



### This booklet contains:

- Tax Credit Forms
- Fiduciary Tax Forms
- Withholding 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.

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

## Did You Know?

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- 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



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### Taxpayer Information and Assistance:

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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.*

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**Include with the taxpayer's return.**

For the calendar year 2016 or fiscal year beginning MM,DD,2016 and ending MM,DD,20YY.  
 Name as shown on Form 99T, 120, 120A, 120S, or 120X \_\_\_\_\_ Employer Identification Number \_\_\_\_\_

<b>Part 1 Nonrefundable Tax Credits Available</b> Enter total available nonrefundable tax credits.		(a) Current Year Credit	(b) Available Carryover	(c) Total Available Credit (a) + (b)
1	Enterprise Zone Credit ..... from Form 304 ▶			00
2	Environmental Technology Facility Credit..... from Form 305 ▶			00
3	Military Reuse Zone Credit ..... from Form 306 ▶			00
4	Credit for Increased Research Activities..... from Form 308 ▶			00
5	Pollution Control Credit..... from Form 315 ▶			00
6	Credit for Taxes Paid for Coal Consumed in Generating Electrical Power ..... from Form 318 ▶			00
7	Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets ..... from Form 319 ▶			00
8	Credit for Employment of TANF Recipients ..... from Form 320 ▶			00
9	Agricultural Pollution Control Equipment Credit ..... from Form 325 ▶			00
10	Credit for Donation of School Site ..... from Form 331 ▶			00
11	Credits for Healthy Forest Enterprises ..... from Form 332 ▶			00
12	Credit for Employing National Guard Members..... from Form 333 ▶			00
13	Reserved for future use ..... ▶			00
14	Credit for Corporate Contributions to School Tuition Organizations ..... from Form 335 ▶			00
15	Credit for Solar Energy Devices – Commercial and Industrial Applications ..... from Form 336 ▶			00
16	Credit for Water Conservation System Plumbing Stub Outs... from Form 337 ▶			00
17	Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students With Disabilities ..... from Form 341 ▶			00
18	Renewable Energy Production Tax Credit..... from Form 343 ▶			00
19	Solar Liquid Fuel Credit..... from Form 344 ▶			00
20	Credit for New Employment..... from Form 345 ▶			00
21	Additional Credit for Increased Research Activities for Basic Research Payments ..... from Form 346 ▶			00
22	Credit for Qualified Health Insurance Plans ..... from Form 347 ▶			00
23	Credit for Renewable Energy Investment and Production for Self-Consumption by Manufacturers and International Operations Centers..... from Form 351 ▶			00
<b>24 Total available nonrefundable tax credits:</b> Add lines 1 through 23 .....				00

Name (as shown on page 1)	EIN
---------------------------	-----

**Part 2 Application of Nonrefundable Tax Credits and Recapture**  
Enter tax, recapture tax, and tax credits used this taxable year.

25 Tax from Form 99T, line 6; or Form 120, line 16; or Form 120A, line 8; or Form 120S, line 12; or Form 120X, line 16(c).....						25		00
26 Tax from recapture of environmental technology facility credit from Form 305, Part 5, line 23.....	26							00
27 Tax from recapture of credits for healthy forest enterprises from Form 332. See instructions.....	27							00
28 Tax from recapture of credit for renewable energy industry from Form 342, Part 5, line 17..	28							00
29 Tax from recapture of credit for qualified facilities from Form 349, Part 7, line 17.....	29							00
30 Tax from recapture of credit for renewable energy investment and production for self-consumption by manufacturers and international operations centers from Form 351, Part 2, line 24.....	30							00
31 Recapture total: Add lines 26 through 30. Enter total here and on Form 99T, line 7; or Form 120, line 17; or Form 120A, line 9; or Form 120S, line 13; or Form 120X, line 17(c)...	31							00
32 Subtotal of tax: Add lines 25 and 31.....						32		00

**Nonrefundable Tax Credits Used This Taxable Year**  
Enter amount of credits actually used from Part 1.

33 Enterprise Zone Credit..... from Form 304 ▶								00
34 Environmental Technology Facility Credit – cannot exceed 75% of line 32. See instructions..... from Form 305 ▶	34							00
35 Military Reuse Zone Credit..... from Form 306 ▶	35							00
36 Credit for Increased Research Activities: See the instructions for Form 308 for computing limitation..... from Form 308 ▶	36							00
37 Pollution Control Credit..... from Form 315 ▶	37							00
38 Credit for Taxes Paid for Coal Consumed in Generating Electrical Power..... from Form 318 ▶	38							00
39 Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets..... from Form 319 ▶	39							00
40 Credit for Employment of TANF Recipients..... from Form 320 ▶	40							00
41 Agricultural Pollution Control Equipment Credit..... from Form 325 ▶	41							00
42 Credit for Donation of School Site..... from Form 331 ▶	42							00
43 Credits for Healthy Forest Enterprises..... from Form 332 ▶	43							00
44 Credit for Employing National Guard Members..... from Form 333 ▶	44							00
45 Reserved for future use..... ▶	45							00
46 Credit for Corporate Contributions to School Tuition Organizations..... from Form 335 ▶	46							00
47 Credit for Solar Energy Devices – Commercial and Industrial Applications..... from Form 336 ▶	47							00
48 Credit for Water Conservation System Plumbing Stub Outs..... from Form 337 ▶	48							00
49 Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students With Disabilities..... from Form 341 ▶	49							00
50 Renewable Energy Production Tax Credit..... from Form 343 ▶	50							00
51 Solar Liquid Fuel Credit..... from Form 344 ▶	51							00
52 Credit for New Employment..... from Form 345 ▶	52							00
53 Additional Credit for Increased Research Activities for Basic Research Payments..... from Form 346 ▶	53							00
54 Credit for Qualified Health Insurance Plans..... from Form 347 ▶	54							00
55 Credit for Renewable Energy Investment and Production for Self-Consumption by Manufacturers and International Operations Centers..... from Form 351 ▶	55							00
56 Total available nonrefundable tax credits: Add lines 33 through 55. Total cannot be more than line 32. Enter total here and on Form 99T, line 9; or Form 120, line 19; or Form 120A, line 11; or Form 120S, line 15; or Form 120X, line 19(c).....						56		00



**2016 Nonrefundable Corporate Tax Credits and Recapture**

**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**

Arizona Form 300 may only be used by corporate taxpayers or exempt organizations with unrelated business taxable income (UBTI). Individual taxpayers must use Arizona Form 301 to claim tax credits.

Corporate taxpayers and exempt organizations with UBTI use this form to summarize their total available nonrefundable tax credits, to determine the application of the available nonrefundable tax credits, and to calculate their tax liability related to the recapture of tax credits.

The credits are available to an exempt organization that is subject to corporate income tax on UBTI. The credit must result from the activities that generate UBTI.

**NOTE:** *You must include Form 300 and the corresponding credit forms on which you computed your credit (s) with your income tax return.*

**Specific Instructions**

Enter the taxpayer name and employer identification number as shown on Arizona Form 99T, 120, 120A, 120S, or 120X. 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, an exempt organization with UBTI, or an S corporation is the employer identification number. Taxpayers that fail to include their TIN may be subject to a penalty.

**Part 1 - Nonrefundable Tax Credits Available**

Complete Part 1 to determine the total amount of available nonrefundable tax credits. The available tax credit amount for a particular credit is the total of the current taxable year's credit and any available unused credit carryovers from prior taxable years. On lines 1 through 23, enter the available tax credit amount for each of the credits listed.

**Line 1 - Enterprise Zone Credit**

Column (a): Do not enter an amount here.  
 Column (b): Enter the amount from Form 304, line 7.  
 Column (c): Enter the amount from column (b).

**Line 2 - Environmental Technology Facility Credit**

Column (a): Enter the amount from Form 305, line 40.  
 Column (b): Enter the amount from Form 305, line 41.  
 Column (c): Enter the amount from Form 305, line 42.

**Line 3 - Military Reuse Zone Credit**

Column (a): Enter the sum of lines 41 and 42 from Form 306.  
 Column (b): Enter the amount from Form 306, line 43.  
 Column (c): Enter the amount from Form 306, line 44.

**Line 4 - Credit for Increased Research Activities**

*If you are claiming a refund of 75% of current year's excess credit:*

Column (a): Enter the amount from Form 308, line 40(c).  
 Column (b): Enter zero. No carry forward of any amount is allowed from the year of the refund.  
 Column (c): Enter the amount from column (a).

*If you are NOT claiming a refund of 75% of current year's excess credit:*

Column (a): Enter the amount from Form 308, line 64.  
 Column (b): Enter the sum of lines 65 and 66 on Form 308.  
 Column (c): Enter the amount from Form 308, line 67.

**Line 5 - Pollution Control Credit**

Column (a): Enter the amount from Form 315, line 25.  
 Column (b): Enter the amount from Form 315, line 26.  
 Column (c): Enter the amount from Form 315, line 27.

**Line 6 - Credit for Taxes Paid for Coal Consumed in Generating Electrical Power**

Column (a): Enter the amount from Form 318, line 12.  
 Column (b): Enter the amount from Form 318, line 13.  
 Column (c): Enter the amount from Form 318, line 14.

**Line 7 - Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets**

Column (a): Enter the amount from Form 319, line 32.  
 Column (b): Enter the amount from Form 319, line 35  
 Column (c): Enter the amount from Form 319, line 36.

**Line 8 - Credit for Employment of TANF Recipients**

Column (a): Enter the amount from Form 320, line 30.  
 Column (b): Enter the amount from Form 320, line 31.  
 Column (c): Enter the amount from Form 320, line 32.

**Line 9 - Agricultural Pollution Control Equipment Credit**

Column (a): Enter the amount from Form 325, line 25.  
 Column (b): Enter the amount from Form 325, line 26.  
 Column (c): Enter the amount from Form 325, line 27.

**Line 10 - Credit for Donation of School Site**

Column (a): Enter the amount from Form 331, line 24.  
 Column (b): Enter the amount from Form 331, line 25.  
 Column (c): Enter the amount from Form 331, line 26.

**Line 11 - Credits for Healthy Forest Enterprises**

Column (a): Enter the sum of lines 66 and 67 from Form 332.  
 Column (b): Enter the sum of lines 68 and 69 from Form 332.  
 Column (c): Enter the amount from Form 332, line 70.

**Line 12 - Credit for Employing National Guard Members**

Column (a): Enter the amount from Form 333, line 20.  
 Column (b): Enter the amount from Form 333, line 21.  
 Column (c): Enter the amount from Form 333, line 22.

**Line 13 – Reserved for Future Use**

**Line 14 - Credit for Corporate Contributions to School Tuition Organizations**

Column (a): Enter the amount from Form 335, line 20.  
 Column (b): Enter the amount from Form 335, line 21.  
 Column (c): Enter the amount from Form 335, line 22.

**Line 15 - Credit for Solar Energy Devices - Commercial and Industrial Applications**

Column (a): Enter the amount from Form 336, line 44.  
 Column (b): Enter the amount from Form 336, line 45.  
 Column (c): Enter the amount from Form 336, line 46.

**Line 16 - Credit for Water Conservation System Plumbing Stub Outs**

Column (a): Do not enter an amount here.  
 Column (b): Enter the amount from Form 337, line 2.  
 Column (c): Enter the amount from column (b).

**Line 17 - Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students With Disabilities**

Column (a): Enter the amount from Form 341, line 20.  
 Column (b): Enter the amount from Form 341, line 21.  
 Column (c): Enter the amount from Form 341, line 22.

**Line 18 - Renewable Energy Production Tax Credit**

Column (a): Enter the amount from Form 343, line 24.  
 Column (b): Enter the amount from Form 343, line 25.  
 Column (c): Enter the amount from Form 343, line 26.

**Line 19 - Solar Liquid Fuel Credit**

Column (a): Enter the amount from Form 344, line 34.  
 Column (b): Do not enter an amount here.  
 Column (c): Enter the amount from column (a).

**Line 20 - Credit for New Employment**

Column (a): Enter the amount from Form 345, line 40.  
 Column (b): Enter the amount from Form 345, line 41.  
 Column (c): Enter the amount from Form 345, line 42.

**Line 21 - Additional Credit for Increased Research Activities for Basic Research Payments**

Column (a): Enter the amount from Form 346, line 18.  
 Column (b): Enter the amount from Form 346, line 19.  
 Column (c): Enter the amount from Form 346, line 20.

**Line 22 - Credit for Qualified Health Insurance Plans**

Column (a): Do not enter an amount here.  
 Column (b): Enter the amount from Form 347, line 3.  
 Column (c): Enter the amount from column (b).

**Line 23 - Credit for Renewable Energy Investment and Production for Self-consumption by Manufacturers and International Operations Centers**

Column (a): Enter the amount from Form 351, line 31.  
 Column (b): Enter the amount from Form 351, line 32.  
 Column (c): Enter the amount from Form 351, line 33.

**Line 24 - Total Available Nonrefundable Tax Credits**

Add lines 1 through 23. Enter the total. This is the total amount of all nonrefundable tax credits available for use by the taxpayer.

**Part 2 - Application of Nonrefundable Tax Credits and Recapture**

Complete Part 2 to figure any recapture. Also complete Part 2 to determine which tax credits you will use and the portion of the available tax credit amount from Part 1 that you will use for a particular tax credit.

**Note for a partner in a partnership:** Partnerships with corporate partners or exempt organization partners with UBTI must notify those partners if a credit that the partnership passed through must be recaptured. The partnership should provide the amount of recapture to its partners. Each relevant credit form has a section devoted to this purpose. The partner must then include any of these recapture amounts in the amount of recapture it computes on Form 300.

**Note for an exempt organization that is a shareholder in an S corporation:** S corporations with exempt organization shareholders must notify those shareholders if a credit that the S corporation passed through must be recaptured. The S corporation should provide the amount of recapture to its shareholders. Each relevant credit form has a section devoted to this purpose. The exempt organization shareholder with UBTI must then include any of these recapture amounts in the amount of recapture it computes on Form 300.

**Line 25 -**

Enter the amount of tax as follows:

If you filed Form:	See page:	Line number:
99T	1	6
120	1	16
120A	1	8
120S	1	12
120X	1	16, column (c)

**Line 26 -**

Enter the amount of tax from recapture of the environmental technology facility credit on Form 305, Part 5, line 23.

**Line 27 -**

Enter the total amount of tax from recapture of the credits for healthy forest enterprises from Form 332, Part 11, line 47 and from Form 332, Part 12, line 53; or use the following worksheet to calculate the amount to enter on Form 300, line 27.

<b>Healthy Forest Recapture Tax Worksheet</b>	
1. Enter the tax from recapture of the <b>employment</b> credit from Form 332, Part 11, line 47.	
2. Enter the tax from recapture of the <b>training</b> credit from Form 332, Part 12, line 53.	
3. Add the amounts on line 1 and line 2. Enter the total here and on Form 300, line 27.	

**Line 28 -**

Enter the amount of tax from recapture of the credit for renewable energy industry from Form 342, Part 5, line 17.

**Line 29 -**

Enter the amount of tax from recapture of the credit for qualified facilities from Form 349, Part 7, line 17.

**Line 30 -**

Enter the amount of tax from recapture of the credit for renewable energy investment and production for self-consumption by manufacturers from Form 351, Part 2, line 24.

**Line 31 -**

Add lines 26 through 30. Enter the total here and on your income tax form, as follows:

If you filed Form:	See page:	Line number:
99T	1	7
120	1	17
120A	1	9
120S	1	13
120X	1	17, column (c)

**Line 32 -**

Add lines 25 and 31. Enter the total. This is the maximum amount to which the total amount of nonrefundable tax credits used by the taxpayer may be applied.

**Nonrefundable Tax Credits Used This Taxable Year:** The total amount of nonrefundable tax credits used by the taxpayer cannot exceed the amount entered on line 32. In order for the taxpayer to determine which tax credit(s) to claim and the amount to claim for a particular tax credit, the taxpayer must consider any limitations on the allowable amount of a particular tax credit and whether the unused portion of a particular tax credit may be carried forward.

**Line 33 - Enterprise Zone Credit**

This credit has been repealed and is in the carryforward period. The unused portion of this tax credit may be carried forward for up to five succeeding taxable years, provided the business remains in the former enterprise zone. If the business relocates outside of the former enterprise zone, the carryover of the tax credit is lost. Enter the amount used.

**Line 34 - Environmental Technology Facility Credit**

The unused portion of this tax credit may be carried forward for 15 succeeding taxable years. If the taxpayer is subject to the tax related to recapture of this tax credit for the facility, the carryover of the tax credit is reduced by the percentages listed in Form 305 instructions.

The portion of the available credit amount from Form 300, Part 1, line 2 that may be used by the taxpayer is limited to 75% of the amount of tax entered on line 32. Enter the amount used.

**Line 35 - Military Reuse Zone Credit**

The unused portion of this tax credit may be carried forward for five succeeding taxable years if the business remains in the military reuse zone. If the business relocates outside of the military reuse zone, the carryover of the tax credit is lost. Enter the amount used.

**Line 36 - Credit for Increased Research Activities**

The unused portion of this tax credit may be carried forward for 15 succeeding taxable years. Enter the total amount used.

**NOTE:** *If you qualify for, and are claiming, a 75% refund of your excess credit for the current year, enter **only** the nonrefundable portion of the **current year's** credit here (from Form 308, Part 7, line 40c). Enter the refundable portion of the credit (the amount from Form 308, Part 7, line 44) on Form 99T, line 12; or Form 120, line 22; or Form 120A, line 14; or Form 120S, line 18; or Form 120X, line 22. Carry forwards from previous years of the credit for increased research activities will carry over to the following year, provided the credit is within the 15-year carry forward period.*

**Line 37 - Pollution Control Credit**

The unused portion of this tax credit may be carried forward for five succeeding taxable years. Enter the amount used.

**Line 38 - Credit for Taxes Paid for Coal Consumed in Generating Electrical Power**

The unused portion of this tax credit may be carried forward for five succeeding taxable years. Enter the amount used.

**Line 39 - Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets**

The unused portion of this tax credit may be carried forward for five succeeding taxable years. Enter the amount used.

**Line 40 - Credit for Employment of TANF Recipients**

The unused portion of this tax credit may be carried forward for five succeeding taxable years. Enter the amount used.

**Line 41 - Agricultural Pollution Control Equipment Credit**

The unused portion of this tax credit may be carried forward for five succeeding taxable years. Enter the amount used.

**Line 42 - Credit for Donation of School Site**

The unused portion of this tax credit may be carried forward for five succeeding taxable years. Enter the amount used.

**Line 43 - Credits for Healthy Forest Enterprises**

The unused portion of these tax credits may be carried forward for five succeeding taxable years. Enter the amount used.

**Line 44 - Credit for Employing National Guard Members**

The unused portion of this tax credit may be carried forward for five succeeding taxable years. Enter the amount used.

**Line 45 - Reserved for Future Use**

**Line 46 - Credit for Corporate Contributions to School Tuition Organizations**

The unused portion of this tax credit may be carried forward for five succeeding taxable years. Enter the amount used.

**Line 47 - Credit for Solar Energy Devices - Commercial and Industrial Applications**

The unused portion of this tax credit may be carried forward for five succeeding taxable years. Enter the amount used.

**Line 48 - Credit for Water Conservation System Plumbing Stub Outs**

This credit has expired and is in the carry forward period. The unused portion of this tax credit may be carried forward for up to two more succeeding taxable years. Enter the amount used.

**Line 49 - Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students With Disabilities**

The unused portion of this tax credit may be carried forward for five succeeding taxable years. Enter the amount used.

**Line 50 - Renewable Energy Production Tax Credit**

The unused portion of this tax credit may be carried forward for five succeeding taxable years. Enter the amount used.

**Line 51 - Solar Liquid Fuel Credit**

The unused portion of this tax credit may **not** be carried forward. Enter the amount used.

**Line 52 - Credit for New Employment**

The unused portion of this tax credit may be carried forward for five succeeding taxable years. Enter the amount used.

**Line 53 - Additional Credit for Increased Research Activities for Basic Research Payments**

The unused portion of this tax credit may be carried forward for five succeeding taxable years. Enter the amount used.

**Line 54 - Credit for Qualified Health Insurance Plans**

The unused portion of this tax credit may be carried forward for three succeeding taxable years. Enter the amount used.

**Line 55 - Credit for Renewable Energy Investment and Production for Self-consumption for Manufacturers**

The unused portion of this tax credit may be carried forward for five succeeding taxable years. Enter the amount used.

**Line 56 - Total Nonrefundable Tax Credits Used**

Add lines 33 through 55. Enter the total. This amount cannot exceed the amount entered on line 32. Enter the amount from this line on your income tax form, as follows:

If you filed Form:	See page:	Line number:
99T	1	9
120	1	19
120A	1	11
120S	1	15
120X	1	19, column (c)

**Include with your return.**

For the calendar year 2016 or fiscal year beginning MM,DD,2016 and ending MM,DD,20YY.

Your Name as shown on Form 140, 140PY, 140NR or 140X	Your Social Security Number
Spouse's Name as shown on Form 140, 140PY, 140NR or 140X (if a joint return)	Spouse's Social Security Number

**Part 1 Nonrefundable Individual Tax Credits Available:** Enter total available tax credits.

		(a) Current Year Credit	(b) Available Carryover	(c) Total Available Credit (a) + (b)
1 Enterprise Zone Credit ..... Form 304 ▶	1			00
2 Environmental Technology Facility Credit..... Form 305 ▶	2			00
3 Military Reuse Zone Credit..... Form 306 ▶	3			00
4 Recycling Equipment Credit..... Form 307 ▶	4			00
5 Credit for Increased Research Activities – Individuals..... Form 308-I ▶	5			00
6 Credit for Taxes Paid to Another State or Country..... Form 309 ▶	6			00
7 Credit for Solar Energy Devices ..... Form 310 ▶	7			00
8 Agricultural Water Conservation System Credit ..... Form 312 ▶	8			00
9 Pollution Control Credit..... Form 315 ▶	9			00
10 Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets ..... Form 319 ▶	10			00
11 Credit for Employment of TANF Recipients..... Form 320 ▶	11			00
12 Credit for Contributions to Qualifying Charitable Organizations.. Form 321 ▶	12			00
13 Credit for Contributions Made or Fees Paid to Public Schools.... Form 322 ▶	13			00
14 Credit for Contributions to Private School Tuition Organizations Form 323 ▶	14			00
15 Agricultural Pollution Control Equipment Credit ..... Form 325 ▶	15			00
16 Credit for Donation of School Site ..... Form 331 ▶	16			00
17 Credits for Healthy Forest Enterprises ..... Form 332 ▶	17			00
18 Credit for Employing National Guard Members..... Form 333 ▶	18			00
19 Credit for Business Contributions by an S Corporation to School Tuition Organization - Individual ..... Form 335-I ▶	19			00
20 Credit for Solar Energy Devices – Commercial and Industrial Applications..... Form 336 ▶	20			00
21 Credit for Investment in Qualified Small Businesses..... Form 338 ▶	21			00
22 Credit for Water Conservation Systems ..... Form 339 ▶	22			00
23 Credit for Donations to the Military Family Relief Fund ..... Form 340 ▶	23			00
24 Credit for Business Contributions by an S Corporation to School Tuition Organizations for Displaced Students or Students with Disabilities - Individual ..... Form 341-I ▶	24			00
25 Renewable Energy Production Tax Credit..... Form 343 ▶	25			00
26 Solar Liquid Fuel Credit..... Form 344 ▶	26			00
27 Credit for New Employment..... Form 345 ▶	27			00
28 Additional Credit for Increased Research Activities for Basic Research Payments ..... Form 346 ▶	28			00
29 Credit for Qualified Health Insurance Plans ..... Form 347 ▶	29			00
30 Credit for Contributions to Certified School Tuition Organization (for contributions that exceed the allowable credit on Arizona Form 323). Form 348 ▶	30			00
31 Credit for Renewable Energy Investment and Production for Self-Consumption by Manufacturers and International Operations Centers ..... Form 351 ▶	31			00
32 Credit for Contributions to Qualifying Foster Care Charitable Organizations ..... Form 352 ▶	32			00
33 <b>Total available nonrefundable tax credits:</b> Add lines 1 through 32.....	33			00

Continued on page 2 →



**You must include Form 301 and the corresponding credit forms on which you computed your credit(s) with your individual income tax return.**

Your Name (as shown on page 1)	Your Social Security Number
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<b>Part 2 Application of Tax Credits and Recapture:</b> Enter tax, recapture tax, and tax credits used this taxable year.			
34 Tax from Form 140, line 46; or Form 140PY, line 58; or Form 140NR, line 56; or Form 140X, line 34 .....	<b>34</b>		00
35 Tax from recapture of Environmental Technology Facility Credit from Form 305, Part 5, line 23 .....	<b>35</b>		00
36 Tax from recapture of Credits for Healthy Forest Enterprises from Form 332, Part 11, line 47, and Part 12, line 53 .....	<b>36</b>		00
37 Tax from recapture of Credit for Renewable Energy Industry from Form 342, Part 5, line 17 .....	<b>37</b>		00
38 Tax from recapture of Credit for Qualified Facilities from Form 349, Part 7, line 17 .....	<b>38</b>		00
39 Tax from recapture of Credit for Renewable Energy Investment and Production for Self-Consumption by Manufacturers and International Operations Centers from Form 351, Part 2, line 24 .....	<b>39</b>		00
40 Recapture Total: Add lines 35 through 39. Enter here and on Form 140, line 47; or Form 140PY, line 59; or Form 140NR, line 57; or Form 140X, line 35 .....	<b>40</b>		00
41 Subtotal: Add lines 34 and 40 .....	<b>41</b>		00
42 Family Income Tax Credit from Form 140, line 49; or Form 140PY, line 61; or Form 140X, line 37 .....	<b>42</b>		00
43 Subtract line 42 from line 41. Enter the difference. If less than zero, enter "zero" .....	<b>43</b>		00

<b>Nonrefundable Tax Credits Used This Taxable Year:</b> Enter amount of credits actually used from Part 1.			
44 Enterprise Zone Credit .....Form 304 ▶	<b>44</b>		00
45 Environmental Technology Facility Credit (not to exceed 75% of line 41).....Form 305 ▶	<b>45</b>		00
46 Military Reuse Zone Credit.....Form 306 ▶	<b>46</b>		00
47 Recycling Equipment Credit (not to exceed the lesser of 25% of line 41 or \$5,000).....Form 307 ▶	<b>47</b>		00
48 Credit for Increased Research Activities – Individuals..... Form 308-I ▶	<b>48</b>		00
49 Credit for Taxes Paid to Another State or Country.....Form 309 ▶	<b>49</b>		00
50 Credit for Solar Energy Devices .....Form 310 ▶	<b>50</b>		00
51 Agricultural Water Conservation System Credit .....Form 312 ▶	<b>51</b>		00
52 Pollution Control Credit .....Form 315 ▶	<b>52</b>		00
53 Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets .....Form 319 ▶	<b>53</b>		00
54 Credit for Employment of TANF Recipients.....Form 320 ▶	<b>54</b>		00
55 Credit for Contributions to Qualifying Charitable Organizations.....Form 321 ▶	<b>55</b>		00
56 Credit for Contributions Made or Fees Paid to Public Schools.....Form 322 ▶	<b>56</b>		00
57 Credit for Contributions to Private School Tuition Organizations.....Form 323 ▶	<b>57</b>		00
58 Agricultural Pollution Control Equipment Credit .....Form 325 ▶	<b>58</b>		00
59 Credit for Donation of School Site .....Form 331 ▶	<b>59</b>		00
60 Credits for Healthy Forest Enterprises .....Form 332 ▶	<b>60</b>		00
61 Credit for Employing National Guard Members.....Form 333 ▶	<b>61</b>		00
62 Credit for Business Contribution by an S Corporation to School Tuition Organization - Individual ..... Form 335-I ▶	<b>62</b>		00
63 Credit for Solar Energy Devices – Commercial and Industrial Applications .....Form 336 ▶	<b>63</b>		00
64 Credit for Investment in Qualified Small Businesses.....Form 338 ▶	<b>64</b>		00
65 Credit for Water Conservation Systems .....Form 339 ▶	<b>65</b>		00
66 Credit for Donations to the Military Family Relief Fund: Enter the smaller of Form 301, Part 1, line 23 or Part 2, line 41.....Form 340 ▶	<b>66</b>		00
67 Credit for Business Contributions by an S Corporation to School Tuition Organizations for Displaced Students or Students with Disabilities - Individual.. Form 341-I ▶	<b>67</b>		00
68 Renewable Energy Production Tax Credit.....Form 343 ▶	<b>68</b>		00
69 Solar Liquid Fuel Credit.....Form 344 ▶	<b>69</b>		00
70 Credit for New Employment.....Form 345 ▶	<b>70</b>		00
71 Additional Credit for Increased Research Activities for Basic Research Payments..Form 346 ▶	<b>71</b>		00
72 Credit for Qualified Health Insurance Plans .....Form 347 ▶	<b>72</b>		00
73 Credit for Contributions to Certified School Tuition Organization (for contributions that exceed the maximum allowable credit on Arizona Form 323) ..Form 348 ▶	<b>73</b>		00
74 Credit for Renewable Energy Investment and Production for Self-Consumption by Manufacturers and International Operations Centers .....Form 351 ▶	<b>74</b>		00
75 Credit for Contributions to Qualifying Foster Care Charitable Organizations.....Form 352 ▶	<b>75</b>		00
76 <b>Total Tax Credits Used:</b> Add lines 44 through 75. <b>Total cannot be more than line 43.</b> Enter this amount on Form 140, line 50; or Form 140PY, line 62; or Form 140NR, line 59; or Form 140X, line 38.....	<b>76</b>		00

**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**

You must complete and include Arizona Form 301 with your Arizona income tax return to claim nonrefundable tax credits unless you meet one of the exceptions listed under *When Form 301 is Not Required*. Use this form to:

- Summarize your total available nonrefundable tax credits.
- Determine the application of the available tax credits.
- Summarize your tax liability related to recapture of tax credits.
- Claim *any* available credit carryover.

**When Form 301 is Not Required**

You are not required to complete and include Form 301 with your tax return to *only* claim any of the following credits:

- Family Income Tax Credit (from the worksheet in your income tax form instructions),
- Property Tax Credit (Arizona Form 140PTC),
- Excise Tax Credit (from the worksheet in your income tax form instructions),
- The refundable portion of the Increased Research Activities Credit (Arizona Form 308-I),
- The Renewable Energy Industry Credit (Arizona Form 342), and/or
- The credit for Qualified Facilities (Arizona Form 349).

**Line-by-Line Instructions**

Enter your name and Social Security Number (SSN) as shown on Arizona Form 140, 140PY, 140NR, or 140X.

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

**Part 1: Nonrefundable Individual Tax Credits Available**

Complete Part 1 to determine the total amount of *available* nonrefundable tax credits. The available tax credit amount for a particular credit is the total of the current taxable year's credit and any unused credit carryovers available from prior taxable years.

On lines 1 through 32 complete columns (a), (b) and (c) for each of the following credits available to you this taxable year.

**Line 1 - Enterprise Zone Credit**

Column (a): Do not enter an amount here.  
Column (b): Enter the amount from Form 304, line 7.  
Column (c): Enter the amount from column (b).

**Line 2 - Environmental Technology Facility Credit**

Column (a): Enter the amount from Form 305, line 40.  
Column (b): Enter the amount from Form 305, line 41.  
Column (c): Enter the amount from Form 305, line 42.

**Line 3 - Military Reuse Zone Credit**

Column (a): Enter the sum of lines 41 and 42 from Form 306.  
Column (b): Enter the amount from Form 306, line 43.  
Column (c): Enter the amount from Form 306, line 44.

**Line 4 - Recycling Equipment Credit**

Column (a): Do not enter an amount here.  
Column (b): Enter the amount from Form 307, line 3.  
Column (c): Enter the amount from column (b).

**Line 5 - Credit for Increased Research Activities - Individuals**

*If you are claiming a refund of 75% of current year's excess credit:*

Column (a): Enter the amount from Form 308-I, line 30(c).  
Column (b): Enter zero. No carry forward of any amount is allowed from the year of the refund.  
Column (c): Enter the amount from column (a).

*If you are not claiming a refund of 75% of current year's excess credit:*

Column (a): Enter the amount from Form 308-I, line 56.  
Column (b): Enter the sum of lines 57 and 58 from Form 308-I.  
Column (c): Enter the amount from Form 308-I, line 59.

**Line 6 - Credit for Taxes Paid to Another State or Country**

Column (a): Enter the amount from Form 309, line 17.  
Column (b): Do not enter an amount here.  
Column (c): Enter the amount from column (a).

**Line 7 - Credit for Solar Energy Devices**

Column (a): Enter the amount from Form 310, line 16.  
Column (b): Enter the amount from Form 310, line 17.  
Column (c): Enter the amount from Form 310, line 18.

**Line 8 - Agricultural Water Conservation System Credit**

Column (a): Enter the amount from Form 312, line 17.

Column (b): Enter the amount from Form 312, line 18.

Column (c): Enter the amount from Form 312, line 19.

**Line 9 - Pollution Control Credit**

Column (a): Enter the amount from Form 315, line 25.

Column (b): Enter the amount from Form 315, line 26.

Column (c): Enter the amount from Form 315, line 27.

**Line 10 - Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets**

Column (a): Enter the amount from Form 319, line 32.

Column (b): Enter the amount from Form 319, line 35.

Column (c): Enter the amount from Form 319, line 36.

**Line 11 - Credit for Employment of TANF Recipients**

Column (a): Enter the amount from Form 320, line 30.

Column (b): Enter the amount from Form 320, line 31.

Column (c): Enter the amount from Form 320, line 32.

**Line 12 - Credit for Contributions to Qualifying Charitable Organizations**

Column (a): Enter the amount from Form 321, line 18.

Column (b): Enter the amount from Form 321, line 19.

Column (c): Enter the amount from Form 321, line 20.

**Line 13 - Credit for Contributions Made or Fees Paid to Public Schools**

Column (a): Enter the amount from Form 322, line 18.

Column (b): Enter the amount from Form 322, line 19.

Column (c): Enter the amount from Form 322, line 20.

**Line 14 - Credit for Contributions to Private School Tuition Organizations**

Column (a): Enter the amount from Form 323, line 18.

Column (b): Enter the amount from Form 323, line 19.

Column (c): Enter the amount from Form 323, line 20.

**Line 15 - Agricultural Pollution Control Equipment Credit**

Column (a): Enter the amount from Form 325, line 25.

Column (b): Enter the amount from Form 325, line 26.

Column (c): Enter the amount from Form 325, line 27.

**Line 16 - Credit for Donation of School Site**

Column (a): Enter the amount from Form 331, line 24.

Column (b): Enter the amount from Form 331, line 25.

Column (c): Enter the amount from Form 331, line 26.

**Line 17 - Credits for Healthy Forest Enterprises**

Column (a): Enter the sum of lines 66 and 67 from Form 332.

Column (b): Enter the sum of lines 68 and 69 from Form 332.

Column (c): Enter the amount from Form 332, line 70.

**Line 18 - Credit for Employing National Guard Members**

Column (a): Enter the amount from Form 333, line 20.

Column (b): Enter the amount from Form 333, line 21.

Column (c): Enter the amount from Form 333, line 22.

**Line 19 - Credit for Business Contributions by an S Corporation to School Tuition Organizations - Individual**

Column (a): Enter the amount from Form 335-I, line 19.

Column (b): Enter the amount from Form 335-I, line 20.

Column (c): Enter the amount from Form 335-I, line 21.

**Line 20 - Credit for Solar Energy Devices - Commercial and Industrial Applications**

Column (a): Enter the amount from Form 336, line 44.

Column (b): Enter the amount from Form 336, line 45.

Column (c): Enter the amount from Form 336, line 46.

**Line 21 - Credit for Investment in Qualified Small Businesses**

Column (a): Enter the amount from Form 338, line 12.

Column (b): Enter the amount from Form 338, line 13.

Column (c): Enter the amount from Form 338, line 14.

**Line 22 - Credit for Water Conservation Systems**

Column (a): Do not enter an amount here.

Column (b): Enter the amount from Form 339.

Column (c): Enter the amount from column (b).

**Line 23 - Credit for Donations to the Military Family Relief Fund**

Column (a): Enter the amount from Form 340, line 4.

Column (b): Do not enter an amount here.

Column (c): Enter the amount from column (a).

**Line 24 - Credit for Business Contributions by an S Corporation to School Tuition Organizations for Displaced Students or Students with Disabilities - Individual**

Column (a): Enter the amount from Form 341-I, line 19.

Column (b): Enter the amount from Form 341-I, line 20.

Column (c): Enter the amount from Form 341-I, line 21.

**Line 25 - Renewable Energy Production Tax Credit**

Column (a): Enter the amount from Form 343, line 24.

Column (b): Enter the amount from Form 343, line 25.

Column (c): Enter the amount from Form 343, line 26.

**Line 26 - Solar Liquid Fuel Credit**

Column (a): Enter the amount from Form 344, line 34.

Column (b): Do not enter an amount here.

Column (c): Enter the amount from column (a).

**Line 27 - Credit for New Employment**

Column (a): Enter the amount from Form 345, line 40.

Column (b): Enter the amount from Form 345, line 41.

Column (c): Enter the amount from Form 345, line 42.

**Line 28 - Additional Credit for Increased Research Activities for Basic Research Payments**

Column (a): Enter the amount from Form 346, line 18.

Column (b): Enter the amount from Form 346, line 19.

Column (c): Enter the amount from Form 346, line 20.

**Line 29 - Credit for Qualified Health Insurance Plans**

Column (a): Do not enter an amount here.

Column (b): Enter the amount from Form 347, line 3.

Column (c): Enter the amount from column (b).



**Line 30 - Credit for Contributions to Certified School Tuition Organization (for contributions that exceed the allowable credit on Arizona Form 323)**

Column (a): Enter the amount from Form 348, line 21.  
 Column (b): Enter the amount from Form 348, line 22.  
 Column (c): Enter the amount from Form 348, line 23.

**Line 31 - Credit for Renewable Energy Investment and Production for Self-Consumption by Manufacturers and International Operations Centers**

Column (a): Enter the amount from Form 351, line 31.  
 Column (b): Enter the amount from Form 351, line 32.  
 Column (c): Enter the amount from Form 351, line 33.

**Line 32 - Credit for Contributions to Qualifying Foster Care Charitable Organizations**

Column (a): Enter the amount from Form 352, line 18.  
 Column (b): Do not enter an amount in column (b).  
 Column (c): Enter the amount from Form 352, line 20.

**Line 33 - Total Available Tax Credits**

For column (c), add lines 1 through 32. Enter the total. This is the total amount of all nonrefundable tax credits, except the family income tax credit, *available* for your use.

**Part 2: Application of Tax Credits and Recapture**

Complete Part 2 to figure any recapture. Also, complete Part 2 to determine which tax credits you will use and the portion of the available credit amount from Part 1 that you will use for a particular tax credit.

**Line 34 -**

Enter the amount of tax from your income tax form.

If you file Form:	Enter the amount from line:
140	46
140PY	58
140NR	56
140X	34

**Line 35 -**

Enter the amount of tax from recapture of the environmental technology facility credit from Form 305, Part 5, line 23.

**Line 36 -**

Enter the amount of tax from recapture of the credits for healthy forest enterprises. Use the following worksheet to calculate the amount of recapture to enter on line 36.

Healthy Forest Recapture Tax Worksheet	
1. Enter the tax from recapture of the <u>employment</u> credit from Form 332, Part 11, line 47.	
2. Enter the tax from recapture of the <u>training</u> credit from Form 332, Part 12, line 53.	
3. Add lines 1 and line 2. Enter the total here and on Form 301, line 36.	

**Line 37 -**

Enter the amount of tax from recapture of the credit for renewable energy industry from Form 342, Part 5, line 17.

**Line 38 -**

Enter the amount of tax from recapture of the credit for qualified facilities from Form 349, Part 7, line 17.

**Line 39 -**

Enter the amount of tax from recapture of the credit for renewable energy investment and production for self-consumption by manufactures and international operations centers from Form 351, Part 2, line 24.

**Line 40 - Recapture Total**

Add lines 35 through 39. Enter the total here and on your income tax form.

If you file Form:	Enter the amount on line:
140	47
140PY	59
140NR	57
140X	35

**Line 41 -**

Add lines 34 and 40. Enter the total here.

**Line 42 -**

If you claimed a family income tax credit, enter the amount of family income tax credit claimed on your income tax form.

If you file Form:	Enter the amount from line:
140	49
140PY	61
140X	37
Form 140NR filers, enter zero on line 42.	

**Line 43 -**

Subtract line 42 from line 41. Enter the difference. **If less than zero, enter "zero."**

**Nonrefundable Tax Credits Used This Taxable Year**

The total amount of tax credits you use cannot exceed the amount entered on line 43. In order for you to determine which tax credit(s) to use and the amount to use for a particular tax credit, you must consider any limitations on the allowable amount of a particular tax credit and whether you may carry the unused portion of a particular tax credit forward.

**Line 44 - Enterprise Zone Credit**

Taxpayers can no longer establish this credit on their 2016 tax year return or any future return. You may carry the unused portion of this tax credit forward for five succeeding taxable years. See Form 304 for more information. Enter the amount used.

**Line 45 - Environmental Technology Facility Credit**

You may carry the unused portion of this tax credit forward for 15 succeeding taxable years. If the taxpayer is subject to the tax related to recapture of this tax credit for the facility, the carryover of the tax credit is reduced by the percentages listed in Form 305 instructions.

The portion of the available credit amount from Part 1, line 2, that you may use is limited to 75% of the amount of tax entered on line 41. See Form 305 for details. Enter the amount used.

**Line 46 - Military Reuse Zone Credit**

You may carry the unused portion of this tax credit forward for five succeeding taxable years if the business remains in the military reuse zone. You lose the carryover if the business relocates outside of the military reuse zone. See Form 306 for details. Enter the amount used.

**Line 47 - Recycling Equipment Credit**

The recycling equipment credit allowable to individuals has been repealed for taxable years beginning January 1, 2003 or later. However, the repeal did not affect any credit carryover that accrued prior to the repeal. See Form 307 for details.

The portion of the available credit carryover that you may use is limited to the *lesser* of 25% of the amount of tax entered on line 41 or \$5,000. Enter the amount used.

**Line 48 - Credit for Increased Research Activities - Individuals**

The unused portion of this tax credit may be carried forward for 15 succeeding taxable years. See Form 308-I for details. Enter the amount used.

