 | 875   |
| 26,450                      | 26,500        | 738                                 | 703   | 29,450                      | 29,500        | 838                                 | 790   | 32,450                      | 32,500        | 939                                 | 876   |
| 26,500                      | 26,550        | 739                                 | 705   | 29,500                      | 29,550        | 840                                 | 791   | 32,500                      | 32,550        | 941                                 | 878   |
| 26,550                      | 26,600        | 741                                 | 706   | 29,550                      | 29,600        | 842                                 | 793   | 32,550                      | 32,600        | 943                                 | 879   |
| 26,600                      | 26,650        | 743                                 | 708   | 29,600                      | 29,650        | 843                                 | 794   | 32,600                      | 32,650        | 944                                 | 881   |
| 26,650                      | 26,700        | 744                                 | 709   | 29,650                      | 29,700        | 845                                 | 796   | 32,650                      | 32,700        | 946                                 | 882   |
| 26,700                      | 26,750        | 746                                 | 711   | 29,700                      | 29,750        | 847                                 | 797   | 32,700                      | 32,750        | 948                                 | 883   |
| 26,750                      | 26,800        | 748                                 | 712   | 29,750                      | 29,800        | 848                                 | 799   | 32,750                      | 32,800        | 949                                 | 885   |
| 26,800                      | 26,850        | 749                                 | 714   | 29,800                      | 29,850        | 850                                 | 800   | 32,800                      | 32,850        | 951                                 | 886   |
| 26,850                      | 26,900        | 751                                 | 715   | 29,850                      | 29,900        | 852                                 | 801   | 32,850                      | 32,900        | 953                                 | 888   |
| 26,900                      | 26,950        | 753                                 | 716   | 29,900                      | 29,950        | 853                                 | 803   | 32,900                      | 32,950        | 954                                 | 889   |
| 26,950                      | 27,000        | 754                                 | 718   | 29,950                      | 30,000        | 855                                 | 804   | 32,950                      | 33,000        | 956                                 | 891   |



| At least                    | But less than | Single or Married Filing Separately | Married Filing Jointly or Head of Household | At least                    | But less than | Single or Married Filing Separately | Married Filing Jointly or Head of Household | At least                    | But less than | Single or Married Filing Separately | Married Filing Jointly or Head of Household |
|-----------------------------|---------------|-------------------------------------|---|-----------------------------|---------------|-------------------------------------|---|-----------------------------|---------------|-------------------------------------|---|
| <b>\$33,000 Your Tax Is</b> |               |                                     |   | <b>\$36,000 Your Tax Is</b> |               |                                     |   | <b>\$39,000 Your Tax Is</b> |               |                                     |   |
| 33,000                      | 33,050        | 958                                 | 892   | 36,000                      | 36,050        | 1,058                               | 979   | 39,000                      | 39,050        | 1,159                               | 1,065                                       |
| 33,050                      | 33,100        | 959                                 | 894   | 36,050                      | 36,100        | 1,060                               | 980   | 39,050                      | 39,100        | 1,161                               | 1,066                                       |
| 33,100                      | 33,150        | 961                                 | 895   | 36,100                      | 36,150        | 1,062                               | 981   | 39,100                      | 39,150        | 1,163                               | 1,068                                       |
| 33,150                      | 33,200        | 963                                 | 896   | 36,150                      | 36,200        | 1,063                               | 983   | 39,150                      | 39,200        | 1,164                               | 1,069                                       |
| 33,200                      | 33,250        | 964                                 | 898   | 36,200                      | 36,250        | 1,065                               | 984   | 39,200                      | 39,250        | 1,166                               | 1,071                                       |
| 33,250                      | 33,300        | 966                                 | 899   | 36,250                      | 36,300        | 1,067                               | 986   | 39,250                      | 39,300        | 1,168                               | 1,072                                       |
| 33,300                      | 33,350        | 968                                 | 901   | 36,300                      | 36,350        | 1,069                               | 987   | 39,300                      | 39,350        | 1,169                               | 1,074                                       |
| 33,350                      | 33,400        | 969                                 | 902   | 36,350                      | 36,400        | 1,070                               | 989   | 39,350                      | 39,400        | 1,171                               | 1,075                                       |
| 33,400                      | 33,450        | 971                                 | 904   | 36,400                      | 36,450        | 1,072                               | 990   | 39,400                      | 39,450        | 1,173                               | 1,076                                       |
| 33,450                      | 33,500        | 973                                 | 905   | 36,450                      | 36,500        | 1,074                               | 991   | 39,450                      | 39,500        | 1,174                               | 1,078                                       |
| 33,500                      | 33,550        | 974                                 | 907   | 36,500                      | 36,550        | 1,075                               | 993   | 39,500                      | 39,550        | 1,176                               | 1,079                                       |
| 33,550                      | 33,600        | 976                                 | 908   | 36,550                      | 36,600        | 1,077                               | 994   | 39,550                      | 39,600        | 1,178                               | 1,081                                       |
| 33,600                      | 33,650        | 978                                 | 909   | 36,600                      | 36,650        | 1,079                               | 996   | 39,600                      | 39,650        | 1,179                               | 1,082                                       |
| 33,650                      | 33,700        | 979                                 | 911   | 36,650                      | 36,700        | 1,080                               | 997   | 39,650                      | 39,700        | 1,181                               | 1,084                                       |
| 33,700                      | 33,750        | 981                                 | 912   | 36,700                      | 36,750        | 1,082                               | 999   | 39,700                      | 39,750        | 1,183                               | 1,085                                       |
| 33,750                      | 33,800        | 983                                 | 914   | 36,750                      | 36,800        | 1,084                               | 1,000                                       | 39,750                      | 39,800        | 1,184                               | 1,087                                       |
| 33,800                      | 33,850        | 985                                 | 915   | 36,800                      | 36,850        | 1,085                               | 1,002                                       | 39,800                      | 39,850        | 1,186                               | 1,088                                       |
| 33,850                      | 33,900        | 986                                 | 917   | 36,850                      | 36,900        | 1,087                               | 1,003                                       | 39,850                      | 39,900        | 1,188                               | 1,089                                       |
| 33,900                      | 33,950        | 988                                 | 918   | 36,900                      | 36,950        | 1,089                               | 1,004                                       | 39,900                      | 39,950        | 1,189                               | 1,091                                       |
| 33,950                      | 34,000        | 990                                 | 919   | 36,950                      | 37,000        | 1,090                               | 1,006                                       | 39,950                      | 40,000        | 1,191                               | 1,092                                       |
| <b>\$34,000 Your Tax Is</b> |               |                                     |   | <b>\$37,000 Your Tax Is</b> |               |                                     |   | <b>\$40,000 Your Tax Is</b> |               |                                     |   |
| 34,000                      | 34,050        | 991                                 | 921   | 37,000                      | 37,050        | 1,092                               | 1,007                                       | 40,000                      | 40,050        | 1,193                               | 1,094                                       |
| 34,050                      | 34,100        | 993                                 | 922   | 37,050                      | 37,100        | 1,094                               | 1,009                                       | 40,050                      | 40,100        | 1,195                               | 1,095                                       |
| 34,100                      | 34,150        | 995                                 | 924   | 37,100                      | 37,150        | 1,095                               | 1,010                                       | 40,100                      | 40,150        | 1,196                               | 1,097                                       |
| 34,150                      | 34,200        | 996                                 | 925   | 37,150                      | 37,200        | 1,097                               | 1,012                                       | 40,150                      | 40,200        | 1,198                               | 1,098                                       |
| 34,200                      | 34,250        | 998                                 | 927   | 37,200                      | 37,250        | 1,099                               | 1,013                                       | 40,200                      | 40,250        | 1,200                               | 1,099                                       |
| 34,250                      | 34,300        | 1,000                               | 928   | 37,250                      | 37,300        | 1,100                               | 1,015                                       | 40,250                      | 40,300        | 1,201                               | 1,101                                       |
| 34,300                      | 34,350        | 1,001                               | 930   | 37,300                      | 37,350        | 1,102                               | 1,016                                       | 40,300                      | 40,350        | 1,203                               | 1,102                                       |
| 34,350                      | 34,400        | 1,003                               | 931   | 37,350                      | 37,400        | 1,104                               | 1,017                                       | 40,350                      | 40,400        | 1,205                               | 1,104                                       |
| 34,400                      | 34,450        | 1,005                               | 932   | 37,400                      | 37,450        | 1,105                               | 1,019                                       | 40,400                      | 40,450        | 1,206                               | 1,105                                       |
| 34,450                      | 34,500        | 1,006                               | 934   | 37,450                      | 37,500        | 1,107                               | 1,020                                       | 40,450                      | 40,500        | 1,208                               | 1,107                                       |
| 34,500                      | 34,550        | 1,008                               | 935   | 37,500                      | 37,550        | 1,109                               | 1,022                                       | 40,500                      | 40,550        | 1,210                               | 1,108                                       |
| 34,550                      | 34,600        | 1,010                               | 937   | 37,550                      | 37,600        | 1,111                               | 1,023                                       | 40,550                      | 40,600        | 1,211                               | 1,110                                       |
| 34,600                      | 34,650        | 1,011                               | 938   | 37,600                      | 37,650        | 1,112                               | 1,025                                       | 40,600                      | 40,650        | 1,213                               | 1,111                                       |
| 34,650                      | 34,700        | 1,013                               | 940   | 37,650                      | 37,700        | 1,114                               | 1,026                                       | 40,650                      | 40,700        | 1,215                               | 1,112                                       |
| 34,700                      | 34,750        | 1,015                               | 941   | 37,700                      | 37,750        | 1,116                               | 1,027                                       | 40,700                      | 40,750        | 1,216                               | 1,114                                       |
| 34,750                      | 34,800        | 1,016                               | 943   | 37,750                      | 37,800        | 1,117                               | 1,029                                       | 40,750                      | 40,800        | 1,218                               | 1,115                                       |
| 34,800                      | 34,850        | 1,018                               | 944   | 37,800                      | 37,850        | 1,119                               | 1,030                                       | 40,800                      | 40,850        | 1,220                               | 1,117                                       |
| 34,850                      | 34,900        | 1,020                               | 945   | 37,850                      | 37,900        | 1,121                               | 1,032                                       | 40,850                      | 40,900        | 1,221                               | 1,118                                       |
| 34,900                      | 34,950        | 1,021                               | 947   | 37,900                      | 37,950        | 1,122                               | 1,033                                       | 40,900                      | 40,950        | 1,223                               | 1,120                                       |
| 34,950                      | 35,000        | 1,023                               | 948   | 37,950                      | 38,000        | 1,124                               | 1,035                                       | 40,950                      | 41,000        | 1,225                               | 1,121                                       |
| <b>\$35,000 Your Tax Is</b> |               |                                     |   | <b>\$38,000 Your Tax Is</b> |               |                                     |   | <b>\$41,000 Your Tax Is</b> |               |                                     |   |
| 35,000                      | 35,050        | 1,025                               | 950   | 38,000                      | 38,050        | 1,126                               | 1,036                                       | 41,000                      | 41,050        | 1,226                               | 1,123                                       |
| 35,050                      | 35,100        | 1,027                               | 951   | 38,050                      | 38,100        | 1,127                               | 1,038                                       | 41,050                      | 41,100        | 1,228                               | 1,124                                       |
| 35,100                      | 35,150        | 1,028                               | 953   | 38,100                      | 38,150        | 1,129                               | 1,039                                       | 41,100                      | 41,150        | 1,230                               | 1,125                                       |
| 35,150                      | 35,200        | 1,030                               | 954   | 38,150                      | 38,200        | 1,131                               | 1,040                                       | 41,150                      | 41,200        | 1,231                               | 1,127                                       |
| 35,200                      | 35,250        | 1,032                               | 955   | 38,200                      | 38,250        | 1,132                               | 1,042                                       | 41,200                      | 41,250        | 1,233                               | 1,128                                       |
| 35,250                      | 35,300        | 1,033                               | 957   | 38,250                      | 38,300        | 1,134                               | 1,043                                       | 41,250                      | 41,300        | 1,235                               | 1,130                                       |
| 35,300                      | 35,350        | 1,035                               | 958   | 38,300                      | 38,350        | 1,136                               | 1,045                                       | 41,300                      | 41,350        | 1,237                               | 1,131                                       |
| 35,350                      | 35,400        | 1,037                               | 960   | 38,350                      | 38,400        | 1,137                               | 1,046                                       | 41,350                      | 41,400        | 1,238                               | 1,133                                       |
| 35,400                      | 35,450        | 1,038                               | 961   | 38,400                      | 38,450        | 1,139                               | 1,048                                       | 41,400                      | 41,450        | 1,240                               | 1,134                                       |
| 35,450                      | 35,500        | 1,040                               | 963   | 38,450                      | 38,500        | 1,141                               | 1,049                                       | 41,450                      | 41,500        | 1,242                               | 1,135                                       |
| 35,500                      | 35,550        | 1,042                               | 964   | 38,500                      | 38,550        | 1,142                               | 1,051                                       | 41,500                      | 41,550        | 1,243                               | 1,137                                       |
| 35,550                      | 35,600        | 1,043                               | 966   | 38,550                      | 38,600        | 1,144                               | 1,052                                       | 41,550                      | 41,600        | 1,245                               | 1,138                                       |
| 35,600                      | 35,650        | 1,045                               | 967   | 38,600                      | 38,650        | 1,146                               | 1,053                                       | 41,600                      | 41,650        | 1,247                               | 1,140                                       |
| 35,650                      | 35,700        | 1,047                               | 968   | 38,650                      | 38,700        | 1,147                               | 1,055                                       | 41,650                      | 41,700        | 1,248                               | 1,141                                       |
| 35,700                      | 35,750        | 1,048                               | 970   | 38,700                      | 38,750        | 1,149                               | 1,056                                       | 41,700                      | 41,750        | 1,250                               | 1,143                                       |
| 35,750                      | 35,800        | 1,050                               | 971   | 38,750                      | 38,800        | 1,151                               | 1,058                                       | 41,750                      | 41,800        | 1,252                               | 1,144                                       |
| 35,800                      | 35,850        | 1,052                               | 973   | 38,800                      | 38,850        | 1,153                               | 1,059                                       | 41,800                      | 41,850        | 1,253                               | 1,146                                       |
| 35,850                      | 35,900        | 1,053                               | 974   | 38,850                      | 38,900        | 1,154                               | 1,061                                       | 41,850                      | 41,900        | 1,255                               | 1,147                                       |
| 35,900                      | 35,950        | 1,055                               | 976   | 38,900                      | 38,950        | 1,156                               | 1,062                                       | 41,900                      | 41,950        | 1,257                               | 1,148                                       |
| 35,950                      | 36,000        | 1,057                               | 977   | 38,950                      | 39,000        | 1,158                               | 1,063                                       | 41,950                      | 42,000        | 1,258                               | 1,150                                       |

| At least                    | But less than | Single or Married Filing Separately | Married Filing Jointly or Head of Household | At least                    | But less than | Single or Married Filing Separately | Married Filing Jointly or Head of Household | At least   | But less than | Single or Married Filing Separately | Married Filing Jointly or Head of Household |
|-----------------------------|---------------|-------------------------------------|---|-----------------------------|---------------|-------------------------------------|---|--|---------------|-------------------------------------|---|
| <b>\$42,000 Your Tax Is</b> |               |                                     |   | <b>\$45,000 Your Tax Is</b> |               |                                     |   | <b>\$48,000 Your Tax Is</b>  |               |                                     |   |
| 42,000                      | 42,050        | 1,260                               | 1,151                                       | 45,000                      | 45,050        | 1,361                               | 1,238                                       | 48,000   | 48,050        | 1,462                               | 1,324                                       |
| 42,050                      | 42,100        | 1,262                               | 1,153                                       | 45,050                      | 45,100        | 1,363                               | 1,239                                       | 48,050   | 48,100        | 1,463                               | 1,326                                       |
| 42,100                      | 42,150        | 1,263                               | 1,154                                       | 45,100                      | 45,150        | 1,364                               | 1,241                                       | 48,100   | 48,150        | 1,465                               | 1,327                                       |
| 42,150                      | 42,200        | 1,265                               | 1,156                                       | 45,150                      | 45,200        | 1,366                               | 1,242                                       | 48,150   | 48,200        | 1,467                               | 1,328                                       |
| 42,200                      | 42,250        | 1,267                               | 1,157                                       | 45,200                      | 45,250        | 1,368                               | 1,243                                       | 48,200   | 48,250        | 1,468                               | 1,330                                       |
| 42,250                      | 42,300        | 1,268                               | 1,159                                       | 45,250                      | 45,300        | 1,369                               | 1,245                                       | 48,250   | 48,300        | 1,470                               | 1,331                                       |
| 42,300                      | 42,350        | 1,270                               | 1,160                                       | 45,300                      | 45,350        | 1,371                               | 1,246                                       | 48,300   | 48,350        | 1,472                               | 1,333                                       |
| 42,350                      | 42,400        | 1,272                               | 1,161                                       | 45,350                      | 45,400        | 1,373                               | 1,248                                       | 48,350   | 48,400        | 1,473                               | 1,334                                       |
| 42,400                      | 42,450        | 1,273                               | 1,163                                       | 45,400                      | 45,450        | 1,374                               | 1,249                                       | 48,400   | 48,450        | 1,475                               | 1,336                                       |
| 42,450                      | 42,500        | 1,275                               | 1,164                                       | 45,450                      | 45,500        | 1,376                               | 1,251                                       | 48,450   | 48,500        | 1,477                               | 1,337                                       |
| 42,500                      | 42,550        | 1,277                               | 1,166                                       | 45,500                      | 45,550        | 1,378                               | 1,252                                       | 48,500   | 48,550        | 1,478                               | 1,339                                       |
| 42,550                      | 42,600        | 1,279                               | 1,167                                       | 45,550                      | 45,600        | 1,379                               | 1,254                                       | 48,550   | 48,600        | 1,480                               | 1,340                                       |
| 42,600                      | 42,650        | 1,280                               | 1,169                                       | 45,600                      | 45,650        | 1,381                               | 1,255                                       | 48,600   | 48,650        | 1,482                               | 1,341                                       |
| 42,650                      | 42,700        | 1,282                               | 1,170                                       | 45,650                      | 45,700        | 1,383                               | 1,256                                       | 48,650   | 48,700        | 1,483                               | 1,343                                       |
| 42,700                      | 42,750        | 1,284                               | 1,171                                       | 45,700                      | 45,750        | 1,384                               | 1,258                                       | 48,700   | 48,750        | 1,485                               | 1,344                                       |
| 42,750                      | 42,800        | 1,285                               | 1,173                                       | 45,750                      | 45,800        | 1,386                               | 1,259                                       | 48,750   | 48,800        | 1,487                               | 1,346                                       |
| 42,800                      | 42,850        | 1,287                               | 1,174                                       | 45,800                      | 45,850        | 1,388                               | 1,261                                       | 48,800   | 48,850        | 1,489                               | 1,347                                       |
| 42,850                      | 42,900        | 1,289                               | 1,176                                       | 45,850                      | 45,900        | 1,389                               | 1,262                                       | 48,850   | 48,900        | 1,490                               | 1,349                                       |
| 42,900                      | 42,950        | 1,290                               | 1,177                                       | 45,900                      | 45,950        | 1,391                               | 1,264                                       | 48,900   | 48,950        | 1,492                               | 1,350                                       |
| 42,950                      | 43,000        | 1,292                               | 1,179                                       | 45,950                      | 46,000        | 1,393                               | 1,265                                       | 48,950   | 49,000        | 1,494                               | 1,351                                       |
| <b>\$43,000 Your Tax Is</b> |               |                                     |   | <b>\$46,000 Your Tax Is</b> |               |                                     |   | <b>\$49,000 Your Tax Is</b>  |               |                                     |   |
| 43,000                      | 43,050        | 1,294                               | 1,180                                       | 46,000                      | 46,050        | 1,394                               | 1,267                                       | 49,000   | 49,050        | 1,495                               | 1,353                                       |
| 43,050                      | 43,100        | 1,295                               | 1,182                                       | 46,050                      | 46,100        | 1,396                               | 1,268                                       | 49,050   | 49,100        | 1,497                               | 1,354                                       |
| 43,100                      | 43,150        | 1,297                               | 1,183                                       | 46,100                      | 46,150        | 1,398                               | 1,269                                       | 49,100   | 49,150        | 1,499                               | 1,356                                       |
| 43,150                      | 43,200        | 1,299                               | 1,184                                       | 46,150                      | 46,200        | 1,399                               | 1,271                                       | 49,150   | 49,200        | 1,500                               | 1,357                                       |
| 43,200                      | 43,250        | 1,300                               | 1,186                                       | 46,200                      | 46,250        | 1,401                               | 1,272                                       | 49,200   | 49,250        | 1,502                               | 1,359                                       |
| 43,250                      | 43,300        | 1,302                               | 1,187                                       | 46,250                      | 46,300        | 1,403                               | 1,274                                       | 49,250   | 49,300        | 1,504                               | 1,360                                       |
| 43,300                      | 43,350        | 1,304                               | 1,189                                       | 46,300                      | 46,350        | 1,405                               | 1,275                                       | 49,300   | 49,350        | 1,505                               | 1,362                                       |
| 43,350                      | 43,400        | 1,305                               | 1,190                                       | 46,350                      | 46,400        | 1,406                               | 1,277                                       | 49,350   | 49,400        | 1,507                               | 1,363                                       |
| 43,400                      | 43,450        | 1,307                               | 1,192                                       | 46,400                      | 46,450        | 1,408                               | 1,278                                       | 49,400   | 49,450        | 1,509                               | 1,364                                       |
| 43,450                      | 43,500        | 1,309                               | 1,193                                       | 46,450                      | 46,500        | 1,410                               | 1,279                                       | 49,450   | 49,500        | 1,510                               | 1,366                                       |
| 43,500                      | 43,550        | 1,310                               | 1,195                                       | 46,500                      | 46,550        | 1,411                               | 1,281                                       | 49,500   | 49,550        | 1,512                               | 1,367                                       |
| 43,550                      | 43,600        | 1,312                               | 1,196                                       | 46,550                      | 46,600        | 1,413                               | 1,282                                       | 49,550   | 49,600        | 1,514                               | 1,369                                       |
| 43,600                      | 43,650        | 1,314                               | 1,197                                       | 46,600                      | 46,650        | 1,415                               | 1,284                                       | 49,600   | 49,650        | 1,515                               | 1,370                                       |
| 43,650                      | 43,700        | 1,315                               | 1,199                                       | 46,650                      | 46,700        | 1,416                               | 1,285                                       | 49,650   | 49,700        | 1,517                               | 1,372                                       |
| 43,700                      | 43,750        | 1,317                               | 1,200                                       | 46,700                      | 46,750        | 1,418                               | 1,287                                       | 49,700   | 49,750        | 1,519                               | 1,373                                       |
| 43,750                      | 43,800        | 1,319                               | 1,202                                       | 46,750                      | 46,800        | 1,420                               | 1,288                                       | 49,750   | 49,800        | 1,520                               | 1,375                                       |
| 43,800                      | 43,850        | 1,321                               | 1,203                                       | 46,800                      | 46,850        | 1,421                               | 1,290                                       | 49,800   | 49,850        | 1,522                               | 1,376                                       |
| 43,850                      | 43,900        | 1,322                               | 1,205                                       | 46,850                      | 46,900        | 1,423                               | 1,291                                       | 49,850   | 49,900        | 1,524                               | 1,377                                       |
| 43,900                      | 43,950        | 1,324                               | 1,206                                       | 46,900                      | 46,950        | 1,425                               | 1,292                                       | 49,900   | 49,950        | 1,525                               | 1,379                                       |
| 43,950                      | 44,000        | 1,326                               | 1,207                                       | 46,950                      | 47,000        | 1,426                               | 1,294                                       | 49,950   | 50,000        | 1,527                               | 1,380                                       |
| <b>\$44,000 Your Tax Is</b> |               |                                     |   | <b>\$47,000 Your Tax Is</b> |               |                                     |   |  <p><b>End of Optional Tables</b></p> |               |                                     |   |
| 44,000                      | 44,050        | 1,327                               | 1,209                                       | 47,000                      | 47,050        | 1,428                               | 1,295                                       |  |               |                                     |   |
| 44,050                      | 44,100        | 1,329                               | 1,210                                       | 47,050                      | 47,100        | 1,430                               | 1,297                                       |  |               |                                     |   |
| 44,100                      | 44,150        | 1,331                               | 1,212                                       | 47,100                      | 47,150        | 1,431                               | 1,298                                       |  |               |                                     |   |
| 44,150                      | 44,200        | 1,332                               | 1,213                                       | 47,150                      | 47,200        | 1,433                               | 1,300                                       |  |               |                                     |   |
| 44,200                      | 44,250        | 1,334                               | 1,215                                       | 47,200                      | 47,250        | 1,435                               | 1,301                                       |  |               |                                     |   |
| 44,250                      | 44,300        | 1,336                               | 1,216                                       | 47,250                      | 47,300        | 1,436                               | 1,303                                       |  |               |                                     |   |
| 44,300                      | 44,350        | 1,337                               | 1,218                                       | 47,300                      | 47,350        | 1,438                               | 1,304                                       |  |               |                                     |   |
| 44,350                      | 44,400        | 1,339                               | 1,219                                       | 47,350                      | 47,400        | 1,440                               | 1,305                                       |  |               |                                     |   |
| 44,400                      | 44,450        | 1,341                               | 1,220                                       | 47,400                      | 47,450        | 1,441                               | 1,307                                       |  |               |                                     |   |
| 44,450                      | 44,500        | 1,342                               | 1,222                                       | 47,450                      | 47,500        | 1,443                               | 1,308                                       |  |               |                                     |   |
| 44,500                      | 44,550        | 1,344                               | 1,223                                       | 47,500                      | 47,550        | 1,445                               | 1,310                                       |  |               |                                     |   |
| 44,550                      | 44,600        | 1,346                               | 1,225                                       | 47,550                      | 47,600        | 1,447                               | 1,311                                       |  |               |                                     |   |
| 44,600                      | 44,650        | 1,347                               | 1,226                                       | 47,600                      | 47,650        | 1,448                               | 1,313                                       |  |               |                                     |   |
| 44,650                      | 44,700        | 1,349                               | 1,228                                       | 47,650                      | 47,700        | 1,450                               | 1,314                                       |  |               |                                     |   |
| 44,700                      | 44,750        | 1,351                               | 1,229                                       | 47,700                      | 47,750        | 1,452                               | 1,315                                       |  |               |                                     |   |
| 44,750                      | 44,800        | 1,352                               | 1,231                                       | 47,750                      | 47,800        | 1,453                               | 1,317                                       |  |               |                                     |   |
| 44,800                      | 44,850        | 1,354                               | 1,232                                       | 47,800                      | 47,850        | 1,455                               | 1,318                                       |  |               |                                     |   |
| 44,850                      | 44,900        | 1,356                               | 1,233                                       | 47,850                      | 47,900        | 1,457                               | 1,320                                       |  |               |                                     |   |
| 44,900                      | 44,950        | 1,357                               | 1,235                                       | 47,900                      | 47,950        | 1,458                               | 1,321                                       |  |               |                                     |   |
| 44,950                      | 45,000        | 1,359                               | 1,236                                       | 47,950                      | 48,000        | 1,460                               | 1,323                                       |  |               |                                     |   |

**2016**  
**Arizona Tax Tables X and Y**  
**For Form 140**

If your taxable income is less than \$50,000, use the Optional Tax Tables. If your taxable income is \$50,000 or more, use Tax Table X or Y. Also, if your taxable income is \$50,000 or more, you cannot use Form 140EZ or Form 140A to file for 2016. In this case, you must file using Form 140.

**Table X - Use Table X if your filing status is Single or Married Filing Separate**

| (a)  |              | (b)                                     | (c)  | (d)              | (e)           | (f)   |
|--|--------------|---|--|------------------|---------------|---|
| If taxable income from Form 140, line 45 is: |              | Enter the amount from Form 140, line 45 | Multiply the amount entered in column (b) by | Enter the result | Subtract      | Your tax. Round the difference and enter this amount on Form 140, line 46 |
| Over   | But Not over |   |  |                  |               |   |
| \$0  | \$10,179     | X                                       | .0259 =                                      | -                | 0.00 =        |   |
| \$10,179                                     | \$25,445     | X                                       | .0288 =                                      | -                | \$ 30.00 =    |   |
| \$25,445                                     | \$50,890     | X                                       | .0336 =                                      | -                | \$ 152.00 =   |   |
| \$50,890                                     | \$152,668    | X                                       | .0424 =                                      | -                | \$ 599.00 =   |   |
| \$152,668                                    | and over     | X                                       | .0454 =                                      | -                | \$ 1,057.00 = |   |

**Table Y - Use Table Y if your filing status is Married Filing Joint or Head of Household**

| (a)  |              | (b)                                     | (c)  | (d)              | (e)           | (f)   |
|--|--------------|---|--|------------------|---------------|---|
| If taxable income from Form 140, line 45 is: |              | Enter the amount from Form 140, line 45 | Multiply the amount entered in column (b) by | Enter the result | Subtract      | Your tax. Round the difference and enter this amount on Form 140, line 46 |
| Over   | But Not over |   |  |                  |               |   |
| \$0  | \$20,357     | X                                       | .0259 =                                      | -                | 0.00 =        |   |
| \$20,357                                     | \$50,890     | X                                       | .0288 =                                      | -                | \$ 59.00 =    |   |
| \$50,890                                     | \$101,779    | X                                       | .0336 =                                      | -                | \$ 303.00 =   |   |
| \$101,779                                    | \$305,336    | X                                       | .0424 =                                      | -                | \$ 1,199.00 = |   |
| \$305,336                                    | and over     | X                                       | .0454 =                                      | -                | \$ 2,115.00 = |   |

**2016**  
**Arizona Tax Tables X and Y**  
**For Form 140PY**

**Table X - Use Table X if your filing status is Single or Married Filing Separate**

| (a)  |              | (b)                                       | (c)  |   | (d)              | (e)         |   | (f)   |
|--|--------------|---|--|---|------------------|-------------|---|---|
| If taxable income from Form 140PY, line 57 is: |              | Enter the amount from Form 140PY, line 57 | Multiply the amount entered in column (b) by | = | Enter the result | Subtract    |   | Your tax. Round the difference and enter this amount on Form 140PY, line 58 |
| Over   | But Not over |   |  |   |                  |             |   |   |
| \$0  | \$10,179     | X   | .0259  | = | -                | 0.00        | = |   |
| \$10,179                                       | \$25,445     | X   | .0288  | = | -                | \$ 30.00    | = |   |
| \$25,445                                       | \$50,890     | X   | .0336  | = | -                | \$ 152.00   | = |   |
| \$50,890                                       | \$152,668    | X   | .0424  | = | -                | \$ 599.00   | = |   |
| \$152,668                                      | and over     | X   | .0454  | = | -                | \$ 1,057.00 | = |   |

**Table Y - Use Table Y if your filing status is Married Filing Joint or Head of Household**

| (a)  |              | (b)                                       | (c)  |   | (d)              | (e)         |   | (f)   |
|--|--------------|---|--|---|------------------|-------------|---|---|
| If taxable income from Form 140PY, line 57 is: |              | Enter the amount from Form 140PY, line 57 | Multiply the amount entered in column (b) by | = | Enter the result | Subtract    |   | Your tax. Round the difference and enter this amount on Form 140PY, line 58 |
| Over   | But Not over |   |  |   |                  |             |   |   |
| \$0  | \$20,357     | X   | .0259  | = | -                | 0.00        | = |   |
| \$20,357                                       | \$50,890     | X   | .0288  | = | -                | \$ 59.00    | = |   |
| \$50,890                                       | \$101,779    | X   | .0336  | = | -                | \$ 303.00   | = |   |
| \$101,779                                      | \$305,336    | X   | .0424  | = | -                | \$ 1,199.00 | = |   |
| \$305,336                                      | and over     | X   | .0454  | = | -                | \$ 2,115.00 | = |   |

**2016**  
**Arizona Tax Tables X and Y**  
**For Form 140NR**

**Table X - Use Table X if your filing status is Single or Married Filing Separate**

| (a)  |              | (b)                                       | (c)  | (d)              | (e)           | (f)   |
|--|--------------|---|--|------------------|---------------|---|
| If taxable income from Form 140NR, line 55 is: |              | Enter the amount from Form 140NR, line 55 | Multiply the amount entered in column (b) by | Enter the result | Subtract      | Your tax. Round the difference and enter this amount on Form 140NR, line 56 |
| Over   | But Not over |   |  |                  |               |   |
| \$0  | \$10,179     | X   | .0259 =                                      | -                | 0.00 =        |   |
| \$10,179                                       | \$25,445     | X   | .0288 =                                      | -                | \$ 30.00 =    |   |
| \$25,445                                       | \$50,890     | X   | .0336 =                                      | -                | \$ 152.00 =   |   |
| \$50,890                                       | \$152,668    | X   | .0424 =                                      | -                | \$ 599.00 =   |   |
| \$152,668                                      | and over     | X   | .0454 =                                      | -                | \$ 1,057.00 = |   |

**Table Y - Use Table Y if your filing status is Married Filing Joint or Head of Household**

| (a)  |              | (b)                                       | (c)  | (d)              | (e)           | (f)   |
|--|--------------|---|--|------------------|---------------|---|
| If taxable income from Form 140NR, line 55 is: |              | Enter the amount from Form 140NR, line 55 | Multiply the amount entered in column (b) by | Enter the result | Subtract      | Your tax. Round the difference and enter this amount on Form 140NR, line 56 |
| Over   | But Not over |   |  |                  |               |   |
| \$0  | \$20,357     | X   | .0259 =                                      | -                | 0.00 =        |   |
| \$20,357                                       | \$50,890     | X   | .0288 =                                      | -                | \$ 59.00 =    |   |
| \$50,890                                       | \$101,779    | X   | .0336 =                                      | -                | \$ 303.00 =   |   |
| \$101,779                                      | \$305,336    | X   | .0424 =                                      | -                | \$ 1,199.00 = |   |
| \$305,336                                      | and over     | X   | .0454 =                                      | -                | \$ 2,115.00 = |   |

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**General Disclosure/Representation Authorization Form**

*You must sign page 2*

|   |       |                     |                                 |  |
|---|-------|---------------------|---------------------------------|--|
| <b>1. TAXPAYER INFORMATION: Please print or type.</b> |       |                     |                                 | Enter only those that apply:             |
| Taxpayer Name   |       |                     | Social Security Number          |  |
| Spouse's Name (if applicable)                         |       |                     | Spouse's Social Security Number |  |
| Present Address - number and street, rural route      |       | Apartment/Suite No. |                                 | Employer Identification Number           |
| City, Town or Post Office                             | State | ZIP Code            | Daytime Phone (with area code)  | AZ Transaction Privilege Tax License No. |

|   |       |                     |  |  |
|---|-------|---------------------|--|--|
| <b>2. APPOINTEE INFORMATION</b> (Must sign if any checkboxes in Sections 4 or 5 below are selected) |       |                     |  | Enter one of the following identification numbers: |
| Name (must be an individual)  |       |                     | State and State Bar Number                     |  |
| Present Address - number and street, rural route  |       | Apartment/Suite No. |  | State and Certified Public Accountant Number       |
| City, Town or Post Office   | State | ZIP Code            | Internal Revenue Service Enrolled Agent Number |  |
| Daytime Phone (with area code)  |       |                     | Social Security or Other ID No. Type           |  |

**3. TAX MATTERS:** The appointee is authorized to receive confidential information for the tax matters listed below. By signing this form, I authorize the Department to release confidential information of the taxpayer(s) named above to the appointee named above for the tax type and tax year(s)/period(s) specified below. To grant additional powers, please see Section 4. **To grant a Power of Attorney, please skip Section 4 and go to Section 5.**

| TAX TYPE   | YEAR(S) OR PERIOD(S) | TYPE OF RETURN/OWNERSHIP                                |  |   |
|--|----------------------|---|--|---|
| <input type="checkbox"/> Income Tax                        |                      | <input type="checkbox"/> Individual Joint Return        | <input type="checkbox"/> Individual Single Return      | <input type="checkbox"/> Corporation      |
|  |                      | <input type="checkbox"/> Partnership                    | <input type="checkbox"/> Fiduciary-Trust               | <input type="checkbox"/> Fiduciary-Estate |
| <input type="checkbox"/> Transaction Privilege and Use Tax |                      | <input type="checkbox"/> Individual/Sole Proprietorship | <input type="checkbox"/> Partnership                   | <input type="checkbox"/> Corporation      |
|  |                      | <input type="checkbox"/> Limited Liability Company      | <input type="checkbox"/> Limited Liability Partnership | <input type="checkbox"/> Trust            |
| <input type="checkbox"/> Withholding Tax                   |                      |   |  |   |
| <input type="checkbox"/> Other (specify tax type):         |                      | Specify type of return(s)/ownership:                    |  |   |

**4. ADDITIONAL AUTHORIZATION:** Items 4a through 4h allow the taxpayer(s) to grant additional authorization to the appointee named above. Please check the boxes accordingly. An additional authorization must be in accordance with Arizona Supreme Court Rule 31. See instructions. If any checkboxes in Sections 4 or 5 are selected, the appointee MUST sign on Page 2, Section 9.

- 4a  Appointee shall have the power to sign a statute of limitations waiver on Taxpayer's behalf.
- 4b  Appointee shall have the power to execute a protest of a deficiency assessment or a denied refund claim or to execute an agreement on Taxpayer's behalf.
- 4c  Appointee shall have the power to request a formal hearing on Taxpayer's behalf.
- 4d  Appointee shall have the power to represent the taxpayer in any administrative tax proceeding.
- 4e  Appointee shall have the power to execute a closing agreement on Taxpayer's behalf.
- 4f  Appointee shall have the power to represent the taxpayer in any collection matter including an Offer-In-Compromise.
- 4g  Appointee shall have the authority to delegate to others any or all authority granted to appointee by this document.
- 4h  Other (please specify):

5.  **POWER OF ATTORNEY:** By checking the box on Section 5, the taxpayer grants the above-named appointee a Power of Attorney to perform any and all acts that the taxpayer can perform with regard to the above-mentioned tax matters and tax year(s) or period(s). This Power of Attorney includes, but is not limited to, the powers listed in items 4a through 4h. The use of a Power of Attorney must be in accordance with Arizona Supreme Court Rule 31. Please specify any limitation to the Power of Attorney:

6.  **REVOCAION OF EARLIER AUTHORIZATION(S):** This authorization does not revoke any earlier authorizations or Powers of Attorney on file with the Arizona Department of Revenue unless the revocation box to the left is checked. The revocation will be effective as to all earlier authorizations and Powers of Attorney on file with the Arizona Department of Revenue except those specified (please specify):





# General Disclosure/Representation Authorization Form

**Arizona Form  
285**

## Phone Numbers

### For information or help, call one of the numbers listed:

Phoenix (602) 716-6010  
From area codes 520 and 928, toll-free (800) 352-4090

### Tax Forms, instructions, and other tax information

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

## Purpose of Form

A taxpayer may use Form 285 to authorize the department to release confidential information to the taxpayer's Appointee. The department may have to disclose confidential information to fully discuss tax issues with, or respond to tax questions by, the Appointee. A taxpayer may also use Form 285 to grant additional powers to the Appointee, up to and including a power of attorney. For more information or guidance for completing this form, see General Tax Procedure (GTP) 15-2.

## How to File

Mail the original or photocopy of the completed form to:

Taxpayer Information and Assistance  
Arizona Department of Revenue  
PO Box 29086  
Phoenix, AZ 85038-9086

**NOTE:** *If you are sending this form at the request of a department employee; instead of sending the completed form to the address listed above, mail the original or a photocopy of the completed form to the address that was provided to you by the employee.*

## Who Can Use Form 285?

Any of the following may file Form 285.

- An individual
- Individuals that file joint returns
- A sole proprietorship
- A corporation
- A group of consolidated or combined corporations
- A partnership
- A limited liability company
- An estate
- A trust
- A governmental agency
- Any other organization, association, or group

**NOTE:** *A fiduciary (trustee, executor, administrator, receiver, or guardian) stands in the position of a taxpayer and acts as the taxpayer. A fiduciary does not act as a representative and should not file Form 285. If a fiduciary wants to authorize an individual to represent or perform certain acts on behalf of the entity, the fiduciary must file a signed power of attorney naming that person to act in the position of the taxpayer.*

## Line-by-Line Instructions

### Section 1 - Taxpayer Information

Enter the taxpayer's name, address, and daytime telephone number on the lines provided. If more space is needed, attach an additional page.

#### For income tax purposes:

- Each individual signing this form must enter his or her social security number (SSN).
- A corporation, partnership, trust or estate must enter its employer identification number (EIN).

#### For withholding tax purposes:

An individual, corporation, partnership, trust or estate must enter the EIN.

#### For transaction privilege tax (TPT) purposes:

If the taxpayer has only **one license** that is covered by this Form 285, enter that specific TPT license number.

If the taxpayer has **more than one license** number, include a separate sheet identifying the license number and location for each license **that is covered by this Form 285**.

**NOTE:** If a taxpayer wants **all of its business locations covered by this Form 285**, include the EIN of the business (or the SSN associated with the business if the business does not have an EIN).

### Foreign Address -

If the taxpayer has a foreign address, enter the information in the following order: city, province or state, and country. Follow the country's practice for entering the postal code. Do not abbreviate the country name.

### Section 2 - Appointee Information

The Appointee must be an individual. Enter the first and last name and address of the person the taxpayer is appointing to receive confidential information and/or to act on the taxpayer's behalf. If the Appointee has a foreign address, enter the information in the following order: city, province or state, and country. Follow the country's practice for entering the postal code. Do not abbreviate the country name.

Enter the ID number of the individual (Appointee). This may be an SSN, CPA number, State Bar number, Alternative Preparer Tax ID number or other government issued ID number that is unique to the Appointee (for example: a passport or driver's license number). If the taxpayer wants to name more than one Appointee, please attach an additional sheet that contains the required information for each Appointee.

**NOTE:** *The number used must be different for each individual Appointee designated. For identification purposes the Appointee will be required to provide that number when contacting the Department.*

**Section 3 - Tax Matters**

You may use this form for more than one tax type. Please check the box or boxes to specify the tax type covered by this authorization. Specify the tax year(s) or tax period(s). Also, check the box that properly describes the form of ownership of the Taxpayer. (See GTP 15-2 for guidance).

**NOTE:** *When you sign this form, you are authorizing the department to release confidential information to the named Appointee. If you would like to grant additional authority to the Appointee, complete section 4 of this form. If you want to grant a power of attorney, skip section 4 and complete section 5.*

**Section 4 - Additional Authorization**

This section is only required if additional authorization is required.

Items 4a through 4h allow the taxpayer to grant additional authorization to the Appointee. Please check all boxes that apply. The items specified in Items 4a through 4f are administrative matters with the department. Any other authorization that involves negotiating legal rights or responsibilities or filing documents on the taxpayer’s behalf is also an administrative matter.

In order to represent a taxpayer in an administrative matter, the Appointee must be an Arizona attorney or must meet the requirements of Rule 31(d)(13) of the Arizona Rules of the Supreme Court. The following individuals are authorized pursuant to Rule 31(d)(13) to represent taxpayers in administrative matters, authorized by the taxpayer.

1. Any individual, IF the total amount in dispute, including tax, penalties, and interest, is less than \$5,000.00.
2. A full-time officer, partner, member or manager of a limited liability company, or employee, if all of the following apply:
  - The taxpayer is a legal entity, such as a corporation, a formal partnership, a limited liability company, or a trust.
  - Representation of the entity is not the Appointee’s primary duty to the legal entity, but secondary or incidental to other duties relating to the management or operation of the legal entity.
  - The person is not receiving separate or additional compensation (other than reimbursement for costs) for representation.

If either 1 or 2 do not apply, then only the following individuals can represent a taxpayer when the taxpayer authorizes:

1. An active member of the State Bar of Arizona;
2. An Arizona Certified Public Accountant; or
3. A “Federally Authorized Tax Practitioner” within the meaning of Arizona Revised Statutes § 42-2069(D)(1). This includes:
  - An enrolled agent authorized to practice before the IRS.
  - An out-of-state attorney or out-of-state certified public accountant, if the person is not currently under

suspension or disbarment from practice before the IRS and if the person has filed with the IRS a written declaration that he or she is currently qualified as an attorney or a CPA.

- An individual practicing with a federally authorized tax practitioner and who is subject to the same standards of practice and ethics requirements of that person.

**Section 5 - Power of Attorney**

By checking the box on line 5, the taxpayer grants the Appointee power of attorney. A power of attorney authorizes the Appointee to perform any and all acts that the taxpayer can perform with regard to the tax matters and tax year(s) or period(s) specified. This includes, but is not limited to, the powers listed in items 4a through 4h. Any limitation to this power of attorney must be specified. The use of a power of attorney must be in accordance with Rule 31 of the Arizona Rules of the Supreme Court. (See Section 4.)

**Section 6 - Revocation of Earlier Authorization(s)**

This authorization **does not revoke** any earlier authorizations or powers of attorney on file with the Arizona Department of Revenue.

If you want to revoke all prior authorizations and powers of attorney, please check the revocation box. If you wish to revoke only some prior authorizations and/or powers of attorney, please check the box and list those authorizations and powers of attorney that you wish to remain in effect.

**Section 7 - Corporations Having Controlled Subsidiaries**

If you list names in this section you must check one of the boxes to indicate if names listed, are to be “included in the disclosure authorization” or “excluded in the disclosure authorization”. DO NOT use this section to list multiple Appointees. Instead, use a separate sheet.

The department may disclose confidential information relating to a corporate taxpayer to a designee of the taxpayer who is authorized in writing by the taxpayer.

A principal corporate officer of a parent corporation may execute a written authorization for a controlled subsidiary.

A principal corporate officer of a parent corporation that wants to designate a person to receive confidential information regarding the corporation’s controlled subsidiaries must either:

1. Attach a list of each controlled subsidiary that the parent wants to include in the disclosure authorization (federal Form 851 may be used for this purpose); or
2. Complete Section 7 of Form 285.

**Section 8 - Signature of or for Taxpayer**

| Taxpayer            | Who may sign an authorization   |
|---------------------|---|
| Individual - Single | <ul style="list-style-type: none"> <li>• Individual</li> </ul>  |
| Individual - Joint  | <ul style="list-style-type: none"> <li>• Both sign same document for the same representative.</li> <li>• Each signs separate document for two representatives.</li> </ul> |

|   |  |
|---|--|
| Sole Proprietorship Business (Federal Form 1040 Schedules C, E, F income) This includes where there is no entity or where entity is disregarded for income tax purposes (e.g. disregarded L.L.C.) | <ul style="list-style-type: none"> <li>The individual owner of business.</li> </ul>  |
| Corporations  | <ul style="list-style-type: none"> <li>A principal corporate officer (president, CEO, vice president, secretary or treasurer), his designee or any person authorized by the Board of Directors or other governing body.</li> </ul> |
| Partnerships (general or limited partnerships)  | <ul style="list-style-type: none"> <li>Any general partner of the partnership; designee of general partner.</li> </ul>   |
| Limited Liability Company (L.L.C.) (if taxation is at the entity level)<br>See above where L.L.C. treated as disregarded entity or where tax relates to flow through items on individual return   | <ul style="list-style-type: none"> <li>Member in a member-managed L.L.C.; manager in a manager-managed L.L.C.; designee of member or manager.</li> </ul>   |
| Trusts  | <ul style="list-style-type: none"> <li>Any trustee; a beneficiary or grantor only if he has a material interest that will be affected by the confidential information.</li> </ul>  |
| Bankruptcy estate/receivership  | <ul style="list-style-type: none"> <li>Refer to court document appointing bankruptcy trustee to ensure disclosure is authorized.</li> </ul>  |
| Estates   | <ul style="list-style-type: none"> <li>Personal representative</li> <li>Any heir, next of kin or beneficiary, only if he has a material interest that will be affected by the confidential information.</li> </ul>                 |

**Important Tips -**

- Review the instructions and General Tax Procedure (GTP) 15-2 before completing the form
- Inspect the form and verify you have entered all of the required information
- Retain a copy for your files

**Section 9 - Declaration of Appointee**

If the Appointee has been given authority under any of Section 4a through 4h or Section 5 or is otherwise authorized to practice law as defined in Rule 31(a) of the Arizona Rules of the Supreme Court, the Appointee must sign and date this declaration and enter a designation from 9a through 9e. The persons who are authorized to practice law before the Department of Revenue include active Arizona attorneys and those authorized under Rule 31(d)(13) of the Arizona Rules of the Supreme Court. An Appointee indicating authorization under 9d who is engaged in practice with a federally authorized tax practitioner, must provide the name of the practitioner with whom he or she works and that person's CAF number in the place provided.

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# 2016 CORPORATE INCOME TAX HIGHLIGHTS

**Tax Rate Changes** - The corporate income tax rate is reduced as follows:

- 5.5% for taxable years beginning from and after December 31, 2015 through December 31, 2016
- 4.9% for taxable years beginning from and after December 31, 2016

**Apportionment Changes** – Two legislative changes become effective for tax year 2016:

- All non-air carrier taxpayers may select an enhanced apportionment ratio where the sales factor is weighted at 95% and the property and payroll factors are each weighted at 2.5%.
- A multistate service provider may make a binding election to determine Arizona sales of services for purposes of the sales factor using a calculation based on 95% of the market sales and 5% of income producing activity sales in Arizona. See Schedule MSP and the related instructions for more information including a definition of “multistate service provider”.

**Federal Extension Changes** – For taxable years beginning after December 31, 2015, the length of time for an automatic federal extension for C Corporations is:

- **Five (5) months** for taxable (calendar) year end dates of **December 31**.
- **Seven (7) months** for taxable (fiscal) year end dates of **June 30**.
- **Six (6) months** for taxable (fiscal) year end dates **other than December 31, or June 30**.

The department will accept a valid federal extension for the same period of time covered by the federal extension.

***The Arizona Automatic Extension will remain six (6) months for all C Corporations.***

See the instructions for Form 120 or Form 120A for additional information and examples.

## **Disaster Recovery Relief**

An out of state company in Arizona on a temporary basis solely for the purpose of performing disaster relief services during a declared disaster period is not required to file, remit, withhold or pay state or local (income) tax. See *Publication 720* for more information.

## **Solar Liquid Fuel Credit (Arizona Form 344)**

The credit for solar liquid fuel was expanded. Previously, the credit was limited to costs incurred during the taxable year for research and development associated with solar liquid fuel.

For taxable years beginning from and after 2016, the credit also includes costs incurred during the taxable year for the production of solar liquid fuel in commercial quantities in this state, and costs incurred during the taxable year to convert or modify existing motor vehicle fuel service stations for the retail sale of solar liquid fuel to customers. For more information, see *Form 344*.

## **Credit for Qualified Health Insurance Plans (Arizona Form 347)**

The laws providing for the qualified health insurance plans credit were repealed effective from and after December 31, 2014. Form 347 is now available only for claiming unused credits carried forward from prior years.

**Federal Returns** – For taxable years beginning after December 31, 2015, the Department no longer requests your federal return be included with your Arizona return. Please do not send a copy of your federal corporate return with your Arizona corporate return. However, you are still required to have your federal return available upon request.

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- Include Form(s) 51 immediately following page 4 of Form 120.
- Be sure to check the "Yes" box on Form 120, line D.

For the calendar year 2016 or fiscal year beginning MM,MM,DD,DD,2,0,1,6 and ending MM,MM,DD,DD,2,0,Y,YY.

|                             |  |  |  |          |
|-----------------------------|--|--|--|----------|
| Name                        |  |  | Employer Identification Number (EIN)               |          |
| Number and Street or PO Box |  |  | <b>REVENUE USE ONLY. DO NOT MARK IN THIS AREA.</b> |          |
| City or Town                |  |  | State  | ZIP Code |
|                             |  |  | 88   |          |
|                             |  |  | 81 PM  | 80 RCVD  |

**Section 1 Listing of Affiliated Corporations**  
**Combined or Consolidated in This Return or Filing Separate Returns**  
 Complete Section 1 only if it was not completed for a previous taxable year.

| If the Affiliated Company is an Arizona Filer, check the Arizona Filer box.<br>↓ |                | F = Consolidated C = Combined S = Separate<br>↓ |       |     |  |                        |
|--|----------------|---|-------|-----|--|------------------------|
| 00   | Arizona Filer? | Affiliated Company Name                         | F/C/S | EIN | Period From – Through<br>MM/YYYY–MM/YYYY | Business Activity Code |
| 1  |                |   |       |     | MM/YYYY–MM/YYYY                          |                        |
| 2  |                |   |       |     | MM/YYYY–MM/YYYY                          |                        |
| 3  |                |   |       |     | MM/YYYY–MM/YYYY                          |                        |
| 4  |                |   |       |     | MM/YYYY–MM/YYYY                          |                        |
| 5  |                |   |       |     | MM/YYYY–MM/YYYY                          |                        |
| 6  |                |   |       |     | MM/YYYY–MM/YYYY                          |                        |
| 7  |                |   |       |     | MM/YYYY–MM/YYYY                          |                        |
| 8  |                |   |       |     | MM/YYYY–MM/YYYY                          |                        |
| 9  |                |   |       |     | MM/YYYY–MM/YYYY                          |                        |
| 10   |                |   |       |     | MM/YYYY–MM/YYYY                          |                        |
| 11   |                |   |       |     | MM/YYYY–MM/YYYY                          |                        |
| 12   |                |   |       |     | MM/YYYY–MM/YYYY                          |                        |
| 13   |                |   |       |     | MM/YYYY–MM/YYYY                          |                        |
| 14   |                |   |       |     | MM/YYYY–MM/YYYY                          |                        |
| 15   |                |   |       |     | MM/YYYY–MM/YYYY                          |                        |

|                           |     |
|---------------------------|-----|
| Name (as shown on page 1) | EIN |
|---------------------------|-----|

**Section 2 Corporations Added to the Affiliated Group During the Taxable Year**  
 Do not complete Section 2 if Section 1 is completed.

If the Affiliated Company is an Arizona Filer, check the Arizona Filer box. If the Affiliated Company changed its name during the taxable year, check the Name Change box. F = Consolidated C = Combined S = Separate

| Arizona Filer? | Affiliated Company Name | Name Change? | F/C/S | EIN | Month Added | Business Activity Code |
|----------------|-------------------------|--------------|-------|-----|-------------|------------------------|
| 1              |                         |              |       |     | MM          |                        |
| 2              |                         |              |       |     | MM          |                        |
| 3              |                         |              |       |     | MM          |                        |
| 4              |                         |              |       |     | MM          |                        |
| 5              |                         |              |       |     | MM          |                        |
| 6              |                         |              |       |     | MM          |                        |
| 7              |                         |              |       |     | MM          |                        |
| 8              |                         |              |       |     | MM          |                        |
| 9              |                         |              |       |     | MM          |                        |
| 10             |                         |              |       |     | MM          |                        |

**Section 3 Corporations Deleted From the Affiliated Group During the Taxable Year**  
 Do not complete Section 3 if Section 1 is completed.

If the Affiliated Company is an Arizona Filer, check the Arizona Filer box. If the Affiliated Company changed its name during the taxable year, check the Name Change box. F = Consolidated C = Combined S = Separate

| Arizona Filer? | Affiliated Company Name | Name Change? | F/C/S | EIN | Month Deleted | Business Activity Code |
|----------------|-------------------------|--------------|-------|-----|---------------|------------------------|
| 1              |                         |              |       |     | MM            |                        |
| 2              |                         |              |       |     | MM            |                        |
| 3              |                         |              |       |     | MM            |                        |
| 4              |                         |              |       |     | MM            |                        |
| 5              |                         |              |       |     | MM            |                        |
| 6              |                         |              |       |     | MM            |                        |
| 7              |                         |              |       |     | MM            |                        |
| 8              |                         |              |       |     | MM            |                        |
| 9              |                         |              |       |     | MM            |                        |
| 10             |                         |              |       |     | MM            |                        |

Reason for deletions: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_



**Combined or Consolidated Return Affiliation Schedule**

**For information or help, call one of the numbers listed:**  
 Phoenix (602) 255-3381  
 From area codes 520 and 928, toll-free (800) 352-4090

**Tax forms, instructions, and other tax information**  
 If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

**Income Tax Procedures and Rulings**  
 These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website and click on *Legal Research* then click on *Procedures* or *Rulings* and select a tax type from the drop down menu.

**Publications**  
 To view or print the department's publications, go to our website and click on *Publications*.

**General Instructions**

**Use of the Form**

Form 51 is used by Form 120 filers to list members of combined or consolidated affiliated groups and affiliated corporations that file on a separate company basis, or file a separate combined return to Arizona.

The name, address, and employer identification number should be the same as that reported on page 1 of Form 120.

**NOTE:** *If you are including Form 51 with your return, be sure to check the "Yes" box on page 1 of Form 120, line D.*

Complete Section 1 of this form for the first taxable year that a unitary group files a combined return or an Arizona affiliated group files a consolidated return. Include Form(s) 51 immediately following page 4 of Form 120.

- For a consolidated group, the affiliated group consists of all companies included in the federal consolidated return.
- For a combined group, the affiliated group consists of all members included in the combined filing and any related companies in which a member of the combined group owns more than a fifty percent interest ("related company").
- For a federal consolidated group and related companies consisting of more than one combined group, the combined group filing the form should list the other combined group as filing separate.

Form 51 also identifies corporations added to or deleted from the federal consolidated group and related companies (including name changes) during the taxable year. For affiliates filing on a separate company basis to Arizona, this form also identifies name changes, and members added to or deleted from the federal consolidated group and related companies during the taxable year.

Complete Section 2 and Section 3 of this form for succeeding taxable years if there were any additions to or deletions from the affiliated group and related companies (including name changes) or changes in affiliates filing on a separate company basis. Include Form(s) 51 immediately following page 4 of Form 120.

**Specific Instructions**

**Fiscal Year**

If the combined or consolidated parent corporation files a fiscal year return, indicate the taxable year of the combined or consolidated parent corporation at the top of Form 51.

**Name, Address, and Employer Identification Number**

If a *consolidated* return is being filed, list the parent corporation's name with the phrase "and subsidiaries", the parent's address, and the parent's employer identification number.

If a *combined* return is being filed, list the name, address, and employer identification number of the corporation under which the group is filing. The name for a combined return should include either the phrase "and unitary subsidiaries", or "and unitary affiliates", whichever is applicable.

If the taxpayer has a foreign address, enter the information in the following order: city, province or state, and country. Follow the country's practice for entering the postal code. **Do not abbreviate the country's name.**

**Section 1: Listing of Affiliated Corporations Combined or Consolidated in This Return or Filing Separate Returns**

*Complete Section 1 only if it was not completed for a previous taxable year.* For consolidated returns, list all members of the affiliated group except the parent. For combined returns, list all members of the combined group except for the company under which the combined return is being filed. Also, list any affiliates and related companies that file separate income tax returns to Arizona. If Section 1 is completed, do not complete Section 2 or Section 3.

In the "Arizona Filer?" column, check the box of those affiliates that previously have filed a return to Arizona. For example, if an affiliate filed a combined return, check the box of only the company that was identified on the top of page 1 on the original return. In addition, check the box of those companies that previously filed separate company returns to Arizona.

In the "F/C/S" column, identify which type of return the affiliate is filing to Arizona. Use "F" for consolidated return, "C" for combined return, or "S" for separate company return. If the combined group filing this form has an affiliated combined group, mark the affiliate that the affiliated combined group files under with an "S".

Do not complete the "Period From - Through" column for corporations that were members of the consolidated or combined group for the entire taxable year. Use the column only for affiliates that were added or deleted during the taxable year. For each affiliate that was added or deleted, indicate the period of time (by month and year in an MM/YYYY format) the affiliate was part of the group. For example, if a calendar year basis taxpayer acquired an affiliate in June 2016, the period listed would be "06/2016 - 12/2016".

The business activity code is the business activity code number used for federal tax purposes [codes based on North American Industry Classification System (NAICS)].

If there are more than 15 affiliated corporations, include additional Form(s) 51 immediately after the first Form 51.

Alternatively, if there are more than 15 affiliated corporations, Form 51 may be filed by optical media. Optical media filing can be used *only* for Section 1 information.

## Section 2: Corporations Added to the Affiliated Group During the Taxable Year

*Do not complete Section 2 if Section 1 was completed for this taxable year.* List those corporations that were added to the combined or consolidated group during the taxable year. In addition, list new affiliates and related companies that will file separate company returns to Arizona. If there were more than 10 corporations added during the taxable year, include additional Form(s) 51 immediately after the first Form 51. Enter the name and employer identification number of the corporation filing Form 51 on the top of page 2 of Form 51.

In the "Arizona Filer?" column, check the box of those affiliated members or related companies that previously have filed a return to Arizona. For example, if a member filed a combined return, indicate only the company that was identified on the top of page 1 on the original return. In addition, check the box of those companies that previously filed separate company returns to Arizona.

In the "F/C/S" column, identify which type of return the affiliated group member or related company is filing to Arizona. Use "F" for consolidated return, "C" for combined return, or "S" for separate company return. If a combined group has an affiliated combined group, mark the member that the affiliated combined group files under with an "S".

Use the "Month Added" column to indicate the number of the month during the taxable year the affiliate was added to the affiliated group. For example, if the affiliate was added in June, use the number "06".

The business activity code is the business activity code number used for federal tax purposes [codes based on North American Industry Classification System (NAICS)].

## Section 3: Corporations Deleted From the Affiliated Group During the Taxable Year

*Do not complete Section 3 if Section 1 was completed for this taxable year.* In Section 3, list those corporations that were deleted from the combined or consolidated group during the taxable year. In addition, list any affiliates and related companies that were filing separate company returns to Arizona and which have been deleted from the affiliated group. If there are more than 10 corporations deleted during the year, include additional Form(s) 51 immediately after the first Form 51. Enter the name and employer identification number of the corporation filing Form 51 on the top of page 2 of Form 51.

In the "Arizona Filer?" column, check the box of those affiliates or related companies that previously have filed returns to Arizona. For example, if an affiliate filed a

combined return, indicate only the company that was identified on the top of page 1 on the original return. In addition, check the box of those companies that previously filed separate company returns to Arizona.

In the "F/C/S" column, identify which type of return the affiliate or related company was filing to Arizona. Use "F" for consolidated return, "C" for combined return, or "S" for separate company return. If the combined group filing this form has an affiliated combined group, mark the affiliate that the affiliated combined group files under with an "S".

Use the "Month Deleted" column to indicate the number of the month during the taxable year the affiliate was deleted from the affiliated group. For example, if the affiliate was deleted in June, use the number "06".

The business activity code is the business activity code number used for federal tax purposes [codes based on North American Industry Classification System (NAICS)].

For each deleted corporation, state the reason for deletion. Reasons for deletion may include disposition, dissolution, or in the case of a combined return, the corporation is no longer unitary.

## Name Changes

If any member of the consolidated or combined group, related company, or affiliate filing a separate company return to Arizona, had a name change during the taxable year, the taxpayer should provide the following information:

- All information (using the new name) as requested in Section 2 and, in addition, check the "Name Change?" box. Enter the month the company began operations under the new name in the "Month Added" column. For example, if the affiliate's name changed in June, use the number "06".
- All information (using the old name) as requested in Section 3 and check the "Name Change?" box. Use the "Month Deleted" column to indicate the number of the month during the taxable year that the affiliate ceased operating under the old name. For example, if the affiliate's name changed in June, use the number "06".

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# EXEMPT ORGANIZATION INFORMATION SHEET – 2016

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## NEW FOR 2016

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### ORGANIZATIONS WITH UNRELATED BUSINESS TAXABLE INCOME (UBTI):

**Tax Rate Changes** - The corporate income tax rate is reduced as follows:

- 5.5% for taxable years beginning from and after December 31, 2015 through December 31, 2016
- 4.9% for taxable years beginning from and after December 31, 2016

**Changes to the Apportionment Ratio:**

- All non-air carrier taxpayers may select an enhanced apportionment ratio where the sales factor is weighted at 95% and the property and payroll factors are each weighted at 2.5%.
- A multistate service provider may make a binding election to determine Arizona sales of services for purposes of the sales factor using a calculation based on 95% of the market sales and 5% of income producing activity sales in Arizona. See Schedule MSP and the related instructions for more information including a definition of “multistate service provider”.

**Federal Returns:**

For taxable years beginning after December 31, 2015, the Department no longer requests the federal return be included with the Arizona return. Please do not send your Federal Form to Arizona *unless* Federal Form 990 is filed in lieu of Arizona Form 99. The exempt organization is still required to have the federal return available upon request.

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## GENERAL INFORMATION

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### Which Organizations Are Exempt From Arizona Corporate Income Tax?

Arizona Revised Statutes (A.R.S.) § 43-1201(A) states that organizations that are exempt from federal income tax under Internal Revenue Code (IRC) § 501 are exempt from the corporate income tax imposed under Title 43 of the Arizona Revised Statutes. A.R.S. § 43-1201(A) also lists specific types of organizations that are exempt from the corporate income tax imposed by Title 43 of the Arizona Revised Statutes. A nonprofit medical marijuana dispensary (NMMD) under Arizona Revised Statutes Title 36, Chapter 28.1, is exempt from the corporate income tax imposed under Title 43 of the Arizona Revised Statutes in accordance with A.R.S. § 43-1201(B).

**NOTE:** *Homeowners associations described in IRC § 528 are not exempt from tax under A.R.S. § 43-1201(A) [associations that file federal Form 1120-H or 1120]. These organizations must file an Arizona corporate income tax return on Arizona Form 120A or Arizona Form 120. However, certain homeowners associations are federally tax exempt under IRC § 501(c)(4), as social welfare organizations, or under IRC § 501(c)(7), as clubs organized for pleasure or recreation. These homeowners associations are similarly tax exempt for Arizona income tax purposes. These organizations may file Arizona Form 99.*

### Does the Exemption From Corporate Income Tax Apply to Other Taxes?

No, the tax-exempt status provided by A.R.S. § 43-1201 applies only to corporate income taxes.

The organization or dispensary may still be subject to other taxes, such as withholding, transaction privilege or use tax.

### Does the Organization Have to Apply for Exempt Status Under A.R.S. § 43-1201?

No, it is not necessary to apply to the Arizona Department of Revenue for tax-exempt status for corporate income tax

purposes. NMMDs must apply to the Arizona Department of Health Services and provide its registry identification number when filing its return(s) with the Arizona Department of Revenue.

### Does the Exempt Organization Have to File an Annual Information Return?

Most organizations that have tax exempt status under A.R.S. § 43-1201 must file Arizona Form 99 **or** a copy of the organization’s federal return of organization exempt from income tax *only if their gross receipts exceed \$50,000*.

“Gross receipts” means the total amount the organization received from all sources during its annual tax year without subtracting any costs or expenses.

However, the following exempt organizations do not have to file Arizona Form 99 or a copy of the organization’s federal return of organization exempt from income tax *regardless of the amount of gross receipts*:

- A religious organization exempt under A.R.S. § 43-1201(A)(4). The organization must be organized exclusively for religious purposes. No part of the organization’s net earnings may inure to the benefit of any private shareholder or individual. No substantial part of the organization’s activities may be carrying on propaganda or otherwise attempting to influence legislation.
- An educational organization exempt under A.R.S. § 43-1201(A)(4). The organization must normally maintain a regular faculty and students in attendance at the place where its educational activities are regularly conducted.
- A charitable organization or an organization for the prevention of cruelty to children or animals, exempt under A.R.S. § 43-1201(A)(4). The organization must receive its support, in whole or in part, from funds contributed by the United States, or any state or political subdivision thereof, or receive its primary support from contributions of the general public.

- An organization exempt under A.R.S. § 43-1201(A)(4) if the operation, supervision, or control of the organization is by, or in connection with, a religious organization exempt under A.R.S. § 43-1201(A)(4).
- An organization exempt solely under A.R.S. § 43-1201(A)(2). The fraternal beneficiary societies, orders or organizations must: (a) operate under the lodge system or for the exclusive benefit of the members of a fraternity itself operating under the lodge system; and (b) provide for the payment of life, sick, accident or other benefits to the members of the society, order or organization or their dependents.

**DUE DATE:** Arizona Form 99 or a copy of the organization's federal return of organization exempt from income tax is due by the 15th day of the fifth calendar month after the close of the taxable year.

### How is Gross Receipts Determined?

"Gross receipts" means the total amount the organization received from all sources during its annual tax year without subtracting any costs or expenses in accordance with A.R.S. § 43-1242(D). Total income, (Arizona Form 99, line 12) plus cost of goods sold (Arizona Form 99, line 2) plus any other expenses deducted to arrive at the income on lines 4 through 11, would equal the organization's gross receipts for the tax year.

### Is There a Penalty for Failing to File, Filing Untimely, or Filing an Incomplete Arizona Form 99?

Arizona Form 99 is an information return. The penalty for failing to file, filing late (including extensions), or filing an incomplete information return is \$100 for each month, or fraction of a month, that the failure continues, up to a maximum penalty of \$500.

### What Filing Extensions are Available to Organizations Exempt Under A.R.S. § 43-1201(A) That File Arizona Form 99?

Organizations that file federal Form 990 or Arizona Form 99 with the department can request an automatic 6-month extension by filing Arizona Form 120EXT with the department by the original due date. Alternatively, the department will accept the federal extension for the same amount of time covered by the federal extension. Organizations can file federal Form 8868 with the IRS to request an automatic 3-month extension, and to apply for an additional (not automatic) 3-month extension, if the original 3-month extension was not enough time. To obtain this additional extension, the organization must show reasonable cause for the additional time requested. See the instructions for federal Form 8868. Check the appropriate extension box on Arizona Form 99. If the organization files federal Form 990 in place of Arizona Form 99, be sure to include a copy of your federal extension(s) before the return.

### What Filing Extensions are Available to a Nonprofit Medical Marijuana Dispensary (NMMD) That Files Arizona Form 99?

NMMDs that file Arizona Form 99 with the department must request an automatic 6-month extension by filing Arizona Form 120EXT with the department by the original due date. Because NMMDs are not exempt organizations at the federal level, the NMMD *cannot* file Arizona Form 99 under a federal extension. Be sure to check box 82F on Arizona Form 99.

### Is a Nonprofit Medical Marijuana Dispensary (NMMD) Required to File Forms Other Than Arizona Form 99?

NMMDs that are organized as a corporation or an LLC that is taxed as a corporation need only file Arizona Form 99 with the Arizona Department of Revenue. NMMDs that are organized as an S corporation or a partnership (or an LLC that is taxed as an S corporation or a partnership) must also file Arizona Form 120S or Arizona Form 165, respectively, with the Arizona Department of Revenue. NMMDs that are organized as a sole proprietorship must also file Arizona Form 140, Arizona Form 140PY, or Arizona Form 140NR with the Arizona Department of Revenue. See the instructions for each form for more information.

### Is an Exempt Organization Subject to Arizona Corporate Income Tax on Its Unrelated Business Taxable Income?

Organizations that have tax exempt status under A.R.S. § 43-1201(A) file Arizona Form 99T to report IRC § 512 unrelated business taxable income (UBTI). These organizations are subject to the corporate income tax on their UBTI.

Organizations exempt under A.R.S. § 43-1201(A)(8) file Arizona Form 99T to report UBTI if their income is payable to a church or to a convention or association of churches. These organizations also file this return if their income is payable to another tax-exempt organization required to file Arizona Form 99T.

**DUE DATE:** Arizona Form 99T is due by the 15th day of the fifth calendar month after the close of the taxable year.

### What Penalties Apply to Arizona Form 99T?

Arizona Form 99T is subject to the same penalties as any other corporate tax form. See the instructions for Arizona Form 99T for details.

For the  calendar year 2016 or  fiscal year beginning MM, M, D, D, 2, 0, 1, 6 and ending MM, M, D, D, 2, 0, Y, Y.

|  |   |  |
|--|---|--|
| <b>CHECK ONE:</b><br><input type="checkbox"/> Original<br><input type="checkbox"/> Amended | Name _____                                  | Employer Identification Number (EIN) _____ |
| Business Telephone Number (with area code) _____   | Address – number and street or PO Box _____ |  |
|  | City, Town or Post Office _____             | State _____ ZIP Code _____                 |

**68** Check box if:  This is a first return  Name change  Address change

A Date Arizona operations began: MM, M, D, D, Y, Y, Y, Y

B Nature of Arizona activities: \_\_\_\_\_

C Federal form filed:  990  990-EZ  Other (specify) \_\_\_\_\_

Check box if return filed under extension:

**82** 82F

REVENUE USE ONLY. DO NOT MARK IN THIS AREA.

**88**

**81** PM

**66** RCVD

**NONPROFIT MEDICAL MARIJUANA DISPENSARY (NMMD) ONLY –**

D  NMMD Registry Identification Number: \_\_\_\_\_

E What type of entity is the dispensary?

- Corporation  Limited Liability Company (LLC)  Partnership  S corporation  
 Sole Proprietorship

F If the dispensary is an LLC, what is the federal tax classification?

- Corporation  Disregarded Entity  Partnership  S corporation

If the dispensary is an LLC, a partnership or an S corporation, **include a schedule** that lists the following ownership information: name, address, TIN, and ownership percentage at the end of the tax year.

G Federal form filed:  1040  1041  1065  1120  1120-S  Other (specify) \_\_\_\_\_

**Sources of Income**

|    |  |    |  |    |
|----|--|----|--|----|
| 1  | Gross sales from business activities.....                                  | 1  |  | 00 |
| 2  | Less cost of goods sold or of operations: Include itemized statement ..... | 2  |  | 00 |
| 3  | Gross profit from business activities: Subtract line 2 from line 1 .....   | 3  |  | 00 |
| 4  | Interest.....  | 4  |  | 00 |
| 5  | Dividends .....  | 5  |  | 00 |
| 6  | Rents and royalties .....  | 6  |  | 00 |
| 7  | Gain or (loss) from sales of assets, excluding inventory items.....        | 7  |  | 00 |
| 8  | Dues, assessments, etc., from members .....                                | 8  |  | 00 |
| 9  | Dues, assessments, etc., from affiliates .....                             | 9  |  | 00 |
| 10 | Contributions, gifts, grants, etc., received.....                          | 10 |  | 00 |
| 11 | Other income: Include itemized statement .....                             | 11 |  | 00 |
| 12 | Total income: Add lines 3 through 11 .....                                 | 12 |  | 00 |

**Administrative Expenses**

|    |  |    |  |    |
|----|--|----|--|----|
| 13 | Compensation of officers, directors, trustees, etc.....        | 13 |  | 00 |
| 14 | Salaries and wages other than amounts included on line 2 ..... | 14 |  | 00 |
| 15 | Interest.....  | 15 |  | 00 |
| 16 | Taxes .....  | 16 |  | 00 |
| 17 | Rent expense.....  | 17 |  | 00 |
| 18 | Depreciation: Include schedule.....                            | 18 |  | 00 |
| 19 | Miscellaneous expenses: Include itemized statement.....        | 19 |  | 00 |
| 20 | Total expenses: Add lines 13 through 19.....                   | 20 |  | 00 |

**Disbursements**

|    |  |    |  |    |
|----|--|----|--|----|
| 21 | Disbursements from current income for exempt purposes from page 2, line A6.....      | 21 |  | 00 |
| 22 | Disbursements from principal for exempt purposes from page 2, line B6 .....          | 22 |  | 00 |
| 23 | Other disbursements not itemized on Schedule A or Schedule B: Include schedule ..... | 23 |  | 00 |

**Accumulation of Income**

|    |  |    |  |    |
|----|--|----|--|----|
| 24 | Accumulation of income in current year: Line 12 less the sum of lines 20, 21, 22, and 23 ..... | 24 |  | 00 |
| 25 | Accumulation of income at beginning of year .....  | 25 |  | 00 |
| 26 | Accumulation of income at end of year: Add lines 24 and 25.....                                | 26 |  | 00 |

**Penalty**

|    |   |    |  |    |
|----|---|----|--|----|
| 27 | Penalty for late filing or incomplete filing. See instructions..... | 27 |  | 00 |
|----|---|----|--|----|

THE BUSINESS IS SUBJECT TO A PENALTY IF THIS RETURN IS FILED LATE OR IS INCOMPLETE. A.R.S. § 42-1125(K).