**NOTE:** If you qualify for and are claiming a 75% refund of your excess credit for the current year, enter *only* the nonrefundable portion of the *current year's* credit here (from Form 308-I, Part 5, line 30c). Enter the refundable portion of the credit (the amount from Form 308-I, Part 5, line 34) on Form 140, line 57; or Form 140NR, line 64; or Form 140PY, line 68; or Form 140X, line 43.

*Carry forwards from previous years of the credit for increased research activities will carry over to the following year, provided the credit is within the 15 year carry forward period.*

**Line 49 - Credit for Taxes Paid to Another State or Country**

There is no carry forward of the unused portion of this tax credit. See Form 309 for details. Enter the amount used.

**Line 50 - Credit for Solar Energy Devices**

You may carry the unused portion of this credit forward for five succeeding taxable years. See Form 310 for details. Enter the amount used. Form 140NR filers, enter zero.

**Line 51 - Agricultural Water Conservation System Credit**

You may carry the unused portion of this tax credit forward for five succeeding taxable years. See Form 312 for details. Enter the amount used.

**Line 52 - Pollution Control Credit**

You may carry the unused portion of this credit forward for five succeeding taxable years. See Form 315 for details. Enter the amount used.

**Line 53 - Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets**

You may carry the unused portion of this tax credit forward for five succeeding taxable years. See Form 319 for details. Enter the amount used.

**Line 54 - Credit for Employment of TANF Recipients**

You may carry the unused portion of this tax credit forward for five succeeding taxable years. See Form 320 for details. Enter the amount used.

**Line 55 - Credit for Contributions to Qualifying Charitable Organizations**

You may carry the unused portion of this tax credit forward for five succeeding taxable years. See Form 321 for details. Enter the amount used.

**Line 56 - Credit for Contributions Made or Fees Paid to Public Schools**

You may carry the unused portion of this tax credit forward for five succeeding taxable years. See Form 322 for details. Enter the amount used.

**Line 57 - Credit for Contributions to Private School Tuition Organizations**

You may carry the unused portion of this tax credit forward for five succeeding taxable years. See Form 323 for details. Enter the amount used.

**Line 58 - Agricultural Pollution Control Equipment Credit**

You may carry the unused portion of this tax credit forward for five succeeding taxable years. See Form 325 for details. Enter the amount used.

**Line 59 - Credit for Donation of School Site**

You may carry the unused portion of this tax credit forward for five succeeding taxable years. See Form 331 for details. Enter the amount used.

**Line 60 - Credits for Healthy Forest Enterprises**

You may carry the unused portion of this tax credit forward for five succeeding taxable years. See Form 332 for details. Enter the amount used.

**Line 61 - Credit for Employing National Guard Members**

You may carry the unused portion of this tax credit forward for five succeeding taxable years. See Form 333 for details. Enter the amount used.

**Line 62 - Credit for Business Contributions by an S Corporation to School Tuition Organizations - Individual**

You may carry the unused portion of this tax credit forward for five succeeding taxable years. See Form 335-I for details. Enter the amount used.

**Line 63 - Credit for Solar Energy Devices - Commercial and Industrial Applications**

You may carry the unused portion of this tax credit forward for five succeeding taxable years. See Form 336 for details. Enter the amount used.

**Line 64 - Credit for Investment in Qualified Small Businesses**

You may carry the unused portion of this tax credit forward for three succeeding taxable years. See Form 338 for details. Enter the amount used.

**Line 65 - Credit for Water Conservation Systems**

You may carry the unused portion of this tax credit forward five succeeding taxable years. See Form 339 for details. Enter the amount used. **Form 140NR filers, enter zero on line 65.**

**Line 66 - Credit for Donations to the Military Family Relief Fund**

There is no carryover for this credit. You must use this credit on the tax return filed for the taxable year in which you made your donation.

The amount of the credit that you may use is limited to the amount of your tax liability. See Form 340 for details. Enter the smaller of the amount entered on Form 301, Part 1, line 23 or on Form 301, Part 2, line 41.

**Line 67 - Credit for Business Contributions by an S Corporation to School Tuition Organizations for Displaced Students or Students with Disabilities - Individual**

You may carry the unused portion of this tax credit forward for five succeeding taxable years. See Form 341-I for details. Enter the amount used.

**Line 68 - Renewable Energy Production Tax Credit**

You may carry the unused portion of this tax credit forward for five succeeding taxable years. See Form 343 for details. Enter the amount used.

**Line 69 - Solar Liquid Fuel Credit**

The unused portion of this credit may **not** be carried forward. See Form 344 for details. Enter the amount used.

**Line 70 - Credit for New Employment**

You may carry the unused portion of this tax credit forward for five succeeding taxable years. See Form 345 for details. Enter the amount used.

**Line 71 - Additional Credit for Increased Research Activities for Basic Research Payments**

You may carry the unused portion of this tax credit forward for five succeeding taxable years. See Form 346 for details. Enter the amount used.

**Line 72 - Credit for Qualified Health Insurance Plans**

Taxpayers can no longer *establish* this credit on their tax return or any future return. You may carry the unused portion of this tax credit forward for the next three consecutive taxable years. See Form 347 for details. Enter the amount used.

**Line 73 - Credit for Contributions to Certified School Tuition Organization (for contributions that exceed the allowable credit on Arizona Form 323)**

You may carry the unused portion of this tax credit forward for five succeeding taxable years. See Form 348 for details. Enter the amount used.

**Line 74 - Credit for Renewable Energy Investment and Production for Self-Consumption by Manufacturers and International Operations Centers**

You may carry the unused portion of this tax credit forward for five succeeding taxable years. See Form 351 for details. Enter the amount used.

**Line 75 - Credit for Contributions to Qualifying Foster Care Charitable Organizations**

You may carry the unused portion of this tax credit forward for five succeeding taxable years. See Form 352 for details. Enter the amount used.

**Line 76 - Total Tax Credits Used**

Add lines 44 through 75 and enter the total here.

**This amount cannot exceed the amount entered on Form 301, line 43.**

Enter the amount from this line on your income tax form.

If you file Form:	Enter the amount on line:
140	50
140PY	62
140NR	59
140X	38

**Credit Carryover Worksheet**

To figure how much of a credit carryover that you will have for next year, complete the carryover worksheet on the next page.

Keep the worksheet with your records and use the information to complete your 2017 return that you will file in 2018. If you have more than four credit types available, use your own worksheet. Make sure the additional worksheet has the same information as this worksheet.

**Credit Carryover Worksheet**

Keep this worksheet with your records. Use this information to complete your 2017 credit forms that you will file in 2018.

(a) Credit Type	(b) Carryover?		(c) Credit Available for 2016	(d) Credit Used for 2016	(e) Carryover Available for 2017
	YES	NO			
On lines 1 through 4 below, enter the types of credits available to you for 2016.	May the unused credit for the type of credit entered in column (a) be carried forward? (See the applicable credit form for information about a specific credit.) <b>Check either yes or no.</b>  If the answer is no, do not complete columns (c) through (e) for that line.		On lines 1 through 4 below, enter the amount of each credit <i>available</i> to you for 2016.  Take these amounts from Form 301, lines 1 through 32.	On lines 1 through 4 below, enter the amount of each credit <i>used</i> for 2016.  Take these amounts from Form 301, lines 44 through 75.	For each line on which you have entered an amount, subtract the amount in column (d) from the amount in column (c). This is the amount of each credit that you may carryover to 2017, providing the credit carryover may be carried to 2017.  Use this figure when completing the appropriate carryover amount(s) on the 2017 credit form(s).
1.			.00	.00	.00
2.			.00	.00	.00
3.			.00	.00	.00
4.			.00	.00	.00

**Include with your return.**

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|.

Name as shown on Form 140, 140PY, 140NR, 140X, 120, 120A, 120S, 120X or 165	Social Security or Employer Identification Number
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**Available Credit Carryover**

	(a)		(b)		(c)
<b>1</b> Taxable year .....					
<b>2</b> Original credit amount .....	00		00		00
<b>3</b> Amount previously used .....	00		00		00
<b>4</b> Tentative carryover: Subtract line 3 from line 2 .....	00		00		00
<b>5</b> Amount unallowable: See instructions.....	00		00		00
<b>6</b> Available carryover: Subtract line 5 from line 4 .....	00		00		00
<b>7</b> Total Available Carryover. Enter the total here.					
<ul style="list-style-type: none"> <li>• <i>Individuals:</i> Also enter this amount on Form 301, line 1, column (b).</li> <li>• <i>Corporations and S corporations:</i> Also enter this amount on Form 300, line 1, column (b) .....</li> </ul>			<b>7</b>		00

**2016 Enterprise Zone Credit**

**CONTACTS FOR ENTERPRISE ZONE CREDIT**

**Arizona Commerce Authority**

Website: [www.azcommerce.com](http://www.azcommerce.com)  
Program Manager (602) 845-1200

**Department of Revenue**

•Tax forms and instructions •Information and assistance  
Website: [www.azdor.gov](http://www.azdor.gov)  
Taxpayer assistance (602) 255-3381  
From area codes 520 and 928, toll-free (800) 352-4090

**General Instructions**

Former *Arizona Revised Statutes (A.R.S.) §§ 43-1074 and 43-1161* provided nonrefundable individual and corporate income tax credits for net increases in qualified employment positions by a business located in a former enterprise zone.

**NOTE:** Former *A.R.S. §§ 43-1074 and 43-1161* are repealed effective from and after June 30, 2011. The last year that a taxpayer could establish an Enterprise Zone Credit was 2013.

All enterprise zone credits properly established can be carried forward for the remainder of their five-year carry forward period.

**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 form and all supporting documentation with the tax return.

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

**Available Credit Carryover**

The taxpayer who is utilizing the credit carryover should complete the table on the form only if its allowable enterprise zone tax credit for qualified employment positions for prior taxable years exceeded its Arizona income tax liability for those taxable years.

PARTNERSHIPS AND S CORPORATIONS THAT ELECTED TO PASS THE CREDIT THROUGH TO THEIR SHAREHOLDERS: A partnership or an S corporation that passed the credit through to its partners or shareholders must furnish each partner or shareholder with a statement indicating that the business is still located in the former enterprise zone.

**Line 1 -**

Enter the taxable year(s) from which you are carrying over the credit in columns (a) through (c).

**Line 2 -**

Enter the credit originally computed for that taxable year.

**Line 3 -**

Enter the amount of the credit from that taxable year already used.

**Line 4 -**

Subtract the amount on line 3 from the amount on line 2. Enter the difference.

**Line 5 -**

Enter the amount of the credit that is disallowed because the business is no longer located at the location that formerly was in an enterprise zone.

**Line 6 -**

Subtract the amount entered on line 5 from line 4. Enter the difference.

**Line 7 -**

Add the amounts from columns (a) through (c) on line 6 and enter the total in column (c) on line 7. This is the total enterprise zone credit carryover available from prior taxable years.

*Corporations and S corporations* - enter the amount from line 7, column (c) on Arizona Form 300, Part 1, line 1, column (b).

*Individuals* - enter the amount from line 7, column (c) on Arizona Form 301, Part 1, line 1, column (b).

Include with your return.

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].

Name as shown on Form 140, 140PY, 140NR, 140X, 99T, 120, 120A, 120S, 120X, or 165	Social Security or Employer Identification Number
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Certification number from the former Arizona Department of Commerce: \_\_\_\_\_

**Part 1 Schedule of Cost of Equipment or Property Used in Construction of Facility for Current Year and Current Taxable Year's Credit Calculation**

1 Date of facility's initial construction.....	1	M M D D Y Y Y Y		
(a) Description			(b) Cost	
				00
				00
				00
				00
				00
				00
				00
				00
				00
				00
				00
				00
				00
				00
				00
				00
				00
				00
				00
2 Total.....	2			00
3 Current year's credit: Multiply line 2, column (b), by 10 percent (.10).....	3			00

**Part 2 Recapture of Environmental Technology Facility Credit**

4 Date facility was placed in service.....	4	M M D D Y Y Y Y		
5 Date facility ceased to operate as an environmental manufacturing, producing or processing facility.....	5	M M D D Y Y Y Y		
6 Enter total credit actually claimed for the total facility.....	6			00
7 Enter percent based on the year facility ceased to operate as an environmental manufacturing, producing or processing facility.....	7			%
8 Total environmental technology facility credit recapture: Multiply line 6 by line 7.....	8			00

Continued on page 2 →

Name (as shown on page 1)	TIN
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**Part 3 S Corporation Credit Election and Shareholder's Share of Credit and Credit Recapture**

9 The S corporation has made an irrevocable election for the taxable year ending MM, DD, YYYY to (check only one box):

Claim the environmental technology facility credit, as shown on Part 1, line 3, column (b) (for the taxable year mentioned above);

**OR**

Pass the environmental technology facility credit, as shown on Part 1, line 3, column (b) (for the taxable year mentioned above) through to its shareholders.

\_\_\_\_\_  
Signature Title Date

If passing the credit through to the shareholders, complete lines 10 through 12 separately for each shareholder. If passing credit recapture through to the shareholders, also complete line 13 separately for each shareholder. Furnish each shareholder with a copy of pages 1, 2 and 3 of Form 305.

10 Name of shareholder: \_\_\_\_\_

11 Shareholder's TIN: \_\_\_\_\_

12 Shareholder's share of the current year's credit from Part 1, line 3, column (b).....	<b>12</b>	00
13 Shareholder's share of credit recapture from Part 2, line 8 .....	<b>13</b>	00

**Part 4 Partner's Share of Credit and Credit Recapture**

Complete lines 14 through 16 separately for each partner. If passing credit recapture through to the partners, also complete line 17 separately for each partner. Furnish each partner with a copy of pages 1, 2 and 3 of Form 305.

14 Name of partner: \_\_\_\_\_

15 Partner's TIN: \_\_\_\_\_

16 Partner's share of the current year's credit from Part 1, line 3, column (b) .....	<b>16</b>	00
17 Partner's share of credit recapture from Part 2, line 8 .....	<b>17</b>	00

**Part 5 Credit Recapture Summary**

18 Enter the taxable year(s) in which you took a credit or credit carryover for the facility that has ceased to operate as an environmental manufacturing, producing or processing facility: _____		
19 Enter the total amount of credit originally claimed for the facility .....	<b>19</b>	00
20 Enter the total amount of the credit to be recaptured. • <i>Individuals, corporations, S corporations, and exempt organizations with UBTI:</i> Enter the amount from Part 2, line 8. • <i>S corporation shareholders:</i> Enter the amount from Part 3, line 13. • <i>Partners of a partnership:</i> Enter the amount from Part 4, line 17 .....	<b>20</b>	00
21 Subtract line 20 from line 19 and enter the difference. This is the amount of credit allowable for the facility that has ceased to operate as an environmental manufacturing, producing or processing facility .....	<b>21</b>	00
22 Amount of credit on line 19 that you have claimed on prior years' returns .....	<b>22</b>	00
23 Subtract line 22 from line 21 and enter the difference on line 23. • If the difference is a POSITIVE number, that is the amount of credit carryover remaining that you may use in future taxable years. Enter this positive number in Part 6, column (d), on the line for the year in which the disqualified credit arose. • If the difference is a NEGATIVE number, that is the amount of credit you must recapture. If a negative number, enter "zero" in Part 6, column (d), on the line for the year in which the disqualified credit arose. • Corporations, exempt organizations with UBTI, and S corporations also enter this amount as a POSITIVE number on Form 300, Part 2, line 26. • Individuals, also enter this amount as a POSITIVE number on Form 301, Part 2, line 35 .....	<b>23</b>	00

Continued on page 3 →



Name (as shown on page 1)	TIN
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**Part 6 Available Credit Carryover**

	(a) Taxable Year	(b) Original Credit Amount	(c) Amount Previously Used	(d) Available Carryover: Subtract column (c) from column (b).
24		00	00	00
25		00	00	00
26		00	00	00
27		00	00	00
28		00	00	00
29		00	00	00
30		00	00	00
31		00	00	00
32		00	00	00
33		00	00	00
34		00	00	00
35		00	00	00
36		00	00	00
37		00	00	00
38		00	00	00
39	Total Available Carryover: Add lines 24 through 38 in column (d) .....			<b>39</b> 00

**Part 7 Total Available Credit**

40	Current year's credit: <ul style="list-style-type: none"> <li>• <i>Individuals, corporations, S corporations, or exempt organizations with UBTI:</i> Enter the amount from Part 1, line 3, column (b).</li> <li>• <i>S corporation shareholders:</i> Enter the amount from Part 3, line 12.</li> <li>• <i>Partners of a partnership:</i> Enter the amount from Part 4, line 16.</li> <li>• <i>Individuals:</i> Also enter this amount on Form 301, line 2, column (a).</li> <li>• <i>Corporations, S corporations, and exempt organizations with UBTI:</i> Also enter this amount on Form 300, line 2, column (a) .....</li> </ul>	40	00
41	Available credit carryover from Part 6, line 39, column (d): <ul style="list-style-type: none"> <li>• <i>Individuals:</i> Also enter this amount on Form 301, line 2, column (b).</li> <li>• <i>Corporations, S corporations, and exempt organizations with UBTI:</i> Also enter this amount on Form 300, line 2, column (b) .....</li> </ul>	41	00
42	<b>Total available credit:</b> Add lines 40 and 41 and enter the total. <ul style="list-style-type: none"> <li>• <i>Individuals:</i> Also enter total on Form 301, Part 1, line 2, column (c).</li> <li>• <i>Corporations, S corporations, and exempt organizations with UBTI:</i> Also enter total on Form 300, Part 1, line 2, column (c) .....</li> </ul>	42	00

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**2016 Environmental Technology Facility Credit**

**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**

*Arizona Revised Statutes (A.R.S.) §§ 43-1080 and 43-1169* provide a nonrefundable tax credit for expenses incurred in constructing a qualified environmental technology manufacturing, producing or processing facility as described in *A.R.S. § 41-1514.02*. The amount of the credit is equal to 10% of the amount spent during the taxable year to construct the facility, including land acquisition, improvements, building improvements, machinery and equipment. The credit cannot exceed 75% of the Arizona income tax liability for the taxable year as determined without applying the credit.

The former Arizona Department of Commerce identified and certified new facilities of qualified environmental technology manufacturers, producers and processors for purposes of the credit. The certification program ran through June 30, 1996. However, the certification may be assigned or transferred to one or more successor taxpayers, manufacturers, producers or processors that have acquired and continue to operate a facility that was used to meet the qualifying conditions listed below and that continues to be used predominantly for those purposes.

To qualify under *A.R.S. § 41-1514.02*, an environmental technology manufacturer, producer, or processor must locate or make an additional capital investment in a facility in this state that:

- Is used predominantly to do any of the following:
  - a. Sort, store, prepare, convert, fabricate, manufacture, or otherwise process finished products consisting of at least 90% recycled materials.
  - b. Prepare, fabricate, manufacture, or otherwise process finished products that are powered exclusively with solar or other specific renewable energy.
  - c. Prepare, fabricate, manufacture, or otherwise process raw material or intermediate product exclusively through a hydro-metallurgical process where at least 85% of the process solution used to produce the finished product is recycled on site for additional production.

- d. Fabricate or manufacture finished paper products that consist of at least 80% recycled material.
- Costs, or is expected to cost, an aggregate of at least 20 million dollars of new capital investment in this state within five years after construction begins or commencement of installation of improvements.

You may claim a credit with respect to new qualifying construction within ten years after the start of the facility's initial construction. You qualify for the credit if you own or lease the facility or any component of the facility for a term of five or more years, but a credit is not allowed for any amount spent more than ten years after the start of the facility's initial construction.

You can only claim the credit for items that are depreciable or amortizable assets. You have to subtract the amount of your credit from your basis in those assets. You can still take depreciation or amortization of your Arizona basis in the assets.

If the allowable tax credit exceeds 75% of the taxes otherwise due on the claimant's income, or if there are no taxes due, the amount of the credit not used to offset taxes may be carried forward for not more than fifteen taxable years as a credit against subsequent years' income tax liabilities.

Co-owners of a business, including partners in a partnership and shareholders of an S corporation, may each claim only the pro rata share of the credit allowed based on the ownership interest. The total of the credits allowed all such owners may not exceed the amount that would have been allowed for a sole owner of the business.

The credit is available to an exempt organization that is subject to corporate income tax on unrelated business taxable income (UBTI). The credit must result from the activities that generate UBTI.

**Credit Recapture**

If either of the following circumstances occurs with respect to a qualified environmental technology manufacturing, producing or processing facility, the tax imposed for the taxable year shall be increased by the full amount of all credits previously allowed with respect to that facility:

- The taxpayer abandons construction before the facility is placed in service.
- Before the facility is placed in service, the taxpayer changes plans so that the facility no longer qualifies as an environmental technology manufacturing, producing or processing facility under *A.R.S. § 41-1514.02*.

If a qualified environmental technology facility ceases to operate as an environmental manufacturing, producing or processing facility at some time during the first five years it has been in operation, you have to recapture part of the credit.

Any credit recapture will affect any carryover you may have on that credit. If you have to recapture 100% of the credit,

you will have no credit carryover. If you have to recapture a portion of the credit, you have to recapture the same portion of the carryover. How to figure the recapture of a portion of your credit is discussed in the specific instructions that follow.

**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 form with your tax return.

**NOTE:**

- All returns, statements, or other documents filed with the department must have the taxpayer's Employer Identification Number (EIN) or taxpayer identification number (TIN) indicated on them.
- Taxpayers who fail to include their EIN or TIN may be subject to a penalty.

Enter the certification number from the former Arizona Department of Commerce.

**Part 1 - Schedule of Cost of Equipment or Property Used in Construction of Facility for Current Year and Current Taxable Year's Credit Calculation**

**Line 1-**

Enter the date the facility's initial construction was started.

**Current Year's Cost of Equipment or Property Used in Construction of Facility**

In column (a), describe the expenses incurred in constructing the new qualifying environmental technology facility during the current year. Such items would include land purchased or improved, building construction initiated or improved, or equipment or machinery installed or placed in use. If additional space is needed, include a separate sheet.

In column (b), enter the amount of the cost.

**Lines 2 and 3 -**

Complete lines 2 and 3 as directed on the form.

**Part 2 - Recapture of Environmental Technology Facility Credit**

If the facility has been in operation for five years or more, you do not have to recapture credits you have already used to offset your tax liability. If it ceased to operate as required before five years had passed, you must recapture the credit you used by taking the total of all environmental technology facility credits you received before, and multiplying it by a percentage. The percentage depends on how long the facility had been operating as an environmental manufacturing, producing or processing facility. The recapture percentages are as follows:

How long between the time the facility was placed in service and the time it ceased to meet the credit requirements?	Recapture percentage
Less than one year	100 %
At least one year, but less than two years	80 %
At least two years, but less than three years	60 %
At least three years, but less than four years	40 %
At least four years, but less than five years	20 %

Use the appropriate percentage to complete Part 2 as instructed on the form.

**Part 3 - S Corporation Credit Election and Shareholder's Share of Credit and Credit Recapture**

The S corporation must complete this portion of Form 305 in order for the S corporation or its shareholders to claim this credit. The S corporation must make an irrevocable election either to claim the credit or to pass the credit through to its shareholders. The election statement on line 9 must be signed by one of the officers of the S corporation who is also a signatory to Arizona Form 120S.

If the S corporation elects to pass the credit through to its shareholders, it must first complete Form 305, Part 1 and then complete Part 3, lines 10 through 12, separately for each shareholder. If the S corporation has been notified of a credit recapture for a credit it passed through to its shareholders, it must also complete Part 2 and then Part 3, line 13, separately for each shareholder.

Each S corporation shareholder is entitled to only a pro rata share of pass-through credit based on ownership interest in the S corporation. The total of the credit allowed to all shareholders may not exceed the amount that would have been allowed for a sole owner.

The S corporation must give each shareholder a copy of pages 1, 2 and 3 of Form 305. Each shareholder must complete Parts 5 (if Part 5 is applicable) through 7.

**Part 4 - Partner's Share of Credit and Credit Recapture**

**Lines 14 through 17 -**

The partnership must complete Part 1. Then, complete Part 4, lines 14 through 16, separately for each partner. If the partnership has been notified of a credit recapture, it must also complete Part 2 and then Part 4, line 17, separately for each partner.

Each partner is entitled to only a pro rata share of the credit based on the partner's ownership interest in the partnership. The total of the credit allowed to all partners may not exceed the amount that would have been allowed for a sole owner.

The partnership must furnish each partner with a copy of pages 1, 2 and 3 of Form 305. Each partner must complete Parts 5 (if Part 5 is applicable) through 7.

**Part 5 - Credit Recapture Summary**

Use lines 18 through 23 to determine whether you have any allowable credit remaining, even if you have to recapture some of it. Complete Part 5 as instructed on the form.

**Part 6 - Available Credit Carryover**

You may carry forward the amount of the unused environmental technology facility credit for a period not to exceed fifteen taxable years, provided the facility remains a qualified environmental technology manufacturing, producing or processing facility. Complete lines 24 through 39 if you claimed the credit on a prior year's return and your credit was more than 75% of your tax.

In column (a), enter the applicable taxable year(s) on lines 24 through 38. In column (b), enter the amount of the original environmental technology facility credit for each taxable year. In column (c), enter the amount of the credit for each taxable year that has been previously used. Subtract the amount in column (c) from the amount in column (b). Enter the difference in column (d). Add the amounts entered on lines 24 through 38, column (d). Enter the total on line 39, column (d). This is the total available credit carryover.

**Part 7 - Total Available Credit****Line 40 -**

Enter the current year's environmental technology facility credit.

*Individuals, corporations (including S corporations that elected to claim the credit at the corporate level), and exempt organizations with UBTI* - enter the amount from Part 1, line 3, column (b).

*S corporation shareholders* - enter the amount from Part 3, line 12.

*Partners of a partnership* - enter the amount from Part 4, line 16.

**Line 41 -**

Enter the amount of available credit carryover from Part 6, line 39, column (d).

**Line 42 -**

Add lines 40 and 41. This is the total available environmental technology facility credit that may be applied to the current taxable year's tax liability. Any amount in excess of 75% of the current year's tax liability must be carried forward to the next taxable year.

*Corporations, exempt organizations with UBTI, and S corporations* - enter the total here and on Arizona Form 300, Part 1, line 2, column (c).

*Individuals* - enter the total here and on Arizona Form 301, Part 1, line 2, column (c).

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**Include with your return.**

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  .

Name as shown on Form 140, 140PY, 140NR, 140X, 99T, 120, 120A, 120S, 120X, or 165	Social Security or Employer Identification Number
---	---

**Part 1 Business Information**

1	Business Name
2	Business Location Address — Street
	City State ZIP Code
3	Employer Identification Number
4	Name of Military Reuse Zone

**Part 2 Net Increase in Employment**

5 Average employment during the current taxable year.....	5			
6 Employment baseline for preceding taxable year.....	6			
7 Net increase in employment: Subtract line 6 from line 5.....				7

**Part 3 Maximum Number of New Employees**

8 Dislocated military base employees. Enter the number of new employees who are dislocated military base employees.....	8			
9 Non-dislocated military base employees. Enter the number of new employees who are non-dislocated military base employees.....	9			
10 Total number of new employees. Add line 8 and line 9.....	10			
11 Net increase in employment. Enter the number from Part 2, line 7.....	11			
12 Maximum number of new employees. Enter the lesser of line 10 or line 11.....	12			

**Part 4 Credit Calculation for Dislocated Military Base Employees**

	(a) Number of Dislocated Military Base Employees	(b) Credit Allowed Per Employee	(c) Allowable Credit: Multiply column (a) by column (b).	
13 New employees in the first year of employment.....		\$1,000		00
14 Employees in the second year of continuous employment.....		\$1,500		00
15 Employees in the third year of continuous employment.....		\$2,000		00
16 Employees in the fourth year of continuous employment.....		\$2,500		00
17 Employees in the fifth year of continuous employment.....		\$3,000		00
18 TOTAL.....				00

Name (as shown on page 1)	TIN
---------------------------	-----

**Part 5 Credit Calculation for Non-Dislocated Military Base Employees**

	(a) Number of Non-Dislocated Military Base Employees	(b) Credit Allowed Per Employee	(c) Allowable Credit: Multiply column (a) by column (b).
19 New employees in the first year of employment.....		\$500	00
20 Employees in the second year of continuous employment .....		\$1,000	00
21 Employees in the third year of continuous employment .....		\$1,500	00
22 Employees in the fourth year of continuous employment.....		\$2,000	00
23 Employees in the fifth year of continuous employment .....		\$2,500	00
24 TOTAL .....			00

**Part 6 S Corporation Credit Election and Shareholder's Share of Credit**

25 The S corporation has made an irrevocable election for the taxable year ending [M, M, D, D, Y, Y, Y, Y] to  
(check only one box):

Claim the military reuse zone credit shown on Part 4, line 18, column (c) and Part 5, line 24, column (c)  
(for the taxable year mentioned above);

**OR**

Pass the military reuse zone credit shown on Part 4, line 18, column (c) and Part 5, line 24, column (c)  
(for the taxable year mentioned above) through to its shareholders.

Signature \_\_\_\_\_ Title \_\_\_\_\_ Date \_\_\_\_\_

If passing the credit through to the shareholders, complete lines 26 through 29 separately for each shareholder. Furnish each shareholder with a copy of pages 1, 2 and 3 of Form 306.

26 Name of shareholder: \_\_\_\_\_

27 Shareholder's TIN: \_\_\_\_\_

28 Shareholder's share of the amount on Part 4, line 18, column (c)..... 

<b>28</b>		00
-----------	--	----

29 Shareholder's share of the amount on Part 5, line 24, column (c) ..... 

<b>29</b>		00
-----------	--	----

**Part 7 Partner's Share of Credit**

Complete lines 30 through 33 separately for each partner. Furnish each partner with a copy of pages 1, 2 and 3 of Form 306.

30 Name of partner: \_\_\_\_\_

31 Partner's TIN: \_\_\_\_\_

32 Partner's share of the amount on Part 4, line 18, column (c) ..... 

<b>32</b>		00
-----------	--	----

33 Partner's share of the amount on Part 5, line 24, column (c) ..... 

<b>33</b>		00
-----------	--	----

Continued on page 3 →



**Part 8 Available Credit Carryover**

	(a)	(b)	(c)	(d)	(e)
<b>34</b> Taxable year .....					
<b>35</b> Original credit amount	00	00	00	00	00
<b>36</b> Amount previously used.....	00	00	00	00	00
<b>37</b> Tentative carryover: Subtract line 36 from line 35.....	00	00	00	00	00
<b>38</b> Amount unallowable: See instructions.....	00	00	00	00	00
<b>39</b> Available carryover: Subtract line 38 from line 37.....	00	00	00	00	00
<b>40</b> Total Available Carryover.....				<b>40</b>	<b>00</b>

**Part 9 Total Available Credit**

<b>41</b> Current year's credit for dislocated military base employees: <ul style="list-style-type: none"> <li>• <i>Individuals, corporations, S corporations, or exempt organizations with UBTI:</i> Enter the amount from Part 4, line 18, column (c).</li> <li>• <i>S corporation shareholders:</i> Enter the amount from Part 6, line 28.</li> <li>• <i>Partners of a partnership:</i> Enter the amount from Part 7, line 32 .....</li> </ul>	<b>41</b>	00
<b>42</b> Current year's credit for non-dislocated military base employees: <ul style="list-style-type: none"> <li>• <i>Individuals, corporations, S corporations, or exempt organizations with UBTI:</i> Enter the amount from Part 5, line 24, column (c).</li> <li>• <i>S corporation shareholders:</i> Enter the amount from Part 6, line 29.</li> <li>• <i>Partners of a partnership:</i> Enter the amount from Part 7, line 33.</li> <li>• <i>Individuals:</i> Enter the sum of lines 41 and 42 (total current year credit) on Form 301, line 3, column (a).</li> <li>• <i>Corporations, S corporations, and exempt organizations with UBTI:</i> Enter the sum of lines 41 and 42 (total current year credit) on Form 300, line 3, column (a) .....</li> </ul>	<b>42</b>	00
<b>43</b> Available credit carryover from Part 8, line 40, column (e): <ul style="list-style-type: none"> <li>• <i>Individuals:</i> Also enter this amount on Form 301, line 3, column (b).</li> <li>• <i>Corporations, S corporations, and exempt organizations with UBTI:</i> Also enter this amount on Form 300, line 3, column (b).....</li> </ul>	<b>43</b>	00
<b>44</b> <b>Total available credit:</b> Add lines 41, 42 and 43 and enter the total. <ul style="list-style-type: none"> <li>• <i>Individuals:</i> Also enter the total on Form 301, Part 1, line 3, column (c).</li> <li>• <i>Corporations, S corporations, and exempt organizations with UBTI:</i> Also enter the total on Form 300, Part 1, line 3, column (c) .....</li> </ul>	<b>44</b>	00

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**Form 306-1**

**All New Dislocated Military Base Employees**

**2016**

If you have more than 25 new dislocated military base employees, complete additional schedules.

	(a) Employee Name	(b) Social Security Number	(c) Date of Hire or Transfer
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			

**Form 306-2**

**Dislocated Military Base Employees Claimed**

**2016**

If you are claiming more than 25 dislocated military base employees, complete additional schedules.

	(a) Employee Name	(b) Social Security Number	(c) Check the appropriate box. This employee is a:				
			1st Year Employee (c)1	2nd Year Employee (c)2	3rd Year Employee (c)3	4th Year Employee (c)4	5th Year Employee (c)5
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
<b>26 TOTAL:</b>	Add lines 1 through 25. Enter the total here .....	<b>26</b>					

**Form 306-3**

**All New Non-Dislocated Military Base Employees**

**2016**

If you have more than 25 new non-dislocated military base employees, complete additional schedules.

	(a) Employee Name	(b) Social Security Number	(c) Date of Hire or Transfer
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			

**Form 306-4**

**Non-Dislocated Military Base Employees Claimed**

**2016**

If you are claiming more than 25 non-dislocated military base employees, complete additional schedules.

	(a) Employee Name	(b) Social Security Number	(c) Check the appropriate box. This employee is a:				
			1st Year Employee (c)1	2nd Year Employee (c)2	3rd Year Employee (c)3	4th Year Employee (c)4	5th Year Employee (c)5
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
<b>26 TOTAL:</b> Add lines 1 through 25. Enter the total here .....			<b>26</b>				

**2016 Military Reuse Zone Credit**

**CONTACTS FOR MILITARY REUSE ZONE CREDIT**

**Arizona Commerce Authority**

•Application forms •Military Reuse Zone program guidelines

Website: [www.azcommerce.com](http://www.azcommerce.com)

Program Manager (602) 845-1200

**Department of Revenue**

•Tax forms and instructions •Information and assistance

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

Taxpayer assistance (602) 255-3381

From area codes 520 and 928, toll-free (800) 352-4090

**General Instructions**

*Arizona Revised Statutes (A.R.S.) §§ 43-1079 and 43-1167* provide nonrefundable individual and corporate income tax credits for net increases in employment of full-time employees by a taxpayer in a military reuse zone, established under Title 41, Chapter 10, Article 3, of the Arizona Revised Statutes. These employees must be engaged primarily in providing aviation or aerospace services, or in manufacturing, assembling, or fabricating aviation or aerospace products.

There are two military reuse zones. The first, Phoenix-Mesa Gateway Airport, formerly Williams Gateway Airport, was established on August 2, 1996. There is no available credit or carryforward before that date. The current zone designation expires in October 2026.

The second military reuse zone, Phoenix/Goodyear Airport, was established on December 10, 2002. There is no available credit or carryforward before that date. The current zone designation expires in December 2017.

A taxpayer that owns or leases income producing property located in a military reuse zone is eligible for the military reuse zone tax credit. To qualify for the tax incentive the taxpayer shall:

- Agree with the Arizona Commerce Authority (Commerce) in writing to furnish information relating to the amount of tax benefits the taxpayer receives for each taxable year in which the taxpayer claims the credit. If the taxpayer fails to provide the required information, Commerce shall immediately revoke the taxpayer's qualification and notify the Arizona Department of Revenue (Revenue).
- Enter into a memorandum of understanding with this state through Commerce containing employment goals. Each year in which the taxpayer claims the credit the taxpayer shall report in writing to Commerce its performance in achieving the goals. The memorandum shall contain provisions that allow:
  - a. Commerce to stop, readjust, or recapture all or part of the tax incentives provided to the taxpayer on noncompliance with the terms of the memorandum;
  - b. Commerce to notify Revenue of the conditions of noncompliance; and
  - c. Revenue to require the taxpayer to file appropriate amended tax returns reflecting the recapture of the tax credit.

The net increase in the number of employees shall be determined by comparing the taxpayer's average employment in the military reuse zone during the taxable year with the taxpayer's previous year's fourth quarter employment in the zone, based on the taxpayer's report to the Arizona Department of Economic Security for unemployment insurance purposes, but considering only employment in the zone.

A credit is not allowed with respect to an employee whose place of employment is relocated by the taxpayer from a location in this state to the military reuse zone, unless the employee is engaged in providing aviation or aerospace services, or in manufacturing, assembling, or fabricating aviation or aerospace products, and the taxpayer maintains at least the same number of employees in this state but outside the zone.

The military reuse zone credit is in lieu of the following credits, with respect to the same employees:

- The credit for new employment, claimed on Arizona Form 345;
- The employment credit for healthy forest enterprises, claimed on Arizona Form 332; and
- The credit for renewable energy industry, claimed on Arizona Form 342.

The amount of the credit is a dollar amount allowed for each new full-time employee. The amount per employee differs depending on whether the employee is a dislocated military base employee or another type of full-time military base employee. A "dislocated military base employee" means a civilian who previously had permanent full-time civilian employment on the military facility, at the date the closure of the facility was finally determined under federal law, as certified by Commerce. The credit amount per employee is as follows:

Year of employment	Amount of credit allowed per employee	
	Dislocated Employee	Non-dislocated Employee
1st	\$1,000	\$ 500
2nd	\$1,500	\$1,000
3rd	\$2,000	\$1,500
4th	\$2,500	\$2,000
5th	\$3,000	\$2,500

If the allowable tax credit exceeds the taxes otherwise due, or if there are no taxes due, the amount of the claim not used to offset the taxes may be carried forward as a credit against the five subsequent years' income tax liabilities, if the business remains in the military reuse zone.

Co-owners of a business, including partners in a partnership and shareholders of an S corporation, may each claim only a pro rata share of the allowable credit based on the ownership interest. The total of the credits allowed all owners may not exceed the amount that would have been allowed for a sole owner of the business.

The credit is available to an exempt organization that is subject to corporate income tax on unrelated business taxable income (UBTI). The credit must result from the activities that generate UBTI.

**Aggregate summary:** This is a single Arizona Form 306 that combines the results of multiple business locations in a military reuse zone or zones. Taxpayers having multiple business locations must first complete separate Forms 306, 306-1, 306-2, 306-3, and

306-4 for each business location, whether those locations are in the same military reuse zone or multiple military reuse zones. Then, complete an aggregate summary of Form 306. Do not complete aggregate summaries of Forms 306-1 through 306-4.

Taxpayers do NOT need to complete the following portions of an aggregate summary of Form 306:

- Part 1 - Business Information
- Part 2 - Net Increase in Employment
- Part 3 - Lines 8 through 11 (line 12 must still be completed)

**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 form with the tax return.

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

**Part 1 - Business Information**

**Lines 1 through 4 -**

On lines 1 through 3, enter the business's name, its actual location in the zone (may not be its mailing address), and employer identification number.

On line 4, enter the name of the military reuse zone in which the business is located.

**NOTE:** *If there is more than one location in a military reuse zone, include a schedule listing the name, location address, employer identification number, and zone of each location.*

**Part 2 - Net Increase in Employment**

The military reuse zone credit is based on net increases in employment of full-time employees working in a military reuse zone. Whether there has been a net increase in employment is determined by comparing the average employment in the zone during the current taxable year with the prior year's fourth quarter employment in the zone. The prior year figure must be based on the employer's unemployment insurance report to the Arizona Department of Economic Security, limited to employment in the zone.

**Line 5 -**

Enter the average employment in the military reuse zone for the current taxable year. Complete the following worksheet to determine the average employment during the current taxable year.

On lines 1 through 12 of the worksheet, enter the number of employees employed at the end of each month by the business located in the military reuse zone.

For lines 13 through 15, follow the instructions on the worksheet.

<b>Average Full-Time Employment Worksheet</b>		<b>Line 5 Column – Current Taxable Year</b>
1	January	
2	February	
3	March	
4	April	
5	May	
6	June	
7	July	
8	August	
9	September	
10	October	
11	November	
12	December	
13	Total – <i>Add lines 1 through 12.</i>	
14	Total number of months during the taxable year in which the employer was in business.	
15	Average – <i>Divide the amount on line 13 by the amount on line 14.</i>	

**Line 6 -**

Enter the previous year's fourth quarter employment. A newly established business in a military reuse zone that did not have any employment within the zone during the fourth quarter of the immediately preceding taxable year would enter zero.

An established business already located in an area that subsequently becomes a designated military reuse zone could have employment in the zone during the fourth quarter of the immediately preceding taxable year. This employer would enter their previous year's fourth quarter employment in the zone only, based on their report to the Arizona Department of Economic Security for unemployment tax purposes.

**Line 7 -**

Subtract the amount on line 6 from the amount on line 5. If this amount is less than one, enter zero. If this amount contains a decimal, round down to the next whole number. This is the net increase in employment.

**Part 3 - Maximum Number of New Employees**

**Lines 8 through 12 and Form 306-1 and Form 306-3**

The maximum number of new employees for which the business may claim the military reuse zone credit is limited to the lesser of the total number of new employees or the net increase in employment. Complete Arizona Form 306-1 listing each dislocated military base employee in the first year of employment in the military reuse zone. Complete Arizona Form 306-3 listing each non-dislocated military base employee in the first year of employment in the military reuse zone.



**Line 8 -**

Enter the total number of new employees employed in the zone who are dislocated military base employees from the Form(s) 306-1.

**Line 9 -**

Enter the total number of new employees employed in the zone who are non-dislocated military base employees from the Form(s) 306-3.

**Line 10 -**

Add line 8 and line 9 and enter the total.

**Line 11 -**

Enter the net increase in employment from Part 2, line 7.

**Line 12 -**

Enter the lesser of line 10 or line 11. This is the maximum number of new employees for which the business may claim the military reuse zone credit.

**Part 4 - Credit Calculation for Dislocated Military Base Employees**

Before completing lines 13 through 18, complete the Arizona Form 306-2 listing each dislocated military base employee for whom the business is claiming a credit.

Arizona's statutes do not require that the dislocated military base employee who is claimed in a subsequent year of continuous employment be the same dislocated military base employee who was claimed in prior years of employment. Therefore, if one of the originally claimed new dislocated military base employees leaves employment after the first year, the business can claim subsequent years' credits for another dislocated military base employee. The substitute employee must be in the same year of employment as the departed employee.

**Lines 13 through 17 -****Column (a) -**

Refer to the total numbers of employees shown in the columns of Form 306-2 to complete column (a) of Part 4. The maximum number of dislocated military base employees entered on line 13, column (a) cannot exceed the maximum number of new employees entered on Part 3, line 12. If the business is claiming the military reuse zone credit for dislocated military base employees and non-dislocated military base employees, the total number of employees claimed in both categories cannot exceed the maximum number of new employees from Part 3, line 12.

The number of dislocated military base employees claimed in each year can never exceed the number of employees for which a credit was claimed in the immediately preceding tax year.

**Column (c) -**

Multiply the numbers shown on lines 13 through 17, column (a) by the amounts shown in column (b). Enter each result in column (c).

**Line 18 -**

Add the numbers on lines 13 through 17, in column (a). Enter the total on line 18 in column (a). The number shown on line 18, column (a), is the total number of dislocated military base

employees for which the business is claiming the military reuse zone credit.

Add the amounts on lines 13 through 17 in column (c). Enter the total on line 18 in column (c). The amount shown on line 18, column (c) is the total allowable military reuse zone credit for dislocated military base employees for the current taxable year.

**Part 5 - Credit Calculation for Non-Dislocated Military Base Employees**

Before completing lines 19 through 24, complete the Arizona Form 306-4 listing each non-dislocated military base employee for whom the business is claiming a credit.

**Lines 19 through 23 -****Column (a) -**

Refer to the total numbers of employees shown in the columns of Form 306-4 to complete column (a) of Part 5. The maximum number of non-dislocated military base employees entered on line 19, column (a), cannot exceed the maximum number of new employees entered on Part 3, line 12. If the business is claiming the military reuse zone credit for dislocated military base employees and non-dislocated military base employees, the total number of employees claimed in both categories cannot exceed the maximum number of new employees from Part 3, line 12.

The number of non-dislocated military base employees claimed in each year can never exceed the number of non-dislocated military base employees for which a credit was claimed in the immediately preceding tax year.

**Column (c) -**

Multiply the numbers shown on lines 19 through 23, column (a) by the amounts shown in column (b). Enter each result in column (c).

**Line 24 -**

Add the numbers on lines 19 through 23, in column (a). Enter the total on line 24 in column (a). The number shown on line 24, column (a), is the total number of non-dislocated military base employees for which the business is claiming the military reuse zone credit.

Add the amounts on lines 19 through 23 in column (c). Enter the total on line 24 in column (c). The amount shown on line 24, column (c) is the total allowable military reuse zone credit for non-dislocated military base employees for the current taxable year.

**Part 6 - S Corporation Credit Election and Shareholder's Share of Credit****Line 25 -**

This portion of Form 306 must be completed by all S corporations in order for the S corporation or its shareholders to claim the military reuse zone credit. The S corporation must make an irrevocable election either to claim the credit or to pass the credit through to its shareholders. The election statement must be signed by one of the officers of the S corporation who is also a signatory to Arizona Form 120S. If the S corporation elects to claim the credit itself, it can skip lines 26 through 29 and complete Parts 8 and 9.

**Lines 26 through 29 -**

If the S corporation elects to pass the credit through to its shareholders, it must complete lines 26 through 29 separately for each shareholder.

Each S corporation shareholder is entitled to only a pro rata share of pass-through credit based on ownership interest in the S corporation. The total of the credit allowed to all shareholders may not exceed the amount that would have been allowed for a sole owner.

The S corporation must furnish each shareholder with a copy of pages 1, 2 and 3 of Form 306. Each shareholder must complete Parts 8 and 9.

**NOTE:** *Taxpayers who are partners or shareholders in multiple entities operating in military reuse zones must complete a schedule detailing the amount of the credit passed through from each partnership or S corporation, and include the schedule with their tax returns.*

**Part 7 - Partner's Share of Credit**

**Lines 30 through 33 -**

Complete Part 7, lines 30 through 33, separately for each partner.

Each partner is entitled to only a pro rata share of the credit based on the partner's ownership interest in the partnership. The total of the credit allowed to all partners may not exceed the amount that would have been allowed for a sole owner.

The partnership must furnish each partner with a copy of pages 1, 2 and 3 of Form 306. Each partner must complete Parts 8 and 9.

**NOTE:** *Taxpayers who are partners or shareholders in multiple entities operating in military reuse zones must complete a schedule detailing the amount of the credit passed through from each partnership or S corporation, and include the schedule with their tax returns.*

**Part 8 - Available Credit Carryover**

**Lines 34 through 40 -**

Use Part 8 to figure the total available credit carryover. Complete lines 34 through 40 if you claimed the credit on a prior year return and the credit was more than your tax.

Provided it maintains its businesses in the military reuse zone, a taxpayer may carry forward the amount of the unused military reuse zone credit for a period not to exceed five taxable years. However, if the taxpayer moves its business outside of the military reuse zone or the military reuse zone is terminated, the carryover of the tax credit is lost. If a portion of the taxpayer's business is moved outside of the military reuse zone, the portion of the carryforward attributable to that portion of the business is lost.

**Line 34 -**

Enter the taxable year(s) from which you are carrying over the credit in columns (a) through (e).

**Line 35 -**

Enter the credit originally computed for that taxable year.

**Line 36 -**

Enter the amount of the credit from that taxable year already used.

**Line 37 -**

Subtract line 36 from line 35. Enter the result.

**Line 38 -**

Enter the amount of credit that is disallowed because the business is no longer located in the military reuse zone or the zone has been terminated.

**Line 39 -**

Subtract line 38 from line 37. Enter the result.

**Line 40 -**

Add the amounts in columns (a) through (e) on line 39. Enter the total. This is the total military reuse zone credit carryover for the current taxable year.

**Part 9 - Total Available Credit**

**NOTE:** *For lines 41 and 42, if you are claiming this credit as a credit you earned, AND are claiming this credit as a pass through credit from a partnership or S corporation, add the amount you earned to the amount passed through to you. Enter the total credit for each line.*

**Line 41 -**

*Individuals, corporations (including S corporations that elected to claim the credit), and exempt organizations with UBTI - enter the current year's credit for **dislocated military base employees** from Part 4, line 18, column (c).*

*S corporation shareholders - enter the amount from Part 6, line 28.*

*Partners of a partnership - enter the amount from Part 7, line 32.*

**Line 42 -**

*Individuals, corporations (including S corporations that elected to claim the credit), and exempt organizations with UBTI - enter the current year's credit for **non-dislocated military base employees** from Part 5, line 24, column (c).*

*S corporation shareholders - enter the amount from Part 6, line 29.*

*Partners of a partnership - enter the amount from Part 7, line 33.*

**Line 43 -**

Enter the amount from Part 8, line 40. This is the total available credit carryover.

**Line 44 -**

Add lines 41, 42, and 43. This is the total available military reuse zone credit that may be applied to the current taxable year's tax liability.

*Corporations (including S corporations that elected to claim the credit) and, exempt organizations with UBTI - enter the total here and on Arizona Form 300, Part 1, line 3, column (c).*

*Individuals - enter the total here and on Arizona Form 301, Part 1, line 3, column (c).*

**Include with your return.**

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.

Your Name as shown on Form 140, 140PY, 140NR, 140X	Your Social Security Number
Spouse's Name as shown on Form 140, 140PY, 140NR, 140X (if a joint return)	Spouse's Social Security Number

**Available Credit Carryover**

	(a) Taxable Year from which you are carrying the credit	(b) Original Credit Amount	(c) Amount Previously Used	(d) Tentative Carryover Amount	(e) Amount Unallowable  (See instructions)	(f) Available Carryover  Subtract column (e) from column (d).
1	2001	00	00	00	00	00
2	2002	00	00	00	00	00
3	TOTAL AVAILABLE CARRYOVER: Add the amounts on lines 1 and 2 in column (f). Enter the total on line 3, column (f) and on <i>Arizona Form 301, Part 1, line 4, column (b)</i> .....					00

**Instructions**

**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*.

**NOTE:** You **must** also complete *Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture, and include Forms 301 and 307 with your tax return to claim this credit.*

**Line-by-Line Instructions**

Complete the name and social security number (SSN) section at the top of the form. Indicate the period covered by the taxable year. Include the completed form with the tax return.

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

**Available Credit Carryover**

**Lines 1 through 3 -**

Use lines 1 through 3 to figure your total available credit carryover from taxable years 2001 and 2002. Complete these lines if you claimed the credit on a tax return for taxable years beginning before January 1, 2003, and your credit was more than your tax.

- In column (b), enter the credit originally computed for that taxable year listed in column (a).
- In column (c), enter the amount of the credit from that taxable year which you have already used.
- Subtract the amount in column (c) from column (b) and enter the difference in column (d).
- In column (e), enter the amount of the carryover that is unallowable because the recycling equipment ceased to be recycling equipment or the credit was transferred to another person.
- Subtract the amount in column (e) from the amount in column (d) and enter the difference in column (f).

Add the amounts entered on lines 1 and 2 in column (f). Enter the total on line 3, column (f) and on *Arizona Form 301, Part 1, line 4, column (b)*.

**General Instructions**

The recycling equipment credit for an individual was repealed effective for taxable years beginning from and after December 31, 2002. Individuals cannot claim any new credits. A partnership cannot generate and pass a new credit through to its individual partners.

Individuals can continue to carry any unused credit forward, if the credits were claimed in taxable years beginning prior to January 1, 2003.

The portion of the unused credit carryovers relating to that recycling equipment is lost if either of the following apply:

- If the recycling equipment ceases to be recycling equipment; or
- Is transferred to another person.

The portion of the total available credit carryover that may be claimed by the individual taxpayer is limited to the smaller of the following amounts:

- 25% of the amount of tax entered on *Arizona Form 301, Part 2, line 41*; or
- \$5,000.

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Include with your return.

For the calendar year 2016 or fiscal year beginning MM, DD, DD 2, 0, 1, 6 and ending MM, DD, DD 2, 0, Y, Y.

Name as shown on Form 99T, 120, 120A, 120S, 120X or 165

Employer Identification Number

**Part 1 Qualification for the Credit**

1	Did you have qualified research expenses for the tax year indicated above? .....	<input type="checkbox"/> Yes <input type="checkbox"/> No		
a	If "Yes" and you are claiming the Arizona Credit for Increased Research Activities, go to line 2.			
b	If "No", go to line 3.			
2	Is this credit refundable? .....	<input type="checkbox"/> Yes <input type="checkbox"/> No		
a	If "Yes":			
a1	Include a copy of the certification you received from the Arizona Commerce Authority (ACA).			
a2	Enter the maximum refund amount authorized by the ACA here and on Part 7, line 43a .....		2a2	00
b	If "No", go to line 3.			
3	Are you claiming a pass through of this credit from a partnership?.....	<input type="checkbox"/> Yes <input type="checkbox"/> No		
	(If you are claiming a pass through of this credit from more than one partnership, include a schedule providing this information.)			
4	Is this pass through credit refundable?.....	<input type="checkbox"/> Yes <input type="checkbox"/> No		
5	If you answered "Yes" to the question on line 1, go to Part 2.			
6	If you answered "No" to the question on line 1 and "Yes" to the question on line 3, go to Part 3.			
7	If you answered "No" to the question on line 1 and "No" to the question on line 3, complete this form ONLY if you have credit carryovers. Go to Part 8 and/or Part 9. Otherwise, <b>STOP! YOU ARE NOT ELIGIBLE TO CLAIM THIS CREDIT.</b>			
8	Reserved			

**Part 2 Current Taxable Year's Credit Calculation**

9	Basic research payments paid or incurred to qualified organizations: See instructions .....	9		00		
10	Qualified organization base period amount .....	10		00		
11	Subtract line 10 from line 9. If less than zero, enter "0" .....		11			00
12	Wages for qualified services (do not include wages used in figuring the federal work opportunity credit).....	12		00		
13	Cost of supplies .....	13		00		
14	Rental or lease cost of computers .....	14		00		
15	Contract research expenses: See instructions .....	15		00		
16	Total research expenses: Add lines 12 through 15. Enter the total .....	16		00		
17	Research expenses included on lines 12 through 15 related to solar liquid fuel that will be claimed on Arizona Form 344 .....	17		00		
18	Total qualified research expenses: Subtract line 17 from line 16 .....		18			00
19	Average annual Arizona gross receipts: See instructions .....	19		00		
20	Fixed-base percentage [not more than 16% (.1600)]: See instructions .....	20	.			
21	Base amount: Multiply line 19 by the percentage on line 20. Enter the result.....		21			00
22	Subtract line 21 from line 18. If less than zero, enter "0" .....		22			00
23	Multiply line 18 by 50% (.50). Enter the result .....		23			00
24	Enter the lesser of line 22 or line 23 .....		24			00
25	Add lines 11 and 24. Enter the total .....		25			00
<ul style="list-style-type: none"> <li>If line 25 is \$2,500,000 or less, complete line 26 and skip lines 27 through 29.</li> <li>If line 25 is more than \$2,500,000, skip line 26 and complete lines 27 through 29.</li> </ul>						
26	Multiply line 25 by 24% (.24). Enter the result .....		26			00
27	Subtract \$2,500,000 from line 25. Enter the difference .....	27		00		
28	Multiply line 27 by 15% (.15). Enter the result .....	28		00		
29	Add \$600,000 to line 28. Enter the total .....		29			00
30	Enter the amount from line 26 or 29 here .....		30			00

Name (as shown on page 1)	EIN
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**Part 3 Current Taxable Year's Credit Passed Through From Partnerships**

31 Total amount of credit passed through from partnerships: Enter the total amount of this credit received from all Form(s) 308-P, Part 2, line 4. Include copies of those forms with your return. ....	<b>31</b>		00
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**Part 4 Total Current Taxable Year Credit for Increased Research Activities**

32 <b>Total Credit:</b> Add line 30 and line 31. Enter the total. This is your current year's total credit for increased research activities. • Partnerships, enter this amount on Part 2, line 3 of the partner's Form 308-P. • S corporations passing this credit through to its shareholders, enter this amount on Part 2, line 3 of the shareholder's Form 308-S.....			00
	<b>32</b>		00

**Part 5 Partnerships and S Corporations Only**

**Determining Maximum Refund Amount to be Passed Through**

33 Enter the amount of your current year credit from Part 4, line 32.....			00
34 Multiply line 33 by 75%. Enter the result .....			00
35 Enter the amount of your maximum refundable credit from Part 1, line 2a2.....	<b>35</b>	00	
36 Enter the total maximum refundable credits received from partnerships on Form(s) 308-P, Part 3, line 6 .....	<b>36</b>	00	
37 Add lines 35 and 36, and enter the total. This is the maximum refundable credit for this taxable year.....	<b>37</b>		00
38 Enter the lesser of line 34 or line 37. <b>This is the maximum refund amount to be passed through to partners or shareholders</b> .....	<b>38</b>		00

Partnerships qualifying for this credit must pass it through to their partners. When passing this credit through to your partners, complete Form 308-P for each partner.

- Provide a copy of each completed Form 308-P to each partner.
- File a copy of each completed Form 308-P with your tax return.
- Keep a copy of each completed Form 308-P for your records.

**Part 6 S Corporation Credit Election**

S corporations may elect to pass this credit through to its shareholders, or it may choose to keep it and apply it to its tax liability generated at the S corporation level.

The S corporation has made an irrevocable election for the taxable year ending MM,MD,YY,YY to:

- Claim the credit for increased research and development or
- Pass the credit through to its shareholders.

\_\_\_\_\_  
Signature Title Date

If passing the credit through to the shareholders, complete Form 308-S for each individual shareholder.

- Provide a copy of each completed Form 308-S to each shareholder.
- File a copy of each completed Form 308-S with your tax return.
- Keep a copy of each completed Form 308-S for your records.

Name (as shown on page 1)	EIN
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**Part 7 Refundable Portion of the Taxpayer's Current Taxable Year's Excess Credit**

Complete Part 7 ONLY if you checked "Yes" in Part 1, line 2 or 4.

<b>39</b> Current taxable year's credit: Enter the amount from Part 4, line 32 .....			<b>39</b>		00
<b>40a</b> Enter the current year's tax, including recapture, from Form 99T, line 8; or Form 120, line 18; or Form 120A, line 10; or Form 120S, line 14; or Form 120X, line 18(c) .....	<b>40a</b>				00
<b>40b</b> Nonrefundable tax credits: Enter the amount of nonrefundable tax credits from Form 300, Part 1, line 24 less the amount (if any) on Form 300, Part 1, line 4, column (c).....	<b>40b</b>				00
<b>40c</b> Current taxable year's credit for increased research activities that will be used to offset the current taxable year's tax liability: Subtract line 40b from line 40a and enter the difference. If the difference is zero or more, enter it on Part 12, line 64; also enter it on Form 300, Part 1, line 4, column (a), and Form 300, Part 2, line 36. If less than zero, enter "0" .....			<b>40c</b>		00
<b>41</b> Current taxable year's excess credit: Subtract line 40c from line 39 and enter the difference. If less than zero, enter "0", because no refund is available .....			<b>41</b>		00
<b>42</b> Tentative refundable credit: Multiply line 41 by 75% (.75). Enter the result.....			<b>42</b>		00

**Maximum refundable credit: See instructions.**

<b>43a</b> Enter the maximum refundable credit amount authorized by ACA from Part 1, line 2a2 .....	<b>43a</b>				00
<b>43b</b> Enter the partner's maximum refundable credit amount from Form 308-P, Part 3, line 6. If this credit was passed through to you from more than one partnership, total the amounts indicated on Forms 308-P, Part 3, line 6. Enter the total amount here ...	<b>43b</b>				00
<b>43c</b> Add the amounts on lines 43a and 43b. Enter the total here .....			<b>43c</b>		00
<b>44 Refundable Credit:</b> Enter the lesser of line 42 or line 43c. Also enter this amount on Form 99T, line 12; or Form 120, line 22; or Form 120A, line 14; or Form 120S, line 18; or Form 120X, line 22.....			<b>44</b>		00

**Part 8 Available Pre-2003 Credit Carryover**

	(a) Taxable Year	(b) Original Credit Amount	(c) Amount Previously Used or Expired	(d) Available Carryover: Subtract column (c) from column (b).
<b>45</b>		00	00	00
<b>46</b>		00	00	00
<b>47</b> Total Available Pre-2003 Carryover: Add lines 45 and 46 in column (d).....				<b>47</b> 00

**Part 9 Available Post-2002 Credit Carryover**

	(a) Taxable Year	(b) Original Credit Amount	(c) Amount Previously Used or Expired	(d) Available Carryover: Subtract column (c) from column (b).
<b>48</b>		00	00	00
<b>49</b>		00	00	00
<b>50</b>		00	00	00
<b>51</b>		00	00	00
<b>52</b>		00	00	00
<b>53</b>		00	00	00
<b>54</b>		00	00	00
<b>55</b>		00	00	00
<b>56</b>		00	00	00
<b>57</b>		00	00	00
<b>58</b>		00	00	00
<b>59</b>		00	00	00
<b>60</b>		00	00	00
<b>61</b> Total Available Post-2002 Carryover: Add lines 48 through 60 in column (d).....				<b>61</b> 00

Name (as shown on page 1)	EIN
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**Part 10 Limitation of Pre-2003 Credit Carryover**

If you completed Part 7 and are receiving a refund, do not complete Part 10.

If you have credit carryovers from tax years 2001 and 2002, complete this section. If you do not, skip this section and go directly to Part 11. The amount of credit carryover from years 2001 and 2002 that you can use is limited. Complete this schedule to determine how much of this carryover you can use to offset this year's tax liability.

<b>62a</b> Current year's tax liability: Enter the amount from Form 300, Part 2, line 32.....	<b>62a</b>		00
<b>62b</b> Compare line 62a with \$500,000. Enter the lesser amount.....	<b>62b</b>		00
<b>62c</b> Current taxable year's credit: Enter the amount from Part 4, line 32 of this form.....	<b>62c</b>		00
<b>62d</b> Subtract line 62c from line 62b. If the difference is zero or less, enter "0". This is the amount of this year's tax liability to which you may apply your pre-2003 carryovers...	<b>62d</b>		00
<b>62e</b> Enter the total of your pre-2003 credit carryovers from Part 8, line 47, column (d).....	<b>62e</b>		00
<b>62f</b> Compare lines 62d and 62e and enter the lesser amount here. This is the amount of pre-2003 credit carryovers you can use to offset this year's tax liability.....	<b>62f</b>		00

**Part 11 Limitation of Post-2002 Credit Carryover**

If you completed Part 7 and are receiving a refund, do not complete Part 11.

If you have credit carryovers from tax years 2003 and after, complete this section. If you do not, skip this section and go directly to Part 12. The amount of credit carryover from years 2003 and after that you can use is limited. Complete this schedule to determine how much of this carryover you may be able to use to offset this year's tax liability.

<b>63a</b> Current year's tax liability: Enter the amount from Form 300, Part 2, line 32.....	<b>63a</b>		00
<b>63b</b> Current taxable year's credit: Enter the amount from Part 4, line 32 of this form.....	<b>63b</b>		00
<b>63c</b> Subtract the sum of line 62f and line 63b from line 63a: If the difference is zero or less, enter "0". This is the amount of this year's tax liability to which you may apply your post-2002 carryovers.....	<b>63c</b>		00
<b>63d</b> Enter the total of your post-2002 credit carryovers from Part 9, line 61, column (d).....	<b>63d</b>		00
<b>63e</b> Compare lines 63c and 63d and enter the lesser amount here. This is the amount of post-2002 credit carryovers you can use to offset this year's tax liability.....	<b>63e</b>		00

**Part 12 Total Available Nonrefundable Credit**

<b>64</b> Current year's credit: If you completed Part 7 and are receiving a refund, enter the amount from Part 7, line 40c. If you are not receiving a refund, enter the amount from Part 4, line 32. Partnerships and S corporations that passed the current year credit through to partners or shareholders, enter zero "0". • Also enter this amount on Form 300, Part 1, line 4, column (a).....	<b>64</b>		00
<b>65</b> Pre-2003 credit carryover: If you completed Part 7 and are receiving a refund, enter "0". Otherwise, enter the pre-2003 carryover from Part 10, line 62f.....	<b>65</b>		00
<b>66</b> Post-2002 credit carryover: If you completed Part 7 and are receiving a refund, enter "0". Otherwise, enter the post-2002 carryover from Part 11, line 63e. • Also enter the sum of lines 65 and 66 (total carryover) on Form 300, Part 1, line 4, column (b).....	<b>66</b>		00
<b>67 Total available credit:</b> Add lines 64, 65, and 66 and enter the total. • Also enter this amount on Form 300, Part 1, line 4, column (c).....	<b>67</b>		00



**2016 Credit for Increased Research Activities**

**CONTACTS FOR REFUND OF CREDIT FOR INCREASED RESEARCH ACTIVITIES**

**Arizona Commerce Authority**

•Application forms  
•Program guidelines  
Website: [www.azcommerce.com](http://www.azcommerce.com)  
Program Manager (602) 845-1200

**CONTACTS FOR NONREFUNDABLE CREDIT FOR INCREASED RESEARCH ACTIVITIES**

**Arizona Department of Revenue**

•Tax forms and instructions  
•Information and assistance  
Website: [www.azdor.gov](http://www.azdor.gov)  
Taxpayer assistance (602) 255-3381  
From area codes 520 and 928, toll-free (800) 352-4090

**General Instructions**

**NOTE:** THE 2016 FORM 308 IS USED BY TAXPAYERS THAT ARE CORPORATIONS, EXEMPT ORGANIZATIONS WITH UNRELATED BUSINESS TAXABLE INCOME (UBTI), S CORPORATIONS OR PARTNERSHIPS. INDIVIDUAL TAXPAYERS MUST USE THE 2016 FORM 308-I.

Arizona Revised Statutes (A.R.S.) §43-1168 provides a corporate income tax credit for increased research activities in a taxable year.

- This credit is available to corporate taxpayers, corporate partners, exempt organizations subject to corporate income tax on unrelated business income (UBTI), or S corporation shareholders.
  - An exempt organization may utilize this credit only if it results from activities that generate UBTI.
  - An S corporation may claim this credit against income Arizona is taxing at the corporate level, or it may make an irrevocable election to pass this credit through to its shareholders.
  - A partnership must pass this credit through to its partners.
  - If two or more taxpayers, including shareholders of an S corporation and partners in a partnership, share in the eligible expenses, each taxpayer is eligible to claim a proportionate share of the credit.
- This credit is in lieu of the solar liquid fuel credit (claimed on Arizona Form 344) with respect to the same expenses.
- This credit is allowed in an amount computed pursuant to Internal Revenue Code (IRC) § 41 with the following exceptions:
  - Qualified research includes only research conducted in Arizona. The term "qualified research", for purposes of the Arizona tax credit, means qualified research, as defined in IRC § 41, that is conducted in Arizona and basic research, as defined in IRC § 41, which is conducted in Arizona.
  - The amount of the credit is based on the federal regular credit computation method for Arizona qualified

research expenses and Arizona basic research payments. Taxpayers cannot use the federal alternative credit computation method.

- The allowable current taxable year credit is a percentage of:
  - The excess, if any, of the Arizona qualified research expenses for the taxable year, over the base amount; and
  - The Arizona basic research payments.
- The termination provisions of IRC § 41 do not apply.
- For 2016, if the allowable expenses do not exceed \$2,500,000, the allowable credit is 24% of this amount. If the allowable expenses exceed \$2,500,000, the allowable credit amount is \$600,000 plus 15% of the amount of expenses over \$2,500,000, subject to certain limitations.
- A portion of the current year's excess credit may be refundable if you qualify.

**Corporate Taxpayers:** *If two or more members of a unitary group or an Arizona affiliated group incur qualifying expenses, the individual members of the group are not considered separate taxpayers. When a combined return or a consolidated return is filed, the unitary group or the Arizona affiliated group is considered a single taxpayer.*

**REFUNDABLE PORTION OF THE CURRENT YEAR'S EXCESS CREDIT**

If you qualify, *and* if the current taxable year's credit for increased research activities exceeds your income tax liability, a portion of the excess credit may be refundable to you. To qualify to receive this refund:

- You must have less than 150 full-time employees.
- You must apply to the Arizona Commerce Authority (ACA) and receive a Certificate of Qualification (Certificate) to be eligible to receive a refund.
- The refund amount is the lesser of:
  - 75% of the excess credit, or
  - the maximum refund amount indicated on the Certificate; any additional amount is waived.

The excess credit is the current year's credit less the current year's tax liability. The 75% refund is only available for the current year's excess credit for increased research activities.

The election to make this credit refundable must be made when you originally file your return to claim the current year's credit.

If two or more taxpayers, including shareholders of an S corporation and partners in a partnership, share in the eligible expenses, each taxpayer is eligible to claim a proportionate share of the refund. An S corporation must apply for the Certificate on behalf of its shareholders. A partnership must apply for the Certificate on behalf of its partners.

**NOTE:** *The refund of this credit is calculated after your tax liability. You must calculate all of your other credits before you can determine the current year's excess credit.*

**CARRY OVER OF UNUSED CREDIT**

If your current taxable year's credit exceeds your tax liability, *and* you did not receive a refund of 75% of the excess, you may carry forward the unused portion of your credit to the next 15 consecutive taxable years. Due to various law changes, the

amount you may carry forward, and how you may apply those amounts, differ depending on the tax year in which it was earned.

If you received a refund of 75% of the excess credit, you do not have any excess amount to carryforward for this year. Any carryover amounts from the previous taxable year will be carried over to the next taxable year, subject to the fifteen-year carryover period and annual limitations on the use of those carryovers.

## Specific Instructions

Complete the name and employer identification number (EIN) section at the top of the form. Indicate the period covered by the taxable year. Include the completed form with the tax return.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for a corporation, an exempt organization with UBTI, an S corporation or a partnership is the taxpayer's EIN. Taxpayers that fail to include their TIN may be subject to a penalty.

### Part 1 - Qualification for the Credit

#### Line 1 -

Did you have qualified research expenses for this taxable year?

- a. If you have qualified research expenses for this taxable year and you intend to claim this credit, check the box labeled, "Yes".
- b. If you did not have qualified research expenses for this tax year, check the box labeled, "No". Go to line 3.

#### Line 2 -

Is this credit refundable?

- a. If this credit is refundable, check the box labeled, "Yes". Provide the information requested on lines 2a1 and 2a2.
- b. If this credit is not refundable, check the box labeled, "No".

#### Line 3 -

Are you claiming a pass through of this credit from a partnership?

- If you are claiming a pass through of this credit from a partnership, check the box labeled, "Yes".
- If you are not claiming a pass through of this credit, check the box labeled, "No".

#### Line 4 -

Is this pass through credit refundable?

- If the pass through credit you received is refundable, check the box labeled, "Yes".
- If the pass through credit you received is not refundable, check the box labeled, "No".

**NOTE:** *If an exempt organization receives a pass through of this credit from an S corporation, enter that information on lines 3 and 4.*

#### Lines 5 - 7

Answer the questions on lines 5 through 7 to determine if you qualify for this credit. Your answers will help you complete the remainder of this form.

#### Line 8 -

Reserved.

### Part 2 - Current Taxable Year's Credit Calculation

**Corporate Taxpayers (excluding S corporations, personal holding companies, and service organizations):** *Begin computing your current year's credit on line 9.*

**All other taxpayers:** *Begin computing your current year's credit on line 12.*

#### Line 9 -

Enter the amount you paid to a qualified university, scientific research organization, or grant organization for basic research conducted in Arizona.

**NOTE:** *You must have a written contract with the organization to include these payments in the calculation.*

#### Line 10 -

Enter your base period amount based on your Arizona research activity. Refer to IRC § 41(e) for a definition of base period amount.

**NOTE:** *The amount reported on line 10, up to the amount reported on line 9, is not eligible for the basic research credit. However, it can be treated as contract research expenses on line 15.*

#### Line - 11

If line 9 is greater than line 10, subtract line 10 from line 9. Enter the difference. If line 10 is greater than line 9, enter zero ("0").

#### Line 12 -

Enter total wages paid or incurred for qualified services performed in Arizona. Do not include the amount of wages paid to employees that were used in the calculation of the federal work opportunity credit.

**NOTE:** *Wages include any wages paid or incurred to an employee for qualified services performed in Arizona.*

*Qualified services are: (1) engaging in qualified research; or, (2) engaging in the direct supervision, or the direct support of research activities conducted in Arizona that are defined as qualified research.*

*Qualified research is an investigation undertaken to discover information that is technological in nature. Its application must be intended for use in developing a new or improved business component.*

#### Line 13 -

Enter the cost of supplies paid or incurred for use in conducting qualified research in Arizona. Supplies include expenditures for any tangible property, other than land or improvements to land, and property of a character subject to the allowance for depreciation.

#### Line 14 -

Enter the amount paid or incurred to rent or lease the right to use computers in conducting qualified research in Arizona.

**Line 15 -**

Enter the total of:

- (a) Seventy-five percent (.75) of any amount paid or incurred for qualified research performed in Arizona by a qualified research consortium on the taxpayer's behalf. "Qualified research consortium" is any qualifying organization as defined in IRC § 41(b)(3)(C)(ii). Also include 75% of that portion of line 9, basic research payments, paid to a qualified research consortium that does not exceed the line 10 base amount.
- (b) Sixty-five percent (.65) of any amount paid or incurred for qualified research performed in Arizona on the taxpayer's behalf, other than such amounts paid to a qualified research consortium. Prepaid contract research expenses are considered paid in the year the research is actually done. Also include 65% of that portion of line 9, basic research payments, that does not exceed the line 10 base amount, other than amounts paid to a qualified research consortium.

**NOTE:** *If you made basic research payments to an Arizona university under the jurisdiction of the Arizona Board of Regents, you may be entitled to an additional credit. See Arizona Form 346 for details.*

**Line 16 -**

Add the amounts on lines 12 through 15. Enter the total.

**Line 17 -**

Enter the amount of expenses included on lines 12 through 15 that are related to solar liquid fuel that will be claimed on Form 344. The credit for increased research activities is in lieu of the solar liquid fuel credit claimed on Form 344 with respect to the same expenses.

**Line 18**

Subtract line 17 from line 16. Enter the difference.

**Line 19 -**

Enter the average annual Arizona gross receipts for the four taxable years preceding the taxable year for which the credit is being determined (the credit year). You may be required to annualize gross receipts for any short taxable year.

If 2016 is the first year you are in business, your average annual Arizona gross receipts for the preceding taxable years is zero. If you have been in business in Arizona for less than four taxable years prior to the credit year, then the average is the sum of annual Arizona gross receipts of the applicable period, divided by the number of taxable years.

*Example:* ABC Corporation began business in Arizona in 2014. Its annual Arizona gross receipts for 2014 were \$100,000. Its annual Arizona gross receipts for 2015 were \$200,000. Therefore, ABC Corporation's average annual Arizona gross receipts for the 2016 credit year is \$150,000 ([ $\$100,000$  plus  $\$200,000$ ] divided by 2).

**Line 20 -****Fixed base percentage**

Use the same type of formulas to compute your fixed-base percentage for Arizona as you would for computing your federal fixed-base percentage. The difference is that you use

Arizona qualified research expense and gross receipts amounts instead of federal amounts. Other than that, the calculations are the same. Round off the percentage to the nearest one, one hundredth of one percent (four decimal places).

If the percentage computation involves *de minimis* amounts of gross receipts and qualified expenses in a taxable year or short taxable years are involved, the amounts may be annualized or disregarded. Refer to IRC §§ 41(c)(3) and 41(f)(4) for details.

**Existing firms and start-up companies**

Arizona's definition of whether an organization is an existing firm or a start-up company is also the same as federal, except on an Arizona basis:

- **Existing firms** - An existing firm is one that had both Arizona gross receipts and Arizona qualified research expenses for at least three taxable years beginning after December 31, 1983, and before January 1, 1989. The fixed-base percentage is the ratio that the aggregate Arizona qualified research expenses for all taxable years beginning after 1983 and before 1989, bears to the aggregate Arizona gross receipts for such taxable years.
- **Start-up companies** - A start-up company is one that had both Arizona gross receipts and Arizona qualified research expenses either (1) for the first time in a taxable year beginning after December 31, 1983, or (2) for fewer than three taxable years beginning after 1983 and before 1989.

If the percentage computation involves *de minimis* amounts of gross receipts and qualified expenses in a taxable year or short taxable years are involved, the amounts may be annualized or disregarded. Refer to IRC §§ 41(c)(3) and 41(f)(4) for details.

**NOTE:** *The maximum percentage that can be entered on line 20 is 16% (.1600).*

**Lines 21 – 22**

Read and follow the directions on the form.

**Line 23 -**

Multiply line 18 by 50% (.50). The base amount cannot be less than 50% of the current year qualified research expenses. This rule applies to both existing and start-up companies.

**Line 24 -**

Enter the lesser of line 22 or line 23.

**Line 25 –**

Add lines 11 and 24. Enter the total.

**NOTE:**

- *If line 25 is \$2,500,000 or less, complete line 26 and skip lines 27 through 29.*
- *If line 25 is more than \$2,500,000, skip line 26 and complete lines 27 through 29.*

**Lines 26 through 29 -**

The amount of expenses you have determines the amount of current year credit you are eligible to claim. To determine your proper credit amount, complete lines 26 through 30 as instructed on the form.

**Line 30 -**

Enter the amount from line 26 or 29 here.

**Part 3 –****Total Current Year's Credit Passed Through From Partnerships****Line 31 -**

Enter the total amount you received as a flow through from Form(s) 308-P, Part 2, line 4. If you received a pass through of this credit from more than one partnership, include a schedule providing this information for each partnership. Enter the total from that schedule here. Include a copy of each Form 308-P you received with your return.

**Part 4 –****Total Current Year's Credit for Increased Research Activities****Line 32 -**

Add line 30 and line 31. Enter the total. This is your current year's total credit for increased research activities.

- *Partnerships*, enter this amount on Part 2, line 3 of the partner's Form 308-P.
- *S corporations passing this credit through to its shareholders*, enter this amount on Part 2, line 3 of the shareholder's Form 308-S.
- *All Others*, go to Part 7.

**Part 5 - Partnerships and S Corporations Only  
Determining Maximum Refund Amount to be Passed Through to Partners or Shareholders****Line 33 -**

Enter the amount of your current year credit from line 32.

**Line 34 –**

Multiply line 33 by 75% (.75), Enter the result.

**Line 35 –**

Enter the amount of your maximum refundable credit from Part 1, line 2a2.

**Line 36 –**

Enter the total maximum refundable credit(s) from any pass through entities from Form(s) 308-P, Part 3, line 6.

**Line 37 –**

Add lines 34 and 35 and enter the total. This is the maximum refundable credit you have for this taxable year.

**Line 38 -**

Enter the lesser of line 34 or line 37. **This is the maximum refund amount your partners or shareholders may claim for this taxable year.**

Each partner or shareholder is entitled to a proportionate share of the credit.

The total of the credit allowed to all partners or shareholders may not exceed the amount that would have been allowed for a sole owner.

Partnerships claiming this credit must pass it through to their partners. Proceed to the instructions for completing Form 308-P on page 7.

**NOTE:** *Trusts and estates which are partners in a partnership are not eligible to claim this credit. However, the share of a partnership owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.*

**Part 6 - S Corporation Credit Election**

An S corporation may make an irrevocable election to pass this credit through to its shareholders. Or, it can choose to keep this credit and apply it to its own liability generated at the corporate level.

Enter the date the S corporation taxable year ends. Check the box corresponding to the election made by the S corporation, (to claim the credit; or to pass the credit through to its shareholders). The election must be signed by an officer of the S corporation.

When passing this credit through to your shareholders, complete Form 308-S for each shareholder.

- Provide a copy of the completed Form 308-S to each shareholder.
- File a copy of each completed Form 308-S with your tax return.
- Keep a copy of each completed Form 308-S for your records.

S corporations electing to pass this credit through to its shareholders, proceed to the instructions for completing Form 308-S on page 7.

S corporations electing to claim this credit at the corporate level, continue to Part 7.

**NOTE:** *Trusts and estates which are shareholders of S corporations, are not eligible to claim this credit. However, the share of an S corporation owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.*

**Part 7 – Refundable Portion of Your Current Taxable Year's Excess Credit**

Complete Part 7 **ONLY** if you checked the "Yes" box on line 2 and/or line 4 *and* elected to receive a refund of 75% of your excess credit.

**NOTE:** *If you are an individual receiving a pass through of this credit from a partnership or an S corporation, you must complete Form 308-I to claim your refund of this credit.*

The excess credit is the current taxable year's credit for increased research activities less the current taxable year's tax liability. Carryovers of the credit for increased research activities from previous taxable years will carryover for possible use in the next taxable year, provided they do not expire this taxable year.

**Line 39 -**

Enter the amount of the current taxable year's credit from Part 4, line 32.

**Line 40a -**

Enter the current taxable year's tax, including recapture, from Form 99T, line 8; or Form 120, line 18; or Form 120A, line 10; or Form 120S, line 14; or Form 120X, line 18(c).

**Line 40b -**

Enter the amount of nonrefundable tax credits from Form 300. Subtract the amount on Form 300, Part 1, line 4, column (c) from the amount on Form 300, Part 1, line 24. Enter the difference.

**Line 40c -**

Subtract line 40b from line 40a. Enter the difference. If the difference is zero or more, also enter it on Part 12, line 64; also enter it on Form 300, Part 1, line 4, column (a), and Form 300, Part 2, line 36. If the difference is less than zero, enter "0".

**Line 41 -**

Subtract line 40c from line 39. Enter the difference. If the difference is less than zero, enter zero; no refund is available for this taxable year.

**Line 42 -**

Multiply line 41 by 75% and enter the result. This is your tentative refundable credit.

**Line 43a -**

Enter the maximum refundable credit amount authorized by the ACA from Part 1, line 2a2.

**Line 43b -**

Enter the partner's maximum refundable credit amount from Form 308-P, Part 3, line 6. If this credit was passed through to you from more than one partnership, total the amounts on Forms 308-P, Part 3, line 6. Enter the total.

**Line 43c -**

Enter the amounts on lines 43a and 43 b. Enter the total here.

**Line 44 -**

Enter the lesser of line 42 or line 43c. Enter this amount on Form 99T, line 12; or Form 120, line 22; or Form 120A, line 14; or Form 120S, line 18; or Form 120X, line 22. On the same line, be sure to check box 308 indicating you are claiming a refundable credit for increased research activities.

## CREDIT CARRYOVERS

**NOTE:** *If you have credit carryovers from taxable years prior to 2016, complete Part 8 and/or Part 9 (as appropriate). If you are receiving a refund, do not complete Part 10 and/or Part 11 (as appropriate). If you do not have carryovers from taxable years prior to 2016, skip to Part 12.*

*The credit for increased research activities may be carried forward to offset your tax liability of the next fifteen (15) years.*

**Allowable Credit Carryover**

There are limitations on how much of your carryover you can use to offset this year's tax. How much you can use depends on the year from which the carryover arose. In Part 11 and Part 12, you will apply those limitations to determine the proper carryover amounts.

If you have other credits, your usable amount of credit from increased research activities may be limited further. You will be

applying these limitations when you complete Form 300, *Nonrefundable Corporate Tax Credits and Recapture*.

**Part 8 - Available Pre-2003 Credit Carryover**

Use Part 8 to compute your available pre-2003 credit carryover.

Complete lines 45 and 46 to compute the total of your credit carryovers from tax years 2001 and 2002. Enter this total on line 47, column (d).

**Part 9 - Available Post-2002 Credit Carryover**

Use Part 9 to compute the available post-2002 credit carryover.

Complete lines 48 through 60 to compute the total of all your carryovers from tax years after 2002. Enter this total on line 61, column (d).

**REMINDER:** *If you received a refund of this credit for any prior taxable year, no carryover of this credit is available from those years. In this case, enter zero in column (d) for those tax years.*

**Part 10 - Limitation of Pre-2003 Credit Carryover**

**NOTE:** *If you completed Part 7 and are receiving a refund, do not complete Part 10.*

The total amount of credit carryovers that originated in taxable years 2001 or 2002 that you can use to offset this year's tax liability is limited. The total amount of pre-2003 credit carryforward cannot be more than your current year's income tax liability or \$500,000, minus this current year's credit for increased research activities.

Use lines 62a through 62f to calculate the amount of pre-2003 carryovers that you can use. Complete those lines as instructed on the form.