**SCHEDULE A Disbursements From Current Income for Exempt Purposes**

|  |     |  |    |  |    |
|--|-----|--|----|--|----|
| A1 Dues, assessments, etc., to affiliates .....                                    | A1  |  | 00 |  |    |
| A2 Contributions, gifts, grants, etc., paid .....                                  | A2  |  | 00 |  |    |
| A3 Benefit payments to or for members or their dependents:                         |     |  |    |  |    |
| A3a Death, sickness, hospitalization, disability, or pension benefits .....        | A3a |  | 00 |  |    |
| A3b Other benefits .....   | A3b |  | 00 |  |    |
| A4 Dividends and other distributions to members, shareholders, or depositors ..... | A4  |  | 00 |  |    |
| A5 Other .....   | A5  |  | 00 |  |    |
| A6 Total: Add lines A1 through A5. Enter total here and on page 1, line 21 .....   | A6  |  |    |  | 00 |

**SCHEDULE B Disbursements From Principal for Exempt Purposes**

|  |     |  |    |  |    |
|--|-----|--|----|--|----|
| B1 Dues, assessments, etc., to affiliates .....                                    | B1  |  | 00 |  |    |
| B2 Contributions, gifts, grants, etc., paid .....                                  | B2  |  | 00 |  |    |
| B3 Benefit payments to or for members or their dependents:                         |     |  |    |  |    |
| B3a Death, sickness, hospitalization, disability, or pension benefits .....        | B3a |  | 00 |  |    |
| B3b Other benefits .....   | B3b |  | 00 |  |    |
| B4 Dividends and other distributions to members, shareholders, or depositors ..... | B4  |  | 00 |  |    |
| B5 Other .....   | B5  |  | 00 |  |    |
| B6 Total: Add lines B1 through B5. Enter total here and on page 1, line 22 .....   | B6  |  |    |  | 00 |

**SCHEDULE C Balance Sheet**

**NOTE:** Amounts used in included schedules and in this column should be end of year amounts.

|  |     |    | (a)<br>Beginning of Year | (b)<br>End of Year |    |
|--|-----|----|--------------------------|--------------------|----|
| <b>Assets</b>  |     |    |                          |                    |    |
| C1 Cash .....  |     |    | 00                       | C1                 | 00 |
| C2a Accounts receivable .....  | C2a | 00 |                          |                    |    |
| C2b Less allowance for doubtful accounts .....                           | C2b | 00 |                          |                    |    |
| C2c Line C2a less line C2b. Enter difference in column (b) .....         |     |    | 00                       | C2c                | 00 |
| C3a Other notes and loans receivable: Include schedule .....             | C3a | 00 |                          |                    |    |
| C3b Less allowance for doubtful accounts .....                           | C3b | 00 |                          |                    |    |
| C3c Line C3a less line C3b. Enter difference in column (b) .....         |     |    | 00                       | C3c                | 00 |
| C4 Inventories .....   |     |    | 00                       | C4                 | 00 |
| C5 Investments (securities): Include schedule .....                      |     |    | 00                       | C5                 | 00 |
| C6 Investments (other): Include schedule .....                           |     |    | 00                       | C6                 | 00 |
| C7a Land, buildings, and equipment; basis: .....                         | C7a | 00 |                          |                    |    |
| C7b Less accumulated depreciation: Include schedule ...                  | C7b | 00 |                          |                    |    |
| C7c Line C7a less line C7b. Enter difference in column (b) .....         |     |    | 00                       | C7c                | 00 |
| C8 Other assets (describe): _____  |     |    | 00                       | C8                 | 00 |
| C9 <b>Total assets: Add lines C1 through C8</b> .....                    |     |    | 00                       | C9                 | 00 |
| <b>Liabilities</b>   |     |    |                          |                    |    |
| C10 Accounts payable and accrued expenses .....                          |     |    | 00                       | C10                | 00 |
| C11 Mortgages and other notes payable: Include schedule .....            |     |    | 00                       | C11                | 00 |
| C12 Other liabilities (describe): _____                                  |     |    | 00                       | C12                | 00 |
| C13 <b>Total liabilities: Add lines C10 through C12</b> .....            |     |    | 00                       | C13                | 00 |
| <b>Net Assets</b>  |     |    |                          |                    |    |
| C14 Capital stock or trust principal .....                               |     |    | 00                       | C14                | 00 |
| C15 Paid-in or capital surplus .....                                     |     |    | 00                       | C15                | 00 |
| C16 Retained earnings or accumulated income .....                        |     |    | 00                       | C16                | 00 |
| C17 <b>Total net assets: Add lines C14 through C16</b> .....             |     |    | 00                       | C17                | 00 |
| C18 <b>Total liabilities and net assets: Add lines C13 and C17</b> ..... |     |    | 00                       | C18                | 00 |

PLEASE BE SURE TO SIGN THE RETURN ON PAGE 3.

|                           |     |
|---------------------------|-----|
| Name (as shown on page 1) | EIN |
|---------------------------|-----|

|                                 |  |   |                      |
|---------------------------------|--|---|----------------------|
| <b>Declaration</b>              | Under penalties of perjury, I declare that I have examined this return, including the accompanying schedules and statements, and to the best of my knowledge and belief, it is a true, correct and complete return, made in good faith, for the taxable year stated pursuant to the income tax laws of the State of Arizona. |   |                      |
| <b>Please Sign Here</b>         | _____  | _____   | _____                |
|                                 | OFFICER'S SIGNATURE  | DATE  | TITLE                |
| <b>Paid Preparer's Use Only</b> | _____  | _____   | _____                |
|                                 | PAID PREPARER'S SIGNATURE  | DATE  | PAID PREPARER'S PTIN |
|                                 | _____  | FIRM'S <input type="checkbox"/> EIN OR <input type="checkbox"/> SSN |                      |
|                                 | FIRM'S NAME (OR PAID PREPARER'S NAME, IF SELF-EMPLOYED)  | ( )   |                      |
|                                 | _____  | FIRM'S TELEPHONE NUMBER   |                      |
|                                 | FIRM'S STREET ADDRESS  | _____   |                      |
|                                 | CITY   | STATE   | ZIP CODE             |

**Mail to: Arizona Department of Revenue, PO Box 52153, Phoenix, AZ 85072-2153**

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**2016 Arizona Exempt Organization Annual Information Return**

**For information or help, call one of the numbers listed:**  
 Phoenix (602) 255-3381  
 From area codes 520 and 928, toll-free (800) 352-4090

**Tax forms, instructions, and other tax information**  
 If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

**Income Tax Procedures and Rulings**  
 These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website and click on *Legal Research* then click on *Procedures* or *Rulings* and select a tax type from the drop down menu.

**Publications**  
 To view or print the department's publications, go to our website and click on *Publications*.

**General Instructions**

**Organizations Which Must File Form 99 or a Copy of the Federal Return of Organization Exempt From Income Tax**

Most organizations that have tax exempt status under *Arizona Revised Statutes (A.R.S.) § 43-1201(A)* must file Arizona Form 99 or a copy of the organization's federal Return of Organization Exempt from Income Tax *only if their gross receipts exceed \$50,000*.

However, the following exempt organizations do not have to file Arizona Form 99 or a copy of the organization's federal Return of Organization Exempt from Income Tax *regardless of the amount of gross receipts*:

- A religious organization exempt under *A.R.S. § 43-1201(A)(4)*. The organization must be organized exclusively for religious purposes. No part of the organization's net earnings may inure to the benefit of any private shareholder or individual. No substantial part of the organization's activities may be carrying on propagand or otherwise attempting to influence legislation.
- An educational organization exempt under *A.R.S. § 43-1201(A)(4)*. The organization must normally maintain a regular faculty and students in attendance at the place where its educational activities are regularly conducted.
- A charitable organization or an organization for the prevention of cruelty to children or animals, exempt under *A.R.S. § 43-1201(A)(4)*. The organization must receive its support, in whole or in part, from funds contributed by the United States, or any state or political subdivision thereof, or receive its primary support from contributions of the general public.
- An organization exempt under *A.R.S. § 43-1201(A)(4)*, if the operation, supervision, or control of the organization is by, or in connection with, a religious organization exempt under *A.R.S. § 43-1201(A)(4)*.
- An organization exempt solely under *A.R.S. § 43-1201(A)(2)*. The fraternal beneficiary societies, orders or organizations must: (a) operate under the lodge system or for the exclusive benefit of the

members of a fraternity itself operating under the lodge system; and (b) provide for the payment of life, sick, accident or other benefits to the members of the society, order or organization or their dependents.

**Homeowners Associations**

Homeowners associations described in Internal Revenue Code (IRC) § 528 are not exempt from tax under *A.R.S. § 43-1201(A)* [associations that file federal Form 1120-H or 1120]. These associations must file an Arizona corporate income tax return on Form 120A or Form 120.

Certain homeowners associations are federally tax exempt under IRC § 501(c)(4) as social welfare organizations, or under IRC § 501(c)(7) as clubs organized for pleasure or recreation. These homeowners associations are similarly tax exempt for Arizona income tax purposes and may file Arizona Form 99.

**Determination of Gross Receipts**

"Gross receipts" means the total amount the organization received from all sources during its annual tax year without subtracting any costs or expenses in accordance with *A.R.S. § 43-1242(D)*. Total income (Form 99, line 12), plus cost of goods sold (Form 99, line 2) plus any other expenses deducted to arrive at the income on lines 4 through 11, would equal the organization's gross receipts for the tax year.

**Nonprofit Medical Marijuana Dispensary (NMMD)**

A nonprofit medical marijuana dispensary (NMMD) under *Arizona Revised Statutes Title 36, Chapter 28.1*, is exempt from Arizona corporate income tax in accordance with *A.R.S. § 43-1201(B)*. An NMMD must file Arizona Form 99 to meet the filing requirements of *A.R.S. § 43-1242*. A limited liability company (LLC) that is an NMMD but treated as a disregarded entity must file Arizona Form 99. Because NMMDs are not exempt organizations at the federal level, they do not have the option to file the federal return in place of Arizona Form 99. An NMMD that is taxed as an S corporation or a partnership is required to file Arizona Form 120S or Arizona Form 165, as applicable, by the due date of those returns, in addition to filing Arizona Form 99. An NMMD that is organized as a sole proprietorship must also file Arizona Form 140, Arizona Form 140PY, or Arizona Form 140NR, as applicable, by the due date of those returns, in addition to filing Arizona Form 99.

**Extension of Time to File a Return**

- The organization can apply for an Arizona extension by filing a completed Arizona Form 120EXT by the original due date of the return.
- The organization can also use a valid federal extension rather than applying for an Arizona extension.
- The department grants an Arizona extension for filing Form 99 for a period of six months.
  - Arizona will accept the federal extension for the same period of time as covered by the federal extension, except for NMMDs.
  - A NMMD cannot use the federal extension for filing its Arizona Form 99. **The NMMD must request an Arizona extension on Arizona Form 120EXT.**

## Filing Original Returns

- The due date to file Form 99 or a copy of the federal return of organization exempt from income tax is the 15th day of the fifth month after the close of the taxable year.
- If the organization has a valid federal or Arizona filing extension, the return date is the extended due date.
  - If the return is filed under extension, check box 82F on page 1 of the return.
- If the organization filed a federal extension and is filing its federal form in place of the Arizona Form 99, include a copy of the federal extension in front of the federal return.
- Mail the return to the address indicated on the form.

## Timely filing of returns:

- The Department determines the timeliness of a tax return by the postmark or other official mark of the United States Mail stamped on the envelope in which the return is mailed.
  - See *General Tax Ruling (GTR) 16-1, Timely Filing of Income or Withholding Tax Returns Through the United States Mail*.
- The Department will accept proof of mailing from a private delivery service included in the Internal Revenue Service (IRS) list of designated private delivery services.
  - Contact the private delivery service for information regarding how to obtain written proof of mailing.
- If the due date for the return falls on a Saturday, Sunday, or a legal holiday, the return is considered timely filed if it is post-marked the next business day.
  - See *GTR 16-2, Timely Filing of Income or Withholding Tax Return – Holidays and Weekends*.

## Filing Amended Returns

- File amended returns within four years of the filing of the original return.
- Do not file an amended return until the original return has been processed.
- *Organization(s) that filed a copy of its federal Return of Organization Exempt from Income Tax –*
  - File a copy of the amended federal Return of Organization Exempt from Income Tax.
- *Organization(s) that filed Form 99 –*
  - Include a statement with the amended return that explains why the organization amended its Arizona return.
  - If the organization amended its federal return, include a copy of the amended federal return and all schedules applicable with the amended Arizona return.
- *NMMD that filed Form 99 –*
  - Include a statement with the amended return that explains why the dispensary amended its Arizona return.
  - If the dispensary amended its federal return, include a copy of the amended federal return and all applicable schedules with the amended Arizona return, unless question H applies.

- If question H applies to the NMMD, then an amended Arizona Form 120S or Arizona Form 165 must be filed and the amended federal return should be included with the Arizona amended Form 120S or Form 165.

## Penalty

This form is an information return. The penalty for failing to file, filing late (including extensions) or filing an incomplete information return is \$100 for each month, or fraction of a month, that the failure continues, up to a maximum penalty of \$500.

## Specific Instructions

Type or print the required information in the name, address, and information boxes at the top of page 1. Indicate whether the taxable year is a calendar year or a fiscal year; if a fiscal year, indicate the taxable year on the top of the return. Indicate whether this return is an original or an amended return.

Enter the employer identification number (EIN) of the organization, which is its taxpayer identification number (TIN).

All returns, statements, and other documents filed with the department require a TIN. Taxpayers that fail to include their TIN may be subject to a penalty. Paid tax return preparers must include their TIN where requested. The TIN for a paid tax return preparer is the individual's social security number or the EIN of the business. Paid tax return preparers that fail to include their TIN may be subject to a penalty.

*An organization that is exempt under A.R.S. § 43-1201(A) –* must answer questions A, B and C. Skip questions D through H. Complete the rest of the form.

*NMMD that is exempt under A.R.S. § 43-1201(B) –* answer questions A and B. Skip question C. Check the box for question D and enter the registry identification number of the dispensary. Check one box for question E. If the dispensary is an LLC, check one box for question F. If the dispensary is a flow through entity (LLC, S corporation or partnership), be sure to include a schedule that lists ownership information (i.e. name, address, TIN and ownership percentage) with the tax return. Check a box for question G to indicate the type of federal income tax return filed. Complete the rest of the form, as instructed below.

### Lines 1 through 12 -

Include in this section all sources of income received during the taxable year.

### Lines 13 through 20 -

Include in this section all administrative expenses.

**Schedule A and Line 21 -**

Include in Schedule A on page 2 all disbursements made from current income for exempt purposes. Enter the total of lines A1 through A5 on line A6 and on page 1, line 21.

**Schedule B and Line 22 -**

Include in Schedule B on page 2 all disbursements from principal for exempt purposes. Enter the total of lines B1 through B5 on line B6 and on page 1, line 22.

**Line 23 -**

Enter all other disbursements not itemized on Schedule A or Schedule B. Include a schedule detailing these disbursements with the return.

**Lines 24 through 26 -**

Enter the applicable amounts to report the accumulation of income.

**Line 27 -**

This form is an information return. An information return that is incomplete or filed after its due date (including extensions) is subject to a penalty of \$100 for each month, or fraction of a month, that the failure continues, up to a maximum penalty of \$500.

If the organization or dispensary files this return after its due date (including extensions), enter the penalty due on this line. Payments can be made via check or money order.

Make checks payable to Arizona Department of Revenue. Enter the organization's EIN or the dispensary's TIN on the front of the check or money order. Include the check or money order with the return.

**Schedule C - Balance Sheet**

Complete column (a), for beginning of year amounts, and column (b), for end of year amounts.

**NOTE:** The amounts entered on lines C2a, C2b, C3a, C3b, C7a, and C7b and on any included schedules should be end of year amounts.

**Line C2 -**

On line C2a, enter accounts receivable. Subtract the amount on line C2b from the amount on line C2a. Enter the difference on line C2c in column (b).

**Line C3 -**

On line C3a, enter other notes and loans receivable. Subtract the amount on line C3b from the amount on line C3a. Enter the difference on line C3c in column (b).

**Line C7 -**

On line C7a, enter land, buildings, and equipment; basis. Subtract the amount on line C7b from the amount on line C7a. Enter the difference on line C7c in column (b).

**Certification**

An officer of the organization or dispensary must sign the return on page 3.

**Paid preparers:** Sign and date the return on page 3. Complete the firm name and address lines (the paid preparer's name and address, if self-employed). Enter the paid preparer's TIN, which is the firm's EIN or the individual preparer's social security number.

**THIS PAGE INTENTIONALLY LEFT BLANK**

For the  calendar year 2016 or  fiscal year beginning MM,DD,YY 2,0,1,6 and ending MM,DD,YY 2,0,Y,Y.

|  |   |  |
|--|---|--|
| <b>CHECK ONE:</b><br><input type="checkbox"/> Original<br><input type="checkbox"/> Amended | Name _____                                  | Employer Identification Number (EIN) _____ |
| Business Telephone Number (with area code) _____   | Address – number and street or PO Box _____ |  |
|  | City, Town or Post Office _____             | State _____ ZIP Code _____                 |

- 68** Check box if:  This is a first return  Name change  Address change
- A** Date Arizona operations began ..... MM,DD,YY
- B** Nature of unrelated business activities: \_\_\_\_\_
- C** Unrelated business activity codes: \_\_\_\_\_
- D** ARIZONA apportionment for multistate organizations only (check one box):  
 AIR CARRIER  STANDARD  ENHANCED
- E**  Check if Multistate Service Provider Election and Computation (Arizona Schedule MSP) is included. Indicate the year of the election cycle  Yr 1  Yr 2  Yr 3  Yr 4  Yr 5
- F** Did you file an Arizona Form 99? .....  Yes  No
- G** Check federal form filed:  990-T  Other (specify) \_\_\_\_\_

|   |                |
|---|----------------|
| <b>Check box if return filed under extension:</b><br><b>82</b> 82F <input type="checkbox"/> |                |
| <b>REVENUE USE ONLY. DO NOT MARK IN THIS AREA.</b>  |                |
| <b>88</b>   |                |
| <b>81</b> PM  | <b>66</b> RCVD |

**Arizona Unrelated Business Taxable Income Computation**

|  |          |           |    |
|--|----------|-----------|----|
| 1 Unrelated business taxable income.....   | <b>1</b> |           | 00 |
| 2 Additions related to Arizona tax credits claimed .....   | <b>2</b> |           | 00 |
| 3 Subtotal: Add line 1 and line 2 .....  | <b>3</b> |           | 00 |
| 4 Apportionment ratio for multistate organizations only: See instructions ...  | <b>4</b> | . . . . . |    |
| 5 Taxable income attributable to Arizona: Line 3 multiplied by line 4 (or if 100% Arizona, enter amount from line 3).... | <b>5</b> |           | 00 |

**Arizona Tax Liability Computation**

|   |           |  |    |
|---|-----------|--|----|
| 6 Enter tax: Tax is 5.5 percent of line 5, or \$50, whichever is greater .....  | <b>6</b>  |  | 00 |
| 7 Tax from recapture of tax credits from Arizona Form 300, Part 2, line 31.....   | <b>7</b>  |  | 00 |
| 8 Subtotal: Add line 6 and line 7 .....   | <b>8</b>  |  | 00 |
| 9 Nonrefundable tax credits from Arizona Form 300, Part 2, line 56 .....  | <b>9</b>  |  | 00 |
| 10 Credit type:<br>Enter form number for each nonrefundable credit claimed: <b>10</b> <u>3</u> <u>3</u> <u>3</u> <u>3</u> |           |  |    |
| 11 Tax liability: Subtract line 9 from line 8.....  | <b>11</b> |  | 00 |

**Tax Payments**

|  |           |  |    |
|--|-----------|--|----|
| 12 Refundable tax credits: Check box(es) and enter amount: <b>12</b> <input type="checkbox"/> 308 <input type="checkbox"/> 342 <input type="checkbox"/> 349..... | <b>12</b> |  | 00 |
| 13 Extension payment made with Arizona Form 120EXT or online.....  | <b>13</b> |  | 00 |
| 14 Estimated tax payments: .....   | <b>14</b> |  | 00 |
| 15 Amended returns: Payment made with original return plus all payments made after it was filed: See instructions .....  | <b>15</b> |  | 00 |
| 16 Subtotal payments: Add lines 12 through 15 .....  | <b>16</b> |  | 00 |
| 17 Overpayments of tax from original return or later adjustments: See instructions .....   | <b>17</b> |  | 00 |
| 18 Total Payments: Subtract line 17 from line 16 .....   | <b>18</b> |  | 00 |

**Computation of Total Due or Overpayment**

|   |           |  |    |
|---|-----------|--|----|
| 19 Balance of tax due: If line 11 is larger than line 18, subtract line 18 from line 11. Enter balance of tax due. Skip line 20 | <b>19</b> |  | 00 |
| 20 Overpayment of tax: If line 18 is larger than line 11, subtract line 11 from line 18. Enter overpayment of tax .....         | <b>20</b> |  | 00 |
| 21 Penalty and interest .....   | <b>21</b> |  | 00 |
| 22 Estimated tax underpayment penalty: <b>If Form 220 is included, check this box</b> ..... <b>22A</b> <input type="checkbox"/> | <b>22</b> |  | 00 |
| 23 <b>TOTAL AMOUNT DUE:</b> Add lines 19, 21, and 22. If money is due, non-EFT payment must accompany return .....              | <b>23</b> |  | 00 |
| 24 <b>OVERPAYMENT:</b> See instructions .....   | <b>24</b> |  | 00 |
| 25 Amount of line 24 to be applied to 2017 estimated tax..... <b>25</b> <u>          </u> <u>00</u>                             |           |  |    |
| 26 Amount to be refunded: Subtract line 25 from line 24 .....   | <b>26</b> |  | 00 |

Name (as shown on page 1)

EIN

**SCHEDULE A Apportionment Formula (Multistate Organizations Only)**

**IMPORTANT:** Qualifying air carriers must use Arizona Schedule ACA. Qualifying multistate service providers must include Arizona Schedule MSP. See instructions, pages 8, 9, and 10.

**A1 Property Factor**

- a Value of real and tangible personal property (by averaging the value of owned property at the beginning and end of the tax period; rented property at capitalized value). Total owned and rented property .....
- b Weight AZ property: (STANDARD uses  $\times 1$ ; ENHANCED uses  $\times 2.5$ ) ....
- c Property factor (for column A, multiply line a by line b; for column B, enter amount from line a) .....

**A2 Payroll Factor**

- a Wages, salaries, commissions and other compensation paid to officers or employees .....
- b Weight AZ payroll: (STANDARD uses  $\times 1$ ; ENHANCED uses  $\times 2.5$ ) .....
- c Payroll factor (for column A, multiply line a by line b; for column B, enter amount from line a) .....

**A3 Sales Factor**

- a Sales delivered or shipped to Arizona purchasers .....
- b Sales of services for qualifying multistate service providers only (include Schedule MSP) .....
- c Other gross receipts .....
- d Total sales and other gross receipts .....
- e Weight AZ sales: (STANDARD uses  $\times 2$ ; ENHANCED uses  $\times 95.0$ ) .....
- f Sales factor (For column A, multiply line d by line e; for column B, enter the amount from line d) .....

- A4 Total Ratio:** Add A1c, A2c, and A3f, in column C .....
- A5 Average Apportionment Ratio:** Divide line A4, column C, by the denominator (STANDARD divides by four (4); ENHANCED divides by one hundred (100)). Enter the result in column C, and on page 1, line 4 .....

| LIMITED TO UNRELATED BUSINESS AMOUNTS                        |  |   |
|--|--|---|
| COLUMN A<br>Total Within Arizona<br>Round to nearest dollar. | COLUMN B<br>Total Everywhere<br>Round to nearest dollar. | COLUMN C<br>Ratio Within Arizona<br>A ÷ B |
|  |  |   |
| $\times 1$ OR $\times 2.5$                                   |  |   |
|  |  | •   |
|  |  |   |
| $\times 1$ OR $\times 2.5$                                   |  |   |
|  |  | •   |
|  |  |   |
|  |  |   |
|  |  |   |
| $\times 2$ OR $\times 95.0$                                  |  |   |
|  |  | •   |
|  |  | •   |
|  |  | •   |

**Declaration** Under penalties of perjury, I declare that I have examined this return, including the accompanying schedules and statements, and to the best of my knowledge and belief, it is a true, correct and complete return, made in good faith, for the taxable year stated pursuant to the income tax laws of the State of Arizona.

**Please Sign Here**

OFFICER'S SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_ TITLE \_\_\_\_\_

**Paid Preparer's Use Only**

PAID PREPARER'S SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_ PAID PREPARER'S PTIN \_\_\_\_\_

FIRM'S NAME (OR PAID PREPARER'S NAME, IF SELF-EMPLOYED) \_\_\_\_\_ FIRM'S  EIN OR  SSN \_\_\_\_\_

FIRM'S STREET ADDRESS \_\_\_\_\_ ( ) \_\_\_\_\_ FIRM'S TELEPHONE NUMBER \_\_\_\_\_

CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP CODE \_\_\_\_\_

Mail to: Arizona Department of Revenue, PO Box 52153, Phoenix, AZ 85072-2153

## 2016 Arizona Exempt Organization Business Income Tax Return

**For information or help, call one of the numbers listed:**  
Phoenix (602) 255-3381  
From area codes 520 and 928, toll-free (800) 352-4090

### **Tax forms, instructions, and other tax information**

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

### **Income Tax Procedures and Rulings**

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website and click on *Legal Research* then click on *Procedures* or *Rulings* and select a tax type from the drop down menu.

### **Publications**

To view or print the department's publications, go to our website and click on *Publications*.

## **General Instructions**

### **Organizations Which Must File This Tax Return**

Organizations that have tax-exempt status under *Arizona Revised Statutes (A.R.S.) § 43-1201(A)* file this return to report Internal Revenue Code (IRC) § 512 unrelated business taxable income (UBTI).

Organizations exempt under *A.R.S. § 43-1201(A)(8)* file Form 99T to report UBTI if their income is payable to a church or to a convention or association of churches. These organizations also file this return if their income is payable to another tax-exempt organization required to file Form 99T.

### **Homeowners Associations**

Homeowners associations described in IRC § 528 are not exempt from tax under *A.R.S. § 43-1201(A)* [associations that file federal Form 1120-H or 1120]. These associations must file an Arizona corporate income tax return on Form 120A or Form 120.

Certain homeowners associations are federally tax exempt under IRC § 501(c)(4) as social welfare organizations, or under IRC § 501(c)(7) as clubs organized for pleasure or recreation. These homeowners associations are similarly tax exempt for Arizona income tax purposes and may file Arizona Form 99.

### **Taxable Year Covered by Return**

Indicate the period covered by the taxable year and whether the taxable year is a calendar year or a fiscal year.

### **Records**

Every organization should maintain books and records substantiating information reported on the return and keep these documents for inspection. *GTR 96-1, Electronic Data Processing* discusses the general requirements for the maintenance and retention of books, records and other sources of information received, created, maintained or generated through various computer, electronic and imaging processes and systems. Refer to this tax ruling for further information.

### **IRC § 7519 Required Payments**

These payments cannot be deducted on the Arizona tax returns as an ordinary and necessary business expense or otherwise.

### **Rounding Dollar Amounts**

Organizations must round amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.

### **Extension of Time to File a Return**

- The organization can apply for an Arizona extension by filing a completed Arizona Form 120EXT by the original due date of the return.
  - The organization can also use a valid federal extension, rather than applying for an Arizona extension.
    - Arizona will accept the federal extension for the same period of time as covered by the federal extension.
  - *The department grants an Arizona extension for a period of six months.*
  - The organization must use Arizona Form 120EXT to transmit extension payments via check or money order, whether the organization uses a valid federal extension or requests an Arizona extension.
- If the organization uses an extension, the organization must check the extension box (82F) on page 1 of the return.
- *Either the Arizona or federal extension provide an extension of time to file, but do not provide an extension of time to pay.*
  - The organization must pay 90% of the tax liability (less any tax credits) by the original due date of the return. The organization's tax liability may be the \$50 minimum tax.
  - The department imposes the extension underpayment penalty on any late or underpaid extension payments.
- See *CTR 01-3, Extensions*, for additional information.
- **Mail the extension request to the address shown on the form.**

### **Filing Original Returns**

- The due date to file Form 99T is the 15th day of the fifth month after the close of the taxable year.
- Be sure to check the box indicating that the organization is filing an original return.
- If the organization has a valid federal or Arizona extension, file the return by the extended due date.
- If the organization uses an extension, the organization must check the extension box (82F) on page 1 of the return.
- **Mail the return to the address shown on the form.**

### **Timely filing of returns:**

- The Department determines the timeliness of a tax return by the postmark or other official mark of the United States Mail stamped on the envelope in which the return is mailed.
  - See *General Tax Ruling (GTR) 16-1, Timely Filing of Income or Withholding Tax Returns Through the United States Mail*.

- The Department will accept proof of mailing from a private delivery service included in the Internal Revenue Service (IRS) list of designated private delivery services.
  - Contact the private delivery service for information regarding how to obtain written proof of mailing.
- If the due date for the return falls on a Saturday, Sunday, or a legal holiday, the return is considered timely filed if it is post-marked the next business day.
  - See *GTR 16-2, Timely Filing of Income or Withholding Tax Return – Holidays and Weekends*.

**Filing Amended Returns**

- Any tax exempt organization with UBTI that files an amended return with the IRS must file an Arizona amended return on Form 99T within 90 days after the final determination of the change or determination by the IRS.
- The organization must report changes or corrections to the organization’s UBTI by the IRS, or as the result of renegotiation of a contract or subcontract with the United States, to the department. The organization must either:
  - File a copy of the final determination with the department, concede the accuracy of the determination or state any errors, and request the department to recompute the tax owed to Arizona; or,
  - File an amended return as required by the department.
- The organization must include additional schedules that provide sufficient information for the department to recompute the organization’s Arizona UBTI based on the Revenue Agent Report changes.
- The department may require that the organization file an amended return if the department does not have the necessary information to recompute the tax owed to Arizona.
- Be sure to check the box on page 1 of the return to indicate that the organization is filing an amended return.
- **Mail the amended return to the address shown on the form.**

**NOTE:** *File an amended return for a prior taxable year on the Form 99T for that taxable year. Use the 2016 Form 99T to amend only taxable year 2016. Do **NOT** file an amended return until the original return has been processed.*

**Estimated Tax Payments**

Organizations that expect an Arizona income tax liability for the taxable year of \$1,000 or more must make Arizona estimated tax payments. Use Arizona Form 120ES, *Corporation Estimated Tax Payment*. For exceptions to the estimated tax requirements, see the instructions for Arizona Form 220, *Underpayment of Estimated Tax by Corporations*. An organization that fails to make the required estimated tax payments is subject to a penalty on any estimated tax payment that is late or underpaid. Arizona's required annual payment of estimated tax is the smaller of:

- Ninety percent of the organization's Arizona tax liability for the current taxable year; **or**

- One hundred percent of the organization's Arizona tax liability for the prior taxable year.

*Organizations required to make Arizona corporate estimated tax payments should use the 2017 Arizona Form 120W, Estimated Tax Worksheet for Corporations, to compute the required installments. Refer to the 2017 Arizona Form 120W and its instructions before completing the 2017 Arizona Form 120ES.*

**ESTIMATED TAX PAYMENTS BY ELECTRONIC FUNDS TRANSFER (EFT)**

Organizations whose Arizona corporate income tax liability for the preceding taxable year was \$20,000 or more must make Arizona corporate estimated tax payments via electronic funds transfer. If the organization is making its estimated tax payments by electronic funds transfer (EFT), the organization should not submit Arizona Form 120ES to the department.

Organizations required to make estimated tax payments via electronic funds transfer must complete the department's electronic funds transfer authorization agreement at least 30 days prior to initiation of the first applicable transaction.

Organizations whose Arizona corporate income tax liability for the preceding taxable year was less than \$20,000 may elect voluntary participation in the electronic funds transfer program. Voluntary participants in the program must complete the department's electronic funds transfer authorization agreement at least 30 days prior to the first applicable transaction.

Refer to *A.R.S. § 42-1129* and the related Arizona Administrative Code rules (*A.A.C. R15-10-301 through R15-10-307*) for detailed information regarding electronic funds transfer.

**NOTE:** *Organizations required to make estimated payments via EFT that fail to do so will be subject to a penalty of 5% of the amount of the payment not made by EFT. See A.R.S. § 42-1125(O).*

**Penalties and Interest**

**A. Late Filing Penalty.** A return filed after the original due date is subject to the late filing penalty unless the organization has a valid federal or Arizona extension. A return filed after its extended due date is also subject to the late filing penalty. The late filing penalty is 4.5% (.045) of the amount of tax required to be shown on the return. “Amount of tax required to be shown on the return” is the amount of tax imposed less the amount of any part of the tax paid on or before the beginning of the month and the amount of any credit against the tax which may be claimed on the return. The penalty period is for each month or fraction of a month between the due date of the return and the date the organization filed the return. The maximum penalty is 25% of the tax found to be remaining due.

**B. Extension Underpayment Penalty.** The organization must pay 90% of the tax liability (less any tax credits) disclosed by the organization's return on or before the original due date of the return. The department imposes the extension underpayment penalty on any late or underpaid extension payments. The extension underpayment penalty is 0.5% (.005) of the tax not paid. The penalty period is for each 30 day period or fraction thereof between the original due date of the return



and the date the organization paid the tax. The maximum penalty is 25% of the unpaid tax. Organizations subject to the extension underpayment penalty are not subject to the late payment penalty described in C below.

**C. Late Payment Penalty.** The department imposes the late payment penalty on any amount shown as tax on a return that is not paid by the date prescribed for its payment. "Amount of tax shown on the return" is the amount of tax imposed shown on the return less the amount of any part of the tax paid on or before the beginning of the month and the amount of any credit against the tax that may be claimed on the return. The late payment penalty is 0.5% (.005) of the unpaid tax for each month or fraction of a month that the tax remains unpaid, not to exceed 10% of the unpaid tax.

**NOTE:** If more than one of the penalties described in A, B, or C apply, the maximum combined penalty is 25%.

Refer to *Arizona Corporate Income Tax Ruling CTR 09-1, When do Penalties Apply to an Income Tax Return Filed Under an Extension*, regarding the application of penalties to returns filed under extension.

**D. Interest.** The department assesses interest on any portion of the tax, whether determined by the department or the organization, not paid by the date prescribed for its payment. The department applies interest, compounded annually, in the same manner and at the same time as prescribed by IRC § 6621 with the following exception. **Exception:** The Arizona rate of interest for both underpayments and overpayments for all taxpayers is the federal underpayment rate under IRC § 6621(a)(2) [the federal short-term rate, determined pursuant to IRC § 6621(b), plus three percentage points].

On January 1 of each year, the department adds any interest outstanding as of that date to the principal amount of the tax. It is then a part of the principal amount of the tax and accrues interest until paid.

**E. Estimated Tax Underpayment Penalty.** The department imposes the estimated tax underpayment penalty on any late payment or underpayment of a required installment of estimated tax. Refer to Arizona Form 220 for further details. The penalty imposed is the penalty prescribed by *A.R.S. § 43-582* for the applicable period.

**Payment of Tax**

The entire amount of tax is due by the original due date of the return. Payments can be made via check, money order, electronic check, or credit card. Visit [www.AZTaxes.gov](http://www.AZTaxes.gov) to register and make payments via the internet.

**Specific Instructions**

Type or print the required information in the name, address, and information boxes on the top of page 1. Indicate whether the taxable year is a calendar year or a fiscal year; if a fiscal year, indicate the taxable year on the top of the return. Indicate whether this return is an original or an amended return.

Enter the employer identification number (EIN) of the organization, which is its taxpayer identification number (TIN). Complete lines A through G. Be sure to enter the unrelated business activity code(s) from the federal Form 990-T on line C.

All returns, statements, and other documents filed with the department require a TIN. Organizations that fail to include their TIN may be subject to a penalty. Paid tax return preparers must include their TIN where requested. The TIN for a paid tax return preparer is the individual's social security number or the EIN of the business. Paid tax return preparers that fail to include their TIN may be subject to a penalty.

**NEW:** For taxable years beginning from and after December 31, 2013, a multistate service provider (MSP) may elect to treat sales from services as being in Arizona based on a combination of income producing activity sales and market sales prescribed under *A.R.S. § 43-1147(B)*. Taxpayers who want to make the election should check the applicable boxes on line E on page 1 of the return and include Schedule MSP with the return. See the specific instructions for the apportionment formula on these instructions. Also refer to *A.R.S. § 43-1147* and Schedule MSP instructions for more information.

**Arizona Unrelated Business Taxable Income (UBTI) Computation**

**Line 1 - Unrelated Business Taxable Income**

Enter the amount of UBTI from federal Form 990-T.

**NOTE:** *A.R.S. §§ 43-1231 and 43-1241* do not allow additions to or subtractions from federal UBTI similar to those allowed for corporations. However, if the organization claims certain Arizona income tax credits related to its UBTI activities, each credit statute requires an addition to UBTI.

**Line 2 - Additions Related to Arizona Tax Credits**

Enter the following additions to UBTI that are related to Arizona tax credits claimed by the organization. Include a schedule detailing these additions.

**A. Environmental Technology Facility Credit**

- **Excess Federal Depreciation or Amortization**

Enter the excess of depreciation or amortization computed on the federal basis of the facility over depreciation or amortization computed on the Arizona adjusted basis of the facility. Make this adjustment for the facility for which the organization claimed a tax credit on Form 305 in a prior year.

- **Excess in Federal Adjusted Basis**

Enter the amount by which the federal adjusted basis of the facility exceeds the Arizona adjusted basis of the facility. Make this adjustment if the facility or any component of the facility for which the organization claimed a tax credit on Form 305 in a prior year was sold or otherwise disposed of during the taxable year.

**B. Pollution Control Credit**

- **Excess Federal Depreciation or Amortization**

Enter the excess of depreciation or amortization computed on the federal basis of the property over depreciation or amortization computed on the Arizona adjusted basis of the property. Make this adjustment for the property for which the organization claimed a tax credit on Form 315 in a prior year.

**• Excess in Federal Adjusted Basis**

Enter the amount by which the federal adjusted basis of the property exceeds the Arizona adjusted basis of the property. Make this adjustment if the property for which the organization claimed a tax credit on Form 315 in a prior year was sold or otherwise disposed of during the taxable year.

**C. Credit for Taxes Paid for Coal Consumed in Generating Electrical Power**

Enter the amount of expenses deducted pursuant to the IRC for which the organization claimed the credit for taxes paid for coal consumed in generating electrical power, in Arizona on Form 318. The addition is required for the amount of Arizona transaction privilege taxes and Arizona use taxes included in the computation of UBTI for which the Arizona credit is claimed.

**D. Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets**

Enter the amount of expenses deducted in computing UBTI for the installation of solar hot water heater plumbing stub outs and electric vehicle recharge outlets for which the organization claimed a tax credit under on Form 319.

**E. Credit for Employment of TANF Recipients**

Enter the amount of wage expenses deducted pursuant to the IRC for which the organization claimed a tax credit for employment of TANF recipients on Form 320.

**F. Agricultural Pollution Control Equipment Credit**

**• Excess Federal Depreciation or Amortization**

Enter the excess of depreciation or amortization computed on the federal basis of the property over depreciation or amortization computed on the Arizona adjusted basis of the property. Make this adjustment for the property for which the organization claimed a tax credit on Form 325 in a prior year.

**• Excess in Federal Adjusted Basis**

Enter the amount by which the federal adjusted basis of the property exceeds the Arizona adjusted basis of the property. Make this adjustment if the property for which the organization claimed a tax credit on Form 325 in a prior year was sold or otherwise disposed of during the taxable year.

**G. Credit for Donation of School Site**

Enter the amount deducted pursuant to the IRC representing a donation of a school site for which the organization claimed a tax credit on Form 331.

**I. Credit for Corporate Contributions to School Tuition Organizations**

Enter the amount deducted in computing UBTI as contributions for which a tax credit is claimed on Form 335.

**J. Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students with Disabilities**

Enter the amount deducted in computing UBTI as contributions for which a tax credit is claimed on Form 341.

**Line 4 - Apportionment Ratio**

This line is provided for multistate organizations to enter an apportionment ratio. An apportionment ratio represents the percentage of the multistate organization's UBTI that arises from Arizona. Schedule A on page 2 of Form 99T is used to compute the apportionment ratio for non-air carrier multistate organizations. Air carrier organizations must complete Schedule ACA and include with the return. Arizona's apportionment ratio provisions are explained later in these instructions.

An exempt organization that has income from unrelated business activities taxable in more than one state is a *multistate organization*. An exempt organization that has income from unrelated business activities taxable entirely within Arizona is a *wholly Arizona organization*.

*Non-air carrier multistate organizations* - enter the average ratio from page 2, Schedule A, line A5, column C. The organization must carry out the decimal on line 4 to six places.

*Air carrier multistate organizations* - enter the average ratio from Schedule ACA, line 3. The organization must carry out the decimal on line 4 to six places.

**Line 5 - Taxable Income Attributable to Arizona**

*Multistate organizations:* The organization must apportion its UBTI; multiply the amount on line 3 by the ratio on line 4. Enter the result.

*Wholly Arizona organizations:* If the organization has UBTI that is taxable entirely within Arizona, enter the amount from line 3.

**Arizona Tax Liability Computation**

**Line 6 - Arizona Tax**

Multiply the net UBTI that is subject to Arizona tax (page 1, line 5) by 5.5%. If the computed amount of tax is less than \$50, enter the minimum tax liability of \$50. Every organization required to file a return shall pay a \$50 minimum tax in accordance with *A.R.S. § 43-1111*.

**Line 7 - Tax From Recapture of Tax Credits**

Enter the amount of tax due from recapture of the credits from Arizona Form 300, Part 2, line 31.

**Line 8 - Subtotal**

Add line 6 and line 7. This is the amount of tax to which the total amount of tax credits claimed by the organization may be applied.

**Line 9 - Nonrefundable Tax Credits**

Enter the allowable nonrefundable tax credit amount from Arizona Form 300, Part 2, line 56. This amount cannot be larger than the amount on Form 99T, line 8.

These credits are available to an exempt organization that is subject to corporate income tax on UBTI. The credit(s) must result from the activities that generate UBTI.

- Environmental Technology Facility Credit.** This tax credit is for costs incurred in constructing a qualified environmental technology manufacturing, producing, or processing facility as described in *A.R.S. § 41-1514.02*. Complete Form 305 to claim this tax credit.

- **Military Reuse Zone Credit.** This tax credit is for net increases in employment of full-time employees working in a military reuse zone established under Arizona law. Complete Form 306 to claim this tax credit.
- **Credit for Increased Research Activities.** This tax credit is for organizations that incur qualified research expenses for research conducted in Arizona. A portion of the excess credit claimed for taxable years beginning from and after December 31, 2009, may be refundable with approval from the Arizona Commerce Authority. Be sure to include only the nonrefundable portion on line 9. Complete Form 308 to claim this tax credit.
- **Pollution Control Credit.** This tax credit is for expenses incurred during the taxable year to purchase real or personal property used in the organization's unrelated business in Arizona to control or prevent pollution. Complete Form 315 to claim this tax credit.
- **Credit for Taxes Paid for Coal Consumed in Generating Electrical Power.** This tax credit is for a percentage of the amount paid by the seller or purchaser as transaction privilege tax or use tax for coal sold to the organization that is consumed in the generation of electrical power in Arizona. "Amount paid by the seller or purchaser as transaction privilege tax or use tax" means that the organization paid the Arizona use tax to the department, the seller passed the Arizona transaction privilege tax through to the organization as an added charge, or the seller collected the Arizona use tax from the organization. Complete Form 318 to claim this tax credit.
- **Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets.** This tax credit is for the installation of solar hot water heater plumbing stub outs and electric vehicle recharge outlets in houses or dwelling units constructed by the organization. The houses or dwelling units must be located in Arizona. Complete Form 319 to claim this tax credit.
- **Credit for Employment of TANF Recipients.** This tax credit is for net increases in qualified employment for recipients of temporary assistance for needy families (TANF) who are residents of Arizona. Complete Form 320 to claim this tax credit.
- **Agricultural Pollution Control Equipment Credit.** This tax credit is for expenses incurred during the taxable year to purchase tangible personal property that is primarily used in the organization's unrelated business in Arizona to control or prevent agricultural pollution. Complete Form 325 to claim this tax credit.
- **Credit for Donation of School Site.** This tax credit is for the donation of real property and improvements to an Arizona school district or Arizona charter school for use as a school or as a site for the construction of a school. Complete Form 331 to claim this tax credit.
- **Credits for Healthy Forest Enterprises.** These tax credits are for net increases in qualified employment positions in a healthy forest enterprise and net training and certifying costs. Use Form 332 to claim these tax credits.
- **Credit for Employing National Guard Members.** This tax credit is for an employer who has an employee that is a member of the Arizona National Guard and the employee was placed on active duty. Use Form 333 to claim this tax credit.
- **Credit for Corporate Contributions to School Tuition Organizations.** This tax credit is for organizations that made contributions to school tuition organizations that provide scholarships and tuition grants to children attending qualified nongovernmental schools. Use Form 335 to claim this tax credit.
- **Credit for Solar Energy Devices - Commercial and Industrial Applications.** This tax credit is available to organizations that install solar energy devices for commercial, industrial, or any other nonresidential purpose in the organization's unrelated business located in Arizona. The credit may be transferred to a third party that either financed, installed, or manufactured the qualifying solar energy device. Use Form 336 to figure this tax credit.
- **Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students With Disabilities.** This tax credit is for organizations that made contributions to school tuition organizations that provide scholarships and tuition grants to qualifying children attending qualified nongovernmental schools. Use Form 341 to claim this tax credit.
- **Renewable Energy Production Tax Credit.** This tax credit is for organizations that produce electricity using qualified energy resources. Approval by the Arizona Department of Revenue is required prior to claiming this tax credit. Use Form 343 to claim this tax credit.
- **Solar Liquid Fuel Credit.** This credit is for taxpayers in the solar liquid fuel industry. Credits are allowed for taxpayers who:
  - Had increased research and development activities in Arizona related to solar liquid fuel.
  - Produced solar liquid fuel in Arizona in commercial quantities.
  - Incurred costs to convert or modify existing motor vehicle service stations for the retail sale of solar liquid fuel to customers in Arizona.
  - Use Form 344 to claim this tax credit..
- **Credit for New Employment.** This tax credit is for organizations that have net increases in employment resulting from the activities that generate UBTI. The credit limit is administered by the Arizona Commerce Authority. Use Form 345 to claim this tax credit.
- **Additional Credit for Increased Research Activities for Basic Research Payments.** This tax credit is for organizations that made qualified basic research payments for research conducted in Arizona. Approval by the Arizona Department of Revenue is required prior to claiming this tax credit. Use Form 346 to claim this tax credit.

- **Credit for Qualified Health Insurance Plans.** The credit for qualified health insurance plans has been repealed. All credits for qualified health insurance plans that were properly established can be carried forward for the respective three year carry forward period. Use Form 347 to claim this carry-forward tax credit.
- **Credit for Renewable Energy Investment and Production for Self-consumption by Manufacturers or International Operations Centers.** This tax credit is for investment in new renewable energy facilities that produce energy for self-consumption using renewable energy resources if the power will be used primarily for manufacturing or International Operations Centers. Use Form 351 to claim this tax credit.

Complete the appropriate credit form for each tax credit. Include the completed credit form and Form 300 with the tax return.

**Line 10 - Credit Type**

Indicate which nonrefundable tax credits were claimed on line 9 by entering the applicable form number(s) in the space provided.

| <b>Nonrefundable Income Tax Credit</b>  | <b>Form</b> |
|---|-------------|
| Environmental Technology Facility Credit  | 305         |
| Military Reuse Zone Credit  | 306         |
| Credit for Increased Research Activities  | 308         |
| Pollution Control Credit  | 315         |
| Credit for Taxes Paid for Coal Consumed in Generating Electrical Power  | 318         |
| Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets                              | 319         |
| Credit for Employment of TANF Recipients  | 320         |
| Agricultural Pollution Control Equipment Credit   | 325         |
| Credit for Donation of School Site  | 331         |
| Credits for Healthy Forest Enterprises  | 332         |
| Credit for Employing National Guard Members   | 333         |
| Credit for Corporate Contributions to School Tuition Organizations  | 335         |
| Credit for Solar Energy Devices - Commercial and Industrial Applications  | 336         |
| Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students With Disabilities | 341         |
| Renewable Energy Production Tax Credit  | 343         |
| Solar Liquid Fuel Credit  | 344         |
| Credit for New Employment   | 345         |
| Additional Credit for Increased Research Activities for Basic Research Payments   | 346         |
| Credit for Qualified Health Insurance Plans   | 347         |
| Credit for Renewable Energy Investment and Production for Self-Consumption by Manufacturers                             | 351         |

**Line 11 - Tax Liability**

Subtract line 9 from line 8 and enter the difference. If line 9 is larger than line 8, enter zero (0). Line 11 cannot be a negative amount.

**Tax Payments**

**Line 12 - Refundable Tax Credits**

Check the box(es) marked 308, 342 and/or 349 to indicate which of these refundable tax credits the organization is claiming. Enter the total amount of the credits claimed on line 12.

**Credit for Increased Research Activities.** A portion of this tax credit is refundable for qualified organizations. The refund is limited to 75% of the excess credit, which is the current year's credit less the current year's tax liability, not to exceed the amount approved by the Arizona Commerce Authority. Include a copy of your "Certificate of Qualification" from the Arizona Commerce Authority, Arizona Form 300 and Arizona Form 308 with your return. Enter the amount from Arizona Form 308, Part 7, line 44.

**Credit for Renewable Energy Industry.** This tax credit is for expanding or locating qualified renewable energy operations in Arizona and is refundable in five equal installments. Pre-approval and post-approval is required from the Arizona Commerce Authority. Include a copy of your "Certificate of Qualification" from the Arizona Commerce Authority and Arizona Form 342 with your tax return to claim this credit. Enter the amount from Arizona Form 342, Part 6, line 18.

**Credit for Qualified Facilities.** This tax credit is for expanding or locating a qualified facility in Arizona and is refundable in five equal installments. Pre-approval and post-approval are required through the Arizona Commerce Authority. Include a copy of your "Certificate of Qualification" from the Arizona Commerce Authority and Arizona Form 349 with your tax return to claim this credit. Enter the amount from Arizona Form 349, Part 8, line 18.

If you are claiming more than one of the refundable tax credits, check the appropriate boxes and add the amounts from the credit forms together and enter the total on line 12, or use the worksheet below to figure the amount to enter on line 12.

| <b>Refundable Credit Worksheet</b>  |  |
|---|--|
| 1. Enter the refundable credit from Form 308, Part 7, line 44.                                  |  |
| 2. Enter the apportioned credit from Form 342, Part 6, line 18.                                 |  |
| 3. Enter the apportioned credit from Form 349, Part 8, line 18.                                 |  |
| 4. Add the amounts on lines 1, 2, and 3. Enter the total here and on Form 99T, page 1, line 12. |  |

**Line 13 - Extension Payment**

Enter any payment made with the Arizona request for extension of time to file the income tax return (Arizona Form 120EXT) or made online by the original due date. If the organization is filing under an extension, check the extension box (82F) on page 1 of the return.

**Line 14 - Estimated Tax Payments**

Enter the total amount of estimated tax payments made by the organization during the tax year. Use the following worksheet to figure the amount of these payments that should be entered on line 14.

| Estimated Tax Payment Worksheet  |                 |        |
|--|-----------------|--------|
| Payments   | Date of Payment | Amount |
| 1. Estimated Payment 1   |                 |        |
| 2. Estimated Payment 2   |                 |        |
| 3. Estimated Payment 3   |                 |        |
| 4. Estimated Payment 4   |                 |        |
| 5. Total. Add lines 1 through 4. Enter the total here and also on Form 99T, page 1, line 14. |                 |        |

**Line 15 - Amended Returns: Payment Made With Original Return Plus All Payments After It Was Filed**

Use the following worksheet to figure the amount of the payments that should be entered on line 15.

**NOTE:** Do not include payments reported on lines 13 or 14.

| Payment Worksheet  |                 |        |
|--|-----------------|--------|
| Payments   | Date of Payment | Amount |
| 1. Payment with original return  |                 |        |
| 2. Payment   |                 |        |
| 3. Payment   |                 |        |
| 4. Payment   |                 |        |
| 5. Total. Add lines 1 through 4. Enter the total here and also on Form 99T, page 1, line 15. |                 |        |

**Line 16 - Subtotal Payments**

Add lines 12 through 15. Enter the subtotal.

**Line 17 - Overpayments of Tax From Original Return or Later Adjustments**

Enter the amount of the overpayment of tax, if any, from the original return, and the total amount of any overpayments from an Arizona Department of Revenue correction notice, an amended return, or an audit. Do not include or enter the amount of any penalties or interest paid.

**Computation of Total Due or Overpayment**

**Line 19 - Balance of Tax Due**

If the amount on line 11 is **larger** than the amount on line 18, there is a balance of tax due. Subtract line 18 from line 11 and enter the difference. Skip line 20.

**Line 20 - Overpayment of Tax**

If the amount on line 18 is **larger** than the amount on line 11, there is an overpayment of tax. Subtract line 11 from line 18 and enter the difference.

**Line 21 - Penalty and Interest**

Calculate any penalty or interest due as a result of late filing or late payment of tax. Calculate interest on the amount shown on line 19 at the prevailing rate. The interest period is from the original due date of the return to the payment date. See the "Penalties and Interest" section on page 2 of these instructions.

**Line 22 - Estimated Tax Underpayment Penalty**

*Original returns:* The organization does not have to complete Form 220, *Underpayment of Estimated Tax by Corporations*, if the organization made its estimated tax payments based on either of the following methods:

- An amount equal to 90% of the current taxable year's tax liability (line 11 less line 12), paid in four equal installments; or
- An amount equal to 100% of the organization's tax liability for the prior taxable year, paid in four equal installments.

The department will compute the estimated tax underpayment penalty based on either of these methods and notify the organization of any amount due. If the organization elects to have the department compute the penalty, do not check box **22A** or enter an amount on line 22.

The organization must complete Form 220, even though no penalty is due, if it made its estimated tax payments based on either of the following methods:

- The annualized income installment method; or
- The adjusted seasonal installment method.

Enter the total penalty from Form 220, Part C, line 37. Include the completed Form 220 with the return **and** check box **22A**.

*Amended returns:* Do not recompute the estimated tax underpayment penalty. Enter the amount of estimated tax underpayment penalty from the original return or the amount from a department correction notice.

**Line 23 - Total Amount Due**

If the organization had a balance of tax due on line 19, add lines 19, 21 and 22. Enter the total on line 23. This is the total amount due. Pay this amount when the organization files the return. Payments can be made via check, electronic check, money order, or credit card.

**Check or Money Order**

Make checks payable to Arizona Department of Revenue. Include the organization's TIN on the front of the check or money order. Include the check or money order with the return.

**Internet Payments**

Organizations must be licensed by the department before they can register to pay taxes online. Go to [www.AZTaxes.gov](http://www.AZTaxes.gov) to register and make payments over the internet.

**Electronic payment from checking or savings account**

Payments can be made electronically from a checking or savings account. Go to [www.AZTaxes.gov](http://www.AZTaxes.gov) and choose the

e-check option. There is no fee to use this method. This payment method will debit the amount from the specified checking or savings account on the date specified. If an electronic payment is made from a checking or savings account, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

**Credit card payment**

Payments can be made via American Express, Discover, MasterCard or VISA credit cards. Go to [www.AZTaxes.gov](http://www.AZTaxes.gov) and choose the credit card option. This will take you to the website of the credit card payment service provider. The service provider will charge a convenience fee based on the amount of the tax payment. The service provider will disclose the amount of the convenience fee during the transaction and the option to continue or cancel the transaction will be presented. If you accept the convenience fee and complete the credit card transaction, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

**Line 24 - Overpayment**

If the organization had an overpayment of tax on line 20, subtract the total of lines 21 and 22 from line 20. Enter a positive difference on line 24. This is the total overpayment. If the difference is a negative, enter the difference as a positive number on line 23.

**Line 25 - Overpayment Applied to Estimated Tax**

*Original Returns:* The organization may apply part or all of an overpayment reported on line 24 as a 2017 estimated tax payment. Enter the applicable amount on line 25.

*Amended Returns:* The organization may apply part or all of an overpayment reported on line 24 as a 2017 estimated tax payment, if this amended return is filed during the organization’s taxable year 2017. Enter the applicable amount on line 25.

**Line 26 - Refund**

Subtract line 25 from line 24. This is the refund amount.

**Schedule A - Apportionment of Income  
(Multistate Corporations With UBTI Only)**

*A.R.S. §§ 43-1131 through 43-1150* govern the apportionment of income. A corporation that engages in activities both within and without Arizona must apportion its business income based on property, payroll, and sales in Arizona as compared to these factors everywhere. "Everywhere" means the property, payroll, and sales factors related to the whole combined or consolidated business.

A combined return excludes the factors of a unitary foreign corporation unless the foreign corporation is itself subject to the Arizona corporate income tax. A consolidated return includes the factors of a foreign corporation that is a member of the affiliated group. Both combined and consolidated returns exclude the factors of an insurance company exempt under *A.R.S. § 43-1201(A)(14)*.

Taxpayers apportioning income shall complete lines 6 through 12 on page 1 of Arizona Form 120.

**NON-APPORTIONABLE INCOME**

Apportionment factors generating nonapportionable or non-taxable income are not to be included in the calculation of the apportionment ratio.

**ADMINISTRATIVE RELIEF REQUESTS**

*A.R.S. § 43-1148* provides administrative relief if the allocation and apportionment provisions of UDITPA do not fairly represent the extent of the taxpayer's business activity in this state. The taxpayer may petition for or the department may require, in respect to all or any part of the taxpayer's business activity, if reasonable:

- Separate accounting, except with respect to an Arizona affiliated group, as defined in *A.R.S. § 43-947*.
- The exclusion of any one or more of the factors.
- The inclusion of one or more additional factors which will fairly represent the taxpayer's business activity in this state.
- The employment of any other method to effectuate an equitable allocation and apportionment of the taxpayer's income, other than disallowance of a properly elected consolidated return.

This section permits a departure from the allocation and apportionment provisions only in limited cases. *A.R.S. § 43-1148* may be invoked only if unusual fact situations produce incongruous results under the apportionment and allocation provisions. Taxpayers seeking such relief should submit a letter to the Corporate Income Tax Audit Section 60 days prior to the filing of the return setting forth the relief that is requested and the justification for the relief.

The department normally makes such determinations only upon audit of the taxpayer. Such a detailed examination of the specific facts and circumstances reveals whether such unusual fact situations and incongruous results exist.

**COMPUTING THE APPORTIONMENT RATIO**

When computing the factors of the apportionment ratio, carry the result out to six (6) places after the decimal. If the seventh (7<sup>th</sup>) place after the decimal is five (5) or more, round the sixth (6<sup>th</sup>) decimal place up to the next higher digit. If the seventh (7<sup>th</sup>) place after the decimal is less than five (5), leave the sixth (6<sup>th</sup>) place decimal as it is.

**Example #1:**

|                   |                |
|-------------------|----------------|
| Arizona Factor    | <u>123,456</u> |
| Everywhere Factor | 789,654        |
| Average           | .1563418       |

The seventh (7<sup>th</sup>) digit after the decimal is "8". Since "8" is greater than five (5), the sixth (6<sup>th</sup>) digit after the decimal is increased to the next higher digit, "2".

*The average rounded to six (6) decimal places is .156342.*

**Example #2:**

|             |                |
|-------------|----------------|
| Total Ratio | <u>.179865</u> |
| Divided by  | 4              |
| Average     | .0449662       |

The seventh (7<sup>th</sup>) digit after the decimal is “2”. Since “2” is less than five (5), the sixth (6<sup>th</sup>) digit after the decimal remains “6”. No increase to the sixth (6<sup>th</sup>) digit after the decimal is made.

*The average rounded to six (6) decimal places is .044966.*

**SCHEDULE ACA - AIR CARRIER APPORTIONMENT FORMULA  
(Multistate Air Carriers With UBTI Only)**

A.R.S. § 43-1139 requires a taxpayer that is a qualifying air carrier to use revenue miles to apportion its business income to Arizona. The taxpayer must be engaged in air commerce. “Air commerce” means transporting persons or property for hire by aircraft in interstate, intrastate, or international transportation. If the taxpayer files a combined or consolidated return, the combined group or the Arizona affiliated group must use this method of apportionment if 50% or more of the taxpayer’s gross income is derived from air commerce. The taxpayer will apportion its business income by means of a single apportionment ratio computed under this method for all group members.

Check the box labeled “AIR CARRIER” on line D on page 1 of this return. Do not complete Schedule A on page 2 of this return.

Complete Schedule ACA and include with the return. Schedule ACA is available on the department's website at: <http://www.azdor.gov/Forms/Corporate.aspx>.

**NON-AIR CARRIER APPORTIONMENT FORMULA  
(MULTISTATE CORPORATIONS ONLY)**

Non-air carrier multistate corporations have the opportunity to choose one of two apportionment formulas for calculating the apportionment ratio.

- Non-air carrier multistate corporations may elect the enhanced apportionment formula.
- The standard apportionment formula must be used by non-air carrier multistate corporations not electing to use the enhanced apportionment formula.

Check the box on line D of page 1 of the return to indicate which apportionment formula, “Standard”, or “Enhanced”, will be used to calculate the apportionment ratio on the corporation’s return. Whichever apportionment method is indicated, the taxpayer must complete the apportionment ratio using that formula. (The taxpayer cannot use “Standard” to calculate one portion of the ratio, and “Enhanced” to calculate another portion of the ratio.)

For the standard apportionment ratio, the numerator of the fraction of the standard apportionment formula is the property factor plus the payroll factor plus two (2) times the sales factor. The denominator of the fraction is four (4). Use the numbers located on the left-hand side of Schedule A, column A, to double-weight the sales factor.

For the enhanced apportionment ratios, the numerator of the fraction is two and one-half (2.5) times the property factor plus two and one-half (2.5) times the payroll factor plus ninety-five (95) times the sales factor. The denominator of the fraction is 100. Use the numbers located on the right-hand side of Schedule A, column A to weight the property, payroll, and sales factors respectively.

**Line A1 - Property Factor**

The Property Factor is a fraction that represents the average value of the taxpayer’s property owned or rented and used in Arizona to the total average value of the taxpayer’s property owned or rented and used during the tax period.

The value of tangible personal property and real property owned by the taxpayer is its original cost. The taxpayer normally determines the average value of its owned property by averaging the values at the beginning and ending of the tax period. Property used to generate non-apportionable or non-taxable income is not included in the property factor.

The value of tangible personal property and real property rented by the taxpayer is eight (8) times its net annual rental rate. The net annual rental rate is the annual rental rate paid by the taxpayer for rented property, less the aggregate annual subrental rates paid by subtenants of the taxpayer. The taxpayer automatically achieves averaging for rented property by the method of determining the net annual rental rate of such property.

For a discussion of the treatment of computer software in the property factor, refer to *Corporate Tax Ruling (CTR) 01-2*.

Report real property situated, and tangible personal property permanently located, in Arizona as property within Arizona during the tax year. Attribute the value of mobile property to Arizona based on the total time that the property was within Arizona.

**Taxpayers Electing “STANDARD APPORTIONMENT”**

- Check the box on line D of the return labeled “STANDARD”.
- Divide the numerator of the property factor by the denominator. The result is the “Standard” property factor. Express the ratio as a decimal carried out to six (6) places. The property factor will not exceed 1.0.

**Taxpayers Electing “ENHANCED APPORTIONMENT”**

- Check the box on line D of the return labeled, “ENHANCED”.
- Multiply the numerator of the property factor by two and one-half (2.5). Divide that result by the denominator. The result is the “Enhanced” property factor. Express the ratio as a decimal carried out to six (6) places. The property factor may exceed 1.0 but may not exceed 2.5.

For additional information on the property factor, refer to:  
A.R.S. §§ 43-1140 through 43-1142  
A.A.C. R15-2D-601 through R15-2D-607 and R15-2D-902  
CTR 01-2

**Line A2 - Payroll Factor**

The Payroll Factor is a fraction that represents the compensation paid in Arizona by the taxpayer to the total compensation paid by the taxpayer during the tax year.

Report the salaries, wages, or other compensation of officers, employees, etc., as being within Arizona if the performance of those services occurs entirely in Arizona. This rule applies regardless of where payment is made or control exercised. This rule also applies regardless of whether the performance of the services is partly or wholly in connection with the apportionable business carried on outside the state or in

interstate or foreign commerce. Payroll used to generate non-apportionable or non-taxable income is not included in the payroll factor.

Allocate the compensation of officers and employees who perform services partly within and partly without Arizona to this state when:

- The services performed outside of Arizona are incidental to the employee's service within Arizona; or
- The employee's base of operation is in Arizona; or
- The employee has no base of operation in any state but the direction or control of the employee is from Arizona; or
- The employee has no base of operation in any state, and there is no direction or control from a state in which the employee performs some part of his services, but the employee's residence is in Arizona.

**Taxpayers Electing "STANDARD APPORTIONMENT"**

- Check the box on line D of the return labeled "STANDARD".
- Divide the numerator of the payroll factor by the denominator. The result is the "Standard" payroll factor. Express the ratio as a decimal carried out to six (6) places. The payroll factor will not exceed 1.0.

**Taxpayers Electing "ENHANCED APPORTIONMENT"**

- Check the box on line D of the return labeled, "ENHANCED".
- Multiply the numerator of the payroll factor by two and one-half (2.5). Divide that result by the denominator. The result is the "Enhanced" payroll factor. Express the ratio as a decimal carried out to six (6) places. The payroll factor may exceed 1.0 (100%) but may not exceed 2.5.

For additional information on the payroll factor, refer to:  
*A.R.S. §§ 43-1143 and 43-1144*  
*A.A.C. R15-2D-701 through R15-2D-705*

**Line A3 - Sales Factor**

The Sales Factor is a fraction that represents the total sales of the taxpayer in Arizona to the total sales of the taxpayer during the tax period.

"Sales" includes all gross receipts from transactions and activities in the course of the regular trade or business that produce income. Gross receipts from non-apportionable or non-taxable income are not included in the sales factor.

Sales of tangible personal property is determined on a destination sales basis. Sales of real property is determined based on the location of the property. Generally, sales of other than tangible personal property is determined based on the location where the income producing activity occurs. Service income is determined based on the location of the income producing activity, *unless* the taxpayer elected to be treated as a Multistate Service Provider (MSP). (See the box below for a description of an MSP.)

**TAXPAYERS THAT QUALIFY AS MULTISTATE SERVICE PROVIDERS ELECTING TO SOURCE SALES OF SERVICES TO ARIZONA USING A COMBINATION OF INCOME PRODUCING ACTIVITY SALES AND MARKET SALES**

For taxable years beginning from and after December 31, 2013, taxpayers that qualify as a Multistate Service Provider MSP may elect to treat sales from service as being sourced to Arizona based on a combination of income-producing activity sales and market sales. Multistate taxpayers complete Schedule MSP to determine if they qualify as an MSP. If the taxpayer qualifies, and wishes to make the election, the completed Schedule MSP must be included with the taxpayer's original, timely-filed tax return. *(The election to be treated as an MSP cannot be made on an amended return.)* Once made, the election is binding for five (5) years. For each year of the election period, Schedule MSP must be completed by the taxpayer to source sales from services to Arizona. Once Schedule MSP is completed, the taxpayer can compute the sales factor.

Taxpayers that qualify, and who want to make the election, should:

- Ensure the completed Schedule MSP is included with the return.
- Ensure the box on Line D of the return is checked
- Ensure the box indicating the year of the taxpayer's election cycle is checked.
- Enter on line A3b, column A, the Arizona sales from services from the completed Schedule MSP, line B5.
- Complete the calculation of the sales factor following the instructions for the taxpayer's choice of the "STANDARD" or "ENHANCED" apportionment formula.

**Taxpayers qualifying as an MSP, and electing to be treated as an MSP:**

- Enter the Arizona sales from services on line A3b from the completed Schedule MSP, line B5

**Taxpayers not making the election to be treated as an MSP:**

- Include Arizona sales from services on line A3c.

**Taxpayers Electing "STANDARD APPORTIONMENT"**

- Check the box on line D of the return labeled "STANDARD."
- Multiply the numerator of the sales factor by two (2). Divide that result by the denominator. The result is the "Standard" sales factor. Express the ratio as a decimal carried out to six (6) places. The sales factor will not exceed 2.0.

**Taxpayers Electing "ENHANCED APPORTIONMENT"**

- Check the box on line D of the return labeled "ENHANCED".
- Multiply the numerator of the sales factor by ninety-five (95). Divide that result by the denominator. The result is the "Enhanced" sales factor. Express the ratio as a decimal carried out to six (6) places. The sales factor may exceed 2.0 but may not exceed 95.0.



For more information on the sales factor, refer to:  
*A.R.S. §§ 43-1145 through 43-1147*  
*A.A.C. R15-2D-801 through R15-2D-807, and R15-2D-903*  
*CTR 02-2, Apportionment of Installment Gain*  
*CTR 07-1, Inclusion of Short Term Investments in the Sales Factor*

**Line A4 – Total Ratio**

Add the ratios for the property factor, the payroll factor, and the sales factor in column C. Enter the result.

**Line A5 - Average Apportionment Ratio**

**NOTE:** Taxpayers must exclude a factor if both the numerator and the denominator of a factor are zero (0). Do not exclude a factor if the numerator of the factor is zero (0) and the denominator of a factor is greater than zero (0).

***Taxpayers Electing “STANDARD APPORTIONMENT”***

If either the property or the payroll factor is excluded, determine the average ratio by dividing the total ratio by three (3). If the sales factor is excluded, determine the average ratio by dividing the total ratio by two (2). If two of the factors are excluded, the remaining factor, without respect to any weighting, is the apportionment ratio.

***Taxpayers Electing “ENHANCED APPORTIONMENT”***

If the either property or the payroll factor is excluded, determine the average ratio by dividing the total ratio by ninety-seven and one-half (97.5). If the sales factor is excluded, determine the average ratio by dividing the total ratio by five (5). If two of the factors are excluded, the remaining factor, without respect to any weighting, is the apportionment ratio.

***Taxpayers Electing “STANDARD APPORTIONMENT”***

Divide the total ratio, line A4, column C, by four. Express the ratio as a decimal carried out to six (6) places. Enter the average ratio here and on page 1, line 4.

***Taxpayers Electing “ENHANCED APPORTIONMENT”***

Divide the total ratio, line A4, column C by 100. Express the ratio as a decimal carried out to six (6) places. Enter the average ratio here and on page 1, line 4.

**Certification**

The president, treasurer, or other principal corporate officer must sign the return.

**Paid preparers:** Sign and date the return. Complete the firm name and address lines (the paid preparer’s name and address, if self-employed). Enter the paid preparer’s PTIN, TIN, which is the firm’s EIN, or the individual preparer’s social security number.

**THIS PAGE INTENTIONALLY LEFT BLANK**

For the [ ] calendar year 2016 or [ ] fiscal year beginning [M,M,D,D] 2,0,1,6 and ending [M,M,D,D] 2,0,Y,Y.

Business Telephone Number, Name, Employer Identification Number (EIN), Address, Business Activity Code, City, Town or Post Office, State, ZIP Code

- 68 Check box if: [ ] This is a first return [ ] Name change [ ] Address change
A Is FEDERAL return filed on a consolidated basis?
B ARIZONA filing method: 1 [ ] Separate company 2 [ ] Combined (unitary group) 3 [ ] Consolidated
C If ARIZONA filing method is consolidated, enter the last day of the tax year
D If ARIZONA filing method is combined or consolidated, see Form 51 instructions. Is Form 51 included?
E ARIZONA apportionment for multistate corporations only (check one box): [ ] AIR CARRIER [ ] STANDARD [ ] ENHANCED
F [ ] Check if Multistate Service Provider Election and Computation (Arizona Schedule MSP) is included.
G Is this the corporation's final ARIZONA return under this EIN?

Check box if return filed under FEDERAL extension: [82] 82F [ ] Do not check if using Arizona Extension
REVENUE USE ONLY. DO NOT MARK IN THIS AREA.
[88]
[81] PM [66] RCVD

Table with 3 columns: Line number, Description, Amount. Lines 1-33 detailing taxable income, adjustments, tax liability, and payments.

**SCHEDULE A Additions to Taxable Income**

|   |           |  |    |
|---|-----------|--|----|
| <b>A1</b> Total federal depreciation.....   | <b>A1</b> |  | 00 |
| <b>A2</b> Taxes based on income paid to any state (INCLUDING ARIZONA), local governments or foreign governments ..... | <b>A2</b> |  | 00 |
| <b>A3</b> Interest on obligations of other states, foreign countries, or political subdivisions .....                 | <b>A3</b> |  | 00 |
| <b>A4</b> Special deductions claimed on federal return.....   | <b>A4</b> |  | 00 |
| <b>A5</b> Federal net operating loss deduction claimed on federal return.....   | <b>A5</b> |  | 00 |
| <b>A6</b> Additions related to Arizona tax credits: Include detailed schedule.....                                    | <b>A6</b> |  | 00 |
| <b>A7</b> Other additions to federal taxable income: Include detailed schedule.....                                   | <b>A7</b> |  | 00 |
| <b>A8</b> Total: Add lines A1 through A7. Enter the total here and on page 1, line 2.....                             | <b>A8</b> |  | 00 |

**SCHEDULE B Subtractions from Taxable Income**

|   |            |  |    |
|---|------------|--|----|
| <b>B1</b> Recalculated Arizona depreciation: See instructions.....  | <b>B1</b>  |  | 00 |
| <b>B2</b> Basis adjustment for property sold or otherwise disposed of during the taxable year: See instructions ..... | <b>B2</b>  |  | 00 |
| <b>B3</b> Adjustment for IRC § 179 expense not allowed.....   | <b>B3</b>  |  | 00 |
| <b>B4</b> Dividends received from 50% or more controlled domestic corporations.....                                   | <b>B4</b>  |  | 00 |
| <b>B5</b> Foreign dividend gross-up .....   | <b>B5</b>  |  | 00 |
| <b>B6</b> Dividends received from foreign corporation .....   | <b>B6</b>  |  | 00 |
| <b>B7</b> Interest on U.S. obligations.....   | <b>B7</b>  |  | 00 |
| <b>B8</b> Agricultural crops charitable contribution.....   | <b>B8</b>  |  | 00 |
| <b>B9</b> Expenses related to certain federal tax credits listed on the instructions: Include detailed schedule.....  | <b>B9</b>  |  | 00 |
| <b>B10</b> Other subtractions from federal taxable income: Include detailed schedule .....                            | <b>B10</b> |  | 00 |
| <b>B11</b> Total: Add lines B1 through B10. Enter the total here and on page 1, line 4 .....                          | <b>B11</b> |  | 00 |

**SCHEDULE C Nonapportionable Income and Expenses (Multistate Corporations Only)**

|  |            |  |    |            |    |
|--|------------|--|----|------------|----|
| <b>C1</b> Nonbusiness dividends and interest income:   |            |  |    |            |    |
| <b>a</b> Total nonbusiness dividends not deducted in Schedule B.....   | <b>C1a</b> |  | 00 |            |    |
| <b>b</b> Interest from nonbusiness sources .....   | <b>C1b</b> |  | 00 |            |    |
| <b>c</b> Total nonbusiness dividends and interest: Add lines C1a and C1b .....   |            |  |    | <b>C1c</b> | 00 |
| <b>C2</b> Net royalties: Include detailed schedule   |            |  |    |            |    |
| <b>a</b> Net royalties from nonbusiness real property and tangible personal property.....  | <b>C2a</b> |  | 00 |            |    |
| <b>b</b> Net royalties from nonbusiness patents and copyrights .....   | <b>C2b</b> |  | 00 |            |    |
| <b>c</b> Total net royalties from nonbusiness assets: Add lines C2a and C2b .....  |            |  |    | <b>C2c</b> | 00 |
| <b>C3</b> Net income or (loss) from rental of nonbusiness assets: Include detailed schedule .....  |            |  |    | <b>C3</b>  | 00 |
| <b>C4</b> Net capital gain or (loss) from sale or exchange of nonbusiness assets utilized for production of nonbusiness income: Include detailed schedule..... |            |  |    | <b>C4</b>  | 00 |
| <b>C5</b> Other income or (loss): Include detailed schedule.....   |            |  |    | <b>C5</b>  | 00 |
| <b>C6</b> Subtotal: Add lines C1c, C2c, C3 through C5.....   |            |  |    | <b>C6</b>  | 00 |
| <b>C7</b> Expenses attributable to income derived from a foreign corporation which is not itself subject to Arizona income tax: Include detailed schedule..... |            |  |    | <b>C7</b>  | 00 |
| <b>C8</b> Total: Subtract line C7 from line C6. Enter the total here and on page 1, line 7 .....   |            |  |    | <b>C8</b>  | 00 |

**SCHEDULE D Other Income Allocated to Arizona (Multistate Corporations Only)**

|   |            |  |    |            |    |
|---|------------|--|----|------------|----|
| <b>D1</b> Nonbusiness dividends and interest income:  |            |  |    |            |    |
| <b>a</b> Total nonbusiness dividends.....   | <b>D1a</b> |  | 00 |            |    |
| <b>b</b> Interest from nonbusiness sources .....  | <b>D1b</b> |  | 00 |            |    |
| <b>c</b> Total nonbusiness dividends and interest: Add lines D1a and D1b .....  |            |  |    | <b>D1c</b> | 00 |
| <b>D2</b> Net royalties from nonbusiness assets: Include detailed schedule  |            |  |    |            |    |
| <b>a</b> Net royalties from nonbusiness real property and tangible personal property.....   | <b>D2a</b> |  | 00 |            |    |
| <b>b</b> Net royalties from nonbusiness patents and copyrights .....  | <b>D2b</b> |  | 00 |            |    |
| <b>c</b> Total net royalties from nonbusiness assets: Add lines D2a and D2b .....   |            |  |    | <b>D2c</b> | 00 |
| <b>D3</b> Net income or (loss) from rental of nonbusiness assets: Include detailed schedule .....   |            |  |    | <b>D3</b>  | 00 |
| <b>D4</b> Net capital gain or (loss) from sale or exchange of nonbusiness assets utilized for production of nonbusiness income: Include detailed schedule ..... |            |  |    | <b>D4</b>  | 00 |
| <b>D5</b> Other income or (loss) directly allocable to Arizona: Include detailed schedule.....  |            |  |    | <b>D5</b>  | 00 |
| <b>D6</b> Total: Add lines D1c, D2c, D3 through D5. Enter the total here and on page 1, line 11 .....   |            |  |    | <b>D6</b>  | 00 |



|                           |     |
|---------------------------|-----|
| Name (as shown on page 1) | EIN |
|---------------------------|-----|

**SCHEDULE G Other Information**

**G1** Date business began in Arizona or date income was first derived from Arizona sources: MM,DD,YYYY

**G2** Address at which tax records are located for audit purposes:

Number and Street: \_\_\_\_\_  
 City: \_\_\_\_\_ State: \_\_\_\_\_ ZIP Code: \_\_\_\_\_

**G3** The taxpayer designates the individual listed below as the person to contact to schedule an audit of this return and authorizes the disclosure of confidential information to this individual. (See instructions.)

Name: \_\_\_\_\_ Phone Number: \_\_\_\_\_  
 Title: \_\_\_\_\_ (Area Code)

**G4** List prior taxable years for which a federal examination has been finalized:

NOTE: A.R.S. § 43-327 requires the taxpayer, within ninety days after final determination, to report these changes under separate cover to the Arizona Department of Revenue or to file amended returns reporting these changes. (See instructions.)

**G5** List the taxable years for which federal examinations are now in progress and final determination of past examinations is still pending:

**G6** List the taxable years for which federal waivers of the statute of limitations are in effect and dates on which waivers expire:

**G7** Amount of Arizona taxable income for prior taxable year (Form 120, line 15)..... \$   00

**G8** Indicate tax accounting method:  Cash  Accrual  Other (Specify method.) \_\_\_\_\_

**Multistate taxpayers:**

**G9** Are the nonbusiness items reported on Schedule C, lines C1 through C5, and the apportionment factor amounts reported on Schedule E, column B, treated consistently on all state tax returns filed under the Uniform Division of Income for Tax Purposes Act?

Yes  No

If "No", the taxpayer must disclose the nature and extent of the variance upon request by the department.