**Part 11 - Limitation of Post-2002 Credit Carryover**

**NOTE:** *If you completed Part 7 and are receiving a refund, do not complete Part 11.*

The total amount of your post-2002 credit carryforward cannot be more than your current year's income tax liability minus this current year's credit for increased research activities.

Use lines 63a through 63e to calculate the amount of post-2002 carryovers that you can use. Complete those lines as instructed on the form.

**Part 12 - Total Available Nonrefundable Credit**

Complete this section to compute the total available nonrefundable credit for the taxable year. The total available nonrefundable credit is the sum of the credit for the current taxable year's increased research activities and the available credit carryover(s).

**Line 64 -**

If you completed Part 7 and are receiving a refund, enter the amount from Part 7, line 40c.

If you are not receiving a refund, enter the amount from Part 4, line 32.

Partnerships and S corporations that passed the current year credit through to partners and shareholders, enter zero "0".

This is the current taxable year's credit for increased research activities.

*Also, enter this amount on Form 300, Part 1, line 4, column (a).*

**NOTE:** *If you qualify for and are claiming a 75% refund of your excess credit for the current year, enter only the nonrefundable portion of the current year's credit here (from, Part 7, line 40c).*

*Enter the refundable portion of the credit (the amount from Part 7, line 44) on Form 99T, line 12; or Form 120, line 22; or Form 120A, line 14; or Form 120S, line 18; or Form 120X, line 22.*

*Carry forwards from previous years of the credit for increased research activities will carry over to the following year, provided the credit is within the 15-year carry forward period.*

**Line 65 -**

If you completed Part 7 and are receiving a refund, enter zero ("0"). Otherwise, enter your pre-2003 credit carryover amount from Part 10, line 62f.

**Line 66 -**

If you completed Part 7 and are receiving a refund, enter zero ("0"). Otherwise, enter your post-2002 credit carryover amount from Part 11, line 63e.

Also, enter the sum of line 65 and line 66 on Form 300, Part 1, line 4 column (b).

**Line 67 -**

Add the amounts from lines 64, 65, and 66. This is the total available credit for increased research activities that may be applied to the current taxable year's tax liability. Enter the total here and on Form 300, Part 1, line 4, column (c).

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## Form 308-P, Partner's Portion of the Credit

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Enter the taxable year from which this credit is being passed through to your partners.

Complete Form 308-P for each partner of the partnership, *except for* trust or estate partners. However, a partnership ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.

The partnership must furnish each partner with their completed copy of Form 308-P, including additional schedules as needed.

### Part 1 – Partnership and Partner Information

#### Line 1 –

Enter the partnership name and EIN in the spaces provided.

#### Line 2 –

Enter the partner's name, EIN or Social Security Number, and proportionate share of the credit in the spaces provided.

### Part 2 – Distribution of the Credit Passed Through

#### Line 3 –

Enter the total amount of the partnership's credit for increased research and development from Form 308, Part 4, line 32.

#### Line 4 –

Multiply line 3 by the amount reported on line 2(c). Enter that amount here. This is the partner's proportionate share of the credit.

### Part 3 – Distribution of the Refundable Portion of the Credit Passed Through

#### Line 5 –

Enter the maximum refund amount from Part 5, line 38 of the partnership's Form 308.

#### Line 6 -

Multiply line 5 by the amount reported on line 2(c). Enter that amount here. This is the partner's proportionate share of the maximum refundable amount of the credit.

*Individual partners will use this form to complete their own Form 308-I.*

*All other partners will use this form the complete their own Form 308.*

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## Form 308-S, S Corporation Shareholder's Portion of the Credit

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Enter the taxable year from which this credit is being passed through to your shareholders.

Complete Form 308-S for each shareholder of the S corporation, *except for* trust or estate partners. However, an S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.

The S corporation must furnish each shareholder with his or her completed copy of Form 308-S, including additional schedules as needed.

### Part 1 - S corporation and Shareholder Information

#### Line 1 –

Enter the S corporation name and EIN in the spaces provided.

#### Line 2 –

Enter the Shareholder's name, Social Security Number, and proportionate share of the credit in the spaces provided.

### Part 2 – Distribution of the Credit Passed Through

#### Line 3 –

Enter the total amount of the S corporation's credit for increased research and development from Form 308, Part 4, line 32.

#### Line 4 –

Multiply line 3 by the amount reported on line 2(c). Enter that amount here. This is the shareholder's proportionate share of the credit.

### Part 3 – Distribution of the Refundable Portion of the Credit Passed Through

#### Line 5 –

Enter the maximum refund amount Part 5, line 38 of the S corporation's Form 308.

#### Line 6 -

Multiply line 5 by the amount reported on line 2(c). Enter that amount here. This is the shareholder's proportionate share of the maximum refundable amount of the credit.

*Individual shareholders will use this form to complete their own Form 308-I.*

*Shareholders that are exempt organizations with UBTI, use this form to complete your own Form 308.*

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For the calendar year 2016 or fiscal year beginning MM,DD,2016 and ending MM,DD,20YY.

**Partnership:**

- Complete Form 308-P for each partner in the partnership **except for** trust or estate partners. However, a partnership ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.
- Include a copy of each completed Form 308-P with your partnership return.
- Provide a copy of the completed form and the certification received from the Arizona Commerce Authority (if Part 3 is completed) to each partner.
- Keep a copy of each completed Form 308-P for your records.

**Partners:**

- Use this form to complete your own Form 308.
- Include this completed form and a copy of the certification received from the Arizona Commerce Authority (if Part 3 is completed) with your return.
- Keep a copy of this form and certification for your records.

**Part 1 Partnership and Partner Information**

<b>1</b>	(a) Partnership Name	(b) Employer Identification Number (EIN)	
	(a) Partner Name	(b) Taxpayer Identification Number (TIN)	(c) Proportionate Share %
<b>2</b>			

**Part 2 Distribution of the Credit**

<b>3</b>	Enter the total amount of partnership's research and development credit from Part 4, line 32 of the partnership's Form 308.....	<b>3</b>	\$		00
<b>4</b>	Multiply line 3 by the partner's proportionate share shown in line 2(c). This is the partner's portion of the partnership research and development credit .....	<b>4</b>	\$		00

**Individual Partners:** Enter the amount from line 4 on your Form 308-I, Part 3, line 27.  
**Corporate or Other Partners:** Enter the amount from line 4 on your Form 308, Part 3, line 31.

**Part 3 Distribution of the Maximum Refundable Portion of the Credit**

Has the partnership listed above received a certificate from the Arizona Commerce Authority?  Yes  No  
 • If "Yes", include a copy of the certificate and proceed to question 5.  
 • If "No", **STOP!** There is no refundable portion of the research and development credit to be passed through.

<b>5</b>	Enter the maximum refund amount from Part 5, line 38 of the partnership's Form 308.....	<b>5</b>	\$		00
<b>6</b>	Multiply line 5 by the partner's proportionate share shown in line 2(c). This is the partner's portion of the maximum refundable research and development credit available for this year ...	<b>6</b>	\$		00

**Individual Partners:** Enter the amount from line 6 on your Form 308-I, Part 5, line 33b.  
**Corporate or Other Partners:** Enter the amount from line 6 on your Form 308, Part 7, line 43b.  
**Partners who are Partnerships or S Corporations:** Enter the amount from line 6 on your Form 308, Part 5, line 36.

**NOTE:** If you file your tax return on a calendar year basis but this entity files a return on a fiscal year basis (see above), claim this credit on your tax return for the year in which this entity's fiscal year ends.

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For the calendar year 2016 or fiscal year beginning MM,DD,2016 and ending MM,DD,20YY.

**S Corporation:**

- Complete Form 308-S for each shareholder in the S corporation **except for** trust or estate shareholders. However, an S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.
- Include a copy of each completed Form 308-S with your S corporation return.
- Provide a copy of the completed form and the certification received from the Arizona Commerce Authority (if Part 3 is completed) to each shareholder.
- Keep a copy of each completed Form 308-S for your records.

**Shareholders:**

- Use this form to complete your own Form 308-I.
- Include this completed form and a copy of the certification received from the Arizona Commerce Authority (if Part 3 is completed) with your return.
- Keep a copy of this form and certification for your records.

**Part 1 S Corporation and Shareholder Information**

<b>1</b>	(a) S Corporation Name	(b) Employer Identification Number (EIN)	
	(a) Shareholder Name	(b) Social Security Number (SSN)	(c) Proportionate Share %
<b>2</b>			

**Part 2 Distribution of the Credit**

<b>3</b>	Enter the total amount of the S corporation's research and development credit from Part 4 line 32 of the S corporation's Form 308.....	<b>3</b>	\$		00
<b>4</b>	Multiply line 3 by the shareholder's proportionate share shown in line 2(c). This is the shareholder's portion of the S corporation research and development credit.....	<b>4</b>	\$		00

**Shareholders:** Enter the amount from line 4 on your Form 308-I, Part 3, line 27.

**Part 3 Distribution of the Maximum Refundable Portion of the Credit**

Has the S corporation listed above received a certificate from the Arizona Commerce Authority?  Yes  No

- If "Yes", include a copy of the certificate and proceed to question 5.
- If "No", **STOP!** There is no refundable portion of the research and development credit to be passed through.

<b>5</b>	Enter the maximum refund amount from Part 5, line 38 of the S corporation's Form 308. ....	<b>5</b>	\$		00
<b>6</b>	Multiply line 5 by the shareholder's proportionate share shown in line 2(c). This is the shareholder's portion of the maximum refundable research and development credit available for this year.....	<b>6</b>	\$		00

**Shareholders:** Enter the amount from line 6 on your Form 308-I, Part 5, line 33b.

**NOTE:** If you file your tax return on a calendar year basis but this entity files a return on a fiscal year basis (see above), claim this credit on your tax return for the year in which this entity's fiscal year ends.

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**Include with your return.**

For the calendar year 2016 or fiscal year beginning   M  /  M  /  D   2 0 1 6 and ending   M  /  M  /  D   2 0         .

Name as shown on Form 140, 140PY, 140NR or 140X	Social Security Number
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Individuals must complete this form to claim the credit for increased research activities. Do not complete Form 308. Complete this form if the taxpayer has:

(a) a current taxable year's credit from the taxpayer's sole proprietorship; OR

(b) a current taxable year's credit passed through from an S corporation or a partnership; OR

(c) a carryover of unused credit from taxable year(s) 2001 and later.

**Part 1 Qualification for the Credit**

<p>1 Did you have qualified research expenses for the tax year indicated above? ..... <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>a If "Yes" and you are claiming the Arizona Credit for Increased Research Activities, go to line 2.</p> <p>b If "No", go to line 3.</p> <p>2 Is this credit refundable? ..... <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>a If "Yes":</p> <p>a1 Include a copy of the certification you received from the Arizona Commerce Authority (ACA).</p> <p>a2 Enter the maximum refund amount authorized by the ACA here and on line 33a.....</p> <p>b If "No", go to line 3.</p> <p>3 Are you claiming a pass through of this credit from a partnership or S corporation? ..... <input type="checkbox"/> Yes <input type="checkbox"/> No (If you are claiming a pass through of this credit from more than one partnership and/or S corporation, include a schedule providing this information.)</p> <p>4 Is this pass through credit refundable?..... <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>5 If you answered "Yes" to the question on line 1, go to Part 2.</p> <p>6 If you answered "No" to the question on line 1 and "Yes" to the question on line 3, go to Part 3.</p> <p>7 If you answered "No" to the question on line 1 and "No" to the question on line 3, complete this form ONLY if you have credit carryovers. Go to Part 7 and/or 8. Otherwise, <b>STOP! YOU ARE NOT ELIGIBLE TO CLAIM THIS CREDIT.</b></p> <p>8 Reserved</p>	<p>2a2</p>	<p>00</p>
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**Part 2 Current Taxable Year's Credit Calculation (Sole Proprietorships Only)**

9 Wages for qualified services (do not include wages used in figuring the federal work opportunity credit).....	9		00		
10 Cost of supplies.....	10		00		
11 Rental or lease cost of computers.....	11		00		
12 Contract research expenses: See instructions.....	12		00		
13 Total research expenses: Add lines 9 through 12. Enter the total.....	13		00		
14 Research expenses included on lines 9 through 12 related to solar liquid fuel that will be claimed on Arizona Form 344.....	14		00		
15 Total qualified research expenses: Subtract line 14 from line 13.....	15				00
16 Average annual Arizona gross receipts: See instructions.....	16		00		
17 Fixed-base percentage [not more than 16% (.1600)]: See instructions.....	17	.			
18 Base amount: Multiply line 16 by the percentage on line 17. Enter the result.....	18				00
19 Subtract line 18 from line 15. If less than zero, enter "0".....	19				00
20 Multiply line 15 by 50% (.50). Enter the result.....	20				00
21 Enter the lesser of line 19 or line 20.....	21				00
<p>• If line 21 is \$2,500,000 or less, complete line 22 and skip lines 23 through 25.</p> <p>• If line 21 is more than \$2,500,000, skip line 22 and complete lines 23 through 25.</p>					
22 Multiply line 21 by 24% (.24). Enter the result.....	22				00
23 Subtract \$2,500,000 from line 21. Enter the difference.....	23		00		
24 Multiply line 23 by 15% (.15). Enter the result.....	24		00		
25 Add \$600,000 to line 24. Enter the total.....	25				00
26 Enter the amount from line 22 or 25 here.....	26				00

Name (as shown on page 1)	EIN
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**Part 3 Current Taxable Year's Credit Passed Through From S Corporations and Partnerships**

27 Total amount of credit passed through from S corporations and partnerships: Enter the total amount of the credit for increased research activities from all Form(s) 308-P, Part 2, line 4 and/or Form(s) 308-S, Part 2, line 4. Include copies of any Form(s) 308-P and/or Form(s) 308-S with your tax return .....	<b>27</b>		00
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**Part 4 Total Current Taxable Year's Credit for Increased Research Activities**

28 <b>Total Credit:</b> Add line 26 and line 27. Enter the total. <b>This is your current year's total credit for increased research activities</b> .....	<b>28</b>		00
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**Part 5 Refundable Portion of the Current Taxable Year's Excess Credit**

Only complete Part 5 if you checked "Yes" in Part 1, line 1, or Part 1, line 3.

29 Total current taxable year's credit: Enter the amount from Part 4, line 28.....	<b>29</b>		00
30a Subtotal of tax: Enter the amount from Form 140, line 48; or Form 140PY, line 60; or Form 140NR, line 58; or Form 140X, line 36.....	<b>30a</b>	00	
30b Nonrefundable tax credits: Enter the amount of nonrefundable tax credits from Form 301, Part 1, line 33 less the amount (if any) on Form 301, Part 1, line 5, column (c).....	<b>30b</b>	00	
30c Current taxable year's credit for increased research activities that will be used to offset the current taxable year's tax liability: Subtract line 30b from line 30a and enter the difference. If the difference is zero or more, enter it on Part 9, line 56; also enter it on Form 301, Part 1, line 5, column (a), and on Form 301, Part 2, line 48. If the difference is less than zero, enter "0" .....	<b>30c</b>		00
31 Current taxable year's excess credit: Subtract line 30c from line 29 and enter the difference. If less than zero, enter "0", because no refund is available .....	<b>31</b>		00
32 Tentative refundable credit: Multiply line 31 by 75% (.75). Enter the result.....	<b>32</b>		00

**Maximum refundable credit: See instructions.**

33a Enter the maximum refundable credit amount authorized by the ACA from Part 1, line 2a2 for the credit you earned.....	<b>33a</b>		00
33b Enter the partner's or shareholder's maximum refundable credit amount from Form 308-P, Part 3, line 6, or from Form 308-S, Part 3, line 6. If this credit was passed through to you from more than one partnership and/or S coporation, total the amounts indicated on Form(s) 308-P, Part 3, line 6, and Form(s) 308-S, Part 3, line 6. Enter the total amount here .....	<b>33b</b>	00	
33c Add the amounts on lines 33a and 33b. Enter the total here .....	<b>33c</b>		00
34 <b>Refundable Credit:</b> Enter the lesser of line 32 or line 33c. See instructions .....	<b>34</b>		00

Complete Part 6 and Part 7 if you have carryovers from prior years. If you elect to receive a refund of 75% of the excess credit, you cannot carry forward any amount from the year of the refund.

**Part 6 Available Pre-2003 Credit Carryover**

	(a) Taxable Year	(b) Original Credit Amount	(c) Amount Previously Used	(d) Available Carryover: Subtract column (c) from column (b).
35	2001	00	00	00
36	2002	00	00	00
37	Total Available Pre-2003 Carryover: Add lines 35 and 36 in column (d).....			00

Name (as shown on page 1)	EIN
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**Part 7 Available Post-2002 Credit Carryover**

	(a) Taxable Year	(b) Original Credit Amount	(c) Amount Previously Used	(d) Available Carryover: Subtract column (c) from column (b).	
38	2003	00	00	00	
39	2004	00	00	00	
40	2005	00	00	00	
41	2006	00	00	00	
42	2007	00	00	00	
43	2008	00	00	00	
44	2009	00	00	00	
45	2010	00	00	00	
46	2011	00	00	00	
47	2012	00	00	00	
48	2013	00	00	00	
49	2014	00	00	00	
50	2015	00	00	00	
51	Total Available Post-2002 Carryover: Add lines 38 through 50 in column (d).....			<b>51</b>	00

**Part 8 Limitation of Credit Carryovers**

If you completed Part 5 and are receiving a refund, do not complete Part 8.

LIMITATION OF PRE-2003 CREDIT CARRYOVER: You may not be able to use all of your available pre-2003 credit carryovers from Part 6 to offset this year's tax liability. Complete Part 8 to determine which credit carryovers you may claim. Also complete Part 8 to figure the total of all of your available credit carryovers (amounts from Part 6, line 37, column (d), and Part 7, line 51, column (d)) that you may claim this year.

52a Current year's liability: Enter the amount from Form 301, Part 2, line 41.....		00
52b Current year's total credit: Enter the amount from Part 4, line 28 .....	<b>52b</b>	00
52c Subtract line 52b from line 52a. If the difference is zero or less, enter "0" .....	<b>52c</b>	00
53a Available pre-2003 credit carryover: Enter the amount from Part 6, line 37, column (d).....	<b>53a</b>	00
53b Enter the lesser of line 52a or \$500,000.....	<b>53b</b>	00
53c Subtract line 52b from line 53b. If the difference is zero or less, enter "0" .....	<b>53c</b>	00
53d Enter the lesser of line 53a or line 53c. This is the amount of pre-2003 carryover that you may use .....	<b>53d</b>	00
54 Subtract line 53d from line 52c. Enter the difference.....	<b>54</b>	00
55 Enter the lesser of Part 7, line 51, column (d) or line 54. This is the amount of post-2002 carryover that you may use.....	<b>55</b>	00

**Part 9 Total Available Nonrefundable Credit**

56 Current year's credit: If you completed Part 5 and are receiving a refund, enter the amount from Part 5, line 30c. Otherwise, enter the amount from Part 4, line 28. • Also enter this amount on Form 301, line 5, column (a) .....		00
57 If you completed Part 5 and are receiving a refund, enter "0". Otherwise, enter the pre-2003 carryover from Part 8, line 53d .....	<b>57</b>	00
58 If you completed Part 5 and are receiving a refund, enter "0". Otherwise, enter the post-2002 carryover from Part 8, line 55. • Also enter the sum of lines 57 and 58 (total carryover) on Form 301, line 5, column (b).....	<b>58</b>	00
59 <b>Total available credit:</b> Add lines 56, 57, and 58. • Also enter this amount on Form 301, Part 1, line 5, column (c) .....	<b>59</b>	00

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**2016 Credit for Increased Research Activities - Individuals**

**CONTACTS FOR REFUND OF CREDIT FOR INCREASED RESEARCH ACTIVITIES**

**Arizona Commerce Authority**

- Application forms
- Program guidelines

Website: **www.azcommerce.com**  
 Program Manager (602) 845-1200

**CONTACTS FOR NONREFUNDABLE CREDIT FOR INCREASED RESEARCH ACTIVITIES**

**Arizona Department of Revenue**

- Tax forms and instructions
- Information and assistance

Website: **www.azdor.gov**  
 Taxpayer assistance (602) 255-3381  
 From area codes 520 and 928, toll-free (800) 352-4090

**General Instructions**

**NOTE:** THE 2016 FORM 308-I IS USED ONLY BY INDIVIDUAL TAXPAYERS. CORPORATIONS, EXEMPT ORGANIZATIONS WITH UNRELATED BUSINESS TAXABLE INCOME, S CORPORATIONS, OR PARTNERSHIPS MUST USE THE 2016 FORM 308.

Arizona Revised Statutes (A.R.S.) § 43-1074.01 provides an individual income tax credit for increased research activities in a taxable year.

- The Arizona tax credit for individuals is allowed in an amount computed pursuant to Internal Revenue Code (IRC) § 41 with the following exceptions:
  - Qualified research includes only research conducted in Arizona. The term "qualified research", for purposes of the Arizona tax credit, means qualified research, as defined in IRC § 41, that is conducted in Arizona.
  - The amount of the credit is based on the federal regular credit computation method for Arizona qualified research expenses. Taxpayers cannot use the federal alternative credit computation method. The allowable current taxable year credit is a percentage of the excess, if any, of the Arizona qualified research expenses for the taxable year over the base amount.
- The termination provisions of IRC § 41 do not apply.
- For 2016, if the allowable expenses do not exceed \$2,500,000, the allowable credit is 24% of this amount. If the allowable expenses exceed \$2,500,000, the allowable credit amount is \$600,000 plus 15% of the amount of expenses over \$2,500,000.
- If two or more taxpayers, including shareholders of an S corporation and partners in a partnership, share in the eligible expenses, each taxpayer is eligible to receive a proportionate share of the credit.
- A portion of the current year's excess credit may be refundable if you qualify.
- The credit for increased research activities is in lieu of the solar liquid fuel credit, claimed on Arizona Form 344, with respect to the same expenses.

**REFUNDABLE PORTION OF THE CURRENT YEAR'S EXCESS CREDIT**

If you qualify, *and* if the current taxable year's credit for increased research activities exceeds your income tax liability, a portion of the excess credit may be refundable to you. To qualify to receive this refund:

- You must have less than 150 full-time employees .
- You must apply to the Arizona Commerce Authority (ACA) and receive a Certificate of Qualification (Certificate) to be eligible to receive a refund.
- The refund amount is the lesser of:
  - 75% of the excess credit, or
  - the maximum refund amount indicated on the Certificate; any additional amount is waived.

The excess credit is the current year's credit less the current year's tax liability. The 75% refund is only available for the current year's excess credit for increased research activities.

The election to make this credit refundable must be made when you file originally file your return to claim the current year's credit.

If two or more taxpayers, including shareholders of an S corporation and partners in a partnership, share in the eligible expenses, each taxpayer is eligible to claim a proportionate share of the refund. An S corporation must apply for the Certificate on behalf of its shareholders. A partnership must apply for the Certificate on behalf of its partners.

**NOTE:** *The refund of this credit is calculated after your tax liability. You must calculate all of your other credits before you can determine the current year's excess credit.*

**CARRYOVER OF UNUSED CREDIT**

If your current taxable year's credit exceeds your tax liability, and you did not receive a refund of the excess, you may carry forward the unused portion of your credit to the next 15 consecutive taxable years. Due to various law changes, the amount you may carry forward, and how you may apply those amounts, differ depending on the tax year in which it was earned.

If you received a refund of 75% of the excess credit, you do not have any excess amount to carryforward for this year. Any carryover amounts from the previous taxable year will be carried over to the next taxable year, subject to the 15-year carryover period and annual limitations on the use of those carryovers.

If you have other nonrefundable tax credits that you are using to reduce your tax liability, you may not be able to use all of your credit for increased research activities to reduce your tax this year. You will be applying these limitations when you complete Arizona Form 301, *Nonrefundable Individual Tax Credits and Recapture*.

**DO YOU HAVE TO MAKE OTHER ADJUSTMENTS TO ARIZONA GROSS INCOME OR TO THE ARIZONA TAX CREDIT FOR INCREASED RESEARCH ACTIVITIES?**

- If you claim an Arizona credit for increased research activities for the taxable year, Arizona statutes do not require you to make an addition to Arizona gross income

for the amount of qualified research expenses equal to the amount of the allowable Arizona credit.

- If you claim a reduced federal credit for increased research expenses and claim the Arizona credit for increased research activities, Arizona statutes do not require you to reduce the Arizona credit for increased research activities in a manner similar to the federal reduction method.
- If you reduce the amount of the deduction for qualified research activities in the computation of federal adjusted gross income, Arizona statutes do not allow you to take a subtraction from Arizona gross income for the amount of the expense reduction.
- If you adjust the federal asset basis of capitalized research expenses and reduce the amount of amortization deductible in the computation of federal adjusted gross income, Arizona statutes do not allow you to take a subtraction from Arizona gross income for additional amortization.

### Specific Instructions

Complete the name and Social Security Number section at the top of the form. Indicate the period covered by the taxable year. Include the completed form with the tax return.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for an individual is the taxpayer's Social Security Number or an Internal Revenue Service individual taxpayer identification number. Taxpayers that fail to include their TIN may be subject to a penalty.

#### Part 1 - Qualification for the Credit

##### Line 1 -

Did your sole proprietorship have qualified research expenses for this taxable year?

- a. If your sole proprietorship had qualified research expenses for this taxable year and you intend to claim this credit, check the box labeled, "Yes".
- b. If your sole proprietorship did not have qualified research expenses for this taxable year, check the box labeled, "No". Go to line 3.

##### Line 2 -

Is this credit refundable?

- a. If this credit is refundable, check the box labeled, "Yes". Provide the information requested on lines 2a1 and 2a2.
- b. If this credit is not refundable, check the box labeled, "No".

##### Line 3 -

Are you claiming a pass through of this credit from a partnership or from an S corporation?

- If you are claiming a pass through of this credit from a partnership or from an S corporation, check the box labeled, "Yes".
- If you are not claiming a pass through of this credit, check the box labeled, "No". Go to line 5.

##### Line 4 -

Is this pass through credit refundable?

- If the pass through credit you received is refundable, check the box labeled, "Yes".
- If the pass through credit you received is not refundable, check the box labeled, "No".

##### Lines 5 - 7

Answer the questions on lines 5 through 7 to determine if you qualify for this credit. Your answers will help you complete the remainder of this form.

##### Line 8 -

Reserved.

#### Part 2 - Current Taxable Year's Credit Calculation (Sole Proprietorships Only)

**NOTE:** Complete this part only if you operate a business as a sole proprietorship and your sole proprietorship incurred qualified research expenses during the taxable year. If you received your credit as the result of a pass through, go to Part 3.

##### Line 9 -

Enter total wages paid or incurred for qualified services performed in Arizona. Do not include the amount of wages paid to employees that were used in the calculation of the federal work opportunity credit.

**NOTE:** Wages include any wages paid or incurred to an employee for qualified services performed in Arizona.

*Qualified services are: (1) engaging in qualified research; or, (2) engaging in the direct supervision, or the direct support of research activities conducted in Arizona that are defined as qualified research.*

*Qualified research is an investigation undertaken to discover information that is technological in nature. Its application must be intended for use in developing a new or improved business component.*

##### Line 10 -

Enter the cost of supplies paid or incurred for use in conducting qualified research in Arizona. Supplies include expenditures for any tangible property other than land or improvements to land and property of a character subject to the allowance for depreciation.

##### Line 11 -

Enter the amount paid or incurred to rent or lease the right to use computers in conducting qualified research in Arizona.

##### Line 12 -

Enter the total of:

- (a) Seventy-five percent (.75) of any amount paid or incurred for qualified research performed in Arizona by a qualified research consortium on your sole proprietorship's behalf. "Qualified research consortium" is any qualifying organization as defined in IRC § 41(b)(3)(C)(ii).
- (b) Sixty-five percent (.65) of any amount paid or incurred for qualified research performed in Arizona on your sole proprietorship's behalf, other than such amounts paid to

a qualified research consortium. Prepaid contract research expenses are considered paid in the year the research is actually done.

**NOTE:** *If your contract research expenses were made to an Arizona university under the jurisdiction of the Arizona Board of Regents and qualify as basic research payments, you may be entitled to an additional credit. See Form 346 for details.*

**Line 13 -**

Add lines 9 through 12. Enter the total.

**Line 14 -**

Enter the amount of expenses included on lines 9 through 12 that are related to solar liquid fuel that will be claimed on Arizona Form 344. The credit for increased research activities is in lieu of the solar liquid fuel credit, claimed on Arizona Form 344, with respect to the same expenses.

**Line 15 -**

Subtract line 14 from line 13. Enter the difference.

**Line 16 -**

Enter the average annual Arizona gross receipts for the four taxable years preceding the taxable year for which the credit is being determined (the credit year). You may be required to annualize gross receipts for any short taxable year.

If 2016 is the first year you are in business, the average annual Arizona gross receipts for the preceding taxable years is zero. If you have been in business in Arizona for less than four taxable years prior to the credit year, then the average is the sum of annual Arizona gross receipts of the applicable period, divided by the number of taxable years.

*Example:* ABC Corporation began business in Arizona in 2014. Its annual Arizona gross receipts for 2014 were \$100,000. Its annual Arizona gross receipts for 2015 were \$200,000. Therefore, ABC Corporation's average annual Arizona gross receipts for the 2016 credit year is \$150,000 ([\$100,000 plus \$200,000] divided by 2).

**Line 17 -**

**Fixed base percentage**

Use the same type of formulas to compute your fixed-base percentage for Arizona as you would for computing your federal fixed-base percentage. The difference is that you use Arizona qualified research expense and gross receipts amounts instead of federal amounts. Other than that, the calculations are the same. Round off the percentage to the nearest one, one hundredth of one percent (four decimal places).

If the percentage computation involves *de minimis* amounts of gross receipts and qualified expenses in a taxable year or short taxable years are involved, the amounts may be annualized or disregarded. Refer to IRC §§ 41(c)(3) and 41(f)(4) for details.

**Existing firms and start-up companies**

Arizona's definition of whether an organization is an existing firm or a start-up company is also the same as federal, except on an Arizona basis:

- **Existing firms** - An existing firm is one that had both Arizona gross receipts and Arizona qualified research

expenses for at least three taxable years beginning after December 31, 1983, and before January 1, 1989. The fixed-base percentage is the ratio that the aggregate Arizona qualified research expenses for all taxable years beginning after 1983 and before 1989, bears to the aggregate Arizona gross receipts for such taxable years.

- **Start-up companies** - A start-up company is one that had both Arizona gross receipts and Arizona qualified research expenses either (1) for the first time in a taxable year beginning after December 31, 1983, or (2) for fewer than three taxable years beginning after 1983 and before 1989.

<b>Fixed-Base Percentages for Taxable Years Beginning After 1993 in Which Start-Up Companies Incurred Arizona Qualified Research Expenses</b>	
<i>Taxable Year After 1993</i>	<i>Percentages for Taxable Years After 1993</i>
1st through 5th	3%
6th	Divide the aggregate Arizona qualified research expenses for 4th and 5th taxable years by the aggregate Arizona gross receipts for 4th and 5th taxable years. Multiply the result by 1/6 (.1667).
7th	Divide the aggregate Arizona qualified research expenses for 5th and 6th taxable years by the aggregate Arizona gross receipts for 5th and 6th taxable years. Multiply the result by 1/3 (.3333).
8th	Divide the aggregate Arizona qualified research expenses for 5th through 7th taxable years by the aggregate Arizona gross receipts for 5th through 7th taxable years. Multiply the result by 1/2 (.50).
9th	Divide the aggregate Arizona qualified research expenses for 5th through 8th taxable years by the aggregate Arizona gross receipts for 5th through 8th taxable years. Multiply the result by 2/3 (.6667).
10th	Divide the aggregate Arizona qualified research expenses for 5th through 9th taxable years by the aggregate Arizona gross receipts for 5th through 9th taxable years. Multiply the result by 5/6 (.8333).
All years after 10th	Divide the aggregate Arizona qualified research expenses for any 5 taxable years selected by the taxpayer from among the 5th through 10th taxable years by the aggregate Arizona gross receipts for the selected taxable years.

If the percentage computation involves *de minimis* amounts of gross receipts and qualified expenses in a taxable year or short taxable years are involved, the amounts may be annualized or disregarded. Refer to IRC §§ 41(c)(3) and 41(f)(4) for details.

**NOTE:** *The maximum percentage that can be entered on line 17 is 16% (.1600).*

**Line 18 –**

Multiply line 16 by the percentage on line 17. Enter the result.

**Line 19 –**

Subtract line 18 from line 15. Enter the result. If less than zero (“0”), enter zero (“0”).

**Line 20 –**

Multiply line 15 by 50% (.50). Enter the result. The base amount cannot be less than 50% of the current year qualified research expenses. This rule applies both to existing and start-up companies.

**Line 21 –**

Enter the lesser of line 19 or line 20.

**NOTE:**

- If line 21 is \$2,500,000 or less, complete line 22 and skip lines 23 through 25.
- If line 21 is more than \$2,500,000, skip line 22 and complete lines 23 through 25.

**Lines 22 through 26 –**

The amount of expenses you have determines the amount of current year credit you are eligible to claim. To determine your proper credit amount, complete lines 22 through 26 as instructed on the form.

**Part 3 – Current Year’s Credit Passed Through from S Corporations and Partnerships****Line 27 –**

Enter the total amount you received as a pass through from partnerships and/or S corporations from Form(s) 308-P, Part 2, line 4 and/or Forms 308-S, Part 2, line 4. Include a copy of all Forms 308-P and/or Forms 308-S you received with your return.

**Part 4 – Total Current Taxable Year’s Credit for Increased Research Activities****Line 28 –**

Add line 26 and line 27. Enter the total. **This is your current year’s total credit for increased research activities.**

**Part 5 – Refundable Portion of the Current Taxable Year’s Excess Credit**

Complete Part 5 ***ONLY*** if you checked the “Yes” box on line 2 or on line 4 and elected to receive a refund of 75% of your excess credit.

If you checked the “No” box on line 2 and/or line 4, *or* you elect *not* to receive a refund of 75% of your excess credit, skip to Part 6.

The excess credit is the current taxable year’s credit for increased research activities less the current taxable year’s tax liability. Carryovers of the credit for increased research activities from previous taxable years will carry over for possible use in the next taxable year, provided they do not expire this taxable year.

**NOTE:** *If you complete Part 5 and are receiving a refund, do not complete Part 8.*

**Line 29 –**

Enter the amount from Part 4, line 28.

**Line 30a –**

Enter the amount from Form 140, line 48; or Form 140PY, line 60; or Form 140NR, line 58; or Form 140X, line 36.

**Line 30b –**

Enter the current year’s nonrefundable tax credits from Form 301, Part 1, line 33 excluding the credit or carryovers for increased research activities on Form 301, Part 1, line 5, column (c).

**Line 30c –**

Subtract line 30b from line 30a. Enter the difference. If the difference is zero or more, enter it on Part 9, line 56; also enter it on Form 301, Part 1, line 5, column (a), and Form 301, Part 2, line 48. If the difference is less than zero, enter zero. This is the current year’s credit for increased research activities that will be used to offset the current taxable year’s tax liability.

**Line 31 –**

Subtract the amount on line 30c from line 29. Enter the difference. If the result is less than zero, enter “0”, because no refund is available. This is the current year’s excess credit.

**Line 32 –**

Multiply the amount on line 31 by 75% (.75) and enter the result. This is your tentative refundable credit.

**Maximum Refundable Credit****Line 33a –**

Enter the maximum refundable credit amount authorized by the ACA for the credit you earned from Part 1, line 2a2.

**Line 33b –**

Enter the partner’s or shareholder’s maximum refundable credit amount from Form 308-P, Part 3, line 6, or from Form 308-S, Part 3, line 6. If this credit was passed through to you from more than one partnership and/or S corporation, total the amounts indicated on Form(s) 308-P, Part 3, line 6, and/or Form(s) 308-S, Part 3, line 6. Enter the total amount here.

**Line 33c –**

Add the amounts on line 33a and 33b. Enter the total here.

**Line 34 –**

Enter the lesser of line 32 or line 33c. Complete Part 6 and Part 7 if you have carryovers from prior taxable years.

Enter this amount on Form 140, line 57; or Form 140PY, line 68; or Form 140NR, line 64; or Form 140X, line 43. On the same line, be sure to check box 308-I indicating you are claiming a refundable credit for increased research activities.

**CREDIT CARRYOVERS**

**NOTE:** *If you have credit carryovers from taxable years prior to 2016, complete Part 8 and/or Part 9 (as appropriate). If you are receiving a refund, do not complete Part 10 and/or Part 11 (as appropriate). If you do not have carryovers from taxable years prior to 2016, skip to Part 9.*

*The credit for increased research activities may be carried forward to offset your tax liability of the next fifteen (15) years.*

**Allowable Credit Carryover**

There are limitations on how much of your carryover you can use to offset this year's tax. How much you can use depends on the year from which the carryover arose. In Part 8 you will apply those limitations to determine the proper carryover amounts.

If you have other credits, your usable amount of credit from increased research activities may be limited further. You will be applying these limitations when you complete Form 300, *Nonrefundable Corporate Tax Credits and Recapture*.

**Part 6 - Available Pre-2003 Credit Carryover**

Use Part 6 to compute the carryover of the credit for increased research activities from taxable years beginning January 1, 2001 through December 31, 2002. Since the credit for increased research activities applies only to individuals for taxable years beginning after December 31, 2000, there is no available credit carryover from taxable years beginning prior to January 1, 2001. Compute the total available carryover of the credit for increased research activities on Part 6, lines 35 and 36.

In column (b), enter the credit originally computed for taxable year 2001 and 2002. In column (c), enter the amount of the credit from taxable years 2001 and 2002 which has already been used. Subtract the amount in column (c) from column (b) and enter the difference in column (d). Add the amounts entered on lines 35 and 36 in column (d). Enter the total on line 37, column (d). This is the total credit carryover available for years beginning before January 1, 2003.

**Part 7 - Available Post-2002 Credit Carryover**

Use Part 7 to compute the carryover of the credit for increased research activities from taxable years beginning on or after January 1, 2003.

In column (b), enter the credit originally computed for taxable years 2003 and subsequent years. In column (c), enter the amount that has already been used. Subtract the amount in column (c) from column (b) and enter the difference in column (d). Add the amounts entered on lines 38 through 50 in column (d). Enter the total on line 51, column (d). This is the total credit carryover available for years beginning on or after January 1, 2003.

**REMINDER:** *If you received a refund of this credit for any prior taxable year, no carryover of the credit is available from those years. In this case, enter zero in column (d) for those tax years.*

**Part 8 - Limitation of Credit Carryovers**

Use Part 8 to figure the limitations on use of credit carryovers. Complete lines 52a through 55 if you claimed the credit on a prior year return and the credit was more than your tax.

**NOTE:** *If you completed Part 5 and are receiving a refund, do not complete Part 8.*

*LIMITATION FOR CREDIT CARRYOVERS FROM TAXABLE YEARS BEGINNING JANUARY 1, 2001 THROUGH DECEMBER 31, 2002.*

There is an additional limitation on how much you can use of your available credit carryovers included in the amount from Part 6, line 37, column (d). To calculate the limitation, you must first compare the amount of your tax liability with \$500,000, and select the lower of those two numbers. Then, subtract your current year's credit for increased research activities from the number you selected. Use your entire current year's credit for increased research activities for this computation, even if you will not be able to claim that entire amount on your current year's tax return. If the result of your calculation is zero or less, you will not be able to use your credit carryforward from taxable years beginning January 1, 2001 through December 31, 2002, to reduce your current year's tax liability. However, you may still be able to use your credit carryover from 2003 and later.

*LIMITATION FOR CREDIT CARRYOVERS FROM TAXABLE YEARS BEGINNING ON OR AFTER JANUARY 1, 2003.* The amount of credit carryover from taxable years beginning on or after January 1, 2003, is only limited by the amount by which your current year's tax liability exceeds your current year's credit for increased research activities.

**Line 52a -**

Enter your tax liability from Form 301, Part 3, line 41.

**Line 52b -**

Enter the current year's total credit from Part 4, line 28.

**Line 52c -**

Subtract line 52b from line 52a and enter the difference. If the difference is zero or less, enter zero.

**Line 53a -**

Enter your available pre-2003 credit carryover from Part 6, line 37, column (d).

**Line 53b -**

Enter the lesser of the amount on line 52a or \$500,000.

**Line 53c -**

Subtract line 52b from line 53b and enter the difference. If the difference is zero or less, enter "0".

**Line 53d -**

Compare the numbers on lines 53a and 53c, and enter the lowest number here. This is the amount of pre-2003 carryover you may use to reduce your current year's Arizona tax liability.

**Line 54 -**

Subtract line 53d from line 52c and enter the difference.

**Line 55 -**

Compare the amounts on Part 7, line 51, column (d), and on Part 8, line 54, and enter the lowest amount here. This is the amount of post-2002 carryover you may use to reduce your current year's Arizona tax liability.

**Part 9 - Total Available Nonrefundable Credit**

Complete this section to compute the total available credit for the taxable year. The total available credit is the sum of the current taxable year's credit for increased research activities and the available credit carryover(s).

**Line 56 -**

If you completed Part 5 and are receiving a refund, enter the amount from Part 5, line 30c. Otherwise, enter the amount from Part 4, line 28. This is the current taxable year's credit for increased research activities.

**NOTE:** *If you qualify for, and are claiming a 75% refund of your excess credit for the current year, enter only the nonrefundable portion of the current year's credit here (from Form 308-I, Part 5, line 30c). Enter the refundable portion of the credit (the amount from Form 308-I, Part 5, line 34) on Form 140, line 57; or Form 140NR, line 64; or Form 140PY, line 68; or Form 140X, line 43.*

*Carry forwards from previous years of this credit will carry over to the following year, provided this credit is within the 15-year carry forward period.*

*Do not enter any carry over amount(s) on lines 56 or 57.*

**Line 57 -**

If you completed Part 5 and are receiving a refund, enter zero. Otherwise, enter the amount from Part 8, line 53d. This is the amount of the pre-2003 carryover that you may use to reduce your current year's Arizona tax liability. Do not enter any carryover amount here.

**Line 58 -**

If you completed Part 5 and are receiving a refund, enter zero. Otherwise, enter the amount from Part 8, line 55. This is the amount of the post-2002 carryover that you may use to reduce your current year's Arizona tax liability. Do not enter any carryover amount here.

**Line 59 -**

Add the amounts on lines 56, 57, and 58. This is the total available credit for increased research activities that may be applied to your current taxable year's tax liability. Enter the total here and on Arizona Form 301, Part 1, line 5, column (c).



### Schedule of Income Allocation

Complete this schedule only if you are an Arizona resident who is also considered to be a resident of another state under the laws of that other state (dual resident); otherwise skip this schedule. See pages 2 and 9 of the instructions.

	(a) Amount reported on your 2016 federal return	(b) Amount entered in column (a) reported on your 2016 Form 140	(c) Amount entered in column (a) reported on your 2016 return filed to your statutory state of residence	(d) Amount entered in column (c) that would be sourced to your statutory state of residence as income of a nonresident of that state
1 Wages, salaries, tips, etc.....	\$ 00	\$ 00	\$ 00	\$ 00
2 Interest.....	\$ 00	\$ 00	\$ 00	\$ 00
3 Dividends.....	\$ 00	\$ 00	\$ 00	\$ 00
4 Business income or (loss) from federal Schedule C.....	\$ 00	\$ 00	\$ 00	\$ 00
5 Gains or (losses) from federal Schedule D.....	\$ 00	\$ 00	\$ 00	\$ 00
6 Rents, royalties, partnerships, estates, trusts, small business corporations from federal Schedule E	\$ 00	\$ 00	\$ 00	\$ 00
7 Other income reported on your federal return .....	\$ 00	\$ 00	\$ 00	\$ 00
8 Total Income: Add lines 1 through 7 .	\$ 00	\$ 00	\$ 00	\$ 00
9 Other federal adjustments: List on lines 9a through 9c:				
9a	\$ 00	\$ 00	\$ 00	\$ 00
9b	\$ 00	\$ 00	\$ 00	\$ 00
9c	\$ 00	\$ 00	\$ 00	\$ 00
9d Total adjustments: Add lines 9a through 9c for each column .....	\$ 00	\$ 00	\$ 00	\$ 00
10 Adjusted Gross Income: Subtract line 9d from line 8 for each column....	\$ 00	\$ 00	\$ 00	\$ 00



## 2016 Credit for Taxes Paid to Another State or Country

**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 309 to figure your credit for taxes paid to Arizona and another state or country on the same income. If claiming a credit for more than one state or country, complete a separate Form 309 for **each** state or country.

If you are not sure what amounts you should enter on Form 309, see the department's procedure, ITP 08-1, *Procedure for Calculating Credit for Taxes Paid to Another State or Country by Arizona Resident Individuals*.

**NOTE:** *You must notify the department immediately if the other state or country credits or refunds taxes for which you have received an Arizona credit. In this case, you must file an amended return.*

Complete this form only if you meet the following:

1. You are filing a 2016 Arizona income tax return.
  2. You paid a **net** income tax to another qualified state or country for 2016.
- If you are claiming a credit for taxes paid to another state, payroll taxes withheld from income do not constitute a net income tax. Having tax withheld from your pay by Arizona and another state does not by itself qualify you for this credit. You must file a net income tax return to the other state.
  - If you are claiming a credit for taxes paid to another country, a net income tax paid to another country includes those taxes that qualify for a credit under Internal Revenue Code (IRC) §§ 901 and 903.

**NOTE:** *To claim a credit for taxes paid to a foreign country, you must complete Form 309. You must complete Form 309 even if you did not have to complete federal Form 1116 to claim a credit on your federal return.*

**You may not claim this credit for the following:**

- income taxes paid to any city or county, and
- interest or penalties paid to another state or country.

**NOTE:** *If you file an amended return after you claim this credit, be sure to recalculate the credit, if required.*

### Application of Credit

Claim this credit only if the income was subject to tax in both Arizona and the other state or country in the same tax year.

You cannot apply this credit against interest or penalties payable to Arizona.

**NOTE:** *You may use this credit only in the year incurred. You cannot carry the credit forward to the next year. You also cannot carry the credit back to a prior year.*

### Arizona Resident

Arizona residents are allowed a credit against Arizona income taxes for net income taxes imposed by and paid to another state or country if the following apply:

- The income taxed in Arizona is derived from sources within another state or country. This income is subject to a net income tax in the other state or country regardless of your residence.
- The other state or country does not allow Arizona residents a credit for taxes imposed on income subject to tax in both Arizona and the other state or country.

**As an Arizona resident, nonresident returns filed with the following states qualify for the credit:**

Alabama, Arkansas, Colorado, Connecticut, Delaware, Georgia, Hawaii, Idaho, Illinois, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota\*, Mississippi, Missouri, Montana, Nebraska, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Pennsylvania, Rhode Island, South Carolina, Utah, Vermont, West Virginia and Wisconsin.

\***Minnesota** sources the sale of certain partnership interests to Minnesota. Minnesota allows an Arizona resident a credit for taxes paid to Minnesota for the sale of a partnership interest that is subject to Minnesota tax. As an Arizona resident, you cannot claim this credit for taxes paid to Minnesota on the sale of a partnership interest that is sourced to Minnesota.

**NOTE:** *This list is subject to change at any time.*

**Important:** *As an Arizona resident, nonresident returns filed with the following states **DO NOT QUALIFY** for the credit:*  
Alaska, California, District of Columbia, Florida, Indiana, Nevada, New Hampshire, Oregon, South Dakota, Tennessee, Texas, Virginia, Washington and Wyoming.

## Nonresident

A credit against Arizona income taxes is allowed for Arizona nonresidents who are not allowed a credit by their state or country of residence for taxes paid to Arizona if either:

- The other state or country does not tax Arizona residents on income derived from sources within the other state or country.
- The other state or country allows Arizona residents credit for taxes paid on income subject to tax by the other state or country and Arizona.

### Arizona nonresidents who file resident returns with the following states qualify for the credit.

- California, Indiana, Oregon, and Virginia

**NOTE:** This list is subject to change at any time.

## Part-Year Residents

For that part of the year you were a resident of Arizona, follow the instructions for residents.

For that part of the year you were an Arizona nonresident, follow the instructions for nonresidents.

## Dual Resident

You may be eligible to claim the credit if you are a full-year Arizona resident filing Arizona Form 140 and you are also considered to be a resident of another state under the laws of that other state. Figure your credit for taxes paid to Arizona and that other state on the same income that is taxable by both Arizona and the other state, but only on income that would be sourced to the other state if you had to report that income as a nonresident.

You may claim the credit as a dual resident if you meet the following:

1. You are filing a 2016 full-year Arizona resident income tax return.
2. You are considered to be a resident of another state under the laws of that other state.
3. You paid a **net** income tax to that other state.

An Arizona resident who is also considered to be a resident of another state under the laws of that state is allowed a credit against Arizona income taxes for net income taxes imposed by and paid to that other state if the following apply:

- The other state taxes the income of the Arizona resident and does not allow the Arizona resident a credit for taxes imposed on income subject to tax in both Arizona and the other state.
- The credit is allowed only for taxes imposed on income that would have been sourced to the other state if the Arizona resident had filed as a nonresident to the other state.

**NOTE:** *If you are an Arizona full-year resident and also considered to be a resident of another state under the laws of that other state, complete the Schedule of Income Allocation, on page 2 of Form 309 before you complete page 1 of Form 309.*

## Required Forms

If you are claiming a credit for taxes paid to another state, you must include a copy of the tax return filed to the other state.

If you are claiming a credit for taxes paid to a foreign country, include the following information with your Arizona income tax return:

1. A copy of the tax return you filed to the foreign country. If you are claiming a credit for taxes paid to a foreign country for amounts withheld at the source, and are not required to file a return with that country, include documentation showing the amount of tax imposed and paid.
2. If the tax is paid in a foreign currency, a statement substantiating the conversion rate on the date of payment. Identify your authority for your conversion rate.

**NOTE:** *You **must** also complete Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture, and include Form 301 and Form(s) 309 with your tax return to claim this credit.*

## Line-by-Line Instructions

Enter your name and SSN as shown on Arizona Form 140, Form 140NR, Form 140PY, or Form 140X.

Make sure that every return, statement, or document that you file with the department has your SSN. Failing to include the proper numbers may subject you or your preparer to a penalty. Make sure that all of the required identification numbers are clear and correct. Your return may take longer to process if identification numbers are missing, incorrect, or unclear.

*If your name appears first on the return, make sure your SSN is the first number listed.*

## Part 1 - Computation of Income Subject to Tax by Both Arizona and the Other State or Country During 2016

If you are claiming a credit for income taxes paid to another state, enter in the space provided, the two-letter abbreviation for that state. See the last page of these instructions for a list of state abbreviations.

If you are claiming a credit for income taxes paid to another country, enter the name of that country on the line provided.

In order for income to be taxed by both Arizona and another state or country, the following must exist.

### For an Arizona resident:

1. The same income must be taxed by both Arizona and the other state or country.

2. The income must have its source within the other state or country.

**For a nonresident:**

1. The same income must be taxed by both Arizona and the other state or country.
2. The income must have its source within Arizona.

**Lines 1 through 6 -**

Provide a breakdown of your income which is subject to tax in both Arizona and the other state or country. Complete lines 1 through 5 separately for each income item listed in columns (a) through (c). If you have more than three items of income from the other state or country for which you are claiming the credit, complete additional schedules.

**NOTE:** *If you are an Arizona resident who is also considered to be a resident of another state under the laws of that other state, complete the Schedule of Income Allocation, on page 2 of Form 309 before you complete Part I, lines 1 through 6 of Form 309.*

**Line 1 -**

Identify the income item from which the income subject to tax in both Arizona and the other state or country is derived. If you have more than one income item, complete column(s) (b) and (c), as necessary. Examples of such income are business income, partnership income, wages, etc. Enter an item in column (a) only if your Arizona adjusted gross income and the adjusted gross income of the return filed with the other state or country includes the income from that item.

If you are an Arizona resident and also considered to be a resident of another state, enter the income item and amount from column (d) of the *Schedule of Income Allocation*.

If you are claiming a credit for taxes paid to another country, and that country withheld at the source, and you are not required to file a return with that country, enter the item of income from which the foreign taxes were withheld.

**Line 2 -**

Enter the amount of income from the item listed on line 1 reportable to both Arizona and the other state or country. This is the amount of income derived from that item which you must include in the income reported to both Arizona and the other state or country.

**Line 3 -**

Enter that portion of income on line 2 included in your Arizona adjusted gross income. This amount is that portion of the amount of income included on line 2 that is also included in your Arizona gross income adjusted by any additions or subtractions related to that income required under Arizona law.

**For example**, during the tax year, Taxpayer A, a full-year Arizona resident, had Schedule C business income of \$50,000 from State P. This \$50,000 of Schedule C income is reportable to both Arizona and to State P.

For federal purposes, Taxpayer A included the \$50,000 in federal adjusted gross income, but also reduced that Schedule C business income by  $\frac{1}{2}$  of the self-employment tax related to that income (\$3,532) and by the amount of self-employed health insurance deduction (\$6,000). Therefore, only \$40,468 (\$50,000 - (\$3,532 + \$6,000)) of the \$50,000 Schedule C income is included in Taxpayer A's Arizona gross income. Arizona law requires no further additions or subtractions related to this Schedule C income included in Taxpayer A's Arizona gross income. Therefore, the amount of Schedule C income included in Taxpayer A's Arizona adjusted gross income would be \$40,468. Taxpayer A would enter \$40,468 on line 3.

**Line 4 -**

Enter that portion of income on line 2 which is included in the other state or country's equivalent of Arizona adjusted gross income. If you are a full-year Arizona resident filing a nonresident return to the other state or country, this would be the other state or country's income computed under the equivalent of Arizona Revised Statute (A.R.S.) § 43-1094 (adjusted gross income of a nonresident). In other words, the income computed as if only source income were included, and then adjusted by any additions or subtractions related to that income required under the other state or country's law.

**For example**, during the tax year, Taxpayer A, a full-year Arizona resident, had Schedule C business income of \$50,000 from State P. This \$50,000 of Schedule C income is reportable to both Arizona and to State P.

For federal purposes, Taxpayer A included the \$50,000 in federal adjusted gross income, but also reduced that Schedule C business income by  $\frac{1}{2}$  of the self-employment tax related to that income (\$3,532) and by the amount of self-employed health insurance deduction (\$6,000). Taxpayer A was required to make these same adjustments on the return filed to State P. Therefore, only \$40,468 (\$50,000 - (\$3,532 + \$6,000)) of the \$50,000 Schedule C income is included in State P's equivalent of Arizona gross income.

Additionally, State P law allows Taxpayer A to subtract an additional \$2,000 of depreciation related to the Schedule C income. Therefore, the amount of Schedule C income included in State P's equivalent of Arizona adjusted gross income would be \$38,468 (\$40,468 - \$2,000). Taxpayer A would enter \$38,468 on line 4.

**NOTE:** *If you are claiming a credit for taxes paid to another country, and that country withheld at the source, and you are not required to file a return with that country, enter the amount of income subject to tax in that foreign country.*

**Line 5 -**

Enter the smaller of the amount entered on line 3 or line 4. This is the amount of income from that item which is subject to tax by both Arizona and the other state or country.

**Line 6 -**

Add line 5, columns (a) through (c). This is the total income subject to tax in both Arizona and the other state or country. Enter the amount from Part 1, line 6, on Part 2, line 8, and also on Part 2, line 13.

**NOTE:** *The amounts on lines 2 through 5 may be the same. However, differences may occur due to the application of the other state's law. See the following example.*

**The following example illustrates how to complete lines 1 through 6 of Arizona Form 309. If you are an Arizona resident who is also considered to be a resident of another state under the laws of that other state, see the example following the instructions for the *Schedule of Income Allocation* for an example of how to complete lines 1 through 6 of Form 309.**

**EXAMPLE:**

**Facts:**

Mr. and Mrs. M are Arizona residents. Mr. M is an active duty military member who is stationed in State X. Mr. M receives wages from the military and from a part-time job in State X. Mr. and Mrs. M receive rental income from property in Arizona. During the taxable year for which the credit is being claimed, Mr. and Mrs. M received the following income.

Mr. M's military wages	\$ 15,000
Mr. M's part-time employment wages	\$ 10,000
Rental income from AZ property	<u>\$ 20,000</u>
Total Income	\$ 45,000

As Reported on State X Return		As Reported on Arizona Return	
Federal adjusted gross income	\$ 45,000	Federal adjusted gross income	\$ 45,000
Less non-state X income (military & rental income)	\$ (35,000)	Less subtractions from income (military income of \$15,000 and dependent exemption of \$2,300)	\$ (17,300)
Less subtraction for second job income	\$ (1,000)	Arizona adjusted gross income	\$ 27,700
State X adjusted gross income	\$ 9,000		

Mr. and Mrs. M must include Mr. M's part-time employment wages of \$10,000 in both the Arizona gross income and the State X's equivalent of Arizona gross income. Therefore, the amount of wage income reportable to both Arizona and State X is \$10,000. For Arizona purposes, there are no additions or subtractions related to that \$10,000 wage income included in Arizona gross income, so the entire \$10,000 of wage income is included in Arizona adjusted gross income. However, under State X law, \$1,000 of the \$10,000 wage income is subtracted from State X's equivalent of Arizona adjusted gross income, so only \$9,000 of that \$10,000 is included in State X's equivalent of Arizona adjusted gross income. Mr. and Mrs. M complete lines 1 through 6 of Form 309 as follows:

1. Description of income items	(a) wages
2. Amount of income from item listed on line 1, reportable to both Arizona and the other state or country.	\$10,000
3. Portion of income on line 2 included in Arizona adjusted gross income.	\$10,000
4. Portion of income included on line 2 included in the other state or country's equivalent of Arizona adjusted gross income.	\$ 9,000
5. Income subject to tax by both Arizona and the other state or country. Enter the smaller of the amount entered on line 3 or 4.	\$ 9,000
6. Total income subject to tax in both Arizona and the other state or country.	\$ 9,000

**Part 2 - Computation of Other State or Country Tax Credit**

**Line 7 -**

Enter your Arizona tax liability less any credits. However, do not reduce your Arizona tax liability by the other state tax credit.

For 2016, your Arizona tax liability prior to tax credits can be found on the following line number.	
Arizona Form	Line Number
140	46
140PY	58
140NR	56
140X	34

**NOTE:** *If you are taking other tax credits, you must reduce your Arizona tax by the amount of those other tax credits. For the purpose of this computation, be sure to reduce your Arizona tax by both refundable and nonrefundable credits.*

**Line 8 -**

Enter amount from Part 1, line 6.

**Line 9 - Entire Income Upon Which Arizona Tax is Imposed**

Enter your entire income upon which Arizona tax is imposed. This is the Arizona adjusted gross income excluding allowable exemptions for age 65 or over, blind, dependents, or qualifying parents and grandparents.

Use the appropriate worksheet below to figure your entire income upon which Arizona tax is imposed.

Worksheet for Arizona Residents	
1. Enter the amount from Arizona Form 140, line 42.	
2. Enter the total amount from Arizona Form 140, lines 38 through 41.	
3. Add the amount on lines 1 and 2. Enter the total here and on line 9 of Form 309.	

Worksheet for Arizona Nonresidents	
1. Enter the amount from Arizona Form 140NR, line 52.	
2. Enter the amount from Form 140NR, line 51.	
3. Add the amounts on lines 1 and 2. Enter the total here and on line 9 of Form 309.	

Worksheet for Arizona Part-Year Residents With No Arizona Source Income for the Period of the Year in Which You Were an Arizona Nonresident	
1. Enter the amount from Arizona Form 140PY, line 54.	
2. Enter the amount from Form 140PY, line 53.	
3. Add the amounts on lines 1 and 2. Enter the total here and on line 9 of Form 309.	

**Part-Year Residents With Arizona Source Income for the Period of the Year in Which You Were an Arizona Nonresident**

If you have Arizona source income for the period of the year in which you were an Arizona nonresident, you must separately determine the amount of Arizona adjusted gross income for the period in which you were a resident and the amount of Arizona adjusted gross income for the period in which you were a nonresident. These figures are not separately stated on any particular line on your Arizona Form 140PY.

**Lines 10 and 11 -**

Follow the instructions on the form for lines 10 and 11.

**Line 12 -**

Enter the amount of income tax paid to the other state or foreign country. Do not include federal income taxes or any taxes paid to a city or county. Also, do not include any amount paid to the other state or foreign country for penalty or interest. Amounts of tax paid or accrued to a foreign country do not include amounts that are reasonably certain to be refunded, credited, rebated, abated, or forgiven. Also enter the name of the other state or country to which income tax was paid.

**Line 13 -**

Enter the amount from Part 1, line 6.

**Line 14 - Entire Income Upon Which Other State or Country's Income Tax is Imposed**

Enter the entire income upon which the other state or country's income tax is imposed. This is the other state or country's equivalent of Arizona adjusted gross income, but does not include exemptions allowable under the equivalent of Arizona Revised Statute (A.R.S.) § 43-1023. Such income must include items of income and loss, but not exemptions and itemized or standard deductions. Such income must also be adjusted by any additions or subtractions required under the other state's law which relate to the income from sources within the other state. This amount may not be shown on a specific line of the return filed with the other state.

If you are claiming a credit for taxes paid to another country, and that country withheld at the source, and you are not required to file a return with that country, enter the amount of income subject to tax in that foreign country.

**NOTE FOR ARIZONA RESIDENTS ONLY:** *Since the other state can only tax a nonresident on income which is sourced to that state, the entire income upon which the other state's income tax is imposed includes only income sourced to that other state under its income tax laws. Source income is generally income derived from property located within a state or from an activity carried on within a state when the income recipient is a nonresident.*

**NOTE:** *You may not be able to take the entire income upon which the other state or country's tax is imposed from a specific line on the return filed to the other state or country. If you must determine this amount, include a schedule.*

**The example beginning on page 7** illustrates how an Arizona resident figures the entire income subject to tax in the other state or country.

If you have questions concerning what amount to enter on line 14, call one of the phone numbers listed at the beginning of these instructions.

**Lines 15 and 16**

Follow the instructions on the form for lines 15 and 16.

**Line 17 -**

Enter the smaller of line 11 or line 16. If this is the only state or country for which you are claiming a credit, also enter this amount on Arizona Form 301, Part 1, line 6, column (a).

If you are claiming a credit for more than one state or country, make a separate computation for each. Enter the total from all Arizona Forms 309 on Arizona Form 301, Part 1, line 6, column (a).

**EXAMPLE:**

The following example will illustrate how to figure a credit for taxes paid to another state.

**Facts:** Mr. and Mrs. F are Arizona residents who derive income from a farm in State XY. During the taxable year for which the credit is being claimed, Mr. and Mrs. F had the following income.

Interest income	\$ 38,000
Dividend income	\$ 4,000
Farm income from State XY	<u>\$ 16,000</u>
Total income	<u>\$ 58,000</u>

**As Reported on Arizona Return**

Federal adjusted gross income	\$ 58,000
Less dependent exemption \$2,300	(2,300)
Arizona adjusted gross income	\$ 55,700
Itemized deductions	(12,000)
Personal exemptions	(6,300)
Arizona taxable income	37,400
Arizona tax	1,018
Credit for Contributions to Public Schools	(300)
Arizona tax liability	718

As Reported on State XY Return		As Reported on State XY Income Allocation Schedule		
			<i>Column A</i> Income from federal return	<i>Column B</i> Income from Column A from State XY sources
1. Federal adjusted gross income	\$ 58,000			
2. Plus State XY additions	0	1. Wages		
3. Less State XY subtractions	0	2. Interest	38,000	
4. State XY adjusted gross income	<u>\$ 58,000</u>	3. Dividends	4,000	
5. Itemized Deductions	(11,000)	4. Farm Income	16,000	16,000
6. Exemptions	(3,000)	5. Capital Gains		
7. State XY taxable income	\$ 44,000	6. Rents, Sub S, Royalties, Partnership		
8. State XY tax	1,760	7. Other Income		
9. Percentage from Income Allocation Schedule	0.2759	8. Total income	58,000	16,000
10. State XY tax on income sourced to State XY. Multiply line 8 by line 9.	\$ 486	9. Tax proration Divide line 8 Column B by Line 8, Column A	16,000/58,000 = .2759	

**Credit Computation:**

Mr. and Mrs. F complete Arizona Form 309 as follows:

**Arizona Form 309**

**Part I - Computation of Income Subject to Tax by Both Arizona and the Other State or Country**

	(a) Farm income	(b)
1. Description of income item(s)		
2. Amount of income from item listed on line 1, reportable to both Arizona and the other state or country.	\$16,000	
3. Portion of income on line 2 included in Arizona adjusted gross income.	\$16,000	
4. Portion of income on line 2 included in State XY's equivalent of Arizona adjusted gross income.	\$16,000	
5. Income subject to tax by both Arizona and the other state or country. Enter the lesser of amount entered on line 3 or line 4.	\$16,000	
6. *Total income subject to tax in both Arizona and the other state or country.		\$16,000

**Part II - Computation of Other State or Country Tax Credit**

7. **Arizona tax liability less any credits (except other state tax credit) .....	7	718	
8. Amount from Part 1, line 6 .....	8	16,000	
9. ***Entire income upon which Arizona income tax is imposed .....	9	58,000	
10. Divide the amount on line 8 by the amount on line 9 (cannot be greater than 1) .....	10	.2759	
11. Multiply the amount on line 7 by the decimal on line 10 .....	11	198	
12. Income tax paid to State XY (tax less credits) .....	12	486	
13. Amount from Part 1, line 6 .....	13	16,000	
14. ****Entire income upon which State XY income tax is imposed .....	14	16,000	
15. Divide the amount on line 13 by the amount on line 14 (cannot be greater than 1) .....	15	1.0000	
16. Multiply the amount on line 12 by the decimal on line 15 .....	16	486	
17. Other state or country tax credit. Enter the lesser of line 11 or line 16 .....	17	198	

**\* Lines 1 through 6 - Income subject to tax in both Arizona and State XY**

Mr. and Mrs. F must report State XY farm income of \$16,000 in both Arizona gross income and State XY's equivalent of Arizona gross income. There are no additions or subtractions related to the \$16,000 farm income required under either Arizona law, or State XY law. Therefore, \$16,000 of farm income is included in Arizona adjusted gross income and \$16,000 of farm income is included in State XY's equivalent of Arizona adjusted gross income.

**\*\*Line 7 - Arizona tax liability**

For the purpose of the credit, Mr. and Mrs. F compute the Arizona tax liability as follows:

Arizona tax	\$1,018
Less public school tax credit	<u>(300)</u>
Arizona tax Liability	<u>\$ 718</u>

**\*\*\*Line 9 - Entire income upon which Arizona tax is imposed**

For the purpose of the credit, Mr. and Mrs. F compute the entire income upon which Arizona tax is imposed as follows:

Arizona adjusted gross income	\$55,700
Plus dependent, blind, age 65 or over, and qualifying parent and grandparent exemptions	<u>2,300</u>
Entire income upon which Arizona income tax is imposed	<u>\$58,000</u>

**\*\*\*\*Line 14 - Entire income upon which State XY tax is imposed**

This is the entire income upon which State XY's tax is imposed. This is State XY's equivalent of Arizona adjusted gross income for these individuals. Since these individuals are nonresidents of State XY, State XY's equivalent of Arizona adjusted gross income (not including exemptions and standard or itemized deductions), includes only that income which is sourced to State XY. It should be



noted that in this case, the entire income upon which State XY's income tax is imposed had to be determined. This amount was not separately shown on a specific line of the State XY return, since State XY computes its tax on the total income and then prorates that tax to reflect the tax attributable to income derived from sources within State XY. For the purpose of the credit, Mr. and Mrs. F compute the entire income upon which State XY's tax is imposed as follows:

Mr. and Mrs. F's Farm income sourced to State XY (State XY's equivalent of Arizona adjusted gross income) computed under A.R.S. § 43-1094).....	\$16,000
Plus State XY's equivalent of Arizona's dependent exemptions.....	<u>0</u>
Entire income upon which State XY tax is imposed.....	<u>\$16,000</u>

**Form 309, Page 2 – Schedule of Income Allocation Instructions**

Complete page 2, *Schedule of Income Allocation*, **only** if you are a full-year Arizona resident who is also considered a resident of another state under the laws of that other state.

All other taxpayers skip page 2, *Schedule of Income Allocation*.

**NOTE:** *If you are a full-year Arizona resident that is also considered to be a resident of another state under the laws of that other state, you must complete the Schedule of Income Allocation on page 2 of Form 309 before you complete page 1 of Form 309.*

Because the credit allowed for a full-year Arizona resident that is also considered to be a resident of another state is for taxes paid to that other state on income sourced to that other state, you must complete the *Schedule of Income Allocation*, before you can complete lines 1 through 6 of Form 309.

This schedule allocates income between income sourced to the other state and income from everywhere else that is taxable to the other state. Complete column (a) before completing columns (b) through (d). On lines 1 through 10 of column (a), for each line, enter the amounts reported on your federal income tax return. In column (b), enter the amounts listed in column (a) that are included in income reported on your Arizona return. In column (c), enter the amounts listed in column (a) that are included in income reported on the return filed with the other state. In column (d), enter the amounts listed in column (c) that would be sourced to the other state if you were a nonresident of that state filing a nonresident return to that state.

**The following example illustrates how to complete Form 309 for an Arizona resident who is also considered to be a resident of another state under the laws of that other state.**

**EXAMPLE:**

**Facts:**

Mr. and Mrs. R are Arizona residents who are temporarily living and working in State Z. They will be there for one year and then they will return to Arizona. During the current taxable year, Mr. and Mrs. R have been living and working in State Z for 10 and one-half months. Because Mr. and Mrs. R have been living in State Z for more than 183 days during the tax year, State Z considers Mr. and Mrs. R to be residents of State Z and taxes all of their income from the time they moved to State Z. Because Mr. and Mrs. R are Arizona residents who are temporarily out of Arizona, they are still full-year Arizona residents for Arizona income tax purposes and must file a full-year Arizona income tax return and include all income for the taxable year, wherever derived. For the taxable year, Mr. and Mrs. R have the following income.

Mr. R's wages from employment in Arizona	\$ 15,000
Mr. R's wages from employment in State Z	\$ 42,000
Mrs. R's wages from employment in State Z	\$ 5,000
Interest income	\$ 5,000
Rental income from AZ property	<u>\$ 20,000</u>
Total income	<u>\$ 87,000</u>

As Reported on State Z Return		As Reported on Arizona Return	
Wages (Mr. R's State Z wages \$42,000 + Mrs. R's State Z wages \$5,000)	\$ 47,000	Federal adjusted gross income	\$ 87,000
Interest income received after moving to State Z	4,375	Less subtractions from income (dependent exemption \$2,300)	(2,300)
Rental income from Arizona property received after moving to State Z	17,500	Arizona adjusted gross income	\$ 84,700
State Z gross income	68,875	Arizona itemized deductions	(12,000)
Plus additions to income	0	Arizona personal exemption	(6,300)
Less subtractions (dependent \$4,000)	( 4,000)	Arizona taxable income	\$ 66,400
State Z adjusted gross income	\$ 64,875	Arizona tax	\$ 1,928
State Z itemized deductions	( 9,500)		
State Z personal exemptions	( 7,500)		
State Z taxable income	\$ 47,875		
State Z tax	\$ 2,154		

Before Mr. and Mrs. R can complete Form 309, they must complete the *Schedule of Income Allocation* on page 2 of Form 309. This will help Mr. and Mrs. R determine the income that is taxable in both Arizona and State Z that would be sourced to State Z if Mr. and Mrs. R were filing a nonresident return to State Z.

**Schedule of Income Allocation**

	(a) Reported on your 2016 federal return	(b) Amount Entered in column (a) Reported on Your 2016 Form 140	(c) Amount Entered in column (a) Reported on Your Return Filed to Your Statutory State of Residence	(d) Amount Entered in column (c) That Could be Sourced to Your Statutory State of Residence as Income of a Nonresident of that State
1. Wages, salaries, tips, etc.	62,000	62,000	47,000	47,000
2. Interest	5,000	5,000	4,375	0
3. Dividends				
4. Business income (or loss) from federal Schedule C				
5. Gains (or losses) from federal Schedule D				
6. Rents, royalties, partnerships, estates, trusts, small business corporations from federal Schedule E	20,000	20,000	17,500	0
7. Other income reported on your federal return				
8. Total income: <i>Add lines 1 through 7</i>	87,000	87,000	68,875	47,000
9a. Other federal adjustments. <i>List</i>				
9b.				
9c.				
9d. Total adjustments. <i>Add lines 9a through 9c for each column.</i>	0	0	0	0
10. Adjusted gross income. <i>Subtract the sum of amounts entered on line 9d from line 8.</i>	87,000	87,000	68,875	47,000

If Mr. and Mrs. R had filed a nonresident return to State Z, they would have reported \$47,000 of wage income to State Z as State Z source income. Therefore, when Mr. and Mrs. R complete Form 309, they would complete lines 1 through 6 as follows:

	(a)	(b)
1. Description of Income Items	Wages	
2. Amount of income from item listed on line 1, reportable to both Arizona and State Z.	\$47,000	
3. Portion of income on line 2 included in Arizona adjusted gross income.	\$47,000	
4. Portion of income on line 2 included in State Z's equivalent of Arizona adjusted gross income.	\$47,000	
5. Income subject to tax by both Arizona and State Z. Enter the smaller of line 3 or line 4.	\$47,000	

<b>Part II – Computation of Other State or Country Tax Credit</b>		
7. Arizona tax liability less any credits (except other state tax credit).....	7	1,928
8. Amount from Part 1, line 6.....	8	47,000
9. ** Entire income upon which Arizona income tax is imposed.....	9	87,000
10. Divide the amount on line 8 by the amount on line 9 (cannot be greater than 1).....	10	.5402
11. Multiply the amount on line 7 by the decimal on line 10.....	11	1,042
12. Income tax paid to State Z (tax less credits).....	12	2,154
13. Amount from Part 1, line 6.....	13	47,000
14. ***Entire income upon which State Z’s income tax is imposed.....	14	68,875
15. Divide the amount on line 13 by the amount on line 14 (cannot be greater than 1).....	15	.6824
16. Multiply the amount on line 12 by the decimal on line 15.....	16	1,470
17. Other state or country tax credit. Enter the smaller of line 11 or line 16.....	17	1,042
6. *Total income subject to tax in both Arizona and State Z.		\$47,000

**\* Lines 1 through 6 – Income subject to tax in both Arizona and State XY**

Before completing lines 1 through 6, Mr. and Mrs. R must complete page 2 of Arizona Form 309, *Schedule of Income Allocation*. Even though Mr. and Mrs. R must report wage income, interest income and rental income to State Z, only the wage income earned for services performed in State Z would be sourced to State Z if State Z were taxing Mr. and Mrs. R as nonresidents. Therefore, when Mr. and Mrs. R complete the *Schedule of Income Allocation*, Mr. and Mrs. R indicate that only \$47,000 of wages would be sourced to State Z as income of a nonresident of State Z.

Mr. and Mrs. R must report State Z wages of \$47,000 in Arizona gross income and \$47,000 of State Z wages in State Z’s equivalent of Arizona gross income. There are no additions or subtractions related to the \$47,000 of State Z wages required under either Arizona law, or State Z law. Therefore, \$47,000 of State Z wage income is included in Arizona adjusted gross income and \$47,000 of State Z wage income is included in State Z’s equivalent of Arizona adjusted gross income.

**\*\*Line 9 – Entire income upon which Arizona tax is imposed**

For the purpose of the credit, Mr. and Mrs. R compute the entire income upon which Arizona tax is imposed as follows:

Arizona adjusted gross income	\$ 84,700
Plus dependent, blind, age 65 or over, and qualifying parent and grandparent exemptions	<u>2,300</u>
Entire income upon which Arizona income tax is imposed	<u>\$ 87,000</u>

**\*\*\*Line 14 – Entire income upon which State Z tax is imposed**

This is the entire income upon which State Z tax is imposed. This is State Z’s equivalent of Arizona adjusted gross income for these individuals. For the purpose of the credit, Mr. and Mrs. R compute the entire income upon which State Z tax is imposed as follows:

State Z’s equivalent of Arizona adjusted gross income	\$ 64,875
State Z’s equivalent of Arizona’s dependent exemptions	<u>4,000</u>
Entire income upon which State Z’s tax is imposed	<u>\$ 68,875</u>

**List of State Abbreviations**

State		State		State		State	
Alabama	AL	Indiana	IN	Mississippi	MS	Oklahoma	OK
Arkansas	AR	Iowa	IA	Missouri	MO	Oregon	OR
California	CA	Kansas	KS	Montana	MT	Pennsylvania	PA
Colorado	CO	Kentucky	KY	Nebraska	NE	Rhode Island	RI
Connecticut	CT	Louisiana	LA	New Jersey	NJ	South Carolina	SC
Delaware	DE	Maine	ME	New Mexico	NM	Utah	UT
Georgia	GA	Maryland	MD	New York	NY	Vermont	VT
Hawaii	HI	Massachusetts	MA	North Carolina	NC	Virginia	VA
Idaho	ID	Michigan	MI	North Dakota	ND	West Virginia	WV
Illinois	IL	Minnesota	MN	Ohio	OH	Wisconsin	WI

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**Include with your return.**

For the calendar year 2016 or fiscal year beginning MM,DD,2016 and ending MM,DD,20YY.

Your Name as shown on Form 140, 140PY or 140X	Your Social Security Number
Spouse's Name as shown on Form 140, 140PY or 140X (if a joint return)	Spouse's Social Security Number

**Part 1 Current Year's Credit**

NOTE: The cumulative credit for all solar energy devices installed at the same residence cannot exceed \$1,000.

1 Address of residence where you installed the solar energy device for which you are claiming the credit:

Number and street: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ ZIP Code: \_\_\_\_\_

2 Cost of the solar energy device installed during the current taxable year at the residence listed on line 1	2		00
3 Multiply the amount on line 2 by 25% (.25) .....	3		00
4 Enter the smaller of line 3 or \$1,000.....	4		00
5 Enter the amount of credit from prior taxable years (1995 through 2015) for other solar energy devices installed at the residence listed on line 1.....	5		00
6 Add line 4 and line 5.....	6		00
7 Enter the smaller of line 6 or \$1,000.....	7		00
8 Subtract line 5 from line 7.....	8		00
9 Current Year's Credit: Enter the smaller of line 4 or line 8. In most cases, if you are married filing a separate return, you must enter one-half (½) of the smaller of line 4 or line 8. See instructions .....	9		00

**Part 2 Carryover from Prior Taxable Years**

	(a) Taxable Year from which you are carrying the credit	(b) Original Credit Amount  (See note below line 15)	(c) Amount Previously Used	(d) Available Carryover:  Subtract column (c) from column (b).
10	2011	00	00	00
11	2012	00	00	00
12	2013	00	00	00
13	2014	00	00	00
14	2015	00	00	00
15	TOTAL AVAILABLE CARRYOVER: Add lines 10 through 14, column (d) ....			00

NOTE: For amounts entered in column (b), do not enter the cost of the device, **enter the original credit amount**. This amount cannot exceed \$1,000. If you are claiming an additional credit amount from a second Arizona home, see Note on page 1 of the general instructions.

**Part 3 Total Available Credit**

16 Current year's credit: Enter the amount from Part 1, line 9. Also, enter this amount on <i>Arizona Form 301, Part 1, line 7, column (a)</i> .....	16		00
17 Available credit carryover from Part 2, line 15, column (d). Also, enter this amount on <i>Arizona Form 301, Part 1, line 7, column (b)</i> .....	17		00
18 Total Available Credit: Add line 16 and line 17. Also, enter this amount on <i>Arizona Form 301, Part 1, line 7, column (c)</i> .....	18		00

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## 2016 Credit for Solar Energy Devices

**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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### General Instructions

**NOTE:** You *must* also complete Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture, and include Forms 301 and 310 with your tax return to claim this credit.

Arizona law provides a solar energy credit for an individual who installs a solar energy device in his or her residence located in Arizona.

The solar energy credit for buying and installing a solar energy device is 25% (.25) of the cost, including installation, or \$1,000, whichever is less. If you install another device in a later year, the cumulative credit cannot exceed \$1,000 for the same residence.

**NOTE:** A taxpayer may claim a credit of up to \$1,000 for a second personal home. A taxpayer that claims a credit for both a primary home and a second home is limited to a maximum credit of \$1,000 in the taxable year. To claim a credit for a second home you must complete a second form and add the two amounts together to claim on your return.

If the allowable tax credit is more than your tax or if you have no tax, you may carry the unused credit forward for up to the next 5 consecutive years.

To be eligible for this credit, you must be an Arizona resident who is not a dependent of another taxpayer.

A solar energy device is a system or series of mechanisms which collect and transfer solar generated energy and which are designed primarily to:

- provide heating,
- provide cooling,
- produce electrical power,
- produce mechanical power,
- provide solar daylighting, or

- provide any combination of the above by means of collecting and transferring solar generated energy into such uses either by active or passive means, including wind generator systems that produce electricity.

Solar energy systems may also have the capability of storing solar energy for future use. Passive systems must clearly be designed as a solar energy device, such as a trombe wall, and not merely as a part of a normal structure, such as a window.

Only a system or device, which performs one or more of these functions, qualifies for the credit. An individual component of a system does not qualify for the credit by itself.

**The following devices, when used for residential purposes, qualify for the credit:**

- Solar domestic water heating systems - collectors, storage tanks, heat exchangers, and piping, valves, wiring, etc., directly related to the solar system.
- Solar swimming pool and spa heating systems - collectors, heat exchangers, piping, valves, wiring, etc., directly related to the solar system.
- Solar photovoltaic systems - collectors, batteries, inverters, solar system related wiring, and including solar photovoltaic systems for recreational vehicles used as a residence. End-use appliances (even if they are 12 vdc) are excluded unless they are manufactured specifically for photovoltaic systems applications.
- Solar photovoltaic phones, street lighting, etc. - collectors, batteries, inverters, and solar system related wiring. Phone, lights, etc., are excluded unless they are manufactured specifically for photovoltaic applications.
- Passive solar building systems - trombe wall components, thermal mass, and components specifically designed for energy gains. Dual pane windows, low-e, and other window coatings, etc., are excluded.
- Solar day lighting systems - those devices and systems specifically designed to capture and redirect visible solar energy while controlling the infrared energy (conventional skylights are specifically excluded).
- Wind generators - windmill, structure, generator, batteries, controls, wiring, and other components directly related to the wind generator. End-use appliances are excluded.
- Wind-powered pumps - windmill, structure, pump, pipes, and other components directly related to the wind pump.

The person who sells you your solar energy device must furnish you with a certificate stating that the solar energy device complies with Arizona's solar energy device requirements. If you designed and installed the system yourself, you will not receive such a statement, but your solar energy device must meet the required criteria.

For more information on the solar energy credit and the Arizona solar energy device requirements, see the department's publication, Pub 543, *Solar Energy Credit*.

**The following DO NOT qualify for the credit:**

- Conventional plumbing components - water softeners, drinking water systems, etc., even if they are provided (free or otherwise) as part of the system.
- Conventional controls - load controllers, programmable thermostats, etc., even if they are provided (free or otherwise) as part of the system.
- Conventional heating/cooling systems - air conditioners, heat pumps, evaporative coolers, furnaces, regardless of efficiency.
- Conventional windows and window treatments - dual-pane, low-e, shade screens, reflective and dark coatings, awnings, interior shades, drapes, and blinds.
- Conventional skylights.
- Appliances (all voltages) - refrigerators, lights, fans, TVs, etc., unless they are manufactured specifically for photovoltaic systems.
- Fans - ceiling, window, attic, interior, etc., unless they are manufactured specifically for photovoltaic applications.
- Paint - ceramic, reflective roof coatings.
- Insulation (includes "outsulation") and radiant barrier.
- Weather stripping, caulking.
- Misting systems.
- Vegetation - shade trees, shrubs, grass.
- Solar energy cars.
- A solar hot water heater plumbing stub out that was installed by the builder of a house or dwelling unit before title was conveyed to the taxpayer. You may be able to take this credit on Arizona Form 319. For details, see Form 319.

**NOTE:** *If you claim a credit, you cannot take a depreciation deduction for the solar energy device for which the credit is claimed. If such depreciation deduction is included in your federal adjusted gross income, you must add that amount to your Arizona gross income. You must make this addition for each period in which you deduct depreciation for federal purposes.*

**Line-by-Line Instructions**

Enter your name and Social Security Number (SSN) as shown on Arizona Form 140, 140PY, or 140X.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for an individual is the taxpayer's SSN or an Internal Revenue Service (IRS) individual taxpayer identification number (ITIN).

Taxpayers that fail to include their identification number may be subject to a penalty.

**Part 1 - Current Year's Credit**

Use lines 1 through 9 to figure your credit for the current tax year.

**Line 1 -**

Enter the address of the residence where you installed the solar energy device for which you are claiming the credit.