**G10** Has the taxpayer changed the way income is apportioned or allocated to Arizona from prior taxable year returns?

Yes  No

If "Yes", include explanation.

|                                 |  |             |   |
|---------------------------------|--|-------------|---|
| <b>Declaration</b>              | The following declaration must be signed by one or more of the following officers: president, treasurer, or any other principal officer. |             |   |
| <b>Please Sign Here</b>         | OFFICER'S SIGNATURE _____  | DATE _____  | TITLE _____   |
| <b>Paid Preparer's Use Only</b> | PAID PREPARER'S SIGNATURE _____  | DATE _____  | PAID PREPARER'S PTIN _____  |
|                                 | FIRM'S NAME (OR PAID PREPARER'S NAME, IF SELF-EMPLOYED) _____  |             | FIRM'S <input type="checkbox"/> EIN OR <input type="checkbox"/> SSN _____ |
|                                 | FIRM'S STREET ADDRESS _____  |             | ( )<br>FIRM'S TELEPHONE NUMBER _____                                      |
|                                 | CITY _____   | STATE _____ | ZIP CODE _____  |

**Mail to: Arizona Department of Revenue, PO Box 29079, Phoenix, AZ 85038-9079**

## 2016 Arizona Corporation Income Tax Return

**For information or help, call one of the numbers listed:**

Phoenix (602) 255-3381  
From area codes 520 and 928, toll-free (800) 352-4090

**Tax forms, instructions, and other tax information**

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

**Income Tax Procedures and Rulings**

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website and click on *Legal Research* then click on *Procedures* or *Rulings* and select a tax type from the drop down menu.

**Publications**

To view or print the department's publications, go to our website and click on *Publications*.

### General Instructions

**Which Corporations Must File a Return?**

Every corporation subject to the Arizona Income Tax Act of 1978 must file an Arizona corporate income tax return.

**Which Form To Use**

Use Form 120 if the corporation:

- Has income from business activity that is taxable in more than one state (a "multistate corporation");
- Is a partner in:
  - A multistate partnership; and/or
  - A partnership that conducts no business in Arizona;
- Is a member of a unitary group of corporations that files an Arizona return on a combined basis; or
- Is a member of an affiliated group of corporations that elects to file an Arizona consolidated return.

The only type of corporation that may use Arizona Form 120A is one that files its return on a separate company (separate entity) basis and is a "wholly Arizona corporation".

- A corporation files on a separate company (separate entity) basis if:
  - It is not part of a group of corporations comprising a unitary business; and
  - It is not a member of an affiliated group that elected to file an Arizona consolidated return.
- A corporation that has income from business activity that is taxable entirely within Arizona is a "wholly Arizona corporation".

**NOTE:** A corporation must file Form 120 if the corporation is: (1) a partner in a multistate partnership; or (2) a partner in a partnership with business activity conducted entirely outside Arizona.

**Entity Classification Under the Federal "Check-the-Box Rules"**

The federal tax classification of an entity under the federal "check-the-box rules" determines the entity's classification for Arizona tax purposes. Refer to *Corporate Tax Ruling (CTR) 97-1, Federal "Check-The-Box Rules" on Elective Tax Classification*.

**Limited Liability Companies**

Only a limited liability company that makes a valid federal election to be taxed as a corporation must file Form 120. A single member limited liability company that is disregarded as an entity is treated as a branch or division of the owner, and is included in the tax return of its owner. Refer to *CTR 97-2, Limited Liability Companies*, for further information.

**Electing Small Business Corporations**

Corporations taxed as S corporations under Subchapter S of the Internal Revenue Code (IRC) must file Form 120S.

**Homeowners Associations**

Homeowners associations described in IRC § 528 are not exempt from tax under *Arizona Revised Statutes (A.R.S.) § 43-1201(A)* [associations that file federal Form 1120-H or 1120]. These associations must file an Arizona corporate income tax return on Form 120A or Form 120.

Certain homeowners associations are federally tax exempt under IRC § 501(c)(4) as social welfare organizations, or under IRC § 501(c)(7) as clubs organized for pleasure or recreation. These homeowners associations are similarly tax exempt for Arizona income tax purposes and may file Arizona Form 99.

**Taxable Year Covered by Return**

Indicate whether the taxable year is a calendar year or a fiscal year. If a fiscal year, indicate the taxable year on the top of page 1 of the return.

**NOTE COMBINED RETURN FILERS:** A unitary group of corporations filing a combined return must determine income using the same accounting period.

**Records**

Every corporation should maintain books and records substantiating information reported on the return and keep these documents for inspection. See *Arizona General Tax Ruling (GTR) 96-1, Electronic Data Processing*, for more information about record retention requirements.

**Use of Federal Figures**

CALCULATION OF ARIZONA TAXABLE INCOME: each corporation must compute its federal taxable income and make the adjustments required by Arizona law. (Refer to *A.R.S. Title 43, Chapter 11, Article 13*.)

**IRC § 7519 Required Payments**

Taxpayers cannot deduct the federal required payments on their Arizona tax returns as an ordinary and necessary business expense or otherwise.

**Treatment of Installment Obligations When Corporate Activities Cease**

If a corporation elects to report income from the sale or other disposition of property on the installment method, and does not report the entire amount of income from the sale before the year the corporation ceases to be subject to Arizona corporate income tax, the corporation must report the unreported income in the last year in which the corporation is subject to the tax. This provision does not apply if a reorganization transfers the installment obligation to another taxpayer subject to Arizona

tax as the transferee. The transferee may not use its capital losses to offset income from the installment obligation transferred from a corporation no longer subject to the tax.

### Rounding Dollar Amounts

Taxpayers must round amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.

### Extension of Time to File a Return:

- A request for an extension of time to file an Arizona corporate income tax return **must** be submitted by the original due date of the return.
- **The department may grant an extension request for a maximum of six months.**
- The extension request can be made by filing an Arizona extension request, Form 120EXT.
- The department will also accept a valid federal extension for the same period of time covered by the federal extension. For taxable years beginning after December 31, 2015, the length of time for an automatic federal extension for C corporations is:
  - **Five (5) months** for taxable (calendar) year end dates of **December 31**.
  - **Seven (7) months** for taxable (fiscal) year end dates of **June 30**.
  - **Six (6) months** for taxable (fiscal) year end dates *other than December 31 or June 30*.

### EXAMPLES:

- **Calendar Year Filer – Federal Extension**  
Company X, a calendar year taxpayer, requested a federal extension for its taxable year ending 12/31/2016. The federal extension will extend its Arizona due date of April 15, 2017, to September 15, 2017. *(A period of 5 months.)*
- **Calendar Year Filer – Arizona Extension**  
The same taxpayer, Company X, requested an Arizona extension for its taxable year ending 12/31/2016. The Arizona extension will extend its Arizona due date of April 15, 2017, to October 15, 2017. *(A period of 6 months)*
- **June 30 Fiscal Year Filer – Federal Extension**  
Company Y, a June 30 fiscal year end taxpayer, requested a federal extension for its taxable year ending 06/30/2017. The federal extension will extend its Arizona due date of October 15, 2017, to May 15, 2018. *(A period of 7 months.)*
- **June 30 Fiscal Year Filer – Arizona Extension**  
The same taxpayer, Company Y, requested an Arizona extension for its taxable year ending 12/31/2016. The Arizona extension will extend its Arizona due date of October 15, 2017, to April 15, 2018. *(A period of 6 months.)*
- **All Other Filers – Federal Extension**  
Company Z, a November 30 fiscal year end taxpayer, requested a federal extension for its taxable year ending 11/30/2017. The federal extension will extend its Arizona due date of March 15, 2018, to September 15, 2018. *(A period of 6 months.)*
- **All Other Filers – Arizona Extension**  
The same taxpayer, Company Z, requested an Arizona extension for its taxable year ending 11/30/2017. The Arizona

extension will extend its Arizona due date of March 15, 2018, to September 15, 2018. *(A period of 6 months.)*

- If the original return is filed under extension, do not include a copy of the extension with your return.
  - If the return is filed under **FEDERAL extension**, check **box 82F** on page 1 of the return
  - If the return is filed under an **ARIZONA extension**, do **NOT** check box 82F on page 1 of the return.
- Arizona Form 120EXT must be used to transmit extension payments by check or money order regardless of how you request an Arizona extension (valid federal extension or Form 120EXT).
  - If you made extension payments over the internet, you are not required to file Form 120EXT unless you are requesting an Arizona filing extension.
- The Arizona extension and the federal extension provide an extension of time to file, they do not provide an extension of time to pay tax.
  - You must pay 90% of your tax liability (including the \$50 minimum tax) by the original due date of your return.
  - The department imposes the extension underpayment penalty on any late or underpaid extension requests.
- See *CTR 01-3, Extensions*, for additional information
- **Mail the extension request to the address shown on the form.**

### Filing Original Returns:

- Returns are due by the 15<sup>th</sup> day of the fourth month following the close of the taxable year.
- If the taxpayer has a valid federal or Arizona filing extension, the return is due by the extended due date. See the examples in “*Extension of Time to File a Return*” to determine the extended due date of a return filed using a federal extension or an Arizona extension.
- If the return is filed under **FEDERAL extension**, check box 82F on page 1 of the return
- If the return is filed under an **ARIZONA extension**, do NOT check box 82F on page 1 of the return.
- If the due date for the return falls on a Saturday, Sunday, or a legal holiday, the return is considered timely filed if it is post-marked the next business day.
  - See *GTR 16-2, Timely Filing of Income or Withholding Tax Return – Holidays and Weekends*.
  - This taxable year, calendar year returns will be considered timely if filed by April 18, 2017.
- The return must be signed by one or more of the officers of the corporation (President, Treasurer, or any other principal officer).
- Do not submit a blank Arizona return with a copy of the federal return.
  - Taxpayers must furnish complete data.
  - Answer all questions on the return.
  - Complete all applicable schedules.
  - Include all appropriate supplementary schedules.
- **Mail the return to the address shown on the form.**



**Timely Filing of Returns:**

- The Department determines the timeliness of a tax return by the postmark or other official mark of the United States Mail stamped on the envelope in which the return is mailed.
  - See *GTR 16-1, Timely Filing of Income or Withholding Tax Returns Through the United States Mail.*
- The Department will accept proof of mailing from a private delivery service included in the Internal Revenue Service (IRS) list of designated private delivery services.
  - Contact the private delivery service for information regarding how to obtain written proof of mailing.
- If the due date for the return falls on a Saturday, Sunday, or a legal holiday, the return is considered timely filed if it is post-marked the next business day.
  - See *GTR 16-2, Timely Filing of Income or Withholding Tax Return – Holidays and Weekends.*
  - This taxable year, calendar year returns will be considered timely if filed by April 18, 2017.

**Filing Amended Returns:**

- Any taxpayer who files an amended return with the IRS *must* file an Arizona amended return on Form 120X within 90 days of final determination of the federal amended return by the IRS.
- Taxpayers *must* report changes or corrections of the taxpayer’s taxable income by the IRS or as a result of renegotiation of a contract or subcontract with the United States to the Department.
- Within 90 days after the final determination of the change or correction, the taxpayer must:
  - File a copy of the final determination with the Department, concede the accuracy of the determination or state any errors, and request the Department recompute the tax owed Arizona, or
  - File an amended return as required by the Department
- The taxpayer must provide sufficient information for the Department to recompute the taxpayer’s Arizona taxable income based on the Revenue Agent Report changes.
- The Department may require the taxpayer to file an amended return if the Department does not have this information.
- **Mail the amended return to the address shown on the form.**

**NOTE:** *File amended returns for prior taxable years on the Form 120X for those taxable years. Use the 2016 Form 120X to amend only the taxable year 2016.*

*Do NOT file an amended return until your original return has been processed.*

**Estimated Tax Payments**

Corporations that expect an Arizona income tax liability for the taxable year of \$1,000 or more must make Arizona estimated tax payments. A corporation that fails to make the required estimated tax payments is subject to a penalty on any estimated tax payment which is late or underpaid.

The Arizona required annual payment of corporate estimated tax is the smaller of:

- Ninety percent of the taxpayer's Arizona tax liability (reduced by refundable tax credits and claim of right adjustments, if applicable) for the current taxable year; or
- One hundred percent of the taxpayer's Arizona tax liability (reduced by refundable tax credits and claim of right adjustments, if applicable) for the prior taxable year.

Use 2017 Form 120ES, *Corporation Estimated Tax Payment Booklet* to make payments by check or money order.

Use 2017 Form 120W, *Estimated Tax Worksheet for Corporations*, to compute the required installments for next year.

For exceptions to the estimated tax requirements, see the instructions for Form 220, *Underpayment of Estimated Tax by Corporations*.

**NOTE:** *For a taxpayer to base its Arizona corporate estimated tax payments on its prior taxable year's tax liability:*

- *The taxpayer's return filed for the prior taxable year must have shown at least some amount of tax liability (an amount greater than zero); and*
- *The taxpayer's return filed for the prior taxable year must have been for a period of twelve months.*

**ESTIMATED TAX PAYMENTS BY ELECTRONIC FUNDS TRANSFER (EFT)**

Taxpayers whose Arizona corporate income tax liability for the preceding taxable year was \$20,000 or more must make Arizona corporate estimated tax payments via the EFT program. If the taxpayer makes its estimated tax payments by EFT, the taxpayer should not submit Form 120ES to the department.

Taxpayers required to make estimated tax payments via EFT must complete the department's electronic funds transfer authorization agreement at least 30 days prior to initiation of the first applicable transaction.

Taxpayers whose Arizona corporate income tax liability for the preceding taxable year was less than \$20,000 may elect voluntary participation in the EFT program. Voluntary participants in the program must complete the department's EFT authorization agreement at least 30 days prior to the first applicable transaction.

**NOTE:** *Taxpayers required to make corporate estimated payments via EFT that fail to do so are subject to a penalty of 5% of the amount of the payment not made by EFT. See A.R.S. § 42-1125(O).*

*For additional information on electronic funds transfer, refer to A.R.S. § 42-1129 and the related Arizona Administrative Code rules (A.A.C. R15-10-301 through R15-10-307).*

**ESTIMATED TAX PAYMENTS VIA THE INTERNET**

Taxpayers must be licensed by the department before they can register to pay taxes online. Visit [www.AZTaxeS.gov](http://www.AZTaxeS.gov) to register and make estimated tax payments over the Internet. If a taxpayer makes its estimated tax payments via the Internet, the taxpayer should not submit Form 120ES to the department.

**Electronic payment from checking or savings account**

Estimated tax payments can be made electronically from a checking or savings account. Visit [www.AZTaxes.gov](http://www.AZTaxes.gov) and choose the e-check option. There is no fee to use this method. This payment method will debit the amount from the specified checking or savings account on the date specified. If an electronic payment is made from a checking or savings account, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

**Credit card payment**

Estimated tax payments can be made via American Express, Discover, MasterCard or VISA credit cards. Visit [www.AZTaxes.gov](http://www.AZTaxes.gov) and choose the credit card option. This will take you to the website of the credit card payment service provider. The service provider will charge a convenience fee based on the amount of the tax payment. The service provider will disclose the amount of the convenience fee during the transaction and the option to continue or cancel the transaction will be presented. If you accept the convenience fee and complete the credit card transaction, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

**Penalties and Interest**

**A. Late Filing Penalty.** A return filed after the original due date is subject to the late filing penalty unless the taxpayer has a valid federal or Arizona extension. A return filed after its extended due date is also subject to the late filing penalty. The late filing penalty is 4.5% (.045) of the amount of tax required to be shown on the return. "Amount of tax required to be shown on the return" is the amount of tax imposed less the amount of any part of the tax paid on or before the beginning of the month and the amount of any credit against the tax which may be claimed on the return. The penalty period is each month or fraction of a month between the due date of the return and the date the taxpayer filed the return. The maximum penalty is 25% of the tax found to be remaining due.

**B. Extension Underpayment Penalty.** The taxpayer must pay 90% of the tax liability disclosed by the taxpayer's return on or before the original due date of the return. The department imposes the extension underpayment penalty on any late or underpaid extension payments. The extension underpayment penalty is 0.5% (.005) of the tax not paid. The penalty period is each 30-day period or fraction thereof between the original due date of the return and the date the taxpayer paid the tax. The maximum penalty is 25% of the unpaid tax. Taxpayers subject to the extension underpayment penalty are not subject to the late payment penalty described in C below.

**C. Late Payment Penalty.** The department imposes the late payment penalty on any amount shown as tax on a return that is not paid by the date prescribed for its payment. "Amount of tax shown on the return" is the amount of tax imposed shown on the return less the amount of any part of the tax paid on or before the beginning of the month and the amount of any credit against the tax which may be claimed on the return. The late payment penalty is 0.5% (.005) of the unpaid tax for each

month or fraction of a month that the tax remains unpaid, not to exceed 10% of the unpaid tax.

**NOTE:** *If more than one of the penalties described in A, B, or C apply, the maximum combined penalty is 25%.*

Refer to *CTR 09-1, When do Penalties Apply to an Income Tax Return Filed Under An Extension*, regarding the application of penalties to returns filed under extension.

**D. Interest.** The department assesses interest on any portion of the tax, whether determined by the department or the taxpayer, not paid by the date prescribed for its payment. The department compounds interest annually and applies it in the same manner and at the same time as prescribed by IRC § 6621, except that the Arizona rate of interest for both underpayments and overpayments *for all taxpayers* is the federal underpayment rate under IRC § 6621(a)(2).

On January 1 of each year, any interest outstanding as of that date is added to the principal amount of the tax. It is then a part of the principal amount of the tax and accrues interest until paid.

**E. Underpayment of Estimated Tax Penalty.** The department imposes the *A.R.S. § 43-582* underpayment of estimated tax penalty on any late payment or underpayment of a required installment of estimated tax. Refer to the instructions for line 29 on page 10, or to Form 220 for further details.

**Payment of Tax**

The entire amount of tax is due by the original due date of the return. Payments can be made via check, e-check, money order, or credit card. Visit [www.AZTaxes.gov](http://www.AZTaxes.gov) to register and make payments via the internet.

**Disaster Relief for Out-of-State Businesses**

If an out-of-state business is a separate company and is in Arizona on a temporary basis solely for the purpose of performing disaster recovery from a declared disaster during a disaster period, it may not be required to file, remit, withhold or pay state or local (income) tax. (See *Publication No 720, Disaster Recovery Tax Relief*, to determine if the taxpayer qualifies for disaster relief.)

If an out-of-state business is part of a unitary group filing a combined return, and is in Arizona on a temporary basis solely for the purpose of performing disaster recovery from a declared disaster during a disaster period, it may be allowed to subtract its income from such activity from the unitary group's Arizona income. (See *Publication No 720, Disaster Recovery Tax Relief*, to determine if the taxpayer qualifies for disaster relief.)

**Arizona Filing Methods**

There are three filing methods for corporate income tax returns filed to Arizona: (1) separate company (separate entity); (2) combined; and (3) consolidated.

**1. Separate Company**

A corporation files on a separate company basis if: (1) it is not part of a group of corporations comprising a unitary business; and (2) it is not a member of an affiliated group that elected to file an Arizona consolidated return.

**2. Combined Return**

A corporation files on a combined basis when it is part of a unitary group of corporations, unless the affiliated group elects to file a consolidated return pursuant to *A.R.S. § 43-947*.

A unitary business comprises those parts and components whose functions are integrated and interdependent at the basic operational level. The entities comprising the unitary business must be owned or controlled directly or indirectly by the same interests that collectively own more than 50% of the voting stock. Refer to *Arizona Administrative Code* rule (*A.A.C.*) *R15-2D-401* for additional requirements. Refer to *CTR 00-2 Defining Ownership or Control for Combined Returns*, for additional information regarding whether a bond of direct or indirect ownership or control exists.

A unitary group of corporations required to file a combined return must complete Section I of Form 51 for the first taxable year the group files a combined return. Form 51 is the Combined or Consolidated Return Affiliation Schedule. In succeeding taxable years, complete Sections II (Additions) and III (Deletions) of Form 51 to report changes in the unitary group. Include the completed Form(s) 51 immediately following page 4 of Form 120. Indicate that Form 51 is included by checking the appropriate box on line D on page 1 of Form 120.

**IRC § 351 reorganizations** Activities conducted as part of a unitary business do not become a separate and unrelated business simply because those activities are subsequently conducted by a different affiliated corporate entity. An affiliated corporation resulting from an IRC § 351 reorganization is required to file a combined return as part of the unitary group if its activities are conducted as a part of the unitary business. See *CTR 01-1 Does a Federal Tax-Free I.R.C. § 351(a) Reorganization Affect the Arizona Unitary Determination of the Affiliated Companies*.

**Foreign corporation; water's edge limitation** Do not allocate or apportion the income and expenses of a foreign corporation to Arizona if the foreign corporation is not itself subject to the Arizona corporate income tax. This provision does not apply if a foreign corporation is a member of an affiliated group that elects to file an Arizona consolidated tax return.

"Domestic corporation" means a corporation created or organized in the United States or under the laws of the United States, any of its states, or the District of Columbia.

"Foreign corporation" means:

- A corporation which is not a domestic corporation.
- A domestic corporation with less than 20% of its property, payroll, and sales in the United States. The percentage applies for the three-year period immediately preceding the close of the taxable year, or for such part of that period as the corporation has been in existence. The factors are equally weighted when making this determination.
- A domestic corporation that derived 80% or more of its federal gross income from sources in Puerto Rico or any other possession of the United States except the Virgin Islands. The corporation must also have derived 65% or more of its federal gross income from the active conduct of a trade or business in Puerto Rico or any other U.S.

possession except the Virgin Islands. This determination is made for the three-year period immediately preceding the close of the taxable year, or for such part of that period as the corporation has been in existence.

*Arizona Corporate Tax Procedure (CTP) 02-1* provides sample calculations to determine whether a domestic corporation is considered a foreign (80/20) corporation for Arizona tax purposes.

**3. Consolidated Returns**

The common parent of an affiliated group of corporations that files a federal consolidated return may elect to file an Arizona consolidated return. The consolidated return includes all members of the affiliated group filing a federal consolidated return, regardless of whether each member is subject to Arizona income tax. The election made by the common parent is effective only if accompanied by written consents to the election signed by each of the members of the affiliated group. Form 122 is the written consent form. A current officer of each subsidiary in the affiliated group must sign the consent form. Include the completed Form(s) 122 with the tax return for the first taxable year the affiliated group files a consolidated return. The common parent must make the election on or before the due date, including extensions, for filing the original return. The election is binding on the group for succeeding taxable years unless the department consents to a change of filing method. The election made by the Arizona affiliated group to file an Arizona consolidated return is binding on new members that become part of the federal affiliated group in subsequent tax periods. All members of an Arizona affiliated group are jointly and severally liable for the taxes, interest, and penalties of the Arizona affiliated group under *Title 42* and *Title 43* of the *Arizona Revised Statutes*.

**NOTE:** For additional information, the following corporate tax rulings address consolidated tax returns:  
*CTR 94-11, Consolidated Return Net Operating Loss*  
*CTR 94-12, Business/Nonbusiness Income in Consolidated Returns*  
*CTR 12-1, Consolidated Return Election*  
*CTR 12-2, Sale or Dissolution of Members of an Affiliated Group with a Liability from Filing Arizona Consolidated Returns*

An affiliated group that elects to file a consolidated return must complete Section 1 of Form 51 for the first taxable year the Arizona affiliated group files a consolidated return. Form 51 is the *Combined or Consolidated Return Affiliation Schedule*. In succeeding taxable years, complete Sections 2 (Additions) and 3 (Deletions) of Form 51 to report changes in the Arizona affiliated group. Include the completed Form(s) 51 immediately following page 4 of Form 120. Indicate that Form 51 is included by checking the appropriate box on line D on page 1 of Form 120.

The Arizona gross income of an Arizona affiliated group is the consolidated federal taxable income of the affiliated group. A multistate Arizona affiliated group is a single taxpayer, and must allocate and apportion its income to Arizona using a single apportionment formula.

## Arizona Apportionment Methods

There are three apportionment methods for multistate corporate income tax returns filed to Arizona: (1) air carrier apportionment; (2) standard apportionment; and (3) enhanced apportionment.

Air carriers are required to use revenue miles. All other taxpayers may select either the standard or the enhanced apportionment method.

### 1. Air Carrier Apportionment

An air carrier is required to use revenue miles to calculate its apportionment ratio. Check the box on line E on page 1, fill out Schedule ACA, and include it with your return. Do not complete Schedule E on Form 120.

### 2. Standard Apportionment Formula

All non-air carrier taxpayers may use Arizona's standard apportionment formula, which double-weights the sales factor. Check the box on line E on page 1 and complete Schedule E using the number on the left-hand side of line E3e, column A, to double-weight the sales factor. Divide the total ratio by four (4).

### 3. Enhanced Apportionment Formula

All non-air carrier taxpayers may use Arizona's enhanced apportionment formula, which is determined by adding two and one-half (2.5) times the property factor plus two and one-half (2.5) times the payroll factor plus ninety-five (95.0) times the sales factor and dividing the total by 100. Check the box on line E on page 1 and complete Schedule E using the numbers on the right-hand side of line E1d, E2b and E3e, column A, to weight each of the three apportionment factors respectively.

#### MULTISTATE SERVICE PROVIDER

*For taxable years beginning from and after December 31, 2013, taxpayers that qualify, may elect to treat sales from service as being sourced to Arizona based on a combination of income-producing activity sales and market sales. (See: Part A of Schedule MSP to determine if the taxpayer qualifies.) Multistate taxpayers that qualify to be a Multistate Service Provider (MSP) may use the MSP to source their Arizona sales under either the "Standard" or the "Enhanced" apportionment formulas. Taxpayers that qualify and who want to make the election, should check the applicable boxes on line F on page 1 of the return and include Schedule MSP with their original, timely-filed tax return. See the specific instructions for the apportionment formula, "Schedule E", beginning on page 15 of these instructions. Also refer to A.R.S. § 43-1147 and Schedule MSP instructions for more information.*

## Specific Instructions

For calendar year filers, check the box, "calendar year 2016". For fiscal year filers, check the box, "fiscal year" and enter the beginning and ending dates for the fiscal year.

Type or print the required information in the name, address, and information boxes on the top of page 1. If the taxpayer has a foreign address, enter the information in the following order: city, province or state, and country. Follow the country's practice for entering the postal code. **Do not abbreviate the country's name.**

Consolidated return filers, enter the common parent corporation's name, address, and employer identification number (EIN). The filer's name on a consolidated return should include the phrase, "and affiliates".

Combined return filers, enter the name, address, and EIN of the corporation under which the group is filing. The filer's name on a combined return should include the phrase, "and unitary affiliates".

#### NOTE:

- All returns, statements, or other documents filed with the department must have the taxpayer's EIN or taxpayer identification number (TIN) indicated on them.
- Taxpayers who fail to include their EIN or TIN may be subject to a penalty.
- Paid tax return preparers must include their TIN where requested.
- The TIN for a paid tax return preparer is:
  - The preparer's PTIN
  - The preparer's social security number
  - The EIN of the preparer's employer
- Paid tax return preparers who fail to include their TIN may be subject to a penalty.

#### Box 68

- If this is the taxpayer's first return filed to Arizona, check the box "This is a first return".
- If the taxpayer changed its name during the tax year, check the box, "Name change".
- If the taxpayer changed its address during the tax years, check the box, "Address change".

#### Box 82F

- If the return is filed under **FEDERAL extension**, check box 82F on page 1 of the return
- If the return is filed under an **ARIZONA extension**, do NOT check box 82F on page 1 of the return.

**See the examples in "Extension of Time to File a Return" of these instructions to determine the extended due date of a return filed using a federal extension, or an Arizona extension.**

#### Line A:

- Is the taxpayer's FEDERAL return filed on a consolidated basis?
  - If yes, check "Yes" and enter the EIN for the taxpayer's common parent on the line below.
  - If no, check "No".

#### Line B:

- Check the box indicating the taxpayer's Arizona filing method (for a discussion of filing method, see *Arizona Filing Methods* on page 4 of these instructions).
  - Box 1, "Separate Company"
  - Box 2, "Combined (unitary group)"
  - Box 3, "Consolidated"

#### Line C:

- If Box 3 above is checked, enter the last day of the tax year tax Forms 122 were filed making the "Consolidated Filer" election. Enter the date in MM/DD/YYYY format.

**Line D:**

- If the taxpayer checked Box 2 or Box 3 on line B, see the instructions for Form 51.
  - If Form 51 is included, check the box, "Yes".
  - If Form 51 is not included, check the box, "No"

**Line E:**

- If the taxpayer is a multistate corporation, check the appropriate box indicating its method of apportioning income to Arizona.
  - If the taxpayer utilized the Air Carrier apportionment, check the box "Air Carrier", complete Form ACA and include Form ACA with this return.
  - If the taxpayer utilized the Standard apportionment formula, check the box "Standard".
  - If the taxpayer utilized the Enhanced apportionment formula, check the box "Enhanced"
- If the taxpayer is not a multistate corporation, or did not apportion its income to Arizona, leave this line blank.

**Line F:**

- Check this box only if the taxpayer elected to be treated as a multistate service provider by completing Arizona Schedule MSP and including it with this return. Check the appropriate box, Yr 1 through Yr 5, to indicate the year of the taxpayer's election cycle.
- If the taxpayer did not elect multistate service provider treatment, leave this line blank.

**Line G:**

- Is this the taxpayer's final Arizona corporate income tax return using this EIN?
  - If yes, check "Yes" and check the appropriate box, "Dissolved", "Withdrawn", or "Merged/Reorganized" to indicate the reason for this being the final Arizona tax return. If there is a successor corporation, indicate the EIN of the successor corporation in the space provided.
  - If no, leave this line blank.

**Arizona Taxable Income Computation**

**Line 1 - Taxable Income per Federal Return**

Enter taxable income for the Arizona taxpayer as reported on the federal income tax return filed with the IRS. If this is a combined return, include a schedule showing the computation of line 1, broken down by company.

**Line 2 - Additions to Taxable Income**

Enter total adjustments from page 2, Schedule A, line A8. See instructions for Schedule A.

**Line 4 - Subtractions from Taxable Income**

Enter total adjustments from page 2, Schedule B, line B11. See instructions for Schedule B.

**Line 5 - Adjusted Income**

Subtract line 4 from line 3 and enter the difference.  
Wholly Arizona corporations, skip lines 6 through 12.

**Lines 6 through 12 - Apportionment Computation**

These lines apply to multistate corporations only. Complete lines 6 through 12 as instructed on the form. Wholly Arizona corporations, skip these lines and go directly to line 13.

A multistate taxpayer must allocate and apportion its net income according to the Uniform Division of Income for Tax Purposes Act (UDITPA), *A.R.S. §§ 43-1131 through 43-1150*. Refer to the instructions for Schedules ACA, C, D, and E for more detailed information. Compute the apportionment ratio itself on Schedule E (for non-air carrier taxpayers) or ACA (for air carrier taxpayers), and enter the average apportionment ratio on line 9. Carry out the decimal on line 9 to six places.

**Line 14 - Arizona Basis Net Operating Loss Carryover**

If the corporation incurred losses in prior taxable years, the corporation can apply those losses against current Arizona income. A net operating loss carryforward applies to the next five succeeding taxable years for net operating losses arising in taxable periods through December 31, 2011, subject to certain adjustments and rules. Taxable year 2016 is the last year a taxpayer may use a net operating loss from taxable year 2011.

For net operating losses that arise in taxable years beginning from and after December 31, 2011, the carryforward period is twenty (20) succeeding taxable years. Be sure to maintain records long enough to substantiate the subtraction in the taxable year taken.

The amount entered on line 14 cannot exceed the amount on line 13. Include a separate computation schedule.

**NOTE:** *Information about the Arizona net operating loss carryforward calculation can be found in A.R.S. § 43-1123, A.A.C. R15-2D-302, and Arizona Corporate Tax Rulings: CTR 91-2, Arizona Net Operating Loss Calculation – Change of Filing Method  
CTR 94-11, Consolidated Return Net Operating Loss  
CTR 99-3, Recalculation NOLs from Separate Corporate Returns to a Combined Corporate Return*

**Arizona Tax Liability Computation**

**Line 16 - Arizona Tax**

Multiply line 15 by 5.5%. If the result is less than \$50, enter the minimum tax of \$50. Every corporation required to file a return shall pay a \$50 minimum tax in accordance with *A.R.S. § 43-1111*.

A taxpayer filing a combined or consolidated return is considered a single taxpayer, subject to one minimum tax.

**Line 17 - Tax from Recapture of Tax Credits**

Enter the amount of tax due from recapture of the credits from Arizona Form 300, Part 2, line 31.

**Line 18 - Subtotal**

Add lines 16 and 17. This is the amount of tax to which the total amount of tax credits claimed by the taxpayer may be applied.

**Line 19 - Nonrefundable Tax Credits**

Enter the allowable nonrefundable tax credit amount from Arizona Form 300, Part 2, line 56. This amount cannot be larger than the amount on Form 120, line 18.

- **Enterprise Zone Credit.** The enterprise zone credit has been repealed. The repeal did not affect carryforwards of properly established credits. Complete Form 304 to claim carryforwards established in prior years.
- **Environmental Technology Facility Credit.** This tax credit is for costs incurred in constructing a qualified environmental technology manufacturing, producing, or processing facility as described in *A.R.S. § 41-1514.02*. Complete Form 305 to claim this tax credit.
- **Military Reuse Zone Credit.** This tax credit is for net increases in employment of full-time employees working in a military reuse zone established under Arizona law. Complete Form 306 to claim this tax credit.
- **Credit for Increased Research Activities.** This tax credit is for taxpayers who incur qualified research expenses for research conducted in Arizona. The credit applies to taxable years beginning from and after December 31, 2000. A portion of the excess credit claimed for taxable years beginning from and after December 31, 2009, may be refundable with approval from the Arizona Commerce Authority. Be sure to include only the nonrefundable portion on line 19. Complete Form 308 to claim this tax credit.
- **Pollution Control Credit.** This tax credit is for expenses incurred during the taxable year to purchase real or personal property used in the taxpayer's trade or business in Arizona to control or prevent pollution. Complete Form 315 to claim this tax credit.
- **Credit for Taxes Paid for Coal Consumed in Generating Electrical Power.** This tax credit is for a percentage of the amount paid by the seller or purchaser as transaction privilege tax or use tax for coal sold to the taxpayer that is consumed in the generation of electrical power in Arizona. "Amount paid by the seller or purchaser as transaction privilege tax or use tax" means that the taxpayer paid the Arizona use tax to the department, the seller passed the Arizona transaction privilege tax through to the taxpayer as an added charge, or the seller collected the Arizona use tax from the taxpayer. Complete Form 318 to claim this tax credit.
- **Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets.** This tax credit is for the installation of solar hot water heater plumbing stub outs and electric vehicle recharge outlets in houses or dwelling units constructed by the taxpayer. The houses or dwelling units must be located in Arizona. Complete Form 319 to claim this tax credit.
- **Credit for Employment of TANF Recipients.** This tax credit is for net increases in qualified employment for recipients of temporary assistance for needy families (TANF) who are residents of Arizona. Complete Form 320 to claim this tax credit.
- **Agricultural Pollution Control Equipment Credit.** This tax credit is for expenses incurred during the taxable year to purchase tangible personal property that is primarily used in the taxpayer's business in Arizona to control or prevent agricultural pollution. Complete Form 325 to claim this tax credit.
- **Credit for Donation of School Site.** This tax credit is for the donation of real property and improvements to an Arizona school district or Arizona charter school for use as a school or as a site for the construction of a school. Complete Form 331 to claim this tax credit.
- **Credits for Healthy Forest Enterprises.** These tax credits are for net increases in qualified employment positions in a healthy forest enterprise and net training and certifying costs. Use Form 332 to claim these tax credits.
- **Credit for Employing National Guard Members.** This tax credit is for an employer who has an employee that is a member of the Arizona National Guard and the employee was placed on active duty. Use Form 333 to claim this tax credit.
- **Credit for Corporate Contributions to School Tuition Organizations.** This tax credit is for corporations who make contributions to school tuition organizations that provide scholarships and tuition grants to children attending qualified nongovernmental schools. Use Form 335 to claim this tax credit.
- **Credit for Solar Energy Devices - Commercial and Industrial Applications.** This tax credit is available to taxpayers that install solar energy devices for commercial, industrial, or any other nonresidential purpose in the taxpayer's trade or business located in Arizona. The taxpayer or an exempt organization may transfer the credit to a third party that either financed, installed, or manufactured the qualifying solar energy device. Use Form 336 to figure this tax credit.
- **Credit for Water Conservation System Plumbing Stub Outs.** The credit for water conservation system plumbing stub outs has expired. This credit may not be claimed for taxable years ending after December 31, 2011. However, any credit carryover established in calendar year 2011 and prior will be allowed for not more than five consecutive taxable years. Use Form 337 to figure any allowable credit carryover. Taxable year 2016 is the last year a taxpayer may claim a carryforward of this credit.
- **Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students With Disabilities.** This tax credit is for corporations who make contributions to school tuition organizations that provide scholarships and tuition grants to qualifying children attending qualified nongovernmental schools. Use Form 341 to claim this tax credit.
- **Renewable Energy Production Tax Credit.** This tax credit is for taxpayers that produce electricity using qualified energy resources. Approval by the Arizona Department of Revenue is required prior to claiming this tax credit. Use Form 343 to claim this tax credit.

- **Solar Liquid Fuel Credit.** This credit is for taxpayers in the solar liquid fuel industry. Credits are allowed for taxpayers who:
  - Had increased research and development activities in Arizona related to solar liquid fuel.
  - Produced solar liquid fuel in Arizona in commercial quantities.
  - Incurred costs to convert or modify existing motor vehicle service stations for the retail sale of solar liquid fuel to customers in Arizona.
 Use Form 344 to claim this tax credit.
- **Credit for New Employment.** This tax credit is for taxpayers that have net increases in employment. The credit limit is administered by the Arizona Commerce Authority. Use Form 345 to claim this tax credit.
- **Additional Credit for Increased Research Activities for Basic Research Payments.** This tax credit is for taxpayers that make qualified basic research payments for research conducted in Arizona. Approval by the Arizona Department of Revenue is required prior to claiming this tax credit. Use Form 346 to claim this tax credit.
- **Credit for Qualified Health Insurance Plans.** The credit for qualified health insurance plans has been repealed. All credits for qualified health insurance plans that were properly established can be carried forward for the respective three year carry forward period. Use Form 347 to claim this carry-forward tax credit.
- **Credit for Renewable Energy Investment and Production for Self-Consumption by Manufacturers and International Operations Centers.** This tax credit is for investment in new renewable energy facilities that produce energy for self-consumption using renewable energy resources if the power will be used primarily for manufacturing, or for International Operations Centers. Use Form 351 to claim this tax credit.

Complete the appropriate credit form for each tax credit. Include the completed credit form and Form 300 with the tax return.

**Line 20 - Credit Type**

Indicate which nonrefundable tax credits are claimed on line 19 by entering the applicable form number(s) in the space provided.

| Nonrefundable Income Tax Credit  | Form |
|--|------|
| Enterprise Zone Credit   | 304  |
| Environmental Technology Facility Credit   | 305  |
| Military Reuse Zone Credit   | 306  |
| Credit for Increased Research Activities   | 308  |
| Pollution Control Credit   | 315  |
| Credit for Taxes Paid for Coal Consumed in Generating Electrical Power                     | 318  |
| Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets | 319  |
| Credit for Employment of TANF Recipients   | 320  |
| Agricultural Pollution Control Equipment Credit  | 325  |
| Credit for Donation of School Site   | 331  |
| Credits for Healthy Forest Enterprises   | 332  |
| Credit for Employing National Guard Members  | 333  |

| Nonrefundable Income Tax Credit  | Form |
|--|------|
| Credit for Corporate Contributions to School Tuition Organizations   | 335  |
| Credit for Solar Energy Devices - Commercial and Industrial Applications   | 336  |
| Credit for Water Conservation System Plumbing Stub Outs  | 337  |
| Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students With Disabilities          | 341  |
| Renewable Energy Production Tax Credit   | 343  |
| Solar Liquid Fuel Credit   | 344  |
| Credit for New Employment  | 345  |
| Additional Credit for Increased Research Activities for Basic Research Payments  | 346  |
| Credit for Qualified Health Insurance Plans  | 347  |
| Credit for Renewable Energy Investment and Production for Self-Consumption by Manufacturers and International Operations Centers | 351  |

**Line 21 - Tax Liability**

Subtract line 19 from line 18. Line 21 cannot be a negative amount.

**Tax Payments**

**Line 22 - Refundable Tax Credits**

Check the box(es) marked 308, 342 and/or 349 to indicate which of these tax credits the taxpayer is claiming. Enter the amount of the credit claimed on line 22.

**Credit for Increased Research Activities.** A portion of this tax credit is refundable for qualified taxpayers. The refund is limited to 75% of the excess credit, which is the current year's credit less the current year's tax liability, not to exceed the amount approved by the Arizona Commerce Authority. Include a copy of your "Certificate of Qualification" from the Arizona Commerce Authority, Form 300, and Form 308 with your return. Enter the amount from Form 308, Part 7, line 44.

**Credit for Renewable Energy Industry.** This tax credit is for expanding or locating qualified renewable energy operations in Arizona and is refundable in five equal installments. Pre-approval and post-approval are required through the Arizona Commerce Authority. Include a copy of your "Certification of Qualification" from the Arizona Commerce Authority and Form 342 with your tax return to claim this credit. Enter the amount from Form 342, Part 6, line 18.

**Credit for Qualified Facilities.** This tax credit is for expanding or locating a qualified facility in Arizona and is refundable in five equal installments. Pre-approval and post-approval are required through the Arizona Commerce Authority. Include a copy of your "Certification of Qualification" from the Arizona Commerce Authority and Form 349 with your tax return to claim this credit. Enter the amount from Form 349, Part 8, line 18.

If you are claiming more than one of the refundable tax credits, check the appropriate boxes and add the amounts from the credit forms together and enter the total on line 22, or use the worksheet below to figure the amount to enter on line 22.

| Refundable Credit Worksheet   |  |
|---|--|
| 1. Enter the refundable credit from Form 308, Part 7, line 44.                          |  |
| 2. Enter the apportioned credit from Form 342, Part 6, line 18.                         |  |
| 3. Enter the apportioned credit from Form 349, Part 8, line 18.                         |  |
| 4. Add the amounts on lines 1, 2, and 3. Enter the total here and on Form 120, line 22. |  |

**Lines 23 - Extension Payments**

Enter the total amount(s) of extension payments made with Form 120EXT or online from Schedule F on page 3. See instructions for Schedule F.

**Line 24 – Estimated Payments and Claim of Right**

- a. Enter the total amount of estimated payments made from Schedule F on page 3.
- b. If you recomputed a prior year’s tax under Arizona’s claim of right provision, complete *Arizona Claim of Right – Corporate* form. Enter the amount from Part 2, line 8. Include the claim of right form with your return. If you completed more than one claim of right form, add all amounts on line 8, and enter the total here.
- c. Add the amounts on line 24(a) and 24(b). Enter the total.

**NOTE FOR CLAIM OF RIGHT RESTORATION:** *If you recomputed a prior year’s tax under Arizona’s claim of right provision, you must complete and include Arizona Claim of Right – Corporate form with your return. If you fail to complete and include this form, the amount of your claim may be denied.*

*Refer to CTP 16-1, Procedure for Corporations That Restore Substantial Amounts Held Under a Claim of Right, for additional information on Arizona’s Claim of Right provision.*

**Line 25 - Total Payments**

Add lines 22, 23 and 24(c). Enter the total.

**Computation of Total Due or Overpayment**

**Line 26 - Balance of Tax Due**

If the amount on line 21 is **larger** than the amount on line 25, there is a balance of tax due. Subtract line 25 from line 21 and enter the difference. Skip line 27.

**Line 27 - Overpayment of Tax**

If the amount on line 25 is **larger** than the amount on line 21, there is an overpayment of tax. Subtract line 21 from line 25 and enter the difference.

**Line 28 - Penalty and Interest**

The taxpayer may choose to calculate any penalty and interest due as a result of late filing, late payment of tax, or extension underpayment of tax. Interest is calculated on the amount shown on line 26 at the prevailing rate. The interest period is from the original due date of the return to the payment date. See the "Penalties and Interest" section beginning on page 3 of these instructions.

**Do not include or enter the amount from the Estimated Tax Underpayment Penalty on this line.**

If the taxpayer chooses not to calculate interest and penalties, the department will calculate them, and as appropriate, include that amount in any refund, or bill the taxpayer.

**Line 29 - Estimated Tax Underpayment Penalty**

The taxpayer does not have to complete Form 220, *Underpayment of Estimated Tax by Corporations*, if the taxpayer made its estimated tax payments based on either of the following methods:

- An amount equal to 90% of the current taxable year’s tax liability (reduced by refundable tax credits and claim of right adjustments, if applicable), paid in four equal installments; or
- An amount equal to 100% of the taxpayer’s tax liability (reduced by refundable tax credits and claim of right adjustments, if applicable) for the prior taxable year, paid in four equal installments.

The department will compute the estimated tax underpayment penalty based on either of these methods and notify the taxpayer of any amount due. If the taxpayer elects to have the department compute the penalty, do not check box 29A or enter an amount on line 29.

The taxpayer must complete Form 220, even though no penalty is due, if it made its estimated tax payments based on any of the following methods:

- The annualized income installment method; or
- The adjusted seasonal installment method; or
- The taxpayer is a large corporation that computed its first required installment based on the taxpayer’s tax liability for the prior taxable year.

Enter the total penalty from Form 220, Part C, line 37. Include the completed Form 220 with the return **and** check box 29A.

See the instructions for Form 220 for detailed information.

**Line 30 - Total Due**

If the taxpayer has a balance of tax due on line 26, add lines 26, 28, and 29, and enter the total on line 30. This is the total amount due. Payments can be made via check, electronic check, money order, or credit card.

**Check or Money Order**

Make checks payable to Arizona Department of Revenue. Include the taxpayer's EIN on the front of the check or money order. Include the check or money order with the return.

**Internet Payments**

Corporate taxpayers must be licensed by the department before they can register to pay taxes online. Go to [www.AZTaxes.gov](http://www.AZTaxes.gov) to register and make payments over the internet.

**Electronic payment from checking or savings account**

Payments can be made electronically from a checking or savings account. Go to [www.AZTaxes.gov](http://www.AZTaxes.gov) and choose the e-check option. There is no fee to use this method. This payment method will debit the amount from the specified



checking or savings account on the date specified. If an electronic payment is made from a checking or savings account, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

**Credit card payment**

Payments can be made via American Express, Discover, MasterCard or VISA credit cards. Go to [www.AZTaxes.gov](http://www.AZTaxes.gov) and choose the credit card option. This will take you to the website of the credit card payment service provider. The service provider will charge a convenience fee based on the amount of the tax payment. The service provider will disclose the amount of the convenience fee during the transaction and the option to continue or cancel the transaction will be presented. If you accept the convenience fee and complete the credit card transaction, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

**Line 31 – Overpayment**

If the taxpayer has an overpayment of tax on line 27, subtract the total of lines 28 and 29 from line 27. Enter a positive difference on line 31. This is the total overpayment. If the difference is negative, enter the difference as a positive number on line 30.

**Line 32 - Overpayment Applied to Estimated Tax**

The taxpayer may apply part or all of an overpayment reported on line 31 as a 2017 estimated tax payment. Enter the applicable amount on line 32.

**Line 33 – Refund**

Subtract line 32 from line 31 and enter the difference. This is the net refund amount.

**Schedule A - Additions to Taxable Income**

On lines A1 through A7 of Schedule A, enter all income taxable under Arizona law that is exempt for federal tax purposes. Also, enter all deductions allowed under federal law that are not allowed under Arizona law.

**Line A1 - Total Federal Depreciation**

Enter the total amount of depreciation deducted on the federal return.

**Line A2 - Taxes Based on Income**

Enter the amount of taxes based on income paid to any states (including Arizona), to foreign governments, or to their political subdivisions included in federal taxable income.

**Line A3 - Interest on Obligations**

Enter the amount of federally tax-exempt interest income on obligations of any state or foreign government, or their political subdivisions (except Arizona). All taxpayers except *A.R.S. § 6-101* financial institutions must reduce the amount of interest income by certain expenses. Reduce the amount of interest income by the amount of any interest on indebtedness and other related expenses incurred or continued to purchase or carry those obligations that were not otherwise deducted or subtracted in the computation of Arizona gross income.

**Line A4 - Federal Special Deductions**

Enter the special deductions claimed on the federal tax return for dividends received pursuant to IRC §§ 243, 244, and 245.

**Line A5 - Federal Net Operating Loss**

Enter the federal net operating loss deduction claimed on the federal tax return.

**Line A6 - Additions Related to Arizona Tax Credits**

Enter on line A6 the following additions to federal taxable income that are related to Arizona tax credits. Include a schedule detailing these additions.

**A. Environmental Technology Facility Credit**

• **Excess Federal Depreciation or Amortization**

Enter the excess of depreciation or amortization computed on the federal basis of the facility over depreciation or amortization computed on the Arizona adjusted basis of the facility. Make this adjustment for the facility for which the taxpayer claimed a tax credit on Form 305 in a prior taxable year.

• **Excess in Federal Adjusted Basis**

Enter the amount by which the federal adjusted basis of the facility exceeds the Arizona adjusted basis of the facility. Make this adjustment if the facility or any component of the facility for which the taxpayer claimed a tax credit on Form 305 in a prior taxable year was sold or otherwise disposed of during this taxable year.

**B. Pollution Control Credit**

• **Excess Federal Depreciation or Amortization**

Enter the excess of depreciation or amortization computed on the federal basis of the property over depreciation or amortization computed on the Arizona adjusted basis of the property. Make this adjustment for the property for which the taxpayer claimed a tax credit on Form 315 in a prior taxable year.

• **Excess in Federal Adjusted Basis**

Enter the amount by which the federal adjusted basis of the property exceeds the Arizona adjusted basis of the property. Make this adjustment if the property for which the taxpayer claimed a tax credit on Form 315 in a prior taxable year was sold or otherwise disposed of during the taxable year.

**C. Credit for Taxes Paid for Coal Consumed in Generating Electrical Power**

Enter the amount of expenses deducted pursuant to the Internal Revenue Code for which the taxpayer claimed the credit for taxes paid for coal consumed in generating electrical power, in Arizona, on Form 318. The addition is required for the amount of Arizona transaction privilege taxes and Arizona use taxes included in the computation of federal taxable income for which the Arizona credit is claimed.

**D. Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets**

Enter the amount of expenses deducted in computing federal taxable income for the installation of solar hot water heater

plumbing stub outs and electric vehicle recharge outlets for which the taxpayer claimed a tax credit on Form 319.

**E. Credit for Employment of TANF Recipients**

Enter the amount of wage expenses deducted pursuant to the Internal Revenue Code for which the taxpayer claimed a tax credit for employment of TANF recipients on Form 320.

**F. Agricultural Pollution Control Equipment Credit**

• **Excess Federal Depreciation or Amortization**

Enter the excess of depreciation or amortization computed on the federal basis of the property over depreciation or amortization computed on the Arizona adjusted basis of the property. Make this adjustment for the property for which the taxpayer claimed a tax credit on Form 325 in a prior taxable year.

• **Excess in Federal Adjusted Basis**

Enter the amount by which the federal adjusted basis of the property exceeds the Arizona adjusted basis of the property. Make this adjustment if the property for which the taxpayer claimed a tax credit on Form 325 in a prior taxable year was sold or otherwise disposed of during the taxable year.

**G. Credit for Donation of School Site**

Enter the amount deducted pursuant to the Internal Revenue Code representing a donation of a school site for which this taxpayer claimed a tax credit on Form 331.

**H. Credit for Corporate Contributions to School Tuition Organizations**

Enter the amount deducted in computing federal taxable income as contributions for which a tax credit is claimed on Form 335. This includes any amounts passed through from partnership interests.

**I. Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students with Disabilities**

Enter the amount deducted in computing federal taxable income as contributions for which a tax credit is claimed on Form 341. This includes any amounts passed through from partnership interests.

**Line A7 - Other Additions to Federal Taxable Income**

Enter on line A7 the following "other additions" to federal taxable income. Include a schedule detailing these additions.

**A. Partnership Income Adjustment (Positive)**

If you received Arizona Form 165 Schedule K-1(NR), and the amount on line 17 is positive, enter the amount from column (a) here. If you received more than one Form 165 Schedule K-1(NR), total the positive amounts from line 17, column (a) and enter that total here.

If the amounts on Form 165 Schedule K-1(NR), line 17, are negative, enter the amount from column (a) on Schedule B, line B10. See the instructions for Schedule B, line B10 on page 13 for additional information.

**B. Federal Exploration Expenses**

Enter the amount of IRC § 617 exploration expenses in excess of \$75,000 and the amount of such expenses deferred not in excess of \$75,000.

**C. Federal Amortization or Depreciation for Facilities and Equipment Amortized Under Arizona Law**

Enter the amount of amortization or depreciation deducted pursuant to the Internal Revenue Code for the following:

- **Pollution Control Devices** - If the taxpayer made an election to amortize pursuant to *A.R.S. § 43-1129*.
- **Child Care Facilities** - If the taxpayer made an election to amortize pursuant to *A.R.S. § 43-1130*.

**D. Expenses and Interest Relating to Income Not Taxed by Arizona**

Enter expenses and interest relating to income not taxed by Arizona. Refer to *A.R.S. § 43-961(5)* or *A.R.S. § 43-1121(12)*.

**E. Tax-Exempt Insurance Company Loss**

Enter the loss of an insurance company exempt under *A.R.S. § 43-1201* to the extent included in computing Arizona gross income on a consolidated return pursuant to *A.R.S. § 43-947*.

**F. Amounts Repaid in Current Taxable Year**

Enter the amount of the deduction claimed under IRC § 1341(a)(4), for restoration of a substantial amount held under a claim of right, which was included in the computation of Arizona gross income.

**G. Excess Federal Capital Loss Carryover under a Claim of Right Restoration**

Enter the amount by which the capital loss carryover included in your federal taxable income is greater than the amount allowed for the taxable year under Arizona law.

**H. Exclusion of Deduction for Original Issue Discount**

Enter the amount of the federally deferred original issue discount previously taken as a deduction for Arizona as a result of Arizona not adopting the provisions of the federal American Recovery and Reinvestment Act of 2009. The taxpayer is required to add back this amount to prevent taking the deduction twice.

**I. Domestic International Sales Corporations**

Enter the total amount of commissions, rentals, and other amounts paid or accrued to a Domestic International Sales Corporation (DISC) controlled by the payor corporation. Make this adjustment if the DISC does not have to report its taxable income to Arizona because its income is not derived from or attributable to sources within Arizona. "Control" means direct or indirect ownership or control of 50% or more of the voting stock of the DISC by the payor corporation.

No addition is required if:

- The payor corporation files an Arizona combined return with the DISC; or
- The DISC transactions comply with the IRC § 994 inter-company pricing provisions.

**J. Treatment of Installment Obligations When Corporate Activities Cease in Arizona**

Corporations filing a final corporate income tax return to Arizona, enter the amount of unreported income from the sale or other disposition of property from an installment sale.

If a corporation elected to report income from the sale or other disposition of property on the installment method and some of that income remains unreported on the year the corporation ceases to be subject to Arizona corporate income tax, enter the amount of the corporation's unreported income here.

This provision does not apply if a reorganization transfers the installment obligation to another taxpayer subject to Arizona corporate income tax. The transferee may not use its capital losses to offset the income from the installment obligation transferred from a corporation no longer subject to tax.

**Schedule B - Subtractions from Taxable Income**

On lines B1 through B10 of Schedule B, enter all income that is exempt from Arizona tax that is taxable under federal law. Also, enter any deduction allowed under Arizona law that is not deductible for federal tax purposes.

**Line B1 - Recalculated Arizona Depreciation**

Enter the total amount of depreciation allowable pursuant to IRC § 167(a) for the taxable year calculated as if the taxpayer had elected not to claim bonus depreciation for eligible properties for federal purposes.

**Line B2 - Basis Adjustment for Property Sold or Otherwise Disposed of During the Taxable Year**

For taxable years beginning from and after December 31, 1999, taxpayers were required to add back all federal depreciation. Taxpayers who sold or otherwise disposed of property during this year may subtract any resulting difference between federal and Arizona basis. Enter the amount of depreciation that has been allowed pursuant to IRC § 167(a) to the extent that the amount has not already reduced Arizona taxable income in the current or prior years. (Note: The practical effect of this is to allow a subtraction for the difference in basis for any asset for which bonus depreciation has been claimed on the federal return.)

**Line B3 - Adjustment for IRC § 179 Expense Not Allowed**

Enter the total of 20% of each addition made for IRC § 179 expense in 2012.

**Line B4 - Dividends from Controlled Domestic Corporations**

Enter dividend income received from a domestic corporation owned or controlled, directly or indirectly, by the recipient corporation. "Control" means direct or indirect ownership or control of 50% or more of the voting stock of the payor corporation by the recipient corporation. Dividends shall have the meaning provided in IRC § 316. Do not include IRC § 78 dividends.

**NOTE:** Do not include IRC § 78 dividend income on line B4.

**Line B5 - Foreign Dividend Gross-up**

Enter IRC § 78 ("Gross-up") dividends.

**Line B6 - Dividends from Foreign Corporations**

Enter the dividend income received from foreign corporations as defined in *A.R.S. § 43-1101*. Refer to *CTR 02-3, Is Income From a Qualified Electing Fund (QEF) Taxable*, for information regarding the treatment of income from a qualified electing fund.

**Line B7 - Interest on U.S. Obligations**

Enter the interest on qualifying U.S. obligations not taxed by Arizona, but subject to federal tax. (See *CTR 06-1, Obligations of the United States Government, Federal Agencies and United States Territories*, for a listing of qualifying U.S. obligations.)

**Line B8 - Agricultural Crops Contributed to Charitable Organizations**

Enter the amount of the allowable subtraction for qualified crop contributions made during the taxable year to one or more Arizona tax-exempt charitable organizations for use in Arizona. Refer to the department's *Individual Income Tax Procedure 12-1, Establishing an Income Tax Subtraction for Agricultural Crops Contributed to Charitable Organizations*, for information on how to determine if the contribution qualifies for the subtraction.

**Line B9 - Expenses Related to Certain Federal Tax Credits**

Enter the amount of wages or salaries paid or incurred by the taxpayer for the taxable year not deducted in the computation of Arizona gross income if the taxpayer received the following federal credits:

- (1) The work opportunity credit,
- (2) The empowerment zone employment credit,
- (3) The credit for employer-paid social security taxes on employee cash tips, and/or
- (4) The Indian employment credit.

**Line B10 - Other Subtractions from Federal Taxable Income**

Enter on line B10 the following "other subtractions" from federal taxable income. Include a schedule detailing these subtractions.

**A. Refunds of Taxes Based on Income**

Enter any refunds of taxes from states (including Arizona) and from foreign governments or their political subdivisions included in federal taxable income.

**B. Partnership Income Adjustment (Negative)**

If you received Arizona Form 165 Schedule K-1(NR) and the amount on line 17 is negative, enter the amount from column (a) here as a positive number. If you received more than one Form 165 Schedule K-1(NR), total the negative amounts from line 17, column (a) and enter that total here as a positive number.

If the amounts on Form 165 Schedule K-1(NR), line 17, are positive, enter the amount from column (a) on Schedule A, line A7. See the instructions for Schedule A, line A7 on page 11 for additional information.

**C. Expense Recapture, Mine Explorations**

Enter any expense recapture for mine exploration expenses included in income under federal law. Refer to IRC § 617.

**D. Deferred Exploration Expenses**

Arizona law allows a subtraction for exploration expenses added to Arizona gross income on line A7, item B (refer to *A.R.S. § 43-1121(15)*). The taxpayer claims the subtraction on a ratable basis as the units of produced ores or the minerals discovered or explored by reason of such expenditures are sold. Refer to *A.A.C. R15-2D-305* for detailed information regarding additional requirements.

Treat property sold in the same manner and on the same basis as other property held for the production of income. Refer to *A.R.S. § 43-1121(4)* or to *A.R.S. § 43-1122(3)*.

**E. Exploration Expenses; Oil, Gas or Geothermal Resources**

Enter exploration expenses related to exploration of oil, gas, or geothermal resources. Compute the expenses in the same manner and on the same basis as a deduction for mine exploration under IRC § 617. The computation is subject to certain adjustments shown above for line A7, item B, and line B10, items C and D. Refer to *A.A.C. R15-2D-305* for detailed information regarding additional requirements.

**F. Arizona Amortization of Facilities and Equipment**

- **Pollution Control Devices**

Any taxpayer may choose to amortize the adjusted basis of any device, machinery, or equipment used for collection and control of the source of atmospheric and water pollutants and contaminants. The taxpayer may take the subtraction over a period of 60 months. If a taxpayer chooses not to amortize pollution control devices over a period of 60 months, the taxpayer may take a deduction for depreciation computed under IRC § 167.

Refer to *A.A.C. R15-2D-306* for detailed information regarding additional requirements.

- **Cost of Child Care Facilities**

Any taxpayer operating a childcare facility for profit may elect to subtract any expenditure made to purchase, construct, renovate, or remodel the facilities or equipment. The taxpayer may take the subtraction ratably over 60 months beginning with the month in which the taxpayer places the property in service.

Any taxpayer operating a childcare facility within Arizona, primarily for its employees' children, may elect to subtract expenditures made to acquire, construct, renovate, or remodel the facilities or equipment. The taxpayer may take the subtraction over a period of 24 months, beginning with the month in which the taxpayer places the property in service.

The amortization is in lieu of federal depreciation or amortization on the facilities.

Refer to *A.A.C. R15-2D-307* for detailed information regarding additional requirements.

**G. Interest on Federally Taxable Arizona Obligations Evidenced by Bonds**

Enter the amount of interest income received on obligations of the State of Arizona, or any of its political subdivisions, evidenced by bonds, that is included in federal taxable income.

Corporations should not make this adjustment on the corporation's Arizona tax return for such income included in the corporate partner's share of partnership income or (loss). The partnership makes this adjustment on Form 165. The adjustment to Arizona basis from Form 165, Schedule K-1(NR), Part 2, line 17, already includes this adjustment.

**H. Expenses and Interest Relating to Tax-Exempt Income**

Effective for taxable years beginning from and after December 31, 1996, this subtraction applies only to financial institutions as defined in *A.R.S. § 6-101*. Enter expenses and interest relating to tax-exempt income disallowed pursuant to IRC § 265 in the computation of Arizona gross income.

**I. Tax-Exempt Insurance Company Income**

Enter the income of an insurance company exempt under *A.R.S. § 43-1201* to the extent included in computing Arizona gross income on a consolidated return pursuant to *A.R.S. § 43-947*.

**J. Claim of Right Adjustment**

Enter the amount by which the loss carryover allowed to be taken for the taxable year under Arizona law is greater than the amount included in your federal taxable income.

**K. Deferred Deduction for Original Issue Discount**

Enter the subtraction to income resulting from Arizona not adopting the federal deferral of deduction for original issue discount issued in debt-for-debt exchanges elected by the taxpayer under IRC § 108(i). In those years when the IRC permits this deduction, "other additions" will include an addition to income to prevent the taxpayer from taking the deduction twice.

**L. Inclusion of Discharge of Indebtedness Income**

If the taxpayer included the discharge of indebtedness income in Arizona income in the year deferred federally (2009 or 2010), then when the income is included federally, the taxpayer is allowed a subtraction to avoid the income being taxed twice. Enter the amount of the federal inclusion.

**M. Dividends from Domestic International Sales Corporation (DISC)**

Enter any income from a DISC which federal law requires its shareholders to include in income. Refer to IRC § 995.

**N. Income From Disaster Relief Efforts**

Enter any Arizona income generated from performing disaster recovery for a declared disaster during a disaster period by an out-of-state business which is part of a unitary group filing a combined return, and is in Arizona on a temporary basis solely for the purpose of performing disaster recovery from a declared disaster during a disaster period. (See *Publication No. 720, Disaster Recovery Tax Relief*, for additional information.)

**Schedule C - Nonapportionable Income and Expenses**  
(Multistate Corporations Only)

Nonbusiness income is nonapportionable and specifically allocable to a particular state. Use Schedule C to compute the amount of nonapportionable income (and expenses) to subtract on page 1, line 7.

"Business income" under the transactional and functional tests means income arising from transactions and activity in the regular course of the taxpayer's trade or business, and includes income from tangible and intangible property if the acquisition, management, and disposition of the property constitute integral parts of the taxpayer's regular trade or business operations. Refer to *A.R.S. § 43-1131(1)*. "Nonbusiness income" means all income other than business income. Refer to *A.R.S. § 43-1131(4)*.

On lines C1 through C5, enter all income or (loss) which is nonapportionable or specifically allocable to Arizona. Refer to *A.R.S. §§ 43-1134 through 43-1138* and *A.A.C. R15-2D-501 through R15-2D-508* for the methods of allocating certain types of nonbusiness income. Refer to the specific line instructions listed below.

**Line C1 - Nonbusiness Dividends and Interest Income**

- Enter all nonbusiness dividend income not deducted in Schedule B.
- Enter nonbusiness interest income not deducted in Schedule B.

**Line C2 - Nonbusiness Net Royalties**

Enter any net royalties from nonbusiness real property and tangible personal property. Also include the net royalties from nonbusiness patents and copyrights. Include a separate detailed schedule with the return showing each royalty.

**Line C3 - Nonbusiness Net Rental Income**

Enter any net rental income from nonbusiness real property and tangible personal property. Include a separate detailed schedule with the return showing each rental property.

**Line C4 - Net Capital Gain or (Loss) from Sale or Exchange of Nonbusiness Assets**

- Enter any gain or (loss) from the sale of nonbusiness real property.
- Enter any gain or (loss) from the sale of nonbusiness tangible personal property.
- Enter any gain or (loss) from the sale of nonbusiness intangible personal property.
- Identify each item of nonbusiness asset and the gain or (loss) recognized from the sale of that nonbusiness asset on a separate detailed schedule.

Do not include any gain or (loss) recognized on the disposal of property used in connection with the unitary business or the business activities of the Arizona affiliated group. Such income is business income and is subject to apportionment.

**Line C5 - Other Income or (Loss)**

Enter any other nonapportionable or wholly allocable items. Include a schedule detailing the items.

**Treatment of a nonbusiness partnership on line C5**

**If the partnership income is nonbusiness** - Enter the total amount of income or (loss) from the partnership *plus* the income adjustment received from that partnership, reported on Schedule 165K-1(NR), Part 2, Line 17, column (a).

**Line C7 - Foreign Income Expenses**

Enter any expenses attributable to foreign income producing activities. Refer to *A.R.S. § 43-1132*. Include a schedule showing the expenses included on this line.

**Line C8 - Total Nonapportionable Income and Expense**

This is the total amount of nonapportionable income (loss) on lines C1 through C5 net of expenses on line C7. Enter this amount here and on page 1, line 7.

**NOTE:** *If this amount is negative, enter the amount here and on page 1, line 7. To calculate the amount for page 1, line 8, remember to add line 6 to line 7 instead of subtracting, as the instructions indicate.*

**Schedule D - Other Income Allocated to Arizona**  
(Multistate Corporations Only)

On lines D1 through D5, enter all income or (loss) which is allocable to Arizona. *A.R.S. §§ 43-1134 through 43-1138* specify the methods for allocating certain types of income to Arizona. The specific line instructions below summarize the provisions of these statutes.

**Line D1 - Nonbusiness Dividends and Interest Income Allocable to Arizona**

Enter all nonbusiness dividends and interest allocable to Arizona. Dividends and interest are allocable to Arizona if the taxpayer's commercial domicile is in Arizona unless the dividend or interest constitutes business income.

**Line D2 - Net Royalties from Nonbusiness Assets**

Net royalties from nonbusiness real property located in Arizona are allocable to Arizona.

Net royalties from nonbusiness tangible personal property are allocable to Arizona to the extent that the property is utilized in Arizona. Such nonbusiness net royalties are entirely allocable to Arizona if the taxpayer's commercial domicile is in Arizona and the taxpayer is not organized under the laws of or taxable in the state in which the taxpayer uses the property. The extent of use for net royalties is determined by Arizona law. Refer to *A.R.S. § 43-1135(C)*.

Nonbusiness patent and copyright royalties are allocable to Arizona to the extent that:

- The payor uses the patent or copyright in Arizona.
- The payor uses the patent or copyright in a state in which the taxpayer is not taxable and the taxpayer's commercial domicile is in Arizona.

The extent of use for patents and copyrights is determined by Arizona law. Refer to *A.R.S. § 43-1138(B)* and *A.R.S. § 43-1138(C)*.

**Line D3 - Net Rental Income of Nonbusiness Assets**

Net rents from nonbusiness real property located in Arizona are allocable to Arizona. Net rents from nonbusiness tangible personal property are allocable to Arizona to the extent that the taxpayer uses the property in Arizona. Such nonbusiness net rents are entirely allocable to Arizona if the taxpayer's commercial domicile is in Arizona and the taxpayer is not organized under the laws of or taxable in the state in which the taxpayer uses the property. The extent of use for net rents is determined by Arizona law. Refer to A.R.S. § 43-1135(C).

**Line D4 - Net Capital Gain or (Loss) from Sale or Exchange of Nonbusiness Assets**

- Capital gains and (losses) from sales of nonbusiness real property located in Arizona are allocable to Arizona.
- Capital gains or losses from sales of nonbusiness tangible personal property are allocable to Arizona if the property had a situs in Arizona at the time of the sale. Such nonbusiness capital gains or losses are also allocable to Arizona if the taxpayer's commercial domicile is in Arizona and the taxpayer is not taxable in the state in which the property had a situs.
- Capital gains and losses from sales of nonbusiness intangible personal property are allocable to Arizona if the taxpayer's commercial domicile is in Arizona.

**Line D5 - Other Income or (Loss)**

Enter any other income or (loss) directly allocable to Arizona. Include a schedule detailing the items.

Enter any income or (loss) which is specifically allocable to Arizona from the schedule (for Part 2, line 17, column (c)) included with Form 165, Schedule K-1(NR), from a multistate partnership.

**Treatment of a nonbusiness partnership on line D5**

**Wholly Arizona nonbusiness partnership** - Enter the total amount of income or (loss) from the partnership *plus* the income adjustment received from that partnership which was reported on Schedule 165K-1(NR), Part 2, Line 17, column (a).

**Multistate nonbusiness partnership** -

Enter the total amount of allocable income or (loss) from the partnership *plus* the income adjustment received from that partnership which was reported on Schedule 165K-1(NR), Part 2, Line 17, column (c).

**Schedule E - Apportionment of Income  
(Multistate Corporations Only)**

A.R.S. §§ 43-1131 through 43-1150 govern the apportionment of income. A corporation that engages in activities both within and without Arizona must apportion its business income based on property, payroll, and sales in Arizona as compared to these factors everywhere. "Everywhere" means the property, payroll, and sales factors related to the whole combined or consolidated business.

A combined return excludes the factors of a unitary foreign corporation unless the foreign corporation is itself subject to the Arizona corporate income tax. A consolidated return includes the factors of a foreign corporation that is a member of

the affiliated group. Both combined and consolidated returns exclude the factors of an insurance company exempt under A.R.S. § 43-1201(A)(14).

Taxpayers apportioning income shall complete lines 6 through 12 on page 1 of Arizona Form 120.

**NONAPPORTIONABLE INCOME**

Apportionment factors generating nonapportionable or non-taxable income are not to be included in the calculation of the apportionment ratio.

**ADMINISTRATIVE RELIEF REQUESTS**

A.R.S. § 43-1148 provides administrative relief if the allocation and apportionment provisions of UDITPA do not fairly represent the extent of the taxpayer's business activity in this state. The taxpayer may petition for or the department may require, in respect to all or any part of the taxpayer's business activity, if reasonable:

- Separate accounting, except with respect to an Arizona affiliated group, as defined in A.R.S. § 43-947.
- The exclusion of any one or more of the factors.
- The inclusion of one or more additional factors which will fairly represent the taxpayer's business activity in this state.
- The employment of any other method to effectuate an equitable allocation and apportionment of the taxpayer's income, other than disallowance of a properly elected consolidated return.

This section permits a departure from the allocation and apportionment provisions only in limited cases. A.R.S. § 43-1148 may be invoked only if unusual fact situations produce incongruous results under the apportionment and allocation provisions. Taxpayers seeking such relief should submit a letter to the Corporate Income Tax Audit Section 60 days prior to the filing of the return setting forth the relief that is requested and the justification for the relief.

The department normally makes such determinations only upon audit of the taxpayer. Such a detailed examination of the specific facts and circumstances reveals whether such unusual fact situations and incongruous results exist.

**COMPUTING THE APPORTIONMENT RATIO**

When computing the factors of the apportionment ratio, carry the result out to six (6) places after the decimal. If the seventh (7<sup>th</sup>) place after the decimal is five (5) or more, round the sixth (6<sup>th</sup>) decimal place up to the next higher digit. If the seventh (7<sup>th</sup>) place after the decimal is less than five (5), leave the sixth (6<sup>th</sup>) place decimal as it is.

**Example #1:**

|                   |          |
|-------------------|----------|
| Arizona Factor    | 123,456  |
| Everywhere Factor | 789,654  |
| Average           | .1563418 |

The seventh (7<sup>th</sup>) digit after the decimal is "8". Since "8" is greater than "5", the sixth (6<sup>th</sup>) digit after the decimal is increased to the next higher digit, "2".

The average rounded to six (6) decimal places is .156342.

**Example #2:**

|             |                |
|-------------|----------------|
| Total Ratio | <u>.179865</u> |
| Divided by  | 4              |
| Average     | .0449662       |

The seventh (7<sup>th</sup>) digit after the decimal is “2”. Since “2” is less than “5”, the sixth (6<sup>th</sup>) digit after the decimal remains “6”. No increase to the sixth (6<sup>th</sup>) digit after the decimal is made.

The average rounded to six (6) decimal places is .044966.

**SCHEDULE ACA - AIR CARRIER APPORTIONMENT  
FORMULA  
(MULTISTATE AIR CARRIERS ONLY)**

*A.R.S. § 43-1139* requires a taxpayer that is a qualifying air carrier to use revenue miles to apportion its business income to Arizona. The taxpayer must be engaged in air commerce. “Air commerce” means transporting persons or property for hire by aircraft in interstate, intrastate or international transportation. If the taxpayer files a combined or consolidated return, the combined group or the Arizona affiliated group must use this method of apportionment if 50% or more of the taxpayer’s gross income is derived from air commerce. The taxpayer will apportion its business income by means of a single apportionment ratio computed under this method for all group members.

Check the box labeled “AIR CARRIER” on line E on page 1 of the return. Do not complete Schedule E on page 3 of the return. Complete Schedule ACA and include with the return. Schedule ACA is available on the department’s website at: <http://www.azdor.gov/Forms/Corporate.aspx>.

**NON-AIR CARRIER APPORTIONMENT FORMULA  
(MULTISTATE CORPORATIONS ONLY)**

Non-air carrier multistate corporations have the opportunity to choose one of two apportionment formulas for calculating the apportionment ratio:

- The enhanced apportionment formula, or
- The standard apportionment formula.

Check the box on line E of page 1 of the return to indicate which apportionment formula, “Standard”, or “Enhanced”, will be used to calculate the apportionment ratio on the corporation’s return. Whichever apportionment method is indicated, the taxpayer must complete the apportionment ratio using that formula. (The taxpayer cannot use “Standard” to calculate one portion of the ratio, and “Enhanced” to calculate another portion of the ratio.)

For the standard apportionment ratio, the numerator of the fraction of the standard apportionment formula is the property factor plus the payroll factor plus two (2) times the sales factor. The denominator of the fraction is four (4). Use the numbers located on the left-hand side of Schedule E, column A, to double-weight the sales factor.

For the enhanced apportionment ratios, the numerator of the fraction is two and one-half (2.5) times the property factor plus two and one-half (2.5) times the payroll factor plus ninety-five (95) times the sales factor. The denominator of the fraction is 100.

Use the numbers located on the right-hand side of Schedule E, column A to weight the property, payroll, and sales factors respectively.

**Line E1 - Property Factor**

The Property Factor is a fraction that represents the average value of the taxpayer’s property owned or rented and used in Arizona to the total average value of the taxpayer’s property owned or rented and used during the tax period.

The value of tangible personal property and real property owned by the taxpayer is its original cost. The taxpayer normally determines the average value of its owned property by averaging the values at the beginning and ending of the tax period. Property used to generate nonapportionable or non-taxable income is not included in the property factor.

The value of tangible personal property and real property rented by the taxpayer is eight (8) times its net annual rental rate. The net annual rental rate is the annual rental rate paid by the taxpayer for rented property, less the aggregate annual subrental rates paid by subtenants of the taxpayer. The taxpayer automatically achieves averaging for rented property by the method of determining the net annual rental rate of such property.

For a discussion of the treatment of computer software in the property factor, refer to *CTR 01-2, How does a Taxpayer Filing an Arizona Corporate Income Tax Return Determine Whether Computer Software is Included in the Property Factor*.

Report real property situated, and tangible personal property permanently located, in Arizona as property within Arizona during the tax year. Attribute the value of mobile property to Arizona based on the total time that the property was within Arizona.

***Taxpayers Electing “STANDARD APPORTIONMENT”***

- Check the box on line E of the return labeled “STANDARD”.
- Divide the numerator of the property factor by the denominator. The result is the “Standard” property factor. Express the ratio as a decimal carried out to six (6) places. The property factor will not exceed 1.0.

***Taxpayers Electing “ENHANCED APPORTIONMENT”***

- Check the box on line E of the return labeled, “ENHANCED”.
- Multiply the numerator of the property factor by two and one-half (2.5). Divide that result by the denominator. The result is the “Enhanced” property factor. Express the ratio as a decimal carried out to six (6) places. The property factor may exceed 1.0 but may not exceed 2.5.

For additional information on the property factor, refer to:  
*A.R.S. §§ 43-1140 through 43-1142*  
*A.A.C. R15-2D-601 through R15-2D-607 and R15-2D-902*  
*CTR 01-2, How does a Taxpayer Filing an Arizona Corporate Income Tax Return Determine Whether Computer Software is Included in the Property Factor*

**Line E2 - Payroll Factor**

The Payroll Factor is a fraction that represents the compensation paid in Arizona by the taxpayer to the total compensation paid by the taxpayer during the tax year.

Report the salaries, wages, or other compensation of officers, employees, etc., as being within Arizona if the performance of those services occurs entirely in Arizona. This rule applies regardless of where payment is made or control exercised. This rule also applies regardless of whether the performance of the services is partly or wholly in connection with the apportionable business carried on outside the state or in interstate or foreign commerce. Payroll used to generate nonapportionable or non-taxable income is not included in the payroll factor.

Allocate the compensation of officers and employees who perform services partly within and partly without Arizona to this state when:

- The services performed outside of Arizona are incidental to the employee's service within Arizona; or
- The employee's base of operation is in Arizona; or
- The employee has no base of operation in any state but the direction or control of the employee is from Arizona; or
- The employee has no base of operation in any state, and there is no direction or control from a state in which the employee performs some part of his services, but the employee's residence is in Arizona.

***Taxpayers Electing "STANDARD APPORTIONMENT"***

- Check the box on line E of the return labeled "STANDARD".
- Divide the numerator of the payroll factor by the denominator. The result is the "Standard" payroll factor. Express the ratio as a decimal carried out to six (6) places. The payroll factor will not exceed 1.0.

***Taxpayers Electing "ENHANCED APPORTIONMENT"***

- Check the box on line E of the return labeled, "ENHANCED".
- Multiply the numerator of the payroll factor by two and one-half (2.5). Divide that result by the denominator. The result is the "Enhanced" payroll factor. Express the ratio as a decimal carried out to six (6) places. The payroll factor may exceed 1.0 but may not exceed 2.5.

For additional information on the payroll factor, refer to:  
*A.R.S. §§ 43-1143 and 43-1144*  
*A.A.C. R15-2D-701 through R15-2D-705*

**Line E3 - Sales Factor**

The Sales Factor is a fraction that represents the total sales of the taxpayer in Arizona to the total sales of the taxpayer during the tax period.

"Sales" includes all gross receipts from transactions and activities in the course of the regular trade or business that produce income. Gross receipts from nonapportionable or non-taxable income are not included in the sales factor.

Sales of tangible personal property is determined on a destination sales basis. Sales of real property is determined based on the location of the property. Generally, sales of other than tangible personal property is determined based on the location where the income producing activity occurs. Service income is determined based on the location of the income producing activity, *unless* the taxpayer elected to be treated as a Multistate Service Provider (MSP). (See the following box for a description of an MSP.)

***TAXPAYERS THAT QUALIFY AS MULTISTATE SERVICE PROVIDERS ELECTING TO SOURCE SALES OF SERVICES TO ARIZONA USING A COMBINATION OF INCOME PRODUCING ACTIVITY SALES AND MARKET SALES***

*For taxable years beginning from and after December 31, 2013, taxpayers that qualify as a Multistate Service Provider (MSP) may elect to treat sales from service as being sourced to Arizona based on a combination of income-producing activity sales and market sales. Multistate taxpayers complete Schedule MSP to determine if they qualify as an MSP. If the taxpayer qualifies, and wishes to make the election, the completed Schedule MSP must be included with the taxpayer's original, timely-filed tax return. (The election to be treated as an MSP **cannot** be made on an amended return.) Once made, the election is binding for five (5) years. For each year of the election period, Schedule MSP must be completed by the taxpayer to source sales from services to Arizona. Once Schedule MSP is completed, the taxpayer can compute the sales factor.*

*Taxpayers that qualify, and who want to make the election, should:*

- *Ensure the completed Schedule MSP is included with the return.*
- *Ensure the box on line F of the return is checked*
- *Ensure the box indicating the year of the taxpayer's election cycle is checked.*
- *Enter on line E3b, column A, the Arizona sales from services from the completed Schedule MSP, line B5.*
- *Complete the calculation of the sales factor following the instructions for the taxpayer's choice of the "STANDARD" or "ENHANCED" apportionment formula.*

**Taxpayers qualifying as an MSP, and electing to be treated as an MSP:**

- Enter the Arizona sales from services on line E3b from the completed Schedule MSP, line B5.

**Taxpayers not making the election to be treated as an MSP:**

- Include Arizona sales from services on line E3c.

***Taxpayers Electing "STANDARD APPORTIONMENT"***

- Check the box on line E of the return labeled "STANDARD."
- Multiply the numerator of the sales factor by two (2). Divide that result by the denominator. The result is the "Standard" sales factor. Express the ratio as a decimal carried out to six (6) places. The sales factor will not exceed 2.0.



**Taxpayers Electing "ENHANCED APPORTIONMENT"**

- Check the box on line E of the return labeled "ENHANCED".
- Multiply the numerator of the sales factor by ninety-five (95). Divide that result by the denominator. The result is the "Enhanced" sales factor. Express the ratio as a decimal carried out to six (6) places. The sales factor may exceed 2.0 but may not exceed 95.0.

For more information on the sales factor, refer to:  
*A.R.S. §§ 43-1145 through 43-1147*  
*A.A.C. R15-2D-801 through R15-2D-807, and R15-2D-903*  
*CTR 02-2, Apportionment of Installment Sale Gain*  
*CTR 07-1, Inclusion of Short Term Investments in the Sales Factor*

**Line E4 – Total Ratio**

Add the ratios for the property factor, the payroll factor, and the sales factor in Column C. Enter the result.

**Line E5 – Average Apportionment Ratio**

**NOTE:** Taxpayers must exclude a factor if both the numerator and the denominator of a factor are zero (0). Do not exclude a factor if the numerator of the factor is zero (0) and the denominator of a factor is greater than zero (0).

**Taxpayers Electing "STANDARD APPORTIONMENT"**  
 If either the property or the payroll factor is excluded, determine the average ratio by dividing the total ratio by three (3). If the sales factor is excluded, determine the average ratio by dividing the total ratio by two (2). If two of the factors are excluded, the remaining factor, without respect to any weighting, is the apportionment ratio.

**Taxpayers Electing "ENHANCED APPORTIONMENT"**  
 If either the property or the payroll factor is excluded, determine the average ratio by dividing the total ratio by ninety-seven and one-half (97.5). If the sales factor is excluded, determine the average ratio by dividing the total ratio by five (5). If two of the factors are excluded, the remaining factor, without respect to any weighting, is the apportionment ratio.

**Taxpayers Electing "STANDARD APPORTIONMENT"**  
 Divide the total ratio, line E4, column C, by four (4). Express the ratio as a decimal carried out to six (6) places. Enter the average ratio here and on page 1, line 9 of Arizona Form 120.

**Taxpayers Electing "ENHANCED APPORTIONMENT"**  
 Divide the total ratio, line E4, column C by 100. Express the ratio as a decimal carried out to six (6) places. Enter the average ratio here and on page 1, line 9 of Arizona Form 120.

**Schedule F - Schedule of Tax Payments**

Use this schedule to list any corporate estimated tax payments or extension payments made which the taxpayer is applying to this return.

- Enter the name of the taxpayer making the payment in the column labeled "Name of Corporation".
- Enter the EIN of the taxpayer making the payment in the column labeled "EIN". Enter the payments in "Payment

Date" order. Enter the "Payment Date" in MM/DD/YY format.

- Enter the taxpayer's estimated payments in the column labeled, "Estimated Payments".
- Enter the taxpayer's extension payments in the column labeled, "Extension Payments".
- Total the amounts in each column.
- Enter the total amount of "Extension Payments" on page 1, line 23.
- Enter the total amount of "Estimated Payments" on page 1, line 24, box 24a.

Include additional sheets if necessary.

**NOTE:** The total estimated payments and extension payments reported on this schedule must equal the amounts reported on page 1, lines 23 and 24.

**Schedule G - Other Information**

All taxpayers must complete lines G1 through G8. Multistate taxpayers must also complete lines G9 and G10. If the answers are lengthy, continue the answers on a separate sheet of paper.

**Line G3:** List the name, title and telephone number of the individual who Arizona Department of Revenue employees may contact to schedule an audit of this return. Confidential information may be disclosed to a principal officer, any person designated by a principal officer, any person designated in a resolution by the corporate board of directors or other similar governing body, or to an individual designated as an authorized representative in a valid power of attorney. A principal corporate officer of a parent corporation may execute a written authorization for a controlled subsidiary. Refer to *GTR 02-1, What is a controlled subsidiary for purposes of Arizona Revised Statutes § 42-2003*, for additional information on the definition of a controlled subsidiary. IF THIS INDIVIDUAL IS NOT A PRINCIPAL OFFICER, OR IS NOT DESIGNATED AS AN AUTHORIZED REPRESENTATIVE IN A VALID POWER OF ATTORNEY, THE TAXPAYER UNDERSTANDS AND AGREES THAT CONFIDENTIAL INFORMATION MAY BE DISCLOSED TO THIS INDIVIDUAL.

**Certification**

The president, treasurer, or other principal corporate officer must sign the return.

**Paid preparers:** Sign and date the return. Complete the firm name and address lines (the paid preparer's name and address, if self-employed). Enter the paid preparer's PTIN, TIN, which is the firm's EIN, or the individual paid preparer's social security number.

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For the  calendar year 2016 or  fiscal year beginning M, M, D, D, 2, 0, 1, 6 and ending M, M, D, D, 2, 0, Y, Y.

|   |                           |                                      |
|---|---------------------------|--------------------------------------|
| Business Telephone Number (with area code)      | Name                      | Employer Identification Number (EIN) |
| Address – number and street or PO Box           |                           |                                      |
| Business Activity Code (from federal Form 1120) | City, Town or Post Office | State ZIP Code                       |

**IMPORTANT: Do not use Form 120A to file an Arizona combined or consolidated return. Use Form 120.**

Check box if return filed under FEDERAL extension:  
 82F  Do not check if using Arizona Extension

REVENUE USE ONLY. DO NOT MARK IN THIS AREA.  
 88

**68** Check box if:

This is a first return  Name change  Address change

**A** Is FEDERAL return filed on a consolidated basis? .....  Yes  No  
 If "Yes", list EIN of common parent from consolidated return .....

**B** Is this the corporation's final ARIZONA return under this EIN? .....  Yes  No  
 If "Yes", check one:

Dissolved  Withdrawn  Merged/Reorganized

List EIN of the successor corporation, if any .....

81 PM

66 RCVD

**Arizona Taxable Income Computation**

|   |   |  |    |
|---|---|--|----|
| 1 Taxable income per federal return .....   | 1 |  | 00 |
| 2 Additions to taxable income from page 2, Schedule A, line A8.....                 | 2 |  | 00 |
| 3 Total taxable income: Add lines 1 and 2 .....                                     | 3 |  | 00 |
| 4 Subtractions from taxable income from page 2, Schedule B, line B11.....           | 4 |  | 00 |
| 5 Adjusted income: Subtract line 4 from line 3 .....                                | 5 |  | 00 |
| 6 Arizona basis net operating loss carryforward: Include computation schedule ..... | 6 |  | 00 |
| 7 Arizona taxable income: Subtract line 6 from line 5.....                          | 7 |  | 00 |

**Arizona Tax Liability Computation**

|  |    |  |    |
|--|----|--|----|
| 8 Enter tax: <b>Tax is 5.5 percent of line 7 or fifty dollars (\$50), whichever is greater</b> .....   | 8  |  | 00 |
| 9 Tax from recapture of tax credits from Arizona Form 300, Part 2, line 31.....  | 9  |  | 00 |
| 10 Subtotal: Add lines 8 and 9.....  | 10 |  | 00 |
| 11 Nonrefundable tax credits from Arizona Form 300, Part 2, line 56.....   | 11 |  | 00 |
| 12 Credit type:<br>Enter form number for each nonrefundable credit used: <input checked="" type="checkbox"/> 12 <input type="checkbox"/> 3, <input type="checkbox"/> 3, <input type="checkbox"/> 3, <input type="checkbox"/> 3 | 12 |  |    |
| 13 Tax liability: Subtract line 11 from line 10.....   | 13 |  | 00 |

**Tax Payments**

|   |     |  |    |
|---|-----|--|----|
| 14 Refundable tax credits: Check box(es) and enter amount: <input checked="" type="checkbox"/> 14 <input type="checkbox"/> 308 <input type="checkbox"/> 342 <input type="checkbox"/> 349..... | 14  |  | 00 |
| 15 Extension payment made with Form 120EXT or online: See instructions.....   | 15  |  | 00 |
| 16 Estimated tax payments: <input type="checkbox"/> 16a <input type="checkbox"/> 00 Claim of Right: <input type="checkbox"/> 16b <input type="checkbox"/> 00 Add 16a and 16b ...              | 16c |  | 00 |
| 17 Total payments: See instructions .....   | 17  |  | 00 |

**Computation of Total Due or Overpayment**

|   |    |  |    |
|---|----|--|----|
| 18 Balance of tax due: If line 13 is larger than line 17, enter balance of tax due. Skip line 19.....                 | 18 |  | 00 |
| 19 Overpayment of tax: If line 17 is larger than line 13, enter overpayment of tax.....                               | 19 |  | 00 |
| 20 Penalty and interest.....  | 20 |  | 00 |
| 21 Estimated tax underpayment penalty: If Form 220 is included, check box..... 21A <input type="checkbox"/>           | 21 |  | 00 |
| 22 <b>TOTAL DUE:</b> See instructions ..... Non-EFT payment must accompany return                                     | 22 |  | 00 |
| 23 <b>OVERPAYMENT:</b> See instructions .....   | 23 |  | 00 |
| 24 Amount of line 23 to be applied to 2017 estimated tax..... <input type="checkbox"/> 24 <input type="checkbox"/> 00 | 24 |  | 00 |
| 25 Amount to be refunded: Subtract line 24 from line 23 .....   | 25 |  | 00 |

Continued on page 2 →

|                           |     |
|---------------------------|-----|
| Name (as shown on page 1) | EIN |
|---------------------------|-----|

**SCHEDULE A Additions to Taxable Income**

|  |           |  |    |
|--|-----------|--|----|
| A1 Total federal depreciation.....   | <b>A1</b> |  | 00 |
| A2 Taxes based on income paid to any state (INCLUDING ARIZONA), local governments or foreign governments ..... | <b>A2</b> |  | 00 |
| A3 Interest on obligations of other states, foreign countries, or political subdivisions .....                 | <b>A3</b> |  | 00 |
| A4 Special deductions claimed on federal return .....  | <b>A4</b> |  | 00 |
| A5 Federal net operating loss deduction claimed on federal return .....  | <b>A5</b> |  | 00 |
| A6 Additions related to Arizona tax credits: Include detailed schedule .....                                   | <b>A6</b> |  | 00 |
| A7 Other additions to federal taxable income: Include detailed schedule.....                                   | <b>A7</b> |  | 00 |
| A8 Total: Add lines A1 through A7. Enter the total here and on page 1, line 2.....                             | <b>A8</b> |  | 00 |

**SCHEDULE B Subtractions From Taxable Income**

|  |            |  |    |
|--|------------|--|----|
| B1 Recalculated Arizona depreciation: See instructions.....  | <b>B1</b>  |  | 00 |
| B2 Basis adjustment for property sold or otherwise disposed of during the taxable year: See instructions ..... | <b>B2</b>  |  | 00 |
| B3 Adjustment for IRC § 179 expense not allowed.....   | <b>B3</b>  |  | 00 |
| B4 Dividends received from 50% or more controlled domestic corporations.....                                   | <b>B4</b>  |  | 00 |
| B5 Foreign dividend gross-up .....   | <b>B5</b>  |  | 00 |
| B6 Dividends received from foreign corporations .....  | <b>B6</b>  |  | 00 |
| B7 Interest on U.S. obligations.....   | <b>B7</b>  |  | 00 |
| B8 Agricultural crops charitable contribution.....   | <b>B8</b>  |  | 00 |
| B9 Expenses related to certain federal tax credits listed on the instructions: Include detailed schedule.....  | <b>B9</b>  |  | 00 |
| B10 Other subtractions from federal taxable income: Include detailed schedule .....                            | <b>B10</b> |  | 00 |
| B11 Total: Add lines B1 through B10. Enter the total here and on page 1, line 4 .....                          | <b>B11</b> |  | 00 |

**SCHEDULE C Additional Information**

C1 Date business began in Arizona: MM,DD,YY,YY

C2 Address at which tax records are located for audit purposes: Number/Street: \_\_\_\_\_  
 City: \_\_\_\_\_ State: \_\_\_\_\_ ZIP Code: \_\_\_\_\_

C3 The taxpayer designates the individual listed below as the person to contact to schedule an audit of this return and authorizes the disclosure of confidential information to this individual. (See instructions.)  
 Name: \_\_\_\_\_ Phone Number: \_\_\_\_\_  
 Title: \_\_\_\_\_ (Area Code)

C4 List prior taxable years for which a federal examination has been finalized:  
 \_\_\_\_\_

NOTE: A.R.S. § 43-327 requires the taxpayer, within ninety days after final determination, to report these changes under separate cover to the Arizona Department of Revenue or to file amended returns reporting these changes. (See instructions.)

C5 Amount of Arizona taxable income for prior taxable year (2015 Form 120A, line 7) ..... \$                      00

C6 Indicate tax accounting method:  Cash  Accrual  Other (Specify method.) \_\_\_\_\_

|                                 |   |             |   |
|---------------------------------|---|-------------|---|
|                                 | The following declaration must be signed by one or more of the following officers: president, treasurer, or any other principal officer.  |             |   |
| <b>Declaration</b>              | Under penalties of perjury, I(we), the undersigned officer(s) authorized to sign this return, declare that I(we) have examined this return, including the accompanying schedules and statements, and to the best of my(our) knowledge and belief, it is a true, correct and complete return, made in good faith, for the taxable year stated pursuant to the income tax laws of the State of Arizona. |             |   |
| <b>Please Sign Here</b>         | OFFICER'S SIGNATURE _____   | DATE _____  | TITLE _____   |
| <b>Paid Preparer's Use Only</b> | PAID PREPARER'S SIGNATURE _____   | DATE _____  | PAID PREPARER'S PTIN _____  |
| <b>Paid Preparer's Use Only</b> | FIRM'S NAME (OR PAID PREPARER'S NAME, IF SELF-EMPLOYED) _____   |             | FIRM'S <input type="checkbox"/> EIN OR <input type="checkbox"/> SSN _____ |
| <b>Paid Preparer's Use Only</b> | FIRM'S STREET ADDRESS _____   |             | ( ) _____   |
| <b>Paid Preparer's Use Only</b> | CITY _____  | STATE _____ | FIRM'S TELEPHONE NUMBER _____   |
| <b>Paid Preparer's Use Only</b> | CITY _____  |             | STATE _____ ZIP CODE _____  |

**Mail to: Arizona Department of Revenue, PO Box 29079, Phoenix, AZ 85038-9079**

**2016 Arizona Corporation Income Tax Return (Short Form)**

**For information or help, call one of the numbers listed:**  
 Phoenix (602) 255-3381  
 From area codes 520 and 928, toll-free (800) 352-4090

**Tax forms, instructions, and other tax information**  
 If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

**Income Tax Procedures and Rulings**  
 These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website and click on *Legal Research* then click on *Procedures* or *Rulings* and select a tax type from the drop down menu.

**Publications**  
 To view or print the department's publications, go to our website and click on *Publications*.

**General Instructions**

**Which Corporations Must File a Return**

Every corporation subject to the Arizona Income Tax Act of 1978 must file an Arizona corporate income tax return.

**Which Corporations May Use Form 120A**

The short form, Form 120A, is designed for corporate taxpayers with less complex filing requirements.

The only type of corporation that may use Form 120A is one that files its return on a separate company (separate entity) basis and it is a "wholly Arizona corporation".

- A corporation files on a separate company (separate entity) basis if:
  - It is not part of a group of corporations comprising a unitary business; and
  - It is not a member of an affiliated group that elected to file an Arizona consolidated return.
- A corporation that has income from business activity that is taxable entirely within Arizona is a "wholly Arizona corporation".

A corporation ***MUST USE*** Arizona Form 120 if it:

- Has income from business activity that is taxable in more than one state (a "multistate corporation");
- Is a partner in:
  - A multistate partnership; and/or
  - A partnership that conducts no business in Arizona.
- Is a member of a unitary group of corporations that files an Arizona return on a combined basis; or
- Is a member of an affiliated group of corporations that elects to file an Arizona consolidated return.

**NOTE:** A corporation must file Form 120 if the corporation is: (1) a partner in a multistate partnership; or (2) a partner in a partnership with business activity conducted entirely outside Arizona.

**Entity Classification under the Federal "Check-the-Box Rules"**

The federal tax classification of an entity under the federal "check-the-box rules" determines the entity's classification for

Arizona tax purposes. Refer to *Arizona Corporate Tax Ruling (CTR) 97-1, Federal "Check-The-Box Rules" on Elective Tax Classification*, for further information. An entity that is disregarded as an entity separate from its owner is included in the tax return of its owner.

**Limited Liability Companies**

Under the provisions of the Arizona Limited Liability Company Act, a limited liability company (LLC) is classified as a partnership, or as a corporation, or as a disregarded entity as determined under the Internal Revenue Code (IRC) as defined in *Arizona Revised Statutes (A.R.S.) § 43-105*. An LLC would file a return appropriate to its classification as a partnership, corporation, or a branch or division of its owner. Refer to *CTR 97-2, Limited Liability Companies*.

**Electing Small Business Corporations**

Corporations taxed as S corporations under Subchapter S of the IRC must file Arizona Form 120S.

**Homeowners Associations**

Homeowners associations described in IRC § 528 are not exempt from tax under *A.R.S. § 43-1201(A)* [associations that file federal Form 1120-H or 1120]. These associations must file an Arizona corporate income tax return on Form 120A or Form 120.

Certain homeowners associations are federally tax exempt under IRC § 501(c)(4) as social welfare organizations, or under IRC § 501(c)(7) as clubs organized for pleasure or recreation. These homeowners associations are similarly tax exempt for Arizona income tax purposes and may file Arizona Form 99.

**Taxable Year Covered by Return**

Indicate whether the taxable year is a calendar year or a fiscal year; if a fiscal year, indicate the taxable year on the top of page 1 of the return.

**Records**

Every corporation should maintain books and records substantiating information reported on the return and keep these documents for inspection. See *Arizona General Tax Ruling GTR 96-1, Electronic Data Processing*, for more information about record retention requirements.

**Use of Federal Figures**

**CALCULATION OF ARIZONA TAXABLE INCOME:** a corporation must compute its federal taxable income and make the adjustments required by Arizona law. (Refer to *A.R.S., Title 43, Chapter 11, Article 3*.)

**IRC § 7519 Required Payments**

Taxpayers cannot deduct the federal required payments on their Arizona tax returns as an ordinary and necessary business expense or otherwise.

**Treatment of Installment Obligations When Corporate Activities Cease**

If a corporation elects to report income from the sale or other disposition of property on the installment method, and does not report the entire amount of income from the sale before the year the corporation ceases to be subject to Arizona corporate income tax, the corporation must report the unreported income in the last year in which the corporation is subject to the tax. This provision

does not apply if a reorganization transfers the installment obligation to another taxpayer subject to Arizona tax as the transferee. The transferee may not use its capital losses to offset income from the installment obligation transferred from a corporation no longer subject to the tax.

### Rounding Dollar Amounts

Taxpayers must round amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.

### Extension of Time to File a Return:

- A request for an extension of time to file an Arizona corporate income tax return **must** be submitted by the original due date of the return.
- **The department may grant an extension request for a maximum of six months.**
- The extension request can be made by filing an Arizona extension request, Form 120EXT.
- The department will also accept a valid federal extension for the same period of time covered by the federal extension. For taxable years beginning after December 31, 2015, the length of time for an automatic federal extension for C corporations is:
  - **Five (5) months** for taxable (calendar) year end dates of **December 31**.
  - **Seven (7) months** for taxable (fiscal) year end dates of **June 30**.
  - **Six (6) months** for taxable (fiscal) year end dates *other than December 31 or June 30*.

### EXAMPLES:

- **Calendar Year Filer – Federal Extension**  
Company X, a calendar year taxpayer, requested a federal extension for its taxable year ending 12/31/2016. The federal extension will extend its Arizona due date of April 15, 2017, to September 15, 2017. *(A period of 5 months.)*
- **Calendar Year Filer – Arizona Extension**  
The same taxpayer, Company X, requested an Arizona extension for its taxable year ending 12/31/2016. The Arizona extension will extend its Arizona due date of April 15, 2017, to October 15, 2017. *(A period of 6 months)*
- **June 30 Fiscal Year Filer – Federal Extension**  
Company Y, a June 30 fiscal year end taxpayer, requested a federal extension for its taxable year ending 06/30/2017. The federal extension will extend its Arizona due date of October 15, 2017, to May 15, 2018. *(A period of 7 months.)*
- **June 30 Fiscal Year Filer – Arizona Extension**  
The same taxpayer, Company Y, requested an Arizona extension for its taxable year ending 12/31/2016. The Arizona extension will extend its Arizona due date of October 15, 2017, to April 15, 2018. *(A period of 6 months.)*
- **All Other Filers – Federal Extension**  
Company Z, a November 30 fiscal year end taxpayer, requested a federal extension for its taxable year ending 11/30/2017. The federal extension will extend its Arizona due date of March 15, 2018, to September 15, 2018. *(A period of 6 months.)*
- **All Other Filers – Arizona Extension**  
The same taxpayer, Company Z, requested an Arizona extension for its taxable year ending 11/30/2017. The Arizona

extension will extend its Arizona due date of March 15, 2018, to September 15, 2018. *(A period of 6 months.)*

- If the original return is filed under extension, do not include a copy of the extension with your return.
  - If the return is filed under a **FEDERAL extension**, check **box 82F** on page 1 of the return
  - If the return is filed under an **ARIZONA extension**, do **NOT** check box 82F on page 1 of the return.
- Arizona Form 120EXT must be used to transmit extension payments by check or money order regardless of how you request an Arizona extension (valid federal extension or Form 120EXT).
  - If you made extension payments over the internet, you are not required to file Form 120EXT unless you are requesting an Arizona filing extension.
- The Arizona extension and the federal extension provide an extension of time to file, they do not provide an extension of time to pay tax.
  - You must pay 90% of your tax liability (including the \$50 minimum tax) by the original due date of your return.
  - The department imposes the extension underpayment penalty on any late or underpaid extension requests.
- See *CTR 01-3, Extensions*, for additional information.
- **Mail the extension request to the address shown on the form.**

### Filing Original Returns:

- Returns are due by the 15<sup>th</sup> day of the fourth month following the close of the taxable year.
- If the taxpayer has a valid federal or Arizona filing extension, the return is due by the extended due date. See the examples in “*Extension of Time to File a Return*” to determine the extended due date of a return filed using a federal extension, or an Arizona extension.
- If the return is filed under **FEDERAL extension**, check box 82F on page 1 of the return
- If the return is filed under an **ARIZONA extension**, do NOT check box 82F on page 1 of the return.
- If the due date for the return falls on a Saturday, Sunday, or a legal holiday, the return is considered timely filed if it is post-marked the next business day.
  - See *GTR 16-2, Timely Filing of Income or Withholding Tax Return – Holidays and Weekends*.
  - This taxable year, calendar year returns will be considered timely if filed by April 18, 2017.
- The return must be signed by one or more of the officers of the corporation (President, Treasurer, or any other principal officer).
- Do not submit a blank Arizona return with a copy of the federal return.
  - Taxpayers must furnish complete data.
  - Answer all questions on the return.
  - Complete all applicable schedules.
  - Include all appropriate supplementary schedules.
- **Mail the return to the address shown on the form.**

**Timely filing of returns:**

- The Department determines the timeliness of a tax return by the postmark or other official mark of the US Post Service stamped on the envelope in which the return is mailed.
  - See *GTR 16-1, Timely Filing of Income or Withholding Tax Returns Through the United States Mail*.
- The Department will accept proof of mailing from a private delivery service included in the Internal Revenue Service (IRS) list of designated private delivery services.
  - Contact the private delivery service for information regarding how to obtain written proof of mailing.
- If the due date for the return falls on a Saturday, Sunday, or a legal holiday, the return is considered timely filed if it is post-marked the next business day.
  - See *GTR 16-2, Timely Filing of Income or Withholding Tax Return – Holidays and Weekends*.
  - This taxable year, calendar year returns will be considered timely if filed by April 18, 2017.

**Filing Amended Returns:**

- Any taxpayer who files an amended return with the IRS *must* file an Arizona amended return on Form 120X within 90 days of final determination of the federal amended return by the IRS.
- Taxpayers *must* report changes or corrections of the taxpayer’s taxable income by the IRS or as a result of renegotiation of a contract or subcontract with the United States to the Department.
- Within 90 days after the final determination of the change or correction, the taxpayer must:
  - File a copy of the final determination with the Department, concede the accuracy of the determination or state any errors, and request the Department recompute the tax owed Arizona, or
  - File an amended return as required by the Department
- The taxpayer must provide sufficient information for the Department to recompute the taxpayer’s Arizona taxable income based on the Revenue Agent Report changes.
- The Department may require the taxpayer to file an amended return if the Department does not have this information.
- **Mail the amended return to the address shown on the form.**

**NOTE:** *File amended returns for prior taxable years on the respective Form 120X for those taxable years. Use the 2016 Form 120X to amend only the taxable year 2016. Do NOT file an amended return until your original return has been processed.*

**Estimated Tax Payments**

Corporations that expect an Arizona income tax liability for the taxable year of \$1,000 or more must make Arizona estimated tax payments. A corporation that fails to make the required estimated tax payments is subject to a penalty on any estimated tax payment which is late or underpaid.

The Arizona required annual payment of corporate estimated tax is the smaller of:

- Ninety percent of the taxpayer's Arizona tax liability (reduced by refundable tax credits and claim of right adjustments, if applicable) for the current taxable year; or
- One hundred percent of the taxpayer's Arizona tax liability (reduced by refundable tax credits and claim of right adjustments, if applicable) for the prior taxable year.

Use 2017 Form 120ES, *Corporation Estimated Tax Payment Booklet* to make payments by check or money order.

Use 2017 Form 120W, *Estimated Tax Worksheet for Corporations*, to compute the required installments.

For exceptions to the estimated tax requirements, see the instructions for Form 220, *Underpayment of Estimated Tax by Corporations*.

**NOTE:** *For a taxpayer to base its Arizona corporate estimated tax payments on its prior taxable year's tax liability:*

- *The taxpayer's return filed for the prior taxable year must have shown at least some amount of tax liability (an amount greater than zero); and*
- *The taxpayer's return filed for the prior taxable year must have been for a period of twelve months.*

**ESTIMATED TAX PAYMENTS BY ELECTRONIC FUNDS TRANSFER (EFT)**

Taxpayers whose Arizona corporate income tax liability for the preceding taxable year was \$20,000 or more must make Arizona corporate estimated tax payments via the EFT program. If the taxpayer makes its estimated tax payments by EFT, the taxpayer should not submit Form 120ES to the department.

Taxpayers required to make estimated tax payments via EFT must complete the department's EFT authorization agreement at least 30 days prior to initiation of the first applicable transaction.

Taxpayers whose Arizona corporate income tax liability for the preceding taxable year was less than \$20,000 may elect voluntary participation in the EFT program. Voluntary participants in the program must complete the department's EFT authorization agreement at least 30 days prior to the first applicable transaction.

**NOTE:** *Taxpayers required to make corporate estimated payments via EFT that fail to do so are subject to a penalty of 5% of the amount of the payment not made by EFT. See A.R.S. § 42-1125(O).*

*For additional information on electronic funds transfer, refer to A.R.S. § 42-1129 and the related Arizona Administrative Code rules (A.A.C. R15-10-301 through R15-10-307) for detailed information.*

**ESTIMATED TAX PAYMENTS VIA THE INTERNET**

Taxpayers must be licensed by the department before they can register to pay taxes online. Visit [www.AZTaxes.gov](http://www.AZTaxes.gov) to register and make estimated tax payments over the Internet. If a taxpayer makes its estimated tax payments via the Internet, the taxpayer should not submit Form 120ES to the department.

**Electronic payment from checking or savings account**

Estimated tax payments can be made electronically from a checking or savings account. Visit [www.AZTaxes.gov](http://www.AZTaxes.gov) and choose the e-check option. There is no fee to use this method. This payment method will debit the amount from the specified checking or savings account on the date specified. If an electronic payment is made from a checking or savings account, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

**Credit card payment**

Estimated tax payments can be made via American Express, Discover, MasterCard or VISA credit cards. Visit [www.AZTaxes.gov](http://www.AZTaxes.gov) and choose the credit card option. This will take you to the website of the credit card payment service provider. The service provider will charge a convenience fee based on the amount of the tax payment. The service provider will disclose the amount of the convenience fee during the transaction and the option to continue or cancel the transaction will be presented. If you accept the convenience fee and complete the credit card transaction, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

**Penalties and Interest**

**A. Late Filing Penalty.** A return filed after the original due date is subject to the late filing penalty unless the taxpayer has a valid federal or Arizona extension. A return filed after its extended due date is also subject to the late filing penalty. The late filing penalty is 4.5% (.045) of the amount of tax required to be shown on the return. "Amount of tax required to be shown on the return" is the amount of tax imposed less the amount of any part of the tax paid on or before the beginning of the month and the amount of any credit against the tax which may be claimed on the return. The penalty period is each month or fraction of a month between the due date of the return and the date the taxpayer filed the return. The maximum penalty is 25% of the tax found to be remaining due.

**B. Extension Underpayment Penalty.** The taxpayer must pay 90% of the tax liability disclosed by the taxpayer's return on or before the original due date of the return. The department imposes the extension underpayment penalty on any late or underpaid extension payments. The extension underpayment penalty is 0.5% (.005) of the tax not paid. The penalty period is each 30 day period or fraction thereof between the original due date of the return and the date the taxpayer paid the tax. The maximum penalty is 25% of the unpaid tax. Taxpayers subject to the extension underpayment penalty are not subject to the late payment penalty described in C below.

**C. Late Payment Penalty.** The department imposes the late payment penalty on any amount shown as tax on a return that is not paid by the date prescribed for its payment. "Amount of tax shown on the return" is the amount of tax imposed shown on the return less the amount of any part of the tax paid on or before the beginning of the month and the amount of any credit against the tax which may be claimed on the return. The late payment penalty is 0.5% (.005) of the unpaid tax for each month or fraction of a month that the tax remains unpaid, not to exceed 10% of the unpaid tax.

**NOTE:** *If more than one of the penalties described in A, B, or C apply, the maximum combined penalty is 25%.*

Refer to *CTR 09-1, When do Penalties Apply to an Income Tax Return Filed Under an Extension* regarding the application of penalties to returns filed under extension.

**D. Interest.** The department assesses interest on any portion of the tax, whether determined by the department or the taxpayer, not paid by the date prescribed for its payment. The department applies interest, compounded annually, in the same manner and at the same times as prescribed by IRC § 6621 with the following exception. **Exception:** The Arizona rate of interest for both underpayments and overpayments *for all taxpayers* is the federal underpayment rate under IRC § 6621(a)(2) [the federal short-term rate, determined pursuant to IRC § 6621(b), plus three percentage points].

On January 1 of each year, the department adds any interest outstanding as of that date to the principal amount of the tax. It is then a part of the principal amount of the tax and accrues interest until paid.

**E. Underpayment of Estimated Tax Penalty.** The department imposes the underpayment of estimated tax penalty on any late payment or underpayment of a required installment of estimated tax. Refer to Form 220 for further details. The penalty imposed is the penalty prescribed by *A.R.S. § 43-582* for the applicable period.

**Payment of Tax**

The entire amount of tax is due by the original due date of the return. Payments can be made via check, e-check, money order, or credit card. Visit [www.AZTaxes.gov](http://www.AZTaxes.gov) to register and make payments via the internet.

**Specific Instructions**

Type or print the required information in the name, address, and information boxes on the top of page 1. Indicate whether the taxable year is a calendar year or a fiscal year; if a fiscal year, indicate the taxable year on the top of page 1 of the return.

Enter the corporation's employer identification number (EIN), which is its taxpayer identification number (TIN).

**NOTE:**

- All returns, statements, or other documents filed with the department must have the taxpayer's EIN or TIN indicated on them.
- Taxpayers who fail to include their EIN or TIN may be subject to a penalty.
- Paid tax return preparers must include their TIN where requested.
- The TIN for a paid tax return preparer is:
  - The preparer's PTIN
  - The preparer's social security number
  - The EIN of the preparer's employer
- Paid tax return preparers who fail to include their TIN may be subject to a penalty.



**Box 68**

- If this is the taxpayer’s first return filed to Arizona, check the box “This is a first return”.
- If the taxpayer changed its name during the tax year, check the box, “Name change”.
- If the taxpayer changed its address during the tax years, check the box, “Address change”.

**Box 82F**

- If the return is filed under **FEDERAL extension**, check box 82F on page 1 of the return
- If the return is filed under an **ARIZONA extension**, do NOT check box 82F on page 1 of the return.

**See the examples** in “Extension of Time to File a Return” of these instructions to determine the extended due date of a return filed using a federal extension, or an Arizona extension.

**Line A:**

- Is the taxpayer’s FEDERAL return filed on a consolidated basis?
  - If yes, check “Yes” and enter the EIN for the taxpayer’s common parent on the line below.
  - If no, check “No”.

**Line B:**

- Is this the taxpayer’s final Arizona corporate income tax return using this EIN?
  - If yes, check “Yes” and check the appropriate box, “Dissolved”, “Withdrawn”, or “Merged/Reorganized” to indicate the reason for this being the final Arizona tax return. If there is a successor corporation, indicate the EIN of the successor corporation in the space provided.
  - If no, leave this line blank.

**Arizona Taxable Income Computation**

**Line 1 - Taxable Income per Federal Return**

Enter taxable income as reported on the federal income tax return filed with the IRS.

**Line 2 - Additions to Taxable Income**

Enter total adjustments from page 2, Schedule A, line A8. See instructions for Schedule A.

**Line 4 - Subtractions from Taxable Income**

Enter total adjustments from page 2, Schedule B, line B11. See instructions for Schedule B.

**Line 5 - Adjusted Income**

Subtract line 4 from line 3 and enter the difference.

**Line 6 - Arizona Basis Net Operating Loss Carryforward**

If the corporation incurred net operating losses in prior taxable years, the corporation can apply these losses against current Arizona income. A net operating loss carryforward applies to the next five (5) succeeding taxable years for net operating losses established in taxable periods through December 31, 2011, subject to certain adjustments and rules. Taxable year 2016 is the last year a taxpayer may use a net operating loss from taxable year 2011.

For net operating losses that arise in taxable years beginning from and after December 31, 2011, the carryforward period is twenty

(20) succeeding taxable years. Be sure to maintain records long enough to substantiate the subtraction in the taxable year taken.

This amount should not exceed the amount on line 5. Include a separate schedule showing the computation of the net operating loss carried forward.

**Line 7 – Arizona Taxable Income**

Subtract line 6 from line 5. Enter the result. This is your Arizona taxable income.

**Arizona Tax Liability Computation**

**Line 8 - Arizona Tax**

Multiply the Arizona taxable income (page 1, line 7) by 5.5%. If the computed amount of tax is less than \$50, enter the minimum tax of \$50. Every corporation required to file a return shall pay a \$50 minimum tax in accordance with *A.R.S. § 43-1111*.

**Line 9 - Tax from Recapture of Tax Credits**

Enter the amount of tax due from recapture of tax credits from Form 300, Part 2, line 31.

**Line 10 - Subtotal**

Add lines 8 and 9. This is the amount of tax to which the total amount of tax credits claimed by the taxpayer may be applied.

**Line 11 - Nonrefundable Tax Credits**

Enter the allowable nonrefundable tax credit amount from Form 300, Part 2, line 56. This amount cannot be larger than the amount on line 10.

- **Enterprise Zone Credit.** The enterprise zone credit has been repealed. The repeal did not affect carryforwards of properly established credits. Complete Form 304 to claim carryforwards established in prior years.
- **Environmental Technology Facility Credit.** This tax credit is for costs incurred in constructing a qualified environmental technology manufacturing, producing, or processing facility as described in *A.R.S. § 41-1514.02*. Complete Form 305 to claim this tax credit.
- **Military Reuse Zone Credit.** This tax credit is for net increases in employment of full-time employees working in a military reuse zone established under Arizona law. Complete Form 306 to claim this tax credit.
- **Credit for Increased Research Activities.** This tax credit is for taxpayers who incur qualified research expenses for research conducted in Arizona. The credit applies to taxable years beginning from and after December 31, 2000. A portion of the excess credit claimed for taxable years beginning from and after December 31, 2009, may be refundable with approval from the Arizona Commerce Authority. Be sure to include only the nonrefundable portion on line 11. Complete Form 308 to claim this tax credit.
- **Pollution Control Credit.** This tax credit is for expenses incurred during the taxable year to purchase real or personal property used in the taxpayer's trade or business in Arizona to control or prevent pollution. Complete Form 315 to claim this tax credit.

- **Credit for Taxes Paid for Coal Consumed in Generating Electrical Power.** This tax credit is for a percentage of the amount paid by the seller or purchaser as transaction privilege tax or use tax for coal sold to the taxpayer that is consumed in the generation of electrical power in Arizona. "Amount paid by the seller or purchaser as transaction privilege tax or use tax" means that the Arizona transaction privilege tax was passed through to the taxpayer by the seller as an added charge or that the seller collected the Arizona use tax from the taxpayer or that the taxpayer paid the Arizona use tax to the department. Complete Form 318 to claim this tax credit.
- **Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets.** This tax credit is for the installation of solar hot water heater plumbing stub outs and electric vehicle recharge outlets in houses or dwelling units constructed by the taxpayer. The houses or dwelling units must be located in Arizona. Complete Form 319 to claim this tax credit.
- **Credit for Employment of TANF Recipients.** This tax credit is for net increases in qualified employment of Arizona resident recipients of the federal Temporary Assistance for Needy Families. Complete Form 320 to claim this tax credit.
- **Agricultural Pollution Control Equipment Credit.** This tax credit is for expenses incurred during the taxable year to purchase tangible personal property that is primarily used in the taxpayer's business in Arizona to control or prevent agricultural pollution. Complete Form 325 to claim this tax credit.
- **Credit for Donation of School Site.** This tax credit is for the donation of real property and improvements to an Arizona school district or Arizona charter school for use as a school or as a site for the construction of a school. Complete Form 331 to claim this tax credit.
- **Credits for Healthy Forest Enterprises.** These tax credits are for net increases in qualified employment positions in a healthy forest enterprise and net training and certifying costs. Use Form 332 to claim these tax credits.
- **Credit for Employing National Guard Members.** This credit is for employers who have an employee that is a member of the Arizona National Guard if the employee is placed on active duty. Use Form 333 to claim this tax credit.
- **Credit for Corporate Contributions to School Tuition Organizations.** This credit is for corporations who make contributions to school tuition organizations which provide scholarships and tuition grants to children attending qualified nongovernmental schools. Use Form 335 to claim this tax credit.
- **Credit for Solar Energy Devices - Commercial and Industrial Applications.** This credit is available to taxpayers that install solar energy devices for commercial, industrial, or any other nonresidential purpose in the taxpayer's trade or business located in Arizona. The taxpayer or an exempt organization may transfer the credit to a third party that either financed, installed, or manufactured the qualifying solar energy device. Use Form 336 to claim this tax credit.
- **Credit for Water Conservation System Plumbing Stub Outs.** The credit for water conservation system plumbing stub outs has expired. This credit may not be claimed for taxable years ending after December 31, 2011. However, any credit carryover established in calendar year 2011 and prior will be allowed for not more than five (5) consecutive taxable years. Use Form 337 to figure any allowable credit carryover. Taxable year 2016 is the last year a taxpayer may claim this credit carryforward.
- **Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students with Disabilities.** This tax credit is for corporations who make contributions to school tuition organizations that provide scholarships and tuition grants to qualifying children attending qualified nongovernmental schools. Use Form 341 to claim this tax credit.
- **Renewable Energy Production Tax Credit.** This tax credit is for taxpayers that produce electricity using qualified energy resources. Approval by the Department of Revenue is required prior to claiming this tax credit. Use Form 343 to claim this tax credit.
- **Solar Liquid Fuel Credit.** This credit is for taxpayers in the solar liquid fuel industry. Credits are allowed for taxpayers who:
  - Had increased research and development activities in Arizona related to solar liquid fuel.
  - Produced solar liquid fuel in Arizona in commercial quantities.
  - Incurred costs to convert or modify existing motor vehicle service stations for the retail sale of solar liquid fuel to customers in Arizona.
  - Use Form 344 to claim this tax credit.
- **Credit for New Employment.** This tax credit is for taxpayers that have net increases in employment. The credit limit is administered by the Arizona Commerce Authority. Use Form 345 to claim this tax credit.
- **Additional Credit for Increased Research Activities for Basic Research Payments.** This tax credit is for taxpayers that make qualified basic research payments for research conducted in Arizona. Approval by the Department of Revenue is required prior to claiming this tax credit. Use Form 346 to claim this tax credit.
- **Credit for Qualified Health Insurance Plans.** The credit for qualified health insurance plans has been repealed. All credits for qualified health insurance plans that were properly established can be carried forward for the respective three year carry forward period. Use Form 347 to claim this carry-forward tax credit.
- **Credit for Renewable Energy Investment and Production for Self-Consumption by Manufacturers.** This tax credit is for investment in new renewable energy facilities that produce energy for self-consumption using renewable energy resources if the power will be used primarily for manufacturing. Use Form 351 to claim this tax credit.

Complete the appropriate credit forms for each credit. Include the completed credit forms and Form 300 with the tax return.

**Line 12 - Credit Type**

Indicate which nonrefundable tax credits were claimed on line 11 by entering the applicable form number(s) in the space provided.

| Nonrefundable Income Tax Credit   | Form |
|---|------|
| Enterprise Zone Credit  | 304  |
| Environmental Technology Facility Credit  | 305  |
| Military Reuse Zone Credit  | 306  |
| Credit for Increased Research Activities  | 308  |
| Pollution Control Credit  | 315  |
| Credit for Taxes Paid for Coal Consumed in Generating Electrical Power  | 318  |
| Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets                              | 319  |
| Credit for Employment of TANF Recipients  | 320  |
| Agricultural Pollution Control Equipment Credit   | 325  |
| Credit for Donation of School Site  | 331  |
| Credits for Healthy Forest Enterprises  | 332  |
| Credit for Employing National Guard Members   | 333  |
| Credit for Corporate Contributions to School Tuition Organizations  | 335  |
| Credit for Solar Energy Devices - Commercial and Industrial Applications  | 336  |
| Credit for Water Conservation System Plumbing Stub Outs   | 337  |
| Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students With Disabilities | 341  |
| Renewable Energy Production Tax Credit  | 343  |
| Solar Liquid Fuel Credit  | 344  |
| Credit for New Employment   | 345  |
| Additional Credit for Increased Research Activities for Basic Research Payments   | 346  |
| Credit for Qualified Health Insurance Plans   | 347  |
| Credit for Renewable Energy Investment and Production for Self-Consumption by Manufacturers                             | 351  |

**Line 13 - Arizona Tax Liability**

Subtract line 11 from line 10. Line 13 cannot be a negative amount.

**Tax Payments**

**Line 14 - Refundable Tax Credits**

Check the box(es) marked 308, 342 and/or 349 to indicate which of these tax credits the taxpayer is claiming. Enter the total amount of the credits claimed on line 14.

**Credit for Increased Research Activities.** A portion of this tax credit is refundable for qualified taxpayers. The refund is limited to 75% of the excess credit, which is the current year's credit less the current year's tax liability, not to exceed the amount approved by the Arizona Commerce Authority. Include a copy of your "Certificate of Qualification" from the Arizona Commerce Authority and Form 308 with your return. Enter the amount from Form 308, Part 7, line 44.

**Credit for Renewable Energy Industry.** This tax credit is for expanding or locating qualified renewable energy operations in Arizona and is refundable in five equal annual installments.

Pre-approval and post-approval are required through the Arizona Commerce Authority. Include a copy of your "Certification of Qualification" from the Arizona Commerce Authority and Form 342 with your tax return to claim this credit. Enter the amount from Form 342, Part 6, line 18.

**Credit for Qualified Facilities.** This tax credit is for expanding or locating a qualified facility in Arizona and is refundable in five equal installments. Pre-approval and post-approval are required through the Arizona Commerce Authority. Include a copy of your "Certification of Qualification" from the Arizona Commerce Authority and Form 349 with your tax return to claim this credit. Enter the amount from Form 349, Part 8, line 18.

If you are claiming more than one of the refundable tax credits, check the appropriate boxes and add the amounts from the credit forms together and enter the total on line 14, or use the worksheet below to figure the total amount to enter on line 14.

| Refundable Credit Worksheet   |  |
|---|--|
| 1. Enter the refundable credit from Form 308, Part 7, line 44.                          |  |
| 2. Enter the apportioned credit from Form 342, Part 6, line 18.                         |  |
| 3. Enter the apportioned credit from Form 349, Part 8, line 18.                         |  |
| 4. Add the amounts on lines 1, 2, and 3. Enter the total here and on Form 120, line 14. |  |

**Line 15 - Extension Payment**

Enter the amount of the extension payment made by check or money order with Form 120EXT or made over the Internet at [www.AZTaxes.gov](http://www.AZTaxes.gov).

**Line 16 - Estimated Tax Payments and Claim of Right**

- Enter the total amount of estimated tax payments made during the taxable year (including the application of any overpayment from the prior taxable year).
- If you recomputed a prior year's tax under Arizona's claim of right provision, complete Arizona Claim of Right - Corporate. Enter the amount from Part 2, line 8. Include the claim of right form with your return. If you completed more than one claim of right form, add all amounts on line 8, and enter the total here.
- Add the amounts on line 16(a) and 16(b). Enter the total.

**NOTE FOR CLAIM OF RIGHT RESTORATION:** *If you recomputed a prior year's tax under Arizona's claim of right provision, you must complete and include Arizona Claim of Right - Corporate form with your return. If you fail to complete and include this form, the amount of your claim may be denied.*

*Refer to CTP 16-1, Procedure for Corporations That Restore Substantial Amounts Held Under a Claim of Right, for additional information on Arizona's Claim of Right provision.*

**Line 17 - Total Payments**

Add lines 14, 15 and 16(c). Enter the total.

## Computation of Total Due or Overpayment

### Line 18 - Balance of Tax Due

If the amount on line 13 is **larger** than the amount on line 17, there is a balance of tax due. Subtract line 17 from line 13 and enter the difference.

### Line 19 - Overpayment of Tax

If the amount on line 17 is **larger** than the amount on line 13, there is an overpayment of tax. Subtract line 13 from line 17 and enter the difference.

### Line 20 - Penalty and Interest

The taxpayer may choose to calculate any penalty and interest due as a result of late filing, late payment of tax, or extension underpayment of tax. Interest is calculated on the amount shown on line 18 at the prevailing rate. The interest period is from the original due date of the return to the payment date. See the "Penalties and Interest" section beginning on page 3 of these instructions.

#### *Do not include or enter the amount from the Estimated Tax Underpayment Penalty.*

If the taxpayer chooses not to calculate interest and penalties, the department will calculate them, and as appropriate, include that amount in any refund, or bill the taxpayer.

### Line 21 - Estimated Tax Underpayment Penalty

The taxpayer does not have to complete Form 220, *Underpayment of Estimated Tax by Corporations*, if the taxpayer made its estimated tax payments based on either of the following methods:

- An amount equal to 90% of the current taxable year's tax liability (reduced by refundable tax credits and claim of right adjustments, if applicable), paid in four equal installments; or
- An amount equal to 100% of the taxpayer's tax liability (reduced by refundable tax credits and claim of right adjustments, if applicable) for the prior taxable year, paid in four equal installments.

The department will compute the estimated tax underpayment penalty based on either of these methods and notify the taxpayer of any amount due. If the taxpayer elects to have the department compute the penalty, do not check box 21A or enter an amount on line 21.

The taxpayer must complete Form 220, even though no penalty is due, if it made its estimated tax payments based on any of the following methods:

- The annualized income installment method; or
- The adjusted seasonal installment method; or
- The taxpayer is a large corporation that computed its first required installment based on the taxpayer's tax liability for the prior taxable year.

Enter the total penalty from Form 220, Part C, line 37. Include the completed Form 220 with the return **and** check box 21A.

See the instructions for Form 220 for detailed information.

### Line 22 - Total Due

If the taxpayer had a balance of tax due on line 18, add lines 18, 20, and 21, and enter the total on line 22. This is the total amount due. Payments can be made via check, electronic check, money order, or credit card.

#### Check or Money Order

Make checks payable to Arizona Department of Revenue. Include the taxpayer's EIN on the front of the check or money order. Include the check or money order with the return.

#### Internet Payments

Corporate taxpayers must be licensed by the department before they can register to pay taxes online. Visit [www.AZTaxes.gov](http://www.AZTaxes.gov) to register and make payments over the Internet.

#### Electronic payment from checking or savings account

Payments can be made electronically from a checking or savings account. Visit [www.AZTaxes.gov](http://www.AZTaxes.gov) and choose the e-check option. There is no fee to use this method. This payment method will debit the amount from the specified checking or savings account on the date specified. If an electronic payment is made from a checking or savings account, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

#### Credit card payment

Payments can be made via American Express, Discover, MasterCard or VISA credit cards. Visit [www.AZTaxes.gov](http://www.AZTaxes.gov) and choose the credit card option. This will take you to the website of the credit card payment service provider. The service provider will charge a convenience fee based on the amount of the tax payment. The service provider will disclose the amount of the convenience fee during the transaction and the option to continue or cancel the transaction will be presented. If you accept the convenience fee and complete the credit card transaction, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

### Line 23 - Overpayment

If the taxpayer had an overpayment of tax on line 19, subtract the total of lines 20 and 21 from line 19. Enter a positive difference on line 23. This is the total overpayment. If the difference is negative, enter the difference as a positive number on line 22.

### Line 24 - Overpayment Applied to Estimated Tax

The taxpayer may apply part or all of an overpayment reported on line 23 as a 2017 estimated tax payment. Enter the applicable amount on line 24.

### Line 25 - Refund

Subtract line 24 from line 23 and enter the difference. This is the net refund amount.

## Schedule A - Additions to Taxable Income

On lines A1 through A7 of Schedule A, enter all income taxable under Arizona law that is exempt for federal tax purposes. Also, enter all deductions allowed under federal law that are not allowed under Arizona law.

**Line A1 - Total Federal Depreciation**

Enter total amount of depreciation deducted on the federal return.

**Line A2 - Taxes Based on Income**

Enter the amount of taxes based on income paid to states (including Arizona), to foreign governments, or to their political subdivisions included in federal taxable income.

**Line A3 - Interest on Obligations**

Enter the amount of federally tax exempt interest income on obligations of any state or foreign government, or their political subdivisions (except Arizona).

All taxpayers, except financial institutions as defined in *A.R.S. § 6-101*, must reduce the amount of interest income by certain expenses. Reduce the amount of interest income by the amount of any interest on indebtedness and other related expenses incurred or continued to purchase or carry those obligations that were not otherwise deducted or subtracted in the computation of Arizona gross income.

**Line A4 - Federal Special Deductions**

Enter the special deductions claimed on the federal tax return for dividends received pursuant to IRC §§ 243, 244, and 245.

**Line A5 - Federal Net Operating Loss**

Enter the federal net operating loss deduction claimed on the federal tax return.

**Line A6 - Additions Related to Arizona Tax Credits**

Enter on line A6 the following additions to federal taxable income that are related to Arizona tax credits. Include a schedule detailing these additions.

**A. Environmental Technology Facility Credit**

- **Excess Federal Depreciation or Amortization**

Enter the excess of depreciation or amortization computed on the federal basis of the facility over depreciation or amortization computed on the Arizona adjusted basis of the facility. Make this adjustment for the facility for which the taxpayer claimed on Form 305 in a prior year.

- **Excess in Federal Adjusted Basis**

Enter the amount by which the federal adjusted basis of the facility exceeds the Arizona adjusted basis of the facility. Make this adjustment if the facility or any component of the facility for which the taxpayer claimed a tax credit claimed on Form 305 in a prior year was sold or otherwise disposed of during the taxable year.

**B. Pollution Control Credit**

- **Excess Federal Depreciation or Amortization**

Enter the excess of depreciation or amortization computed on the federal basis of the property over depreciation or amortization computed on the Arizona adjusted basis of the property. Make this adjustment for the property for which the taxpayer claimed a tax credit on Form 315 in a prior year.

- **Excess in Federal Adjusted Basis**

Enter the amount by which the federal adjusted basis of the property exceeds the Arizona adjusted basis of the property. Make this adjustment if the property for which the taxpayer claimed a tax credit on Form 315 in a prior year was sold or otherwise disposed of during the taxable year.

**C. Credit for Taxes Paid for Coal Consumed in Generating Electrical Power**

Enter the amount of expenses deducted pursuant to the IRC for which the taxpayer claimed the credit for taxes paid for coal consumed in generating electrical power, in Arizona, claimed on Form 318. The addition is required for the amount of Arizona transaction privilege taxes and Arizona use taxes included in the computation of federal taxable income for which a tax credit is claimed.

**D. Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets**

Enter the amount of expenses deducted in computing federal taxable income for the installation of solar hot water heater plumbing stub outs and electric vehicle recharge outlets for which the taxpayer claimed a tax credit on Form 319.

**E. Credit for Employment of TANF Recipients**

Enter the amount of wage expenses deducted pursuant to the Internal Revenue Code for which the taxpayer claimed a tax credit claimed on Form 320.

**F. Agricultural Pollution Control Equipment Credit**

- **Excess Federal Depreciation or Amortization**

Enter the excess of depreciation or amortization computed on the federal basis of the property over depreciation or amortization computed on the Arizona adjusted basis of the property. Make this adjustment for the property for which the taxpayer claimed a tax credit on Form 325 in a prior year.

- **Excess in Federal Adjusted Basis**

Enter the amount by which the federal adjusted basis of the property exceeds the Arizona adjusted basis of the property. Make this adjustment if the property for which the taxpayer claimed a tax credit on Form 325 in a prior year was sold or otherwise disposed of during the taxable year.

**G. Credit for Donation of School Site**

Enter the amount deducted pursuant to the Internal Revenue Code representing a donation of a school site for which the taxpayer claimed a tax credit for donation of school site claimed on Form 331.

**H. Credit for Corporate Contributions to School Tuition Organizations**

Enter the amount deducted in computing federal taxable income as contributions for which a tax credit is claimed on Form 335.

**I. Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students With Disabilities**

Enter the amount deducted in computing federal taxable income as contributions for which a tax credit is claimed on Form 341.

**Line A7 - Other Additions to Federal Taxable Income**

Enter on line A7 the following "other additions" to federal taxable income. Include a schedule detailing these additions.

**A. Partnership Income Adjustment (Positive)**

If you received Arizona Form 165 Schedule K-1(NR) and the amounts on line 17 are positive, enter the amount from column (a) here. If you received more than one 165 Schedule K-1(NR), total the positive amounts from line 17, column (a) and enter the total here.

If the amounts on Form 165 Schedule K-1(NR), line 17, are negative, enter the amount from column (a) on Schedule B, Line B10. See the instructions for Section B, line B10 on page 10 for additional information.

**IMPORTANT:** *Corporations that are partners in a multistate partnership, or are partners in a partnership with business activity conducted entirely outside Arizona - MUST FILE FORM 120.*

**B. Federal Exploration Expenses**

Enter the amount of IRC § 617 exploration expenses in excess of \$75,000 and the amount of such expenses deferred not in excess of \$75,000.

**C. Federal Amortization or Depreciation for Facilities and Equipment Amortized Under Arizona Law**

Enter the amount of amortization or depreciation deducted pursuant to the Internal Revenue Code for the following:

- **Pollution Control Devices** - if the taxpayer made an election to amortize pursuant to *A.R.S. § 43-1129*.
- **Child Care Facilities** - if the taxpayer made an election to amortize pursuant to *A.R.S. § 43-1130*.

**D. Expenses and Interest Relating to Income Not Taxed by Arizona**

Enter expenses and interest relating to income not taxed by Arizona. Refer to *A.R.S. § 43-961(5)* or *A.R.S. § 43-1121(12)*.

**E. Excess Federal Capital Loss Carryover Under a Claim of Right Restoration**

Enter the amount by which the capital loss carryover included in your federal taxable income is greater than the amount allowed for the taxable year under Arizona law.

**F. Exclusion of Deduction for Original Issue Discount**

Enter the amount of the federally deferred original issue discount previously taken as a deduction for Arizona as a result of Arizona not adopting the provisions of the federal American Recovery and Reinvestment Act of 2009. The taxpayer is required to add back this amount to prevent taking the deduction twice.

**G. Domestic International Sales Corporations**

Enter commissions, rentals, and other amounts paid or accrued to a Domestic International Sales Corporation (DISC) controlled by the payor corporation. Make this adjustment if the DISC does not have to report its taxable income to Arizona because its income is not derived from or attributable to sources within Arizona. "Control" means direct or indirect ownership or control of 50% or more of the voting stock of the DISC by the payor corporation.

No addition is required if the DISC transactions comply with the IRC § 994 inter-company pricing provisions.

**Schedule B - Subtractions from Taxable Income**

On lines B1 through B10 of Schedule B, enter all income which is exempt from Arizona tax which is taxable under federal law. Also, enter any deduction allowed under Arizona law which is not deductible for federal tax purposes.

**Line B1 - Recalculated Arizona Depreciation**

Enter the total amount of depreciation allowable pursuant to IRC § 167(a) for the taxable year calculated as if the taxpayer had elected not to claim bonus depreciation for eligible properties for federal purposes.

**Line B2 - Basis Adjustment for Property Sold or Otherwise Disposed of During the Taxable Year**

For taxable years beginning from and after December 31, 1999, taxpayers were required to add back all federal depreciation. Taxpayers who sold or otherwise disposed of property during this year may subtract any resulting difference between federal and Arizona basis. Enter the amount of depreciation that has been allowed pursuant to IRC § 167(a) to the extent that the amount has not already reduced Arizona taxable income in the current or prior years. (Note: The practical effect of this is to allow a subtraction for the difference in basis for any asset for which bonus depreciation has been claimed on the federal return.)

**Line B3 - Adjustment for IRC § 179 Expense Not Allowed**

Enter the total of 20% of each addition made for IRC § 179 expense in 2012.

**Line B4 - Dividends from Controlled Domestic Corporations**

Enter dividend income received from a domestic corporation owned or controlled, directly or indirectly, by the recipient corporation. "Control" means direct or indirect ownership or control of 50% or more of the voting stock of the payor corporation by the recipient corporation. Dividends shall have the meaning provided in IRC § 316.

**NOTE:** *Do not include IRC § 78 dividend income on line B4.*

**Line B5 - Foreign Dividend Gross-up**

Enter IRC § 78 ("gross-up") dividends.

**Line B6 - Dividends from Foreign Corporations**

Enter the dividend income received from foreign corporations as defined in *A.R.S. § 43-1101(5)*.

**Line B7 - Interest on U.S. Obligations**

Enter the interest on U.S. obligations not taxed by Arizona, but subject to federal tax. (See *CTR 06-1, Obligations of the United States Government, Federal Agencies and United States Territories*, for a listing of qualifying U.S. obligations.)

**Line B8 - Agricultural Crops Contributed to Charitable Organizations**

Enter the amount of the allowable subtraction for qualified crop contributions made during the taxable year to one or more Arizona tax exempt charitable organizations for use in Arizona. Refer to Arizona Individual Income Tax Procedure ITP 12-1 for information on how to determine if the contribution qualifies for the subtraction.

**Line B9 - Expenses Related to Certain Federal Tax Credits**

Enter the amount of wages or salaries paid or incurred by the taxpayer for the taxable year not deducted in the computation of Arizona gross income if the taxpayer received the following federal credits:

- (1) The work opportunity credit,
- (2) The empowerment zone employment credit,
- (3) The credit for employer-paid social security taxes on employee cash tips, and/or
- (4) The Indian employment credit.

**Line B10 - Other Subtractions from Federal Taxable Income**

Enter on line B10 the following "other subtractions" from federal taxable income. Include a schedule detailing these subtractions.

**A. Refunds of Taxes Based on Income**

Enter any refunds from states (including Arizona) and from foreign governments or their political subdivisions included in federal taxable income.

**B. Partnership Income Adjustment – Negative**

If you received Arizona Form 165 Schedule K-1(NR) and the amounts on line 17 are negative, enter that amount here as a positive number. If you received more than one 165 Schedule K-1(NR), total the negative amounts from line 17, column (a) and enter the total here as a positive number..

If the amounts on Form 165 K-1(NR), line 17 are positive, enter the amount from column (a) on Schedule A, Line A7. See the instructions for Schedule A, line A7 on page 9 for additional information

**IMPORTANT:** *Corporations that are partners in a multistate partnership, or are partners in a partnership with business activity conducted entirely outside Arizona - MUST FILE FORM 120.*

**C. Expense Recapture, Mine Explorations**

Enter any expense recapture for mine exploration expenses included in income under federal law. Refer to IRC § 617.

**D. Deferred Exploration Expenses**

Arizona law allows a subtraction for exploration expenses added to Arizona gross income on line A7, item B (refer to

*A.R.S. § 43-1121(15)*). The taxpayer claims the subtraction on a ratable basis as the units of produced ores or the minerals discovered or explored by reason of such expenditures are sold. Refer to A.A.C. R15-2D-305 for detailed information regarding additional requirements.

Treat property sold in the same manner and on the same basis as other property held for the production of income. Refer to *A.R.S. § 43-1121(4)* or to *A.R.S. § 43-1122(3)*.

**E. Exploration Expenses; Oil, Gas or Geothermal Resources**

Enter exploration expenses related to exploration of oil, gas, or geothermal resources. Compute the expenses in the same manner and on the same basis as a deduction for mine exploration under IRC § 617. The computation is subject to certain adjustments shown above for line A7, item B, and line B10, items C and D. Refer to A.A.C. R15-2D-305 for detailed information regarding additional requirements.

**F. Arizona Amortization of Facilities and Equipment****• Pollution Control Devices**

Any taxpayer may choose to amortize the adjusted basis of any device, machinery, or equipment used for collection and control of the source of atmospheric and water pollutants and contaminants. The taxpayer may take the subtraction over a period of 60 months.

If a taxpayer chooses not to amortize pollution control devices over a period of 60 months, the taxpayer may take a deduction for depreciation computed under IRC § 167.

Refer to A.A.C. R15-2D-306 for detailed information regarding additional requirements.

**• Cost of Child Care Facilities**

Any taxpayer operating a childcare facility for profit may elect to subtract any expenditure made to purchase, construct, renovate, or remodel the facilities or equipment. The taxpayer may take the subtraction ratably over 60 months beginning with the month in which the taxpayer places the property in service.

Any taxpayer operating a childcare facility within Arizona, primarily for its employees' children, may elect to subtract expenditures made to acquire, construct, renovate, or remodel the facilities or equipment. The taxpayer may take the subtraction over a period of 24 months, beginning with the month in which the taxpayer places the property in service.

The amortization is in lieu of federal depreciation or amortization on the facilities.

Refer to A.A.C. R15-2D-307 for detailed information regarding additional requirements.

**G. Interest on Federally Taxable Arizona Obligations Evidenced by Bonds**

Enter the amount of interest income received on obligations of the State of Arizona, or any of its political subdivisions, evidenced by bonds, that is included in federal taxable income.

Omit interest income received on obligations of the State of Arizona, or any of its political subdivisions, exempt from federal taxation and not included in Arizona gross income.

Corporations should not make this adjustment on the corporation's Arizona tax return for such income included in the corporate partner's share of partnership income (loss). The partnership makes this adjustment on Form 165. The adjustment to Arizona basis from Form 165, Schedule K-1(NR), Part 2 line 17, already includes this adjustment.

**H. Expenses and Interest Relating to Tax Exempt Income**

Enter expenses and interest relating to tax exempt income disallowed pursuant to IRC § 265 in the computation of Arizona gross income. Effective for taxable years beginning from and after December 31, 1996, this subtraction applies only to financial institutions as defined in *A.R.S. § 6-101*.

**I. Claim of Right Adjustment**

Enter the amount by which the loss carryover allowed to be taken for the taxable year under Arizona law is greater than the amount included in your federal taxable income.

**J. Deferred Deduction for Original Issue Discount**

Enter the subtraction to income resulting from Arizona not adopting the federal deferral of deduction for original issue discount issued in debt-for-debt exchanges elected by the taxpayer under IRC § 108(i). In those years when the IRC permits this deduction, "other additions" will include an addition to income to prevent the taxpayer from taking the deduction twice.

**K. Inclusion of Discharge of Indebtedness Income**

If the taxpayer included the discharge of indebtedness income in Arizona income in the year deferred federally (2009 or 2010), then when the income is included federally, the taxpayer is allowed a subtraction to avoid the income being taxed twice. Enter the amount of the federal inclusion.

**L. Dividends from Domestic International Sales Corporation (DISC)**

Enter any income from a DISC which federal law requires its shareholders to include in income. Refer to IRC § 995.

**Schedule C - Additional Information**

Complete lines C1 through C6. Continue the answers on a separate sheet of paper if the answers are lengthy.

**Line C3:** List the name, title and telephone number of the individual who Department of Revenue employees may contact to schedule an audit of this return. Confidential information may be disclosed to a principal officer, any person designated by a principal officer, any person designated in a resolution by the corporate board of directors or other similar governing body, or to an individual designated as an authorized representative in a valid power of attorney. IF THIS INDIVIDUAL IS NOT A PRINCIPAL OFFICER, OR IS NOT DESIGNATED AS AN AUTHORIZED REPRESENTATIVE IN A VALID POWER OF ATTORNEY, THE TAXPAYER UNDERSTANDS AND AGREES THAT CONFIDENTIAL INFORMATION MAY BE DISCLOSED TO THIS INDIVIDUAL.

**Certification**

The president, treasurer, or other principal corporate officer must sign the return.

**Paid preparers:** Sign and date the return. Complete the firm name and address lines (the preparer's name and address, if self-employed). Enter the preparer's PTIN, TIN, which is the firm's EIN, or the individual preparer's social security number.



**To ensure proper application of this payment, this form must be completed in its entirety.**

For the  calendar year 2017 or  fiscal year beginning MM,DD,2017 and ending MM,DD,20YY.

|  |  |
|--|--|
| <b>1</b> Name of Firm – exactly as it will appear on the return  | Employer Identification Number (EIN)                           |
| <b>2</b> Address – number and street or PO Box   | Business Phone Number (with area code)                         |
| <b>2</b> Address – continued   | <b>REVENUE USE ONLY. DO NOT MARK IN THIS AREA</b><br><b>88</b> |
| <b>3</b> City State ZIP Code   |  |
| <b>a</b> <input type="checkbox"/> Check if this is the first tax return filed under this name and EIN. |  |
| <b>b</b> <input type="checkbox"/> Check if name and/or address has changed.                            | <b>81</b> PM   |
| <b>c</b> <input type="checkbox"/> Check if EIN has changed. List prior number: _____                   | <b>80</b> RCVD   |

**1** The enclosed amount is payment number: \_\_\_\_\_

**2** Payment: Round estimated payment to a whole dollar (no cents).

Enter the amount of payment enclosed ..... \$    **00**

- Make check payable to Arizona Department of Revenue.
- Include EIN on payment.
- Mail to Arizona Department of Revenue, PO Box 29085, Phoenix, AZ 85038-9085.

**General Instructions**

Obtain additional information or assistance by calling one of the numbers listed below:

Phoenix..... (602) 255-3381  
From area codes 520 and 928, toll-free ..... (800) 352-4090

Obtain tax rulings, tax procedures, tax forms and instructions, and other tax information by accessing the department's website at [www.azdor.gov](http://www.azdor.gov).

**Who Should Use Arizona Form 120ES**

This form should be used by entities filing Arizona Forms 99T, 120, 120A, and 120S that are required to make Arizona estimated tax payments. Payments can be made via check, electronic check, money order, or credit card. The taxpayer should not use Form 120ES if the taxpayer makes its required installments of estimated tax by electronic funds transfer (EFT) or over the internet. Visit [www.AZTaxes.gov](http://www.AZTaxes.gov) to register and make payments via the internet.

**S corporations and partnerships** must use Form 140ES to make voluntary estimated tax payments on a composite basis on behalf of nonresident individual shareholders or nonresident individual partners participating in the filing of a composite return on Arizona Form 140NR.

Refer to Arizona Individual *Income Tax Ruling ITR 16-2* for additional information regarding composite returns.

**Estimated Tax Payments by Electronic Funds Transfer**

Refer to Arizona Revised Statutes § 42-1129 and the related Arizona Administrative Code R15-10-301 through R15-10-307 for detailed information regarding EFT.

Taxpayers whose Arizona corporate income tax liability for the preceding taxable year was \$20,000 or more must make Arizona corporate estimated tax payments via the EFT program. **If the taxpayer makes its estimated tax payments by EFT, the taxpayer should not submit Form 120ES to the department.**

**NOTE: Taxpayers required to make corporate estimated payments via EFT that fail to do so will be subject to a penalty of 5% of the amount of the payment not made by EFT. See A.R.S. § 42-1125(O).**

Taxpayers required to make estimated tax payments via EFT must complete the department's EFT authorization agreement at least 30 days prior to initiation of the first applicable transaction.

Taxpayers whose Arizona corporate income tax liability for the preceding taxable year was less than \$20,000 may elect voluntary participation in the EFT program. Voluntary participants in the program must complete the department's EFT authorization agreement at least 30 days prior to the first applicable transaction.

## Estimated Tax Payments via the Internet

Taxpayers must be licensed by the Department of Revenue before they can register to pay taxes online. Visit [www.AZTaxes.gov](http://www.AZTaxes.gov) to register and make estimated tax payments over the internet. **If the taxpayer makes its estimated tax payments via the internet, the taxpayer should not submit Form 120ES to the department.**

### Electronic payment from checking or savings account

Estimated tax payments can be made electronically from a checking or savings account. Visit [www.AZTaxes.gov](http://www.AZTaxes.gov) and choose the e-check option. There is no fee to use this method. This payment method will debit the amount from the specified checking or savings account on the date specified. If an electronic payment is made from a checking or savings account, a confirmation number will be generated. **Please keep this confirmation number as proof of payment.**

### Credit card payment

Estimated tax payments can be made via American Express, Discover, MasterCard or VISA credit cards. Visit [www.AZTaxes.gov](http://www.AZTaxes.gov) and choose the credit card option. This will take you to the web site of the credit card payment service provider. The service provider will charge a convenience fee based on the amount of the tax payment. The service provider will disclose the amount of the convenience fee during the transaction and the option to continue or cancel the transaction will be presented. If you accept the convenience fee and complete the credit card transaction, a confirmation number will be generated. **Please keep this confirmation number as proof of payment.**

## Who is Required to Make Estimated Tax Payments

Entities filing Arizona Forms 99T, 120, 120A, and 120S that expect an Arizona tax liability for the taxable year of at least \$1,000 are required to make Arizona estimated tax payments.

A unitary group of corporations filing a combined return on Form 120 must make estimated tax payments on a combined basis. Therefore, a unitary group, as a single taxpayer, must make estimated tax payments if its Arizona tax liability for the taxable year is at least \$1,000.

An Arizona affiliated group filing a consolidated return pursuant to A.R.S. § 43-947 on Form 120 must make estimated tax payments on a consolidated basis. Therefore, an Arizona affiliated group, as a single taxpayer, must make estimated tax payments if its Arizona tax liability for the taxable year is at least \$1,000.

## When to Make Estimated Tax Payments

Calendar year and fiscal year basis taxpayers are required to make their Arizona corporate estimated tax payments by the 15th day of the 4th, 6th, 9th, and 12th months of the taxable year. If the installment due date falls on a weekend or legal holiday, the payment is considered timely if made on the next business day.

## Computation of Required Installments of Estimated Tax on Arizona Form 120W

Taxpayers should use Form 120W, *Estimated Tax Worksheet for Corporations*, to compute the amount of the required installments of estimated tax.

## Underpayment of Required Installments of Estimated Tax

If the taxpayer is required to make Arizona corporate estimated tax payments, a penalty will be imposed on any required installment that is late or underpaid.

## Recomputing Required Installments of Estimated Tax

If the taxpayer, after paying one or more required installments of estimated tax, finds that its tax liability for the taxable year will be more or less than originally estimated, the taxpayer should recompute its required installments. If earlier installments were underpaid, the taxpayer may be subject to a penalty for underpayment of estimated tax.

If a new estimate is made, the required installments payable on or after the date of the new estimate should be adjusted. An immediate "catch-up" payment should be made to reduce the amount of any penalty resulting from the underpayment of any earlier installments, whether caused by a change in estimate, failure to make a payment, or a mistake.

## Completing Arizona Form 120ES

Complete the form in its entirety to ensure the proper application of the estimated tax payment.

Enter the following information on Form 120ES:

- the period covered by the taxable year;
- sequence number of the estimated tax payment;
- taxpayer name, address and employer identification number (EIN) as it will appear on the tax return. If the taxpayer has a foreign address, enter the information in the following order: city, province or state, and country. Follow the country's practice for entering the postal code. **Do not abbreviate the country's name;**
- amount of the estimated tax payment (in whole dollars).

Check the applicable box on the form if the estimated tax payment applies to a taxable year for which:

- The taxpayer will file an initial return under the name and EIN listed; or
- The name and/or address listed is different from the name and/or address under which the preceding taxable year's return was filed; and/or
- The EIN listed is different from the EIN under which the preceding taxable year's return was filed. If the EIN has changed, list the prior EIN.

## Rounding Dollar Amounts

Taxpayers must round amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.

**S corporations and Partnerships:** Use Form 204 to request an extension of time to file a composite return for nonresident individual shareholders or nonresident individual partners on Form 140NR.

For the  calendar year 2016 or  fiscal year beginning MM,DD,2016 and ending MM,DD,20YY.

|  |       |          |  |                |
|--|-------|----------|--|----------------|
| Name   |       |          | Employer Identification Number (EIN)               |                |
| Address – number and street or PO Box  |       |          | Business Telephone Number (with area code)         |                |
| City, Town or Post Office  | State | ZIP Code | <b>REVENUE USE ONLY. DO NOT MARK IN THIS AREA.</b> |                |
|  |       |          | <b>88</b>  |                |
| a <input type="checkbox"/> Check if this is the first tax return filed under this name and EIN.<br>b <input type="checkbox"/> Check if name and/or address has changed.<br>c <input type="checkbox"/> Check if EIN has changed. List prior number: _____ |       |          | <b>81</b> PM                                       | <b>66</b> RCVD |
| <b>Check type of return to be filed:</b><br><input type="checkbox"/> 120 <input type="checkbox"/> 120A <input type="checkbox"/> 120S <input type="checkbox"/> 99T <input type="checkbox"/> 99 <input type="checkbox"/> 165                               |       |          |  |                |

All applications for an extension of time to file **must be postmarked on or before the original due date of the return**, unless the original due date falls on Saturday, Sunday, or a legal holiday. In that case, the application must be postmarked on or before the business day following such Saturday, Sunday, or legal holiday.