**Line 2 -**

Enter the cost of the solar energy device. The cost of installing the device may be included in the cost of the device.

**Lines 3 and 4 -**

Follow the instructions on the form for lines 3 and 4.

**Line 5 -**

If you claimed a credit for another solar energy device you installed during a prior taxable year (1995 through 2015), at the same residence listed on line 1, enter the total amount of allowable credit for that prior tax year or years.

**Lines 6 through 8 -**

Follow the instructions on the form for lines 6 through 8.

**Line 9 - Current Year's Credit**

Enter the smaller of line 4 or line 8.

If you are married filing a separate return, but you could have filed a joint return, you may take only one-half of the total credit that you and your spouse would have been allowed to take on a joint return. In this case, enter one-half of the smaller of line 4 or line 8.

**Part 2 - Carryover from Prior Taxable Years****Lines 10 through 15 -**

Use Part 2 to figure your total available credit carryover from taxable years 2011 through 2015.

Complete lines 10 through 15 if you claimed this credit on a return for one of these years and the credit was more than your tax.

- In column (b), enter the credit **originally** computed for the taxable year listed in column (a). Do not enter the cost of the device. The amount entered in column (b) cannot be more than \$1,000.
- In column (c), enter the amount of the credit from that taxable year which you have already used.
- In column (d), subtract the amount in column (c) from the amount in column (b) and enter the difference.
- Add the amounts entered on lines 10 through 14 in column (d).

Enter the total on line 15, column (d).

**Part 3 - Total Available Credit****Lines 16 through 18 -**

Use lines 16 through 18 to figure your total available credit for 2016.

**Line 16 -**

Enter the amount from Part 1, line 9. Also, enter this amount on Form 301, line 7, column (a).



**Line 17 -**

Enter the amount of available carryover from Part 2, line 15, column (d). Also, enter this amount on Form 301, line 7, column (b).

**Line 18 - Total Available Credit**

Add line 16 and line 17. Enter the total. Also, enter this amount on Form 301, line 7, column (c).

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Include with your return.

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].

Your Name as shown on Form 140, 140PY, 140NR, 140X, 120S or 165	Your Social Security or Employer Identification Number
Spouse's Name as shown on Form 140, 140PY, 140NR, 140X (if a joint return)	Spouse's Social Security Number

Part 1 Qualifying Water Conservation System

1 Do you have a conservation plan on file and in effect with the United States Department of Agriculture Soil Conservation Service?..... 1  Yes  No

If the answer to question 1 is "Yes", enter the following:

2a Date filed ..... 2a [M,M|D,D|Y,Y,Y,Y]

2b Location of Soil Conservation Office ..... 2b \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3 Check a box below and indicate the type of change or system installed.

System Changes:

- Unlined field ditch to concrete lined ditch
- Unlined field ditch to underground pipeline
- Unlined field ditch to gated pipes
- Sloping unlevelled surface field to slope on precise grade
- Sloping surface irrigated field to level basin
- Sloping field with surface irrigation to sprinkler
- Surface or sprinkler to trickle (above ground)
- Surface or sprinkler to subsurface trickle (below ground)
- Increasing the size of field ditch to provide larger head
- Unused runoff water to tailwater recovery system
- Other - Please describe: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Continued on page 2 →

Your Name (as shown on page 1)	Your Social Security or Employer Identification Number
--------------------------------	--

**Part 2 Calculation of the Current Taxable Year's Credit**

4 Total amount of qualifying expenses for current taxable year .....	<b>4</b>		00
5 Total amount of reimbursement.....	<b>5</b>		00
6 Net amount of qualifying expenses: Subtract line 5 from line 4.....	<b>6</b>		00
7 Current taxable year's credit: Multiply line 6 by 75% (.75) .....	<b>7</b>		00
8 Current taxable year's pass-through credit from Partnership: Enter the amount from Form 312-P, line 1. If you received more than one Form 312-P, add all amounts on line 1 and enter the total.....	<b>8</b>		00
9 Current taxable year's pass-through credit from S corporation: Enter the amount from Form 312-S, line 2. If you received more than one Form 312-S, add all amounts on line 2 and enter the total .....	<b>9</b>		00
<b>10 Total Current Year's Credit:</b> Add lines 7, 8, and 9.....	<b>10</b>		00

**NOTE: An individual cannot take a subtraction for the same expenses for which a credit is claimed.**

- An individual claiming his or her own current year credit (line 7) must include the net amount of qualifying expenses entered on line 6, on his or her Arizona individual income tax return, under "Additions to Income".
- An individual shareholder claiming a current year pass-through credit (line 9) from an S corporation must include the pro rata share of the net amount of qualifying expenses from Form 312-S, line 1, on his or her Arizona individual income tax return, under "Other Additions to Income".

**Part 3 Available Credit Carryover**

	(a) Taxable Year from which you are carrying the credit	(b) Original Credit Amount	(c) Amount Previously Used	(d) Available Carryover: Subtract column (c) from column (b).
<b>11</b>	2011	00	00	00
<b>12</b>	2012	00	00	00
<b>13</b>	2013	00	00	00
<b>14</b>	2014	00	00	00
<b>15</b>	2015	00	00	00
<b>16</b>	TOTAL AVAILABLE CARRYOVER: Add lines 11 through 15, column (d) .....			00

**Part 4 Total Available Credit**

17 Current year's credit: Enter the amount from Part 2, line 10. Also, enter this amount on <i>Arizona Form 301, Part 1, line 8, column (a)</i> .....	<b>17</b>		00
18 Available credit carryover: Enter the amount from Part 3, line 16, column (d). Also, enter this amount on <i>Arizona Form 301, Part 1, line 8, column (b)</i> .....	<b>18</b>		00
19 Total Available Credit: Add line 17 and line 18. Also, enter this amount on <i>Arizona Form 301, Part 1, line 8, column (c)</i> .....	<b>19</b>		00

## 2016 Agricultural Water Conservation System Credit

### 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 tax a 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

**NOTE:** You *must* also complete Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture, and include Forms 301 and 312 with your tax return to claim this credit.

Arizona law allows a nonrefundable tax credit for the purchase and installation of an agricultural water conservation system. Complete Form 312 to claim this nonrefundable credit.

## To Qualify for the Credit:

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

The credit is equal to 75% of the qualifying expenses incurred during the taxable year.

## Who May Claim this Credit?

This credit is available to individuals *only*. A partnership may not claim this credit, but may pass the credit through to partners who are individuals, S corporations and other partnerships. A corporation, including an S corporation, may not claim this credit. However, an S corporation may pass the credit through to its individual shareholders.

Individual co-owners of a business, including individual partners in a partnership and individual shareholders of an S corporation, may each claim only a pro rata share of the credit, based on ownership interest. The total of the credits allowed

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

**A partnership passing the current year's credit** through to its individual partners must do the following:

- Complete Part 1 and Part 2, lines 1 through 10.
- Complete Form 312-P, *Credit for Agricultural Water Conservation System - Distribution to Partners*, for each partner and provide the partner with a copy of Form 312-P. Form 312-P is available on the department's website. Instructions for completing Form 312-P are included at the end of these instructions, beginning on page 3. The partner will use Form 312-P to complete their own Form 312 to claim the *pro rata* share of the credit or another Form 312-P, if applicable.
- Include Forms 312 and 312-P with its tax return.
- Keep a copy of Forms 312 and 312-P for its record.

**An S corporation passing the current year's credit** through to its individual shareholders must do the following:

- Complete Part 1 and Part 2, lines 1 through 10.
- Complete Form 312-S, *Credit for Agricultural Water Conservation System - Distribution to Individual Shareholders of an S Corporation*, for each individual shareholder and provide the shareholder with a copy of Form 312-S. Form 312-S is available on the department's website. Instructions for completing Form 312-S are included at the end of these instructions, beginning on page 3. The individual shareholder will use Form 312-S to complete their own Form 312 to claim the *pro rata* share of the credit.
- Include Forms 312 and 312-S with its tax return.
- Keep a copy of Forms 312 and 312-S for its record.

**Individual taxpayers claiming his or her own current year's credit** for expenses he or she paid during the taxable year to purchase and install an agricultural water conservation system in this state must do the following:

- Complete Part 1, Part 2 and Part 4.
- Complete Part 3, if claiming an unused credit carryover amount from a prior tax year.
- Include Form 312 with the income tax return, when filed.

**Individual taxpayers claiming a pass through credit** for the current tax year from a Partnership and/or an S corporation must do the following:

- Complete Part 2, line 8 and/or line 9, using the information provided by the S corporation on Form 312-S or the Partnership on Form 312-P.
- Complete Part 3, if claiming an unused credit carryover amount from a pass through credit from a prior tax year.
- Include Form 312, Forms 312-S and/or 312-P, with the income tax return, when filed.

**NOTE:** To claim a credit, the individual taxpayer **must** also complete Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture, and include it with his or her tax return.

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

A taxpayer cannot take a subtraction for the same expenses for which a credit is claimed.

**For example:** If the taxpayer had \$10,000 of qualifying expenses (Part 2, line 6), the credit would be \$7,500 (Part 2, line 7) and the add-back would be \$10,000. The individual would include \$10,000 on the Arizona individual income tax return under "Additions to Income". An individual shareholder claiming a pass through credit would add-back his or her pro rata share of the qualifying expenses on the individual income tax return under "Other additions to income". The amount the shareholder is required to add-back is reported by the S corporation on Form 312-S, line 1.

## Form Instructions

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

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for a partnership or an S corporation is the taxpayer's employer identification number (EIN). The TIN for an individual is the taxpayer's Social Security Number (SSN) or an Internal Revenue Service (IRS) individual taxpayer identification number (ITIN). Taxpayers that fail to include their identification number may be subject to a penalty.

### Part 1 - Qualifying Water Conservation System

#### Lines 1 through 3 -

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

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

### Part 2 - Calculation of the Current Taxable Year's Credit

#### Lines 4 through 10 -

##### Line 4 -

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

##### Line 5 -

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

##### Lines 6 and 7 -

Complete these lines as instructed on the form.

##### Line 8 -

If you are claiming a pass through credit from a partnership, enter the amount from Form 312-P, line 1.

##### Line 9 -

If you are claiming a pass through credit from an S corporation, enter the amount from Form 312-S, line 2.

##### Line 10 -

Add lines 7, 8, and 9. Enter the total. This is your current taxable year's credit.

### Part 3 - Available Credit Carryover

#### Lines 11 through 16 -

Calculate the total available carryover of the agricultural water conservation credit from tax years 2011 through 2015 in Part 3, lines 11 through 16. Complete these lines if you claimed the credit on a prior taxable year's tax return and the credit was more than your tax.

In column (b) enter the credit originally computed for the taxable year listed in column (a).

In column (c) enter the amount of the credit from that taxable year which you have already used.

In column (d) subtract the amount in column (c) from the amount in column (b) and enter the difference.

Add the amounts entered on lines 11 through 15 in column (d).

Enter the total on line 16, column (d).

### Part 4 - Total Available Credit

#### Lines 17 through 19 -

##### Line 17 -

Enter the amount from Part 2, line 10. Also, enter this amount on Form 301, line 8, column (a).

##### Line 18 -

Enter the amount of available credit carryover from Part 3, line 16, column (d). Also, enter this amount on Form 301, line 8, column (b).

##### Line 19 -

Add line 17 and line 18. Enter the total. Also, enter this amount on Form 301, line 8, column (c).

This is the total available credit that may be applied to the current taxable year's tax liability.

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## Form 312-P, Credit for Agricultural Water System - Distribution to Partners

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**NOTE:** Form 312-P is available on the department's website.

### Instructions for Partnerships passing the credit to partners

- Enter the name of the partnership and employer identification number at the top of Form 312-P.
- In the space provided, enter the partner's name, social security or employer identification number, and ownership percentage.  
Each partner is entitled to a *pro rata* share of the credit, based on its ownership percentage.

#### Line 1 -

Enter the partners' pro rata share of the current year's credit based on ownership interest from Form 312, Part 2, line 10.

---

### Instructions for Partners receiving Form 312-P

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- Enter the amount from Form 312-P, line 1, on your own Form 312, Part 2, line 8.  
If you are claiming a pass through credit from more than one partnership, add all amounts from Forms 312-P and enter the total on Form 312, Part 2, line 8.
- If the partner is an S corporation it must also complete a separate Form 312-S for each individual shareholder identifying the shareholder's pro rata share of qualifying expenses and pass through credit amount.
- If the partner is another partnership, it must complete a separate Form 312-P for each partner that is an individual, S corporation or other partnership identifying the partner's pro rata share of the pass through credit amount.

**NOTE:** If you file your income tax return on a calendar year basis (January 1, 2016 – December 31, 2016) but the Partnership or S corporation passing the credit files its return on a fiscal year basis, claim the pass through credit on your income tax return for the year in which the Partnership or S corporation's fiscal year ends. For example, if the partnership or S corporation's tax year ends in February 2017, claim this credit on your 2017 tax return.

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## Form 312-S, S Corporation Individual Shareholder's Portion of the Credit

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**NOTE:** Form 312-S is available on the department's website.

### Instructions for S corporations passing the credit to individual shareholders

- Enter the name of the S corporation and employer identification number at the top of Form 312-P.
- In the space provided, enter the individual shareholder's name, social security number, and ownership percentage.  
Each individual shareholder is entitled to a *pro rata* share of the credit, based on his or her ownership percentage.

#### Line 1 -

Enter the individual shareholder's pro rata share of qualifying expenses based on ownership interest from Form 312, Part 2, line 6.

#### Line 2 -

Enter the individual shareholder's pro rata share of current year's credit based on ownership interest from Form 312, Part 2, line 10.

---

### Instructions for Individual shareholders receiving Form 312-S

---

- Enter the amount from Form 312-S, line 2, on your own Form 312, Part 2, line 9.  
If you are claiming a pass through credit from more than one S corporation, add all amounts from Forms 312-S and enter the total on Form 312, Part 2, line 9.

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For the calendar year 2016 or fiscal year beginning MM,DD,2016 and ending MM,DD,20YY.

Partnership Name	Employer Identification Number
------------------	--------------------------------

**Partnership:**

- Complete Form 312-P for each partner that is an individual, S corporation, or another partnership.
- Provide a copy of the completed Form 312-P to the partner.
- Include a copy of each Form 312-P with your Form 312.
- Keep one copy for your records.

**Partnership:**

- Use this form to complete your Form 312.
- Include Form 312-P along with your own Form 312 with your return.
- Keep a copy for your records.

**NOTE:** If you file your income tax return on a calendar year basis (January 1, 2016 – December 31, 2016) but the Partnership passing the credit files its return on a fiscal year basis, claim this credit on your income tax return for the year in which the partnership’s fiscal year ends. For example, if the partnership’s tax year ends in February 2017, claim this credit on your 2017 tax return.

Partner’s Name (Individual, S corporation or Partnership)	Social Security or Employer Identification Number	Ownership Interest
---	---	--------------------

**1** Partner’s pro rata share of the current year’s credit based on ownership interest from Form 312, Part 2, line 10 ..... 

<b>1</b>		<b>00</b>
----------	--	-----------

  
*This is the amount of your pass-through credit from the Partnership listed above.*

**Partners:**

- Enter the amount from Form 312-P, line 1, on your own Form 312, Part 2, line 8. If you are claiming a pass-through credit from more than one partnership, add all amounts from Forms 312-P and enter the total on Form 312, Part 2, line 8.
- If the partner is an S corporation it must also complete a separate Form 312-S for each individual shareholder identifying the shareholder’s pro rata share of qualifying expenses and pass-through credit amount.
- If the partner is another partnership, it must complete a separate Form 312-P for each partner that is an individual, S corporation or other partnership identifying the partner’s pro rata share of the pass-through credit amount.

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For the calendar year 2016 or fiscal year beginning MM,DD,2016 and ending MM,DD,20YY.

S Corporation Name	Employer Identification Number
--------------------	--------------------------------

**S Corporations:**

- Complete Form 312-S for each individual shareholder.
- Provide a copy of the completed Form 312-S to the shareholder.
- Include a copy of each Form 312-S with your Form 312.
- Keep one copy for your records.

**Individual Shareholders:**

- Use this form to complete your Form 312.
- Include Form 312-S along with your own Form 312 with your return.
- Keep a copy for your records.

**NOTE:** If you file your income tax return on a calendar year basis (January 1, 2016 – December 31, 2016) but the S corporation passing the credit files its return on a fiscal year basis, claim this credit on your income tax return for the year in which the S corporation’s fiscal year ends. For example, if the S corporation’s tax year ends in February 2017, claim this credit on your 2017 tax return.

Shareholder’s Name	Social Security Number	Ownership Interest
--------------------	------------------------	--------------------

1 Individual shareholder’s pro rata share of qualifying expenses based on ownership interest from Form 312, Part 2, line 6 .....	<b>1</b>		00
2 Individual shareholder’s pro rata share of current year’s credit based on ownership interest from Form 312, Part 2, line 10 .....	<b>2</b>		00

*This is the amount of your pass-through credit from the S corporation listed above.*

**Individual shareholder:**

- Enter the amount from Form 312-S, line 2, on your own Form 312, Part 2, line 9.  
If you are claiming a pass-through credit from more than one S corporation, add all amounts from Forms 312-S and enter the total on Form 312, Part 2, line 9.
- An individual cannot take a subtraction for the same expenses for which a credit is claimed. If you are claiming this pass-through credit, you must include the amount reported on Form 312-S, line 1, on your Arizona individual income tax return, under “Other Additions to Income”.

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**Include 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 140, 140PY, 140NR, 140X, 99T, 120, 120A, 120S, 120X or 165

Social Security or Employer Identification Number

**Part 1 Schedule of Equipment and Current Taxable Year's Credit Calculation**

If additional space is needed, include a separate schedule.

	(a) Date Qualifying Property Placed in Service or Expected to be Placed in Service	(b) Description	(c) Total Cost Incurred During the Taxable Year for Qualifying Property used to Reduce Pollution	
1	MMDDYY			00
2	MMDDYY			00
3	MMDDYY			00
4	MMDDYY			00
5	MMDDYY			00
6	MMDDYY			00
7	MMDDYY			00
8	MMDDYY			00
9	MMDDYY			00
10	MMDDYY			00
11	Add lines 1 through 10 in column (c). Enter the total.....		11	00
12	Enter the total from additional schedule(s), if applicable .....		12	00
13	Total cost of pollution control equipment incurred during the taxable year: Add lines 11 and 12. Enter the total.....		13	00
14	Multiply line 13 by 10% (.10). Enter the result.....		14	00

**Part 2 Credit Passed Through From Partnerships or S Corporations**

15	Total credit passed through from partnerships or S corporations on Form(s) 315-P, line 4 and/or Form(s) 315-S, line 4. If you received a pass through credit from more than one partnership and/or S corporation, total the credits received on a separate document and include it with your return.....	15	00
----	--	----	----

**Part 3 Total Current Year Credit**

16	Add lines 14 and 15. Enter the total .....	16	00
17	Maximum Credit Allowed .....	17	500,000 00
18	Enter the lesser of line 16 or line 17. This is the total credit for the current year.....	18	00

In order to calculate Arizona depreciation or amortization, a taxpayer who elects to claim this credit under A.R.S. §§ 43-1081 or 43-1170 shall reduce the basis of the pollution control equipment by the amount of the credit claimed.

**Part 4 Partnerships Passing Through the Credit**

Partnerships qualifying for this credit must pass it through to their partners. When passing this credit through to your partners, complete Form 315-P for each partner.

- Provide a copy of completed Form 315-P to each partner.
- File a copy of each completed Form 315-P with your tax return.
- Keep a copy of each completed Form 315-P for your records.

Name (as shown on page 1)	TIN
---------------------------	-----

**Part 5 S Corporation Credit Election**

The S corporation has made an irrevocable election for the taxable year ending MM, DD, YYYY to  
**(check only one box):**

- Claim the pollution control credit as shown on line 18 (for the taxable year mentioned above);  
**OR**
- Pass the pollution control credit as shown on line 18 (for the taxable year mentioned above) through to its shareholders.

\_\_\_\_\_  
Signature Title Date

If passing this credit through to your shareholders, complete Form 315-S for each individual shareholder.

- Provide a copy of completed Form 315-S to each shareholder.
- File a copy of each completed Form 315-S with your tax return.
- Keep a copy of each completed Form 315-S for your records.

**If you claimed this credit and there is a carryover of this credit from the past 5 taxable years, complete Part 6. If not, go to Part 7.**

**Part 6 Available Credit Carryover**

	(a) Taxable Year	(b) Original Credit Amount	(c) Amount Previously Used or Expired	(d) Available Carryover: Subtract column (c) from column (b).
19		00	00	00
20		00	00	00
21		00	00	00
22		00	00	00
23		00	00	00
24	Total Available Carryover: Add lines 19 through 23 in column (d). Enter the total.....			<b>24</b> 00

**Part 7 Total Available Credit**

<b>25</b> Current year's credit: <ul style="list-style-type: none"> <li>• <i>Individuals, corporations, S corporations claiming this credit at the corporate level, or exempt organizations with UBTI:</i> Enter the amount from Part 3, line 18.</li> <li>• <i>Individuals:</i> Also enter this amount on Form 301, Part 1, line 9, column (a).</li> <li>• <i>Corporations, S corporations claiming this credit at the corporate level, and exempt organizations with UBTI:</i> Also enter this amount on Form 300, Part 1, line 5, column (a) .....</li> </ul>	<b>25</b>	00
<b>26</b> Enter the available credit carryover from line 24, column (d). <ul style="list-style-type: none"> <li>• <i>Individuals:</i> Also enter this amount on Form 301, Part 1, line 9, column (b).</li> <li>• <i>Corporations, S corporations claiming this credit at the corporate level, and exempt organizations with UBTI:</i> Also enter this amount on Form 300, Part 1, line 5, column (b) .....</li> </ul>	<b>26</b>	00
<b>27</b> <b>Total available credit:</b> Add line 25 and line 26. Enter the total. <ul style="list-style-type: none"> <li>• <i>Individuals:</i> Also enter the total on Form 301, Part 1, line 9, column (c).</li> <li>• <i>Corporations, S corporations claiming this credit at the corporate level, and exempt organizations with UBTI:</i> Also enter the total on Form 300, Part 1, line 5, column (c) .....</li> </ul>	<b>27</b>	00

**2016 Pollution Control Credit**

**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**

*Arizona Revised Statutes* §§ 43-1081 and 43-1170 provide nonrefundable individual and corporate income tax credits for expenses incurred during the taxable year to purchase real or personal property that is used within Arizona in the taxpayer's trade or business to control or prevent pollution. The amount of the credit is equal to 10% of the purchase price, limited to a maximum credit of \$500,000 in a taxable year.

**Qualifying property includes** a structure, building, installation, excavation, machine, equipment, and any attachment to, or addition to, or reconstruction, replacement, or improvement of that property. Property eligible for the tax credit includes only that portion of the property directly used, constructed, or installed in Arizona to prevent, monitor, or reduce air, water, or land pollution that results from the taxpayer's direct operating activities in conducting a trade or business in this state. The property must meet or exceed rules or regulations adopted for this purpose by the United States Environmental Protection Agency, the Arizona Department of Environmental Quality, or a political subdivision of Arizona.

**Amounts that qualify for the credit** must be includible in the taxpayer's adjusted basis for the property. The adjusted basis of any property for which the taxpayer has claimed a credit must be reduced by the amount of credit claimed for that property.

If the allowable tax credit exceeds the taxes otherwise due or, if there are no taxes due, the amount of the credit not used to offset taxes may be carried forward for not more than five taxable years as a credit against subsequent years' income tax liabilities.

The pollution control equipment credit claimed on Form 315 is in lieu of the agricultural pollution control credit claimed on Form 325 with respect to the same equipment or expense.

Co-owners of a business, including partners in a partnership and shareholders of an S corporation, may each claim only the *pro rata* share of the credit allowed based on the ownership interest. The total of the credits allowed all such owners may not exceed the amount that would have been allowed for a sole owner of the business.

The credit is available to an exempt organization that is subject to corporate income tax on unrelated business taxable income (UBTI). The credit must result from the activities that generate UBTI.

**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 form with the tax return.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for a corporation, an exempt organization with UBTI, an S corporation, or a partnership is the taxpayer's employer identification number. The TIN for an individual is the taxpayer's Social Security Number or an Internal Revenue Service individual taxpayer identification number. Taxpayers that fail to include their TIN may be subject to a penalty.

**Part 1 - Schedule of Equipment and Current Taxable Year's Credit Calculation**

**Lines 1 through 10 -**

**Column (a):** Enter the date that the qualifying property was placed in service or the date it is expected to be placed in service in Arizona.

**Column (b):** Enter a brief description of the property used in the taxpayer's business in Arizona to control or prevent pollution.

**Column (c):** Enter the total cost incurred during the taxable year for qualifying property used to reduce pollution. For additional information, see the definition of "*Qualifying property*" in column 1 of this page.

If there are more than 10 items of qualifying property, complete additional schedules. Include the completed schedules with Form 315.

**Line 11 -**

Add lines 1 through 10 in column (c) and enter the total.

**Line 12 -**

Enter the total amounts in column (c) from additional schedules.

**Line 13 -**

Add lines 11 and 12 and enter the total. This is the total cost incurred during this taxable year of all items of property for which the taxpayer is claiming the credit.

**Line 14 -**

Multiply line 13 by 10% (.10) and enter the result.

**Part 2 - Credit Passed Through From Partnerships or S Corporations**

**Line 15 -**

Enter the total amount you received as a flow through from Form(s) 315-P, line 4 and/or Form(s) 315-S, line 4. If you received more than one Form 315-P and/or Form 315-S, total the amounts on a separate schedule and include it. Include a copy of each Form 315-P and/or Form 315-S you received with your return.

**Part 3 - Total Current Year Credit**

**Line 16 -**

Add lines 14 and 15. Enter the total.

**Line 17 - Maximum Credit Allowed**

The maximum amount of credit you may claim in a taxable year is \$500,000.

**Line 18 -**

Enter the lesser of line 16 or line 17. This is your maximum current year credit for pollution control.

**Partnerships - continue to Part 4.**

**S Corporations passing this credit through to its shareholders - skip to Part 5.**

**All others - go to Part 6.**

**Part 4 - Partnerships Passing Through the Credit**

Partnerships qualifying for this credit must pass it through to its partners. Proceed to the instructions on page 3 for completing Form 315-P.

Each partner is entitled to only a *pro rata* share of the credit based on the partner's ownership interest in the partnership. The total of the credit allowed to all partners may not exceed the amount that would have been allowed for a sole owner.

**NOTE:** *Trusts and estates which are partners in a partnership are not eligible to claim this credit. However, the share of a partnership owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.*

**Part 5 - S Corporation Credit Election**

An S corporation may make an irrevocable election to pass this credit through to its shareholders. Or, it can choose to keep this credit and apply it to its own liability generated at the corporate level.

Enter the S corporation's taxable year end date. Check the box corresponding to the election made by the S corporation, (to claim the credit; or to pass the credit through to its shareholders). The election must be signed by an officer of the S corporation.

S corporations electing to pass this credit through to its shareholders, proceed to the instructions on page 3 for completing Form 315-S.

Each shareholder is entitled only to a *pro rata* share of the credit based on the shareholder's ownership interest. The total of the credit allowed to all shareholders may not exceed the amount that would have been allowed for a sole owner.

S corporations electing to claim this credit at the corporate level, continue to Part 6.

**NOTE:** *Trusts and estates which are shareholders of S corporations, are not eligible to claim this credit. However, the share of an S corporation owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.*

**Part 6 - Available Credit Carryover**

Complete Part 6 only if you claimed this credit for prior taxable years and the credit exceeded the Arizona income tax liability for those taxable years.

**Lines 19 through 23 -**

Enter the applicable taxable year(s) in column (a) on lines 19 through 23. In column (b), enter the credit originally computed for that taxable year. In column (c), enter the amount of the credit from that taxable year which was previously used or expired. Subtract the amount in column (c) from column (b) and enter the difference in column (d).

**Line 24 -**

Add the amounts entered on lines 19 through 23 in column (d). Enter the total on line 24, column (d). This is the total pollution control credit carryover available for the current taxable year.

**Part 7 - Total Available Credit**

**Line 25 -**

*Individuals, exempt organizations with UBTI, and corporations (including S corporations that elected to claim the credit at the corporate level) - enter the current year's credit from Part 1, line 18.*

*Individuals - also enter this amount on Form 301, Part 1, line 9, column (a).*

*Corporations, including S corporations that elected to claim this credit at the corporate level, and exempt organizations with UBTI - also enter this amount on Form 300, Part 1, line 5, column (a).*

This is your current taxable year's pollution control credit.

**Line 26 -**

Enter the amount from Part 6, line 24, column (d). This is your total available credit carryover.

*Individuals - Also, enter this amount on Form 301, Part 1, line 9, column (b).*

*Corporations, including S corporations that elected to claim this credit at the corporate level, and exempt organizations with UBTI - Also, enter this amount on Form 300, Part 1, line 5, column (b).*

**Line 27 -**

Add line 25 and line 26. This is the total available pollution control credit that may be applied to the current taxable year's tax liability.

*Individuals - enter the total here and on Form 301, Part 1, line 9, column (c).*

*Corporations, including S corporations that elected to claim this credit at the corporate level, and exempt organizations with UBTI - enter the total here and on Form 300, Part 1, line 5, column (c).*



## Form 315-P, Partner's Portion of the Credit

Enter the taxable year for which this credit is being passed through to your partners.

Complete Form 315-P for each partner of the partnership, *except for* trust or estate partners. However, a partnership ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.

The partnership must furnish each partner with their completed copy of Form 315-P, including additional schedules as needed.

### Part 1 – Partnership and Partner Information

#### Line 1 –

Enter the partnership's name and Employer Identification Number (EIN) in the spaces provided.

#### Line 2 –

Enter the partner's name, and EIN, TIN, or Social Security Number, and ownership percentage in the spaces provided.

### Part 2 – Distribution of the Credit

#### Line 3 –

Enter the total amount of the partnership's pollution control credit from Form 315, Part 3, line 18.

#### Line 4 -

Multiply the amount on line 3 by the partner's ownership percentage shown on line 2(c). Enter the result. This is the partner's portion of the credit.

*Each partner will use this form to complete their own Form 315.*

## Form 315-S, S Corporation Shareholder's Portion of the Credit

Enter the taxable year for which this credit is being passed through to your shareholders.

Complete Form 315-S for each shareholder of the S corporation, *except for* trust or estate shareholders. However, an S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.

The S corporation must furnish each shareholder with a completed copy of Form 315-S, including additional schedules as needed.

### Part 1 – S corporation and Shareholder Information

#### Line 1 –

Enter the S corporation's name and Employer Identification Number (EIN) in the spaces provided.

#### Line 2 –

Enter the shareholder's name EIN, TIN, or Social Security Number, and ownership percentage in the spaces provided. If the shareholder is an exempt organization with UBTI, enter the exempt organization's name, EIN, and ownership percentage.

### Part 2 - Distribution of the Credit

#### Line 3 –

Enter the total amount of the S corporation's pollution control credit from Form 315, Part 3, line 18.

#### Line 4 -

Multiply the amount on line 3 by the shareholder's ownership percentage shown on line 2(c). Enter the result. This is the shareholder's portion of the credit.

*The shareholder will use this form to complete their own Form 315.*

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For the calendar year 2016 or fiscal year beginning   M  /  M  /  D   2,0,1,6 and ending   M  /  M  /  D   2,0,Y,Y.

**Partnerships:**

- Complete Form 315-P for each partner of the partnership **except for** trust or estate partners. However, a partnership ownership share that is owned by a grantor trust that is disregarded for federal purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.
- Provide a copy of this completed form to each partner.
- Keep a copy of each completed Form 315-P for your records.
- Include a copy of each completed Form 315-P with your partnership return.

**Partners:**

- Use this form to complete your own Form 315.
- Include a copy of this completed form with your return.
- Keep a copy of this form for your records.

**NOTE:** If you file your tax return on a calendar year basis but this entity files a return on a fiscal year basis (see above), claim this credit on your tax return for the year in which this entity's fiscal year ends.

**Part 1 Partnership and Partner Information**

<b>1</b>	(a) Partnership Name	(b) Employer Identification Number (EIN)	
<b>2</b>	(a) Partner Name	(b) Taxpayer Identification Number (TIN)	(c) Ownership Percentage %

**Part 2 Distribution of the Credit**

<b>3</b> Enter the partnership credit amount from Form 315, Part 3, line 18 .....	<b>3</b>		00
<b>4</b> Multiply the amount on line 3 by the partner's ownership percentage shown on line 2(c). Enter the result. This is the partner's portion of the credit.....	<b>4</b>		00

**Partners:**

The amount reported on line 4 is your portion of this credit. The amount on line 4 should be included on your own Form 315, Part 2, line 15.

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For the calendar year 2016 or fiscal year beginning MM,DD,2016 and ending MM,DD,20YY.

**S Corporations:**

- Complete Form 315-S for each shareholder of the S corporation **except for** trust or estate shareholders. However, an S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.
- Provide a copy of this completed form to each shareholder.
- Keep a copy of each completed Form 315-S for your records.
- Include a copy of each completed Form 315-S with your S corporation return.

**Shareholders:**

- Use this form to complete your own Form 315.
- Include a copy of this completed form with your return.
- Keep a copy of this form for your records.

**NOTE:** If you file your tax return on a calendar year basis but this entity files a return on a fiscal year basis (see above), claim this credit on your tax return for the year in which this entity's fiscal year ends.

**Part 1 S Corporation and Shareholder Information**

1	(a) S corporation Name	(b) Employer Identification Number (EIN)	
2	(a) Shareholder Name	(b) Taxpayer Identification Number (TIN)	(c) Ownership Percentage %

**Part 2 Distribution of the Credit**

3	Enter the S corporation credit amount from Form 315, Part 3, line 18.....	3	00
4	Multiply the amount on line 3 by the shareholder's ownership percentage shown on line 2(c). Enter the result. This is the shareholder's portion of the credit .....	4	00

**Shareholder:**

The amount reported on line 4 is your portion of this credit. The amount on line 4 should be included on your own Form 315, Part 2, line 15.

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**Complete Form 318-1 (attached) before completing this form. Include 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 99T, 120, 120A, 120S, 120X or 165

Employer Identification Number

**Part 1 Current Taxable Year's Credit Calculation**

<b>1</b> Total amount paid by the seller or purchaser as transaction privilege tax or use tax for coal sold to the taxpayer. Qualifying coal purchases by the taxpayer are purchases of coal that are 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. Enter total amount from included Form(s) 318-1, line 13, column (d) .....	<b>1</b>	00
<b>2</b> Current taxable year's credit: Multiply line 1 by 30 percent (.30). Enter the result .....	<b>2</b>	00

**Part 2 Corporate Partner's Share of Credit**

Complete lines 3 through 5 separately for each corporate partner. Furnish each corporate partner with a copy of Form 318. The partnership may pass the credit through **only** to its corporate partners.

<b>3</b> Name of corporate partner: _____	
<b>4</b> Corporate partner's TIN: _____	
<b>5</b> Corporate partner's share of the amount on Part 1, line 2.....	00

**Part 3 Available Credit Carryover**

	(a) Taxable Year	(b) Original Credit Amount	(c) Amount Previously Used	(d) Available Carryover: Subtract column (c) from column (b).
<b>6</b>		00	00	00
<b>7</b>		00	00	00
<b>8</b>		00	00	00
<b>9</b>		00	00	00
<b>10</b>		00	00	00
<b>11</b>	Total Available Pre-2003 Carryover: Add lines 6 through 10 in column (d) .....			00

**Part 4 Total Available Credit**

<b>12</b> Current taxable year's credit: • <i>Corporations, S corporations, and exempt organizations with UBTI:</i> Enter the amount from Part 1, line 2. • <i>Corporate partners of a partnership:</i> Enter the amount from Part 2, line 5. • Also enter this amount on <i>Form 300, Part 1, line 6, column (a)</i> .....	<b>12</b>	00
<b>13</b> Available credit carryover from Part 3, line 11, column (d). • Also enter this amount on <i>Form 300, Part 1, line 6, column (b)</i> .....	<b>13</b>	00
<b>14</b> <b>Total available credit:</b> Add lines 12 and 13. • Also enter this amount on <i>Form 300, Part 1, line 6, column (c)</i> .....	<b>14</b>	00

**Form 318-1** **Qualifying Coal Purchases** **2016**

<b>A</b> Vendor's Name	<b>B</b> Taxpayer's Name
Vendor's Arizona TPT or Use Tax Number	Taxpayer's Arizona TPT or Use Tax Number

	(a) Month	(b) Type of Tax: TPT or Use	(c) Coal Price Before Tax	(d) Amount of Tax Paid	(e) Total Amount
1		<input type="checkbox"/> TPT <input type="checkbox"/> Use		00	00
2		<input type="checkbox"/> TPT <input type="checkbox"/> Use		00	00
3		<input type="checkbox"/> TPT <input type="checkbox"/> Use		00	00
4		<input type="checkbox"/> TPT <input type="checkbox"/> Use		00	00
5		<input type="checkbox"/> TPT <input type="checkbox"/> Use		00	00
6		<input type="checkbox"/> TPT <input type="checkbox"/> Use		00	00
7		<input type="checkbox"/> TPT <input type="checkbox"/> Use		00	00
8		<input type="checkbox"/> TPT <input type="checkbox"/> Use		00	00
9		<input type="checkbox"/> TPT <input type="checkbox"/> Use		00	00
10		<input type="checkbox"/> TPT <input type="checkbox"/> Use		00	00
11		<input type="checkbox"/> TPT <input type="checkbox"/> Use		00	00
12		<input type="checkbox"/> TPT <input type="checkbox"/> Use		00	00
<b>13 TOTAL:</b> Add lines 1 through 12 .....			00	00	00

<b>A</b> Vendor's Name	<b>B</b> Taxpayer's Name
Vendor's Arizona TPT or Use Tax Number	Taxpayer's Arizona TPT or Use Tax Number

	(a) Month	(b) Type of Tax: TPT or Use	(c) Coal Price Before Tax	(d) Amount of Tax Paid	(e) Total Amount
1		<input type="checkbox"/> TPT <input type="checkbox"/> Use		00	00
2		<input type="checkbox"/> TPT <input type="checkbox"/> Use		00	00
3		<input type="checkbox"/> TPT <input type="checkbox"/> Use		00	00
4		<input type="checkbox"/> TPT <input type="checkbox"/> Use		00	00
5		<input type="checkbox"/> TPT <input type="checkbox"/> Use		00	00
6		<input type="checkbox"/> TPT <input type="checkbox"/> Use		00	00
7		<input type="checkbox"/> TPT <input type="checkbox"/> Use		00	00
8		<input type="checkbox"/> TPT <input type="checkbox"/> Use		00	00
9		<input type="checkbox"/> TPT <input type="checkbox"/> Use		00	00
10		<input type="checkbox"/> TPT <input type="checkbox"/> Use		00	00
11		<input type="checkbox"/> TPT <input type="checkbox"/> Use		00	00
12		<input type="checkbox"/> TPT <input type="checkbox"/> Use		00	00
<b>13 TOTAL:</b> Add lines 1 through 12 .....			00	00	00



**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**

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**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**

*Arizona Revised Statutes § 43-1178* provides a nonrefundable corporate income tax credit equal to 30% 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 (TPT) 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.

The tax credit is in lieu of a deduction for the taxes for which the credit is claimed. An addition to Arizona gross income is required for the amount of Arizona TPT and Arizona use taxes included in the computation of federal taxable income for which the Arizona tax credit is claimed.

For example, a taxpayer that paid \$50,000 in TPT for coal consumed in the generation of electrical power in Arizona would receive a credit of \$15,000 ( $\$50,000 \times 30\% = \$15,000$ ). The addition to Arizona gross income would be \$50,000.

The tax credit is available only to corporate taxpayers. A partnership may pass this credit through only to its corporate partners. An S corporation may claim this credit, or the S corporation may elect to pass this credit through to only its exempt organization shareholders.

The credit is available to an exempt organization that is subject to corporate income tax on unrelated business taxable income (UBTI). The credit must result from the activities that generate UBTI.

Co-owners of a business, including corporate partners of a partnership or exempt organization shareholders of an S corporation, may each claim only the pro rata share of the credit allowed based on the ownership interest. The pro rata share that would be distributed to non-eligible partners or shareholders is lost. The total of the credits allowed all such owners may not exceed the amount that would have been allowed for a sole owner of the business.

If the allowable tax credit exceeds the taxes otherwise due, or if there are no taxes due, the amount of the credit not used to offset taxes may be carried forward for not more than five consecutive taxable years as a credit against subsequent years' income tax liability.

**Specific Instructions**

Complete the name and employer identification number section at the top of the form. Indicate the period covered by the taxable year. Include the completed form with the tax return.

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

**Part 1 - Current Taxable Year's Credit Calculation**

**Form 318-1 and Line 1 -**

Complete Form 318-1 before completing Part 1, line 1, of Form 318. Complete Form 318-1 to list the qualifying coal purchases for the taxable year.

**FORM 318-1**

The design of Form 318-1 allows the taxpayer to list qualifying coal purchases for the taxable year in two situations:

1. Purchases from vendors that passed the Arizona TPT through to the taxpayer as an added charge or purchases from vendors that collected the Arizona use tax from the taxpayer; and
2. Purchases from vendors for which the taxpayer paid the Arizona use tax to the department.

**Situation 1:** List the qualifying coal purchases *by vendor* for situation 1 above. If the taxpayer has purchased coal from more than two vendors, additional Form(s) 318-1 must be completed to list the qualifying coal purchases for the taxable year. Complete section A to list the vendor name and the vendor's Arizona TPT or use tax number. Do not complete section B.

**NOTE:** *The Arizona TPT must be shown as an added charge on the vendor's invoice. If the vendor collects the Arizona use tax from the taxpayer, the tax must be shown as a separate charge on the vendor's invoice. If the amount is not shown as a separate charge, you cannot claim that amount.*

**Situation 2:** List the qualifying coal purchases *from all vendors* for situation 2 above. Complete section B to list the taxpayer's Arizona TPT or use tax number. Do not complete section A.

**NOTE:** *If the taxpayer pays the Arizona use tax directly to the department, the taxpayer must document the amount of tax paid for each invoice.*

**Column (a):** On lines 1 through 12, enter the applicable month of the taxable year.

**Column (b):** On lines 1 through 12, indicate the type of tax, TPT or use.

**Column (c):** On lines 1 through 12, enter the total amount of qualifying coal purchases for that month. Do not include the amount of tax paid in the total.