An Arizona extension cannot be granted for more than six months beyond the original due date of the return. Arizona will accept a valid federal extension for the same period of time covered by the federal extension. **The federal extension for partnerships is six months.**

| <b>CHECK ONE BOX:</b>   | Extension Date         | Taxable Year Ending    |
|---|------------------------|------------------------|
| <input type="checkbox"/> <b>Form 120, Form 120A, Form 120S, Form 99T, Form 99:</b><br>This is a request for an automatic six-month extension until..... | M, M, D, D, Y, Y, Y, Y | M, M, D, D, Y, Y, Y, Y |
| <input type="checkbox"/> <b>Form 165 only:</b><br>This is a request for an automatic <b>six-month</b> extension until.....                              | M, M, D, D, Y, Y, Y, Y | M, M, D, D, Y, Y, Y, Y |
| <input type="checkbox"/> A federal extension will be used to file this tax return. This form is being used to transmit the Arizona extension payment.   |                        |                        |

| <b>EXTENSION PAYMENT COMPUTATION (Forms 120, 120A, 120S and 99T only)</b>             |          |    |
|---|----------|----|
| 1 Tax liability for the taxable year: See instructions .....                          | <b>1</b> | 00 |
| 2 Less estimated tax payments .....   | <b>2</b> | 00 |
| 3 <b>Balance of Tax:</b> Line 1 less line 2.....                                      | <b>3</b> | 00 |
| 4 Enter amount of extension payment made electronically .....                         | <b>4</b> | 00 |
| 5 Enter amount of payment enclosed with this extension..... <b>PAYMENT ENCLOSED ►</b> | <b>5</b> | 00 |

- Make check payable to Arizona Department of Revenue and **include EIN on payment.**
- Mail application and payment to:  
Arizona Department of Revenue, PO Box 29085, Phoenix, AZ 85038-9085.
- Mail application **without** payment to:  
Arizona Department of Revenue, PO Box 29079, Phoenix, AZ 85038-9079.

The taxpayer will be liable for the extension underpayment penalty if at least 90 percent of the tax liability disclosed by the return has not been paid by the original due date of the return. Taxpayers subject to the extension underpayment penalty are not subject to the late payment penalty prescribed by A.R.S. § 42-1125(D). Interest accrues on any additional tax due from the original due date of the return until paid.

|                         |  |                                       |                   |
|-------------------------|--|---------------------------------------|-------------------|
| <b>Declaration</b>      | Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete; and that I am authorized to prepare this form. |                                       |                   |
| <b>Please Sign Here</b> | SIGNATURE OF OFFICER OR AGENT _____  | DATE _____                            | TITLE _____       |
|                         | PRINTED NAME _____   | BUSINESS PHONE (with area code) _____ | AGENT'S TIN _____ |

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**For information or help, call one of the numbers listed:**

Phoenix (602) 255-3381  
From area codes 520 and 928, toll-free (800) 352-4090

**Tax forms, instructions, and other tax information**

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

**Income Tax Procedures and Rulings**

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website and click on *Legal Research* then click on *Procedures* or *Rulings* and select a tax type from the drop down menu.

**Publications**

To view or print the department's publications, go to our website and click on *Publications*.

**General Instructions**

**Use of Form**

- **Use Form 120EXT only to apply for an extension of time to file Forms 120, 120A, 120S, 99T, 99, and 165.**
- *Nonprofit medical marijuana dispensary organized or taxed as an S corporation:* File one Form 120EXT to apply for an Arizona extension to file Form 99. File a second Form 120EXT to apply for an Arizona extension of time to file Form 120S. A valid federal extension may be used to file Form 120S, but cannot be used to file Form 99. No extension payment is due.
- *Nonprofit medical marijuana dispensary organized or taxed as a partnership:* File one Form 120EXT to apply for an Arizona extension to file Form 99. File a second Form 120EXT to apply for an Arizona extension of time to file Form 165. A valid federal extension may be used to file Form 165, but cannot be used to file Form 99.
- *Form 120S and Form 165 filers:* Use Form 204 to apply for an extension of time to file a composite return for nonresident individual shareholders or nonresident individual partners on Form 140NR.
- The department may grant an automatic Arizona extension if: (a) the taxpayer pays at least 90% of the tax liability by the original due date of the return, and (b) Form 120EXT is postmarked or received by the original due date of the return. The extension application will be denied if the extension application is postmarked after the original due date of the return. A copy of Form 120EXT will be returned to the taxpayer only if the extension application is denied.

**NOTE:** *Arizona's partnership extension conforms to the federal extension which allows partnerships an additional six (6) months after the original due date to file the partnership's income tax return.*

- The taxpayer must use Form 120EXT to remit an extension payment via check or money order, whether the taxpayer uses a valid federal extension or requests an Arizona extension. Internet payments can be made by electronic check or credit card at [www.AZTaxes.gov](http://www.AZTaxes.gov) and

do not require the filing of this form, unless the taxpayer is requesting an Arizona extension.

- Form 120EXT or a valid federal extension provides an extension of time to file, but does not provide an extension of time to pay.

**Acceptance of Federal Extension**

Generally, the taxpayer can use a valid federal extension rather than applying for an Arizona extension. The taxpayer must pay at least 90% of the tax liability by the original due date of the return. Refer to the instructions for line 1 (extension payment computation) for further information on the payment amount. A taxpayer that uses a federal extension of time to file must use Form 120EXT to remit an extension payment via check or money order. Mail Form 120EXT and the extension payment to the payment address shown on the form.

**NOTE:** *Federal extensions are valid for a period of time and extend an original Arizona due date by the same period of time. In some cases, the Arizona extended due date will take place after the federal extended due date.*

**Tax Return Original Due Dates**

**Form 99:**

15th day of the **fifth** month following close of taxable year.

**Form 99T:**

15th day of the **fifth** month following close of taxable year.

**Form 120:**

15th day of the **fourth** month following close of taxable year.

**Form 120A:**

15th day of the **fourth** month following close of taxable year.

**Form 120S:**

15th day of the **third** month following close of taxable year.

**Form 165:**

15th day of the **third** month following close of taxable year.

**Penalties and Interest**

**A. Late Filing Penalty.** A return filed after the original due date is subject to the late filing penalty unless the taxpayer has a valid federal or Arizona extension. A return filed after its extended due date is also subject to the late filing penalty. The late filing penalty is 4.5% (.045) of the amount of tax required to be shown on the return. "Amount of tax required to be shown on the return" is the amount of tax imposed less the amount of any part of the tax paid on or before the beginning of the month and the amount of any credit against the tax which may be claimed on the return. The penalty period is each month or fraction of a month between the due date of the return and the date the taxpayer filed the return. The maximum penalty is 25% of the tax found to be remaining due.

**B. Extension Underpayment Penalty.** The taxpayer must pay at least 90% of the tax liability disclosed by its return on or before the original due date of the return. The department imposes the extension underpayment penalty on any late or underpaid extension payments. The extension underpayment penalty is 0.5% (.005) of the tax not paid. The penalty period is each 30 day period or fraction thereof between the original

due date of the return and the date the taxpayer paid the tax. The maximum penalty is 25% of the unpaid tax. Taxpayers subject to the extension underpayment penalty are not subject to the late payment penalty described in C below.

**C. Late Payment Penalty.** The department imposes the late payment penalty on any amount shown as tax on a return that is not paid by the date prescribed for its payment. "Amount of tax shown on the return" is the amount of tax imposed shown on the return less the amount of any part of the tax paid on or before the beginning of the month and the amount of any credit against the tax which may be claimed on the return. The late payment penalty is 0.5% (.005) of the unpaid tax for each month or fraction of a month that the tax remains unpaid, not to exceed 10% of the unpaid tax.

**NOTE:** *If more than one of the penalties described in A, B, or C apply, the maximum combined penalty is 25%.*

Refer to *CTR 09-1, When do Penalties Apply to an Income Tax Return Filed Under an Extension*, regarding the application of penalties to returns filed under extension.

**D. Information Return Penalty.** An information return that is incomplete or filed after its due date (including extensions) is subject to a \$100 penalty for each month, or fraction of a month, that the failure continues, up to a maximum penalty of \$500. This applies to Form 99 and Form 165. It also applies to Form 120S when no tax liability is due.

**E. Interest.** The department assesses interest on any portion of the tax, whether determined by the department or the taxpayer, not paid by the date prescribed for its payment. The department applies interest, compounded annually, in the same manner and at the same times as prescribed by Internal Revenue Code (IRC) § 6621 with the following exception.

**Exception:** The Arizona rate of interest for both underpayments and overpayments *for all taxpayers* is the federal underpayment rate under IRC § 6621(a)(2) [the federal short-term rate, determined pursuant to IRC § 6621(b), plus three percentage points].

On January 1 of each year, the department adds any interest outstanding as of that date to the principal amount of the tax. It is then a part of the principal amount of the tax and accrues interest until paid.

**Rounding Dollar Amounts**

Taxpayers must round amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.

**Specific Instructions**

Type or print the required information in the name, address, and information boxes on the top of Form 120EXT. If the taxpayer has a foreign address, enter the information in the following order: city, province or state, and country. Follow the country's practice for entering the postal code. **Do not abbreviate the country's name.** Indicate whether the taxable year is a calendar year or a fiscal year; if a fiscal year, indicate the taxable year on the top of the form.

All returns, statements, and other documents filed with the department require the corporation's employer identification

number (taxpayer identification number or TIN). Taxpayers that fail to include their TIN may be subject to a penalty.

**Extension Payment Computation  
(Form 99T, 120, 120A, and 120S filers only)**

**NOTE:** *Refer to the tax form and its instructions for information regarding the computation of the tax liability (including the \$50 minimum tax).*

**Line 1 -**

**Form 120 filers:** Begin the tax liability computation on page 1, line 16 of the 2016 Form 120. The amount entered on Form 120EXT, line 1, should equal the amount computed for the 2016 Form 120, page 1, line 21, less the amount computed for line 22. Reduce this amount by the claim of right adjustments, if applicable. If the amount is less than zero, enter zero.

**Form 120A filers:** Begin the tax liability computation on page 1, line 8 of the 2016 Form 120A. The amount entered on Form 120EXT, line 1, should equal the amount computed for the 2016 Form 120A, page 1, line 13, less the amount computed for line 14. Reduce this amount by the claim of right adjustments, if applicable. If the amount is less than zero, enter zero.

**Form 120S filers:** The S corporation itself is subject to tax (including the \$50 minimum tax) *only* if it has income or (loss) subject to tax at the corporate level on the federal Form 1120-S. Income subject to tax is excess net passive income, capital gains, or certain built-in gains, reported on Form 120S, page 1, lines 2 and 3. Begin the tax liability computation on page 1, line 12 of the 2016 Form 120S. The amount entered on Form 120EXT, line 1, should equal the amount computed for the 2016 Form 120S, page 1, line 17, less the amount computed for line 18. If the amount is less than zero, enter zero.

**Form 99T filers:** Begin the tax liability computation on page 1, line 6 of the 2016 Form 99T. The amount entered on Form 120EXT, line 1, should equal the amount computed for the 2016 Form 99T, page 1, line 11, less the amount computed for line 12. If the amount is less than zero, enter zero.

**Line 4 -**

If the extension payment is made electronically, enter the amount here on line 4.

**Line 5 -**

**Form 99T, 120, 120A, and 120S filers:** The taxpayer must pay at least 90% of its tax liability by the original due date of the return. If the estimated tax payments reported on line 2 are less than 90% of the amount on line 1, the taxpayer must make an extension payment. Payments can be made via check or money order, electronic check, or credit card. Enter the amount of payment enclosed with this extension on line 5.

**Check or Money Order**

Make checks payable to Arizona Department of Revenue. Include the taxpayer's Employer Identification Number (EIN) on the front of the check or money order. Include the check or money order with the extension request.

**Internet Payments**

Corporate taxpayers must be licensed by the department before they can register to pay taxes online. Visit [www.AZTaxes.gov](http://www.AZTaxes.gov) to register and make payments over the Internet.

**Electronic payment from checking or savings account**

Payments can be made electronically from a checking or savings account. Visit [www.AZTaxes.gov](http://www.AZTaxes.gov) and choose the e-check option. There is no fee to use this method. This payment method will debit the amount from the specified checking or savings account on the date specified. If an electronic payment is made from a checking or savings account, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

**Credit card payment**

Payments can be made via American Express, Discover, MasterCard or VISA credit cards. Visit [www.AZTaxes.gov](http://www.AZTaxes.gov) and choose the credit card option. This will take you to the website of the credit card payment service provider. The service provider will charge a convenience fee based on the amount of the tax payment. The service provider will disclose the amount of the convenience fee during the transaction and the option to continue or cancel the transaction will be presented. If you accept the convenience fee and complete the credit card transaction, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

**Who May Sign Form 120EXT**

The person authorized to sign Form 120EXT may be:

- a duly authorized agent holding a power of attorney;
- a principal officer of the organization for Form 99 and Form 99T filers;
- a principal officer of the corporation for Form 120, 120A, and 120S filers; and
- a general partner authorized to file the partnership return for Form 165 filers.

**Mailing Arizona Extension Requests**

*If you are including a payment with the Arizona extension request, mail the request and payment to:*

Arizona Department of Revenue  
PO Box 29085  
Phoenix, AZ 85038-9085

*If you are mailing the request without including a payment (because no payment is due or the payment was made electronically), mail the request to:*

Arizona Department of Revenue  
PO Box 29079  
Phoenix, AZ 85038-9079

The extension request must be postmarked by the original due date of the return. Mark "Extension Request" on the envelope. No copy will be returned to the taxpayer unless the request is denied. Keep a copy of Form 120EXT for the taxpayer's records.

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|                           |     |
|---------------------------|-----|
| Name (as shown on page 1) | EIN |
|---------------------------|-----|

**SCHEDULE C Shareholder Information**

Prepare a schedule that lists each shareholder's name, address, taxpayer identification number, and pro rata share of the amount shown on line 1. Label the listing as "Schedule C: Shareholder Information" and include the schedule immediately after page 3 of Form 120S.

|   |  |             |   |
|---|--|-------------|---|
| <b>Declaration</b>  | The following declaration must be signed by one or more of the following officers: president, treasurer, or any other principal officer. |             |   |
| Under penalties of perjury, I(we), the undersigned officer(s) authorized to sign this return, declare that I(we) have examined this return, including the accompanying schedules and statements, and to the best of my(our) knowledge and belief, it is a true, correct and complete return, made in good faith, for the taxable year stated pursuant to the income tax laws of the State of Arizona. |  |             |   |
| <b>Please Sign Here</b>   | OFFICER'S SIGNATURE _____  | DATE _____  | TITLE _____   |
|   | OFFICER'S SIGNATURE _____  | DATE _____  | TITLE _____   |
| <b>Paid Preparer's Use Only</b>   | PAID PREPARER'S SIGNATURE _____  | DATE _____  | PAID PREPARER'S PTIN _____  |
|   | FIRM'S NAME (OR PAID PREPARER'S NAME, IF SELF-EMPLOYED) _____  |             | FIRM'S <input type="checkbox"/> EIN OR <input type="checkbox"/> SSN _____ |
|   | FIRM'S STREET ADDRESS _____  |             | (       )<br>FIRM'S TELEPHONE NUMBER _____                                |
|   | CITY _____   | STATE _____ | ZIP CODE _____  |

**Mail to: Arizona Department of Revenue, PO Box 29079, Phoenix, AZ 85038-9079**

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## 2016 Arizona S corporation Income Tax Return

**For information or help, call one of the numbers listed:**

Phoenix (602) 255-3381  
From area codes 520 and 928, toll-free (800) 352-4090

**Tax forms, instructions, and other tax information**

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

**Income Tax Procedures and Rulings**

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website and click on *Legal Research* then click on *Procedures* or *Rulings* and select a tax type from the drop down menu.

**Publications**

To view or print the department's publications, go to our website and click on *Publications*.

### General Instructions

#### Who Must Use Form 120S

Corporations taxed as S corporations under Subchapter S of the Internal Revenue Code (IRC) must file Form 120S. Qualified subchapter S subsidiaries are not treated as entities separate from the parent corporation and would be included on a single Form 120S filed by the parent S corporation.

#### Entity Classification Under the Federal "Check-the-Box Rules"

The federal tax classification of an entity under the federal "check-the-box rules" determines the entity's classification for Arizona tax purposes.

#### Limited Liability Companies

Only a limited liability company that makes a valid federal election to be taxed as an S corporation must file Form 120S. A single member limited liability company that is disregarded as an entity is treated as a branch or division of the owner, and is included in the tax return of its owner. Refer to *Corporate Tax Ruling (CTR) 97-2, Limited Liability Companies*, for further information.

A nonprofit medical marijuana dispensary (NMMD) under *Arizona Revised Statutes (A.R.S.) Title 36, Chapter 28.1*, is exempt from Arizona income tax in accordance with *A.R.S. § 43-1201(B)*. If the NMMD makes an election pursuant to subtitle A, chapter 1, subchapter S of the IRC, it must file Arizona Form 120S to meet the filing requirements of *A.R.S. § 43-1126*. However, no Arizona income tax is due from the S corporation, even if the S corporation is subject to tax at the federal level. Shareholders are subject to Arizona income tax on the flow through from the S corporation.

#### Taxable Year Covered by Return

The S corporation must have the same taxable year for Arizona purposes as it has for federal purposes. Indicate whether the taxable year is a calendar year or a fiscal year; if a fiscal year, indicate the taxable year on the top of page 1 of the return.

#### Records

Every S corporation should maintain books and records substantiating information reported on the return and keep these documents for inspection. Refer to *General Tax Ruling*

(GTR) 96-1, *Electronic Data Processing* for more information about record retention requirements.

S corporations should complete three copies of Form 120S, Schedule K-1 or Schedule K-1(NR) for each shareholder. File one copy of each shareholder's Schedule K-1 or Schedule K-1(NR) with the S corporation's Form 120S. Provide all shareholders with a copy of their Schedule K-1 or Schedule K-1(NR). Retain a copy of each Schedule K-1 or Schedule K-1(NR) for the S corporation's records.

#### IRC § 7519 Required Payments

Taxpayers cannot deduct the federal required payments on their Arizona tax returns as an ordinary and necessary business expense or otherwise.

#### Rounding Dollar Amounts

Taxpayers must round amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.

#### Extension of Time to File a Return:

- A request for an extension of time to file an Arizona corporate income tax return **must** be submitted by the original due date of the return.
  - The extension request can be made by filing a federal extension request, or by filing an Arizona extension request, Form 120EXT.
  - **The department may grant an extension request for a maximum of six months.**
  - The department will accept a valid federal extension for the same period of time covered by the federal extension.
- If the original return is filed under extension, do not include a copy of the extension with your return.
  - However, make sure to check the extension box, 82F, on page 1 of your return.
- Form 120EXT must be used to transmit extension payments by check or money order regardless of how you request an Arizona extension (valid federal extension or Form 120EXT).
  - If you made extension payments over the internet, you are not required to file Form 120EXT unless you are requesting an Arizona filing extension.
- The Arizona extension and the federal extension provide an extension of time to file, they do not provide an extension of time to pay tax.
  - You must pay 90% of your tax liability (including the \$50 minimum tax) by the original due date of your return.
  - The department imposes the extension underpayment penalty on any late or underpaid extension requests.
- See *CTR 01-3, Extensions*, for additional information.
- **Mail the extension request to the address shown on the form.**

#### Filing Original Returns:

- Returns are due by the 15<sup>th</sup> day of the third month following the close of the taxable year.
- If the S corporation has a valid federal or Arizona filing extension, the return is due by the extended due date.
  - If the return is filed under extension, check box 82F on page 1 of the return.

- If the due date for the return falls on a Saturday, Sunday, or a legal holiday, the return is considered timely filed if it is postmarked the next business day.
  - See *GTR 16-2, Timely Filing of Income or Withholding Tax Return – Holidays and Weekends*.
- The return must be signed by one or more of the officers of the S corporation (President, Treasurer, or any other principal officer).
- Do not submit a blank Arizona return with a copy of the federal return.
  - S corporations must furnish complete data.
  - Answer all questions on the return.
  - Complete all applicable schedules.
  - Include all appropriate supplementary schedules.
- **Mail the return to the address shown on the form.**

#### Timely Filing of Returns:

- The department determines the timeliness of a tax return by the postmark or other official mark of the United States mail stamped on the envelope in which the return is mailed.
  - See *GTR 16-1, Timely Filing of Income or Withholding Tax Returns Through the United States Mail*.
- The Department will accept proof of mailing from a private delivery service included in the Internal Revenue Service (IRS) list of designated private delivery services.
  - Contact the private delivery service for information regarding how to obtain written proof of mailing.
- If the due date for the return falls on a Saturday, Sunday, or a legal holiday, the return is considered timely filed if it is postmarked the next business day.
  - See *GTR 16-2, Timely Filing of Income or Withholding Tax Return – Holidays and Weekends*.

#### Filing Amended Returns:

- Any S corporation who files an amended return with the IRS *must* file an Arizona amended return on Form 120S, for the tax year amended, (i.e. 2016 Form 120S for tax year 2016) within 90 days of final determination of the federal amended return by the IRS.
  - When submitting an amended return, check the box labeled “Amended” in the upper right corner of the return.
- S corporations *must* report changes or corrections of their taxable income by the IRS or as a result of renegotiation of a contract or subcontract with the United States to the department.
- Within 90 days after the final determination of the change or correction, the S corporation must:
  - File a copy of the final determination with the department, concede the accuracy of the determination or state any errors, and request the department recompute the tax owed Arizona, or
  - File an amended return as required by the department.
- The S corporation must provide sufficient information for the department to recompute the S corporation’s Arizona taxable income based on the Revenue Agent Report changes.

- The department may require the S corporation to file an amended return if the department does not have this information.
- Mail the amended return to the address shown on the form.

**NOTE:** *File amended returns for prior taxable years on the respective Form 120S for those taxable years. Use the 2016 Form 120S to amend only the taxable year 2016.*

*Do NOT file an amended return until your original return has been processed.*

#### Estimated Tax Payments

S corporations that expect an Arizona income tax liability for the taxable year of \$1,000 or more must make Arizona estimated tax payments. An S corporation that fails to make the required estimated tax payments is subject to a penalty on any estimated tax payment which is late or underpaid.

The Arizona required annual payment of corporate estimated tax for an S corporation is the smaller of:

- Ninety percent of the S corporation's Arizona tax liability (reduced by refundable tax credits and claim of right adjustments, if applicable) for the current taxable year; or
- One hundred percent of the S corporation's Arizona tax liability (reduced by refundable tax credits and claim of right adjustments, if applicable) for the prior taxable year.

Use 2017 Form 120ES, *Corporation Estimated Tax Payment* to make payments by check or money order.

Use 2017 Form 120W, *Estimated Tax Worksheet for Corporations*, to compute the required installments.

For exceptions to the estimated tax requirements, see the instructions for Form 220, *Underpayment of Estimated Tax by Corporations*.

**NOTE:** *For an S corporation to base its Arizona corporate estimated tax payments on its prior taxable year's tax liability:*

- *The S corporation's return filed for the prior taxable year must have been for a period of twelve months.*

#### ESTIMATED TAX PAYMENTS BY ELECTRONIC FUNDS TRANSFER (EFT)

S corporations whose Arizona corporate income tax liability for the preceding taxable year was \$20,000 or more must make Arizona corporate estimated tax payments via the EFT program. If the S corporation makes its estimated tax payments by EFT, the S corporation should not submit Form 120ES to the department.

S corporations required to make estimated tax payments via EFT must complete the department's EFT authorization agreement at least 30 days prior to initiation of the first applicable transaction.

S corporations whose Arizona corporate income tax liability for the preceding taxable year was less than \$20,000 may elect voluntary participation in the EFT program. Voluntary participants in the program must complete the department's EFT authorization agreement at least 30 days prior to the first applicable transaction.

**NOTE:** *S corporations required to make corporate estimated payments via EFT that fail to do so are subject to a penalty of 5% of the amount of the payment not made by EFT. See A.R.S. § 42-1125(O).*

*For additional information on EFT, refer to A.R.S. § 42-1129 and the related Arizona Administrative Code rules (A.A.C. R15-10-301 through R15-10-307).*

#### **ESTIMATED TAX PAYMENTS VIA THE INTERNET**

S corporations must be licensed by the department before they can register to pay taxes online. Visit [www.AZTaxes.gov](http://www.AZTaxes.gov) to register and make estimated tax payments over the Internet. If a S corporation makes its estimated tax payments via the Internet, the S corporation should not submit Form 120ES to the department.

#### **Electronic payment from checking or savings account**

Estimated tax payments can be made electronically from a checking or savings account. Visit [www.AZTaxes.gov](http://www.AZTaxes.gov) and choose the e-check option. There is no fee to use this method. This payment method will debit the amount from the specified checking or savings account on the date specified. If an electronic payment is made from a checking or savings account, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

#### **Credit card payment**

Estimated tax payments can be made via American Express, Discover, MasterCard or VISA credit cards. Visit [www.AZTaxes.gov](http://www.AZTaxes.gov) and choose the credit card option. This will take you to the website of the credit card payment service provider. The service provider will charge a convenience fee based on the amount of the tax payment. The service provider will disclose the amount of the convenience fee during the transaction and the option to continue or cancel the transaction will be presented. If you accept the convenience fee and complete the credit card transaction, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

#### **Penalties and Interest**

**A. Late Filing Penalty.** A return filed after the original due date is subject to the late filing penalty unless the S corporation has a valid federal or Arizona extension. A return filed after its extended due date is also subject to the late filing penalty. The late filing penalty is 4.5% (.045) of the amount of tax required to be shown on the return. "Amount of tax required to be shown on the return" is the amount of tax imposed less the amount of any part of the tax paid on or before the beginning of the month and the amount of any credit against the tax which may be claimed on the return. The penalty period is each month or fraction of a month between the due date of the return and the date the S corporation filed the return. The maximum penalty is 25% of the tax found to be remaining due.

**B. Extension Underpayment Penalty.** The S corporation must pay 90% of the tax liability disclosed by the S corporation's return on or before the original due date of the return. The department imposes the extension underpayment penalty on any late or underpaid extension payments. The extension underpayment penalty is 0.5% (.005) of the tax not paid. The penalty period is each 30-day period or fraction thereof

between the original due date of the return and the date the S corporation paid the tax. The maximum penalty is 25% of the unpaid tax. S corporations subject to the extension underpayment penalty are not subject to the late payment penalty described in C below.

**C. Late Payment Penalty.** The department imposes the late payment penalty on any amount shown as tax on a return that is not paid by the date prescribed for its payment. "Amount of tax shown on the return" is the amount of tax imposed shown on the return less the amount of any part of the tax paid on or before the beginning of the month and the amount of any credit against the tax which may be claimed on the return. The late payment penalty is 0.5% (.005) of the unpaid tax for each month or fraction of a month that the tax remains unpaid, not to exceed 10% of the unpaid tax.

**NOTE:** *If more than one of the penalties described in A, B, or C apply, the maximum combined penalty is 25%.*

Refer to *CTR 09-1, When do Penalties Apply to an Income Tax Return Filed Under an Extension*, regarding the application of penalties to returns filed under extension.

**D. Information Return Penalty.** This form is an information return when no tax liability is due. The penalty for failing to file, filing late (including extensions), or filing an incomplete information return is \$100 for each month, or fraction of a month, that the failure continues, up to a maximum penalty of \$500.

**E. Interest.** The department assesses interest on any portion of the tax, whether determined by the department or the S corporation, not paid by the date prescribed for its payment. The department applies interest, compounded annually, in the same manner and at the same time as prescribed by IRC § 6621, except that the Arizona rate of interest for both underpayments and overpayments for all S corporations is the federal underpayment rate under IRC § 6621(a)(2).

On January 1 of each year, the department adds any interest outstanding as of that date to the principal amount of the tax. It is then a part of the principal amount of the tax and accrues interest until paid.

**F. Underpayment of Estimated Tax Penalty.** The department imposes the underpayment of estimated tax penalty on any late payment or underpayment of a required installment of estimated tax. Refer to Form 220 for further details. The penalty imposed is the penalty prescribed by *A.R.S. § 43-582*, for the applicable period.

The S corporation must complete Form 220, *Underpayment of Estimated Tax by Corporations*, if it made its estimated tax payments based on either the annualized income installment or adjusted seasonal installment methods, or if it is a large corporation that computed its first required installment based on the S corporation's tax liability for the prior taxable year. This is required even if no penalty is due.

The S corporation does not have to complete Form 220 if the S corporation made its estimated tax payments in four equal installments based on an amount equal to either 90% of the current taxable year's tax liability or 100% of the prior year's tax liability. "Tax liability" here means the liability reduced by any refundable tax credits and the claim of right adjustment, if applicable.

The department will compute the estimated tax underpayment penalty based on either of these methods and notify the S corporation of any amount due.

### Payment of Tax

The entire amount of any tax for which the S corporation itself is liable is due by the original due date of the return. Payments can be made via check, e-check, money order, or credit card. Visit [www.AZTaxes.gov](http://www.AZTaxes.gov) to register and make payments via the internet.

### Disaster Relief for Out-of-State Businesses

If an out-of-state business is in Arizona on a temporary basis solely for the purpose of performing disaster recovery from a declared disaster during a disaster period, it may not be required to file, remit, withhold or pay state or local (income) tax. See *Publication 720, Disaster Recovery Tax Relief* to determine if the taxpayer qualifies for this relief.

### Arizona Apportionment Methods

There are three apportionment methods for multistate S corporation income tax returns filed to Arizona: (1) air carrier apportionment; (2) standard apportionment; and (3) enhanced apportionment.

Air carriers are required to use revenue miles. All other taxpayers may select either the standard or the enhanced apportionment method.

#### 1. Air Carrier Apportionment

An air carrier is required to use revenue miles to calculate its apportionment ratio. Check the box on line A on page 1, fill out Schedule ACA, and include it with your return. Do not complete Schedule A.

#### 2. Standard Apportionment Formula

All non-air carrier taxpayers are allowed to continue to use Arizona's standard apportionment formula, which double-weights the sales factor. Check the box on line A on page 1 and complete Schedule A using the number on the left-hand side of line A3e, column A, to double-weight the sales factor. Divide the total ratio by four.

#### 3. Enhanced Apportionment Formula

All non-air carrier taxpayers may use Arizona's enhanced apportionment formula, which is determined by adding two and one-half (2.5) times the property factor plus two and one-half (2.5) times the payroll factor plus ninety-five (95) times the sales factor and dividing the total by 100. Check the box on line A on page 1 and complete Schedule A using the numbers on the right-hand side of line A1d, A2b and A3e, column A, to weight each of the three apportionment factors respectively.

### MULTISTATE SERVICE PROVIDER

*For taxable years beginning from and after December 31, 2013, taxpayers that qualify, may elect to treat sales from service as being sourced to Arizona based on a combination of income producing activity sales and market sales. (See: Part A of Schedule MSP to determine if the taxpayer qualifies.) Multistate taxpayers that qualify to be a Multistate Service Provider (MSP) may use the MSP to source their Arizona sales under either the "Standard" or the "Enhanced" apportionment formulas. Taxpayers that qualify and who want to make the*

*election, should check the applicable boxes on line B on page 1 of the return and include Schedule MSP with the return. See the specific instructions for the apportionment formula beginning on page 10 of these instructions. Also refer to A.R.S. § 43-1147 and Schedule MSP instructions for more information.*

## Specific Instructions

For calendar year filers, check the box, "calendar year 2016". For fiscal year filers, check the box, "fiscal year" and enter the beginning and ending dates for the fiscal year.

Type or print the required information in the name, address, and information boxes on the top of page 1. If the taxpayer has a foreign address, enter the information in the following order: city, province or state, and country. Follow the country's practice for entering the postal code. **Do not abbreviate the country's name.**

Enter the S corporation's employer identification number (EIN). Subsidiaries would enter the parent S corporation's Taxpayer Identification Number (TIN).

### NOTE:

- All returns, statements, or other documents filed with the department must have the taxpayer's EIN or TIN indicated on them.
- Taxpayers who fail to include their EIN or TIN may be subject to a penalty.
- Paid tax return preparers must include their TIN where requested.
- The TIN for a paid tax return preparer is:
  - The preparer's PTIN
  - The preparer's social security number
  - The EIN of the preparer's employer
- Paid tax return preparers who fail to include their TIN may be subject to a penalty.

### Box 68

- If this is the taxpayer's first return filed to Arizona, check the box "This is a first return".
- If the taxpayer changed its name during the tax year, check the box, "Name change".
- If the tax taxpayer changed its address during the tax year, check the box, "Address change".

### Box 82F

- Check this box if this return is being filed under extension.

### Line A:

- If the S corporation is a multistate S corporation, check the appropriate box indicating its method of apportioning income to Arizona.
  - If the S corporation utilized the Air Carrier apportionment, check the box "AIR CARRIER", complete Form ACA and include Form ACA with this return.
  - If the S corporation utilized the Standard apportionment formula, check the box "Standard".
  - If the S corporation utilized the Enhanced apportionment formula, check the box "Enhanced".
- If the S corporation is not a multistate S corporation, or did not apportion its income to Arizona, do not check any boxes.



**Line B:**

- Check this box only if the S corporation elected to be treated as a multistate service provider by completing Arizona Schedule MSP and including it with this return. If this box is checked, check the appropriate box, Yr 1 through Yr 5, to indicate the year of the taxpayer's election cycle.
- If the S corporation did not elect multistate service provider treatment, do not check any boxes.

**Line C:** If this is the S corporation's final Arizona tax return filed under this Employer Identification Number (EIN), check the box labeled "Yes". If not, check the box labeled "No".

- If the "Yes" box is checked, check the box indicating the reason this is the S corporation's final Arizona tax return.
  - The S corporation dissolved
  - The S corporation withdrew from operating in Arizona
  - The S corporation merged or reorganized
  - List the EIN of the successor corporation, if any

**Line D:** If the S corporation conducts business within and without Arizona, check the box labeled "Yes". If not, check the box labeled "No".

**Line E:** If a composite return will be filed on Form 140NR, check the box labeled "Yes". If not, check the box labeled, "No".

**Line F:** Enter the total number of nonresident individual shareholders of the S corporation on this line. If none, enter "0".

**Line G:** Enter the total number of resident and part-year resident individual shareholders on this line. If none, enter "0".

**Line H:** Enter the total number of entity shareholders (exempt organizations, trusts, estates). Do not include individual shareholders.

**NOTE:** *The total of the amounts entered for information questions F, G, and H should equal the total number of S corporation shareholders.*

*Use Schedule K-1 for resident or part-year resident individual shareholders, resident estate shareholders, and resident trust shareholders. Use Schedule K-1(NR) for all other shareholders.*

**Nonprofit Medical Marijuana Dispensary**

*Only a nonprofit medical marijuana dispensary (NMMD) under A.R.S. Title 36, Chapter 28.1, should fill out line I.*

*All other S corporations, go to line 1.*

**Line I:** Check the box to indicate that the S corporation is a NMMD and enter the registry identification number issued by the Arizona Department of Health Services.

**Arizona Income Computation**

**Line 1 - Total Distributive Income (Loss)**

Enter the net total of the pro rata share items of nonseparately computed income (loss) and separately stated income (loss) and deductions (from federal Form 1120-S, Schedule K).

**NOTE for NMMDs:** *A nonprofit medical marijuana dispensary should skip lines 2 through 25. Only fill out line 26 (Information Return Penalty), if applicable. Complete Schedule A (if a multistate NMMD) and Schedule B. Also include Schedule C, as directed on page 3 of Form 120S.*

**Income Subject to Federal and Arizona Corporate Income Taxes**

**Lines 2 through 4 - Excess Net Passive Income and Capital Gains/Built-in Gains**

If the S corporation was subject to the federal excess net passive income, capital gains tax, or built-in gains tax on its federal Form 1120-A, it is subject to Arizona corporate income tax on the total of this income. Use the federal worksheet included in the instructions for Form 1120-S to calculate the amount of excess net passive income and capital gains/built in gains that was subject to federal taxation.

**Line 2 – Excessive Net Passive Income**

Enter the amount of excess net passive income that was subject to federal corporate income tax.

**Line 3 – Capital Gains/Built In Gains**

Enter the amount of capital gains/built in gains that was subject to federal corporate income tax.

**Line 4 – Total Federal Income Subject to Corporate Income Tax**

Add line 2 and line 3. Enter the total.

- Multistate S corporations, continue to line 5.
- Wholly Arizona S corporations, skip to line 11.

**Lines 5 through 10 - Apportionment Computation (Multistate S corporations Only)**

An S corporation that has income from business activity taxable in more than one state is a multistate S corporation. An S corporation that has income from business activity that is taxable entirely within Arizona is a wholly Arizona S corporation.

*Wholly Arizona S corporations should skip lines 5 through 10 and go directly to line 11.*

Any S corporation that has income from business activity that is taxable both within and without Arizona must allocate and apportion its net income according to the Uniform Division of Income for Tax Purposes Act (UDITPA), A.R.S. §§ 43-1131 through 43-1150. See the instructions beginning on page 11 for more detailed information regarding apportionment of income.

**Line 5 - Nonapportionable or Allocable Income (Multistate S corporations Only)**

Nonbusiness income is nonapportionable and specifically allocable to a particular state. "Business income" means income arising from transactions and activity in the regular course of the taxpayer's trade or business, and includes income from tangible and intangible property if the acquisition, management, and disposition of the property constitute integral parts of the taxpayer's regular trade or business operations. (A.R.S. § 43-1131(1)).

"Nonbusiness income" means all income other than business income. (A.R.S. § 43-1131(4)). Refer to A.R.S. §§ 43-1134

through 43-1138 for the methods of allocating certain types of nonbusiness income.

Enter the total amount of all income (loss) which is nonapportionable or specifically allocable to Arizona. Include a schedule that details the amount of nonapportionable income subtracted on page 1, line 5.

**Line 7 - Arizona Apportionment Ratio (Multistate S corporations Only)**

Compute the apportionment factors according to the instructions for Schedule ACA or A. Enter on page 1, line 7, the average apportionment ratio from Schedule ACA, line 3, or from Schedule A, line A5, column C. Carry out the decimal to six places.

**Line 9 - Other Income Allocated to Arizona (Multistate S corporations Only)**

Enter the total amount of all income (loss) that is specifically allocable to Arizona. DO NOT include the amount of any nonbusiness income which is allocable to another state on this line. Include a schedule that details the amount of income that is allocable to Arizona.

**Arizona Tax Liability Computation**

Is the S corporation subject to federal and Arizona corporate income tax? If so, the S corporation must complete lines 2 through 25. Is the S corporation subject to Arizona corporate income tax from the recapture of the Arizona credits for environmental technology facilities, healthy forest enterprises, renewable energy industry or qualified facilities? If so, the S corporation must complete lines 13 through 25, even if not required to complete lines 2 through 12.

**Line 12 - Arizona Tax**

The S corporation is subject to the tax computed on line 12 only if it has income subject to tax at the corporate level on the federal Form 1120-S, even if line 11 is zero or a negative amount. Pursuant to A.R.S. § 43-1111, the amount of the tax is the greater of \$50 or 5.5% of the net income subject to Arizona corporate income tax (line 11).

**Line 13 - Tax From Recapture of Tax Credits**

Enter the amount of tax due from the recapture of tax credits from Form 300, Part 2, line 31.

**Line 14 - Subtotal**

Add lines 12 and 13. This is the amount of tax to which the total amount of tax credits claimed by the taxpayer may be applied.

**Line 15 - Nonrefundable Tax Credits**

Enter the allowable nonrefundable tax credit amount from Form 300, Part 2, line 56. This amount cannot be larger than the amount on line 14. Include the completed credit forms and Form 300 with the tax return.

- **Enterprise Zone Credit.** The enterprise zone credit has been repealed. The repeal did not affect carryforwards of properly established credits. Complete Form 304 to claim carryforwards established in prior years.
- **Environmental Technology Facility Credit.** This tax credit is for costs incurred in constructing a qualified environmental technology manufacturing, producing, or

processing facility as described in A.R.S. § 41-1514.02. Complete Form 305 to claim this tax credit.

- **Military Reuse Zone Credit.** This tax credit is for net increases in employment of full-time employees working in a military reuse zone established under Arizona law. Complete Form 306 to claim this tax credit.
- **Credit for Increased Research Activities.** This tax credit is for taxpayers who incur qualified research expenses for research conducted in Arizona. A portion of the excess credit claimed for taxable years beginning from and after December 31, 2009, may be refundable with approval from the Arizona Commerce Authority. Be sure to include only the nonrefundable portion on line 15. Complete Form 308 to claim this tax credit.
- **Pollution Control Credit.** This tax credit is for expenses incurred during the taxable year to purchase real or personal property used in the taxpayer's trade or business in Arizona to control or prevent pollution. Complete Form 315 to claim this tax credit.
- **Credit for Taxes Paid for Coal Consumed in Generating Electrical Power.** This tax credit is for a percentage of the amount paid by the seller or purchaser as transaction privilege tax or use tax for coal sold to the taxpayer that is consumed in the generation of electrical power in Arizona. Complete Form 318 to claim this tax credit.
- **Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets.** This tax credit is for the installation of solar hot water heater plumbing stub outs and electric vehicle recharge outlets in houses or dwelling units constructed by the taxpayer. The houses or dwelling units must be located in Arizona. Complete Form 319 to claim this tax credit.
- **Credit for Employment of TANF Recipients.** This tax credit is for net increases in qualified employment for recipients of temporary assistance for needy families (TANF) who are residents of Arizona. Complete Form 320 to claim this tax credit.
- **Agricultural Pollution Control Equipment Credit.** This tax credit is for expenses incurred during the taxable year to purchase tangible personal property that is primarily used in the taxpayer's business in Arizona to control or prevent agricultural pollution. Complete Form 325 to claim this tax credit.
- **Credit for Donation of School Site.** This tax credit is for the donation of real property and improvements to an Arizona school district or Arizona charter school for use as a school or as a site for the construction of a school. Complete Form 331 to claim this tax credit.
- **Credits for Healthy Forest Enterprises.** These tax credits are for net increases in qualified employment positions in a healthy forest enterprise and net training and certifying costs. Use Form 332 to claim these tax credits.
- **Credit for Employing National Guard Members.** This tax credit is for an employer who has an employee that is

a member of the Arizona National Guard and the employee was placed on active duty. Use Form 333 to claim this tax credit.

- **Credit for Corporate Contributions to School Tuition Organizations.** This credit is for corporations who make contributions to school tuition organizations which provide scholarships and tuition grants to children attending qualified nongovernmental schools. Use Form 335 to claim this tax credit.
- **Credit for Solar Energy Devices - Commercial and Industrial Applications.** This credit is available to taxpayers that install solar energy devices for commercial, industrial, or any other nonresidential purpose in the taxpayer's trade or business located in Arizona. The taxpayer or an exempt organization may transfer the credit to a third party that either financed, installed, or manufactured the qualifying solar energy device. Use Form 336 to figure this tax credit.
- **Credit for Water Conservation System Plumbing Stub Outs.** The credit for water conservation system plumbing stub outs has expired. This credit may not be claimed for taxable years ending after December 31, 2011. However, any credit carryover established in calendar year 2011 and prior will be allowed for not more than five consecutive taxable years. Use Form 337 to figure any allowable credit carryover. Taxable year 2016 is the last year a taxpayer may claim a carryforward of this credit.
- **Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students with Disabilities.** This tax credit is for corporations who make contributions to school tuition organizations that provide scholarships and tuition grants to qualifying children attending qualified nongovernmental schools. Use Form 341 to claim this tax credit.
- **Renewable Energy Production Tax Credit.** This tax credit is for taxpayers that produce electricity using qualified energy resources. Approval by the Arizona Department of Revenue is required prior to claiming this tax credit. Use Form 343 to claim this tax credit.
- **Solar Liquid Fuel Credit.** This credit is for taxpayers in the solar liquid fuel industry. Credits are allowed for taxpayers who:
  - Have increased research and development activities in Arizona related to solar liquid fuel.
  - Produce solar liquid fuel in Arizona in commercial quantities.
  - Incur costs to convert or modify existing motor vehicle service stations for the retail sale of solar liquid fuel to customers in Arizona.
 Use Form 344 to claim this tax credit.
- **Credit for New Employment.** This tax credit is for taxpayers that have net increases in employment. The credit limit is administered by the Arizona Commerce Authority. Use Form 345 to claim this tax credit.
- **Additional Credit for Increased Research Activities for Basic Research Payments.** This tax credit is for taxpayers that make qualified basic research payments for research conducted in Arizona. Approval by the Arizona

Department of Revenue is required prior to claiming this tax credit. Use Form 346 to claim this tax credit.

- **Credit for Qualified Health Insurance Plans.** The credit for qualified health insurance plans has been repealed. All credits for qualified health insurance plans that were properly established can be carried forward for the respective three year carry forward period. Use Form 347 to claim this carry-forward tax credit.
- **Credit for Renewable Energy Investment and Production for Self-Consumption by Manufacturers and International Operations Centers.** This tax credit is for investment in new renewable energy facilities that produce energy for self-consumption using renewable energy resources if the power will be used primarily for manufacturing or for International Operations Centers. Use Form 351 to claim this tax credit.

Complete the appropriate credit form for each tax credit. Include the completed credit form and Form 300 with the tax return.

*Amended Returns:* Include the completed credit form(s) and Arizona Form 300 with the amended Form 120S, whether or not the amount claimed on line 15 has changed.

**Line 16 - Credit Type**

Indicate which nonrefundable tax credits were used on line 15 by entering the applicable form number(s) in the space provided.

| Nonrefundable Income Tax Credit  | Form |
|--|------|
| Enterprise Zone Credit   | 304  |
| Environmental Technology Facility Credit   | 305  |
| Military Reuse Zone Credit   | 306  |
| Credit for Increased Research Activities   | 308  |
| Pollution Control Credit   | 315  |
| Credit for Taxes Paid for Coal Consumed in Generating Electrical Power   | 318  |
| Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets                                       | 319  |
| Credit for Employment of TANF Recipients   | 320  |
| Agricultural Pollution Control Equipment Credit  | 325  |
| Credit for Donation of School Site   | 331  |
| Credits for Healthy Forest Enterprises   | 332  |
| Credit for Employing National Guard Members  | 333  |
| Credit for Corporate Contributions to School Tuition Organizations   | 335  |
| Credit for Solar Energy Devices - Commercial and Industrial Applications   | 336  |
| Credit for Water Conservation System Plumbing Stub Outs  | 337  |
| Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students With Disabilities          | 341  |
| Renewable Energy Production Tax Credit   | 343  |
| Solar Liquid Fuel Credit   | 344  |
| Credit for New Employment  | 345  |
| Additional Credit for Increased Research Activities for Basic Research Payments  | 346  |
| Credit for Qualified Health Insurance Plans  | 347  |
| Credit for Renewable Energy Investment and Production for Self-Consumption by Manufacturers and International Operations Centers | 351  |

**Line 17 - Arizona Tax Liability**

Subtract line 15 from line 14. If line 15 is more than line 14, enter zero (0). Line 17 cannot be a negative amount.

**Tax Payments and Refundable Credits**

**Line 18 - Refundable Tax Credits**

Check the box(es) marked 308, 342 and/or 349 to indicate which of these tax credits the taxpayer is claiming. Enter the total amount of the credits claimed on line 18.

**Credit for Increased Research Activities.** A portion of this tax credit is refundable for qualified taxpayers. The refund is limited to 75% of the excess credit, which is the current year's credit less the current year's tax liability, not to exceed the amount approved by the Arizona Commerce Authority. Include a copy of your "Certificate of Qualification" from the Arizona Commerce Authority, Form 300, and Form 308 with your tax return. Enter the amount from Form 308, Part 7, line 44.

**Credit for Renewable Energy Industry.** This tax credit is for expanding or locating qualified renewable energy operations in Arizona and is refundable in five equal installments. Pre-approval and post-approval are required through the Arizona Commerce Authority. Include a copy of your "Certification of Qualification" from the Arizona Commerce Authority and Form 342 with your tax return to claim this credit. Enter the amount from Form 342, Part 6, line 18.

**Credit for Qualified Facilities.** This tax credit is for expanding or locating a qualified facility in Arizona and is refundable in five equal installments. Pre-approval and post-approval are required through the Arizona Commerce Authority. Include a copy of your "Certification of Qualification" from the Arizona Commerce Authority and Form 349 with your tax return to claim this credit. Enter the amount from Form 349, Part 8, line 18.

If you are claiming more than one of the refundable tax credits, check the appropriate boxes and add the amounts from the credit forms together and enter the total on line 18, or use the following worksheet to figure the amount to enter on line 18.

| Refundable Credit Worksheet  |  |
|--|--|
| 1. Enter the refundable credit from Form 308, Part 7, line 44.                           |  |
| 2. Enter the apportioned credit from Form 342, Part 6, line 18.                          |  |
| 3. Enter the apportioned credit from Form 349, Part 8, line 18.                          |  |
| 4. Add the amounts on lines 1, 2, and 3. Enter the total here and on Form 120S, line 18. |  |

*Amended Returns:* Include the completed credit form(s) with the amended Form 120S, with Form 300, if applicable, whether or not the amount claimed on line 18 has changed.

**Line 19 - Extension Payments**

*Original Returns:* Enter any payment made with the request for extension of time to file the income tax return or made online by the original due date.

*Amended Returns:* Enter any payment made with the request for an extension of time to file the original return or made online by the original due date. DO NOT include or enter the amount of any penalties or interest paid.

**Line 20 - Estimated Payments**

*Original Returns:* Enter the total amount paid by the S corporation for the taxable year. Include a schedule listing dates and payments made.

*Amended Returns:* Enter the total amount of estimated tax payments made by the S corporation for the taxable year. Do not include the amount of any penalties paid, or any reduction for the amount of an overpayment that was designated as an estimated tax payment for 2016 on a prior return.

**Line 21 - Total Payments**

*Original Returns:* Add lines 18, 19 and 20. Enter the total.

*Amended Returns:* Enter the total amount of tax payments made for the taxable year. Compute the total as follows:

- Add the amounts entered on lines 18, 19 and 20.
- Add the amount of a payment sent with the original return (if any);
- Add the amount of any payments made after the original return was filed; and
- Subtract the amount of any overpayment of tax (from the original return, line 23) and the total amount of any overpayments from an Arizona Department of Revenue correction notice, a prior amended return, or an audit.
- Do not include or enter the amount of any penalties or interest paid.

**Computation of Total Due or Overpayment**

**Line 22 - Balance of Tax Due**

If the amount on line 17 is **larger** than the amount on line 21, there is a balance of tax due. Subtract line 21 from line 17, and enter the difference. Skip line 23.

**Line 23 - Overpayment of Tax**

If the amount on line 21 is **larger** than the amount on line 17, there is an overpayment of tax. Subtract line 17 from line 21, and enter the difference.

**Line 24 - Penalty and Interest**

The S corporation may choose to calculate any penalty and interest due as a result of late filing, late payment of tax, or extension underpayment of tax. Interest is calculated on the amount shown on line 22 at the prevailing rate. The interest period is from the original due date of the return to the payment date. See the "Penalties and Interest" section beginning on page 3 of these instructions.

**Do not include or enter the amount from the Estimated Tax Underpayment Penalty.**

If the S corporation chooses not to calculate interest and penalties, the department will calculate them, and include that amount in any refund, or bill the taxpayer, as appropriate.

**Line 25 - Estimated Tax Underpayment Penalty**

*Original returns:* The S corporation DOES NOT HAVE TO COMPLETE Form 220, *Underpayment of Estimated Tax by Corporations*, if the S corporation made estimated tax payments equal to 90% of the current taxable year's tax liability, and paid in four equal installments. The department will compute the underpayment of estimated tax penalty based on this method and notify the S corporation of any amount due.

If the S corporation elects to have the department compute the penalty, do not check box **25A** or enter an amount on line 25.

The S corporation **MUST COMPLETE** Form 220, even though no penalty is due, if it made its estimated tax payments based on any of the following methods:

- The annualized income installment method;
- The adjusted seasonal installment method; or
- An amount, paid in four equal installments, that is equal to the sum of:

Ninety percent of the portion of the current taxable year's Arizona tax liability that is attributable to built-in gains income or certain capital gains income; **plus**

One hundred percent of the portion of the prior taxable year's Arizona tax liability that is attributable to excess net passive income.

Enter the total penalty from Form 220, Part C, line 37. Include the completed Form 220 with the return **and** check box **25A**.

*Amended returns:* Do not recompute the estimated tax underpayment penalty. Enter the amount from line 25 of the original return or the amount from an Arizona Department of Revenue correction notice.

### **Line 26 - Information Return Penalty**

*Original Returns:* If no tax liability is due, and this return is filed late (including extension) or incomplete, enter the amount of the information return penalty on this line. The information return penalty is \$100 for each month, or fraction of a month, that the failure continues, up to a maximum penalty of \$500.

*Amended Returns:* Do not recompute the information return penalty. Enter the amount from line 26 of the original return or the amount from an Arizona Department of Revenue correction notice.

### **Line 27 - Total Due**

If the taxpayer had a balance of tax due on line 22, add line 22, line 24 and line 25. Enter the total on line 27. S corporations that do not have a tax liability, enter the amount from line 26. This is the total amount due. Payments can be made via check, electronic check, money order, or credit card.

### **Check or Money Order**

Make checks payable to Arizona Department of Revenue. Include the taxpayer's EIN on the front of the check or money order. Include the check or money order with the return.

### **Internet Payments**

Corporate taxpayers must be licensed by the department before they can register to pay taxes online. Visit [www.AZTaxes.gov](http://www.AZTaxes.gov) to register and make payments over the internet.

### **Electronic payment from checking or savings account**

Payments can be made electronically from a checking or savings account. Visit [www.aztaxes.gov](http://www.aztaxes.gov) and choose the e-check option. There is no fee to use this method. This payment method will debit the amount from the specified checking or savings account on the date specified. If an electronic payment is made from a checking or savings account, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

### **Credit card payment**

Payments can be made via American Express, Discover, MasterCard or VISA credit cards. Visit [www.aztaxes.gov](http://www.aztaxes.gov) and choose the credit card option. This will take you to the website of the credit card payment service provider. The service provider will charge a convenience fee based on the amount of the tax payment. The service provider will disclose the amount of the convenience fee during the transaction and the option to continue or cancel the transaction will be presented. If you accept the convenience fee and complete the credit card transaction, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

### **Line 28 - Overpayment**

If the taxpayer had an overpayment of tax on line 23, subtract the total of line 24 and line 25 from line 23. Enter a positive difference on line 28. This is the total overpayment. If the difference is negative, enter the difference as a positive number on line 27.

### **Line 29 - Overpayment Applied to Estimated Tax**

*Original Returns:* The taxpayer may apply part or all of an overpayment reported on line 28 as a 2017 estimated tax payment. Enter the applicable amount on line 29.

*Amended Returns:* The taxpayer may apply part or all of an overpayment reported on line 28 as a 2017 estimated tax payment, if this amended return is filed during the taxpayer's taxable year 2017. Enter the applicable amount on line 29.

### **Line 30 - Refund**

Subtract line 29 from line 28. Enter the difference. This is the net refund amount.

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### **APPORTIONMENT OF INCOME**

*A.R.S. §§ 43-1131 through 43-1150* govern the apportionment of income. A corporation that engages in activities both within and without Arizona must apportion its business income based on property, payroll, and sales in Arizona as compared with everywhere. "Everywhere" means the property, payroll, and sales factors related to the whole combined or consolidated business.

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### **NON-APPORTIONABLE INCOME**

Apportionment factors generating non-apportionable or non-taxable (i.e. U.S. Interest) income are not to be included in the calculation of the apportionment ratio.

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### **ADMINISTRATIVE RELIEF REQUESTS**

*A.R.S. § 43-1148* provides administrative relief if the allocation and apportionment provisions of UDITPA do not fairly represent the extent of the taxpayer's business activity in this state. The taxpayer may petition for or the department may require, in respect to all or any part of the taxpayer's business activity, if reasonable:

- Separate accounting, except with respect to an Arizona affiliated group, as defined in *A.R.S. § 43-947*.
- The exclusion of any one or more of the factors.
- The inclusion of one or more additional factors which will fairly represent the taxpayer's business activity in this state.
- The employment of any other method to effectuate an equitable allocation and apportionment of the taxpayer's income, other than disallowance of a properly elected consolidated return.

This section permits a departure from the allocation and apportionment provisions only in limited cases. *A.R.S. § 43-1148* may be invoked only if unusual fact situations produce incongruous results under the apportionment and allocation provisions. Taxpayers seeking such relief should submit a letter to the Corporate Income Tax Audit Section 60 days prior to the filing of the return setting forth the relief that is requested and the justification for the relief.

The department normally makes such determinations only upon audit of the taxpayer. Such a detailed examination of the specific facts and circumstances reveals whether such unusual fact situations and incongruous results exist.

**COMPUTING THE APPORTIONMENT RATIO**

When computing the factors of the apportionment ratio, carry the result out to six (6) places after the decimal. If the seventh (7<sup>th</sup>) place after the decimal is five (5) or more, round the sixth (6<sup>th</sup>) decimal place up to the next higher digit. If the seventh (7<sup>th</sup>) place after the decimal is less than five (5), leave the sixth (6<sup>th</sup>) place decimal as it is.

**Example #1:**

|                   |                |
|-------------------|----------------|
| Arizona Factor    | <u>123,456</u> |
| Everywhere Factor | 789,654        |
| Factor            | .1563418       |

The seventh (7<sup>th</sup>) digit after the decimal is “8”. Since “8” is greater than “5”, the sixth (6<sup>th</sup>) digit after the decimal is increased to the next higher digit, “2”.

The factor rounded to six (6) decimal places is .156342.

**Example #2:**

|                     |                |
|---------------------|----------------|
| Total Ratio         | <u>.179865</u> |
| Divided by          | 4              |
| Apportionment Ratio | .0449662       |

The seventh (7<sup>th</sup>) digit after the decimal is “2”. Since “2” is less than “5”, the sixth (6<sup>th</sup>) digit after the decimal remains “6”. No increase to the sixth (6<sup>th</sup>) digit after the decimal is made.

The apportionment ratio rounded to six (6) decimal places is .044966.

**Schedule ACA - AIR CARRIER Apportionment Formula  
(Multistate S corporation Air Carriers Only)**

*A.R.S. § 43-1139(B)* requires a taxpayer that is a qualifying air carrier to use revenue miles to apportion its business income to Arizona. The taxpayer must be engaged in air commerce. “Air commerce” means transporting persons or property for hire by aircraft in interstate, intrastate or international transportation.

The taxpayer must complete Schedule ACA. Schedule ACA is available on the department’s website. Check the box on line A on page 1. Do not complete Schedule A.

**NON-AIR CARRIER APPORTIONMENT FORMULA  
(NON-AIR CARRIER MULTISTATE S CORPORATIONS ONLY)**

Non-air carrier multistate S corporations have the opportunity to choose one of two apportionment formulas for calculating the apportionment ratio:

- The enhanced apportionment formula, or
- The standard apportionment formula.

Check the box on line A of page 1 of the return to indicate which apportionment formula, “Standard” or “Enhanced”, will be used to calculate the apportionment ratio on the S corporation’s return. Whichever apportionment method is indicated, the taxpayer must complete the apportionment ratio using that formula. (The taxpayer cannot use “Standard” to calculate one factor of the ratio, and “Enhanced” to calculate another factor of the ratio.)

For the standard apportionment ratio, the numerator of the fraction of the standard apportionment formula is the property factor plus the payroll factor plus two times the sales factor. The denominator of the fraction is four. Use the numbers located on the left-hand side of Schedule A, column A, to weight the property, payroll, and sales factors respectively.

For the enhanced apportionment ratios, the numerator of the fraction is two and one-half (2.5) times the property factor plus two and one-half (2.5) times the payroll factor plus ninety-five (95) times the sales factor. The denominator of the fraction is 100. Use the numbers located on the right-hand side of Schedule A, column A to weight the property, payroll, and sales factors respectively.

Taxpayers apportioning income or (loss) must complete lines 5 through 10 on page 1.

**Line A1 - Property Factor**

The Property Factor is a fraction that represents the average value of the taxpayer’s property owned or rented and used in Arizona to the total average value of the taxpayer’s property owned or rented and used during the tax period.

The value of tangible personal property and real property owned by the taxpayer is its original cost. The taxpayer normally determines the average value of its owned property by averaging the values at the beginning and ending of the tax period. Property used to generate non-apportionable or non-taxable income is not included in the property factor.

The value of tangible personal property and real property rented by the taxpayer is eight (8) times its net annual rental rate. The net annual rental rate is the annual rental rate paid by the taxpayer for rented property, less the aggregate annual subrental rates paid by subtenants of the taxpayer. The taxpayer automatically achieves averaging for rented property by the method of determining the net annual rental rate of such property.

For a discussion of the treatment of computer software in the property factor, refer to *CTR 01-2, How Does a Taxpayer Filing an Arizona Corporate Income Tax Return Determine Whether Computer Software is Included in the Property Factor*.

Report real property situated and tangible personal property permanently located in Arizona as property within Arizona. Attribute the value of mobile property to Arizona based on the total time that the property was within Arizona.

**Taxpayers Electing “STANDARD APPORTIONMENT”**

- Check the box labeled “STANDARD” on line A of the return.
- Divide the numerator of the property factor by the denominator. The result is the “Standard” property factor. Express the ratio as a decimal carried out to six (6) places. The property factor will not exceed 1.0.

**Taxpayers Electing "ENHANCED APPORTIONMENT"**

- Check the box labeled "ENHANCED" on line A of the return.
- Multiply the numerator of the property factor by two and one-half (2.5). Divide that result by the denominator. The result is the "Enhanced" property factor. Express the ratio as a decimal carried out to six (6) places. The property factor may exceed 1.0 but may not exceed 2.5.

For additional information on the property factor, refer to:  
*A.R.S. §§ 43-1140 through 43-1142*  
*A.A.C. R15-2D-601 through R15-2D-607 and R15-2D-902*  
*CTR 01-2, How Does a Taxpayer Filing an Arizona Corporate Income Tax Return Determine Whether Computer Software is Included in the Property Factor*

**Line A2 - Payroll Factor**

The Payroll Factor is a fraction that represents the compensation paid in Arizona by the taxpayer to the total compensation paid by the taxpayer during the tax period.

Report the salaries, wages, or other compensation of officers, employees, etc., as within Arizona if the performance of their services occurs entirely in Arizona. This rule applies regardless of where payment is made or control exercised. This rule also applies regardless of whether the performance of the services is partly or wholly in connection with the apportionable business carried on outside the state or in interstate or foreign commerce. Payroll used to generate non-apportionable or non-taxable income is not included in the payroll factor.

Allocate the compensation of officers and employees who perform services partly within and partly without Arizona to this state when:

- The services performed outside of Arizona are incidental to the employee's service within Arizona; or
- The employee's base of operation is in Arizona; or
- The employee has no base of operation in any state but the direction or control of the employee is from Arizona; or
- The employee has no base of operation in any state, and there is no direction or control from a state in which the employee performs some part of his services, but the employee's residence is in Arizona.

**Taxpayers Electing "STANDARD APPORTIONMENT"**

- Check the box labeled "STANDARD" on line A of the return is checked
- Divide the numerator of the payroll factor by the denominator. The result is the "Standard" payroll factor. Express the ratio as a decimal carried out to six (6) places. The payroll factor will not exceed 1.0.

**Taxpayers Electing "ENHANCED APPORTIONMENT"**

- Check the box labeled "ENHANCED" on line A of the return.
- Multiply the numerator of the payroll factor by two and one-half (2.5). Divide that result by the denominator. The result is the "Enhanced" payroll factor. Express the ratio as a decimal carried out to six (6) places. The payroll factor may exceed 1.0 but may not exceed 2.5.

For additional information on the payroll factor, refer to:  
*A.R.S. §§ 43-1143, 43-1144*  
*A.A.C. R15-2D-701 through R15-2D-705*

**Line A3 - Sales Factor**

The Sales Factor is a fraction that represents the total sales of the taxpayer in Arizona to the total sales of the taxpayer during the tax period.

"Sales" includes all gross receipts from transactions and activities in the course of the regular trade or business that produce income. (Gross receipts from non-apportionable or non-taxable income are not included in the sales factor.)

Sales of tangible personal property are sourced on a destination sales basis. Sales of real property is determined based on the location of the property. Generally, sales of other than tangible personal property is determined based on the location where the income producing activity occurs. Service income is determined based on the location of the income producing activity, *unless* the taxpayer elected to be treated as a Multistate Service Provider (MSP). (See the box below for a description of an MSP.)

***TAXPAYERS THAT QUALIFY AS MULTISTATE SERVICE PROVIDERS ELECTING TO SOURCE SALES OF SERVICES TO ARIZONA USING A COMBINATION OF INCOME PRODUCING ACTIVITY SALES AND MARKET SALES***

*For taxable years beginning from and after December 31, 2013, taxpayers that qualify as a MSP may elect to treat sales from service as being sourced to Arizona based on a combination of income producing activity sales and market sales. Multistate taxpayers complete Schedule MSP to determine if they qualify as a MSP. If the taxpayer qualifies, and wishes to make the election, the completed Schedule MSP must be included with the taxpayer's original, timely-filed tax return. (The election to be treated as a MSP **cannot** be made on an amended return.) Once made, the election is binding for five (5) years. For each year of the election period, Schedule MSP must be completed by the taxpayer to source sales from services to Arizona. Once Schedule MSP is completed, the taxpayer can compute the sales factor.*

*Taxpayers that qualify, and who want to make the election, should:*

- *Ensure the completed Schedule MSP is included with the return*
- *Ensure the box on Line B of the return is checked*
- *Ensure the box indicating the year of the election cycle is checked*
- *Enter on line A3b, column A, the Arizona sales from services from the completed Schedule MSP, line B5.*
- *Complete the calculation of the sales factor following the instructions for the taxpayer's choice of the "STANDARD" or "ENHANCED" apportionment formula.*

**Taxpayers qualifying as an MSP, and electing to be treated as an MSP:**

- Enter the Arizona sales from services on line A3b from the completed Schedule MSP, line B5.

**Taxpayers not making the election to be treated as an MSP:**

- Include Arizona sales from services on line A3c.
- Leave line A3b blank.

**Taxpayers Electing "STANDARD APPORTIONMENT"**

- Check the box labeled "STANDARD" on line A of the return.
- Multiply the numerator of the sales factor by two (2). Divide that result by the denominator. The result is the "Standard" sales factor. Express the ratio as a decimal carried out to six (6) places. The sales factor will not exceed 2.0.

**Taxpayers Electing "ENHANCED APPORTIONMENT"**

- Check the box labeled "ENHANCED" on line A of the return.
- Multiply the numerator of the sales factor by ninety-five (95). Divide that result by the denominator. The result is the "Enhanced" sales factor. Express the ratio as a decimal carried out to six (6) places. The sales factor may exceed 2.0 but may not exceed 95.0

For more information on the sales factor, refer to:

*A.R.S. §§ 43-1145 through 43-1147*

*A.A.C. R15-2D-801 through R15-2D-807, and R15-2D-903*

*CTR 02-2, Apportionment of Installment Sale Gain*

*CTR 07-1, Inclusion of Short Term Investments in the Sales Factor*

**Line A4 - Total Ratio**

Add the ratios for the property factor, the payroll factor, and the sales factor in Column C. Enter the total.

**Line A5 - Average Apportionment Ratio**

**NOTE:** *Taxpayers must exclude a factor if both the numerator and the denominator of a factor are zero (0). Do not exclude a factor if the numerator of the factor is zero (0) and the denominator of a factor is greater than zero (0).*

**Taxpayers Electing "STANDARD APPORTIONMENT"**

*If either the property factor or the payroll factor is excluded, determine the average ratio by dividing the total ratio by three (3). If the sales factor is excluded, determine the average ratio by dividing the total ratio by two (2). If two of the factors are excluded, the remaining factor, without respect to any weighting, is the apportionment ratio.*

**Taxpayers Electing "ENHANCED APPORTIONMENT"**

*If either the property factor or the payroll factor is excluded, determine the average ratio by dividing the total ratio by ninety-seven and one-half (97.5). If the sales factor is excluded, determine the average ratio by dividing the total ratio by five (5). If two of the factors are excluded, the remaining factor, without respect to any weighting, is the apportionment ratio.*

**Taxpayers Electing "STANDARD APPORTIONMENT"**

Divide the total ratio, line A4, column C, by four (4). Enter the average ratio here and on page 1, line 7. Express the ratio as a decimal carried out to six (6) places.

**Taxpayers Electing "ENHANCED APPORTIONMENT"**

Divide the total ratio, line A4, column C by 100. Enter the average ratio in column C, and on page 1, line 7. Express the ratio as a decimal carried out to six (6) places.

**Schedule B - Other Information**

Answer all questions as accurately and completely as possible.

**Question B3:** List the name, title and telephone number of the individual who Arizona Department of Revenue employees may contact to schedule an audit of this return. Confidential information may be disclosed to a principal corporate officer, any person designated by a principal corporate officer, any person designated in a resolution by the corporate board of directors or other similar governing body, or to an individual designated as an authorized representative in a valid power of attorney. A principal corporate officer of a parent corporation may execute a written authorization for a controlled subsidiary. If this individual is not a principal corporate officer, or is not designated as an authorized representative in a valid power of attorney, the taxpayer understands and agrees that confidential information may be disclosed to this individual.

**Certification**

One or more of the following officers (president, treasurer, or any other principal corporate officer) must sign the return.

**Paid preparers:** Sign and date the return. Complete the firm name and address lines (the paid preparer's name and address, if self-employed). Enter the paid preparer's TIN, which is the firm's EIN or the individual paid preparer's social security number.

**Schedule K-1 - S corporation Instructions**

Use this schedule for resident or part-year resident individual shareholders, resident estate shareholders, and resident trust shareholders.

Form 120S, Schedule K-1, is only required if the S corporation has capital gain (loss). If the S corporation does not have any capital gain (loss) for the taxable year, the filing of Form 120S, Schedule K-1, is not necessary.

Type or print the required information in the name, address, and information boxes on the top of the Form 120S, Schedule K-1. Indicate whether the S corporation's taxable year is a calendar year or a fiscal year; if a fiscal year, indicate the period covered by the taxable year on the schedule. Indicate whether this is an original or an amended schedule.

**Part 1: Net Capital Gain from Investment in a Qualified Small Business – Information Schedule**

For taxable years beginning from and after December 31, 2013, Arizona allows a subtraction from Arizona gross income for any net capital gain derived from investment in a qualified small business and included in the individual taxpayer's federal adjusted gross income or the federal taxable income of the estate and trust. A qualified small business is determined by the Arizona Commerce Authority pursuant to *A.R.S. § 41-1518*. Although the subtraction is only available to individuals, estates and trusts, an S corporation shareholder that is a pass-through entity (estate or trust) will need this information to calculate its subtraction or complete the Arizona Form 141AZ, Schedule K-1 or Schedule K-1(NR), for each beneficiary.

If the shareholder's federal Schedule K-1 (Form 1120-S) includes any net capital gain (loss) from investment in a



qualified small business, the S corporation should complete Part 1, line 1 and Part 2, line 3. If Part 1, line 1, is zero, put zero on line 3.

If the shareholder's federal Schedule K-1 (Form 1120-S) does not include any net capital gain (loss) from investment in a qualified small business, the S corporation is not required to complete Part I and Part II, line 3.

## Part 2: Net Long-Term Capital Gain Subtraction – Information Schedule

Arizona allows a subtraction from Arizona gross income for a percentage of any net long-term capital gain from assets acquired **after** December 31, 2011 that is included in the individual taxpayer's federal adjusted gross income or the federal taxable income of the estate or trust. Although the subtraction is only available to individuals, estates and trusts, a shareholder that is a pass-through entity (estate or trust) will need this information to calculate the subtraction for the estate or trust or complete the Arizona Form 141AZ, Schedule K-1 or Schedule K-1(NR), for each beneficiary.

For the resident and part-year resident individual shareholder, Form 120S, Schedule K-1, provides information so the shareholder can calculate its subtraction for net long-term capital gain for assets acquired after December 31, 2011.

For the resident estate shareholder or resident trust shareholder, Form 120S, Schedule K-1, provides information to the shareholder so the shareholder can (1) calculate its subtraction for net long-term capital gain for assets acquired after December 31, 2011; and/or (2) provide information to each beneficiary so each beneficiary can calculate its subtraction for net long-term

Complete Part 2, line 2 and line 3 (if applicable) of Form 120S, Schedule K-1, as instructed on the form. If the shareholder's federal Schedule K-1 (Form 1120-S) does not include any capital gain (loss), the S corporation is not required to complete Part II.

A worksheet is provided at the end of these instructions that may assist the S corporation in determining the amounts to include in Part 2, line 2 for each shareholder's Form 120S, Schedule K-1.

### Schedule K-1(NR) - S corporation Instructions

Use this schedule for nonresident individual shareholders, nonresident estate shareholders, nonresident trust shareholders and exempt organization shareholders.

Type or print the required information in the name, address, and information boxes on the top of the Form 120S, Schedule K-1(NR). Indicate whether the S corporation's taxable year is a calendar year or a fiscal year; if a fiscal year, indicate the period covered by the taxable year on the schedule. Indicate whether this is an original or an amended schedule.

## Part 1: Share of Income and Deductions

### Column (a) - Distributive Share Amount

**Wholly Arizona S corporations** - in column (a), enter the distributive share amount for each line item from the federal Form 1120-S, Schedule K-1.

**Multistate S corporations** - in column (a), enter the nonresident shareholder's distributive share of the multistate S corporation's income (loss) that is subject to apportionment from the federal Form 1120-S, Schedule K-1.

### Column (b) - Arizona Apportionment Ratio

**Wholly Arizona S corporations** - enter 100%.

**Multistate S corporations** - enter the average ratio amount from Form 120S, Schedule A, line A5, column C, or Schedule ACA, line 3. (Refer to Schedule A or Schedule ACA instructions.)

### Column (c) - Arizona Source Income

**Wholly Arizona S corporations** - multiply column (a) by column (b). Enter the result in column (c).

**Multistate S corporations** - include a schedule that details (for each line item) the following computation:

- Step 1 The shareholder's distributive share of the S corporation's income subject to apportionment multiplied by the average ratio in column (b).
- Step 2 The shareholder's distributive share of the S corporation's income (loss) which is specifically allocable to Arizona.
- Step 3 The total of the amounts computed in steps 1 and 2 that is to be entered in column (c).

**NOTE:** Do not include the amount of any nonbusiness income allocable to another state in the total entered in column (c).

**All S corporations** - Column (c) is the shareholder's Arizona source income from the S corporation. Shareholders should refer to the instructions for Form 120S, Schedule K-1(NR), for information on completing their Arizona tax returns.

## Part 2: Net Capital Gain From Investment in a Qualified Small Business – Information Schedule

For taxable years beginning from and after December 31, 2013, Arizona allows a subtraction from Arizona gross income for any net capital gain derived from investment in a qualified small business and included in the individual taxpayer's federal adjusted gross income or the federal taxable income of the estate and trust. A qualified small business is determined by the Arizona Commerce Authority pursuant to *A.R.S. § 41-1518*. Although the subtraction is only available to individuals, estates and trusts, an S corporation shareholder that is a pass-through entity (estate or trust) will need this information to calculate its subtraction or complete the Form 141AZ, Schedule K-1 or Schedule K-1(NR), for each beneficiary.

If the shareholder's federal Schedule K-1 (Form 1120-S) includes any net capital gain (loss) from investment in a qualified small business, the S corporation should complete Part 2, line 16, and Part 3, line 18. If Part 2, line 16, is zero, put zero on line 18.

If the shareholder's federal Schedule K-1 (Form 1120-S) does not include any net capital gain (loss) from investment in a qualified small business, the S corporation is not required to complete Part II or Part III, line 18.

### Part 3: Net Long-Term Capital Gain Subtraction – Information Schedule

For the nonresident individual shareholder, Part III provides information so the shareholder can calculate its subtraction for net long-term capital gain for assets acquired after December 31, 2011.

For the nonresident estate shareholder or nonresident trust shareholder, Part 3 provides information so the shareholder can (1) calculate its subtraction for net long-term capital gain for assets acquired after December 31, 2011; and/or (2) provide information to each beneficiary so each beneficiary can calculate its subtraction for net long-term capital gain for assets acquired after December 31, 2011.

The subtraction is only available to individuals, estates, and trusts.

A worksheet is provided at the end of these instructions that may assist the S corporation in determining the amounts to include on Part 3, line 17, of each nonresident shareholder's Arizona Form 120S, Schedule K-1(NR).

#### Shareholder Reporting Requirements for 2016

##### Exempt Organization Shareholders

Exempt organization shareholders must file Form 99T, *Arizona Exempt Organization Business Income Tax Return*, to report the income (loss) from the S corporation. This income (loss) is included in the organization's unrelated business taxable income from the federal Form 990-T.

##### Resident or Part-Year Resident Individual Shareholders

Resident or part-year individual shareholders are taxable on their entire distributive share of income from the S corporation. The distributive share of income reported on the federal return will flow through to Form 140, *Resident Personal Income Tax Return* or Form 140PY, *Part-Year Resident Personal Income Tax*.

### Nonresident Individual Shareholders

Nonresident individual shareholders of S corporations operating in Arizona are subject to Arizona income tax on their distributive share of the income (loss) earned by the S corporation in Arizona. Refer to Arizona Form 120S, Schedule K-1(NR). Nonresident shareholders must file Form 140NR, *Nonresident Personal Income Tax Return*, to report this income (loss).

**Composite return:** The Arizona Department of Revenue will accept a composite return filed by the S corporation on Form 140NR for nonresident individual shareholders so long as the return includes ten or more participating members.

Refer to *Individual Income Tax Ruling (ITR) 16-2*, for more information regarding filing a composite return on Form 140NR.

### Estate and Trust Shareholders

Shareholders that are estates or trusts are taxable on their entire distributive share of income from the S corporation. Resident trust or estate distributive share income will flow through to Form 141AZ, *Arizona Fiduciary Income Tax Return*. Nonresident estate or trust distributive share income should be reported on Schedule A of Form 141AZ, *Arizona Fiduciary Income Tax Return*.

The instructions for the *Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired After December 31, 2011*, are on the next page.

**Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired After December 31, 2011**

Original return     Amended return

| Net long-term capital gain (loss) as reported on federal Schedule D (or other form/schedule) and included in the distributive share amount.   |   | (a)                               | (b)   | (c)  |
|---|---|-----------------------------------|---|--|
| Enter the total net long-term capital gain (loss) from the following forms in each applicable column. See instructions on the following page. |   | Net long-term capital gain (loss) | Net long-term capital gain (loss) included in column (a) from assets acquired <b>before</b> January 1, 2012 | Net long-term capital gain (loss) included in column (a) from assets acquired <b>after</b> December 31, 2011 |
| 1   | Long-term capital gain (loss) reported on federal Schedule D from Form(s) 8949. Combine the amounts and enter the total.  | 1                                 |   |  |
| 2   | Form(s) 6252 <i>Installment Sale Income</i>   | 2                                 |   |  |
| 3   | Form(s) 8824 <i>Like-Kind Exchanges</i>   | 3                                 |   |  |
| 4   | Pass-through from Estate, Partnership, and/or Trust – from Arizona Form 141AZ or Form 165, Schedule K-1 or Schedule K-1(NR).  | 4                                 |   |  |
| 5   | Any other long-term capital gain (loss)   | 5                                 |   |  |
| 6   | <b>Net long-term capital gain (loss).</b> Add lines 1 through 5 in each column and enter the total(s).<br><br>For each shareholder, enter the distributive share of the amounts from line 6 on Form 120S, Schedule K-1 or Schedule K-1(NR). | 6                                 |   |  |

## Worksheet Instructions

### Purpose of the Worksheet

Beginning in 2013, a subtraction is available for a percentage of any net long-term capital gain that is from an investment in an asset acquired after December 31, 2011, and included in an individual taxpayer's federal adjusted gross income or the federal taxable income of an estate or trust.

To take the allowable subtraction, the taxpayer must know whether the capital gain (loss) is considered short-term or long-term. Only the net long-term capital gain from assets acquired after December 31, 2011, is used to compute the allowable subtraction. For more information about determining whether a gain (loss) is short-term or long-term, see federal *Publication 544* at [www.irs.gov](http://www.irs.gov).

**NOTE:** *If you cannot verify that the capital gain is from the sale of an asset acquired after December 31, 2011, then the capital gain should be treated as a capital gain asset acquired before January 1, 2012.*

*An asset acquired by gift or inheritance is considered acquired on the date it was acquired by the gift-giver or the deceased individual.*

### Who Should Complete the Worksheet?

The S corporation can use this worksheet to calculate each shareholder's distributive share of the net long-term capital gain (loss) included in Schedule K of federal Form 1120-S for assets purchased after December 31, 2011.

Do not complete this worksheet if either of the following apply:

- The S corporation does not have any capital gain (loss) to report for the current tax year; or
- The S corporation does not have any net capital gain (loss) from asset(s) acquired after December 31, 2011, to report for the current tax year.

Keep the completed worksheet for the S corporation's records.

### Columns (a) through (c)

- Column (a) is the total amount of net long-term capital gain (loss) reported on Schedule D or other federal forms/schedules.
- Column (b) is the amount of the net long-term capital gain (loss) included in column (a) for assets acquired **before** January 1, 2012.
- Column (c) is the amount of the net long-term capital gain (loss) included in column (a) for assets acquired **after** December 31, 2011.

### Lines 1 through 5 - Capital Gain (Loss) Reported on Federal Schedule D

Enter the long-term capital gain (loss) from each federal form listed that was reported on the S corporation's federal Schedule D and included on Schedule K of federal Form 1120-S.

### Line 6 - Net Long-Term Capital Gain (Loss)

For each column, add the amounts on lines 1 through 5 and enter the total.

For each shareholder, enter the distributive share of the amounts from line 6 on Part 2 of Form 120S, Schedule K-1 or on Part 2 of Form 120S, Schedule K-1(NR).

For the  calendar year 2016 or  fiscal year beginning MM,DD,2016 and ending MM,DD,20YY.

CHECK ONE:  Original  Amended

|   |  |
|---|--|
| Shareholder's Identifying Number                                  | S Corporation's Employer Identification Number (EIN)       |
| Shareholder's Name  | S Corporation's Name                                       |
| Shareholder's Address – number and street or rural route          | S Corporation's Address – number and street or rural route |
| Shareholder's City, Town or Post Office State ZIP Code            | S Corporation's City, Town or Post Office State ZIP Code   |
| Shareholder's percentage of stock ownership for the taxable year: | %  |

**Part 1 Net Capital Gain From Investment in a Qualified Small Business – Information Schedule**

If the shareholder's Federal Schedule K-1 (Form 1120-S) does not include any net capital gain (loss) from investment in a qualified small business, the S corporation is not required to complete Part 1.

| Pro Rata Share Items   | Distributive Share Amount |
|--|---------------------------|
| <b>1</b> Net capital gain (loss) from investment in a qualified small business..... <b>1</b> |                           |

**Part 2 Net Long-Term Capital Gain Subtraction – Information Schedule**

If the shareholder's Federal Schedule K-1 (Form 1120-S) includes net long-term capital gain (loss), complete line 2 and line 3 (if applicable). If the shareholder's Federal Schedule K-1 (Form 1120-S) does not include any net long-term capital gain (loss), the S corporation is not required to complete Part 2.

| Pro Rata Share Items<br>From Federal Form 1120-S, Schedule K-1 | (a)<br>Distributive Share Amount | (b)<br>Net long-term capital gain<br>(loss) included in column (a)<br>from assets acquired before<br>January 1, 2012 | (c)<br>Net long-term capital gain<br>(loss) included in column (a)<br>from assets acquired after<br>December 31, 2011 |
|--|----------------------------------|--|---|
| <b>2</b> Net long-term capital gain (loss)..... <b>2</b>       |                                  |  |   |

ADDITIONAL INFORMATION:

|  |  |  |  |
|--|--|--|--|
| <b>3</b> Net long-term capital gain (loss) from investment in a qualified small business (amount already included in line 2, column (c))..... <b>3</b> |  |  |  |
|--|--|--|--|

**Instructions for Shareholders**

**Part 1: Net Capital Gain From Investment in a Qualified Small Business – Information Schedule**

Arizona allows a subtraction from Arizona gross income for any net capital gain derived from investment in a qualified small business and included in the individual taxpayer's federal adjusted gross income or the federal taxable income of the estate or trust. A qualified small business is determined by the Arizona Commerce Authority pursuant to Arizona Revised Statutes (A.R.S.) § 41-1518. Although the subtraction is only available to individuals, estates, or trusts, an S corporation shareholder that is a pass-through entity (estate or trust) will need this information to calculate its subtraction or to complete Form 141AZ, Schedule K-1 or Schedule K-1(NR), for each beneficiary.

**Line 1 -**

Line 1 is your distributive share of net capital gain (loss) from investment in a qualified small business. To determine if you qualify to take this subtraction on your Arizona tax return, see the instructions for Form 140, 140PY, or 141AZ.

**Part 2: Net Long-Term Capital Gain Subtraction – Information Schedule**

Arizona allows a subtraction from Arizona gross income for a percentage of any net long-term capital gain from assets acquired **after** December 31, 2011 and included in the individual taxpayer's federal adjusted gross income or the federal taxable income of the estate or trust. Although the subtraction is only available to individuals, estates, or trusts, an S corporation shareholder that is a pass-through entity (estate or trust) will need this information to calculate its subtraction or to complete Form 141AZ, Schedule K-1 or Schedule K-1(NR), for each beneficiary.

Only include net long-term capital gains if it can be verified that the asset was acquired after December 31, 2011. An asset acquired by gift or inheritance is considered acquired on the date it was acquired by the gift-giver or the deceased individual.

If you cannot verify that the capital gain is from the sale of an asset acquired after December 31, 2011, then the capital gain should be treated as a capital gain asset acquired before January 1, 2012.

**Line 2 -**

Line 2, column (c), is your distributive share of net long-term capital gain (loss) from assets acquired after December 31, 2011.

**Line 3 -**

Line 2, column (c), may include amount(s) for any net long-term capital gain from investment in a qualified small business. If you take the allowable subtraction on your Arizona income tax return for any net long-term capital gain from assets acquired after December 31, 2011, you cannot include the amount on line 3, column (c), for net long-term capital gain from investment in qualified small business in that allowable subtraction. For more information see the instructions for Form 140, 140PY, or 141AZ.

**Individual shareholder:**

To determine if you qualify to take a subtraction from income on your Arizona income tax return, the individual shareholder must complete the *Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired After December 31, 2011*. The worksheet is included in the instructions for the resident and part-year resident income tax returns (Arizona Form 140 and Form 140PY).

**Full-year residents** use the amounts on line 2 and line 3 in column (c) to figure the allowable subtraction on the worksheet included with Arizona Form 140.

**Part-year residents** use the amounts on line 2 and line 3 in column (c) that is included in your Arizona gross income to figure the allowable subtraction on the worksheet included with Arizona Form 140PY.

**Estate or Trust shareholder:**

If the net long-term capital gain (loss) in Part 2 is taxed at the estate or trust level, use the amounts on line 2 and line 3 in column (c) to complete the *Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired After December 31, 2011*. The worksheet is included in the instructions of Form 141AZ for the estate or trust.

If the net long-term capital gain (loss) in Part 2 is distributed to the beneficiaries, use the amounts in line 2 and line 3 in column (c) to complete the *Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired After December 31, 2011*. The worksheet is included in the instructions of Form 141AZ. The worksheet will assist the estate or trust in completing the Net Long-Term Capital Gain Subtraction – Information Schedule on Form 141AZ, Schedule K-1 or Schedule K-1(NR), for each beneficiary.

For the  calendar year 2016 or  fiscal year beginning MM,DD,2016 and ending MM,DD,20YY.

**CHECK ONE:**  Original  Amended

|   |  |
|---|--|
| Shareholder's Identifying Number  | S Corporation's Employer Identification Number (EIN)             |
| Shareholder's Name  | S Corporation's Name   |
| Shareholder's Address – number and street or rural route                  | S Corporation's Address – number and street or rural route       |
| Shareholder's City, Town or Post Office      State    ZIP Code            | S Corporation's City, Town or Post Office      State    ZIP Code |
| Shareholder's percentage of stock ownership for the taxable year: _____ % |  |

**Part 1 Share of Income and Deductions**

| Pro Rata Share Items From<br>Federal Form 1120-S, Schedule K-1  | (a)<br>Distributive<br>Share Amount | (b)<br>Arizona<br>Apportionment Ratio | (c)<br>Arizona<br>Source Income | Form 140NR Filers:<br>Enter the amount in<br>column (c) on: |
|---|-------------------------------------|---------------------------------------|---------------------------------|---|
| <b>1</b> Ordinary income (loss) from trade or<br>business activities.....   |                                     |                                       |                                 |   |
| <b>2</b> Net income (loss) from rental real estate activities...  |                                     |                                       |                                 |   |
| <b>3</b> Net income (loss) from other rental activities .....   |                                     |                                       |                                 |   |
| <b>4</b> Total: Add lines 1, 2, and 3 .....   |                                     |                                       |                                 | Line 21   |
| <b>5</b> Interest.....  |                                     |                                       |                                 | Line 16   |
| <b>6</b> Dividends.....   |                                     |                                       |                                 | Line 17   |
| <b>7</b> Royalties.....   |                                     |                                       |                                 | Line 21   |
| <b>8</b> Net short-term capital gain (loss).....  |                                     |                                       |                                 | Line 20   |
| <b>9</b> Net long-term capital gain (loss).....   |                                     |                                       |                                 | Line 20   |
| <b>10</b> Net IRC Section 1231 gain (loss) .....  |                                     |                                       |                                 | Line 20   |
| <b>11</b> Deferred amount of discharge of indebtedness<br>income included in federal income in the current<br>year under IRC Section 108(i).....  |                                     |                                       |                                 | Line 22   |
| <b>12</b> Other income (loss).....  |                                     |                                       |                                 | Line 22   |
| <b>13</b> IRC Section 179 expense.....  |                                     |                                       |                                 | Line 21   |
| <b>14</b> Deferred amount of original issue discount<br>deduction included in federal income in the<br>current year under IRC Section 108(i)..... |                                     |                                       |                                 | Line 21   |
| <b>15</b> Other deductions: Include schedule .....  |                                     |                                       |                                 |   |

Continued on page 2 →

|  |                                |
|--|--------------------------------|
| Name of S Corporation (as shown on page 1) | Employer Identification Number |
|--|--------------------------------|

**Part 2 Net Capital Gain From Investment in a Qualified Small Business – Information Schedule**

If the shareholder's Federal Schedule K-1 (Form 1120-S) does not include any net capital gain (loss) from investment in a qualified small business, the S corporation is not required to complete Part 2.

| Pro Rata Share Items   | (a)<br>Distributive Share Amount | (b)<br>Arizona Apportionment Ratio | (c)<br>Arizona Source Income |
|--|----------------------------------|------------------------------------|------------------------------|
| <b>16</b> Net capital gain (loss) from investment in a qualified small business..... <b>16</b> |                                  |                                    |                              |

**Part 3 Net Long-Term Capital Gain Subtraction – Information Schedule**

If the shareholder's Federal Schedule K-1 (Form 1120-S) includes capital gain (loss), complete line 17 and line 18. If the shareholder's Federal Schedule K-1 (Form 1120-S) does not include any capital gain (loss), the S corporation is not required to complete Part 3.

| Item From Federal Form 1120-S, Schedule K-1                      | (a)<br>Distributive Share Amount<br>From page 1, line 9, column (a). | (b)<br>Arizona Source Income<br>From page 1, line 9, column (c). | (c)<br>Net <u>long-term</u> capital gain (loss) included in column (b) from assets acquired before January 1, 2012 | (d)<br>Net <u>long-term</u> capital gain (loss) included in column (b) from assets acquired after December 31, 2011 |
|--|--|--|--|---|
| <b>17</b> Total net long-term capital gain (loss)..... <b>17</b> |  |  |  |   |

**ADDITIONAL INFORMATION:**

|  |  |  |  |  |
|--|--|--|--|--|
| <b>18</b> Net long-term capital gain (loss) from investment in a qualified small business (amount already included in line 17, column (d)) ..... <b>18</b> |  |  |  |  |
|--|--|--|--|--|



**Instructions for Shareholders**

**Part 1 -- Share of Income and Deductions**

Column (c) is your Arizona source income. Nonresident individuals should report the amounts in column (c) on the Arizona Form 140NR line numbers indicated on Form 120S, Schedule K-1(NR). Nonresident trusts or nonresident estates should add lines 4 through 12, column (c), and enter the total on Form 141AZ, page 2, Schedule A.

However, if Form 120S, Schedule K-1(NR), shows a loss, you may only claim such losses on your Arizona nonresident return to the extent that such losses are included in your federal adjusted gross income (individuals) or federal taxable income (trusts and estates). Therefore, if the loss is considered to be a passive activity loss for federal purposes, the loss will likewise be considered to be a passive activity loss for Arizona purposes.

If you have a passive activity loss from an S corporation that was derived from Arizona sources, you would not necessarily begin the Arizona return with the amounts shown in column (c) of your Form 120S, Schedule K-1(NR). For Arizona purposes, you must first determine if any portion of the loss shown on Arizona Form 120S, Schedule K-1(NR), has been limited on your federal return because of the federal passive activity loss rules.

The amount of passive activity loss which is derived from Arizona sources is the amount of the passive activity loss which will be allowed on the Arizona return. Therefore, any portion of the passive activity loss which is not allowed on the federal return due to the passive activity loss limitations will likewise be limited on the Arizona return. That portion of the passive activity loss derived from Arizona sources which is required to be carried forward for federal purposes will similarly be carried forward for Arizona purposes.

**NOTE:** *The amount of Internal Revenue Code § 179 expense deductible is limited to the Arizona portion of the amount deducted on federal Form 1040, Schedule E.*

**Part 2 -- Net Capital Gain From Investment in a Qualified Small Business – Information Schedule**

Arizona allows a subtraction from Arizona gross income for any net capital gain derived from investment in a qualified small business and included in the individual taxpayer's federal adjusted gross income or the federal taxable income of the estate and trust. A qualified small business is determined by the Arizona Commerce Authority pursuant to Arizona Revised Statutes (A.R.S.) § 41-1518. Although the subtraction is only available to individuals, estates, or trusts, an S corporation shareholder that is a pass-through entity (estate or trust) will need this information to calculate its subtraction for the estate or trust or to complete Form 141AZ, Schedule K-1, or Schedule K-1(NR), for each beneficiary.

**Line 16 -**

Line 16, column (c), is your distributive share of net capital gain (loss) from investment in a qualified small business that is apportioned to Arizona.

**Part 3 -- Net Long-Term Capital Gain Subtraction – Information Schedule**

Arizona allows a subtraction from Arizona gross income for a percentage of any net long-term capital gain from assets acquired after December 31, 2011, and included in the individual taxpayer's

federal adjusted gross income or the federal taxable income of the estate or trust. Although the subtraction is only available to individuals, estates, or trusts, an S corporation shareholder that is a pass-through entity (estate or trust) will need this information to calculate its subtraction or to complete Form 141AZ, Schedule K-1, or Schedule K-1(NR), for each beneficiary.

Only include net long-term capital gains if it can be verified that the asset was acquired after December 31, 2011. An asset acquired by gift or inheritance is considered acquired on the date it was acquired by the gift-giver or the deceased individual.

If you cannot verify that the capital gain is from the sale of an asset acquired after December 31, 2011, then the capital gain should be treated as a capital gain asset acquired before January 1, 2012.

**Line 17 -**

Line 17, column (d), is your distributive share of net long-term capital gain (loss) from assets acquired after December 31, 2011 that is apportioned to Arizona.

**Line 18 -**

Line 17, column (d), may include amount(s) for any net long-term capital gain (loss) from investment in qualified small business. If you take the allowable subtraction on your Arizona income tax return for any net long-term capital gain from assets acquired after December 31, 2011, you cannot include the amount on line 18, column (d), for net long-term capital gain from investment in qualified small business in that allowable subtraction. For more information, see the instructions for Form 140PY or 141AZ.

**Individual shareholder:**

To determine if you qualify to take a subtraction from income on your Arizona personal income tax return, the individual shareholder must complete the *Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired After December 31, 2011*. The worksheet is included in the instructions for the nonresident income tax return (Form 140NR).

**Nonresidents** use only the amount of Arizona-sourced, net long-term capital gain (loss) entered on line 17 and line 18, column (d) to figure the allowable subtraction on the worksheet that is included with Form 140NR.

**Estate or Trust shareholder:**

If the net long-term capital gain (loss) in Part 3 is taxed at the estate or trust level, use the information to complete the *Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired After December 31, 2011*, included in the instructions of Arizona Form 141AZ for the estate or trust.

If the net long-term capital gain (loss) in Part 3 is distributed to the beneficiaries, use the information to complete the *Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired After December 31, 2011*, included in the instructions of Form 141AZ. The worksheet will assist the estate or trust in completing the *Net Long-Term Capital Gain Subtraction – Information Schedule* on Form 141AZ, Schedule K-1, or Schedule K-1(NR), for each beneficiary.

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|  |           |  |           |
|--|-----------|--|-----------|
| <b>1 Arizona tax liability:</b> See instructions before completing this line.....  | <b>1</b>  |  | <b>00</b> |
| <b>2 Required annual payment:</b>  |           |  |           |
| a Enter 90% of line 1.....   | <b>2a</b> |  | <b>00</b> |
| b Forms 99T, 120, and 120A: Enter the tax as shown on the 2016 return. See instructions.....                                 | <b>2b</b> |  | <b>00</b> |
| c Form 120S: See instructions.....   | <b>2c</b> |  | <b>00</b> |
| d Forms 99T, 120, and 120A: Enter the smaller of line 2a or line 2b. Form 120S: Enter the smaller of line 2a or line 2c..... | <b>2d</b> |  | <b>00</b> |

| Required Installments – Due Dates and Amounts  |          |          |          |          |
|--|----------|----------|----------|----------|
|  | (a)      | (b)      | (c)      | (d)      |
| <b>3 Installment due dates:</b> See instructions.....  | MM,DD,YY | MM,DD,YY | MM,DD,YY | MM,DD,YY |
| <b>4 Required installments:</b> Enter 25% of line 2d in columns (a) through (d) unless the taxpayer uses the annualized income installment method, the adjusted seasonal installment method or is a "large corporation". See instructions..... |          |          |          |          |
|  |          |          |          |          |

**SCHEDULE A Required Installments Using the Annualized Income or Adjusted Seasonal Installment Methods Under IRC § 6655(e)**

**Part 1 Annualized Income Installment Method**

|  | (a)                | (b)                | (c)                | (d)                |
|--|--------------------|--------------------|--------------------|--------------------|
| <b>1</b> Annualization periods: See instructions.....  | First _____ Months | First _____ Months | First _____ Months | First _____ Months |
| <b>2</b> Enter taxable income for each annualization period.....   |                    |                    |                    |                    |
| <b>3</b> Annualization amounts: See instructions.....  |                    |                    |                    |                    |
| <b>4</b> Annualized taxable income: Multiply line 2 by line 3.....   |                    |                    |                    |                    |
| <b>5</b> Calculate the tax on the amount in each column on line 4: See instructions.....                       |                    |                    |                    |                    |
| <b>6</b> Enter tax from recapture of tax credits for each payment period: See instructions.....                |                    |                    |                    |                    |
| <b>7</b> Subtotal tax: Add lines 5 and 6.....  |                    |                    |                    |                    |
| <b>8</b> For each period, enter the amount of nonrefundable tax credits: See instructions.....                 |                    |                    |                    |                    |
| <b>9</b> Arizona tax liability: Subtract line 8 from line 7. If zero or less, enter zero.....                  |                    |                    |                    |                    |
| <b>10</b> Refundable tax credits: See instructions.....  |                    |                    |                    |                    |
| <b>11</b> Claim of right adjustment: See instructions.....   |                    |                    |                    |                    |
| <b>12</b> Net liability: Subtract the sum of line 10 and line 11 from line 9. If zero or less, enter zero..... |                    |                    |                    |                    |
| <b>13</b> Applicable percentage.....   | 22.5%              | 45%                | 67.5%              | 90%                |
| <b>14</b> Multiply line 12 by line 13.....   |                    |                    |                    |                    |
| <b>15</b> Add the amounts in all preceding columns from page 2, Part 3, line 48: See instructions.....         |                    |                    |                    |                    |
| <b>16 Annualized income installments:</b> Subtract line 15 from line 14. If zero or less, enter zero.....      |                    |                    |                    |                    |

**Part 2 Adjusted Seasonal Installment Method**

**CAUTION:** Use this method only if the base period percentage of any 6 consecutive months is at least 70%. See the instructions for more information.

|  | (a)            | (b)            | (c)            | (d)             |
|--|----------------|----------------|----------------|-----------------|
| <b>17</b> Enter taxable income for the following periods:                              | First 3 Months | First 5 Months | First 8 Months | First 11 Months |
| a Taxable year beginning in 2014.....  | <b>17a</b>     |                |                |                 |
| b Taxable year beginning in 2015.....  | <b>17b</b>     |                |                |                 |
| c Taxable year beginning in 2016.....  | <b>17c</b>     |                |                |                 |
| <b>18</b> Enter taxable income for each period for taxable year beginning in 2017..... | <b>18</b>      |                |                |                 |

|   | (a)<br>First 4 Months | (b)<br>First 6 Months | (c)<br>First 9 Months | (d)<br>Entire Year |
|---|-----------------------|-----------------------|-----------------------|--------------------|
| <b>19</b> Enter taxable income for the following periods:   |                       |                       |                       |                    |
| <b>a</b> Taxable year beginning in 2014.....  | <b>19a</b>            |                       |                       |                    |
| <b>b</b> Taxable year beginning in 2015.....  | <b>19b</b>            |                       |                       |                    |
| <b>c</b> Taxable year beginning in 2016.....  | <b>19c</b>            |                       |                       |                    |
| <b>20</b> Divide the amount in each column on line 17a by the amount in column (d) on line 19a.....   | <b>20</b>             |                       |                       |                    |
| <b>21</b> Divide the amount in each column on line 17b by the amount in column (d) on line 19b.....   | <b>21</b>             |                       |                       |                    |
| <b>22</b> Divide the amount in each column on line 17c by the amount in column (d) on line 19c.....   | <b>22</b>             |                       |                       |                    |
| <b>23</b> Add lines 20 through 22.....  | <b>23</b>             |                       |                       |                    |
| <b>24</b> Divide line 23 by three (3).....  | <b>24</b>             |                       |                       |                    |
| <b>25</b> Divide line 18 by line 24.....  | <b>25</b>             |                       |                       |                    |
| <b>26</b> Calculate the tax on the amount in each column on line 25: See instructions.....  | <b>26</b>             |                       |                       |                    |
| <b>27</b> Divide the amount in columns (a) through (c) on line 19a by the amount in column (d) on line 19a.....   | <b>27</b>             |                       |                       |                    |
| <b>28</b> Divide the amount in columns (a) through (c) on line 19b by the amount in column (d) on line 19b.....   | <b>28</b>             |                       |                       |                    |
| <b>29</b> Divide the amount in columns (a) through (c) on line 19c by the amount in column (d) on line 19c.....   | <b>29</b>             |                       |                       |                    |
| <b>30</b> Add lines 27 through 29.....  | <b>30</b>             |                       |                       |                    |
| <b>31</b> Divide line 30 by three (3).....  | <b>31</b>             |                       |                       |                    |
| <b>32</b> Multiply the amount in columns (a) through (c) of line 26 by the amount in the corresponding column of line 31. In column (d), enter the amount from line 26, column (d)..... | <b>32</b>             |                       |                       |                    |
| <b>33</b> Enter tax from recapture of tax credits for each payment period: See instructions.....  | <b>33</b>             |                       |                       |                    |
| <b>34</b> Subtotal tax: Add lines 32 and 33.....  | <b>34</b>             |                       |                       |                    |
| <b>35</b> For each period, enter the amount of nonrefundable tax credits: See instructions.....   | <b>35</b>             |                       |                       |                    |
| <b>36</b> Arizona tax liability: Subtract line 35 from line 34. If zero or less, enter zero.....  | <b>36</b>             |                       |                       |                    |
| <b>37</b> Refundable tax credits: See instructions.....   | <b>37</b>             |                       |                       |                    |
| <b>38</b> Claim of right adjustment: See instructions.....  | <b>38</b>             |                       |                       |                    |
| <b>39</b> Net liability: Subtract the sum of line 37 and line 38 from line 36. If zero or less, enter zero.....   | <b>39</b>             |                       |                       |                    |
| <b>40</b> Multiply line 39 by 90%.....  | <b>40</b>             |                       |                       |                    |
| <b>41</b> Add the amounts in all preceding columns from Part 3, line 48: See instructions.....  | <b>41</b>             |                       |                       |                    |
| <b>42 Adjusted seasonal installments:</b> Subtract line 41 from line 40. If zero or less, enter zero.....   | <b>42</b>             |                       |                       |                    |

**Part 3** Required Installments

|   | (a)<br>First Installment | (b)<br>Second Installment | (c)<br>Third Installment | (d)<br>Fourth Installment |
|---|--------------------------|---------------------------|--------------------------|---------------------------|
| <b>43</b> If only one of the above parts is completed, enter the amount in each column from line 16 or line 42. (If both parts are completed, enter the <b>smaller</b> of the amounts in each column from line 16 or line 42.)..... | <b>43</b>                |                           |                          |                           |
| <b>44</b> Enter 25% of line 2d on Form 120W in each column. NOTE: "Large corporations", see instructions for line 4 on page 2 of the instructions, for the amount to enter.....   | <b>44</b>                |                           |                          |                           |
| <b>45</b> Enter the amount from line 47 of this schedule for the preceding column.....  | <b>45</b>                |                           |                          |                           |
| <b>46</b> Add lines 44 and 45. Enter the total.....   | <b>46</b>                |                           |                          |                           |
| <b>47</b> If line 46 is more than line 43, subtract line 43 from line 46. Otherwise, enter zero.....  | <b>47</b>                |                           |                          |                           |
| <b>48 Required Installments:</b> Enter the <b>smaller</b> of line 43 or line 46 here and on Form 120W, page 1, line 4.....  | <b>48</b>                |                           |                          |                           |

**2017 Estimated Tax Worksheet for Corporations**

**For information or help, call one of the numbers listed:**  
 Phoenix (602) 255-3381  
 From area codes 520 and 928, toll-free (800) 352-4090

**Tax forms, instructions, and other tax information**  
 If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

**Income Tax Procedures and Rulings**  
 These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website and click on *Legal Research* then click on *Procedures* or *Rulings* and select a tax type from the drop down menu.

**Publications**  
 To view or print the department's publications, go to our website and click on *Publications*.

**General Instructions**

**Who Is Required To Make Arizona Estimated Tax Payments**

Entities filing Forms 99T, 120, 120A, or 120S that expect an Arizona tax liability for the taxable year of at least \$1,000 are required to make Arizona estimated tax payments.

*A unitary group of corporations filing a combined return* on Form 120 must make estimated tax payments on a combined basis. Therefore, a unitary group, as a single taxpayer, must make estimated tax payments if its Arizona tax liability for the taxable year is at least \$1,000.

*An Arizona affiliated group filing a consolidated return* pursuant to *Arizona Revised Statutes (A.R.S.) § 43-947* on Form 120 must make estimated tax payments on a consolidated basis. Therefore, an Arizona affiliated group, as a single taxpayer, must make estimated tax payments if its Arizona tax liability for the taxable year is at least \$1,000.

**Rounding Dollar Amounts**

Taxpayers must round amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.

**Specific Instructions**

All taxpayers who are required to make estimated tax payments use Form 120W to compute the required annual payment of estimated tax and the required installments.

**NOTE:** *Several legislative changes are scheduled to be effective for tax year 2017. These changes may be affected by future legislation.*

*- Laws 2011, 2<sup>nd</sup> Special Session, Chapter 1, Section 105, lowers the corporate tax rate from 5.5% to 4.9%.*

*- Laws 2011, 2<sup>nd</sup> Special Session, Chapter 1, Section 106, allows all non-air carrier taxpayers to select an enhanced apportionment ratio where the sales factor is weighted at 100% and the property and payroll factors are not included the calculation.*

*- Laws 2012, Chapter 2, Section 1, provides a binding election for a multistate service provider, as defined, to determine sales of services by 100% of market sales and not income producing activity sales.*

**Line 1 - Arizona Tax Liability**

This amount is the taxpayer's estimated tax liability for the current taxable year. The Arizona tax liability is determined as follows: [income tax plus tax from recapture of tax credits] less [nonrefundable tax credits and refundable tax credits]; or

**Claim of right adjustments (Forms 120 and 120A):** A taxpayer that computes its tax liability under the claim of right provisions should base its estimated tax liability on the net tax liability computed under the claim of right provisions.

**Line 2 - Required Annual Payment**

The Arizona required annual payment of estimated tax is the smaller of:

- a) *All taxpayers* - ninety percent of the taxpayer's Arizona tax liability (reduced by any refundable tax credits and the claim of right adjustment, if applicable) for the current taxable year; **or**
- b) *Forms 99T, 120, and 120A filers* - one hundred percent of the taxpayer's Arizona tax liability (reduced by any refundable tax credits and the claim of right adjustment, if applicable) for the prior taxable year.

*Form 120S filers* - an amount equal to the sum of: (a) ninety percent of the portion of the current taxable year's Arizona tax liability that is attributable to built-in gains income or certain capital gains income and (b) one hundred percent of the portion of the prior taxable year's Arizona tax liability that is attributable to excess net passive income.

**NOTE:** *Forms 99T, 120, and 120A filers must meet certain conditions in order to make estimated tax payments equal to one hundred percent of the prior taxable year's tax liability. (See instructions for line 2b.)*

*Form 120S filers may not use one hundred percent of the prior taxable year's tax liability. In addition, Form 120S filers must meet certain conditions in order to make estimated tax payments equal to the amount calculated in (b) above. (See instructions for line 2c.)*

**Line 2a - (All Taxpayers)**

Multiply line 1 by 90 percent. Enter the result on line 2a.

**Line 2b - (Forms 99T, 120 and 120A)**

Determine the amount of the taxpayer's Arizona tax liability from the prior taxable year (reduced by any refundable tax credits and the claim of right adjustment, if applicable). Enter this amount on line 2b.

**DO NOT COMPLETE THIS LINE IF:** (1) a return was not filed for the 2016 taxable year showing at least some amount of tax liability (an amount greater than zero); OR (2) the 2016 taxable year was a period of less than twelve months. Skip line 2b and enter the amount from line 2a on line 2d.

**Line 2c - (Form 120S)**

Enter an amount on line 2c that is the sum of:

- Ninety percent of the portion of the 2017 Arizona tax liability that is attributable to built-in gains income or certain capital gains income; plus
- One hundred percent of the portion of the 2016 Arizona tax liability that is attributable to excess net passive income.

DO NOT COMPLETE THIS LINE IF the 2016 taxable year was a period of less than twelve months. Skip line 2c and enter the amount from line 2a on line 2d.

**Line 2d - (All Taxpayers)**

*Forms 99T, 120, and 120A:* Enter the smaller of line 2a or line 2b (if an amount was entered on line 2b).

*Form 120S:* Enter the smaller of line 2a or line 2c (if an amount was entered on line 2c).

**Line 3 - Installment Due Dates**

Calendar year and fiscal year basis taxpayers are required to make their Arizona corporate estimated tax payments by the 15th day of the 4th, 6th, 9th, and 12th months of the taxable year. If the installment due date falls on a weekend or legal holiday, the payment is considered timely if made on the next business day.

**Note for short period returns:** *Enter the installment due dates and number of installments required by the Internal Revenue Service.*

**Line 4 - Required Installments**

When making estimated tax payments, be sure to take into account any 2016 overpayment that the taxpayer chose to credit against its 2017 Arizona tax liability.

**Annualized Income Installment Method and/or Adjusted Seasonal Installment Method**

If the taxpayer's income is expected to vary during the taxable year because, for example, it operates its business on a seasonal basis, it may be able to lower the amount of one or more required installments by using the annualized income installment method or the adjusted seasonal installment method.

Use Schedule A to calculate the amount of one or more required installments using one or both of these methods. If Schedule A is used for any payment due date, it must be used for all payment due dates.

Use Schedule A to arrive at the amount of each required installment and to select the lesser of:

- the annualized income installment;
- the adjusted seasonal installment (if applicable); or
- the regular installment (25% of the required annual payment) increased by any reduction recapture under IRC § 6655(e)(1)(B).

**Instructions for "Large Corporations" (Forms 120 and 120A)**

"Large corporation" means a corporation or unitary group of corporations if the corporation, or a predecessor corporation, had federal taxable income of one million dollars or more for any of the immediately preceding three taxable years, excluding any federal net operating loss or capital loss carrybacks or carryovers. An Arizona affiliated group filing a consolidated return pursuant to *A.R.S. § 43-947* is treated as a single corporation for purposes of applying the large corporation definition.

**A.** If the taxpayer DOES NOT USE the annualized income installment method or the adjusted seasonal installment method, follow the instructions below to compute the amounts to enter on Form 120W, line 4.

If line **2a** is **less than** line **2b**:

- Enter 25 percent of line 2a in columns (a) through (d) of line 4.

If line **2b** is **less than** line **2a**:

- Enter 25 percent of line 2b in column (a) of line 4.
- Determine the amount to enter in column (b) as follows:
  - (i) Subtract line 2b from line 2a,
  - (ii) Add the result to the amount on line 2a, and
  - (iii) Multiply the total in (ii) above by 25 percent.
- Enter 25 percent of line 2a in columns (c) and (d).

**B.** If the taxpayer DOES USE the annualized income installment method and/or the adjusted seasonal installment method, use the following instructions to determine the amounts to enter on the Form 120W, Schedule A, Part 3, line 44, columns (a) through (d). Then complete the remainder of the lines in Part 3 of Schedule A. Enter the amounts from Schedule A, Part 3, line 48, columns (a) through (d) on Form 120W, line 4, columns (a) through (d).

If Form 120W, line **2a** is **less than** line **2b**:

- Enter 25 percent of line 2a in columns (a) through (d) of Schedule A, Part 3, line 44.

If Form 120W, line **2b** is **less than** line **2a**:

- Enter 25 percent of line 2b in column (a) of Schedule A, Part 3, line 44.
- Determine the amount to enter in column (b) of Schedule A, Part 3, line 44 as follows:
  - (i) Subtract line 2b from line 2a,
  - (ii) Add the result to the amount on line 2a, and
  - (iii) Multiply the total in (ii) above by 25 percent.
- Enter 25 percent of line 2a in columns (c) and (d) of Schedule A, Part 3, line 44.

**Form 120W, Schedule A**

Follow the steps below to determine which parts of the Form 120W, Schedule A, to complete.

- If only the annualized income installment method is used, complete Parts I and III of Schedule A.

- If only the adjusted seasonal installment method is used, complete Parts 2 and 3 of Schedule A.
- If both methods are used, complete all three parts of Schedule A.
- All taxpayers: In each column on Form 120W, line 4, enter the amounts from the corresponding column of line 48 of Schedule A.

**CAUTION:** Do not compute any required installment until after the end of the month preceding the due date for that installment.

**Part 1 - Annualized Income Installment Method**

**Line 1 - Annualization Periods**

Enter the annualization period that the taxpayer is using in the space on line 1, columns (a) through (d), respectively.

| Forms 120, 120A, and 120S |                 |                 |                 |                 |
|---------------------------|-----------------|-----------------|-----------------|-----------------|
| Option                    | 1st Installment | 2nd Installment | 3rd Installment | 4th Installment |
| Standard option           | 3               | 3               | 6               | 9               |
| Option 1                  | 2               | 4               | 7               | 10              |
| Option 2                  | 3               | 5               | 8               | 11              |

| Form 99T        |                 |                 |                 |                 |
|-----------------|-----------------|-----------------|-----------------|-----------------|
| Option          | 1st Installment | 2nd Installment | 3rd Installment | 4th Installment |
| Standard option | 2               | 3               | 6               | 9               |
| Option 1        | 2               | 4               | 7               | 10              |

**Line 3 - Annualization Amounts**

Enter the annualization amounts for the option used on line 1.

| Forms 120, 120A, and 120S |                 |                 |                 |                 |
|---------------------------|-----------------|-----------------|-----------------|-----------------|
| Option                    | 1st Installment | 2nd Installment | 3rd Installment | 4th Installment |
| Standard option           | 4               | 4               | 2               | 1.33333         |
| Option 1                  | 6               | 3               | 1.71429         | 1.2             |
| Option 2                  | 4               | 2.4             | 1.5             | 1.09091         |

| Form 99T        |                 |                 |                 |                 |
|-----------------|-----------------|-----------------|-----------------|-----------------|
| Option          | 1st Installment | 2nd Installment | 3rd Installment | 4th Installment |
| Standard option | 6               | 4               | 2               | 1.33333         |
| Option 1        | 6               | 3               | 1.71429         | 1.2             |

**Line 5 - Calculate the Tax**

**NOTE:** Laws 2011, 2<sup>nd</sup> Special Session, Chapter 1, Section 105, lowers the corporate tax rate for tax year 2017 to 4.9%.

Calculate the tax on the amount in each column using the instructions for 2016 Form 99T, line 6; or 2016 Form 120, line 16; or 2016 Form 120A, line 8; or 2016 Form 120S, line 12.

**Line 6 - Tax From Recapture of Tax Credits**

Enter the amount of tax due from recapture of the following credits:

- The environmental technology facility credit claimed on Form 305,
- The credits for healthy forest enterprises claimed on Form 332,
- The credit for renewable energy industry claimed on Form 342,
- The credit for qualified facilities tax credits claimed on Form 349, and,
- The credit for renewable energy investment and production for self-consumption by manufacturers and international operations centers claimed on Form 351.

**Line 8 - Nonrefundable Tax Credits**

Enter the total amount of nonrefundable tax credits to which the taxpayer is entitled because of events that occurred during the months shown in the column headings used to calculate annualized taxable income. Calculate this amount using the instructions for 2016 Form 99T, line 9; or 2016 Form 120, line 19; or 2016 Form 120A, line 11; or 2016 Form 120S, line 15.

**Line 10 - Refundable Tax Credits**

Enter the total amount of refundable tax credits to which the taxpayer is entitled because of events that occurred during the months shown in the column headings used to calculate annualized taxable income. Calculate this amount using the instructions for 2016 Form 99T, line 12; or 2016 Form 120, line 22; or 2016 Form 120A, line 14 or 2016 Form 120S, line 18.

**Line 11 - Claim of Right Adjustment (Forms 120 and 120A)**

A taxpayer that computes its tax liability under the claim of right provisions should base its estimated tax liability on the net tax liability computed under the claim of right provisions.

**Line 15 - Cumulative Installments**

Complete column (a) before completing columns (b) through (d). Before completing line 15 in columns (b) through (d), complete the following items in each of the preceding columns: line 16; Part 2 (if applicable); and Part 3.

EXAMPLE: Complete line 16, Part 2 (if using the adjusted seasonal installment method), and Part 3, in column (a) before completing line 15 in column (b).

**Part 2 - Adjusted Seasonal Installment Method**

Do not complete this part unless the taxpayer's base period percentage for any six consecutive months of the taxable year equals or exceeds 70 percent. The term "base period percentage" for any period of six consecutive months is the average of the three percentages calculated by dividing the taxable income for the corresponding six consecutive month period in each of the three preceding taxable years by the taxable income for each of their respective taxable years.

**Line 26 - Calculate the Tax**

**NOTE:** *Laws 2011, 2<sup>nd</sup> Special Session, Chapter 1, Section 105, lowers the corporate tax rate for tax year 2017 to 4.9%.*

Calculate the tax on the amount in each column using the instructions for 2016 Form 99T, line 6; or 2016 Form 120, line 16; or 2016 Form 120A, line 8; or 2016 Form 120S, line 12.

**Line 33 - Tax From Recapture of Tax Credits**

Calculate the tax from the recapture of the following credits:

- The environmental technology facility credit claimed on Form 305,
- The credits for healthy forest enterprises claimed on Form 332,
- The credit for renewable energy industry claimed on Form 342,
- The credit for qualified facilities claimed on Form 349, and,
- The credit for renewable energy investment and production for self-consumption by manufacturers and international operations centers claimed on Form 351.

**Line 35 - Nonrefundable Tax Credits**

Enter the total amount of nonrefundable tax credits to which the taxpayer is entitled because of events that occurred during the months shown in the column headings above line 17. Calculate this amount using the instructions for 2016 Form 99T, line 9; or 2016 Form 120, line 19; or 2016 Form 120A, line 11; or 2016 Form 120S, line 15.

**Line 37 - Refundable Tax Credits**

Enter the total amount of refundable tax credits to which the taxpayer is entitled because of events that occurred during the months shown in the column headings used to calculate taxable income for the period. Calculate this amount using the instructions for 2016 Form 99T, line 12; or 2016 Form 120, line 22; or 2016 Form 120A, line 14; or 2016 Form 120S, line 18.

**Line 38 - Claim of Right Adjustment (Forms 120 and 120A)**

A taxpayer that computes its tax liability under the claim of right provisions should base its estimated tax liability on the net tax liability computed under the claim of right provisions.

**Line 41 - Cumulative Installments**

Complete column (a) before completing columns (b) through (d). Before completing line 41 in columns (b) through (d), complete lines 42 through 48 in each of the preceding columns.

EXAMPLE: Complete lines 42 through 48 in column (a) before completing line 41 in column (b).



DO NOT USE THE 2016 FORM 120X TO AMEND A PRIOR TAXABLE YEAR. USE THE FORM 120X FOR THE TAXABLE YEAR BEING AMENDED.

For the  calendar year 2016 or  fiscal year beginning MM, M, D, D, 2, 0, 1, 6 and ending MM, M, D, D, 2, 0, Y, Y.

|   |                           |                                      |
|---|---------------------------|--------------------------------------|
| Business Telephone Number (with area code)      | Name                      | Employer Identification Number (EIN) |
| Address – number and street or PO Box           |                           |                                      |
| Business Activity Code (from federal Form 1120) | City, Town or Post Office | State ZIP Code                       |

- 65** Check box if:  Name change  Address change
- A** Correction of failure to check correct box on Form 120, question B to (see instructions):  
**A1**  Separate company **A2**  Combined (unitary group) **A3**  Consolidated
- B** Reason for filing Form 120X:  
**B1**  Finalized federal audit (include copy)  
**B2**  Amended federal return (include copy)  
**B3**  Arizona adjustments only (see instructions)
- C**  Check this box if this amended return includes a capital loss carryback, and enter the last day of the tax year the capital loss originated: MM, M, D, D, Y, Y, Y, Y
- D** This amended return changes Arizona filing method to (see instructions):  
 Separate company  Combined (unitary group)
- E** ARIZONA apportionment for multistate corporations only (check one box):  
 AIR CARRIER  STANDARD  ENHANCED
- F**  Check this box if the election to be treated as a multistate service provider was made on the original return.

REVENUE USE ONLY. DO NOT MARK IN THIS AREA.

|                |
|----------------|
| <b>88</b>      |
| <b>81</b> PM   |
| <b>66</b> RCVD |

|    | (a)<br>As Originally Reported or Adjusted | (b)<br>Amount to Add or Subtract | (c)<br>Corrected Amount |
|----|---|----------------------------------|-------------------------|
| 1  | 00  | 00                               | 00                      |
| 2  | 00  | 00                               | 00                      |
| 3  | 00  | 00                               | 00                      |
| 4  | 00  | 00                               | 00                      |
| 5  | 00  | 00                               | 00                      |
| 6  | 00  | 00                               | 00                      |
| 7  | 00  | 00                               | 00                      |
| 8  | 00  | 00                               | 00                      |
| 9  |   |                                  |                         |
| 10 | 00  | 00                               | 00                      |
| 11 | 00  | 00                               | 00                      |
| 12 | 00  | 00                               | 00                      |
| 13 | 00  | 00                               | 00                      |
| 14 | 00  | 00                               | 00                      |
| 15 | 00  | 00                               | 00                      |
| 16 | 00  | 00                               | 00                      |
| 17 | 00  | 00                               | 00                      |
| 18 | 00  | 00                               | 00                      |
| 19 | 00  | 00                               | 00                      |
| 20 | 3   | 3                                | 3                       |
| 21 | 00  | 00                               | 00                      |
| 22 | 22  | 00                               |                         |
| 23 | 23c                                       | 00                               |                         |
| 24 | 24  | 00                               |                         |
| 25 |   |                                  | 00                      |
| 26 |   |                                  | 00                      |
| 27 |   |                                  | 00                      |
| 28 |   |                                  | 00                      |
| 29 |   |                                  | 00                      |
| 30 |   |                                  | 00                      |
| 31 |   |                                  | 00                      |
| 32 | 32  | 00                               |                         |
| 33 |   |                                  | 00                      |



|                           |     |
|---------------------------|-----|
| Name (as shown on page 1) | EIN |
|---------------------------|-----|

**SCHEDULE D Adjustments to Additions to Taxable Income**

|  | (a)<br>As Originally<br>Reported or Adjusted | (b)<br>Amount<br>to Add or Subtract | (c)<br>Corrected Amount |  |    |
|--|--|-------------------------------------|-------------------------|--|----|
| <b>D1</b> Total federal depreciation .....   | 00   | 00                                  | <b>D1</b>               |  | 00 |
| <b>D2</b> Taxes based on income paid to any state (INCLUDING ARIZONA),<br>local governments or foreign governments .....                   | 00   | 00                                  | <b>D2</b>               |  | 00 |
| <b>D3</b> Interest on obligations of other states, foreign countries, or political<br>subdivisions .....                                   | 00   | 00                                  | <b>D3</b>               |  | 00 |
| <b>D4</b> Special deductions claimed on federal return.....  | 00   | 00                                  | <b>D4</b>               |  | 00 |
| <b>D5</b> Federal net operating loss deduction claimed on federal return.....  | 00   | 00                                  | <b>D5</b>               |  | 00 |
| <b>D6</b> Additions related to Arizona tax credits: Include detailed schedule.....   | 00   | 00                                  | <b>D6</b>               |  | 00 |
| <b>D7</b> Other additions to federal taxable income: Include detailed schedule ...   | 00   | 00                                  | <b>D7</b>               |  | 00 |
| <b>D8</b> TOTALS: Add lines D1 through D7 in each column. Enter the amounts<br>here and in the corresponding column on page 1, line 2..... | 00   | 00                                  | <b>D8</b>               |  | 00 |

**SCHEDULE E Adjustments to Subtractions from Taxable Income**

|  | (a)<br>As Originally<br>Reported or Adjusted | (b)<br>Amount<br>to Add or Subtract | (c)<br>Corrected Amount |  |    |
|--|--|-------------------------------------|-------------------------|--|----|
| <b>E1</b> Recalculated Arizona depreciation .....  | 00   | 00                                  | <b>E1</b>               |  | 00 |
| <b>E2</b> Basis adjustment for property sold or otherwise disposed of during the<br>taxable year .....                                       | 00   | 00                                  | <b>E2</b>               |  | 00 |
| <b>E3</b> Adjustment for IRC § 179 expense not allowed .....   | 00   | 00                                  | <b>E3</b>               |  | 00 |
| <b>E4</b> Dividends received from 50% or more controlled domestic corporations   | 00   | 00                                  | <b>E4</b>               |  | 00 |
| <b>E5</b> Foreign dividend gross-up .....  | 00   | 00                                  | <b>E5</b>               |  | 00 |
| <b>E6</b> Dividends received from foreign corporation .....  | 00   | 00                                  | <b>E6</b>               |  | 00 |
| <b>E7</b> Interest on U.S. obligations .....   | 00   | 00                                  | <b>E7</b>               |  | 00 |
| <b>E8</b> Agricultural crops charitable contribution.....  | 00   | 00                                  | <b>E8</b>               |  | 00 |
| <b>E9</b> Expenses related to certain federal tax credits listed on the<br>instructions: Include detailed schedule                           | 00   | 00                                  | <b>E9</b>               |  | 00 |
| <b>E10</b> Other subtractions from federal taxable income: Include detailed<br>schedule .....  | 00   | 00                                  | <b>E10</b>              |  | 00 |
| <b>E11</b> TOTALS: Add lines E1 through E10 in each column. Enter the<br>amounts here and in the corresponding column on page 1, line 4..... | 00   | 00                                  | <b>E11</b>              |  | 00 |

|                                 |   |   |                      |
|---------------------------------|---|---|----------------------|
|                                 | The following declaration must be signed by one or more of the following officers: president, treasurer, or any other principal officer.  |   |                      |
| <b>Declaration</b>              | Under penalties of perjury, I(we), the undersigned officer(s) authorized to sign this return, declare that I(we) have examined this return, including the accompanying schedules and statements, and to the best of my(our) knowledge and belief, it is a true, correct and complete return, made in good faith, for the taxable year stated pursuant to the income tax laws of the State of Arizona. |   |                      |
| <b>Please Sign Here</b>         | _____   | _____   | _____                |
|                                 | OFFICER'S SIGNATURE   | DATE  | TITLE                |
| <b>Paid Preparer's Use Only</b> | _____   | _____   | _____                |
|                                 | PAID PREPARER'S SIGNATURE   | DATE  | PAID PREPARER'S PTIN |
|                                 | _____   | FIRM'S <input type="checkbox"/> EIN OR <input type="checkbox"/> SSN |                      |
|                                 | _____   | ( )   |                      |
|                                 | _____   | FIRM'S TELEPHONE NUMBER   |                      |
|                                 | _____   | _____   | _____                |
|                                 | CITY  | STATE   | ZIP CODE             |

**Mail to: Arizona Department of Revenue, PO Box 29079, Phoenix, AZ 85038-9079**

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**2016 Arizona Amended Corporation Tax Return**

**For information or help, call one of the numbers listed:**

Phoenix (602) 255-3381  
From area codes 520 and 928, toll-free (800) 352-4090

**Tax forms, instructions, and other tax information**

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

**Income Tax Procedures and Rulings**

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website and click on *Legal Research* then click on *Procedures* or *Rulings* and select a tax type from the drop down menu.

**Publications**

To view or print the department's publications, go to our website and click on *Publications*.

**General Instructions**

**Use of 2016 Form 120X**

Use the 2016 form to amend only the 2016 Form 120 or Form 120A, as originally filed, or as it was later adjusted by an amended return, Department of Revenue correction notice, or an audit, whichever is latest.

File an amended return for a prior taxable year on the Form 120X for that taxable year. Do not use the 2016 Form 120X to file an amended return for a prior taxable year.

Do not use the Form 120X to amend the Form 120S. Use the 2016 Form 120S to amend and be sure to check the box for "Amended" on the top of page 1 of Form 120S.

**NOTE:** *If you need to amend a year prior to 2016, Form 120X for prior years are available on the department's website at [www.azdor.gov/Forms/Corporate.aspx](http://www.azdor.gov/Forms/Corporate.aspx).*

If an amended return is filed for a taxable year prior to 2007, include a copy of the original Arizona return.

**When to File Form 120X**

Form 120X may be filed only after the taxpayer has filed its original tax return (Form 120 or Form 120A) for the taxable year 2016. Generally, Form 120X must be filed within four years after the date the original return was due or after the date that the taxpayer filed it, whichever was later.

Do not file an amended return until the original return has been processed.

**Reporting of Federal Amended Return Changes or Finalized Revenue Agent Report (RAR)**

A taxpayer who files an amended return with the Internal Revenue Service (IRS) must file an Arizona amended return within 90 days of its final determination by the IRS.

The taxpayer must report to the department changes or corrections of the taxpayer's taxable income by the IRS or as the result of renegotiation of a contract or subcontract with the United States. The taxpayer must, within 90 days after the final determination of the change or correction, either:

- File a copy of the final determination with the department, concede the accuracy of the determination or state any errors, and request the department to recompute the tax owed to Arizona; or

- File an amended return as required by the department.

The department may require the taxpayer to file an amended return if the department does not have the necessary information to recompute the tax owed to Arizona.

**Consolidated Return Election**

The common parent of an affiliated group of corporations that files a federal consolidated return may elect to file an Arizona consolidated return. The common parent must make the election by the due date, including extensions, for filing the original return. A taxpayer may file the 2016 Form 120X to change its method of filing to consolidated for the taxable year 2016 only if the 2016 Form 120X is filed by the due date, including extensions, of the taxpayer's 2016 Form 120.

Refer to the 2016 Form 120 instructions for more information about the requirements for the election to file on a consolidated basis.

**Required Supporting Documents with Form 120X**

Include any schedules, forms, and/or statements which are necessary to fully explain and substantiate the change(s).

Is the Arizona apportionment ratio (for air carriers) changing? Include Schedule ACA.

Is the taxpayer reporting federal amended return changes? Include a copy of the amended federal return with all applicable schedules.

Is the taxpayer reporting finalized RAR changes? Include a copy of the RAR with all applicable schedules.

Is the taxpayer changing its Arizona method of filing changing (information question D)? Complete Form 51, *Combined or Consolidated Return Affiliation Schedule*, according to the Form 51 instructions and include it with Form 120X.

**Rounding Dollar Amounts**

Taxpayers must round amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.

**Specific Instructions**

For calendar year filers, check the box, "calendar year 2016". For fiscal year filers, check the box, "fiscal year" and enter the beginning and ending dates for the fiscal year.

Type or print the required information in the name, address, and information boxes on the top of page 1. If the taxpayer has a foreign address, enter the information in the following order: city, province or state, and country. Follow the country's practice for entering the postal code. **Do not abbreviate the country's name.**

Consolidated return filers, enter the common parent corporation's name, address, and employer identification number (EIN). The filer's name on a consolidated return should include the phrase, "and affiliates".

Combined return filers, enter the name, address, and EIN of the corporation under which the group is filing. The filer's name on a combined return should include the phrase, "and unitary affiliates".

**NOTE:**

- All returns, statements, or other documents filed with the department must have the taxpayer's EIN or taxpayer identification number (TIN) indicated on them.
- Taxpayers who fail to include their EIN or TIN may be subject to a penalty.
- Paid tax return preparers must include their TIN where requested.
- The TIN for a paid tax return preparer is:
  - The preparer's PTIN
  - The preparer's social security number
  - The EIN of the preparer's employer
- Paid tax return preparers who fail to include their TIN may be subject to a penalty.

**Line A:**

- If the correct box WAS NOT CHECKED on the 2016 Form 120, line B, indicate the correct filing method by checking the appropriate box: "Separate Company", "Combined (unitary group)", or "Consolidated". Explain the correction on the 2016 Form 120X, Schedule E.
- If the correct box WAS CHECKED on the 2016 Form 120, line B:
  - Do not check any boxes for line A, and,
  - If the 2016 Form 120X is being filed to change the Arizona filing method, check the appropriate box on line D: "Separate Company", or "Combined (unitary group)".

**Line B:** Check the box indicating the reason Form 120X is filed:

- Box B1, "Finalized federal audit"; check this box if this amended return is filed to report federal audit changes. *Include a copy of the finalized federal audit.*
- Box B2, "Amended federal return"; check this box if this amended return is filed to report changes the taxpayer made to its federal return. *Include a copy of the amended federal return.*
- Box B3, "Arizona adjustments only"; check this box if this amended return is filed to report "state-only" changes. (Examples include adjustments to the apportionment ratio, and/or adjustments to additions or to subtractions from federal taxable income.)

**Line C:** If this amended return is filed to incorporate a capital loss carryback, check the box and enter the last day (month, day and year) of the tax year the capital loss originated.

**Line D:** If this amended return is filed to change the Arizona filing method, check the appropriate box: "Separate Company", or "Combined (unitary group)" to indicate the corrected filing method. Complete Schedule C to explain the changes. Include a completed Form 51 with Form 120X.

**NOTE:** *The common parent of an affiliated group of corporations that files a federal consolidated return may not elect to file an Arizona consolidated return after the due date, including extensions, for filing the original return.*

**FOR ADDITIONAL INFORMATION:**

*Corporate Tax Ruling (CTR) 12-1, Consolidated Return Election*

Page 1 of these instructions, *Consolidated Return Election*, Page 5 of the instructions for Arizona Form 120, *Consolidated Returns*

**Line E:** If this amended return includes changes to the Arizona apportionment ratio, check the appropriate box. Complete Form 120X, Schedule A, (or include a revised Schedule ACA, if applicable) and explain the changes on Schedule C.

**Line F:** Check the box on line F if the election to be treated as a multistate service provider was made on your original return.

**NOTE to Line F:** *The multistate service provider election as prescribed in the Arizona Revised Statutes (A.R.S.) §43-1147(B) must be made on the taxpayer's timely filed original tax return including extensions. This election is binding for five consecutive taxable years. Taxpayers cannot make the election or revoke the election by amending the tax return. See A.R.S. §43-1147 and Schedule MSP for more information.*

**Lines 1 through 8, lines 10 through 19, and line 21 -**

**NOTE:** *Columns (a) and (c) must be completed for each line whether or not a change has been made to a particular line. Enter an amount in column (b) only if a change has been made for a particular line.*

- **Column (a):** Enter the amounts as shown on the original return or as adjusted by any prior audit, amended return, or Department of Revenue correction notice, whichever is latest.
- **Column (b):** Enter the amount of any change(s). Include any schedules, forms, and/or statements which are necessary to fully explain and substantiate the change(s). The amounts entered in column (b) should be the net increase or net decrease for each line that has been changed. Use a minus sign to indicate decreases entered in column (b).
- **Column (c):** Add the increase in column (b) to the amount in column (a) or subtract the decrease in column (b) from column (a). Enter the result here. If the line has not been changed, enter the amount from column (a) in column (c).

**Line 9 - Apportionment Ratio  
(Multistate Taxpayers Only)**

If the apportionment ratio is being amended, enter the amended apportionment ratio in column (c) from page 2, Schedule A, line A5, column C, or from Schedule ACA, line 3. If the apportionment ratio is not being amended, enter the apportionment ratio from the 2016 Form 120, page 1, line 9, or as adjusted by any prior audit or amended return, whichever is latest. The taxpayer must carry out the ratio on line 9 to six places.

Refer to the Schedule ACA or Schedule A instructions for more information. Do not enter an amount on page 1, line 9, before reading the Schedule ACA or Schedule A instructions.

**Line 16 - Arizona Tax**

Multiply Arizona taxable income [line 15, column (c)] by 5.5%. If the computed amount of tax is less than \$50, enter the minimum tax of \$50. Every corporation required to file a return shall pay a \$50 minimum tax in accordance with A.R.S. § 43-1111.

*Combined or consolidated returns* - a unitary group or an Arizona affiliated group is considered a single taxpayer. The minimum tax is imposed on the single taxpayer rather than on each corporation within the group.

### Line 17 - Tax from Recapture of Tax Credits

Enter the amount of tax due from recapture tax credits from Arizona Form 300, Part 2, line 31.

### Line 18 - Subtotal

Add lines 16 and 17. This is the amount of tax to which the total amount of tax credits claimed by the taxpayer may be used.

### Line 19 - Nonrefundable Tax Credits

Enter the allowable nonrefundable tax credit amount from Arizona Form 300, Part 2, line 56. This amount cannot be larger than the amount on Form 120X, line 18.

- **Enterprise Zone Credit.** The enterprise zone credit has been repealed. The repeal did not affect carryforwards of properly established credits. See Form 304 for more information.
- **Environmental Technology Facility Credit.** This tax credit is for costs incurred in constructing a qualified environmental technology manufacturing, producing, or processing facility as described in A.R.S. § 41-1514.02. See Form 305 for more information.
- **Military Reuse Zone Credit.** This tax credit is for net increases in employment of full-time employees working in a military reuse zone established under Arizona law. See Form 306 for more information.
- **Credit for Increased Research Activities.** This tax credit is for taxpayers who incur qualified research expenses for research conducted in Arizona. The credit applies to taxable years beginning from and after December 31, 2000. A portion of the excess credit claimed for taxable years beginning from and after December 31, 2009 may be refundable with approval from the Arizona Commerce Authority. Be sure to include only the nonrefundable portion on line 19. See Form 308 for more information.
- **Pollution Control Credit.** This tax credit is for expenses incurred during the taxable year to purchase real or personal property used in the taxpayer's trade or business in Arizona to control or prevent pollution. See Form 315 for more information.
- **Credit for Taxes Paid for Coal Consumed in Generating Electrical Power.** This tax credit is for a percentage of the amount paid by the seller or purchaser as transaction privilege tax or use tax for coal sold to the taxpayer that is consumed in the generation of electrical power in Arizona. "Amount paid by the seller or purchaser as transaction privilege tax or use tax" means that the Arizona transaction privilege tax was passed through to the taxpayer by the seller as an added charge or that the seller collected the Arizona use tax from the taxpayer or that the taxpayer paid the Arizona use tax to the department. See Form 318 for more information.

- **Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets.** This tax credit is for the installation of solar hot water heater plumbing stub outs and electric vehicle recharge outlets in houses or dwelling units constructed by the taxpayer. The houses or dwelling units must be located in Arizona. See Form 319 for more information.
- **Credit for Employment of TANF Recipients.** This tax credit is for net increases in qualified employment for recipients of temporary assistance for needy families (TANF) who are residents of Arizona. See Form 320 for more information.
- **Agricultural Pollution Control Equipment Credit.** This tax credit is for expenses incurred during the taxable year to purchase tangible personal property that is primarily used in the taxpayer's business in Arizona to control or prevent agricultural pollution. See Form 325 for more information.
- **Credit for Donation of School Site.** This tax credit is for the donation of real property and improvements to an Arizona school district or Arizona charter school for use as a school or as a site for the construction of a school. See Form 331 for more information.
- **Credits for Healthy Forest Enterprises.** These tax credits are for net increases in qualified employment positions in a healthy forest enterprise and net training and certifying costs. See Form 332 for more information.
- **Credit for Employing National Guard Members.** This credit is for an employer who has an employee that is a member of the Arizona National Guard and the employee was placed on active duty. See Form 333 for more information.
- **Credit for Corporate Contributions to School Tuition Organizations.** This credit is for corporations who make contributions to school tuition organizations which provide scholarships and tuition grants to children attending qualified nongovernmental schools. See Form 335 for more information.
- **Credit for Solar Energy Devices - Commercial and Industrial Applications.** This credit is available to taxpayers that install solar energy devices for commercial, industrial, or any other nonresidential purpose in the taxpayer's trade or business located in Arizona. The taxpayer or an exempt organization may transfer the credit to a third party that either financed, installed, or manufactured the qualifying solar energy device. See Form 336 for more information.
- **Credit for Water Conservation System Plumbing Stub Outs.** The credit for water conservation system plumbing stub outs has expired. This credit may not be claimed for taxable years ending after December 31, 2011. However, any credit carryover established in calendar year 2011 and prior will be allowed for not more than five consecutive taxable years. See Form 337 for more information. Taxable year 2016 is the last year a taxpayer may claim this credit carryforward.

- **Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students with Disabilities.** This tax credit is for corporations who make contributions to school tuition organizations that provide scholarships and tuition grants to qualifying children attending qualified nongovernmental schools. See Form 341 for more information.
- **Renewable Energy Production Tax Credit.** This tax credit is for taxpayers that produce electricity using qualified energy resources. Approval by the Arizona Department of Revenue is required prior to claiming this tax credit. See Form 343 for more information.
- **Solar Liquid Fuel Credit.** This credit is for taxpayers in the solar liquid fuel industry. Credits are allowed for taxpayers who:
  - Had increased research and development activities in Arizona related to solar liquid fuel.
  - Produced solar liquid fuel in Arizona in commercial quantities.
  - Incurred costs to convert or modify existing motor vehicle service stations for the retail sale of solar liquid fuel to customers in Arizona.
  - Use Form 344 to claim this tax credit.
- **Credit for New Employment.** This tax credit is for taxpayers that have net increases in employment. The credit limit is administered by the Arizona Commerce Authority. See Form 345 for more information.
- **Additional Credit for Increased Research Activities for Basic Research Payments.** This tax credit is for taxpayers that make qualified basic research payments for research conducted in Arizona. Approval by the Arizona Department of Revenue is required prior to claiming this tax credit. See Form 346 for more information.
- **Credit for Qualified Health Insurance Plans.** The credit for qualified health insurance plans has been repealed. All credits for qualified health insurance plans that were properly established can be carried forward for the respective three year carry forward period. Use Form 347 to claim this carry-forward tax credit.
- **Credit for Renewable Energy Investment and Production for Self-Consumption by Manufacturers.** This tax credit is for investment in new renewable energy facilities that produce energy for self-consumption using renewable energy resources if the power will be used primarily for manufacturing. See Form 351 for more information.

Complete the appropriate credit form for each credit. Include the completed credit form(s) and also Form 300 with Form 120X, whether or not the amount claimed on line 19 has changed.

**Line 20 - Credit Type**

Indicate which tax credits were used on line 19 by entering the applicable form number(s) in the space provided. Complete this line whether or not the amount of tax credits claimed on line 19 has changed.

| <b>Nonrefundable Income Tax Credit</b>  | <b>Form</b> |
|---|-------------|
| Enterprise Zone Credit  | 304         |
| Environmental Technology Facility Credit  | 305         |
| Military Reuse Zone Credit  | 306         |
| Credit for Increased Research Activities  | 308         |
| Pollution Control Credit  | 315         |
| Credit for Taxes Paid for Coal Consumed in Generating Electrical Power  | 318         |
| Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets                              | 319         |
| Credit for Employment of TANF Recipients  | 320         |
| Agricultural Pollution Control Equipment Credit   | 325         |
| Credit for Donation of School Site  | 331         |
| Credits for Healthy Forest Enterprises  | 332         |
| Credit for Employing National Guard Members   | 333         |
| Credit for Corporate Contributions to School Tuition Organizations  | 335         |
| Credit for Solar Energy Devices - Commercial and Industrial Applications  | 336         |
| Credit for Water Conservation System Plumbing Stub Outs   | 337         |
| Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students With Disabilities | 341         |
| Renewable Energy Production Tax Credit  | 343         |
| Solar Liquid Fuel Credit  | 344         |
| Credit for New Employment   | 345         |
| Additional Credit for Increased Research Activities for Basic Research Payments   | 346         |
| Credit for Qualified Health Insurance Plans   | 347         |
| Credit for Renewable Energy Investment and Production for Self-Consumption by Manufacturers                             | 351         |

**Line 22 - Refundable Tax Credits**

Check the box marked 308, 342 and/or 349 to indicate which of these tax credits the taxpayer is claiming. Enter the total amount of the credits claimed on line 22. Include the completed credit form(s) with Form 120X, whether or not the amount claimed on line 22 has changed.

**Credit for Increased Research Activities.** A portion of this tax credit is refundable for qualified taxpayers. The refund is limited to 75% of the excess credit, which is the current year's credit less the current year's tax liability, not to exceed the amount approved by the Arizona Commerce Authority. Include a copy of your "Certificate of Qualification" from the Arizona Commerce Authority, Form 300 and Form 308 with your return. Enter the amount from Form 308, Part 7, line 44.

**Credit for Renewable Energy Industry.** This tax credit is for expanding or locating qualified renewable energy operations in Arizona and is refundable in five equal installments. Pre-approval and post-approval are required through the Arizona Commerce Authority. Include a copy of your "Certification of Qualification" from the Arizona Commerce Authority and Form 342 with your tax return to claim this credit. Enter the amount from Form 342, Part 6, line 18.

**Credit for Qualified Facilities.** This tax credit is for expanding or locating a qualified facility in Arizona and is



refundable in five equal installments. Pre-approval and post-approval are required through the Arizona Commerce Authority. Include a copy of your "Certification of Qualification" from the Arizona Commerce Authority and Form 349 with your tax return to claim this credit. Enter the amount from Form 349, Part 8, line 18.

If you are claiming more than one of the refundable tax credits, check the appropriate boxes and add the amounts from the credit forms together and enter the total on line 22, or use the worksheet below to figure the amount to enter on line 22.

| Refundable Credit Worksheet  |  |
|--|--|
| 1. Enter the refundable credit from Form 308, Part 7, line 44.                           |  |
| 2. Enter the apportioned credit from Form 342, Part 6, line 18.                          |  |
| 3. Enter the apportioned credit from Form 349, Part 8, line 18.                          |  |
| 4. Add the amounts on lines 1, 2, and 3. Enter the total here and on Form 120X, line 22. |  |

**Line 23 - Payments (Extension, Estimated) and Claim of Right**

- a) Enter the total amount from the original return (2016 Form 120, lines 23 and 24; or 2016 Form 120A, lines 15 and 16).
- b) If you recomputed a prior year's tax under Arizona's claim of right provision, complete *Arizona Claim of Right - Corporate*. Enter the amount from Part 2, line 8. Include the claim of right form with your return. If you completed more than one claim of right form, add all amounts on line 8, and enter the total here.
- c) Add the amounts on line 24(a) and 24(b). Enter the total.

**NOTE FOR CLAIM OF RIGHT RESTORATION:** If you recomputed a prior year's tax under Arizona's claim of right provision, you must complete and include *Arizona Claim of Right - Corporate* form with your return. If you fail to complete and include this form, the amount of your claim may be denied.

Refer to *Arizona Corporate Income Tax Procedure (CTP) 16-1, Procedure for Corporations That Restore Substantial Amounts Held Under a Claim of Right for additional information on Arizona's Claim of Right provision.*

**Line 24 - Payment with Original Return (Plus All Payments After It Was Filed)**

Enter the amount from page 2, Schedule B, line B4.

**Line 25 - Total Payments**

Add lines 22, 23 and 24. Enter the total.

**Line 26 - Overpayment from Original Return or as Later Adjusted**

Enter the amount of any overpayment of tax from the original return (2016 Form 120, line 31; or 2016 Form 120A, line 23), and the total amount of any overpayments of tax from a Department of Revenue correction notice, a previously filed amended return (2016 Form 120X, line 31), or an audit.

**Line 28 - Total Due**

If line 21, column (c) is **larger** than line 27, enter the difference. This is the amount of tax due.

**Line 29 - Penalty and Interest**

The taxpayer can choose calculate interest on the amount shown on line 28. The current interest rates are available by calling the phone numbers listed on page 1 of this return. Interest rate tables are also available on the department's website. The interest period is from the original due date of the return to the payment date and is compounded annually.

If the taxpayer chooses not to calculate interest and penalties, the department will calculate them, and as appropriate, include that amount in any refund, or bill the taxpayer.

**Line 30 - Payment Due**

Add lines 28 and 29, and enter the total here. This is the amount of payment due. Non-EFT payment must be included with the amended return. Payments can be made via check, electronic check, money order, or credit card.

**Check or Money Order**

Make checks payable to Arizona Department of Revenue. Include the taxpayer's EIN on the front of the check or money order. Include the check or money order with the return.

**Internet Payments**

Corporate taxpayers must be licensed by the department before they can register to pay taxes online. Go to [www.AZTaxes.gov](http://www.AZTaxes.gov) to register and make payments over the internet.

**Electronic payment from checking or savings account**

Payments can be made electronically from a checking or savings account. Go to [www.AZTaxes.gov](http://www.AZTaxes.gov) and choose the e-check option. There is no fee to use this method. This payment method will debit the amount from the specified checking or savings account on the date specified. If an electronic payment is made from a checking or savings account, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

**Credit card payment**

Payments can be made via American Express, Discover, MasterCard or VISA credit cards. Go to [www.AZTaxes.gov](http://www.AZTaxes.gov) and choose the credit card option. This will take you to the website of the credit card payment service provider. The service provider will charge a convenience fee based on the amount of the tax payment. The service provider will disclose the amount of the convenience fee during the transaction and the option to continue or cancel the transaction will be presented. If you accept the convenience fee and complete the credit card transaction, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

**Line 31 - Overpayment**

If line 27 is **larger** than line 21, column (c), enter the difference. This amount is the overpayment from this amended return.

**Line 32 - Amount to be Applied to 2017 Estimated Taxes**

The taxpayer may apply part or all of an overpayment reported on line 31 as a 2017 estimated tax payment, if this amended

return is filed during the taxpayer's taxable year, 2017. Enter the applicable amount on line 32. If the taxpayer wants the entire line 31 amount to be refunded, enter zero.

### Line 33 - Amount to be Refunded

Subtract line 32 from line 31, and enter the difference. This is the net refund amount.

### Schedule A - Apportionment of Income (Multistate Corporations Only)

A.R.S. §§ 43-1131 through 43-1150 govern the apportionment of income. A corporation that engages in activities both within and without Arizona must apportion its business income based on property, payroll, and sales in Arizona as compared to these factors everywhere. "Everywhere" means the property, payroll, and sales factors related to the whole combined or consolidated business.

A combined return excludes the factors of a unitary foreign corporation unless the foreign corporation is itself subject to the Arizona corporate income tax. A consolidated return includes the factors of a foreign corporation that is a member of the affiliated group. Both combined and consolidated returns exclude the factors of an insurance company exempt under A.R.S. § 43-1201(A)(14).

Taxpayers apportioning income shall complete lines 6 through 12 on page 1 of Arizona Form 120.

### NON-APPORTIONABLE INCOME

Apportionment factors generating nonapportionable or non-taxable income are not to be included in the calculation of the apportionment ratio.

### ADMINISTRATIVE RELIEF REQUESTS

A.R.S. § 43-1148 provides administrative relief if the allocation and apportionment provisions of UDITPA do not fairly represent the extent of the taxpayer's business activity in this state. The taxpayer may petition for or the department may require, in respect to all or any part of the taxpayer's business activity, if reasonable:

- Separate accounting, except with respect to an Arizona affiliated group, as defined in A.R.S. § 43-947.
- The exclusion of any one or more of the factors.
- The inclusion of one or more additional factors which will fairly represent the taxpayer's business activity in this state.
- The employment of any other method to effectuate an equitable allocation and apportionment of the taxpayer's income, other than disallowance of a properly elected consolidated return.

This section permits a departure from the allocation and apportionment provisions only in limited cases. A.R.S. § 43-1148 may be invoked only if unusual fact situations produce incongruous results under the apportionment and allocation provisions. Taxpayers seeking such relief should submit a letter to the Corporate Income Tax Audit Section 60 days prior to the filing of the return setting forth the relief that is requested and the justification for the relief.

The department normally makes such determinations only upon audit of the taxpayer. Such a detailed examination of the facts and circumstances reveals whether such unusual fact situations and incongruous results exist.

### COMPUTING THE APPORTIONMENT RATIO

When computing the factors of the apportionment ratio, carry the result out to six (6) places after the decimal. If the seventh (7<sup>th</sup>) place after the decimal is five (5) or more, round the sixth (6<sup>th</sup>) decimal place up to the next higher digit. If the seventh (7<sup>th</sup>) place after the decimal is less than five (5), leave the sixth (6<sup>th</sup>) place decimal as it is.

#### Example #1:

|                   |                |
|-------------------|----------------|
| Arizona Factor    | <u>123,456</u> |
| Everywhere Factor | 789,654        |
| Average           | .1563418       |

The seventh (7<sup>th</sup>) digit after the decimal is "8". Since "8" is greater than "5", the sixth (6<sup>th</sup>) digit after the decimal is increased to the next higher digit, "2".

The average rounded to six (6) decimal places is .156342.

#### Example #2:

|             |                |
|-------------|----------------|
| Total Ratio | <u>.179865</u> |
| Divided by  | 4              |
| Average     | .0449662       |

The seventh (7<sup>th</sup>) digit after the decimal is "2". Since "2" is less than "5", the sixth (6<sup>th</sup>) digit after the decimal remains "6". No increase to the sixth (6<sup>th</sup>) digit after the decimal is made.

The average rounded to six (6) decimal places is .044966.

### SCHEDULE ACA - AIR CARRIER APPORTIONMENT FORMULA (MULTISTATE AIR CARRIERS ONLY)

A.R.S. § 43-1139 requires a taxpayer that is a qualifying air carrier to use revenue miles to apportion its business income to Arizona. The taxpayer must be engaged in air commerce. "Air commerce" means transporting persons or property for hire by aircraft in interstate, intrastate or international transportation. If the taxpayer files a combined or consolidated return, the combined group or the Arizona affiliated group must use this method of apportionment if 50% or more of the taxpayer's gross income is derived from air commerce. The taxpayer will apportion its business income by means of a single apportionment ratio computed under this method for all group members.

Check the box labeled "AIR CARRIER" on line E on page 1 of the return. Do not complete Schedule A on page 2 of the return. Complete Schedule ACA and include it with the return. Schedule ACA is available on the department's website at: <http://www.azdor.gov/Forms/Corporate.aspx>.

### NON-AIR CARRIER APPORTIONMENT FORMULA (MULTISTATE CORPORATIONS ONLY)

Non-air carrier multistate corporations have the opportunity to choose one of two apportionment formulas for calculating the apportionment ratio:

- Non-air carrier multistate corporations may elect the enhanced apportionment formula.
- The standard apportionment formula must be used by non-air carrier multistate corporations not electing to use the enhanced apportionment formula.