**Column (d):** On lines 1 through 12, enter the total amount of tax paid for that month.

**Column (e):** On lines 1 through 12, enter the total of columns (c) and (d).

Now go to Form 318, Part 1, line 1.

## FORM 318

### Line 1 -

Enter the aggregate total from the completed Form(s) 318-1, line 13, column (d), on Form 318, Part 1 line 1.

### Line 2 -

Multiply line 1 by 30 percent (.30). Enter the result. This is the current taxable year's credit.

## Part 2 - Corporate Partner's Share of Credit

### Lines 3 through 5 -

The partnership must complete Form(s) 318-1 and Part 1 of Form 318. Then, complete Part 2, lines 3 through 5, separately for each corporate partner. The partnership may pass the credit through **only** to its corporate partners.

Each corporate partner is entitled to only a pro rata share of the credit based on the corporate partner's ownership interest in the partnership. The total of the credit allowed to all corporate partners may not exceed the amount that would have been allowed for a sole owner.

The partnership must furnish each corporate partner with a copy of Form 318. Each corporate partner must complete Part 3, if applicable, and Part 4.

**NOTE:** *An S corporation that elects to pass the credit through to its exempt organization shareholders should complete Part 2 separately for each exempt organization shareholder and include a statement with Form 318, signed by a signatory to Arizona Form 120S, that states: The S corporation has made an irrevocable election for the taxable year ending (MM/DD/YYYY) to pass the credit for taxes paid for coal consumed in generating electrical power as shown on Form 318, Part 1, line 2 through to its exempt organization shareholders. Each exempt organization shareholder would then complete Part 3, if applicable, and Part 4 of Form 318.*

## Part 3 - Available Credit Carryover

Complete Part 3 only if the allowable credit for prior taxable years exceeded the Arizona income tax liability for those taxable years. Calculate the total available carryover of the credit on Part 3, lines 6 through 11.

Enter the applicable taxable year(s) in column (a) on lines 6 through 10. Enter the amount of the original tax credit for each taxable year in column (b). Enter the amount of the credit for each taxable year that has been taken in previous taxable years in column (c). Subtract column (c) from column (b) and enter the difference in column (d). Add the amounts entered on lines 6 through 10, column (d). Enter the total on line 11, column (d). This is the total available credit carryover available for the current taxable year.

## Part 4 - Total Available Credit

**NOTE:** *If you are claiming this credit as a credit you earned, AND are claiming this credit as a pass through credit from a partnership or S corporation, add the amount you earned to the amount passed through to you. Enter the total credit on line 12.*

### Line 12 -

*Corporations (including S corporations electing to claim the credit at the corporate level), and exempt organizations with UBTI - enter the current taxable year's credit from Part 1, line 2.*

*Corporate partners of a partnership and exempt organizations that are shareholders of an S corporation - enter the amount from Part 2, line 5.*

Also enter this amount on Form 300, Part 1, line 6, column (a).

### Line 13 -

*Corporations (including S corporations electing to claim the credit at the corporate level), and exempt organizations with UBTI - enter the amount from Part 3, line 11, column (d). This is the total available credit carryover.*

Also enter this amount on Form 300, Part 1, line 6, column (b).

### Line 14 -

*Corporations (including S corporations electing to claim the credit at the corporate level), and exempt organizations with UBTI - add line 12 and line 13. Enter the total. This is the total available credit that may be applied to the current taxable year's tax liability.*

Also enter this amount on Form 300, Part 1, line 6, column (c).

*Include with your return.*

For the calendar year 2016 or fiscal year beginning MM, DD, 2016 and ending MM, DD, 20, Y, Y.

Name as shown on Form 140, 140PY, 140NR, 140X, 99T, 120, 120A, 120S, 120X or 165

Social Security or  
Employer Identification Number

The houses or dwelling units in which the qualifying installations are made by the builder/taxpayer must be located in Arizona. The credit is in lieu of a deduction for the expenses of installing the solar hot water heater plumbing stub outs and electric vehicle recharge outlets for which the credit is claimed.

**Part 1 Current Taxable Year's Credit Calculation for Taxpayer That Built the House or Dwelling Unit**

1	Total allowable credit from included Form(s) 319-1, line 11, column (h) .....	1		00
2	Total amount of credit transferred to purchasers or transferees from included Form(s) 319-2, line 11, column (c) ....	2		00
3	Current taxable year's credit: Subtract line 2 from line 1 .....	3		00

**Part 2 Current Taxable Year's Credit for Purchaser or Transferee of the House or Dwelling Unit**

4	Total allowable credit from included copy of written statement provided by the builder of the house or dwelling unit	4		00
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**Part 3 S Corporation Credit Elections and Shareholder's Share of Credit**

5 The S corporation has made an irrevocable election for the taxable year ending MM, DD, Y, Y, Y, Y to  
(check only one box):

Claim the credit for solar hot water heater plumbing stub outs and electric vehicle recharge outlets as shown on Part 1, line 3  
(for the taxable year mentioned above);

**OR**

Pass the credit for solar hot water heater plumbing stub outs and electric vehicle recharge outlets as shown on Part 1, line 3  
(for the taxable year mentioned above) through to its shareholders.

Signature \_\_\_\_\_ Title \_\_\_\_\_ Date \_\_\_\_\_

6 The S corporation has made an irrevocable election for the taxable year ending MM, DD, Y, Y, Y, Y to  
(check only one box):

Claim the credit for solar hot water heater plumbing stub outs and electric vehicle recharge outlets as shown on Part 2, line 4  
(for the taxable year mentioned above);

**OR**

Pass the credit for solar hot water heater plumbing stub outs and electric vehicle recharge outlets as shown on Part 2, line 4  
(for the taxable year mentioned above) through to its shareholders.

Signature \_\_\_\_\_ Title \_\_\_\_\_ Date \_\_\_\_\_

If passing the credit through to the shareholders, complete lines 7 through 12 separately for each shareholder. Furnish each shareholder with a copy of pages 1, 2 and 3 of Form 319.

7 Name of shareholder: \_\_\_\_\_

8 Shareholder's TIN: \_\_\_\_\_

9	Shareholder's share of the amount on Part 1, line 3 .....	9		00
10	Individual shareholder's share of the installation expenses from Part 1 to be included in Arizona gross income .....	10		00
11	Shareholder's share of the amount on Part 2, line 4 .....	11		00
12	Individual shareholder's share of the installation expenses from Part 2 to be included in Arizona gross income .....	12		00

Individual shareholders of an S corporation: The credit is in lieu of a deduction for the installation expenses for which the credit is claimed. If you are claiming the credits in Part 3, line 9 and/or line 11, you must include the amounts from Part 3, line 10 and/or line 12, on your Arizona income tax return under "Other Additions".

Name (as shown on page 1)	TIN
---------------------------	-----

**Part 4 Partner's Share of Credit**

Complete lines 13 through 16 separately for each partner. Furnish each partner with a copy of pages 1, 2 and 3 of Form 319.

13 Name of partner: \_\_\_\_\_

14 Partner's TIN: \_\_\_\_\_

15 Partner's share of the amount on Part 1, line 3 .....	15		00
16 Partner's share of the amount on Part 2, line 4 .....	16		00

**Part 5 Available Credit Carryover for Taxpayer as Builder of House or Dwelling Unit**

	(a)	(b)	(c)	(d)	(e)
17 Taxable year .....					
18 Original credit amount	00	00	00	00	00
19 Amount previously used .....	00	00	00	00	00
20 Tentative carryover: Subtract line 19 from line 18 .....	00	00	00	00	00
21 Amount transferred: Enter total amount from Form 319-2, column (e), line 11 .....	00	00	00	00	00
22 Available carryover: Subtract line 21 from line 20 .....	00	00	00	00	00
23 Total Available Carryover: Add lines 17 through 22 in column (e) .....				23	00

**Part 6 Available Credit Carryover for Taxpayer as Purchaser or Transferee of House or Dwelling Unit**

	(a) Taxable Year	(b) Original Credit Amount	(c) Amount Previously Used	(d) Available Carryover: Subtract column (c) from column (b).
24			00	00
25			00	00
26			00	00
27			00	00
28			00	00
29 Total Available Carryover: Add lines 24 through 28 in column (d) .....				29 00

Name (as shown on page 1)	TIN
---------------------------	-----

**Part 7 Total Available Credit**

<b>30</b> Current year's credit FOR TAXPAYER THAT BUILT the house or dwelling unit: <ul style="list-style-type: none"> <li>• <i>Individuals, corporations, S corporations claiming the credit at the corporate level, and exempt organizations with UBTI:</i> Enter the amount from Part 1, line 3.</li> <li>• <i>S corporation shareholders:</i> Enter the amount from Part 3, line 9.</li> <li>• <i>Partners of a partnership:</i> Enter the amount from Part 4, line 15.....</li> </ul>	<b>30</b>	00
<b>31</b> Current year's credit FOR PURCHASER OR TRANSFEREE of house or dwelling unit: <ul style="list-style-type: none"> <li>• <i>Individuals, corporations, S corporations claiming the credit at the corporate level, and exempt organizations with UBTI:</i> Enter the amount from Part 2, line 4.</li> <li>• <i>S corporation shareholders:</i> Enter the amount from Part 3, line 11.</li> <li>• <i>Partners of a partnership:</i> Enter the amount from Part 4, line 16.....</li> </ul>	<b>31</b>	00
<b>32</b> Add lines 30 and 31. Enter the total. <ul style="list-style-type: none"> <li>• <i>Individuals:</i> Also enter the total on <i>Form 301, Part 1, line 10, column (a).</i></li> <li>• <i>Corporations, S corporations claiming the credit at the corporate level, and exempt organizations with UBTI:</i> Also enter the total on <i>Form 300, Part 1, line 7, column (a)</i>.....</li> </ul>	<b>32</b>	00
<b>33</b> Available credit carryover FOR TAXPAYER AS BUILDER of house or dwelling unit: Enter the amount from Part 5, line 23, column (e) .....	<b>33</b>	00
<b>34</b> Available credit carryover for taxpayer AS PURCHASER OR TRANSFEREE of house or dwelling unit: Enter the amount from Part 6, line 29, column (d) .....	<b>34</b>	00
<b>35</b> Add lines 33 and 34. Enter the total. <ul style="list-style-type: none"> <li>• <i>Individuals:</i> Also enter the total on <i>Form 301, Part 1, line 10, column (b).</i></li> <li>• <i>Corporations, S corporations claiming the credit at the corporate level, and exempt organizations with UBTI:</i> Also enter the total on <i>Form 300, Part 1, line 7, column (b)</i>.....</li> </ul>	<b>35</b>	00
<b>36 Total available credit:</b> Add lines 32 and 35. <ul style="list-style-type: none"> <li>• <i>Individuals:</i> Also enter this amount on <i>Form 301, Part 1, line 10, column (c).</i></li> <li>• <i>Corporations, S corporations claiming the credit at the corporate level, and exempt organizations with UBTI:</i> Also enter this amount on <i>Form 300, Part 1, line 7, column (c)</i> .....</li> </ul>	<b>36</b>	00

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<b>Form 319-1 Solar Hot Water Heater Plumbing Stub Out and Electric Vehicle Recharge Outlet Installations</b>							<b>2016</b>
(a) House or Dwelling Unit Address	(b) Number of Stub Outs Installed	(c) Allowable Cost: Enter the lesser of actual installation cost or \$75.	(d) Total Allowable Stub Out Cost: Multiply column (b) by column (c).	(e) Number of Recharge Outlets Installed	(f) Allowable Cost: Enter the lesser of actual installation cost or \$75.	(g) Total Allowable Recharge Outlet Cost: Multiply column (e) by column (f).	(h) Total Allowable Credit for House or Dwelling Unit: Add columns (d) and (g).
1							
2		\$	\$		\$	\$	\$
3		\$	\$		\$	\$	\$
4		\$	\$		\$	\$	\$
5		\$	\$		\$	\$	\$
6		\$	\$		\$	\$	\$
7		\$	\$		\$	\$	\$
8		\$	\$		\$	\$	\$
9		\$	\$		\$	\$	\$
10		\$	\$		\$	\$	\$

<b>11</b>	<b>TOTAL: Add lines 1 through 10 .....</b>	\$	\$	\$
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If the taxpayer has made qualifying installations in more than 10 houses or dwelling units, complete and include additional sheets of Form 319-1. Enter the amount from line 11, column (h), on page 1, line 1

<b>Form 319-2</b>		<b>Tax Credits Transferred to the Purchaser or Transferee of a House or Dwelling Unit</b>			<b>2016</b>
(a) House or Dwelling Unit Address	(b) Name(s) of Purchaser or Transferee	(c) Current Taxable Year's Credit Transferred: Enter amount for house or dwelling unit from 2016 Form 319-1, column (h).	(d) Credit Transfer for Prior Taxable Year Ending: List taxable year in which the taxpayer made the qualifying installations.	(e) Amount of Prior Taxable Year Credit Transferred for House or Dwelling Unit: Amount from Form 319-1, column (h) filed for taxable year listed in column (d).	(f) Total Credit Transfers: Add columns (c) and (e).
1					
2		\$		\$	\$
3		\$		\$	\$
4		\$		\$	\$
5		\$		\$	\$
6		\$		\$	\$
7		\$		\$	\$
8		\$		\$	\$
9		\$		\$	\$
10		\$		\$	\$

<b>11</b>	<b>TOTAL:</b> Add lines 1 through 10 .....	\$	\$
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If the taxpayer is transferring the tax credit for more than 10 houses or dwelling units, complete and include additional sheets of Form 319-2. Enter the amount from line 11, column (c) on page 1, line 2.



# 2016 Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets

# Arizona Form 319

**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

*Arizona Revised Statutes §§ 43-1090 and 43-1176* provide nonrefundable individual and corporate income tax credits 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.

Qualifying installations of solar hot water heater plumbing stub outs must:

- Include two insulated three-fourths inch copper pipes and at least two pairs of wires for monitoring and control purposes that project from the dwelling roof or other suitable locations and that are connected to the domestic hot water transport and storage system.
- Be located and configured to allow sufficient solar access and exposure and to allow ready installation of solar water heating devices without further expense or effort to reach, use, or serve the domestic hot water system of the house or dwelling.

Qualifying installations of electric vehicle recharge outlets must be connected to the utility system by a dedicated line that:

- Is capable of operating at normal secondary voltages.
- Meets applicable local building safety codes.
- Is commensurate and consistent with electric vehicle recharging needs and methods.

The amount of the credit is equal to the lesser of \$75 or the installation cost for each installation of a solar hot water heater plumbing stub out or an electric vehicle recharge outlet in each separate house or dwelling unit.

The taxpayer that constructed the house or dwelling unit may transfer the credit for that house or dwelling unit to a purchaser or transferee. A taxpayer that transfers the credit for a house or dwelling unit must provide a written statement to the purchaser or transferee of the house or dwelling unit. The written statement must include the name of the purchaser or transferee, the address of the house or dwelling unit, the number of stub outs or outlets installed, the installation cost of

each, and a certification that the taxpayer has elected not to claim the credit and has elected to transfer the credit to the purchaser or transferee. If the builder transfers the credits for more than one house or dwelling unit to a purchaser or transferee, the builder must provide a separate written statement for each house or dwelling unit.

The tax credit is in lieu of a deduction for the expenses of installing the solar hot water heater plumbing stub outs and electric vehicle recharge outlets for which the credit is claimed.

Co-owners of a business, including partners in a partnership and shareholders of an S corporation, may each claim only the pro rata share of the credit allowed based on the ownership interest. The total of the credits allowed all such owners may not exceed the amount that would have been allowed for a sole owner of the business.

The credit is available to an exempt organization that is subject to corporate income tax on unrelated business taxable income (UBTI). The credit must result from the activities that generate UBTI.

If the allowable tax credit exceeds the taxes otherwise due, or if there are no taxes due, the amount of the credit not used to offset taxes may be carried forward for not more than five consecutive taxable years as a credit against subsequent years' income tax liability.

## 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 form with the tax return.

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

### Part 1 - Current Taxable Year's Credit Calculation for Taxpayer That Built the House or Dwelling Unit

#### Line 1 and Form 319-1 -

Complete Form 319-1 before completing Part 1, line 1, of Form 319. Complete Form 319-1 to list the qualifying installations of solar hot water heater plumbing stub outs and electric vehicle recharge outlets for the taxable year. Enter the total from line 11, column (h) of the completed Form(s) 319-1 on Part 1, line 1, of Form 319.

#### Line 2 and Form 319-2 -

Complete Form 319-2 before completing Part 1, line 2, of Form 319. Complete Form 319-2 to list (a) the tax credit transfers for solar hot water heater plumbing stub outs and electric vehicle recharge outlets installed during the current

taxable year; and (b) the tax credit transfers for solar hot water heater plumbing stub outs and electric vehicle recharge outlets installed in prior taxable year(s). Enter the total from line 11, column (c) of the completed Form(s) 319-2 on Part 1, line 2, of Form 319.

**Line 3 -**

Subtract line 2 from line 1. Enter the difference. This is the current taxable year's credit for the taxpayer that built the house(s) or dwelling unit(s).

**Part 2 - Current Taxable Year's Credit for Purchaser or Transferee of the House or Dwelling Unit**

**Line 4 -**

Enter the total amount of the credit(s) transferred to the taxpayer as a purchaser or transferee of the house(s) or dwelling unit(s) during the current taxable year. Obtain the amount for each house or dwelling unit from the written statement(s) provided by the builder(s) of the house(s) or dwelling unit(s). Be sure to include a copy of the statement(s) with Form 319 when you file your return.

**Part 3 - S Corporation Credit Elections and Shareholder's Share of Credit**

**Line 5 - S Corporation Election for Tax Credit as Builder of House or Dwelling Unit**

S corporations must complete line 5. The S corporation must make an irrevocable election to either claim the credit or pass the credit through to its shareholders. The election statement must be signed by one of the officers of the S corporation who is also a signatory to Arizona Form 120S.

**Line 6 - S Corporation Election for Tax Credit as Purchaser or Transferee of House or Dwelling Unit**

S corporations that are the purchaser/transferee of a house or dwelling unit must complete line 6. The S corporation must make an irrevocable election to either claim the credit or pass the credit through to its shareholders. The election statement must be signed by one of the officers of the S corporation who is also a signatory to Arizona Form 120S.

**Lines 7 through 12 -**

If the S corporation elects to pass the credits through to its shareholders, it must also complete lines 7 through 12.

If the S corporation is passing the credit through to its shareholders as the builder of the house(s) or dwelling unit(s), the S corporation must complete Part 1 of Form 319, Form(s) 319-1, and Form(s) 319-2, if applicable. If the S corporation has received the credit(s) as a purchaser or transferee, the S corporation must also complete Part 2 of Form 319. Then, complete Part 3, lines 7 through 12, separately for each shareholder. If the S corporation enters an amount on line 11, it should provide a copy of the statement received from the transferor to each shareholder.

Each S corporation shareholder is entitled to only a pro rata share of pass-through credit based on ownership interest in the S corporation. The total of the credit allowed to all

shareholders may not exceed the amount that would have been allowed for a sole owner.

The S corporation must furnish each shareholder with a copy of pages 1, 2, and 3 of Form 319. Each shareholder must complete Part 5, Part 6, and Part 7, as applicable.

**NOTE to individual shareholders of an S Corporation:**

*The credit is in lieu of a deduction for the installation expenses for which the credit is claimed. If you are claiming the credits in Part 3, line 9 and/or line 11, you must include the amounts from Part 3, line 10 and/or line 12, on your Arizona income tax return under "Other Additions".*

**Part 4 - Partner's Share of Credit**

**Lines 13 through 16 -**

If the partnership is passing the credit through to its partners as the builder of the house(s) or dwelling unit(s), the partnership must complete Part 1 of Form 319, Form(s) 319-1, and Form(s) 319-2, if applicable.

If the partnership has received the credit(s) as a purchaser or transferee, the partnership must also complete Part 2 of Form 319. Then, complete lines 13 through 16 separately for each partner. If the partnership enters an amount on line 16, it should provide a copy of the statement received from the transferor to each partner.

Each partner is entitled to only a pro rata share of the credit based on the partner's ownership interest in the partnership. The total of the credit allowed to all partners may not exceed the amount that would have been allowed for a sole owner.

The partnership must furnish each partner with a copy of pages 1, 2, and 3 of Form 319. Each partner must complete Part 5, Part 6, and Part 7, as applicable.

**Part 5 - Available Credit Carryover for Taxpayer as Builder of House or Dwelling Unit**

Complete Part 5 only if the allowable credit for prior taxable years exceeded the Arizona income tax liability for those taxable years.

Each partner or S corporation shareholder must complete Part 5 for the computation of the available carryover of the credit passed through by the partnership or S corporation.

**Line 17 -**

In columns (a) through (e), enter the applicable taxable years.

**Line 18 -**

In columns (a) through (e), enter the amount of the original tax credit earned for that taxable year.

**Line 19 -**

In columns (a) through (e), enter the amount of the tax credit for the taxable year that has been previously used.

**Line 20 -**

In columns (a) through (e), subtract the amount on line 19 from the amount on line 18. Enter the difference in the applicable columns on line 20. This is the tentative carryover.

**Line 21 -**

In columns (a) through (e), enter the total amount of the tax credits that were transferred during the applicable taxable year to purchasers or transferees of the houses or dwelling units from Form(s) 319-2, column (e).

**Line 22 -**

In columns (a) through (e), subtract the amount on line 21 from the amount on line 20. Enter the difference in the applicable columns on line 22. This is the carryover available from prior taxable years.

**Line 23 -**

Add the amounts in columns (a) through (e) on line 22. Enter the total in column (e) on line 23. This is the total available credit carryover for the current taxable year.

### **Part 6 - Available Credit Carryover for Taxpayer as Purchaser or Transferee of House or Dwelling Unit**

Complete Part 6 only if the allowable credit for prior taxable years exceeded the Arizona income tax liability for those taxable years.

Each partner or S corporation shareholder must complete Part 6 for the computation of the available carryover of the credit passed through by the partnership or S corporation.

Calculate the total available credit carryover for the taxpayer as purchaser or transferee of house or dwelling unit on page 2, Part 6, lines 24 through 29.

Enter the applicable taxable year(s) in column (a) on lines 24 through 28. In column (b), enter the credit originally computed for that taxable year. In column (c), enter the amount of the credit from that taxable year which has already been used. Subtract the amount in column (c) from column (b) and enter the difference in column (d). Add the amounts entered on lines 24 through 28 in column (d). Enter the total on line 29, column (d). This is the total available credit carryover for the current taxable year.

### **Part 7 - Total Available Credit**

**NOTE:** For lines 30 and 31, if you are claiming this credit as a credit you earned, AND are claiming this credit as a pass through credit from a partnership or S corporation, add the amount you earned to the amount passed through to you. Enter the total credit for each line.

**Line 30 -**

**FOR THE TAXPAYER THAT BUILT THE HOUSE OR DWELLING UNIT:** Enter the current year's credit for solar hot water heater plumbing stub outs and electric vehicle recharge.

*Individuals, corporations, S corporations electing to claim the credit at the corporate level, and exempt organizations with UBTI:* Enter the current taxable year's credit from Part 1, line 3.

*S corporation shareholders:* Enter the amount from Part 3, line 9.

*Partners of a partnership:* Enter the amount from Part 4, line 15.

**Line 31 -**

**FOR THE PURCHASER OR TRANSFEREE OF THE HOUSE OR DWELLING UNIT:** Enter the current year's credit for solar hot water heater plumbing stub outs and electric vehicle recharge outlets as purchaser or transferee of the house or dwelling unit.

*Individuals, corporations, S corporations electing to claim the credit at the corporate level, and exempt organizations with UBTI, -* enter the current taxable year's credit from Part 2, line 4.

*S corporation shareholders:* Enter the amount from Part 3, line 11.

*Partners of a partnership:* Enter the amount from Part 4, line 16.

**Line 32 -**

Add lines 30 and 31. Enter the total.

*Individuals:* Also, enter the total on Form 301, Part 1, line 10 column (a).

*Corporations, exempt organizations with UBTI, and S corporations that elected to claim this credit at the corporate level:* Also, enter the total on Form 300, Part 1, line 7, column (a).

**Line 33 -**

**FOR THE TAXPAYER THAT BUILT THE HOUSE OR DWELLING UNIT:** Enter the total available credit carryover from Part 5, line 23, column (e).

**Line 34 -**

**FOR THE PURCHASER OR TRANSFEREE OF THE HOUSE OR DWELLING UNIT:** Enter the total available credit carryover from Part 6, line 29, column (d).

**Line 35 -**

Add lines 33 and 34. Enter the total.

*Individuals:* Also, enter the total on Form 301, Part 1, line 10, column (a).

*Corporations, S corporations that elected to claim this credit at the corporate level, and exempt organizations with UBTI:* Also, enter the total on Form 300, Part 1, line 7, column (b).

**Line 36 -**

Add lines 32 and 35. Enter the total. This is the total available credit that may be applied to the current taxable year's tax liability.

*Individuals:* Enter the total here and on Form 301, Part 1, line 10, column (c).

*Corporations, S corporations that elected to claim this credit at the corporate level, and exempt organizations with UBTI:* Enter the total here and on Form 300, Part 1, line 7, column (c).

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**Include with your return.**

For the calendar year 2016 or fiscal year beginning MM,DD,2016 and ending MM,DD,20YY.

Your Name as shown on Form 140, 140NR, 140PY, 140X, 99T, 120, 120A, 120S, 120X or 165	Your Social Security or Employer Identification Number
Spouse's Name as shown on Form 140, 140NR, 140PY, 140X (if a joint return)	Spouse's Social Security Number

**Part 1 Business Information**

- 1 Business name: \_\_\_\_\_
- 2 Business location: \_\_\_\_\_  
\_\_\_\_\_
- 3 Employer Identification Number: \_\_\_\_\_

**Part 2 Net Increase in Qualified Employment Positions**

4 Average number of qualified employment positions during the current taxable year .....	<b>4</b>	
5 Average number of qualified employment positions during the immediately preceding taxable year ..	<b>5</b>	
6 Net increase in the number of qualified employment positions: Subtract line 5 from line 4 .....	<b>6</b>	
7 Number of positions on line 6 that are eligible for any other income tax credit under Arizona law .....	<b>7</b>	
8 Maximum number of positions eligible for the credit: Subtract line 7 from line 6.....	<b>8</b>	

**Part 3 Qualifying New Employees**

9 New employees hired during the year .....	<b>9</b>	
10 Qualified new employees .....	<b>10</b>	
11 Maximum number of qualifying net new employees: Enter the smaller of line 8 or line 10.....	<b>11</b>	

**Part 4 Credit Calculation for Qualified Employees**

	(a) No. of Qualifying Employees	(b) Qualifying Wages	(c) Percentage	(d) Allowable Credit	
12 Qualifying Net New Employees .....	12	\$ 00	25%	\$	00
13 Previously Qualified Employees in the Second Year of Continuous Employment....	13	\$ 00	33.33%	\$	00
14 Previously Qualified Employees in the Third Year of Continuous Employment.....	14	\$ 00	50%	\$	00
15 TOTALS: Add lines 12 through 14, columns (a), (b) and (d).....	15	\$ 00		\$	00

**Part 5 S Corporation Credit Election and Shareholder's Share of Credit**

- 16 The S corporation has made an irrevocable election for the taxable year ending: MM,DD,YY,YY  
to **(check only one box)**:
- Claim the credit for employment of TANF recipients, as shown on Part 4, line 15, column (d) for the taxable year mentioned above;  
OR
  - Pass the credit for employment of TANF recipients, as shown on Part 4, line 15, column (d) for the taxable year mentioned  
above, through to its shareholders.

\_\_\_\_\_  
Signature Title Date

If passing the credit through to the shareholders, complete lines 17 through 20 separately for each shareholder.  
Furnish each shareholder with a copy of pages 1 and 2 of Form 320.

- 17 Name of shareholder: \_\_\_\_\_
- 18 Shareholder's TIN: \_\_\_\_\_
- 19 Individual shareholder's share of total qualifying wage expense from Part 4, line 15, column (b).....
- 20 Shareholder's share of the amount on Part 4, line 15, column (d).....

<b>19</b>		00
<b>20</b>		00

Your Name (as shown on page 1)	Your Social Security or Employer Identification Number
--------------------------------	--

**Part 6 Partner's Share of Credit**

Complete lines 21 through 23 separately for each partner.  
Furnish each partner with a copy of pages 1 and 2 of Form 320.

21 Name of partner: \_\_\_\_\_

22 Partner's TIN: \_\_\_\_\_

23 Partner's share of the amount on Part 4, line 15, column (d)..... **23**   **00**

**Part 7 Available Credit Carryover**

	(a) Taxable Year from which you are carrying the credit	(b) Original Credit Amount	(c) Amount Previously Used	(d) Available Carryover: Subtract column (c) from column (b).
24	2011	00	00	00
25	2012	00	00	00
26	2013	00	00	00
27	2014	00	00	00
28	2015	00	00	00
29	TOTAL AVAILABLE CARRYOVER: Add lines 24 through 28, column (d) ....			00

**Part 8 Total Available Credit**

30	Current year's credit: • Individuals, corporations, S corporations that are claiming the credit, or exempt organizations with UBTI: Enter the amount from Part 4, line 15, column (d). • S corporation shareholders: Enter the amount from Part 5, line 20. • Partners of a partnership: Enter the amount from Part 6, line 23. • Individuals: Also, enter this amount on <i>Arizona Form 301, Part 1, line 11, column (a)</i> . • Corporations, S corporations that are claiming the credit, and exempt organizations with UBTI: Also, enter this amount on <i>Arizona Form 300, Part 1, line 8, column (a)</i> .....	<b>30</b>	00
31	Available carryover: Enter the amount from Part 7, line 29, column (d). • Individuals: Also, enter this amount on <i>Arizona Form 301, Part 1, line 11, column (b)</i> . • Corporations, S corporations that are claiming the credit, and exempt organizations with UBTI: Also, enter this amount on <i>Arizona Form 300, Part 1, line 8, column (b)</i> .....	<b>31</b>	00
32	Total Available Credit: Add lines 30 and 31 and enter the total. • Individuals: Also, enter on <i>Arizona Form 301, Part 1, line 11, column (c)</i> . • Corporations, S corporations that are claiming the credit, and exempt organizations with UBTI: Also, enter this amount on <i>Arizona Form 300, Part 1, line 8, column (c)</i> .....	<b>32</b>	00

Individual shareholders of an S Corporation: If you are claiming this credit, you must include the amount from Part 5, line 19, on your Arizona income tax return, under "Other Additions".

Your Name (as shown on Form 320 page 1)

Your Social Security or Employer Identification Number

Page \_\_\_\_\_ of \_\_\_\_\_

**Form 320-1**

**Qualifying Employees**

**2016**

	(a) Employee's Name	(b) Social Security Number	(c) Date of Hire	(d) Was this employee an Arizona resident on date of hire?	(e) Was this employee receiving TANF benefits on date of hire?
1				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
2				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
3				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
4				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
5				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
6				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
7				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
8				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
9				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
10				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
11				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
12				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
13				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
14				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
15				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
16				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
17				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
18				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
19				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
20				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
21				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
22				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
23				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
24				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
25				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No

If you have more than 25 qualifying employees, complete additional schedules and include behind this page.

Your Name (as shown on Form 320, page 1)

Your Social Security or Employer Identification Number

Page \_\_\_\_\_ of \_\_\_\_\_

**Form 320-2**

**Qualifying Employees for Which You are Claiming a Credit**

**2016**

	(a) Employee's Name	(b) Social Security Number	(c) Type of Employee Check the appropriate box. This employee is a:			(d) Total Wages Paid to the Employee During the Current Taxable Year Less Wages Subsidized as Provided by A.R.S. §46-299	(e) Maximum Allowable Wages: Enter the lesser of column (d) or the maximum allowed below.		
			(c1) 1 <sup>st</sup> Year Employee	(c2) 2 <sup>nd</sup> Year Employee	(c3) 3 <sup>rd</sup> Year Employee		(e1) Year 1 \$2000	(e2) Year 2 \$3000	(e3) Year 3 \$3000
1			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
2			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
3			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
4			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
5			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
6			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
7			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
8			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
9			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
10			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
11			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
12									

**TOTAL:**

- For column (c), add the number of employees in each column (c1), (c2) and (c3), and enter the total for each column on line 12.
- For columns (d) and (e), add the amounts in each column and enter the total for each column on line 12..... **12**

If you have more than 11 qualifying employees for which you are claiming a credit, complete additional schedules and include behind this page.



## 2016 Credit for Employment of TANF Recipients

**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

**Individuals:** *You must also complete Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture, and include Forms 301 and 320 with your tax return to claim this credit.*

**Corporate taxpayers including S corporations claiming this credit and exempt organizations with unrelated business taxable income:** *You must also complete Arizona Form 300, Nonrefundable Corporate Tax Credits and Recapture, and include Forms 300 and 320 with your tax return to claim this credit.*

Arizona law provides a nonrefundable credit for employers that employ recipients of Temporary Assistance for Needy Families (TANF). TANF is assistance granted under Section 403 of Title IV of the Social Security Act, as it exists after August 21, 1996.

The credit for employing TANF recipients is equal to:

1. One-fourth of the taxable wages paid to each qualified employee in the first year or partial year of employment, not to exceed \$500 per net new employee.
2. One-third of the taxable wages paid to each previously qualified employee in the second year of continuous employment, not to exceed \$1,000 per net new employee.
3. One-half of the taxable wages paid to each previously qualified employee in the third year of continuous employment, not to exceed \$1,500 per net new employee.

You cannot take a deduction for the same wages for which you claim a credit. For more information, see the instructions under "*Other Additions to Income*" for the income tax return you will file.

You cannot claim this credit for any position that is *eligible* for any other Arizona employment credit based on wages paid. If the allowable credit exceeds your income tax liability, you

may carry over any unused amount for up to five consecutive taxable years.

This credit is available to individuals, corporations, and S corporations. A partnership may pass the credit through to its partners. An S corporation may pass the credit through to its shareholders.

This credit is also available to an exempt organization that is subject to corporate income tax on unrelated business taxable income (UBTI). The credit must result from the activities that generate UBTI.

For more information on this credit, see the department's publication, Pub 708, *Credit for Employment of Recipients of Temporary Assistance for Needy Families*.

### Line-by-Line Instructions

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for an individual is the taxpayer's Social Security Number (SSN) or an Internal Revenue Service (IRS) individual taxpayer identification number (ITIN). The TIN for a corporation or partnership is the employer identification number (EIN). Taxpayers that fail to include their identification number may be subject to a penalty.

Enter your name and SSN, TIN or EIN as shown on your Arizona income tax form (Form 140, 140PY, 140NR, 140X, 99T, 120, 120A, 120S, 120X, or 165).

**Part 1 - Business Information**

**Lines 1 through 3 -**

On lines 1, 2, and 3, enter the name, address, and EIN of the business that employs qualifying employees.

**Part 2 - Net Increase in Qualified Employment Positions**

**Lines 4 and 5 -**

This credit is based on net increases in qualified employment positions. You must determine the net increase in the number of qualified positions by comparing the average number of qualified employment positions during the taxable year with the immediately preceding taxable year. This comparison is based on the report that you submit to the Arizona Department of Economic Security for unemployment purposes. The worksheet following the instructions for line 5 is provided to help you determine the average number of qualified positions for lines 4 and 5.

**Line 4 -**

Enter the average number of qualified employment positions during the current taxable year.

A qualified employment position is a position that meets **all** of the following.

- The position must be classified as full-time employment.
- The position must provide health insurance coverage if the employer offers the coverage to other employees not on TANF.

- The position must provide compensation at least equal to the minimum wage or a wage comparable to that paid other employees not receiving TANF in the same job classification.
- The position must be listed on the report that you submit to the Arizona Department of Economic Security for unemployment purposes.

**Line 5 -**

Enter the average number of qualified employment positions during the immediately preceding taxable year. If the business is a newly established business, the business would not have any qualified employment positions during the immediately preceding taxable year. A newly established business would have zero average employment positions during the immediately preceding taxable year. This business would enter zero on line 5.

If the business is an established business, the business must figure the average qualified employment positions of the immediately preceding taxable year using the worksheet below. Line 15 of the worksheet's immediately preceding taxable year column is the amount you should enter on line 5.

Complete the following worksheet to determine the average employment. On lines 1 through 12 below, enter the number of qualifying employment positions the business had during each month of the current taxable year and the immediately preceding taxable year.

	<b>Line 4</b> Current Taxable Year	<b>Line 5</b> Immediately Preceding Taxable Year
1. January		
2. February		
3. March		
4. April		
5. May		
6. June		
7. July		
8. August		
9. September		
10. October		
11. November		
12. December		
13. Total. <i>Add lines 1 through 12.</i>		
14. Enter the total number of months during the taxable year in which you were in business.		
15. Average - <i>Divide line 13 by line 14.</i> Do not round the quotient.		

**Line 6 - Net Increase in the Number of Qualified Employment Positions**

Subtract line 5 from line 4. If this amount is less than one, enter zero. If this amount contains a decimal, round **down** to the next whole number. This is your net increase in qualified employment positions.

**NOTE:** *If the amount shown on line 6 is zero or less, you may not claim this credit for qualified employees hired during the year.*

**Line 7 -**

You cannot take this credit for any position that is **eligible** for any other Arizona employment credit based on wages paid. On line 7, enter the number of positions on line 6 that are eligible for any other income tax credit under Arizona law.

**Line 8 -**

Subtract line 7 from line 6. This is the maximum number of new employment positions for which you may claim a credit for employees in their first year of employment.

**Part 3 - Qualifying New Employees**

**Line 9 -**

Enter the total number of new employees hired during the year.

**Line 10 - Qualified New Employees**

Enter the number of employees shown on line 9 who are qualified employees.

A qualified employee is an employee who meets **all** of the following criteria:

- The employee is a resident of Arizona.
- The employee was a recipient of TANF at the time he or she was hired. The employer should obtain documentation from the employee substantiating that the employee was a TANF recipient on the date of hire.
- The employee was employed for at least ninety days during the first taxable year. An employee hired with less than 90 days left in the taxable year is considered a new employee in the next taxable year. Periods when the employee's wages are subsidized under A.R.S. § 46-299 cannot be counted as employment time.
- The employee was not employed by the taxpayer within 12 months before the current date of hire.

**Line 11 - Maximum Number of Qualifying Net New Employees**

Enter the smaller of line 8 or line 10. This is the maximum number of qualifying net new employees for which you may claim a credit.

**Part 4 - Credit Calculation for Qualified Employees**

**Lines 12 through 15 and Form 320-1 and Form 320-2**

**IMPORTANT:** *Before completing Part 4, lines 12 through 15 of Form 320, complete Form 320-1, and Form 320-2.*

## Form 320-1 Qualifying Employees

List each employee who is a qualified employee. List each employee's name and SSN. Also, list the date each employee was hired. You must also answer the questions in columns (d) and (e).

## Form 320-2 Qualifying Employees for Which You are Claiming a Credit

List each qualifying employee from Form 320-1 for whom you are taking the credit. List the employees' names and SSNs. Complete columns (c) through (e), as instructed on the form.

### Form 320

#### Line 12 - Column (a)

Enter the number of qualifying net new employees from Form 320-2, line 12, column c1.

**NOTE:** *The maximum number of qualifying net new employees entered on line 12, column (a), cannot exceed the number of qualified net new employees entered on line 11 (Part 3).*

#### Line 12 - Column (b)

Enter the maximum allowable wages for all of your qualifying first year employees from Form 320-2, line 12, column e1.

#### Line 12 - Column (d)

Multiply the amount entered on line 12, column (b), by the percent shown on line 12, column (c). Enter the result on line 12, column (d). This is the allowable credit for qualifying net new employees.

#### Line 13 - Column (a)

Enter the total number of previously qualified employees in the second year of continuous employment from Form 320-2, line 12, column c2.

**NOTE:** *The maximum number of previously qualified employees in the second year of continuous employment entered on line 13, column (a), cannot exceed the number of qualified net new employees entered on the 2015 Form 320, line 11 (Part 3).*

Arizona's statutes do not require that the employee who is claimed in the second year of continuous employment be the same employee who was claimed in the first year of employment. Therefore, if one of the originally claimed net new employees leaves employment in year two, the business can claim the second year credit for another previously qualified employee who is in the second year of continuous employment.

#### Line 13 - Column (b)

Enter the maximum allowable wages for all previously qualified employees in the second year of continuous employment, from Form 320-2, line 12, column e2.

#### Line 13 - Column (d)

Multiply the amount shown on line 13, column (b), by the percent shown on line 13, column (c). Enter the result on line 13, column (d). This is the allowable credit for previously

qualified employees in their second year of continuous employment.

#### Line 14 - Column (a)

Enter the total number of previously qualified employees in the third year of continuous employment from Form 320-2, line 12, column c3.

**NOTE:** *The maximum number of previously qualified employees in the third year of continuous employment entered on line 14, column (a), cannot exceed the number of qualified net new employees entered on the 2014 Form 320, line 11 (Part 3).*

Arizona's statutes do not require that the employee who is claimed in the third year of continuous employment be the same employee who was claimed in the second year of employment. Therefore, if one of the originally claimed net new employees leaves employment in year three, the business can claim the third year credit for another previously qualified employee who is in the third year of continuous employment.

#### Line 14 - Column (b)

Enter the maximum allowable wages for all previously qualified employees in the third year of continuous employment from Form 320-2, line 12, column e3.

#### Line 14 - Column (d)

Multiply the amount shown on line 14, column (b), by the percent shown on line 14, column (c). Enter the result on line 14, column (d). This is the allowable credit for previously qualified employees in their third year of continuous employment.

#### Line 15 -

- Add the amounts in column (a) on lines 12, 13 and 14; enter the total in column (a) on line 15.

The amount entered on line 15, column (a), is the total number of qualified employees for which you are claiming the credit.

- Add the amounts in column (b) on lines 12, 13, and 14; enter the total in column (b) on line 15. This is your total qualifying wages.
- Add the amounts in column (d) on lines 12, 13 and 14; enter the total in column (d) on line 15.

The amount entered on line 15, column (d), is the total allowable credit for qualified employees for the current taxable year.

## Part 5 - S Corporation Credit Election and Shareholder's Share of Credit

### Line 16 -

The S corporation must complete this portion of the Form 320 in order for the S corporation or its shareholders to claim this credit. The S corporation must make an irrevocable election either to claim the credit or to pass the credit through to its shareholders. The election statement must be signed by one of the officers of the S corporation who is also a signatory to the Arizona Form 120S.

**Lines 17 through 20 -**

If the S corporation elects to pass the credit through to its shareholders, it must also complete lines 17 through 20 for each individual shareholder.