Check the box on line E of page 1 of the return to indicate which apportionment formula, "Standard", or "Enhanced", will

be used to calculate the apportionment ratio on the corporation's return. Whichever apportionment method is indicated, the taxpayer must complete the apportionment ratio using that formula. (The taxpayer cannot use "Standard" to calculate one portion of the ratio, and "Enhanced" to calculate another portion of the ratio.)

For the standard apportionment ratio, the numerator of the fraction of the standard apportionment formula is the property factor plus the payroll factor plus two (2) times the sales factor. The denominator of the fraction is four (4). Use the numbers located on the left-hand side of Schedule E, column A, to double-weight the sales factor.

For the enhanced apportionment ratios, the numerator of the fraction is two and one-half (2.5) times the property factor plus two and one-half (2.5) times the payroll factor plus ninety-five (95) times the sales factor. The denominator of the fraction is 100. Use the numbers located on the right-hand side of Schedule A, column A to weight the property, payroll, and sales factors respectively.

### Line A1 - Property Factor

The Property Factor is a fraction that represents the average value of the taxpayer's property owned or rented and used in Arizona to the total average value of the taxpayer's property owned or rented and used during the tax period.

The value of tangible personal property and real property owned by the taxpayer is its original cost. The taxpayer normally determines the average value of its owned property by averaging the values at the beginning and ending of the tax period. Property used to generate non-apportionable or non-taxable income is not included in the property factor.

The value of tangible personal property and real property rented by the taxpayer is eight times its net annual rental rate. The net annual rental rate is the annual rental rate paid by the taxpayer for rented property, less the aggregate annual subrental rates paid by subtenants of the taxpayer. The taxpayer automatically achieves averaging for rented property by the method of determining the net annual rental rate of such property.

For a discussion of the treatment of computer software in the property factor, refer to *CTR 01-2*.

Report real property situated, and tangible personal property permanently located, in Arizona as property within Arizona during the tax year. Attribute the value of mobile property to Arizona based on the total time that the property was within Arizona.

#### Taxpayers Electing "STANDARD APPORTIONMENT"

- Check the box on line E of the return labeled "STANDARD".
- Divide the numerator of the property factor by the denominator. The result is the "Standard" property factor. Express the ratio as a decimal carried out to six (6) places. The property factor will not exceed 1.0.

#### Taxpayers Electing "ENHANCED APPORTIONMENT"

- Check the box on line E of the return labeled, "ENHANCED".
- Multiply the numerator of the property factor by two and one-half (2.5). Divide that result by the denominator.

The result is the "Enhanced" property factor. Express the ratio as a decimal carried out to six (6) places. The property factor may exceed 1.0 but may not exceed 2.5.

For additional information on the property factor, refer to:  
*A.R.S. §§ 43-1140 through 43-1142*  
*A.A.C. R15-2D-601 through R15-2D-607 and R15-2D-902*  
*CTR 01-2*

### Line A2 - Payroll Factor

The Payroll Factor is a fraction that represents the compensation paid in Arizona by the taxpayer to the total compensation paid by the taxpayer during the tax year.

Report the salaries, wages, or other compensation of officers, employees, etc., as being within Arizona if the performance of those services occurs entirely in Arizona. This rule applies regardless of where payment is made or control exercised. This rule also applies regardless of whether the performance of the services is partly or wholly in connection with the apportionable business carried on outside the state or in interstate or foreign commerce. Payroll used to generate non-apportionable or non-taxable income is not included in the payroll factor.

Allocate the compensation of officers and employees who perform services partly within and partly without Arizona to this state when:

- The services performed outside of Arizona are incidental to the employee's service within Arizona; or
- The employee's base of operation is in Arizona; or
- The employee has no base of operation in any state but the direction or control of the employee is from Arizona; or
- The employee has no base of operation in any state, and there is no direction or control from a state in which the employee performs some part of his services, but the employee's residence is in Arizona.

#### Taxpayers Electing "STANDARD APPORTIONMENT"

- Check the box on line E of the return labeled "STANDARD".
- Divide the numerator of the payroll factor by the denominator. The result is the "Standard" payroll factor. Express the ratio as a decimal carried out to six (6) places. The payroll factor will not exceed 1.0.

#### Taxpayers Electing "ENHANCED APPORTIONMENT"

- Check the box on line E of the return labeled, "ENHANCED".
- Multiply the numerator of the payroll factor by two and one-half (2.5). Divide that result by the denominator. The result is the "Enhanced" payroll factor. Express the ratio as a decimal carried out to six (6) places. The payroll factor may exceed 1.0 but may not exceed 2.5.

For additional information on the payroll factor, refer to:  
*A.R.S. §§ 43-1143, 43-1144*  
*A.A.C. R15-2D-701 through R15-2D-705*

**Line A3 - Sales Factor**

The Sales Factor is a fraction that represents the total sales of the taxpayer in Arizona to the total sales of the taxpayer during the tax period.

"Sales" includes all gross receipts from transactions and activities in the course of the regular trade or business that produce income. Gross receipts from non-apportionable or non-taxable income are not included in the sales factor.

Determine sales of tangible personal property on a destination sales basis. Determine sales of real property based on the location of the property. Determine sales of other than tangible personal property based on the location where the income producing activity occurs.

**TAXPAYERS THAT QUALIFY AS MULTISTATE SERVICE PROVIDERS ELECTING TO SOURCE SALES OF SERVICES TO ARIZONA USING A COMBINATION OF INCOME PRODUCING ACTIVITY SALES AND MARKET SALES**

For taxable years beginning from and after December 31, 2013, taxpayers that qualify as a Multistate Service Provider (MSP) may elect to treat sales from service as being sourced to Arizona based on a combination of income-producing activity sales and market sales. Multistate taxpayers complete Schedule MSP to determine if they qualify as an MSP. If the taxpayer qualifies, and wishes to make the election, the completed Schedule MSP must be included with the taxpayer's original, timely-filed tax return. *(The election to be treated as an MSP cannot be made on an amended return.)* Once made, the election is binding for five (5) years. For each year of the election period, Schedule MSP must be completed by the taxpayer to source sales from services to Arizona. Once Schedule MSP is completed, the taxpayer can compute the sales factor.

Taxpayers that qualify, and who want to make the election, should:

- Ensure the completed Schedule MSP is included with the return.
- Ensure the box on line F of the return is checked
- Ensure the box indicating the year of the taxpayer's election cycle is checked.
- Enter on line A3b, column A, the Arizona sales from services from the completed Schedule MSP, line B5.
- Complete the calculation of the sales factor following the instructions for the taxpayer's choice of the "STANDARD" or "ENHANCED" apportionment formula.

**Taxpayers qualifying as an MSP, and electing to be treated as an MSP:**

- Enter the Arizona sales from services on line A3b from the line B5 of the completed Schedule MSP.

**Taxpayers not making the election to be treated as an MSP:**

- Include Arizona sales from services on line A3c.

**Taxpayers Electing "STANDARD APPORTIONMENT"**

- Check the box on line E of the return labeled "STANDARD."
- Multiply the numerator of the sales factor by two (2). Divide that result by the denominator. The result is the

"Standard" sales factor. Express the ratio as a decimal carried out to six (6) places. The sales factor will not exceed 2.0

**Taxpayers Electing "ENHANCED APPORTIONMENT"**

- Check the box on line E of the return labeled "ENHANCED".
- Multiply the numerator of the sales factor by ninety-five (95). Divide that result by the denominator. The result is the "Enhanced" sales factor. Express the ratio as a decimal carried out to six (6) places. The sales factor may exceed 2.0 but may not exceed 95.0.

For more information on the sales factor, refer to:

*A.R.S. §§ 43-1145 through 43-1147*

*A.A.C. R15-2D-801 through R15-2D-807, and R15-2D-903*

*CTR 02-2*

*CTR 07-1*

**Line A4 – Total Ratio**

Add the ratios for the property factor, the payroll factor, and the sales factor in Column C. Enter the result.

**Line A5 - Average Apportionment Ratio**

**NOTE:** Taxpayers must exclude a factor if both the numerator and the denominator of a factor are zero (0). Do not exclude a factor if the numerator of the factor is zero (0) and the denominator of a factor is greater than zero (0).

**Taxpayers Electing "STANDARD APPORTIONMENT"**

If either the property or the payroll factor is excluded, determine the average ratio by dividing the total ratio by three (3). If the sales factor is excluded, determine the average ratio by dividing the total ratio by two (2). If two of the factors are excluded, the remaining factor, without respect to any weighting, is the apportionment ratio.

**Taxpayers Electing "ENHANCED APPORTIONMENT"**

If either property or the payroll factor is excluded, determine the average ratio by dividing the total ratio by ninety seven and one-half (97.5). If the sales factor is excluded, determine the average ratio by dividing the total ratio by five (5). If two of the factors are excluded, the remaining factor, without respect to any weighting, is the apportionment ratio.

**Taxpayers Electing "STANDARD APPORTIONMENT"**

Divide the total ratio, line A4, column C, by four (4). Express the ratio as a decimal carried out to six (6) places. Enter the average ratio here and on page 1, line 9.

**Taxpayers Electing "ENHANCED APPORTIONMENT"**

Divide the total ratio, line A4, column C by 100. Express the ratio as a decimal carried out to six (6) places. Enter the average ratio here and on page 1, line 9.

**Schedule B – Schedule of Payments**

List the payment sent with the original return and all payments made by the taxpayer after the original return was filed.

If additional space is required to list all of the payments, prepare a schedule (in the same format) labeled "Schedule B – Schedule of Payments" and include the schedule with the Form 120X.

DO NOT include amounts paid for penalties and interest or payments reported on page 1, line 23.

Enter the total on Schedule B, line B4, and on page 1, line 24.

### Schedule C – Explanation of Changes

Explain the changes made in this return. If additional space is needed, prepare a schedule (in the same format) labeled “Schedule C – Explanation of Changes” and include the schedule with the Form 120X. Include any necessary supporting documentation with the return.

### Schedule D – Adjustments to Additions to Taxable Income

#### Lines D1 through D7 –

**NOTE:** Columns (a) and (c) must be completed for each line whether or not a change has been made to a particular line. Enter an amount in column (b) only if a change has been made for that particular line.

- **Column (a):** Enter the amounts as shown on the original return or as adjusted by any prior audit, amended return, or Department of Revenue correction notice, whichever is latest.
- **Column (b):** Enter the amount of any change(s). Include any schedules, forms, and/or statements which are necessary to fully explain and substantiate the change(s). The amounts entered in column (b) should be the net increase or net decrease for each line that has been changed. Use a minus sign to indicate decreases entered in column (b).
- **Column (c):** Add the increase in column (b) to the amount in column (a) or subtract the decrease in column (b) from column (a). Enter the result here. If the line has not been changed, enter the amount from column (a) in column (c).

The additions presented in Schedule D of Form 120X, are identical to the additions in Schedule A of Form 120 and Form 120A. (See the instructions for Form 120 or 120A for additional information concerning the additions.)

**Form 165PA Schedule K-1(NR):** If the corporation received Arizona Form 165PA K-1(NR) for this taxable year, and the amount on line 17, is positive, file Form 120X for this taxable year. Enter the positive amount from line 17 of the 165PA Schedule K-1(NR) here. Complete this return and submit it to the Department.

#### Line D8 --

Add lines D1 through D7 in each column. Enter the amounts here and in the corresponding column(s) on page 1, line 2.

### Schedule E – Adjustments to Subtractions from Taxable Income

#### Lines E1 through E10 –

**NOTE:** Columns (a) and (c) must be completed for each line whether or not a change has been made to a particular line. Enter an amount in column (b) only if a change has been made for that particular line.

- **Column (a):** Enter the amounts as shown on the original return or as adjusted by any prior audit, amended return, or Department of Revenue correction notice, whichever is latest.

- **Column (b):** Enter the amount of any change(s). Include any schedules, forms, and/or statements which are necessary to fully explain and substantiate the change(s). The amounts entered in column (b) should be the net increase or net decrease for each line that has been changed. Use a minus sign to indicate decreases entered in column (b).
- **Column (c):** Add the increase in column (b) to the amount in column (a) or subtract the decrease in column (b) from column (a). Enter the result here. If the line has not been changed, enter the amount from column (a) in column (c).

The subtractions presented in Schedule E of Form 120X, are identical to the subtractions in Schedule B of Form 120 and Form 120A. (See the instructions for Form 120 or 120A for additional information concerning the additions.)

**Form 165PA Schedule K-1(NR):** If the corporation received Arizona Form 165PA K-1(NR) for this taxable year, and the amount on line 17, is negative, file Form 120X for this taxable year. Enter the negative amount from line 17 of the 165PA Schedule K-1(NR) as a positive number here. Complete this return and submit it to the Department.

#### Line E11 --

Add lines E1 through E10 in each column. Enter the amounts here and in the corresponding column(s) on page 1, line 4.

### Certification

One or more of the following officers (president, treasurer, or any other principal officer) must sign the return.

**Paid preparers:** Sign and date the return. Complete the firm name and address lines (the paid preparer’s name and address, if self-employed). Enter the paid preparer’s TIN, which is the firm’s EIN or the individual preparer’s social security number.

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Please type or print. Include with your return.

For the calendar year 2016 or fiscal year beginning MM, M, D, D, 2, 0, 1, 6 and ending MM, M, D, D, 2, 0, Y, Y.

For the first taxable year a consolidated return is filed, this form must be completed by each subsidiary and included with the return.

|      |                                      |
|------|--------------------------------------|
| Name | Employer Identification Number (EIN) |
|------|--------------------------------------|

Address – Number and street or PO Box

|                           |       |          |
|---------------------------|-------|----------|
| City, Town or Post Office | State | ZIP Code |
|---------------------------|-------|----------|

|                                   |                                      |
|-----------------------------------|--------------------------------------|
| Name of Common Parent Corporation | Employer Identification Number (EIN) |
|-----------------------------------|--------------------------------------|

The subsidiary corporation named above authorizes its common parent corporation to include it in a consolidated return for the taxable year indicated. The authorization also applies to each succeeding taxable year, unless the department consents to a change of filing method.

**Signature**

|                         |   |      |                               |
|-------------------------|---|------|-------------------------------|
| <b>Declaration</b>      | Under penalties of perjury, I declare that the subsidiary named above has authorized me to sign this form on its behalf, that I have examined this form and the information contained herein, and to the best of my knowledge and belief, it is correct and complete. |      |                               |
| <b>Please Sign Here</b> | SIGNATURE OF CORPORATE OFFICER  | DATE | TITLE                         |
|                         | NAME OF CORPORATE OFFICER   |      | PHONE NUMBER (with area code) |

**General Instructions**

**Purpose of Form**

The common parent of an affiliated group that files a federal consolidated return may elect to file an Arizona consolidated return. The election by the common parent is effective only if it is accompanied by written consents to the election signed by each of the members of the affiliated group. This form is used by each of the subsidiary corporations included in the affiliated group to consent to the election made by the common parent. The consent form must be signed by a current officer of each subsidiary in the affiliated group.

**NOTE:** Refer to A.R.S. § 43-947 and Form 120 instructions for further information regarding the election to file an Arizona consolidated return.

The election must be made by the common parent on or before the due date, including any extensions, for filing the original return (Form 120). The completed Form(s) 122 must be included with Form 120 filed with the department for the first taxable year a consolidated return is filed. The consent form must be signed by a current officer of each subsidiary in the affiliated group.

**How to Make an Election to File an Arizona Consolidated Return**

- Complete a separate Form 122 for each subsidiary included in the federal affiliated group for the taxable year for which the election is made. The Form 122 for each subsidiary must be signed by a current officer of that subsidiary.
- File all of the completed Form(s) 122 (for each subsidiary included in the federal affiliated group) AND the tax return by the due date, including extensions, for filing the original return.

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## 2016 PARTNERSHIP HIGHLIGHTS

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### Partnership Return Due Dates

For taxable years beginning from and after December 31, 2015, the Arizona Partnership Income Tax Return (Form 165) will be **due on the 15<sup>th</sup> day of the 3<sup>rd</sup> month** following the close of the taxable year.

### Partnership Filing Extension

For taxable years beginning from and after December 31, 2015, Arizona's partnership income tax extension is the same as the federal extension which allows partnerships an **additional six (6) months after the original due date** to file the partnership's income tax return.

### Federal Returns

For taxable years beginning after December 31, 2015, the Department no longer requests your federal return be included with your Arizona return. Please do not send a copy of your federal partnership return with your Arizona partnership return. However, you are still required to have your federal return available upon request.

### Bipartisan Budget Act of 2015 (P.L. 114-74)

The Bipartisan Budget Act of 2015 changed the federal statutes relating to partnership audits and adjustments for taxable years beginning in 2018. However, partnerships may elect the new treatment starting with the 2016 taxable year by making the federal "Election under Section 1101(g)(4)".

- If a partnership made this election for 2016, and then is issued a federal imputed underpayment adjustment by the IRS, the partnership must file changes to Arizona using Arizona Form 165PA. This form will become available in 2017.
- If a partnership does NOT make this election federally, it will continue reporting federal changes to Arizona on Arizona Form 165.

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|                           |     |
|---------------------------|-----|
| Name (as shown on page 1) | EIN |
|---------------------------|-----|

**SCHEDULE E Partner Information**

Prepare a schedule that lists each partner's name, address, taxpayer identification number, and pro rata share of the amount shown on line 5. Label the listing as "Schedule E: Partner Information" and include the schedule immediately after page 3 of Form 165.

|                                 |  |                |  |
|---------------------------------|--|----------------|--|
| <b>Due Date</b>                 | For tax years beginning after December 31, 2015, Form 165 is due on or before the 15 <sup>th</sup> day of the 3 <sup>rd</sup> month following the close of the taxable year.   |                |  |
| <b>Declaration</b>              | I, the undersigned partner of the partnership for which this return is made, declare under penalty of perjury, that this return, including the accompanying schedules and statements, has been examined by me and is to the best of my knowledge and belief, a correct and complete return, made in good faith, for the taxable year stated pursuant to the income tax laws of the State of Arizona. |                |  |
| <b>Please Sign Here</b>         | _____<br>PARTNER'S SIGNATURE   | _____<br>DATE  | _____<br>TITLE   |
| <b>Paid Preparer's Use Only</b> | _____<br>PAID PREPARER'S SIGNATURE   | _____<br>DATE  | _____<br>PAID PREPARER'S PTIN  |
|                                 | _____<br>FIRM'S NAME (OR PAID PREPARER'S NAME, IF SELF-EMPLOYED)   |                | FIRM'S <input type="checkbox"/> EIN OR <input type="checkbox"/> SSN<br>( ) |
|                                 | _____<br>FIRM'S STREET ADDRESS   |                | _____<br>FIRM'S TELEPHONE NUMBER   |
|                                 | _____<br>CITY  | _____<br>STATE | _____<br>ZIP CODE  |

**Mail to: Arizona Department of Revenue, PO Box 52153, Phoenix, AZ 85072-2153**

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## 2016 Arizona Partnership Income Tax Return

**For information or help, call one of the numbers listed:**

Phoenix (602) 255-3381  
From area codes 520 and 928, toll-free (800) 352-4090

**Tax forms, instructions, and other tax information**

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

**Income Tax Procedures and Rulings**

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website and click on *Legal Research* then click on *Procedures* or *Rulings* and select a tax type from the drop down menu.

**Publications**

To view or print the department's publications, go to our website and click on *Publications*.

### General Instructions

**Who Must Use Form 165**

File Form 165 for every domestic partnership including syndicates, groups, pools, joint ventures, and every foreign partnership (syndicate, pool, etc.) doing business in Arizona.

**Entity Classification Under the Federal "Check-the-Box Rules"**

The federal tax classification of an entity under the federal "check-the-box rules" determines the entity's classification for Arizona tax purposes. Refer to *Arizona Partnership Tax Ruling PTR 97-1, Federal "Check-The-Box Rules" on Elective Tax Classification*, for further information.

**Limited Liability Companies**

Under the provisions of the Arizona Limited Liability Company Act, a limited liability company is classified as a partnership, or as a corporation, or is disregarded as an entity as determined under the Internal Revenue Code (IRC) as defined in *Arizona Revised Statutes (A.R.S.) § 43-105*. A limited liability company classified as a partnership for federal tax purposes must file Form 165. A limited liability company classified as a corporation for federal tax purposes must file Form 120. A limited liability company classified as a corporation for federal tax purposes that makes a valid federal election to be taxed as an S corporation must file Form 120S. A single member limited liability company that is disregarded as an entity for federal tax purposes is included in the Arizona return of its owner. Refer to *PTR 97-2, Limited Liability Companies*, for further information.

**NOTE:** *A nonprofit medical marijuana dispensary (NMMD) under A.R.S. Title 36, Chapter 28.1, is exempt from Arizona income tax in accordance with A.R.S. § 43-1201(B). If the NMMD is organized or taxed as a partnership, it must file Form 165 to meet the filing requirements of A.R.S. § 43-306. The NMMD must also complete Arizona Form 165, Schedules K-1 and/or K-1(NR), as applicable, and provide copies to its partners, as the partners are not exempt from Arizona income tax.*

**Taxable Year Covered by Return**

The partnership must have the same taxable year for Arizona purposes as it has for federal purposes. Indicate the period covered by the taxable year and whether the taxable year is a calendar year or a fiscal year.

**Records**

Every partnership should maintain books and records substantiating information reported on the return and keep these documents for inspection. See *Arizona General Tax Ruling (GTR) 96-1, Electronic Data Processing*, for more information about record retention requirements.

Partnerships should complete three copies of Form 165, Schedule K-1, or Schedule K-1(NR) for each partner. File one copy of each partner's Schedule K-1 or Schedule K-1(NR) with the partnership's Form 165. Provide all partners with a copy of their Schedule K-1 or Schedule K-1(NR). Retain a copy of each Schedule K-1 or Schedule K-1(NR) for the partnership's records.

**NOTE:** *Use Form 165, Schedule K-1, for all resident and part-year resident individual partners. Also, use Form 165, Schedule K-1 for all resident estate partners and all resident trust partners. Use Form 165, Schedule K-1(NR), for all other partners.*

**OPTIONAL REPORTING FORMAT for Schedule K-1 and Schedule K-1(NR) required to be included with Arizona Form 165:**

The department will accept a hard copy spreadsheet that contains all the requested information or the information may be submitted on electronic media as a Microsoft Excel spreadsheet on a CD-ROM or DVD. The chosen media must be Microsoft Windows compatible.

Partnerships submitting the information on CD-ROM or DVD should secure the CD-ROM or DVD in a hard case and include it with the tax return. The Schedule K-1 and Schedule K-1(NR) submitted on CD-ROM or DVD are part of the income tax return and are subject to the sworn statement on the return that they are correct to the best of the signer's knowledge and belief.

The CD-ROM or DVD should be labeled with the partnership's name, employer identification number, taxable year and Form 165, Schedule K-1/K-1(NR). Partnerships may password protect the CD-ROM or DVD and email the password separately to [MediaLibrarian@azdor.gov](mailto:MediaLibrarian@azdor.gov). Include "Form 165, Schedule K-1/K-1(NR)" in the subject line of the email. In the body of the email, include the same information that is on the label. If the CD-ROM or DVD is password protected, include the email address the password originated from on the label of the CD-ROM or DVD. The department **will not** return or copy any media.

**CAUTION:** *The partnership substitutes the CD-ROM or DVD at its own risk and understands that the information may need to be provided to the department again at a later date if it is not accessible by the department for any reason.*

**IRC § 7519 - Required Payments**

Taxpayers cannot deduct the federal required payments on their Arizona tax returns as an ordinary and necessary business expense or otherwise.

**Rounding Dollar Amounts**

Taxpayers must round amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.

**Extension of Time to File a Return:**

- A request for an extension of time to file an Arizona partnership return **must** be submitted by the original due date of the return.
    - The extension request can be made by filing a federal extension request, or by filing an Arizona extension request, Form 120EXT.
- Arizona’s extension is the same as the federal extension which allows partnerships an additional six (6) months after the original due date to file the partnership’s income tax return.
- If the original return is filed under extension, do not include a copy of the extension with your return.
    - However, make sure to check the extension box (82E) on page one (1) of your return.
  - When filing Arizona Form 120EXT, follow the mailing instructions on the form.

**Composite returns:** Use Form 204 to request an extension of time to file a composite return on Form 140NR for qualifying nonresident individual partners.

**IMPORTANT:** For taxable years beginning from and after December 31, 2015, all partnership returns are due on or before the 15<sup>th</sup> day of the third month following the close of the taxable year.

**Filing Original Returns:**

- Returns are due by the 15th day of the third month following the close of the taxable year.
- If the partnership has a valid federal or Arizona extension, file the return by the extended due date.
  - If the partnership files under an extension, the taxpayer must check box 82E, on page 1 of the return.
- If the due date for the return falls on a Saturday, Sunday, or a legal holiday, the return is considered timely filed if it is post-marked the next business day.
  - See *GTR 16-2, Timely Filing of Income or Withholding Tax Return – Holidays and Weekends.*
- **Mail the return to the address shown on the form.**

**Timely filing of returns:**

- The Department determines the timeliness of a tax return by the postmark or other official mark of the US Postal Service stamped on the envelope in which the return is mailed.
  - See *GTR 16-1, Timely Filing of Income or Withholding Tax Return Through the United States Mail.*

- The Department will accept proof of mailing from a private delivery service included in the Internal Revenue Service (IRS) list of designated private delivery services.
  - Contact the private delivery service for information regarding how to obtain written proof of mailing.
- If the due date for the return falls on a Saturday, Sunday, or a legal holiday, the return is considered timely filed if it is post-marked the next business day.
  - See *GTR 16-2, Timely Filing of Income or Withholding Tax Return – Holidays and Weekends.*

**Filing Amended Returns:**

- Any partnership that files an amended return with the IRS **must** file an Arizona amended return on Form 165 for the tax year to be amended, (i.e. 2016 Form 165 for tax year 2016.
  - When submitting an amended return, check the box labeled “Amended Return” in the upper right corner of the return.
- Partnerships **must** report changes or corrections of their taxable income by the IRS or as a result of renegotiation of a contract or subcontract with the United States to the department.
- Within 90 days after the final determination of the change or correction, the partnership must:
  - File a copy of the final determination with the department, concede the accuracy of the determination or state any errors, and request the department recompute the tax owed Arizona, or
  - File an amended return as required by the department
- The partnership must provide sufficient information for the department to recompute the Partnership’s Arizona income based on the Revenue Agent Report changes.
- The department may require the partnership to file an amended return if the department does not have this information.
- **DO NOT USE FORM 165PA** to file an amended partnership return.
- **Mail the amended return to the address shown on the form.**

**NOTE:** File amended returns for prior taxable years on the respective Form 165 for those taxable years. Use the 2016 Form 165 to amend only the taxable year 2016.  
Do **NOT** file an amended return until your original return has been processed.

**Penalties**

This form is an information return. The penalty for failing to file, filing late (including extensions) or filing an incomplete information return is \$100 for each month, or fraction of a month, that the failure continues, up to a maximum penalty of \$500.

**Disaster Relief for Out-of-State Businesses**

If an out-of-state partnership is in Arizona on a temporary basis solely for the purpose of performing disaster recovery from a declared disaster during a disaster period, it may not be



required to file, remit, withhold or pay state or local (income) tax. (See *Publication 720, Disaster Recovery Tax Relief* to determine if the taxpayer qualifies.)

## Specific Instructions

For calendar year filers, check the box, "calendar year 2016". For fiscal year filers, check the box, "fiscal year" and enter the beginning and ending dates for the fiscal year.

Type or print the required information in the name, address, and information boxes on the top of page 1. If the taxpayer has a foreign address, enter the information in the following order: city, province or state, and country. Follow the country's practice for entering the postal code. **Do not abbreviate the country's name.** Enter the partnership's employer identification number (EIN), which is the taxpayer identification number (TIN).

### NOTE:

- All returns, statements, or other documents filed with the department must have the taxpayer's EIN or TIN indicated on them.
- Taxpayers who fail to include their EIN or TIN may be subject to a penalty.
- Paid tax return preparers must include their TIN where requested.
- The TIN for a paid tax return preparer is:
  - The preparer's PTIN,
  - The preparer's social security number, or,
  - The EIN of the preparer's employer
- Paid tax return preparers who fail to include their TIN may be subject to a penalty.

### Box 68:

- If this is the partnership's first return filed to Arizona, check the box "This is a first return".
- If the partnership changed its name during the tax year, check the box, "Name change".
- If the partnership changed its address during the tax year, check the box, "Address change".

### Box 82E:

- Check this box if this return is being filed under extension.

### Line A:

- If the partnership operates using a different name (Doing Business As) enter that DBA here.

### Line B:

- Will a composite return be filed on Form 140NR?
  - If yes, check "Yes".
  - If no, check "No".

### Line C:

- Enter the total number of nonresident individual partners.

### Line D:

- Enter the total number of resident and part-year resident individual partners.

### Line E:

- Enter the total number of entity partners (corporations, estates, exempt organizations, partnerships, S corporations, and/or trusts).

**NOTE:** *The total of the amounts entered for questions C, D, and E should equal the total number of partners.*

### Line F:

- Enter the date the partnership began its business operations.

### Line G:

- Check the box indicating the method the partnership is using to apportion its income to Arizona:
  - If the partnership utilized the Air Carrier Apportionment (ACA), check the box "AIR CARRIER", complete Form ACA and include Form ACA with this return.
  - If the partnership utilized the Standard apportionment formula, check the box "Standard".
  - If the taxpayer utilized the Enhanced apportionment formula, check the box "Enhanced".
- If the partnership is not required to apportion its income to Arizona, leave this line blank.

### Line H:

- Check this box only if the partnership elected to be treated as a multistate service provider by completing Arizona Schedule MSP and including it with this return. Check the appropriate box, 1 through 5, to indicate the year of the taxpayer's election cycle.
- If the partnership did not elect multistate service provider treatment, leave this line blank.

### Line I:

- If this is the partnership's final return to Arizona using this EIN, check "Yes".
- If this is not the partnership's final return to Arizona using this EIN, check "No".

### Line J:

- If the partnership filed 2014 and 2015 Arizona partnership returns, check "Yes".
- If the partnership did not file 2014 and 2015 Arizona partnership returns, check "No". Enter the reason for not filing Arizona partnership returns on the line below.

### Line K:

- If the partnership filed amended federal partnership returns for prior years, check "Yes". List the tax years on the line below.
- If the partnership did not file amended federal partnership returns for prior years, check "No".

### Line L:

- If the IRS made adjustments to any federal income tax return the partnership filed that were not reported to the department, check the box labeled, "Yes". List the years not reported on the line below. Submit these adjustments separately to the department using the address indicated on Form 165.
- If the partnership has reported adjustments made to its previously filed federal Forms 1065 by the IRS, check "No".

### Line M:

- Enter the name and complete location of the person or entity responsible for maintaining the partnership's books and records.

**Adjustment of Partnership Income from Federal to Arizona Basis**

The 2004 IRC conformity bill (SB 1389) made changes affecting tax years beginning from and after December 31, 1999. Arizona conforms but makes specific additions and subtractions that have the effect of not conforming to the increased IRC § 179 expense limitation and the 30% and 50% bonus depreciation provisions of IRC § 168(k). Because depreciation is reported at the partnership level, adjustments will need to be made in the partnership additions and subtractions. Since IRC § 179 expenses are reported at the partner level, Form 165 requires no adjustments relating to those expenses. Partners must make the adjustments on their income tax returns (for example, on Form 140 or Form 120).

**UPDATE to 2004 Conformity:** *In HB 2531 (2013), the statutory addition for IRC § 179 expenses conforms to federal for tax years beginning from and after January 1, 2013. The subtraction will continue to be allowed for taxable years prior to 2013.*

The 2009 IRC conformity bill (HB 2156) made changes affecting tax years beginning from and after December 31, 2008. Arizona conforms but makes specific additions and subtractions that have the effect of not conforming to the deferral of discharge of indebtedness (DOI) income under IRC § 108(i) and the deferral of original issue discount (OID) deduction under IRC § 108(i). Because the partnership can determine the amount of deferred DOI and OID to allocate to each partner in any manner, not necessarily based on ownership or profit percentage, Form 165 requires no adjustments relating to these deferrals. Partners must make the adjustments on their income tax returns (for example, on Form 140 or Form 120).

**Line 1 - Federal Ordinary Business and Rental Income**

Enter the total of ordinary income (loss) from trade or business activities, rental real estate activities, and other rental activities from the federal Form 1065, Schedule K.

**Schedule A - Additions to Partnership Income**

**Line A1 - Total Federal Depreciation**

Enter the total amount of depreciation deducted on the federal return.

**Line A2 - Non-Arizona Municipal Bond Interest**

Enter interest income received from any state or municipal obligations (other than Arizona) credited to or earned by the partnership during the taxable year. Reduce the amount of interest income by the amount of any interest on indebtedness and other related expenses incurred or continued to purchase or carry those obligations that were not otherwise deducted or subtracted in the computation of Arizona gross income. Do not include interest from obligations specifically exempt from Arizona income tax, nor any related expenses.

**Line A3 - Additions Related to Arizona Tax Credits**

Enter on line A3 the following additions to partnership income that are related to Arizona tax credits. Include a schedule detailing these additions.

**A. Environmental Technology Facility Credit**

These adjustments apply to partnerships that elected to claim a tax credit using Form 305 and have sold or otherwise disposed of the facility or any component of the facility during the taxable year.

- **Excess Federal Depreciation or Amortization**

Enter the excess of depreciation or amortization computed on the federal basis of the facility over depreciation or amortization computed on the Arizona adjusted basis of the facility. Make this adjustment for the facility for which this credit was claimed on Form 305 in a prior taxable year.

- **Excess in Federal Adjusted Basis**

Enter the amount by which the federal adjusted basis of the facility exceeds the Arizona adjusted basis of the facility. Make this adjustment if the facility or any component of the facility for which a credit was claimed on Form 305 in a prior taxable year was sold or otherwise disposed of during this taxable year.

**B. Agricultural Water Conservation System Credit**

Enter the total amount of expenses used to calculate the allowable credit claimed on Form 312 for this taxable year.

**C. Pollution Control Credit**

- **Excess Federal Depreciation or Amortization**

Enter the excess of depreciation or amortization computed on the federal basis of the property over depreciation or amortization computed on the Arizona adjusted basis of the property. Make this adjustment for the property for which the partnership elected to claim a tax credit on Form 315 in a prior taxable year.

- **Excess in Federal Adjusted Basis**

Enter the amount by which the federal adjusted basis of the property exceeds the Arizona adjusted basis of the property. Make this adjustment if the property for which the partnership elected to claim a tax credit on Form 315 in a prior taxable year was sold or otherwise disposed of during the taxable year.

**D. Credit for Taxes Paid for Coal Consumed in Generating Electrical Power in Arizona**

Enter the amount of expenses deducted pursuant to the IRC for which the partnership claimed the credit for taxes paid for coal consumed in generating electrical power in Arizona. The addition is required for the amount of Arizona transaction privilege taxes and Arizona use taxes included in the computation of federal taxable income for which the Arizona credit is claimed on Form 318.

**E. Credit for Solar Hot Water Heater Plumbing Stub Outs or Electric Vehicle Recharge Outlets**

Enter the amount of expenses deducted in computing Arizona taxable income for the installation of solar hot water heater

plumbing stub outs or electric vehicle recharge outlets for which the taxpayer claimed the credit on Form 319.

**F. Credit for Employment of Temporary Assistance for Needy Families (TANF) Recipients**

Enter the amount of wage expenses deducted pursuant to the IRC for which the taxpayer claimed the TANF credit on Form 320.

**G. Agricultural Pollution Control Equipment Credit**

• **Excess Federal Depreciation or Amortization**

Enter the excess of depreciation or amortization computed on the federal basis of the property over depreciation or amortization computed on the Arizona adjusted basis of the property. Make this adjustment for the property for which the partnership elected to claim a tax credit on Form 325 in a prior taxable year.

• **Excess in Federal Adjusted Basis**

Enter the amount by which the federal adjusted basis of the property exceeds the Arizona adjusted basis of the property. Make this adjustment if the property for which the partnership elected to claim a tax credit on Form 325 in a prior taxable year was sold or otherwise disposed of during this taxable year.

**H. Credit for Donation of School Site**

Enter the amount deducted pursuant to the IRC representing a donation of a school site for which this partnership claimed the credit for donation of school site on Form 331.

**I. Credit for Corporate Contributions to School Tuition Organizations**

Enter the amount deducted in computing federal taxable income as contributions for which a credit is claimed on Form 335.

**J. Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students With Disabilities**

Enter the amount deducted in computing federal taxable income as contributions for which a tax credit is claimed under on Form 341.

**Line A4 - Other Additions to Partnership Income**

Enter the following "other additions" to the partnership income reported on line 1. Include a schedule listing each item separately.

**A. Partnership Income Adjustment (Positive)**

Make this adjustment if this partnership is a partner of another partnership.

If the partnership received Form 165 Schedule K-1(NR), and the amounts on line 17 are positive, enter the amount from column (a) here. If the partnership received more than one Form 165 Schedule K-1(NR), total the positive amounts from line 17, column (a) and enter the total here.

If the amounts on Form 165 Schedule K-1(NR), line 17 are negative, enter the amount from column (a) on Schedule B, line B6. See the instructions for Schedule B, line B6 on page 7 for additional information.

**Form 165PA Schedule K-1(NR):** *If this partnership received Form 165PA K-1(NR) for this taxable year, and the amount on line 17, is positive, file an amended Form 165 for this taxable year. Enter the positive amount from line 17 of the 165PA Schedule K-1(NR) here. Complete the amended return. Provide amended Form 165 Schedule(s) K-1 and K-1(NR) to the partners. Submit the amended Form 165 and the amended Form 165 Schedule(s) K-1 and K-1(NR) to the department.*

**B. Income Recognized Because of Difference in Adjusted Basis of Property**

Enter the amount by which the adjusted basis of property described in A.R.S. § 43-1021(6), computed according to the IRC, exceeds the adjusted basis according to Arizona law. Basis computed according to Arizona law means according to Title 43 of the Arizona Revised Statutes effective January 1, 1979, and the Income Tax Act of 1954, as amended. This adjustment applies to all property, held for the production of income, sold, or otherwise disposed of during the taxable year. This adjustment does not apply to depreciable property used in a trade or business.

**C. Federal Depreciation of Child Care Facilities**

Arizona's statutes, which allow special amortization for the cost of day care facilities, are no longer applicable to partnerships. However, if the partnership elected to claim the special amortization under Arizona's former statutory provisions, the partnership must continue to amortize these items in accordance with those provisions. Therefore, the partnership must make the same additions to and subtractions from Arizona gross income that Arizona's former statutory provisions required. If this applies to the partnership, enter the amount of depreciation deducted for these items on the federal partnership return.

**Line 2 - Total Additions to Partnership Income**

Add lines A1 through A4. Enter the total.

**Line 3 - Subtotal**

Add lines 1 and 2. Enter the total.

**Schedule B - Subtractions From Partnership Income**

**Line B1 - Recalculated Arizona Depreciation For Current Year**

**For assets placed in service in taxable years beginning before December 31, 2012,** enter the total amount of depreciation allowable pursuant to IRC § 167(a) for the taxable year calculated as if the taxpayer had elected not to claim bonus depreciation for eligible properties for federal purposes.

**For assets placed in service in taxable years beginning from and after December 31, 2012 through December 31, 2013,** the amount of the subtraction for these assets depends on the method used to compute the depreciation for assets. See *ITP 16-2, Procedure for Individuals who Claim Federal and/or Arizona Bonus Depreciation.*

**For assets placed in service in taxable years beginning from and after December 31, 2013 through December 31, 2015,** enter the total amount of depreciation allowable pursuant to IRC § 167(a) for the taxable year calculated as if the bonus

depreciation is 10% of the amount of federal bonus depreciation pursuant to IRC § 168(k). See *ITP 16-2, Procedure for Individuals who Claim Federal and/or Arizona Bonus Depreciation*.

**For assets placed in service in taxable years beginning from and after December 31, 2015 through December 31, 2016,** enter the total amount of depreciation allowable pursuant to IRC § 167(a) for the taxable year calculated as if the bonus depreciation is 55% of the amount of federal bonus depreciation pursuant to IRC § 168(k).

Add all amounts together and enter the total on line B1.

**NEW Arizona Bonus Depreciation:** For more information and examples of how to calculate Arizona bonus depreciation, see the department's *Individual Income Tax Procedure, (ITP) 16-2, Procedure for Individuals who Claim Federal and/or Arizona Bonus Depreciation*, before completing line B1.

**Line B2 - Basis Adjustment for Property Sold or Otherwise Disposed of During the Taxable Year**

With respect to property that is sold or otherwise disposed of during the taxable year by a taxpayer who has complied with the requirement to add back all depreciation with respect to that property on tax returns for all taxable years beginning from and after December 31, 1999, enter the amount of depreciation that has been allowed pursuant to IRC § 167(a) to the extent that the amount has not already reduced Arizona taxable income in the current or prior years. The effect of this is to allow a subtraction for the difference in basis for any asset for which bonus depreciation has been claimed on the federal return.

**Line B3 - Interest from U.S. Government Obligations**

Enter the interest income received from U.S. obligations included on the federal Form 1065, Schedule K, exempt from state income taxes under federal law.

**NOTE:** *Not all obligations associated with the federal government are obligations of the federal government. Obligations of the Government National Mortgage Association (GNMA) or the Federal National Mortgage Association (FNMA) are not obligations of the U.S. government and, therefore, are taxable to Arizona.*

See *Individual Income Tax Ruling (ITR) 06-1, Obligations of the United States Government, Federal Agencies, and United States Territories*, for a listing of qualifying U.S. obligations.

**Line B4 - Difference in Adjusted Basis of Property**

Enter the amount by which the adjusted basis of property described in this paragraph, computed according to Arizona law, exceeds the adjusted basis of such property computed according to the IRC. Basis computed according to Arizona law means according to Title 43 of the Arizona Revised Statutes, effective January 1, 1979, and the Income Tax Act of 1954, as amended. This adjustment applies to all property held for the production of income sold or otherwise disposed of during the taxable year. This adjustment does not apply to depreciable property used in a trade or business.

**Line B5 - Agricultural Crops Charitable Contribution**

Enter the amount of the allowable subtraction for qualified crop contributions made during the taxable year to one or more Arizona tax-exempt charitable organizations for use in Arizona. Refer to *ITP 12-1, Establishing an Income Tax Subtraction for Agricultural Crops Contributed to Charitable Organizations*, for information on how to determine if the contribution qualifies for the subtraction.

**Line B6 - Other Subtractions from Partnership Income**

Enter the following "other subtractions" from partnership income; include a schedule listing each item separately.

**A. Partnership Income Adjustment (Negative)**

Make this adjustment if the partnership is a partner in another partnership.

If the partnership received Arizona Form 165 Schedule K-1(NR) and the amounts on line 17 are negative, enter the amount from column (a) here as a positive number. If the partnership received more than one Form 165 Schedule (K-1(NR)), total the negative amounts from line 17, column (a) and enter that total here as a positive number.

If the amounts on Form 165 Schedule K-1(NR), line 17 are positive, enter the amount from column (a) on Schedule A, line A4. See the instructions for Schedule A, line A4 on page 5 for additional information.

**Form 165PA Schedule K-1(NR):** *If this partnership received Form 165PA K-1(NR) for this taxable year, and the amount on line 17, is negative, file an amended Form 165 for this taxable year. Enter the negative amount from line 17, of the 165PA Schedule K-1(NR) as a positive number here. Complete the amended return. Provide amended Arizona Form 165 Schedule(s) K-1 and K-1(NR) to the partners. Submit the amended Form 165 and the amended Form 165 Schedule(s) K-1 and K-1(NR) to the department.*

**B. Mine Exploration Expenses**

Arizona no longer has special mine exploration expense provisions for partnerships. Arizona now conforms to the federal treatment of mine exploration expenses. However, if the partnership deferred exploration expenses under Arizona's former provisions, the partnership may subtract such deferred expenses. The partnership claims the subtraction on a ratable basis as the units of produced ores or minerals discovered or explored as a result of such expenditures are sold. Enter the amount of such deferred exploration expenses.

**C. Interest on Federally Taxable Arizona Obligations Evidenced by Bonds**

Enter the amount of interest income received on obligations of the State of Arizona, or any of its political subdivisions, evidenced by bonds, that is included on the federal Form 1065, Schedule K. Omit interest income received on obligations of the State of Arizona, or any of its political subdivisions, exempt from federal taxation and not included in the partnership's federal distributive income.

**D. Wood Stoves, Wood Fireplaces or Gas-Fired Fireplaces**

Enter the amount allowed by *A.R.S. § 43-1027* for the cost of *converting* an existing wood fireplace to a qualified wood stove, wood fireplace, or gas-fired fireplace on property located in Arizona.

**E. Expenses Related to Certain Federal Tax Credits**

Enter the amount of wages or salaries paid or incurred by the taxpayer for the taxable year not deducted in the computation of Arizona gross income if the taxpayer received certain federal tax credits. The specific federal tax credits are the work opportunity credit, the empowerment zone employment credit, the credit for employer-paid social security taxes on employee cash tips, and the Indian employment credit.

**Line 4 - Total Subtractions From Partnership Income**

Add lines B1 through B6. Enter the total.

**Line 5 - Partnership Income Adjusted to Arizona Basis**

Subtract line 4 from line 3. Enter the difference. This is the partnership income adjusted to an Arizona basis.

**Line 6 - Net Adjustment of Partnership Income From Federal to Arizona Basis**

Subtract line 1 from line 5. Enter the difference. This is the adjustment of partnership income from federal to Arizona basis that will be reported on Form 165, Schedule K-1 or Schedule K-1(NR), for each partner.

**Line 7 - Penalty for Late Filing or Incomplete Filing**

This form is an information return. An information return that is incomplete or filed after its due date (including extensions) is subject to a penalty of \$100 per month, or fraction of a month during which the failure continues, up to a maximum penalty of \$500.

If the partnership files this return after its due date (including extensions), enter the amount of the penalty on this line. Payments can be made via check or money order.

Make checks payable to the Arizona Department of Revenue. Include the partnership's EIN on the front of the check or money order. Include the check or money order with the return.

**Schedule C - Apportionment Formula**

**NOTE:** *Qualifying multistate air carriers are required to use revenue miles, and cannot use Schedule C on this return. Multistate air carriers must use Schedule ACA, which is a separate form available on the department's website: [www.azdor.gov](http://www.azdor.gov). See Schedule ACA for more information.*

*A.R.S. § 43-306* requires partnerships having nonresident partners to allocate and apportion their income under the Arizona Uniform Division of Income for Tax Purposes Act (*A.R.S. §§ 43-1131 through 43-1150*). The basis of the apportionment formula is property, payroll, and sales in Arizona as compared with everywhere. "Everywhere" means the property, payroll, and sales related to the whole business.

In addition to being required for partnerships with nonresident partners, all partnerships with corporate partners may use Schedule C to provide partners with information needed to accurately allocate and apportion Arizona source income.

**NON-APPORTIONABLE INCOME**

Apportionment factors generating non-apportionable or non-taxable income are not to be included in the calculation of the apportionment ratio.

**ADMINISTRATIVE RELIEF REQUESTS**

*A.R.S. § 43-1148* provides administrative relief if the allocation and apportionment provisions of UDITPA do not fairly represent the extent of the taxpayer's business activity in this state. The taxpayer may petition for or the department may require, in respect to all or any part of the taxpayer's business activity, if reasonable:

- Separate accounting, except with respect to an Arizona affiliated group, as defined in *A.R.S. § 43-947*.
- The exclusion of any one or more of the factors.
- The inclusion of one or more additional factors which will fairly represent the taxpayer's business activity in this state.
- The employment of any other method to effectuate an equitable allocation and apportionment of the taxpayer's income, other than disallowance of a properly elected consolidated return.

This section permits a departure from the allocation and apportionment provisions only in limited cases. *A.R.S. § 43-1148* may be invoked only if unusual fact situations produce incongruous results under the apportionment and allocation provisions. Taxpayers seeking such relief should submit a letter to the Corporate Income Tax Audit Section 60 days prior to the filing of the return setting forth the relief that is requested and the justification for the relief.

The department normally makes such determinations only upon audit of the taxpayer. Such a detailed examination of the specific facts and circumstances reveals whether such unusual fact situations and incongruous results exist.

**COMPUTING THE APPORTIONMENT RATIO**

When computing the factors of the apportionment ratio, carry the result out to six (6) places after the decimal. If the seventh (7<sup>th</sup>) place after the decimal is five (5) or more, round the sixth (6<sup>th</sup>) decimal place up to the next higher digit. If the seventh (7<sup>th</sup>) place after the decimal is less than five (5), leave the sixth (6<sup>th</sup>) place decimal as it is.

**Example #1:**

|                   |                |
|-------------------|----------------|
| Arizona Factor    | <u>123,456</u> |
| Everywhere Factor | 789,654        |
| Average           | .1563418       |

The seventh (7<sup>th</sup>) digit after the decimal is "8". Since "8" is greater than "5", the sixth (6<sup>th</sup>) digit after the decimal is increased to the next higher digit, "2".

The average rounded to six (6) decimal places is .156342.

**Example #2:**

|             |                |
|-------------|----------------|
| Total Ratio | <u>.179865</u> |
| Divided by  | 4              |
| Average     | .0449662       |

The seventh (7<sup>th</sup>) digit after the decimal is "2". Since "2" is less than "5", the sixth (6<sup>th</sup>) digit after the decimal remains "6". No increase to the sixth (6<sup>th</sup>) digit after the decimal is made.

The average rounded to six (6) decimal places is .044966.

**SCHEDULE ACA - AIR CARRIER APPORTIONMENT FORMULA (MULTISTATE AIR CARRIERS ONLY)**

A.R.S. § 43-1139 requires a taxpayer that is a qualifying air carrier to use revenue miles to apportion its business income to Arizona. The taxpayer must be engaged in air commerce. "Air commerce" means transporting persons or property for hire by aircraft in interstate, intrastate, or international transportation.

Check the box labeled "AIR CARRIER" on line G of page 1 of the return. Do not complete Schedule C on page 2 of the return.

Complete Schedule ACA and include with the return. Schedule ACA is available on the department's website at: <http://www.azdor.gov/FORMS/Corporate.aspx>.

**NON-AIR CARRIER APPORTIONMENT FORMULA (MULTISTATE CORPORATIONS ONLY)**

Non-air carrier multistate partnerships have the opportunity to choose one of two apportionment formulas for calculating the apportionment ratio:

- The standard apportionment formula, or
- The enhanced apportionment formula.

Check the box on line G of page 1 of the return to indicate which apportionment formula, "Standard", or "Enhanced", will be used to calculate the apportionment ratio on the corporation's return. Whichever apportionment method is indicated, partnership must complete the apportionment ratio using that formula. (The partnership cannot use "Standard" to calculate one portion of the ratio, and "Enhanced" to calculate another portion of the ratio.)

For the standard apportionment ratio, the numerator of the fraction of the standard apportionment formula is the property factor plus the payroll factor plus two times the sales factor. The denominator of the fraction is four. Use the numbers located on the left-hand side of Schedule C, column A, to double-weight the sales factor.

For the enhanced apportionment ratios, the numerator of the fraction is two and one-half (2.5) times the property factor plus two and one-half (2.5) times the payroll factor plus ninety-five (95) times the sales factor. The denominator of the fraction is 100. Use the numbers located on the right-hand side of Schedule C, column A to weight the property, payroll, and sales factors respectively.

**Line C1 - Property Factor**

The Property Factor is a fraction that represents the average value of the partnership's property owned or rented and used in Arizona to the total average value of the partnership's property owned or rented and used during the tax period.

The value of tangible personal property and real property owned by the partnership is its original cost. The partnership normally determines the average value of its owned property by averaging the values at the beginning and ending of the tax period. Property used to generate non-apportionable or non-taxable income is not included in the property factor.

The value of tangible personal property and real property rented by the partnership is eight (8) times its net annual rental rate. The net annual rental rate is the annual rental rate paid by

the partnership for rented property, less the aggregate annual subrental rates paid by subtenants of the partnership. The partnership automatically achieves averaging for rented property by the method of determining the net annual rental rate of such property.

For a discussion of the treatment of computer software in the property factor, refer to *CTR 01-2 How does a Taxpayer Filing an Arizona Corporate Income Tax Return Determine Whether Computer Software is Included in the Property Factor*.

Report real property situated and tangible personal property permanently located in Arizona as property within Arizona. Attribute the value of mobile property to Arizona based on the total time that the property was within Arizona.

**Partnerships Electing "STANDARD APPORTIONMENT"**

- Check the box on line G of the return labeled "STANDARD".
- Divide the numerator of the property factor by the denominator. The result is the "Standard" property factor. Express the ratio as a decimal carried out to six (6) places. The property factor will not exceed 1.0.

**Partnerships Electing "ENHANCED APPORTIONMENT"**

- Check the box on line G of the return labeled, "ENHANCED".
- Multiply the numerator of the property factor by two and one-half (2.5). Divide that result by the denominator. The result is the "Enhanced" property factor. Express the ratio as a decimal carried out to six (6) places. The property factor may exceed 1.0 but may not exceed 2.5.

For additional information on the property factor, refer to: *A.R.S. §§ 43-1140 through 43-1142*, *A.A.C. R15-2D-601 through R15-2D-607* and *R15-2D-902 CTR 01-2, How Does a Taxpayer Filing an Arizona Corporate Income Tax Return Determine Whether Computer Software is Included in the Property Factor*

**Line C2 - Payroll Factor**

The Payroll Factor is a fraction that represents the compensation paid in Arizona by the partnership to the total compensation paid by the partnership during the tax period.

Report the salaries, wages, or other compensation of officers, employees, etc., as within Arizona if the performance of their services occurs entirely in Arizona. This rule applies regardless of where payment is made or control exercised. This rule also applies regardless of whether the performance of the services is partly or wholly in connection with the apportionable business carried on outside the state or in interstate or foreign commerce. Payroll used to generate non-apportionable or non-taxable income is not included in the payroll factor.

Allocate the compensation of officers and employees who perform services partly within and partly without Arizona to this state when:

- The services performed outside of Arizona are incidental to the employee's service within Arizona; or
- The employee's base of operation is in Arizona; or
- The employee has no base of operation in any state but the direction or control of the employee is from Arizona; or

- The employee has no base of operation in any state, and there is no direction or control from a state in which the employee performs some part of his services, but the employee's residence is in Arizona.

**Partnerships Electing "STANDARD APPORTIONMENT"**

- Check the box on line G of the return labeled "STANDARD".
- Divide the numerator of the payroll factor by the denominator. The result is the "Standard" payroll factor. Express the ratio as a decimal carried out to six (6) places. The payroll factor will not exceed 1.0

**Partnerships Electing "ENHANCED APPORTIONMENT"**

- Check the box on line G of the return labeled, "ENHANCED".
- Multiply the numerator of the payroll factor by two and one-half (2.5). Divide that result by the denominator. The result is the "Enhanced" payroll factor. Express the ratio as a decimal carried out to six (6) places. The payroll factor may exceed 1.0 but may not exceed 2.5.

For additional information on the payroll factor, refer to:  
*A.R.S. §§ 43-1143, 43-1144*  
*A.A.C. R15-2D-701 through R15-2D-705*

**Line C3 - Sales Factor**

The Sales Factor is a fraction that represents the total sales of the taxpayer in Arizona to the total sales of the taxpayer during the tax period.

"Sales" includes all gross receipts from transactions and activities in the course of the regular trade or business that produce income. Gross receipts from non-apportionable or non-taxable income are not included in the sales factor.

Sales of tangible personal property is determined on a destination sales basis. Sales of real property is determined based on the location of the property. Generally, sales of other than tangible personal property is determined based on the location where the income producing activity occurs. Service income is determined based on the location of the income producing activity, *unless* the taxpayer elected to be treated as a Multistate Service Provider (MSP). (See the box below for a description of an MSP.)

**PARTNERSHIPS THAT QUALIFY AS MULTISTATE SERVICE PROVIDERS ELECTING TO SOURCE SALES OF SERVICES TO ARIZONA USING A COMBINATION OF INCOME PRODUCING ACTIVITY SALES AND MARKET SALES**

*For taxable years beginning from and after December 31, 2013, partnerships that qualify as a MSP may elect to treat sales from service as being sourced to Arizona based on a combination of income-producing activity sales and market sales. Multistate partnerships complete Schedule MSP to determine if they qualify as an MSP. If the partnership qualifies, and wishes to make the election, the completed Schedule MSP must be included with the partnership's original, timely-filed, tax return. (The election to be treated as an MSP **cannot** be made on an amended return.) Once made, the election is binding for five (5) years. For each year of the election period, Schedule MSP must be completed by the*

*partnership to source sales from services to Arizona. Once Schedule MSP is completed, the partnership can compute the sales factor.*

*Partnerships that qualify, and who want to make the election, should:*

- *Ensure the completed Schedule MSP is included with the return.*
- *Ensure the box on line H of the return is checked*
- *Ensure the box indicating the year of the partnership's election cycle is checked.*
- *Enter on line C3b, column A, the Arizona sales from services from the completed Schedule MSP, line B5.*
- *Complete the calculation of the sales factor following the instructions for the partnership's choice of the "STANDARD" or "ENHANCED" apportionment formula.*

**Partnerships qualifying as an MSP, and electing to be treated as an MSP:**

- Enter the Arizona sales from services on line C3b from the completed Schedule MSP, line B5.

**Partnerships not making the election to be treated as an MSP:**

- Include Arizona sales from services on line C3c.

**Partnerships Electing "STANDARD APPORTIONMENT"**

- Check the box on line G of the return labeled "STANDARD".
- Multiply the numerator of the sales factor by two (2). Divide that result by the denominator. The result is the "Standard" sales factor. Express the ratio as a decimal carried out to six (6) places. The sales factor will not exceed 2.0.

**Partnerships Electing "ENHANCED APPORTIONMENT"**

- Check the box on line G of the return labeled "ENHANCED".
- Multiply the numerator of the sales factor by ninety-five (95). Divide that result by the denominator. The result is the "Enhanced" sales factor. Express the ratio as a decimal carried out to six (6) places. The sales factor may exceed 2.0 but may not exceed 95.0.

For more information on the sales factor, refer to:

*A.R.S. §§ 43-1145 – 43-1147*

*A.A.C. R15-2D-801 through R15-2D-807, and R15-2D-903*

*CTR 02-2, Apportionment of Installment Sale Gain*

*CTR 07-1, Inclusion of Short Term Investments in the Sales Factor*

**Line C4 – Total Ratio**

Add the ratios for the property factor, the payroll factor, and the sales factor in column C. Enter the result.

### Line C5 - Average Apportionment Ratio – Standard Apportionment Formula

**NOTE:** Partnerships must exclude a factor if both the numerator and the denominator of a factor are zero (0). Do not exclude a factor if the numerator of the factor is zero (0) and the denominator of a factor is greater than zero (0).

#### Partnerships Electing “STANDARD APPORTIONMENT”

If either the property or the payroll factor is excluded, determine the average ratio by dividing the total ratio by three (3). If the sales factor is excluded, determine the average ratio by dividing the total ratio by two (2). If two of the factors are excluded, the remaining factor, without respect to any weighting, is the apportionment ratio.

#### Partnerships “ENHANCED APPORTIONMENT”

If either the property or the payroll factor is excluded, determine the average ratio by dividing the total ratio by ninety-seven and one-half (97.5). If the sales factor is excluded, determine the average ratio by dividing the total ratio by five (5). If two of the factors are excluded, the remaining factor, without respect to any weighting, is the apportionment ratio.

#### Partnerships Electing “STANDARD APPORTIONMENT”

Divide the total ratio, line C4, column C, by four (4). Express the ratio as a decimal carried out to six (6) places. Enter the average ratio here and on Arizona Form 165, Schedule K-1(NR), Part 1, column (b).

#### Partnerships Electing “ENHANCED APPORTIONMENT”

Divide the total ratio, line E4, column C by 100. Express the ratio as a decimal carried out to six (6) places. Enter the average ratio here and on Arizona Form 165, Schedule K-1(NR), Part 1, column (b).

### Schedule D - Business Information

If the partnership has income from business activity *taxable entirely within Arizona*, complete only the first part of the schedule.

If the partnership has income from business activity *taxable within and without Arizona*, complete both parts of the schedule.

### Certification

One of the partners must sign the return. If receivers, trustees in bankruptcy, or assignees are in control of the property or business of the organization, such receivers, trustees, or assignees must sign the return.

**Paid preparers:** Sign and date the return. Complete the firm name and address lines (the paid preparer’s name and address, if self-employed). Enter the paid preparer’s TIN, which is the firm’s EIN or the individual paid preparer’s social security number.

### Form 165 Schedule K-1 - Partnership Instructions

Use Form 165, Schedule K-1, for all resident or part-year resident individual partners, all resident estate partners, and all resident trust partners. Use Form 165, Schedule K-1(NR), for all other partners.

Type or print the required information in the name, address, and information boxes on the top of the Form 165, Schedule K-1. Indicate whether the partnership’s taxable year is a calendar year or a fiscal year; if a fiscal year, indicate the period covered by the taxable year on the schedule. Indicate whether this is an original or an amended schedule.

### Part 1: Arizona Partnership Adjustment

Complete Part 1, lines 1 through 3 as instructed on the form.

### Part 2: Net Capital Gain from Investment in a Qualified Small Business – Information Schedule

For taxable years beginning from and after December 31, 2013, Arizona allows a subtraction from Arizona gross income for any net capital gain derived from investment in a qualified small business that is included in the individual taxpayer’s federal adjusted gross income or the federal taxable income of the estate and trust. A qualified small business is determined by the Arizona Commerce Authority pursuant to *A.R.S. § 41-1518*.

For resident or part-year resident individual partner, Part 2 of Form 165, Schedule K-1, provides information so each individual partner can calculate its subtraction for net capital gain from investment in a qualified small business.

For resident estate partner or resident trust partner, Part 2 of Form 165, Schedule K-1, provides information to the partner so the partner can (1) calculate its subtraction for net capital gain from investment in a qualified small business; and/or (2) provide information to each beneficiary so each beneficiary can calculate its subtraction for net capital gain from investment in a qualified small business.

**The subtraction is only available to individuals, estates, and trusts.**

If the partner’s federal Schedule K-1 (Form 1065) includes any net capital gain (loss) from investment in a qualified small business, the partnership should complete Part 2, line 4, and Part 3, line 6, for the partner. If Part 2, line 4, is zero, put zero on line 6. If the partner’s federal Schedule K-1 (Form 1065) does not include any net capital gain (loss) from investment in a qualified small business, the partnership is not required to complete Part 2, line 4, and Part 3, line 6.

### Part 3: Net Long-Term Capital Gain Subtraction – Information Schedule

Arizona allows a subtraction from Arizona gross income for a percentage of any net long-term capital gain from assets acquired **after** December 31, 2011, and included in the individual taxpayer’s federal adjusted gross income or the federal taxable income of the estate or trust. Although the subtraction is only available to individuals, estates and trusts, a partner that is a pass-through entity (estate or trust) will need this information to calculate the subtraction for the estate or trust, or complete the Form 141AZ, Schedule K-1, or Schedule K-1(NR), for each beneficiary.

Complete Part 3, line 5 and line 6 (if line 6 is applicable) as instructed on the form. If the partner’s federal Schedule K-1 (Form 1065) does not include any capital gain (loss), the partnership is not required to complete Part 3.



For the resident or part-year resident individual partner, Part 3 of Form 165, Schedule K-1, provides information so each individual partner can calculate its subtraction for net long-term capital gain for assets acquired after December 31, 2011.

For the resident estate partner or resident trust partner, Part 3 of Form 165, Schedule K-1, provides information to the partner so the partner can (1) calculate its subtraction for net long-term capital gain for assets acquired after December 31, 2011; and/or (2) provide information to each beneficiary so each beneficiary can calculate its subtraction for net long-term capital gain for assets acquired after December 31, 2011.

**The subtraction is only available to individuals, estates, and trusts.**

**NOTE:** *If you cannot verify that the capital gain is from the sale of an asset acquired after December 31, 2011, then the capital gain should be treated as a capital gain asset acquired before January 1, 2012.*

*An asset acquired by gift or inheritance is considered acquired on the date it was acquired by the gift-giver or the deceased individual.*

A worksheet is provided at the end of these instructions that may assist the partnership in determining the amounts to include in Part 3, line 5 for each partner's Form 165, Schedule K-1.

**For 165 Schedule K-1(NR) - Partnership Instructions**

Any partnership that has income from business activity that is taxable both within and without Arizona must allocate and apportion its net income. The partnership must allocate and apportion its net income according to the Uniform Division of Income for Tax Purposes Act (UDITPA), *A.R.S. §§ 43-1131 through 43-1150*. A partnership that has income from business activity taxable in more than one state is a *multistate partnership*. A partnership that has income from business activity taxable entirely within Arizona is a *wholly Arizona partnership*.

Type or print the required information in the name, address, and information boxes on the top of the Arizona Form 165, Schedule K-1(NR). Indicate whether the partnership's taxable year is a calendar year or a fiscal year; if a fiscal year, indicate the period covered by the taxable year on the schedule. Indicate whether this is an original or an amended schedule.

**Part 1 and Part 2: Distributive Share Items**

**Column (a) - Distributive Share Amount**

**Wholly Arizona partnerships** - In column (a), enter the distributive share amount for each line item from the federal Form 1065, Schedule K-1. On Part 2, line 17, enter the adjustment of partnership income from federal to Arizona basis (Form 165, page 1, line 6) multiplied by the partner's percentage of gain or loss.

**NOTE FOR CORPORATE PARTNERS:** *Leave Part 1 blank. Complete Part 2, Part 3 and Part 4 of Form 165, Schedule K-1(NR).*

**Multistate partnerships** - Apportion all business income of a multistate partnership by the use of the apportionment formula.

Nonbusiness income of a multistate partnership is nonapportionable and specifically allocable to a particular state. "Business income" under the transactional test means income arising from transactions and activity in the regular course of the taxpayer's trade or business. Business income under the functional test includes income from tangible and intangible property if the acquisition, management, and disposition of the property constitute integral parts of the taxpayer's regular trade or business operations. (*A.R.S. § 43-1131(1)*)

"Nonbusiness income" means all income other than business income. (*A.R.S. § 43-1131(4)*)

**In column (a)**, enter the partner's distributive share of the multistate partnership's income (loss) that is subject to apportionment.

The multistate partnership must compute the partner's distributive share of the partnership's income that is subject to apportionment. Make this computation by subtracting the partner's distributive share of the multistate partnership's nonbusiness income from the partner's total distributive share amount of the partnership's income. The multistate partnership must attach a computation schedule that details the following, for each line item:

- The partner's distributive share amount from the federal Form 1065, Schedule K-1, or from the adjustment of partnership income from federal to Arizona basis (Form 165, page 1, line 6);
- The partner's distributive share amount of the partnership's nonapportionable or allocable income;
- The partner's distributive share of the partnership's income that is subject to apportionment. Refer to *A.R.S. §§ 43-1134 through 43-1138* for the methods of allocating certain types of nonbusiness income.

**NOTE:** *For corporate partners, apply this computation only for the amount to be entered on Part 2, line 17. Do not complete Part I for a corporate partner.*

**Column (b) - Arizona Apportionment Ratio**

**Wholly Arizona partnerships** - Enter 100 percent.

**Multistate partnerships** - Enter the average ratio amount from Form 165, Schedule C, line C5, column C, or from Schedule ACA, line 3. (Refer to Schedule ACA or Schedule C instructions.)

**Column (c) - Arizona Source Income**

**Wholly Arizona partnerships** - Multiply column (a) by column (b). Enter the result in column (c).

**Multistate partnerships** - Attach a schedule that details (for each line item) the following computation:

1. The partner's distributive share of the partnership's income subject to apportionment multiplied by the average ratio in column (b).
2. The partner's distributive share of the partnership's income (loss) which is specifically allocable to Arizona.
3. The total of the amounts computed in steps 1 and 2 that is to be entered in column (c).

**NOTE:** *A.R.S. §§ 43-1134 through 43-1138 specify the methods for allocating certain types of income to Arizona. Do not include the amount of any nonbusiness income allocable to another state in the total entered in column (c).*

**All partnerships** - Column (c) is the partner's Arizona source income from the partnership. Partners should refer to Form 165, Schedule K-1(NR), instructions for information on completing their Arizona returns.

### **Part 3: Net Capital Gain from Investment in a Qualified Small Business – Information Schedule**

For taxable years beginning from and after December 31, 2013, Arizona allows a subtraction from Arizona gross income for any net capital gain derived from investment in a qualified small business that is included in the individual taxpayer's federal adjusted gross income or the federal taxable income of the estate and trust. A qualified small business is determined by the Arizona Commerce Authority pursuant to *A.R.S. §41-1518*.

For resident or part-year resident individual partner, Part 3 of Form 165, Schedule K-1(NR), provides information so each individual partner can calculate its subtraction for net capital gain from investment in a qualified small business.

For resident estate partner or resident trust partner, Part 3 of Form 165, Schedule K-1(NR), provides information to the partner so the partner can (1) calculate its subtraction for net capital gain from investment in a qualified small business; and/or (2) provide information to each beneficiary so each beneficiary can calculate its subtraction for net capital gain from investment in a qualified small business.

#### **The subtraction is only available to individuals, estates, and trusts.**

If the partner's federal Schedule K-1 (Form 1065) includes any net capital gain (loss) from investment in a qualified small business, the partnership should complete Part 3, line 18, and Part 4, line 20. If Part 3 line 18, is zero, put zero on line 20.

If the partner's federal Schedule K-1 (Form 1065) does not include any net capital gain (loss) from investment in a qualified small business, the partnership is not required to complete Part 3, line 18, and Part 4, line 20.

### **Part 4: Net Long-Term Capital Gain Subtraction – Information Schedule**

Arizona allows a subtraction from Arizona gross income for a percentage of any net long-term capital gain from assets acquired after December 31, 2011, and included in the individual taxpayer's federal adjusted gross income or the federal taxable income of the estate or trust. Although the subtraction is only available to individuals, estates and trusts, a partner that is a pass-through entity (estate, partnership, S corporation or trust) will need this information to calculate the subtraction for the estate or trust, or complete the Form 141AZ, Schedule K-1 or Schedule K-1(NR), for each beneficiary; or Form 120S, Schedule K-1 or Schedule K-1(NR), for each shareholder; or Form 165, Schedule K-1 or Schedule K-1(NR), for each partner.

If the partner's federal Schedule K-1 (Form 1065) includes capital gain (loss), complete Part IV, line 19, and line 20 (if line 20 is applicable). If the partner's federal Schedule K-1 (Form 1065) does not include any capital gain (loss), the partnership is not required to complete Part 4.

For the nonresident individual partner, Form 165, Schedule K-1(NR), Part IV, provides information so the partner can calculate its subtraction for net long-term capital gain for assets acquired after December 31, 2011.

For the nonresident estate partner or nonresident trust partner, Form 165, Schedule K-1(NR), Part 4, provides information so the partner can (1) calculate its subtraction for net long-term capital gain for assets acquired after December 31, 2011; and/or (2) provide information to each beneficiary so each beneficiary can calculate its subtraction for net long-term capital gain for assets acquired after December 31, 2011.

#### **The subtraction is only available to individuals, estates, and trusts.**

**NOTE:** *If you cannot verify that the capital gain is from the sale of an asset acquired after December 31, 2011, then the capital gain should be treated as a capital gain asset acquired before January 1, 2012.*

*An asset acquired by gift or inheritance is considered acquired on the date it was acquired by the gift-giver or the deceased individual.*

For the partnership partner or S corporation partner, Form 165, Schedule K-1(NR), Part 4, provides information so the partner can provide information to each partner or shareholder to provide to lower tiered partners or shareholders.

For the C corporation partner, Form 165, Schedule K-1(NR), Part 4, is informational only.

A worksheet is provided at the end of these instructions that may assist the partnership in determining the amounts to include on each nonresident partner's Form 165, Schedule K-1(NR), Part 4, line 19.

Complete three copies of Form 165, Schedule K-1(NR), for each partner. File one copy of each partner's Form 165, Schedule K-1(NR), with the partnership's Form 165. Provide all partners with a copy of their Form 165, Schedule K-1(NR). Retain a copy for the partnership's records.

### **Information on Filing Composite Returns on Arizona Form 140NR for Qualifying Nonresident Partners**

Arizona law requires an individual resident or nonresident to file his or her own income tax return. The Arizona Department of Revenue will accept a composite return on Arizona Form 140NR for qualifying nonresident individual partners of a partnership.

**NOTE:** *A composite return cannot be filed with fewer than ten participating members.*

Refer to *Arizona ITR 16-2, Composite Individual Income Tax Returns* for information regarding the requirements for filing a composite return on Arizona Form 140NR.

The *Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired After December 31, 2011*, is on the next page.

**Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired After December 31, 2011**

Original return     Amended return

| Net long-term capital gain (loss) as reported on federal Schedule D (or other form/schedule) <u>and</u> included in the distributive share amount. |  | (a)                               | (b)   | (c)  |
|--|--|-----------------------------------|---|--|
| Enter the total net long-term capital gain (loss) from the following forms in each applicable column. See instructions below the worksheet.        |  | Net long-term capital gain (loss) | Net long-term capital gain (loss) included in column (a) from assets acquired <b>before</b> January 1, 2012 | Net long-term capital gain (loss) included in column (a) from assets acquired <b>after</b> December 31, 2011 |
| 1  | Long-term capital gain (loss) reported on federal Schedule D from Form(s) 8949. Combine the amounts and enter the total.   |                                   |   |  |
| 2  | Form(s) 6252 <i>Installment Sale Income</i>  |                                   |   |  |
| 3  | Form(s) 8824 <i>Like-Kind Exchanges</i>  |                                   |   |  |
| 4  | Pass-through from Estate, Partnership, and/or Trust – from Arizona Form 141AZ or Form 165, Schedule K-1 or Schedule K-1(NR).   |                                   |   |  |
| 5  | Any other long-term capital gain (loss)  |                                   |   |  |
| 6  | <b>Net long-term capital gain (loss).</b> Add lines 1 through 5 in each column, and enter the total.<br><br>For each partner, enter the distributive share of the amounts from line 6 on Arizona Form 165, Schedule K-1 or Schedule K-1(NR). |                                   |   |  |

**Worksheet Instructions**

**Purpose of the Worksheet**

Beginning in 2013, a subtraction is available for a percentage of any net long-term capital gain that is from an investment in an asset acquired after December 31, 2011, and included in an individual taxpayer’s federal adjusted gross income or the federal taxable income of an estate or trust.

To take the allowable subtraction, the taxpayer must know whether the capital gain (loss) is considered short-term or long-term. Only the net long-term capital gain from assets acquired after December 31, 2011, is used to compute the allowable subtraction. For more information about determining whether a gain (loss) is short-term or long-term, see federal *Publication 544* at [www.irs.gov](http://www.irs.gov).

**NOTE:** *If you cannot verify that the capital gain is from the sale of an asset acquired after December 31, 2011, then the capital gain should be treated as a capital gain asset acquired before January 1, 2012.*

*An asset acquired by gift or inheritance is considered acquired on the date it was acquired by the gift-giver or the deceased individual.*

**Who Should Complete the Worksheet?**

The partnership can use this worksheet to calculate each partner’s distributive share of the net long-term capital gain (loss) included in Schedule K of federal Form 1065 for assets purchased after December 31, 2011.

Do not complete this worksheet if any of the following apply:

- The partnership does not have any capital gain (loss) to report for the current tax year; or
- The partnership does not have any net capital gain (loss) from asset(s) acquired after December 31, 2011, to report for the current tax year; or
- All of the partners are C corporations that have not made an election to be taxed under Subchapter S of the IRC.

Keep the completed worksheet for the partnership’s records.

**Columns (a) through (c)**

- Column (a) is the total amount of net long-term capital gain (loss) reported on federal Schedule D or other federal forms/schedules.
- Column (b) is the amount of the net long-term capital gain (loss) included in column (a) for assets acquired **before** January 1, 2012.
- Column (c) is the amount of the net long-term capital gain (loss) included in column (a) for assets acquired **after** December 31, 2011.

**Lines 1 through 5 - Capital Gain (Loss) Reported on Federal Schedule D**

Enter the long-term capital gain (loss) from each federal form listed that was reported on the partnership's federal Schedule D and included on Schedule K of federal Form 1065.

**Line 6 - Net Long-Term Capital Gain (Loss)**

For each column, add the amounts on lines 1 through 5 and enter the total.

For each partner, enter the distributive share of the amounts in each column on line 6 of the worksheet on Part 2 of Form 165, Schedule K-1 or on Part 3 of Form 165, Schedule K-1(NR).

Corporate partners must use Form 165, Schedule K-1(NR).

For the  calendar year 2016 or  fiscal year beginning MM,DD,2016 and ending MM,DD,20YY.

**CHECK ONE:**  Original  Amended

|  |  |
|--|--|
| Partner's Identifying Number                         | Partnership's Employer Identification Number (EIN)       |
| Partner's Name                                       | Partnership's Name                                       |
| Partner's Address – number and street or rural route | Partnership's Address – number and street or rural route |
| Partner's City, Town or Post Office State ZIP Code   | Partnership's City, Town or Post Office State ZIP Code   |

| Partner's Percentage of:                        | Beginning of Year | End of Year |
|---|-------------------|-------------|
| Profit sharing .....                            | %                 | %           |
| Loss sharing .....                              | %                 | %           |
| Ownership of capital .....                      | %                 | %           |
| Type of partner (individual, trust, or estate). |                   |             |

**Part 1 Arizona Partnership Adjustment**

|   |   |   |    |
|---|---|---|----|
| 1 Adjustment of partnership income from federal to Arizona basis from Form 165, page 1, line 6 ...                                    | 1 |   | 00 |
| 2 Partner's percentage of profit or loss (expressed as a decimal).....  | 2 | . |    |
| 3 Partner's distributive share of the adjustment of partnership income from federal to Arizona basis: Multiply line 1 by line 2 ..... | 3 |   | 00 |

**Part 2 Net Capital Gain From Investment in a Qualified Small Business – Information Schedule**

If the partner's Federal Schedule K-1 (Form 1065) does not include any net capital gain or loss from investment in a qualified small business, the partnership is not required to complete Part 2.

| Pro Rata Share Items   | Distributive Share Amount |
|--|---------------------------|
| 4 Net capital gain (loss) from investment in a qualified small business..... 4 |                           |

**Part 3 Net Long-Term Capital Gain Subtraction – Information Schedule**

If the partner's Federal Schedule K-1 (Form 1065) does not include any net long-term capital gain or loss, the partnership is not required to complete Part 3.

| Pro Rata Share Items From Federal Form 1065, Schedule K-1 | (a) Distributive Share Amount | (b) Net long-term capital gain (loss) included in column (a) from assets acquired before January 1, 2012 | (c) Net long-term capital gain (loss) included in column (a) from assets acquired after December 31, 2011 |
|---|-------------------------------|--|---|
| 5 Net long-term capital gain (loss)..... 5                |                               |  |   |

**ADDITIONAL INFORMATION:**

|  |  |  |  |
|--|--|--|--|
| 6 Net long-term capital gain (loss) from investment in a qualified small business (amount already included in line 5, column (c))..... 6 |  |  |  |
|--|--|--|--|

**Instructions for Partners**

**Part 1 -- Arizona Partnership Adjustment**

The partnership is required to adjust its income from a federal to Arizona basis. Line 3 of Form 165, Schedule K-1, is the partner's distributive share of that adjustment. Report the amount from line 3 on your Arizona tax return according to the instructions below.

**Resident Individuals:**

If line 3 is a positive number, enter the amount on Form 140, page 1, line 14. If line 3 is a negative number, enter the amount on Form 140, page 1, line 25.

**Part-Year Resident Individuals --**

If line 3 is a positive number, enter that portion of line 3 that is allocable to partnership income taxable by Arizona on Form 140PY, page 1, line 30. If line 3 is a negative number, enter that portion of line 3 that is allocable to partnership income taxable by Arizona on Form 140PY, page 2, line 46.

**Resident Estates or Resident Trusts --**

If line 3 is a positive number, enter the amount on Form 141AZ, page 2, Schedule B, line B3. If line 3 is a negative number, enter the amount on Form 141AZ, page 2, Schedule B, line B9.

**Part 2 -- Net Capital Gain From Investment in a Qualified Small Business -- Information Schedule**

Arizona allows a subtraction from Arizona gross income for any net capital gain derived from investment in a qualified small business and included in the individual taxpayer's federal adjusted gross income or the federal taxable income of the estate or trust. A qualified small business is determined by the Arizona Commerce Authority pursuant to Arizona Revised Statutes (A.R.S.) § 41-1518. Although the subtraction is only available to individuals, estates and trusts, a partner that is a pass-through entity (estate or trust) will need this information to calculate the subtraction for the estate or trust or complete the Arizona Form 141AZ, Schedule K-1 or Schedule K-1(NR), for each beneficiary.

**Line 4 --**

Line 4, column (a) is your distributive share of net capital gain (loss) from investment in a qualified small business. To determine if you qualify to take this subtraction on your Arizona income tax return, see the instructions for Form 140, 140PY, or 141AZ.

**Part 3 -- Net Long-Term Capital Gain Subtraction -- Information Schedule**

Arizona allows a subtraction from Arizona gross income for a percentage of any net long-term capital gain from assets acquired after December 31, 2011 and included in the individual taxpayer's federal adjusted gross income or the federal taxable income of the estate or trust. Although the subtraction is only available to individuals, estates and trusts, a partner that is a pass-through entity (estate or trust) will need this information to calculate the subtraction for the estate or trust or complete the Arizona Form 141AZ, Schedule K-1 or Schedule K-1(NR), for each beneficiary.

Only include net long-term capital gains if it can be verified that the asset was acquired after December 31, 2011. An asset acquired by gift or inheritance is considered acquired on the date it was acquired by the gift-giver or the deceased individual.

If you cannot verify that the capital gain is from the sale of an asset acquired after December 31, 2011, then the capital gain should be treated as a capital gain asset acquired before January 1, 2012.

**Line 5 --**

Line 5, column (c), is your distributive share of net long-term capital gain (loss) from assets acquired after December 31, 2011.

**Line 6 -**

Line 5, column (c), may include amount(s) for any net long-term capital gain (loss) from investment in qualified small business. If you take the allowable subtraction on your Arizona income tax return for any net long-term capital gain from assets acquired after December 31, 2011, you cannot include the amount on line 6, column (c), for net long-term capital gain from investment in qualified small business in that allowable subtraction. For more information, see the instructions for Form 140, 140PY, or 141AZ.

**Individual partner --**

To determine if you qualify to take a subtraction from income on your Arizona tax return, the individual partner must complete the *Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired After December 31, 2011*. The worksheet is included in the instructions for the resident and part-year resident income tax returns (Arizona Form 140 and Form 140PY).

**Full-year residents** use the amounts on line 5 and line 6 in column (c) to figure the allowable subtraction on the worksheet included in the instructions for the Form 140.

**Part-year residents** use the amounts on line 5 and line 6 in column (c) that are included in your Arizona gross income to figure the allowable subtraction on the worksheet included in the instructions for the Form 140PY.

**Estate or Trust partner --**

For the resident estate partner or resident trust partner, Part 3 of Form 165, Schedule K-1, provides information to the partner so the partner can (1) calculate its subtraction for net long-term capital gain for assets acquired after December 31, 2011; and/or (2) provide information to each beneficiary so each beneficiary can calculate its subtraction for net long-term capital gain for assets acquired after December 31, 2011.

If the net long-term capital gain (loss) in Part 3 is taxed at the estate or trust level, use the amounts on line 5 and line 6 in column (c) to complete the *Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired After December 31, 2011*. The worksheet is included in the instructions of Form 141AZ for the estate or trust.

**All corporate partners must use this schedule.**

For the  calendar year 2016 or  fiscal year beginning MM,DD,2016 and ending MM,DD,20YY.

**CHECK ONE:**  Original  Amended

|  |  |
|--|--|
| Partner's Identifying Number                               | Partnership's Employer Identification Number (EIN)             |
| Partner's Name   | Partnership's Name   |
| Partner's Address – number and street or rural route       | Partnership's Address – number and street or rural route       |
| Partner's City, Town or Post Office      State    ZIP Code | Partnership's City, Town or Post Office      State    ZIP Code |

| Partner's Percentage of:                       | Beginning of Year | End of Year |
|--|-------------------|-------------|
| Profit sharing .....                           | %                 | %           |
| Loss sharing .....                             | %                 | %           |
| Ownership of capital .....                     | %                 | %           |
| Type of partner (individual, trust, etc.)..... |                   |             |

| <b>Part 1: Distributive Share Items From Federal Form 1065, Schedule K-1</b>   | (a)<br>Distributive Share Amount | (b)<br>Arizona Apportionment Ratio | (c)<br>Arizona Source Income | Form 140NR Filers:<br>Enter the amount in column (c) on: |
|--|----------------------------------|------------------------------------|------------------------------|--|
| 1 Ordinary income (loss) from trade or business activities.....  |                                  |                                    |                              |  |
| 2 Net income (loss) from rental real estate activities...  |                                  |                                    |                              |  |
| 3 Net income (loss) from other rental activities .....   |                                  |                                    |                              |  |
| 4 Total: Add lines 1, 2, and 3 .....   |                                  |                                    |                              | Line 21  |
| 5 Interest.....  |                                  |                                    |                              | Line 16  |
| 6 Dividends.....   |                                  |                                    |                              | Line 17  |
| 7 Royalties.....   |                                  |                                    |                              | Line 21  |
| 8 Net short-term capital gain (loss).....  |                                  |                                    |                              | Line 20  |
| 9 Net long-term capital gain (loss).....   |                                  |                                    |                              | Line 20  |
| 10 Guaranteed payments to partner.....   |                                  |                                    |                              |  |
| 11 Net IRC Section 1231 gain (loss) .....  |                                  |                                    |                              | Line 20  |
| 12 Deferred amount of discharge of indebtedness income included in federal income in the current year under IRC Section 108(i).....  |                                  |                                    |                              | Line 21  |
| 13 Other income (loss): include schedule .....   |                                  |                                    |                              | Line 22  |
| 14 IRC Section 179 expense.....  |                                  |                                    |                              | Line 21  |
| 15 Deferred amount of original issue discount deduction included in federal income in the current year under IRC Section 108(i)..... |                                  |                                    |                              | Line 21  |
| 16 Other deductions: include schedule .....  |                                  |                                    |                              |  |

| <b>Part 2: Partner's Distributive Share of the Adjustment of Partnership Income From Federal to Arizona Basis</b> | (a)<br>Distributive Share Amount | (b)<br>Arizona Apportionment Ratio | (c)<br>Arizona Source Income | Form 140NR Filers:<br>Enter the amount in column (c) on: |
|---|----------------------------------|------------------------------------|------------------------------|--|
| 17 Adjustment of partnership income from federal to Arizona basis from Form 165, page 1, line 6.....              |                                  |                                    |                              | Line 29 or 40  |

NOTE: Corporate partners see Form 120 or Form 120A instructions for information on reporting the amount from line 17.

|  |                                |
|--|--------------------------------|
| Name of Partnership (as shown on page 1) | Employer Identification Number |
|--|--------------------------------|

**Part 3 Net Capital Gain From Investment in a Qualified Small Business – Information Schedule**

If the partner's Federal Schedule K-1 (Form 1065) does not include any net capital gain or loss from investment in a qualified small business, the partnership is not required to complete Part 3.

| Pro Rata Share Items   | (a)<br>Distributive Share<br>Amount | (b)<br>Arizona<br>Apportionment Ratio | (c)<br>Arizona<br>Source Income |
|--|-------------------------------------|---------------------------------------|---------------------------------|
| <b>18</b> Net capital gain (loss) from investment in a qualified small business..... <b>18</b> |                                     |                                       |                                 |

**Part 4 Net Long-Term Capital Gain Subtraction – Information Schedule**

If the partner's Federal Schedule K-1 (Form 1065) includes capital gain (loss), complete line 19 and line 20. If the partner's Federal Schedule K-1 (Form 1065) does not include any capital gain (loss), the partnership is not required to complete Part 4.

| Item From Federal Form 1065, Schedule K-1                        | (a)<br>Distributive Share<br>Amount | (b)<br>Arizona<br>Source Income     | (c)<br>Net <u>long-term</u> capital<br>gain (loss) included<br>in column (b) from<br>assets acquired before<br>January 1, 2012 | (d)<br>Net <u>long-term</u> capital<br>gain (loss) included<br>in column (b) from<br>assets acquired after<br>December 31, 2011 |
|--|-------------------------------------|-------------------------------------|--|---|
|  | From page 1, line 9,<br>column (a). | From page 1, line 9,<br>column (c). |  |   |
| <b>19</b> Total net long-term capital gain (loss)..... <b>19</b> |                                     |                                     |  |   |

**ADDITIONAL INFORMATION:**

|   |  |  |  |  |
|---|--|--|--|--|
| <b>20</b> Net long-term capital gain (loss) from investment in a qualified small business (amount already included in line 19, column d)..... <b>20</b> |  |  |  |  |
|---|--|--|--|--|



**Instructions for Partners**

**Part 1 -- Distributive Share Items from Federal Form 1065, Schedule K-1**

Column (c) is your Arizona source income. Nonresident individuals should report the amounts in column (c) on the Form 140NR line numbers indicated on Form 165, Schedule K-1(NR). Nonresident trusts or nonresident estates should add lines 4 through 13, column (c), and enter the total on Form 141AZ, page 2, Schedule A.

However, if Form 165, Schedule K-1(NR) shows a loss, you may only claim such losses on your Arizona nonresident return to the extent that such losses are included in your federal adjusted gross income (individuals) or federal taxable income (trust and estates). Therefore, if the loss is considered to be a passive activity loss for federal purposes, the loss will likewise be considered to be a passive activity loss for Arizona purposes.

If you have a passive activity loss from a partnership that was derived from Arizona sources, you would not necessarily begin the Arizona return with the amounts shown in column (c) of Form 165, Schedule K-1(NR). For Arizona purposes, you must first determine if any portion of the loss shown on Form 165, Schedule K-1(NR) has been limited on your federal return because of the federal passive activity loss rules.

The amount of passive activity loss which is derived from Arizona sources is the amount of the passive activity loss which will be allowed on the Arizona return. Therefore, any portion of the passive activity loss which is not allowed on the federal return due to the passive activity loss limitations will likewise be limited on the Arizona return. That portion of the passive activity loss derived from Arizona sources which is required to be carried forward for federal purposes will similarly be carried forward for Arizona purposes.

**NOTE:** *The amount of Internal Revenue Code (IRC) § 179 expense deductible is limited to the Arizona portion of the amount deducted on federal Form 1040, Schedule E.*

**Part 2 -- Partner's Distributive Share of the Adjustment of Partnership Income from Federal to Arizona Basis**

**Line 17 --**

**Nonresident Individuals, Estates and Trusts:**

Line 17 reflects the amount of partnership income which must be adjusted to determine the difference between Internal Revenue Code § 702(a)(8) and Arizona Revised Statutes (A.R.S.) § 43-1401(2). If the amount on line 17 column (c) is a positive number, individual partners should enter this amount as an "other addition to income" on Form 140NR, line 29. Fiduciaries should enter the positive amount from line 17, column (c) as an "other addition" on Form 141AZ, page 2, line B3. If the amount on line 17, column (c), is a negative number, individual partners should enter this amount as an "other subtraction from income" on Form 140NR, line 40. Estates or trusts should enter the negative amount from line 17, column (c) on Form 141AZ, page 2, line B9.

**Corporate partners:**

- If the amounts on line 17 are positive, enter the amount from line 17, column (a) on Schedule A, line A7 of Form(s) 120 or 120A.
- If the amounts on line 17 are negative, enter the amount from line 17, column (a) on Schedule B, line B10 of Form(s) 120 or 120A.

**Part 3 -- Net Capital Gain from Investment in a Qualified Small Business -- Information Schedule**

For taxable years beginning from and after December 31, 2011, Arizona allows a subtraction from Arizona gross income for any net capital gain derived from investment in a qualified small business and included in the individual taxpayer's federal adjusted gross income or the federal taxable income of the estate or trust. A qualified small business is determined by the Arizona Commerce Authority pursuant to A.R.S. § 41-1518. Although the subtraction is only available to individuals, estates and trusts, a partner that is a pass-through entity (estate, partnership, S corporation or trust) will need this information to calculate the subtraction for the estate or trust, or to complete the Arizona Form 141AZ, Schedule K-1 or Schedule K-1(NR), for each beneficiary; or Arizona Form 120S, Schedule K-1 or Schedule K-1(NR), for each shareholder; or Arizona Form 165, Schedule K-1 or Schedule K-1(NR), for each partner.

**Line 18 --**

The amount on line 18, column (c), is your distributive share of net capital gain (loss) from investment in a qualified small business that is apportioned to Arizona. To determine if you qualify to take this subtraction from your Arizona tax return, see the instructions for Form 140NR or Form 141AZ.

**Part 4 -- Net Long-Term Capital Gain Subtraction -- Information Schedule**

Arizona allows a subtraction from Arizona gross income for a percentage of any net long-term capital gain from assets acquired **after** December 31, 2011, and included in the individual taxpayer's federal adjusted gross income or the federal taxable income of the estate or trust. Although the subtraction is only available to individuals, estates and trusts, a partner that is a pass-through entity (estate, partnership, S corporation or trust) will need this information to calculate the subtraction for the estate or trust or complete the Arizona Form 141AZ, Schedule K-1 or Schedule K-1(NR), for each beneficiary; or Arizona Form 120S, Schedule K-1 or Schedule K-1(NR), for each shareholder; or Arizona Form 165, Schedule K-1 or Schedule K-1(NR), for each partner.

Only include net long-term capital gains if it can be verified that the asset was acquired after December 31, 2011. An asset acquired by gift or inheritance is considered acquired on the date it was acquired by the gift-giver or the deceased individual. If you cannot verify that the capital gain is from the sale of an asset acquired after December 31, 2011, then the capital gain should be treated as a capital gain asset acquired before January 1, 2012.

**Line 19 –**

Line 19, column (d) is your distributive share of net long-term capital gain (loss) from assets acquired after December 31, 2011 that is apportioned to Arizona.

**Line 20 –**

Line 19, column (d), may include amount(s) for any net long-term capital gain (loss) from investment in qualified small business. If you take the allowable subtraction on your Arizona income tax return for any net long-term capital gain from assets acquired after December 31, 2011, you cannot include the amount on line 20, column (d), for net long-term capital gain from investment in qualified small business in that allowable subtraction. For more information, see the instructions for Form 140PY or 141AZ.

**Nonresident Individual Partner --**

To determine if you qualify to take a subtraction from income on your Arizona personal income tax return, the individual partner must complete the *Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired After December 31, 2011*. The worksheet is included in the instructions for the nonresident income tax return (Arizona Form 140NR).

Nonresidents use only the amount of Arizona-sourced, net long-term capital gain (loss) entered on line 19 and line 20, column (d) to figure the allowable subtraction on the worksheet that is included with Arizona Form 140NR.

**Estate or Trust Partner --**

If the net long-term capital gain (loss) in Part 4 is taxed at the estate or trust level, use the information to complete the *Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired After December 31, 2011*, included in the instructions of Form 141AZ for the estate or trust.

If the net long-term capital gain (loss) in Part 4 is distributed to the beneficiaries, use the information to complete the *Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired After December 31, 2011*, included in the instructions of Form 141AZ. The worksheet will assist the estate or trust in completing the *Net Long-Term Capital Gain Subtraction – Information Schedule* on Form 141AZ, Schedule K-1, or Schedule K-1(NR), for each beneficiary.

**Partnership or S Corporation Partner --**

The information in Part 4 should be used to complete the *Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired After December 31, 2011* that is included in the instructions of Form 165 or Form 120S. The worksheet will assist the partnership or S corporation in completing the *Net Long-Term Capital Gain Subtraction – Information Schedule* on Form 165, Schedule K-1 or Schedule K-1(NR), for each partner; or Form 120S, Schedule K-1 or Schedule K-1(NR), for each shareholder.

**C Corporation or Exempt Organization Partner --**

This subtraction is not allowed for a C corporation or an exempt organization. The information in Part 4 is informational only and is not required to be reported by the C corporation or exempt organization.

*Include with the corporation's return.*

For the calendar year 2016 or fiscal year beginning MM, DD, DD 2016 and ending MM, DD, DD 20YY.  
 Name as shown on Form 99T, 120, 120A, 120S \_\_\_\_\_ Employer Identification Number (EIN) \_\_\_\_\_

In most cases, the taxpayer DOES NOT HAVE TO FILE Form 220. (See Part A below for exceptions.) The department will compute any penalty due and bill the taxpayer. (If the taxpayer does not have to file Form 220, the form may still be used to compute the penalty. Enter the amount of the penalty on the estimated tax underpayment penalty line of the taxpayer's return. Do not check the box on that line of the return or include Form 220 with the return.)

**Part A Reasons for Filing Form 220**

Check the boxes below that apply to the taxpayer. If any box is checked, the taxpayer must file Form 220 with the taxpayer's tax return, even though no penalty is due. See page 2 of the instructions.

- 1  The taxpayer is using the annualized income installment method.
- 2  The taxpayer is using the adjusted seasonal installment method.
- 3  **Forms 120 and 120A only:** The taxpayer is a "large corporation" computing its first required installment based on the prior taxable year's tax liability.
- 4  **Form 120S only:** The taxpayer is computing its required annual payment based on an amount equal to the **sum** of:
  - (a) ninety percent of the portion of the current taxable year's liability attributable to built-in gains income or certain capital gains income; **plus**
  - (b) one hundred percent of the portion of the prior taxable year's tax liability attributable to excess net passive income.

**Part B Calculation of Underpayment**

|   |           |                  |                  |                  |
|---|-----------|------------------|------------------|------------------|
| <b>5</b> 2016 Arizona tax liability from Form 99T, line 11 less line 12; or Form 120, line 21 less line 22; or Form 120A, line 13 less line 14; or Form 120S, line 17 less line 18. Taxpayers with a claim of right tax calculation. See instructions .....   | <b>5</b>  |                  |                  | 00               |
| <b>6</b> REQUIRED ANNUAL PAYMENT:   |           |                  |                  |                  |
| <b>a</b> Enter 90 percent of line 5 .....   | <b>6a</b> | 00               |                  |                  |
| <b>b</b> Forms 99T, 120, and 120A: Enter the tax as shown on the 2015 return. See instructions.....   | <b>6b</b> | 00               |                  |                  |
| <b>c</b> Form 120S. See instructions.....   | <b>6c</b> | 00               |                  |                  |
| <b>d</b> Forms 99T, 120, and 120A: Enter the smaller of line 6a or line 6b.<br>Form 120S. Enter the smaller of line 6a or line 6c.....  | <b>6d</b> |                  |                  | 00               |
|   |           | (a)              | (b)              | (c)              |
|   |           | (d)              |                  |                  |
| <b>7</b> <b>Installment due dates:</b> In columns (a) through (d), enter the 15th day of the 4th, 6th, 9th, and 12th months of the taxable year .....   | <b>7</b>  | M, M, D, D, Y, Y | M, M, D, D, Y, Y | M, M, D, D, Y, Y |
| <b>8</b> <b>Required installments:</b> If the box on line 1 and/or line 2 above is checked, enter the amounts from Schedule A, Part 3, line 48. If the box on line 3 above is checked (but not the box on line 1 or line 2), see instructions, page 3, for the amounts to enter. If the box on line 4 above is checked, or if none of these boxes are checked, enter 25 percent of line 6d in each column ..... | <b>8</b>  |                  |                  |                  |
| <b>9</b> Estimated tax paid or credited for each period (see instructions pages 3 and 4): <b>For column (a) only</b> skip lines 10 through 12. Enter the amount from line 9 on line 13 .....  | <b>9</b>  |                  |                  |                  |
| <b>Complete lines 10 through 16 of one column before completing the next column.</b>  |           |                  |                  |                  |
| <b>10</b> <b>For columns (b) through (d) only:</b> Enter the amount, if any, from line 16 of the preceding column.....  | <b>10</b> |                  |                  |                  |
| <b>11</b> <b>For columns (b) through (d) only:</b> Add lines 9 and 10. Enter the total.....   | <b>11</b> |                  |                  |                  |
| <b>12</b> <b>For columns (b) through (d) only:</b> Add the amounts on lines 14 and 15 of the preceding column .....   | <b>12</b> |                  |                  |                  |
| <b>13</b> <b>For columns (b) through (d) only:</b> Subtract line 12 from line 11. If zero or less, enter zero .....   | <b>13</b> |                  |                  |                  |
| <b>14</b> <b>For columns (b) and (c) only:</b> If the amount on line 13 is zero, subtract line 11 from line 12. Otherwise, enter zero .....   | <b>14</b> |                  |                  |                  |
| <b>15</b> <b>Underpayment:</b> If line 13 is less than or equal to line 8, subtract line 13 from line 8. Then, go to line 10 of the next column (see instructions page 4). Otherwise, go to line 16.....  | <b>15</b> |                  |                  |                  |
| <b>16</b> <b>Overpayment:</b> If line 8 is less than line 13, subtract line 8 from line 13. Then, go to line 10 of the next column.....   | <b>16</b> |                  |                  |                  |

**Part C Penalty Calculation**

|  | (a)                   | (b)         | (c)         | (d)         |
|--|-----------------------|-------------|-------------|-------------|
| <b>17 Forms 120 and 120A:</b> Enter the date of payment or the 15th day of the 4th month after the close of the taxable year, whichever is earlier.<br><b>Form 120S:</b> Use 3rd month instead of 4th month.<br><b>Form 99T:</b> Use 5th month instead of 4th month..... |                       |             |             |             |
| <b>18</b> Number of days from due date of installment on line 7 to the date shown on line 17.....  | <b>17</b> M M D D Y Y | M M D D Y Y | M M D D Y Y | M M D D Y Y |
| <b>19</b> Number of days on line 18 after 4/15/2016 and before 7/1/2016 ....   | <b>18</b> Days:       | Days:       | Days:       | Days:       |
| <b>20</b> Underpayment on line 15 $\times \frac{\text{Number of days on line 19}}{366} \times 4\%$ .....   | <b>19</b> Days:       | Days:       | Days:       | Days:       |
| <b>21</b> Number of days on line 18 after 6/30/2016 and before 10/1/2016 ..  | <b>20</b>             |             |             |             |
| <b>22</b> Underpayment on line 15 $\times \frac{\text{Number of days on line 21}}{366} \times 4\%$ .....   | <b>21</b> Days:       | Days:       | Days:       | Days:       |
| <b>23</b> Number of days on line 18 after 9/30/2016 and before 1/1/2017 ....   | <b>22</b>             |             |             |             |
| <b>24</b> Underpayment on line 15 $\times \frac{\text{Number of days on line 23}}{366} \times 4\%$ .....   | <b>23</b> Days:       | Days:       | Days:       | Days:       |
| <b>25</b> Number of days on line 18 after 12/31/2016 and before 4/1/2017 ..  | <b>24</b>             |             |             |             |
| <b>26</b> $\frac{\text{Underpayment on line 15} + \text{compounding, if applicable}}{\text{Number of days on line 25}} \times * \%$  | <b>25</b> Days:       | Days:       | Days:       | Days:       |
| <b>27</b> Number of days on line 18 after 3/31/2017 and before 7/1/2017 ....   | <b>26</b>             |             |             |             |
| <b>28</b> $\frac{\text{Underpayment on line 15} + \text{compounding, if applicable}}{\text{Number of days on line 27}} \times * \%$  | <b>27</b> Days:       | Days:       | Days:       | Days:       |
| <b>29</b> Number of days on line 18 after 6/30/2017 and before 10/1/2017 ..  | <b>28</b>             |             |             |             |
| <b>30</b> $\frac{\text{Underpayment on line 15} + \text{compounding, if applicable}}{\text{Number of days on line 29}} \times * \%$  | <b>29</b> Days:       | Days:       | Days:       | Days:       |
| <b>31</b> Number of days on line 18 after 9/30/2017 and before 1/1/2018 ....   | <b>30</b>             |             |             |             |
| <b>32</b> $\frac{\text{Underpayment on line 15} + \text{compounding, if applicable}}{\text{Number of days on line 31}} \times * \%$  | <b>31</b> Days:       | Days:       | Days:       | Days:       |
| <b>33</b> Number of days on line 18 after 12/31/2017 and before 3/15/2018  | <b>32</b>             |             |             |             |
| <b>34</b> $\frac{\text{Underpayment on line 15} + \text{compounding, if applicable}}{\text{Number of days on line 33}} \times * \%$  | <b>33</b> Days:       | Days:       | Days:       | Days:       |
| <b>35</b> Add lines 20, 22, 24, 26, 28, 30, 32, and 34.....  | <b>34</b>             |             |             |             |
| <b>36 Penalty Limitation:</b> In columns (a) through (d), list the <b>smaller</b> of Part B, line 15 $\times$ 10% OR the amount from Part C, line 35 .....   | <b>35</b>             |             |             |             |
| <b>37 Penalty:</b> Add columns (a) through (d) of line 36. Enter the total here and on Form 99T, line 22; or Form 120, line 29; or Form 120A, line 21; or Form 120S, line 25 .....   | <b>36</b>             |             |             |             |
|  | <b>37</b>             |             |             | <b>00</b>   |

\* Percentage rate to be announced

Continued on page 3 →

|                   |   |
|-------------------|---|
| <b>SCHEDULE A</b> | <b>Annualized Income Installment Method and/or Adjusted Seasonal Installment Method Under IRC § 6655(e)</b> |
| <b>Part 1</b>     | <b>Annualized Income Installment Method</b>   |

|   |           | (a)                | (b)                | (c)                | (d)                |
|---|-----------|--------------------|--------------------|--------------------|--------------------|
| <b>1</b> Annualization periods: See instructions .....  | <b>1</b>  | First _____ Months | First _____ Months | First _____ Months | First _____ Months |
| <b>2</b> Enter taxable income for each annualization period.....  | <b>2</b>  |                    |                    |                    |                    |
| <b>3</b> Annualization amounts: See instructions .....  | <b>3</b>  |                    |                    |                    |                    |
| <b>4</b> Annualized taxable income: Multiply line 2 by line 3 .....   | <b>4</b>  |                    |                    |                    |                    |
| <b>5</b> Calculate the tax on the amount in each column on line 4. See instructions.....                        | <b>5</b>  |                    |                    |                    |                    |
| <b>6</b> Enter tax from recapture of tax credits for each payment period. See instructions.....                 | <b>6</b>  |                    |                    |                    |                    |
| <b>7</b> Subtotal tax: Add lines 5 and 6.....   | <b>7</b>  |                    |                    |                    |                    |
| <b>8</b> For each period, enter the amount of nonrefundable tax credits. See instructions.....                  | <b>8</b>  |                    |                    |                    |                    |
| <b>9</b> Arizona tax liability: Subtract line 8 from line 7. If zero or less, enter zero .....                  | <b>9</b>  |                    |                    |                    |                    |
| <b>10</b> Refundable tax credits: See instructions.....   | <b>10</b> |                    |                    |                    |                    |
| <b>11</b> Claim of right adjustment: See instructions .....   | <b>11</b> |                    |                    |                    |                    |
| <b>12</b> Net liability: Subtract the sum of line 10 and line 11 from line 9. If zero or less, enter zero ..... | <b>12</b> |                    |                    |                    |                    |
| <b>13</b> Applicable percentage.....  | <b>13</b> | 22.5%              | 45%                | 67.5%              | 90%                |
| <b>14</b> Multiply line 12 by line 13 .....   | <b>14</b> |                    |                    |                    |                    |
| <b>15</b> Add the amounts in all preceding columns from page 4, Part 3, line 48. See instructions .....         | <b>15</b> |                    |                    |                    |                    |
| <b>16 Annualized income installments:</b> Subtract line 15 from line 14. If zero or less, enter zero .....      | <b>16</b> |                    |                    |                    |                    |

|               |   |
|---------------|---|
| <b>Part 2</b> | <b>Adjusted Seasonal Installment Method</b> |
|---------------|---|

**CAUTION:** Use this method only if the base period percentage of any 6 consecutive months is at least 70%. See the instructions for more information.

|  |            | (a)            | (b)            | (c)            | (d)             |
|--|------------|----------------|----------------|----------------|-----------------|
| <b>17</b> Enter taxable income for the following periods:                              |            | First 3 Months | First 5 Months | First 8 Months | First 11 Months |
| <b>a</b> Taxable year beginning in 2013.....   | <b>17a</b> |                |                |                |                 |
| <b>b</b> Taxable year beginning in 2014.....   | <b>17b</b> |                |                |                |                 |
| <b>c</b> Taxable year beginning in 2015.....   | <b>17c</b> |                |                |                |                 |
| <b>18</b> Enter taxable income for each period for taxable year beginning in 2016..... | <b>18</b>  |                |                |                |                 |

Continued on page 4 →

| Part 2 (continued)  | (a)            | (b)            | (c)            | (d)         |
|---|----------------|----------------|----------------|-------------|
|   | First 4 Months | First 6 Months | First 9 Months | Entire Year |
| <b>19</b> Enter taxable income for the following periods:   |                |                |                |             |
| <b>a</b> Taxable year beginning in 2013.....  | <b>19a</b>     |                |                |             |
| <b>b</b> Taxable year beginning in 2014.....  | <b>19b</b>     |                |                |             |
| <b>c</b> Taxable year beginning in 2015.....  | <b>19c</b>     |                |                |             |
| <b>20</b> Divide the amount in each column on line 17a by the amount in column (d) on line 17a.....   | <b>20</b>      |                |                |             |
| <b>21</b> Divide the amount in each column on line 17b by the amount in column (d) on line 17b.....   | <b>21</b>      |                |                |             |
| <b>22</b> Divide the amount in each column on line 17c by the amount in column (d) on line 17c.....   | <b>22</b>      |                |                |             |
| <b>23</b> Add lines 20 through 22.....  | <b>23</b>      |                |                |             |
| <b>24</b> Divide line 23 by three (3).....  | <b>24</b>      |                |                |             |
| <b>25</b> Divide line 18 by line 24.....  | <b>25</b>      |                |                |             |
| <b>26</b> Calculate the tax on the amount in each column on line 25. See instructions.....  | <b>26</b>      |                |                |             |
| <b>27</b> Divide the amount in columns (a) through (c) on line 19a by the amount in column (d) on line 19a.....   | <b>27</b>      |                |                |             |
| <b>28</b> Divide the amount in columns (a) through (c) on line 19b by the amount in column (d) on line 19b.....   | <b>28</b>      |                |                |             |
| <b>29</b> Divide the amount in columns (a) through (c) on line 19c by the amount in column (d) on line 19c.....   | <b>29</b>      |                |                |             |
| <b>30</b> Add lines 27 through 29.....  | <b>30</b>      |                |                |             |
| <b>31</b> Divide line 30 by three (3).....  | <b>31</b>      |                |                |             |
| <b>32</b> Multiply the amount in columns (a) through (c) of line 26 by the amount in the corresponding column of line 31. In column (d), enter the amount from line 26, column (d)..... | <b>32</b>      |                |                |             |
| <b>33</b> Enter tax from recapture of tax credits for each payment period. See instructions.....  | <b>33</b>      |                |                |             |
| <b>34</b> Subtotal tax: Add line 32 and line 33.....  | <b>34</b>      |                |                |             |
| <b>35</b> For each period, enter the amount of nonrefundable tax credits. See instructions.....   | <b>35</b>      |                |                |             |
| <b>36</b> Arizona tax liability: Subtract line 35 from line 34. If zero or less, enter zero.....  | <b>36</b>      |                |                |             |
| <b>37</b> Refundable tax credits: See instructions.....   | <b>37</b>      |                |                |             |
| <b>38</b> Claim of right adjustment: See instructions.....  | <b>38</b>      |                |                |             |
| <b>39</b> Net liability: Subtract the sum of line 37 and line 38 from line 36. If zero or less, enter zero.....   | <b>39</b>      |                |                |             |
| <b>40</b> Multiply line 39 by 90%.....  | <b>40</b>      |                |                |             |
| <b>41</b> Add the amounts in all preceding columns from Part 3, line 48. See instructions.....  | <b>41</b>      |                |                |             |
| <b>42 Adjusted seasonal installments:</b> Subtract line 41 from line 40. If zero or less, enter zero.....   | <b>42</b>      |                |                |             |

| Part 3  | Required Installments | (a)               | (b)                | (c)               | (d)                |
|---|-----------------------|-------------------|--------------------|-------------------|--------------------|
|   |                       | First Installment | Second Installment | Third Installment | Fourth Installment |
| <b>43</b> If only one of the above parts is completed, enter the amount in each column from line 16 or line 42. (If both parts are completed, enter the <b>smaller</b> of the amounts in each column from line 16 or line 42.)..... | <b>43</b>             |                   |                    |                   |                    |
| <b>44</b> Enter 25% of line 6d on Form 220 in each column.<br><b>NOTE:</b> "Large corporations", see line 8 instructions on page 3 for the amount to enter.....   | <b>44</b>             |                   |                    |                   |                    |
| <b>45</b> Enter the amount from line 47 of this schedule for the preceding column.....  | <b>45</b>             |                   |                    |                   |                    |
| <b>46</b> Add line 44 and line 45. Enter the total.....   | <b>46</b>             |                   |                    |                   |                    |
| <b>47</b> If line 46 is more than line 43, subtract line 43 from line 46. Otherwise, enter zero.....  | <b>47</b>             |                   |                    |                   |                    |
| <b>48 Required Installments:</b> Enter the <b>smaller</b> of line 43 or line 46 here and on Form 220, page 1, line 8.....   | <b>48</b>             |                   |                    |                   |                    |

## **2016 Underpayment of Estimated Tax by Corporations**

**For information or help, call one of the numbers listed:**

Phoenix (602) 255-3381  
From area codes 520 and 928, toll-free (800) 352-4090

**Tax forms, instructions, and other tax information**

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

**Income Tax Procedures and Rulings**

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website and click on *Legal Research* then click on *Procedures* or *Rulings* and select a tax type from the drop down menu.

**Publications**

To view or print the department's publications, go to our website and click on *Publications*.

### **General Instructions**

#### **Purpose of Form**

Taxpayers filing Forms 99T, 120, 120A, and 120S use Form 220 to determine whether they are subject to a penalty for underpayment of their Arizona estimated tax liability and if so, the amount of the penalty.

The taxpayer's Arizona estimated tax liability is determined as follows: [income tax plus tax from recapture of tax credits] less [nonrefundable tax credits and any refundable tax credits].

**CLAIM OF RIGHT ADJUSTMENT (FORMS 120 AND 120A):**

A taxpayer that computes its tax liability under the claim of right provisions should base its estimated tax liability on the net tax liability computed under the claim of right provisions.

#### **Who is Subject to the Underpayment Penalty**

*If the taxpayer's Arizona tax liability (reduced by any refundable tax credit and the claim of right adjustments, if applicable) is less than \$1,000, the taxpayer is not subject to this penalty.* Arizona tax liability is from Form 99T, page 1, line 11 (reduced by any refundable tax credit, if applicable); or Form 120, page 1, line 21 (reduced by any refundable tax credit and the claim of right adjustments, if applicable); or Form 120A, page 1, line 13 (reduced by any refundable tax credit and claim of right adjustments, if applicable); or Form 120S, page 1, line 17 (reduced by any refundable tax credit, if applicable).

**A. Forms 99T, 120, and 120A:** Generally, the taxpayer is subject to the penalty if the tax shown on the taxpayer's 2016 Arizona tax return is \$1,000 or more and it did not timely pay at least the **smaller** of:

- Ninety percent of the tax (reduced by any refundable tax credit and the claim of right adjustments, if applicable) shown on its 2016 return, OR
- The tax shown on its 2015 return (reduced by any refundable tax credit and the claim of right adjustments, if applicable). The taxpayer must have filed a 2015 return showing at least some amount of tax and the return must have been filed for a period of 12 full months.

However, a "large corporation" may base only its first required installment on the prior taxable year's tax.

**NOTE FOR FORM 120:** *A unitary group of corporations filing a combined return* must make its estimated tax payments on a combined basis. Therefore, a unitary group, as a single taxpayer, must compute the underpayment of estimated tax penalty on a combined basis if its Arizona tax liability for the taxable year is \$1,000 or more.

**NOTE FOR FORM 120:** *An Arizona affiliated group filing a consolidated return* pursuant to *Arizona Revised Statutes (A.R.S.) § 43-947* must make its estimated tax payments on a consolidated basis. Therefore, an Arizona affiliated group, as a single taxpayer, must compute the underpayment of estimated tax penalty on a consolidated basis if its Arizona tax liability for the taxable year is \$1,000 or more.

**B. Form 120S:** Generally, the taxpayer is subject to the penalty if the tax shown on the taxpayer's 2016 Arizona tax return is \$1,000 or more and it did not timely pay at least the **smaller** of:

- Ninety percent of the tax (reduced by any refundable tax credit, if applicable) shown on its 2016 return, OR
- If the taxpayer's 2015 return was filed for a period of twelve months, an amount of tax equal to the sum of:  
Ninety percent of the portion of the 2016 Arizona tax liability that is attributable to built-in gains income or certain capital gains income; **plus**  
One hundred percent of the portion of the 2015 Arizona tax liability that is attributable to excess net passive income.

**NOTE:** *In these instructions, "return" generally refers to the corporation's original return. However, an amended return is considered the original return if the amended return is filed by the due date (including extensions) of the original return. Refer to Arizona Corporate Tax Ruling CTR 02-1 for further information.*

The penalty is calculated separately for each installment due date. Therefore, the taxpayer may owe a penalty for an earlier installment due date, even if later "catch-up" payments were made for the earlier installment due date underpayment. A taxpayer may be subject to the underpayment penalty even if the taxpayer is due a refund when its return is filed.

A taxpayer may be able to reduce or eliminate the penalty by using the annualized income installment method or the adjusted seasonal installment method.

#### **Who Must Complete This Form**

A taxpayer DOES NOT HAVE TO COMPLETE Form 220, *Underpayment of Estimated Tax by Corporations*, if the taxpayer made estimated tax payments based on either of the following methods:

- *All taxpayers:* An amount equal to 90 percent of the current taxable year's tax liability (reduced by any refundable tax credit and the claim of right adjustments, if applicable), paid in four equal installments; or

- *Form 99T, 120, and 120A:* An amount equal to 100 percent of the taxpayer’s tax liability (reduced by any refundable tax credit and the claim of right adjustments, if applicable) for the prior taxable year, paid in four equal installments. A “large corporation” may not use this method.

The department will compute the estimated tax penalty based on either of these methods and notify the taxpayer of any amount due.

A taxpayer **MUST COMPLETE** Form 220, even though no penalty is due, if it made its estimated tax payments based on any of the following methods:

- *All taxpayers:* The annualized income installment method; **or**
- *All taxpayers:* The adjusted seasonal installment method; **or**
- *Forms 120 and 120A:* The taxpayer is a “large corporation” that computed its first required installment based on the taxpayer’s tax liability for the prior taxable year; **or**
- *Form 120S:* An amount, paid in four equal installments, that is equal to the sum of:

Ninety percent of the portion of the current taxable year's Arizona tax liability that is attributable to built-in gains income or certain capital gains income; **plus**

One hundred percent of the portion of the prior taxable year's Arizona tax liability that is attributable to excess net passive income.

**How to Use This Form**

Check the applicable boxes in Part A. Complete Part B to determine if the taxpayer has an underpayment for any of the four installment due dates. If the taxpayer has an underpayment on line 15 (column (a), (b), (c), or (d)), complete Part C to calculate the penalty.

If the taxpayer is required to complete Form 220, include the completed Form 220 with the taxpayer's Arizona tax return. Check the box on Form 99T, page 1, line 22; Form 120, page 1, line 29; Form 120A, page 1, line 21; or Form 120S, page 1, line 25, to indicate Form 220 is included with the return.

**Specific Instructions**

Complete the name and employer identification number (EIN) section at the top of the form. If filing on a fiscal year, indicate the period covered by the taxable year.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for a corporation is the corporation’s EIN. Taxpayers that fail to include their TIN may be subject to a penalty.

**Part A - Reasons for Filing Form 220**

**Lines 1 and 2 - Annualized Income Installment Method and/or Adjusted Seasonal Installment Method**

If the taxpayer's income varied during the taxable year because, for example, it operates its business on a seasonal basis, it may be able to lower the amount of one or more required installments by using the annualized income installment method or the adjusted seasonal installment method.

Use Form 220, Schedule A, to calculate one or more required installments. If Schedule A is used for any payment due date, it must be used for all payment due dates.

Use Schedule A to arrive at the amount of each required installment and to select the lesser of:

- the annualized income installment;
- the adjusted seasonal installment (if applicable); or
- the regular installment (25 percent of the required annual payment) increased by any reduction recaptured under Internal Revenue Code (IRC) § 6655(e)(1)(B).

Follow the steps below to determine which parts of Form 220, Schedule A, to complete.

- If the taxpayer is using only the annualized income installment method, check the box on line 1 of Part A and complete Parts 1 and 3 of Schedule A.
- If the taxpayer is using only the seasonal installment method, check the box on line 2 of Part A and complete Parts 2 and 3 of Schedule A.
- If the taxpayer is using both methods, check the boxes on lines 1 and 2 of Part A and complete all three parts of Schedule A.
- All taxpayers: In each column on line 8, enter the amounts from the corresponding column of line 48 of Schedule A. Include a copy of Schedule A with Form 220.

**Line 3 - Large Corporations (Forms 120 and 120A)**

"Large corporation" means a corporation or unitary group of corporations if the corporation, or a predecessor corporation, had federal taxable income of one million dollars or more for any of the immediately preceding three taxable years, excluding any federal net operating loss or capital loss carrybacks or carryovers. An Arizona affiliated group filing a consolidated return pursuant to *A.R.S. § 43-947* is treated as a single corporation for purposes of applying the large corporation definition.

If the taxpayer is a large corporation, check the box on line 3 of Part A. In addition, if applicable, check the box(es) on line 1 and/or line 2. Complete Parts 1, 2, and 3 of Schedule A, as discussed above.



## Part B - Calculation of Underpayment

### Line 5 - Arizona Tax Liability

Enter the 2016 Arizona tax liability from Form 99T, line 11 less line 12; or Form 120, line 21 less line 22; or Form 120A, line 13 less line 14; or Form 120S, line 17 less line 18.

#### CLAIM OF RIGHT ADJUSTMENT (FORMS 120 AND 120A):

Taxpayers computing the Arizona tax liability under the claim of right provisions of *A.R.S. § 43-1130.01* should use the Arizona tax liability reduced by those provisions for purposes of computing underpayment of estimated tax.

### Line 6 - Required Annual Payment

The Arizona required annual payment of estimated tax is the smaller of:

- *All taxpayers* - ninety percent of the taxpayer's Arizona tax liability (reduced by any refundable tax credit and the claim of right adjustments, if applicable) for the current taxable year; **or**
- *Forms 99T, 120, and 120A* - one hundred percent of the taxpayer's Arizona tax liability (reduced by any refundable tax credit and the claim of right adjustments, if applicable) for the prior taxable year.

*Form 120S* - an amount equal to the sum of:

Ninety percent of the portion of the current taxable year's Arizona tax liability that is attributable to built-in-gains income or certain capital gains income; **plus**

One hundred percent of the portion of the prior taxable year's Arizona tax liability that is attributable to excess net passive income.

### Line 6a - (All Taxpayers)

Multiply line 5 by 90 percent. Enter the result on line 6a.

### Line 6b - (Forms 99T, 120, and 120A)

Determine the amount of the taxpayer's Arizona tax liability from the prior taxable year (reduced by any refundable tax credit and the claim of right adjustments, if applicable). Enter the net amount on line 6b.

DO NOT COMPLETE THIS LINE IF: (1) a return was not filed for the taxable year showing at least some amount of tax liability (an amount greater than zero), OR (2) the 2015 taxable year was a period of less than twelve months. Skip line 6b and enter the amount from line 6a on line 6d.

### Line 6c - (Form 120S)

Enter an amount on line 6c that is the sum of:

- Ninety percent of the portion of the 2016 Arizona tax liability that is attributable to built-in gains income or certain capital gains income, **plus**
- One hundred percent of the portion of the 2015 Arizona tax liability that is attributable to excess net passive income.

DO NOT COMPLETE THIS LINE IF the 2015 taxable year was a period of less than twelve months. Skip line 6c and enter the amount from line 6a on line 6d.

### Line 6d - (All Taxpayers)

*Forms 99T, 120, and 120A* - enter the smaller of line 6a or line 6b (if an amount was entered on line 6b).

*Form 120S* - enter the smaller of line 6a or line 6c (if an amount was entered on line 6c).

### Line 7 - Installment Due Dates

Calendar year and fiscal year basis taxpayers are required to make their Arizona corporate estimated tax payments by the 15th day of the 4th, 6th, 9th, and 12th months of the taxable year. If the installment due date falls on a weekend or legal holiday, the payment is considered timely if made on the next business day.

**Note for short period returns:** *Enter the installment due dates and the number of installments required by the Internal Revenue Service.*

### Line 8 - Required Installments

Each required installment is 25 percent of the required annual payment (line 6d) *unless* the taxpayer checked the box(es) on lines 1, 2, or 3 of Form 220, Part A.

#### Instructions for "Large Corporations" - Forms 120 and 120A.

**A.** If the box on line 3 (but not the box on line 1 or line 2) is checked, follow the instructions below to compute the amount to enter on Part B, line 8.

If line **6a** is **less than** line **6b**:

- Enter 25 percent of line 6a in columns (a) through (d) of line 8.

If line **6b** is **less than** line **6a**:

- Enter 25 percent of line 6b in column (a) of line 8.
- Determine the amount to enter in column (b) of line 8 as follows:
  - (i) Subtract line 6b from line 6a,
  - (ii) Add the result to the amount on line 6a, and
  - (iii) Multiply the total in (ii) above by 25 percent.
- Enter 25 percent of line 6a in columns (c) and (d) of line 8.

**B.** If the box on line 3 **and** the box on line 1 and/or line 2 is checked, use the following instructions to determine the amounts to enter on the Form 220, Schedule A, Part 3, line 44, columns (a) through (d). Then complete the remainder of the lines in Part 3 of Schedule A. Enter the amounts from Schedule A, Part 3, line 48, columns (a) through (d) on Form 220, Part B, line 8, columns (a) through (d).

If Form 220, Part B, line **6a** is **less than** line **6b**:

- Enter 25 percent of line 6a in columns (a) through (d) of Schedule A, Part 3, line 44.

If Form 220, Part B, line **6b** is **less than** line **6a**:

- Enter 25 percent of line 6b in column (a) of Schedule A, Part 3, line 44.
- Determine the amount to enter in column (b) of Schedule A, Part 3, line 44 as follows:

- (i) Subtract line 6b from line 6a,
  - (ii) Add the result to the amount on line 6a, and
  - (iii) Multiply the total in (ii) above by 25 percent.
- Enter 25 percent of line 6a in columns (c) and (d) of Schedule A, Part 3, line 44.

**Line 9 - Estimated Tax Paid or Credited**

Enter the estimated tax payments made by the taxpayer for its taxable year as indicated on the next page.

The department will apply the payment of a required installment in the order in which the installments are required to be paid, regardless of the installment to which the payment pertains.

Include any overpayment of tax from the taxpayer's 2015 Arizona tax return that the taxpayer elected to apply to its 2016 Arizona estimated tax.

**Column (a)** Enter payments made by the 15th day of the fourth month.

**Column (b)** Enter payments made after the 15th day of the fourth month through the 15th day of the sixth month.

**Column (c)** Enter payments made after the 15th day of the sixth month through the 15th day of the ninth month.

**Column (d)** Enter payments made after the 15th day of the ninth month through the 15th day of the 12th month.

**Line 15 - Underpayment**

This amount (an amount greater than zero) is the underpayment of a required installment. If an amount greater than zero is entered here, the taxpayer should complete Part C to calculate the underpayment penalty.

**Part C - Penalty Calculation**

**NOTE:** Do not round amounts or components you use in calculation for Part C, lines 20, 22, 24, 26, 28, 30, 32, 34, and 36 to the nearest whole dollar. You must round the total penalty in Part C, line 37, to the nearest whole dollar.

The underpayment of estimated tax penalty is imposed on any required installment of estimated tax that is late or underpaid. The penalty is equal to the interest that would accrue under A.R.S. § 42-1123 on the amount not paid for the period of nonpayment, not to exceed 10 percent of the amount not paid.

Compute the underpayment penalty for any underpayment of a required installment for the period of nonpayment on page 2, Part C, lines 17 through 37. "Underpayment" refers to a late payment or underpayment of a required installment.

Compute the penalty by applying the applicable rate to each underpayment. The penalty is computed for the number of days that the underpayment remained unpaid or until the original due date of the return, whichever is earlier.

The Arizona interest rates are established at various times during the year. Arizona interest rates are the interest rates prescribed by IRC § 6621 for each calendar quarter with the following exception. **Exception:** The Arizona rate of interest for both underpayments and overpayments for all taxpayers is the federal underpayment rate under IRC § 6621(a)(2) [the federal short-term rate, determined pursuant to IRC § 6621(b), plus three percentage points].

If the taxpayer has made more than one payment for a required installment, include a separate computation for each payment.

**NOTE FOR COMPOUND PENALTY AMOUNT:** The penalty is compounded annually (on January 1 of each year) on any underpayment of an installment outstanding as of that date. The compound penalty amount is added to the principal amount of the underpayment. The amount added to the principal accrues penalty until the underpayment is paid or until the original due date of the return, whichever is earlier.

**Line 36 - Penalty Limitation**

The penalty for an underpayment of a required installment cannot exceed 10 percent of the amount not paid.

**Form 220, Schedule A**

**Part 1 - Annualized Income Installment Method**

**Line 1 - Annualization Periods**

Enter the annualization period that the taxpayer is using in the space on line 1, columns (a) through (d), respectively.

| Forms 120, 120A, and 120S |                    |                    |                    |                    |
|---------------------------|--------------------|--------------------|--------------------|--------------------|
| Option                    | 1st<br>Installment | 2nd<br>Installment | 3rd<br>Installment | 4th<br>Installment |
| Standard option           | 3                  | 3                  | 6                  | 9                  |
| Option 1                  | 2                  | 4                  | 7                  | 10                 |
| Option 2                  | 3                  | 5                  | 8                  | 11                 |

| Form 99T        |                    |                    |                    |                    |
|-----------------|--------------------|--------------------|--------------------|--------------------|
| Option          | 1st<br>Installment | 2nd<br>Installment | 3rd<br>Installment | 4th<br>Installment |
| Standard option | 2                  | 3                  | 6                  | 9                  |
| Option 1        | 2                  | 4                  | 7                  | 10                 |

**Line 3 - Annualization Amounts**

Enter the annualization amounts for the option used on line 1.

| Forms 120, 120A, and 120S |                    |                    |                    |                    |
|---------------------------|--------------------|--------------------|--------------------|--------------------|
| Option                    | 1st<br>Installment | 2nd<br>Installment | 3rd<br>Installment | 4th<br>Installment |
| Standard option           | 4                  | 4                  | 2                  | 1.33333            |
| Option 1                  | 6                  | 3                  | 1.71429            | 1.2                |
| Option 2                  | 4                  | 2.4                | 1.5                | 1.09091            |

| Form 99T        |                    |                    |                    |                    |
|-----------------|--------------------|--------------------|--------------------|--------------------|
| Option          | 1st<br>Installment | 2nd<br>Installment | 3rd<br>Installment | 4th<br>Installment |
| Standard option | 6                  | 4                  | 2                  | 1.33333            |
| Option 1        | 6                  | 3                  | 1.71429            | 1.2                |

**Line 5 - Calculate the Tax**

Calculate the tax on the amount in each column using the instructions for Form 99T, line 6; or Form 120, line 16; or Form 120A, line 8; or Form 120S, line 12.

**Line 6 - Tax From Recapture of Tax Credits**

Enter the amount of tax due from recapture of the environmental technology facility, healthy forest enterprises, renewable energy industry, qualified facility, and renewable energy investment and production for self-consumption by manufacturers and international operations centers tax credits from Form 300, Part 2, line 31.

Calculate this amount using the instructions for Form 99T, line 7; or Form 120, line 17; or Form 120A, line 9; or Form 120S, line 13.

**Line 8 - Nonrefundable Tax Credits**

Enter the total amount of nonrefundable tax credits to which the taxpayer is entitled because of events that occurred during the months shown in the column headings used to calculate annualized taxable income. Calculate this amount using the instructions for Form 99T, line 9; or Form 120, line 19; or Form 120A, line 11; or Form 120S, line 15.

**Line 10 - Refundable Tax Credits**

Enter the total amount of refundable tax credits to which the taxpayer is entitled because of events that occurred during the months shown in the column headings used to calculate annualized taxable income. Calculate this amount using the instructions for Form 99T, line 12; or Form 120, line 22; or Form 120A, line 14; or Form 120S, line 18.

**Line 11 - Claim of Right Adjustment (Forms 120 and 120A)**

A taxpayer that computes its tax liability under the claim of right provisions should base its estimated tax liability on the net tax liability computed under the claim of right provisions.

**Line 15 - Cumulative Installments**

Complete column (a) before completing columns (b) through (d). Before completing line 15 *in columns (b) through (d)*, complete line 16, Part II (if applicable), and Part III, *in each of the preceding columns*.

EXAMPLE: Complete line 16, lines 17 through 42 (if using the adjusted seasonal installment method), and lines 43 through 48, *in column (a)* before completing line 15 *in column (b)*.

**Part 2 - Adjusted Seasonal Installment Method**

Do not complete this part unless the taxpayer's base period percentage for any six consecutive months of the taxable year equals or exceeds 70 percent. The term "base period percentage" for any period of six consecutive months is the average of the three percentages calculated by dividing the taxable income for the corresponding six month period in each of the three preceding taxable years by the taxable income for each of their respective taxable years.

**Line 26 - Calculate the Tax**

Calculate the tax on the amount in each column using the instructions for Form 99T, line 6; or Form 120, line 16; or Form 120A, line 8; or Form 120S, line 12.

**Line 33 - Tax From Recapture of Tax Credits**

Calculate the tax from the recapture of the environmental technology facility credit, the credits for healthy forest enterprises, the credit for renewable energy industry or the credit for qualified facilities. Use the instructions for Form 99T, line 7; or Form 120, line 17; or Form 120A, line 9; or Form 120S, line 13.

**Line 35 - Nonrefundable Tax Credits**

Enter the total amount of nonrefundable tax credits to which the taxpayer is entitled because of events that occurred during the months shown in the column headings above line 17. Calculate this amount using the instructions for Form 99T, line 9; or Form 120, line 19; or Form 120A, line 11; or Form 120S, line 15.

**Line 37 - Refundable Tax Credits**

Enter the total amount of refundable tax credits to which the taxpayer is entitled because of events that occurred during the months shown in the column headings above line 17. Calculate this amount using the instructions for Form 99T, line 12; or Form 120, line 22; or Form 120A, line 14; or Form 120S, line 18.

**Line 38 - Claim of Right Adjustment (Forms 120 and 120A):**

A taxpayer that computes its tax liability under the claim of right provisions should base its estimated tax liability on the net tax liability computed under the claim of right provisions.

**Line 41 - Cumulative Installments**

Complete column (a) before completing columns (b) through (d). Before completing line 41 *in columns (b) through (d)*, complete lines 42 through 48 *in each of the preceding columns*.

EXAMPLE: Complete lines 42 through 48 *in column (a)* before completing line 41 *in column (b)*.

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**Include this schedule with the tax return.**

For the calendar year 2016 or fiscal year beginning MM, M, D, D, 2, 0, 1, 6 and ending MM, M, D, D, 2, 0, Y, Y.

|  |                                      |
|--|--------------------------------------|
| Name as shown on Form 99T, 120, 120S, 120X, or 165 | Employer Identification Number (EIN) |
|--|--------------------------------------|

|   |          |   |
|---|----------|---|
| 1 Revenue aircraft miles flown within Arizona for flights beginning or ending in Arizona ...  | <b>1</b> |   |
| 2 Total revenue aircraft miles flown everywhere .....   | <b>2</b> |   |
| 3 Arizona apportionment ratio: Divide line 1 by line 2. Carry the quotient to six (6) decimal places. Enter result here and on:   |          |   |
| <ul style="list-style-type: none"> <li>• Form 99T, page 1, line 4; or</li> <li>• Form 120, page 1, line 9; or</li> <li>• Form 120S, page 1, line 7; and Form 120S, Schedule K-1(NR); or</li> <li>• Form 120X, page 1, line 9; or</li> <li>• Form 165, Schedule K-1(NR) .....</li> </ul> | <b>3</b> | . |

**General Instructions**

Arizona Revised Statute § 43-1139 requires a taxpayer that is a qualifying air carrier to use an alternate apportionment method to apportion its business income to Arizona.

The taxpayer must be engaged in air commerce. "Air commerce" means transporting persons or property for hire by aircraft in interstate, intrastate or international transportation.

**FORM 120 FILERS:** If the taxpayer files a combined or consolidated return, the combined group or the Arizona affiliated group must use this method of apportionment if 50 percent or more of the taxpayer's gross income is derived from air commerce. The taxpayer will apportion its business income by means of a single apportionment ratio computed under this method for all group members.

The numerator of the ratio is the revenue aircraft miles flown within Arizona by the taxpayer's aircraft for flights beginning or ending in Arizona. The denominator of the ratio is the total revenue aircraft miles flown by the taxpayer's aircraft everywhere.

"Revenue aircraft miles flown" has the same meaning prescribed by the U.S. Department of Transportation uniform system of accounts and reports for large certified air carriers [14 Code of Federal Regulations, Part 241]. "Revenue aircraft miles flown" means the aircraft miles flown in revenue service. "Aircraft miles flown" means the miles (computed in airport-to-airport distances) for each flight stage actually completed, whether or not performed in accordance with the scheduled pattern. For this purpose, operation to a flag stop is a stage completed even though a landing is not actually made. In cases where the interairport distances are inapplicable, aircraft miles flown are determined by multiplying the normal cruising speed for the aircraft type by the airborne hours.

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*Include this schedule with the tax return.*

For the calendar year 2016 or fiscal year beginning MM,DD,YY 20YY and ending MM,DD,YY 20YY.

|  |                                      |
|--|--------------------------------------|
| Name as shown on Form 99T, 120, 120S, 120X, or 165 | Employer Identification Number (EIN) |
|--|--------------------------------------|

Initial year of this election cycle: Beginning MM,DD,YY and ending MM,DD,YY  
 Indicate year of election cycle:  Year 1  Year 2  Year 3  Year 4  Year 5

**PART A Multistate Service Provider Qualification** (Complete Part A only in Year One of the Election Cycle.)

|  |           |   |  |  |  |
|--|-----------|---|--|--|--|
| <b>A1</b> Sales from services with the benefit of the services received outside Arizona..... | <b>A1</b> | . |  |  |  |
| <b>A2</b> Total sales everywhere (including sales from services).....                        | <b>A2</b> | . |  |  |  |
| <b>A3</b> Divide line A1 by line A2 (carry the quotient to six decimal places).....          | <b>A3</b> | . |  |  |  |

**A4** Is line A3 more than 0.850000?  
 Yes. You may qualify to make the election. Skip line A5 and go to Part B.

By completing and including Schedule MSP with the current tax return, taxpayer is making an irrevocable election pursuant to A.R.S. § 43-1147(B). This election is binding for five consecutive taxable years beginning with the first taxable year to which the election applies.

No. Go to line A5.

**A5** Are you a regionally accredited institution of higher education with at least one university campus in Arizona that has more than 2,000 students residing on campus?  
 Yes. You may qualify to make the election. Go to Part B.

By completing and including Schedule MSP with the current tax return, taxpayer is making an irrevocable election pursuant to A.R.S. § 43-1147(B). This election is binding for five consecutive taxable years beginning with the first taxable year to which the election applies.

No. You do not qualify to make the election. Stop here.

**PART B Computation of Sales From Services in Arizona**

|  |           |    |
|--|-----------|----|
| <b>B1</b> Arizona market sales from services.....  | <b>B1</b> | 00 |
| <b>B2</b> Multiply line B1 by 0.950000.....  | <b>B2</b> | 00 |
| <b>B3</b> Arizona income producing activity sales from services .....  | <b>B3</b> | 00 |
| <b>B4</b> Multiply line B3 by 0.050000.....  | <b>B4</b> | 00 |
| <b>B5</b> Add line B2 and line B4. Enter the total on line B5, and also enter this total on:<br>• Form 99T, Schedule A, line A3b, column A; or<br>• Form 120, Schedule E, line E3b, column A; or<br>• Form 120S, Schedule A, line A3b, column A; or<br>• Form 120X, Schedule A, line A3b, column A; or<br>• Form 165, Schedule C, line C3b, column A ..... | <b>B5</b> | 00 |

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## 2016 Multistate Service Provider Election and Computation

**For information or help, call one of the numbers listed:**

Phoenix (602) 255-3381  
From area codes 520 and 928, toll-free (800) 352-4090

**Tax forms, instructions, and other tax information**

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

**Income Tax Procedures and Rulings**

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website and click on *Legal Research* then click on *Procedures* or *Rulings* and select a tax type from the drop down menu.

**Publications**

To view or print the department's publications, go to our website and click on *Publications*.

### General Instructions

#### Purpose of Schedule

For taxable years beginning from and after December 31, 2013, a multistate service provider may elect to treat sales from services as being in Arizona based on a combination of income producing activity sales and market sales prescribed under *Arizona Revised Statutes (A.R.S.) § 43-1147*. The election is effective retroactively for the entire taxable year on which the election is made. The election is binding on the taxpayer for at least five consecutive taxable years beginning with the first taxable year to which the election applies, regardless of whether the taxpayer no longer meets the percentage threshold of a multistate service provider during that time period. To continue with the election after the five consecutive taxable years, the taxpayer must meet the qualifications to be considered a multistate service provider and renew the election for another five consecutive taxable years.

Complete Schedule MSP, Part A, in the first year of the election cycle to determine if you qualify to be treated as a multistate service provider and to make the election. Complete Part B in each taxable year of the election cycle to compute the sales from services in Arizona.

#### Who Should File

Taxpayers who want to make an election to be treated as a multistate service provider under *A.R.S. § 43-1147* must file this schedule with the current tax year's return.

**NOTE:** *By completing and including Schedule MSP with the current tax return, taxpayer is making an irrevocable election pursuant to A.R.S. § 43-1147(B). This election is binding for five consecutive taxable years beginning with the first taxable year to which the election applies.*

#### When to File

The election must be made on the taxpayer's timely filed **original** income tax return including extensions. The taxpayer must include the completed Schedule MSP with the tax return for the year when election is made and also in the four subsequent taxable years that the taxpayer is bound by the election. To continue with the election after the expiration of

the five consecutive taxable years, the taxpayer must meet the qualification to be considered a multistate service provider and renew the election for another five consecutive taxable years by completing and including this schedule with the timely filed tax return.

#### Termination of Election

During the election cycle, the election may be terminated as follows:

1. without the permission of the department on the acquisition or merger of the taxpayer, or
2. with the permission of the department before the expiration of five consecutive taxable years.

#### Rounding Dollar Amounts

Except for Part A lines A1, A2, and A3, taxpayers must round amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.

### Specific Instructions

Complete the name and taxpayer identification number section at the top of the form. Indicate the period covered by the taxable year. Include the completed schedule with the tax return.

All returns, statements, and other documents filed with the department require a Tax Identification Number (TIN). Organizations that fail to include their TIN may be subject to a penalty. Paid tax return preparers must include their TIN where requested. The TIN for a paid tax return preparer is the individual's social security number or the Employer Identification Number (EIN) of the business. Paid tax return preparers that fail to include their TIN may be subject to a penalty.

**Initial year of this election cycle.** Enter the tax year during which the election was initially made.

**Indicate year of election cycle.** Check the box, 1 through 5, to indicate the year of the taxpayer's election cycle.

#### Part A – Multistate Service Provider Qualification

*Complete Part A only in the first year of each election cycle. Do not round amounts in Part A.*

#### Line A1 – Sales from Services with the Benefit of the Services Received Outside Arizona

Enter sales from services provided to purchasers who receive the benefit of the service outside Arizona in the taxable year of election. Include sales made by all members who are required to file a combined report and all members of an affiliated group included in a consolidated return. Exclude sales to students receiving educational services at campuses physically located in Arizona. Sales to students receiving educational services means tuition and fees required for enrollment and fees required for courses of instruction, transcripts, and graduation.

**Line A2 – Total Sales Everywhere (Including Sales from Services)**

Enter total sales (including sales from services) both inside and outside Arizona. Exclude sales to students receiving educational services at campuses physically located in Arizona. Sales to students receiving educational services means tuition and fees required for enrollment and fees required for courses of instruction, transcripts, and graduation. In general, total sales everywhere on line A2 is the same as the total sales from the apportionment schedule, column B minus the sales to students receiving educational services at campuses physically located in Arizona (if applicable).

**Line A3 –**

Divide line A1 by line A2. Carry the quotient to six decimal places.

**Part B – Computation of Sales from Services in Arizona**

*Complete Part B in each taxable year of the election cycle.*

**NOTE:** *The exclusion of sales to students receiving educational services from the calculation in Part A does not apply to the calculation here in Part B.*

**Line B1 – Arizona Market Sales from Services**

Enter the total sales from services for which the purchaser received the benefit of the service in Arizona.

“Received the benefit of the service in Arizona” means the services are received by the purchaser in Arizona. If the state where the services are received cannot be readily determined, the services are considered to be received at the home of the customer or, in the case of a business, the office of the customer from which the services were ordered in the regular course of the customer’s trade or business. If the ordering location cannot be determined, the services are considered to be received at the home or office of the customer to which the services were billed.

**Line B2 –**

Multiply line B1 by 0.950000. Enter the result. Round your answer to the nearest whole dollar.

**Line B3 – Arizona Income Producing Activity Sales from Services**

Enter the total sales from services that are sales in Arizona, which include:

1. The income producing activity that is performed in Arizona.
2. The income producing activity that is performed both in and outside Arizona and a greater proportion of the income producing activity is performed in Arizona than in any other state, based on costs of performance.

**Line B4 –**

Multiply line B3 by 0.050000. Enter the result. Round your answer to the nearest whole dollar.

**Line B5 – Total Sales of Services in Arizona**

Add line B2 and line B4. Enter the total on line B5. Also enter the total on:

- Form 99T, Schedule A, line A3b, column A; or
- Form 120, Schedule E, line E3b, column A; or
- Form 120S, Schedule A, line A3b, column A; or
- Form 120X, Schedule A, line A3b, column A; or
- Form 165, Schedule C, line C3b, column A.

**Include this form with your return.**

For the calendar year 2016 or fiscal year beginning MM/DD/2016 and ending MM/DD/20YY.

|   |                                |
|---|--------------------------------|
| Name as shown on Form 120, 120A or 120X | Employer Identification Number |
|---|--------------------------------|

If you compute your current year's tax under Arizona's claim of right provisions pursuant to Arizona Revised Statute § 43-1130.01, complete this schedule computing the prior year(s) tax reduction and explaining the amounts restored. See instructions for details. For more information on Arizona's claim of right provisions, see Corporate Income Tax Procedure, CTP 16-1.

**Part 1 General Information**

| <p><b>1</b> Enter the <b>total</b> amount of <b>all income</b> that you <b>repaid</b> during the 2016 tax year that was held under claim of right.....<br/><i>If the amount on line 1 is \$3,000 or less, STOP. You do not qualify to compute a credit for amounts paid back under a claim of right.</i></p>  | <b>1</b>   |                                 | 00                             |            |            |    |            |            |            |            |            |            |  |  |  |
|---|------------|---------------------------------|--------------------------------|------------|------------|----|------------|------------|------------|------------|------------|------------|--|--|--|
| <p><b>2</b> Was the total amount repaid in 2016 from income that was reported in more than one prior tax year?<br/><i>If you answered "Yes", you must complete and include with your 2016 tax return a separate Claim of Right form for each prior taxable year. See instructions for completing more than one Claim of Right form.</i></p>   | <b>2</b>   | Yes<br><input type="checkbox"/> | No<br><input type="checkbox"/> |            |            |    |            |            |            |            |            |            |  |  |  |
| <p><b>3</b> List all prior tax years that included income that was repaid in 2016 and held under claim of right:</p> <table border="1" style="width:100%"> <thead> <tr> <th style="width:12.5%">3a</th> <th style="width:12.5%">3b</th> <th style="width:12.5%">3c</th> <th style="width:12.5%">3d</th> <th style="width:12.5%">3e</th> <th style="width:12.5%">3f</th> </tr> </thead> <tbody> <tr> <td style="text-align:center">MM/DD/YYYY</td> <td style="text-align:center">MM/DD/YYYY</td> <td style="text-align:center">MM/DD/YYYY</td> <td style="text-align:center">MM/DD/YYYY</td> <td style="text-align:center">MM/DD/YYYY</td> <td style="text-align:center">MM/DD/YYYY</td> </tr> </tbody> </table> | 3a         | 3b                              | 3c                             | 3d         | 3e         | 3f | MM/DD/YYYY | MM/DD/YYYY | MM/DD/YYYY | MM/DD/YYYY | MM/DD/YYYY | MM/DD/YYYY |  |  |  |
| 3a  | 3b         | 3c                              | 3d                             | 3e         | 3f         |    |            |            |            |            |            |            |  |  |  |
| MM/DD/YYYY  | MM/DD/YYYY | MM/DD/YYYY                      | MM/DD/YYYY                     | MM/DD/YYYY | MM/DD/YYYY |    |            |            |            |            |            |            |  |  |  |
| <p><b>4</b> Did you take a deduction instead of a credit for the claim of right on your 2016 federal income tax return?<br/><i>If you answered "Yes", you must include the amount on line 1 as an "Other Addition to Income" on Form 120, Schedule A, line A7, or Form 120A, Schedule A, line A7, or Form 120X, Schedule D, line D7.</i></p>  | <b>4</b>   | Yes<br><input type="checkbox"/> | No<br><input type="checkbox"/> |            |            |    |            |            |            |            |            |            |  |  |  |

**Part 2 Decrease in Prior Year's Tax**

|  |          |            |    |
|--|----------|------------|----|
| <p><b>5</b> Prior tax year.....</p>  | <b>5</b> | MM/DD/YYYY |    |
| <p><b>6</b> Enter the amount of tax from the Arizona tax return filed for the prior tax year. <i>See instructions</i> .....</p>  | <b>6</b> |            | 00 |
| <p><b>7</b> For the year listed on line 5, refigure your tax for the prior tax year without including the income that you repaid in 2016. Enter that amount here .....</p>   | <b>7</b> |            | 00 |
| <p><b>8</b> Subtract line 7 from line 6. Enter the difference. This is your claim of right credit for the current tax year.<br/>Also enter this amount on:<br/>• Form 120, line 24, box 24(b)<br/>• Form 120A, line 16, box 16(b)<br/>• Form 120X, line 23(b).....</p> | <b>8</b> |            | 00 |

*If you are completing more than one Claim of Right forms, add all amounts on line 8 and enter the total on your tax return.*

**Part 3 Explanation of your claim of right for the prior tax year entered on line 5. Show how you figured the amounts entered in Part 2. If more space is needed, continue on page 2 or provide your own schedule.**

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**For information or help, call one of the numbers listed:**

Phoenix (602) 255-3381  
 From area codes 520 and 928, toll-free (800) 352-4090

**Tax forms, instructions, and other tax information**

If you need tax forms, instructions, and other tax information, go to the department’s website at [www.azdor.gov](http://www.azdor.gov).

**Income Tax Procedures and Rulings**

These instructions may refer to the department’s income tax procedures and rulings for more information. To view or print these, go to our website and click on *Legal Research* then click on *Procedures* or *Rulings* and select a tax type from the drop down menu.

**Publications**

To view or print the department’s publications, go to our website and click on *Publications*.

## What is a Claim of Right?

Generally, a claim of right is when:

- A taxpayer received income during a prior tax year, and reported that income on the tax return filed for that prior tax year; *and*
- Then has to repay that income back in a future tax year.

**Example:** A corporation received sales commissions during 2013. In 2016, the corporation received a letter from the payor stating there was a mistake and the commission it received during 2013 was more than the corporation should have received. The corporation must now pay the overpaid amount back.

For information regarding which types of income qualifies or does not qualify for a claim or right, see federal *Publication 525* at [www.irs.gov](http://www.irs.gov).

## How does the Claim of Right work?

For federal income tax purposes, you may take a deduction for the repayment of an amount included in income under a claim of right, *or* claim a credit. When the amount repaid was \$3,000 or less, you may be able to deduct the amount repaid from your income for the year in which you repaid it. Or, if the amount you repaid is more than \$3,000, you may be able to claim a credit against your tax for the year in which you repaid it.

For Arizona income tax purposes, the Arizona claim of right provisions only apply in cases where the **total** amount repaid during the year was more than \$3,000. In this case, you cannot take a deduction, but must claim a “credit”.

When you figure whether the amount you repaid was more or less than \$3,000, you must consider the **total** amount being repaid during the year. Each instance of repayment is not considered separately. The total repayment amount may include income from just one prior tax year or multiple prior tax years.

## Who Must Complete an Arizona Claim of Right Form?

If you figure your 2016 income tax under Arizona's claim of right provisions, complete an *Arizona Claim of Right - Corporate* form and include it with your 2016 income tax return. You **must** complete and include a separate form for each prior tax year for which you figured a tax reduction (decrease).

For more information on Arizona's Claim of Right provisions and examples of how to compute the decrease in tax for a prior taxable year (or years), see Corporate Income Tax Procedure, *CTP 16-1, Procedure for Corporations That Restore Substantial Amounts Held Under a Claim of Right*.

## Line-by-Line Instructions

### How to Complete an Arizona Claim of Right Form

- If the total amount repaid during 2016 was from income that was reported in only **one prior tax year**, you must complete Parts 1, 2, and 3.
- If the total amount repaid during 2016 was from income that was reported in **more than one prior tax year**:
  - For the earliest tax year, complete Parts 1, 2, and 3.
  - For all other years, only complete Parts 2 and 3.

**For example**, if the total amount repaid was from income reported in tax years 2013, 2014, and 2015, complete Parts 1, 2, and 3 for tax year 2013. *Be sure to enter the **total income** that was repaid for **all prior tax years** when completing Part 1, line 1, for taxable year 2013.*

  - For tax years 2014 and 2015, only complete Parts 2 and 3.

### Part 1 - General Information

#### Line 1

Enter the **total** amount of **all income** that you **repaid** during the 2016 tax year that was included in income under a claim of right.

**CAUTION:** *If the amount on line 1 is \$3,000 or less, **STOP**. You do not qualify to figure a credit for amounts paid back under a claim of right.*

#### Line 2

Check “Yes” if the total amount repaid in 2016 was from income that was reported in **more than one prior tax year**.

If you checked “Yes”, you **must** complete and include with your 2016 tax return a separate Claim of Right form for **each** prior taxable year. See the instructions under ***How to Complete an Arizona Claim of Right Form*** for more than one tax year.

#### Line 3

List each prior tax year that included income that was repaid in 2016 and included in income under claim of right.

#### Line 4

If you took a deduction on your federal return instead of claiming a credit, check the box, “Yes”.

You cannot take both a deduction and claim a credit on your Arizona return for the amounts repaid and included in income under a claim of right. Because the deduction is included in the computation of your federal taxable income, you must add-back the amount of the income entered on line 1 as an “Other Addition to Income” on your income tax return. Enter this amount on:

- Form 120, Schedule A line A7; or
- Form 120A, Schedule A line A7; or
- Form 120X, Schedule D, line D7.

**Part 2 - Decrease in Prior Year's Tax****Line 5**

Enter the prior tax year for which you are completing this form. If you are completing more than one form for the current tax year, complete Part 2 for each separate tax year.

**Line 6**

Enter the amount of tax from the Arizona return filed for the tax year listed on line 5.

**Line 7**

For the tax year listed on line 5, refigure your tax for the tax year listed on line 5 without including the income that you repaid in 2016.

**Line 8**

Subtract line 7 from line 6 and enter the difference.

This is your claim of right credit for the current tax year. Enter the amount shown on line 8 on your income tax return.

- Form 120, line 24, box 24b; or
- Form 120A, line 16, box 16b; or
- Form 120X, line 23, box 23b.

If you are completing more than one Claim of Right form, add all amounts on line 8 and enter the total on your tax return.

**Part 3 - Explanation**

Complete Part 3 explaining your claim of right. Show how you figured the amounts in Part 2. If more space is needed, continue on page 2 of the form or provide your own schedule.

**How do I file a Claim of Right form?**

Complete and include the *Arizona Claim of Right - Corporate* form with your tax return, when filed.

If you fail to complete and include this form with your tax return, your claim may be denied. Keep a copy for your record.

If you are completing more than one Claim of Right form, include all forms with your tax return.

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