S corporations must complete Form 320, Parts 1 through 5. The S corporation must complete Part 5, lines 17 through 20, separately for each shareholder. Each shareholder may claim only a pro rata share of the credit based on the shareholder's ownership interest in the S corporation.

**Line 19 - Individual Shareholder's share of the Qualifying Wages used to compute the allowable current year credit.**

An individual shareholder cannot take a subtraction for the same expenses for which the credit is claimed. If the shareholder claims the credit, the shareholder is required to add back the pro-rata portion of the total expenses used to compute the allowable current year credit.

Enter the shareholder's pro-rata share of the total amount of qualifying wages used to compute the allowable current year credit.

**For example:**

Arizona Form 320 line:	Qualifying Wages
12. Net new employees	\$15,000
13. Second-year employees	\$27,000
14. Third-year employees	<u>\$38,000</u>
Total Qualifying Wages	<u>\$80,000</u>
An individual shareholder has a 20% pro-rata share. The amount the S Corporation would enter on line 19 for this shareholder is \$16,000 (\$80,000 X 20%).	

**Line 20 - Individual Shareholder's share of the Current Year Credit**

Enter the individual shareholder's pro-rata share of the amount on Part 4, line 15, column (d).

The S corporation must furnish each shareholder with a copy of pages 1 and 2 of Form 320.

Each shareholder must complete Parts 7 and 8.

**Part 6 - Partner's Share of Credit**

**Lines 21 through 23 -**

Partnerships must complete Form 320, Parts 1 through 4. Then complete Part 6, lines 21 through 23, separately for each partner. Each partner may claim only a pro rata share of the credit based on the partner's ownership interest in the partnership.

The partnership must furnish each partner with a copy of pages 1 and 2 of Form 320.

Each partner must complete Parts 7 and 8.

**Part 7 - Available Credit Carryover**

**Lines 24 through 29 -**

Use Part 7 to figure your total available credit carryover from tax years 2011 through 2015. Complete lines 24 through 29 if you claimed the credit on a prior year return and the credit was more than your tax.

- In column (b), enter the credit originally computed for the taxable year listed in column (a).
- In column (c), enter the amount of the credit from that taxable year which you have already used.
- Subtract the amount in column (c) from column (b) and enter the difference in column (d).
- Add the amounts entered on lines 24 through 28 in column (d).

Enter the total on line 29, column (d).

**Part 8 - Total Available Credit**

**Line 30 - Current Year's Credit**

Individuals, corporations, S corporations claiming the credit, and exempt organizations with UBTI: Enter the amount from Part 4, line 15, column (d).

S corporation shareholders: Enter the amount from Part 5, line 20.

Partners of a partnership: Enter the amount from Part 6, line 23.

- Individuals: Also, enter this amount on Form 301, line 11, column (a).
- Corporations, including S corporations that are claiming the credit and exempt organizations with UBTI: Also, enter this amount on Form 300, line 8, column (a).

**Line 31 - Available Credit Carryover**

Enter the amount from Part 7, line 29, column (d).

- Individuals: Also, enter this amount on Form 301, line 11, column (b).
- Corporations, including S corporations that are claiming the credit and exempt organizations with UBTI: Also, enter this amount on Form 300, line 8, column (b).

**Line 32 - Total Available Credit**

Add lines 30 and 31. Enter the total.

- Individuals: Also, enter this amount on Form 301, line 11, column (c).
- Corporations, including S corporations that are claiming the credit and exempt organizations with UBTI: Also, enter this amount on Form 300, line 8, column (c).

Individual Shareholders of an S corporation: If you are claiming this credit, you must include the amount from Part 5, line 19, on your Arizona income tax return, under "Other Additions to Income".

*Include with your return.*

For the calendar year 2016 or fiscal year beginning MM,DD,2016 and ending MM,DD,20YY.

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 joint return)	Spouse's Social Security Number

**Part 1 Current Year's Credit**

Donations made from January 1, 2016, through December 31, 2016. **Do not** include donations to a qualifying foster care charitable organization for which you are claiming a credit on Arizona Form 352.

If you made cash contributions to more than three qualifying charitable organizations, include a separate schedule.

	(a) Name of Qualifying Charity to which you made cash contributions	(b) Location of Qualifying Charity (City, State)	(c) Cash Amount
1			00
2			00
3			00
4	Total contributions made in 2016 to the qualifying charitable organizations: Add the amounts in column (c) of lines 1, 2, and 3. Also, add any amount included on a separate schedule .....		4 00

Donations made from January 1, 2017, through April 18, 2017, for which you are claiming a credit on your 2016 return.

If you made cash contributions to more than three qualifying charitable organizations, include a separate schedule.

	(a) Name of Qualifying Charity to which you made cash contributions	(b) Location of Qualifying Charity (City, State)	(c) Cash Amount
5			00
6			00
7			00
8	Total contributions made from January 1, 2017, through April 18, 2017, to the qualifying charitable organizations for which you are claiming a credit on your 2016 return: Add the amounts in column (c) of lines 5, 6, and 7. Also, add any amount included on a separate schedule .....		8 00
9	Add lines 4 and 8. Enter the total .....		9 00
10	Single taxpayers or heads of household, enter \$400. Married taxpayers, enter \$800 .....		10 00
11	Current year's credit: Enter the smaller of line 9 or line 10. In most cases, if you are married filing a separate return, enter one-half of the smaller of line 9 or line 10. See instructions .....		11 00

Continued on page 2 →

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

**Part 2 Available Credit Carryover**

	(a) Taxable Year from which you are carrying the credit	(b) Original Credit Amount	(c) Amount Previously Used	(d) Available Carryover: Subtract column (c) from column (b).
12	2011	00	00	00
13	2012	00	00	00
14	2013	00	00	00
15	2014	00	00	00
16	2015	00	00	00
17	TOTAL AVAILABLE CARRYOVER: Add lines 12 through 16, column (d) ...			00

**Part 3 Total Available Credit**

18 Current year's credit: Enter the amount from Part 1, line 11. Also, enter this amount on <i>Arizona Form 301, Part 1, line 12, column (a)</i> .....	<b>18</b>		00
19 Available credit carryover from Part 2, line 17, column (d). Also, enter this amount on <i>Arizona Form 301, Part 1, line 12, column (b)</i> .....	<b>19</b>		00
20 Total Available Credit: Add line 18 and line 19. Also, enter this amount on <i>Arizona Form 301, Part 1, line 12, column (c)</i> .....	<b>20</b>		00

# 2016 Credit for Contributions To Qualifying Charitable Organizations

# Arizona Form 321

## 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

**NOTE:** You **must** also complete Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture, and include Forms 301 and 321 with your tax return to claim this credit.

Arizona law provides a credit for cash contributions made to certain charities that provide assistance to residents of Arizona who either receive Temporary Assistance of Needy Families (TANF) benefits, are low income residents of Arizona, or are children who have a chronic illness or physical disability.

For taxable years beginning from and after December 31, 2015, Arizona law provides a **separate credit**, on Arizona Form 352, for cash contributions made to **qualifying foster care charitable organizations**.

**CAUTION:** A contribution to a qualifying foster care charitable organization does **not** qualify for, and **cannot** be included in, a credit claimed on Form 321 for cash contributions made to a qualifying charitable organization.

If you made cash contributions to a qualifying foster care charitable organization, you **must** complete Form 352 to claim a credit for those contributions. Do not use Form 321 to claim a credit for contributions made to qualifying foster care charitable organizations.

This credit is available **only** to individuals. Corporations may not claim this credit. A partnership may not pass the credit through to its partners. An S corporation may not pass the credit through to its shareholders.

Beginning 2016, credit eligible contributions made to a qualifying charitable organization from January 1, 2017, to April 18, 2017, may be used as a tax credit on either your 2016 or 2017 Arizona income tax return.

If you claim this credit in 2016 for a donation made from January 1, 2017, to April 18, 2017, you must make an adjustment on your Arizona Form 140 Schedule A; or Form 140PY Schedule A(PY) or A(PYN); or Form 140NR Schedule A(NR), filed in 2017.

The maximum amount of credit that a taxpayer can establish for the current taxable year for these donations is \$400 for single taxpayers or heads of household. For married taxpayers filing a joint return, the maximum amount of credit that a taxpayer can establish for the current taxable year is \$800. In most cases, for married taxpayers who file separate returns, each spouse may claim only **one-half** (1/2) of the total credit that would have been allowed on a joint return.

**NOTE:** The maximum amount of credit established for the current taxable year does **not** include any unused valid carryover amount(s) from prior taxable years. Because this is a nonrefundable credit, the total amount of available credit [current year plus any valid carryover amount(s)] that a taxpayer may use for the taxable year cannot be greater than the tax liability shown.

If the allowable tax credit is more than your tax or if you have no tax, you may carry the unused credit forward for up to the next five consecutive taxable years' income tax liability.

You cannot claim both a tax credit and an itemized deduction for the amount of contributions made to a qualifying charitable organization for which you are claiming a credit.

You may qualify for this credit if you make cash contributions to a qualified charity through an Umbrella Charitable Organization (UCO). An UCO is a charitable organization that collects donations on behalf of member charities and directs that donation as designated by the taxpayer to a qualifying charitable organization that is certified by the department.

In this case, 100% of the donation to a specific qualifying charitable organization or to a specific fund of the UCO must be distributed to a qualifying charitable organization that is certified by the department.

The UCO will need to provide you with a receipt for your donation that specifies the qualifying charity or fund to whom the donation is designated and certifies that 100% of the donation will be distributed to the named charity. If a fund is designated then the receipt should certify that 100% of the fund is distributed to a qualifying charity that is certified by the department.

**NOTE:** You may be able to make contributions to these charities through your payroll withholding. Contact your employer and ask if they can withhold contributions for this credit from your pay.

For more information about this credit, see the department's publication, Pub 710, *Credit for Contributions to Qualifying Charitable Organizations*.

## What is a Qualifying Charitable Organization?

A qualifying charitable organization (charity) is a charity that is exempt from federal income tax under Internal Revenue Code (IRC) § 501(c)(3). A qualifying charity is also a charity that is a designated community action agency that receives

Community Services Block Grant Program money under the United States Code, Title 42, Section 9901. The charity must spend at least 50% of its budget on services to Arizona residents who receive Temporary Assistance for Needy Families benefits, who are low income Arizona residents, or who are chronically ill or physically disabled children.

For the purpose of this credit, qualifying services are services that meet the recipient's immediate basic needs. The services must be provided and used in Arizona. Services that meet these needs include cash assistance, medical care, childcare, food, clothing, shelter, job training, and job placement services.

### How Can I Tell if a Charity Qualifies?

In order to qualify, a charity must provide the Department with written certification that it meets the criteria necessary to be considered a qualifying charity. To see if a particular charity qualifies, visit the department's website and click on *Tax Credits* to see a list of the qualifying charities.

### Line-by-Line Instructions

Enter your name and Social Security Number (SSN) as shown on Arizona Forms 140, 140PY, 140NR, or 140X.

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

### Part 1 - Current Year's Credit

#### Lines 1, 2 and 3 -

Enter the following information for each qualifying charitable organization for which you made cash contributions or paid fees from January 1, 2016, through December 31, 2016:

- name of the qualifying charitable organization,
- location of the qualifying charity (city and state), and
- amount of cash contributions made from January 1, 2016, through December 31, 2016.

If you made qualifying cash contributions to a second and third qualifying charity, complete line(s) 2 and 3.

If you made qualifying cash contributions to four or more qualifying charities, complete an additional schedule. The schedule should show the same information required on lines 1, 2 and 3 for each of the additional qualifying charitable organizations to which you made cash contributions.

#### Line 4 -

Add the amount of qualifying cash contributions listed on lines 1 through 3, and any additional schedule. Enter the total on line 4.

#### Lines 5, 6, and 7 -

**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 make a contribution and claim a credit for that amount on your 2016 tax return.

Enter the following information for each qualifying charitable organization for which you made cash contributions from January 1, 2017, through April 18, 2017, for which you are claiming a credit on your 2016 tax return.

- name of the qualifying charitable organization,
- location of the qualifying charity (city and state), and
- amount of cash contributions made from January 1, 2017, through April 18, 2017.

If you made qualifying cash contributions to a second and third qualifying charity, complete line(s) 6 and 7.

If you made qualifying cash contributions to four or more qualifying charities, complete an additional schedule. The schedule should show the same information required on lines 5, 6, and 7 for each of the additional qualifying charitable organizations to which you made cash contributions.

#### Line 8 -

Add the amount of qualifying cash contributions listed on lines 5 through 7 and any additional schedule. Enter the total on line 8.

#### Line 9 -

Add lines 4 and 8. Enter the total.

#### Line 10 -

Single taxpayers and taxpayers filing as head of household enter \$400. Married taxpayers enter \$800.

#### Line 11 - Current Year's Credit

Enter the smaller of line 9 or line 10. If you are married filing a separate return, but you could have filed a joint return, you may take only 1/2 of the total credit that you and your spouse would have been allowed to take on a joint return, up to a maximum of \$400. In this case, enter 1/2 of the smaller of line 9 or line 10.

### Part 2 - Available Credit Carryover

**NOTE:** 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.

#### Lines 12 through 17 -

Use lines 12 through 17 to figure your total available credit carryover from taxable years 2011 through 2015. Complete lines 12 through 17 if you claimed this credit on a return for one of these years and the credit was more than your tax.



**NOTE:** *You may carry over only that portion of the credit that you do not apply to tax. You cannot carry over any amount that you gave that was more than the maximum amount allowed as a credit.*

**For example:** During 2016, Mary, a single person, gave \$600 to a qualified charity that provides services to the working poor. For 2016, Mary is allowed a maximum credit of \$400. Mary's 2016 tax is \$250. Mary can apply \$250 of the credit to her 2016 tax liability and carryover \$150 of the unused \$400 credit to 2017.

Mary cannot claim any credit for the \$200 gift that was more than the allowable credit for cash contributions made to the qualifying charity that provided services to the working poor (\$600 minus allowable credit of \$400).

- In column (b), enter the credit originally computed for that taxable year listed in column (a).
- In column (c), enter the amount of the credit from that taxable year which you have already used.
- In column (d), subtract the amount in column (c) from column (b) and enter the difference.
- Add the amounts entered on lines 12 through 16 in column (d).

Enter the total on line 17, column (d).

### **Part 3 - Total Available Credit**

#### **Lines 18 through 20 -**

Use lines 18 through 20 to figure your total available credit for the taxable year.

#### **Line 18 -**

Enter the amount from Part 1, line 11. Also, enter this amount on Arizona Form 301, Part 1, line 12, column (a).

#### **Line 19 -**

Enter the amount from Part 2, line 17, column (d). Also, enter this amount on Arizona Form, Part 1, line 12, column (b).

#### **Line 20 - Total Available Credit**

Add line 18 and line 19. Enter the total. Also, enter this amount on Form 301, Part 1, line 12, column (c).

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*Include with your return.*

- Do not use this form for contributions to private school tuition organizations.
- See Form 323 for contributions to private school tuition organizations.

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].

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 joint return)	Spouse's Social Security Number

**Part 1 Current Year's Credit**

Donations made during January 1, 2016, through December 31, 2016.

If you made cash contributions or paid fees to more than three public schools, include a separate schedule.

	(a) Name of Public School to which you made contributions or paid fees:	(b) School District Name and Number	(c) Location of Public School (City, State)	(d) Contribution Made or Fees Paid
1				00
2				00
3				00
4	Total cash contributions made or fees paid to public schools in Arizona during 2016: Add the amounts in column (d) of lines 1, 2, and 3. Also, add any amount included on a separate schedule.			4 00

Donations made from January 1, 2017, through April 18, 2017, for which you are claiming a credit on your 2016 return.

If you made cash contributions or paid fees to more than three public schools, include a separate schedule.

	(a) Name of Public School to which you made contributions or paid fees:	(b) School District Name and Number	(c) Location of Public School (City, State)	(d) Contribution Made or Fees Paid
5				00
6				00
7				00
8	Total cash contributions made or fees paid to public schools in Arizona from January 1, 2017, through April 18, 2017: Add the amounts in column (d) of lines 5, 6, and 7. Also, add any amount included on a separate schedule.....			8 00
9	Add lines 4 and 8. Enter the total .....			9 00
10	Single taxpayers or heads of household, enter \$200. Married taxpayers, enter \$400 .....			10 00
11	Current year's credit: Enter the smaller of line 9 or line 10. In most cases, if you are married filing a separate return, enter one-half of the smaller of line 9 or line 10. See instructions .....			11 00

Continued on page 2 →

Your Name (as shown on page 1)	Your Social Security Number
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**Part 2 Available Credit Carryover**

	(a) Taxable Year from which you are carrying the credit	(b) Original Credit Amount	(c) Amount Previously Used	(d) Available Carryover: Subtract column (c) from column (b).
12	2011	00	00	00
13	2012	00	00	00
14	2013	00	00	00
15	2014	00	00	00
16	2015	00	00	00
17	TOTAL AVAILABLE CARRYOVER: Add lines 12 through 16, column (d) ....			00

**Part 3 Total Available Credit**

18	Current year's credit: Enter the amount from Part 1, line 11. Also, enter this amount on <i>Arizona Form 301, Part 1, line 13, column (a)</i> .....	<b>18</b>	00
19	Available credit carryover from Part 2, line 17, column (d). Also, enter this amount on <i>Arizona Form 301, Part 1, line 13, column (b)</i> .....	<b>19</b>	00
20	Total Available Credit: Add line 18 and line 19. Also, enter this amount on <i>Arizona Form 301, Part 1, line 13, column (c)</i> .....	<b>20</b>	00

# 2016 Credit for Contributions Made or Fees Paid to Public Schools

## 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

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## Publications

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

## General Instructions

**NOTE:** You *must* also complete Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture, and include Forms 301 and 322 with your tax return to claim this credit.

Arizona law provides a credit for cash contributions made and certain fees paid to public schools in Arizona. "Public School" means a school that is part of a school district, a joint technical education district, or a charter school.

This credit is available **only** to individuals. Corporations may not claim this credit. A partnership may not pass the credit through to its partners. An S corporation may not pass the credit through to its shareholders.

The credit is equal to the amount contributed or the amount of fees paid. The maximum amount of credit that a taxpayer can establish for the current taxable year for contributions or fees paid is \$200 for single taxpayers or heads of household. For married taxpayers filing a joint return, the maximum amount of credit that can be established for the current taxable year is \$400. In most cases, for married taxpayers who file separate returns, each spouse may claim only **one-half** (1/2) of the credit that would have been allowed on a joint return.

**NOTE:** The maximum amount of credit established for the current taxable year does **not** include any unused valid carryover amount(s) from prior taxable years. Because this is a nonrefundable credit, the total amount of available credit [current year plus any valid carryover amount(s)] that a taxpayer may use for the taxable year cannot be greater than the tax liability shown.

If the allowable tax credit is more than your tax or if you have no tax, you may carry the unused credit forward for up to the next five consecutive taxable years' income tax liability.

Credit eligible contributions made or fees paid to a public school from January 1, 2017, to April 18, 2017, may be used

as a tax credit on either your 2016 or 2017 Arizona income tax return.

You cannot claim both a tax credit and an itemized deduction for contributions made to a public school for which you are claiming a credit.

If you claim this credit in 2016 for contributions made from January 1, 2017, to April 18, 2017, you must make an adjustment on your Arizona Form 140 Schedule A; or Form 140PY Schedule A(PY) or A(PYN); or Form 140NR Schedule A(NR), filed in 2017.

You may be able to make credit eligible contributions to a public school through payroll withholding. Check with your employer to see if your employer has agreed to withhold contributions that qualify for this credit from your pay.

To qualify for the credit, you must make contributions or pay fees to a public school located in this state for the following activities or programs of the public school:

- standardized testing for college credit or readiness offered by a widely recognized and accepted educational testing organization,
- the career and technical education industry certification assessment,
- preparation courses and materials for standardized testing,
- cardiopulmonary resuscitation training,
- extracurricular activities, or
- character education programs..

"Standardized testing for college credit or readiness" includes the SAT, PSAT, ACT, advanced placement and international baccalaureate diploma tests and other similar tests.

"Widely recognized and accepted educational testing organization" means the college board, the ACT, the international baccalaureate and other organizations that are widely recognized and accepted by colleges and universities in the United States and that offer college credit and readiness examinations.

"Career and technical education industry certification assessment" means an assessment for career and technical preparation programs for pupils.

**NOTE:** Your contribution for the support of standardized testing fees, career and technical education industry certification assessments, preparation courses, or materials for standardized testing, **must** be made directly to the public school located in Arizona. Contributions made to any other organization will not qualify for this credit.

A character education program is a program defined in Arizona Revised Statutes (A.R.S.) § 15-719. Under this statute, each district may develop its own course of study for each grade. At a minimum, the character education program must include instruction in the definition and application of at least six of the following character traits: truthfulness,

responsibility, compassion, diligence, sincerity, trustworthiness, respect, attentiveness, obedience, orderliness, forgiveness, and virtue.

Extracurricular activities are school-sponsored activities that *may* require enrolled students to pay a fee in order to participate. The activities must supplement the school's education program and may be educational or recreational.

Each school district will determine what activities are extracurricular activities for each public school located in that district. Extracurricular activities may include the following:

- use of band uniforms,
- use of equipment or uniforms for varsity athletics,
- use of scientific laboratory equipment or materials, and
- in-state or out-of-state trips that are solely for competitive events.

Extracurricular activities do not include any senior trips or events that are recreational, amusement or tourist activities.

You must make cash contributions or pay fees to a public school or charter school located in Arizona. The school must provide instruction in grades kindergarten through 12.

Contributions made or fees paid to any of the following **do not** qualify for this credit:

- a nongovernmental school,
- a pre-school,
- a community college,
- a university, or
- a public school located outside of Arizona.

Before claiming this credit, make sure the public school issues you a receipt for the contributions or qualifying fees you paid. The receipt should show **all** of the following:

- name of the public school,
- name and number of the school district,
- name of the taxpayer,
- amount paid or contributed,
- date paid or contributed, and
- description of the activity for which the contributions were made or the fees were paid.

Please keep this receipt with your tax records. For more information on school tax credits, see the department's publication, Pub 707, *School Tax Credits*.

## Line-by-Line Instructions

Enter your name and Social Security Number (SSN) as shown on Arizona Forms 140, 140PY, 140NR, or 140X.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN).

The TIN for an individual is the taxpayer's SSN or an Internal Revenue Service (IRS) individual taxpayer identification number (ITIN). Taxpayers that fail to include their identification number may be subject to a penalty.

## Part 1 - Current Year's Credit

### Lines 1, 2 and 3 -

Enter the following information for each Arizona public school for which you made cash contributions or paid fees from January 1, 2016 through December 31, 2016:

- name of the public school,
- district name and number of the public school,
- location of the public school (city and state), and
- amount of contributions or fees paid to the school.

**NOTE:** *Do not include those contributions that you made from January 1, 2016 through April 18, 2016 for which you claimed a credit on your 2015 tax return.*

If you made qualifying cash contributions or paid qualifying fees to a second and third school, complete line(s) 2 and 3.

If you made qualifying cash contributions or paid qualifying fees to four or more schools, complete an additional schedule. The schedule should show the same information required on lines 1, 2 and 3 for each of the additional schools to which you made cash contributions or paid fees.

### Line 4 -

Add the amount of qualifying cash contributions and fees paid to all schools listed on lines 1 through 3, and any additional schedule. Enter the total on line 4.

### Lines 5, 6, and 7 -

**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 make a contribution and claim a credit for that amount on your 2016 tax return.*

Enter the following information for each Arizona public school for which you made cash contributions or paid fees from January 1, 2017, through April 18, 2017, for which you are claiming a credit on your 2016 tax return.

- name of the public school,
- district name and number of the public school,
- location of the public school (city and state), and
- the amount of contributions or fees paid to the school.

If you made qualifying cash contributions or paid qualifying fees to a second and third school, complete line(s) 6 and 7.

If you made qualifying cash contributions or paid qualifying fees to four or more schools, complete an additional schedule. The schedule should show the same information required on lines 5, 6, and 7 for each of the additional schools to which you made cash contributions or paid fees.

### Line 8 -

Add the amount of qualifying cash contributions and fees paid to all schools listed on lines 5 through 7, and any additional schedule. Enter the total on line 8.

### Line 9 -

Add lines 4 and 8. Enter the total.

**Line 10 -**

Single taxpayers and taxpayers filing as head of household enter \$200. Married taxpayers enter \$400.

**Line 11 - Current Year's Credit**

Enter the smaller of line 9 or line 10. If you are married filing a separate return, but you could have filed a joint return, you may take only 1/2 of the total credit that you and your spouse would have been allowed to take on a joint return, up to a maximum of \$200. In this case, enter 1/2 of the smaller of line 9 or line 10.

**Part 2 - Available Credit Carryover****Lines 12 through 17 -**

Use lines 12 through 17 to figure your total available credit carryover from taxable years 2011 through 2015. Complete lines 12 through 17 if you claimed this credit on a return for one of these years and the allowable credit was more than your tax.

**NOTE:** *You may carry over only that portion of the credit that you do not apply to tax. You cannot carry over any amount that you paid that was more than the amount allowed as a credit.*

**For example,** during 2016, John, a single person, paid \$400 to School A for extracurricular activity fees for John's child. For 2016, John is allowed a credit of \$200. John's 2016 tax is \$100. John applied \$100 credit to his tax liability and may carryover \$100 of the unused \$200 credit to 2017. John cannot claim any credit for the \$200 fee he paid that was more than the allowable credit (\$400 minus allowable credit of \$200).

- In column (b), enter the credit originally computed for that taxable year listed in column (a).
- In column (c), enter the amount of the credit from that taxable year which you have already used.
- In column (d), subtract the amount in column (c) from column (b) and enter the difference.
- Add the amounts entered on lines 12 through 16 in column (d).

Enter the total on line 17, column (d).

**Part 3 - Total Available Credit****Lines 18 through 20 -**

Use lines 18 through 20 to figure your total available credit for 2016.

**Line 18 -**

Enter the amount from Part 1, line 11. Also, enter this amount on Form 301, Part 1, line 13, column (a).

**Line 19 -**

Enter the amount from Part 2, line 17, column (d). Also, enter this amount on Form 301, Part 1, line 13, column (b)

**Line 20 - Total Available Credit**

Add line 18 and line 19. Enter the total. Also, enter this amount on Form 301, Part 1, line 13, column (c).

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*Include with your return.*

- Do not use this form for contributions or fees paid to a public school.
- See Form 322 for contributions or fees paid to public schools.

For the calendar year 2016 or fiscal year beginning MM,DD,2016 and ending MM,DD,20YY.

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 joint return)	Spouse's Social Security Number

**Part 1 Current Year's Credit**

If you are married and filing separate, be sure to include **all** cash contributions made by you **and** your spouse.

Donations made from January 1, 2016, through December 31, 2016. If you made cash contributions to more than three private school tuition organizations, include a separate schedule.

	(a) Name of Private School Tuition Organizations to which you made cash contributions:	(b) Street Address	(c) City, State	(d) Cash Contribution Made
1				00
2				00
3				00
4	Total contributions made in 2016 to the private school tuition organizations: Add the amounts in column (d) of lines 1, 2, and 3. Also, add any amount included on a separate schedule.....			4 00

Donations made from January 1, 2017, through April 18, 2017, for which you are claiming a credit on your 2016 return. If you made cash contributions to more than three private school tuition organizations, include a separate schedule.

	(a) Name of Private School Tuition Organizations to which you made cash contributions:	(b) Street Address	(c) City, State	(d) Cash Contribution Made
5				00
6				00
7				00
8	Total contributions made from January 1, 2017, through April 18, 2017, to the private school tuition organizations for which you are claiming a credit on your 2016 return: Add the amounts in column (d) of lines 5, 6, and 7. Also, add any amount included on a separate schedule.....			8 00
9	Add lines 4 and 8. Enter the total .....			9 00
10	Single taxpayers or heads of household, enter \$545. Married taxpayers, enter \$1,090 .....			10 00
11	Current year's credit: Enter the smaller of line 9 or line 10. In most cases, if you are married filing a separate return, enter one-half of the smaller of line 9 or line 10. See instructions .....			11 00

You **may** be able to claim an additional credit for excess contributions made to school tuition organizations. Complete Part 4, on page 2 of this form. **See Arizona Form 348** for more information.

Continued on page 2 →

Your Name (as shown on page 1)	Your Social Security Number
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**Part 2 Available Credit Carryover**

	(a) Taxable Year from which you are carrying the credit	(b) Original Credit Amount	(c) Amount Previously Used	(d) Available Carryover: Subtract column (c) from column (b).
12	2011	00	00	00
13	2012	00	00	00
14	2013	00	00	00
15	2014	00	00	00
16	2015	00	00	00
17	TOTAL AVAILABLE CARRYOVER: Add lines 12 through 16, column (d)..			00

**Part 3 Total Available Credit**

18 Current year's credit: Enter the amount from Part 1, line 11. Also, enter this amount on <i>Arizona Form 301, Part 1, line 14, column (a)</i> .....	<b>18</b>	00
19 Available credit carryover from Part 2, line 17, column (d). Also, enter this amount on <i>Arizona Form 301, Part 1, line 14, column (b)</i> .....	<b>19</b>	00
20 Total Available Credit: Add lines 18 and 19. Also, enter this amount on <i>Arizona Form 301, Part 1, line 14, column (c)</i> .....	<b>20</b>	00

**Part 4 Do I Have Excess Contributions Available to Claim on Arizona Form 348?**

21 Total contributions made during the taxable year: • Single taxpayers; head of household; and married taxpayers filing joint; enter the amount from Part 1, line 9. • Married taxpayers filing separate; enter one-half of the amount from Part 1, line 9 .....	<b>21</b>	00
22 Maximum credit allowed on Form 323: • Single taxpayers; and heads of household; enter \$545. • Married taxpayers filing joint; enter \$1,090. • Married taxpayers filing separate; enter \$545 .....	<b>22</b>	00
23 Excess contributions: Subtract line 22 from line 21 and enter the difference. If less than zero, enter "0". If the amount on line 23 is more than zero, you have excess contributions available and may claim a credit on Form 348 for those contributions. If the amount on line 23, is "0", you do not have any excess contributions available to claim on Form 348 .....	<b>23</b>	00

# 2016 Credit for Contributions to Private School Tuition Organizations

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

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From area codes 520 and 928, toll-free (800) 352-4090

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## General Instructions

**NOTE:** You *must* also complete Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture, and include Forms 301 and 323 with your tax return to claim this credit.

Arizona law provides a credit for contributions made to a private school tuition organization that provides scholarships or grants to qualified schools.

This credit is available **only** to individuals. Corporations may not claim this credit. A partnership may not pass the credit through to its partners. An S corporation may not pass the credit through to its shareholders.

The credit is equal to the amount contributed. For 2016, the maximum amount of credit that a taxpayer can establish for the current taxable year is \$545 for single taxpayers or heads of household. For married taxpayers that file a joint return, the maximum credit that can be established for the current taxable year is \$1,090. In most cases, for married taxpayers who file separate returns, each spouse may claim only one-half (1/2) of the credit that would have been allowed on a joint return.

**NOTE:** The maximum amount of credit established for the current taxable year does **not** include any unused valid carryover amount(s) from prior taxable years. Because this is a nonrefundable credit, the total amount of available credit [current year plus any valid carryover amount(s)] that a taxpayer may use for the taxable year cannot be greater than the tax liability shown.

The credit eligible contributions made to a school tuition organization from January 1, 2017, to April 18, 2017, may be used as a tax credit on either your 2016 or 2017 Arizona income tax return.

If the allowable tax credit is more than your tax or if you have no tax, you may carry the unused credit forward for up to the next 5 consecutive taxable years' income tax liability.

A private school tuition organization is an organization that meets **all** of the following:

- The organization is tax exempt under Section 501(c)(3) of the Internal Revenue Code (IRC).
- The organization allocates at least 90% of its annual revenue from contributions to educational scholarships or tuition grants.
- The organization makes its scholarships or grants available to students of more than one qualified school.

A "qualified school" means a preschool that offers services to students with disabilities, nongovernmental primary or a secondary school that is located in Arizona. The school cannot discriminate on the basis of race, color, handicap, familial status, or national origin and requires all teaching staff and personnel that have unsupervised contact with students to be fingerprinted. A "qualified school" does not include a charter school or programs operated by a charter school. The primary school must begin with kindergarten and the secondary school must end with grade 12.

In the case of a preschool that offers services to students with disabilities, a "student with disabilities" is a student who has any of the following conditions:

- hearing impairment,
- visual impairment,
- developmental delay,
- preschool severe delay, or
- speech and/or language impairment.

**NOTE:** The Arizona Department of Revenue is required to certify school tuition organizations. The department maintains a list of currently certified school tuition organizations on its website at [www.azdor.gov](http://www.azdor.gov).

To qualify for the credit all contributions must be made to a certified school tuition organization. To determine if your contributions made in 2016 and/or 2017, qualify for this credit, you should verify that the school tuition organization you made a contribution to is certified. For a list of school tuition organizations certified to receive donations for the individual income tax credit, see the department's website.

Your donation to the school tuition organization will not qualify for the credit if you designate the donation for the direct benefit of your dependent.

**NOTE:** Your donation will also not qualify if you designate a student beneficiary as a condition of your contribution to the school tuition organization. Also, the tax credit is not allowed if you agree with another person to designate each other's contributions to the school tuition organization for the direct benefit of each other's dependent, a practice commonly known as swapping.

You cannot claim both a tax credit and an itemized deduction for the amount of contributions made to a private school tuition organization for which you are claiming a credit.

If you claim this credit in 2016 for a donation made from January 1, 2017, to April 18, 2017, you must make an adjustment on your Arizona Form 140 Schedule A; or Form 140PY Schedule A(PY) or A(PYN); or Form 140NR Schedule A(NR), filed in 2017.

Before claiming this credit, make sure the school tuition organization issues you a receipt for the contribution. The receipt should show **all** of the following:

- name and address of the school tuition organization,
- name of the taxpayer,
- amount paid,
- date paid, and
- the tax year for which you will claim the contribution.

Please keep this receipt with your tax records. For more information on school tax credits, see the department's publication, Pub 707, *School Tax Credits*.

**NOTE:** *You may be able to make credit eligible contributions to a school tuition organization through payroll withholding. Check with your employer to see if your employer has agreed to withhold contributions that qualify for this credit from your pay.*

## Line-by-Line Instructions

Enter your name and Social Security Number (SSN) as shown on Arizona Forms 140, 140PY, 140NR, or 140X.

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

### Part 1 - Current Year's Credit

#### Lines 1, 2 and 3 -

*If you are married and filing separate, be sure to include all cash contributions made by you **and** your spouse.*

Enter the following information for each private school tuition organization to which you made contributions from January 1, 2016 through December 31, 2016 and for which you are claiming a current year's credit for on your return.

- name of the private school tuition organization,
- street address of the private school tuition organization,
- location (city and state) of the private school tuition organization, and
- the amount of contributions made.

**NOTE:** *Do not include those contributions that you made from January 1, 2016, through April 18, 2016, for which you claimed a credit on your 2015 tax return.*

If you made cash contributions to four or more schools, complete an additional schedule. The schedule should show

the same information required on lines 1, 2, and 3 for each of the additional schools to which you made cash contributions.

#### Line 4 -

Add the amounts in column (d) of lines 1, 2, and 3. Also, add any amount included on a separate schedule.

#### Lines 5, 6 and 7 -

**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 make a contribution and claim a credit for that amount on your 2016 tax return.*

Enter the following information for each private school tuition organization to which you made contributions from January 1, 2017 through April 18, 2017, for which you are claiming a credit on your 2016 tax return.

- name of the private school tuition organization,
- street address of the private school tuition organization,
- location (city and state) of the private school tuition organization, and
- the amount of contributions made.

If you made cash contributions to four or more schools, complete an additional schedule. The schedule should show the same information required on lines 5, 6, and 7 for each of the additional schools to which you made cash contributions.

#### Line 8 -

Add the amounts in column (d) of lines 5, 6, and 7. Also, add any amount included on a separate schedule.

#### Line 9 -

Add lines 4 and 8. Enter the total.

#### Line 10 -

Single taxpayers and taxpayers filing as head of household, enter \$545. Married taxpayers enter \$1,090.

#### Line 11 - Current Year's Credit

Enter the smaller of line 9 or line 10. If you are married filing a separate return, but you could have filed a joint return, you may take only one-half of the total credit that you and your spouse would have been allowed to take on a joint return, up to a maximum of \$545 each. In this case, enter one-half of the smaller of line 9 or line 10.

**NOTE:** *If you made contributions that total more than the allowable current year's credit on Form 323, you may claim a credit on Arizona Form 348 for some or all of the contributions that exceed the maximum allowable amount. To determine if you have excess contributions available to claim a credit on Form 348, complete Part 4 of Form 323.*

*For additional information see Form 348.*

### Part 2 - Available Credit Carryover

#### Lines 12 through 17 -

Use lines 12 through 17 to figure your total available credit carryover from taxable years 2011 through 2015.

Complete lines 12 through 17 if you claimed this credit on a return for one of these years and the credit was more than your tax.

**NOTE:** *You may carry over only that portion of the credit that you do not apply to tax. You cannot carry over any amount that you gave that was more than the amount allowed as a credit. See the example at the end of these instructions.*

- In column (b) enter the credit originally computed for that taxable year listed in column (a).
- In column (c) enter the amount of the credit from that taxable year which you have already used.
- Subtract the amount in column (c) from column (b) and enter the difference in column (d).
- Add the amounts entered on lines 12 through 16 in column (d).

Enter the total on line 17, column (d).

**Part 3 - Total Available Credit**

**Line 18 -**

Enter the amount from Part 1, line 11. Also, enter this amount on Form 301, Part 1, line 14, column (a).

**Line 19 -**

Enter the amount from Part 2, line 17, column (d). Also, enter this amount on Form 301, Part 1, line 14, column (b).

**Line 20 -**

Add line 18 and line 19. Enter the total. Also, enter this amount on Form 301, Part 1, line 14, column (c).

**Part 4 - Do I Have Excess Contributions Available to Claim on Arizona Form 348?**

Complete Part 4, lines 21 through 23, to determine if you have excess contributions available to claim a credit on Arizona Form 348, *Contributions to Certified School Tuition Organization – Individuals*.

**NOTE:** *Married taxpayers filing a separate return - be sure to enter **one-half** of the total amount of contributions made during the taxable year by you **and** your spouse on line 9.*

**Line 21 -**

Enter the total amount of contributions made during the taxable year:

- Single taxpayers, heads of household and married taxpayers filing a joint return; enter the total amount from Part 1, line 9.
- Married taxpayers filing separate; enter one-half (1/2) of the total amount from Part 1, line 9.

**Line 22 -**

Enter the maximum credit allowed on Form 323:

- Single taxpayers and heads of household; enter \$545.
- Married taxpayers filing joint; enter \$1,090.
- Married taxpayers filing separate; enter \$545.

**Line 23 – Excess Contributions:**

Subtract line 22 from line 21 and enter the difference. If less than zero, enter “0”.

If the amount on line 23 is more than zero, you have excess contributions available and may claim a credit on Form 348 for those contributions.

If the amount on line 23 is “0”, you do not have any excess contributions available to claim on Form 348.

**EXAMPLE:** During 2016, Mary, a single person, gave \$1,400 to a school tuition organization. For 2016, Mary is allowed a maximum credit on Form 323 of \$545. Mary’s 2016 tax liability is \$400. Mary may apply \$400 of the \$545 credit claimed on Form 323 against her 2016 tax liability. Mary may carryover the unused credit of \$145 to her 2017 income tax return. Mary may not claim a credit on Form 323 for the \$855 gift that was more than the allowable credit (\$1,400 minus allowable credit of \$545).

However, Mary may claim a credit on Arizona Form 348 for the contribution made to the school tuition organization that was more than the \$545 allowable credit. The credit Mary may claim on Form 348 cannot exceed the maximum credit allowed on that form.

To compute that credit, Mary must complete Form 348 in addition to Form 323. Mary must also complete Arizona Form 301. For 2016, Mary would compute her available credit for Form 323 as follows.

2016 total contribution made to school tuition organizations		\$1,400
2016 maximum allowable credit claimed on Form 323		<u>\$ 545</u>
Mary’s 2016 tax liability	\$ 400	
Less: available tax credit - Form 323	<u>\$ 400</u>	
Balance of tax	<u>\$ 0</u>	
Carryover available for 2017 from Form 323 (\$545 minus \$400)	\$ 145	
Contribution available to calculate the allowable credit on Form 348 (\$1,400 minus \$545). Mary must complete Arizona Form 348 to figure that credit.		<u>\$ 855</u>

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*Include with your return.*

For the calendar year 2016 or fiscal year beginning MMDD, 2016 and ending MMDD, 20YY.

Name as shown on Form 140, 140PY, 140NR, 140X, 99T, 120, 120A, 120S, 120X or 165

Social Security or Employer Identification Number

**Part 1 Schedule of Equipment and Current Taxable Year's Credit Calculation**

If additional space is needed, include a separate schedule.

	(a) Date Qualifying Agricultural Property Placed in Service or Expected to be Placed in Service	(b) Description	(c) Total Cost Incurred During the Taxable Year for Qualifying Agricultural Property used to Reduce Pollution
1	MMDDYY		00
2	MMDDYY		00
3	MMDDYY		00
4	MMDDYY		00
5	MMDDYY		00
6	MMDDYY		00
7	MMDDYY		00
8	MMDDYY		00
9	MMDDYY		00
10	MMDDYY		00
11	Add lines 1 through 10 in column (c). Enter the total.....		00
12	Enter the total from additional schedule(s), if applicable .....		00
13	Total cost of pollution control equipment incurred during the taxable year: Add lines 11 and 12. Enter the total.....		00
14	Multiply line 13 by 25% (.25). Enter the result.....		00

**Part 2 Credit Passed Through From Partnerships or S Corporations**

15	Total credit passed through from partnerships or S corporations on Form(s) 325-P, line 4 and/or Form(s) 325-S, line 4. If you received a pass through credit from more than one partnership and/or S corporation, total the credits received on a separate document and include it with your return.....	15	00
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**Part 3 Total Current Year Credit**

16	Add lines 14 and 15. Enter the total .....	16	00
17	Maximum Credit Allowed .....	17	25,000 00
18	Enter the lesser of line 16 or line 17. This is the total credit for the current year.....	18	00

In order to calculate Arizona depreciation or amortization, a taxpayer who elects to claim this credit under A.R.S. §§ 43-1081.01 or 43-1170.01 shall reduce the basis of the agricultural pollution control equipment by the amount of the credit claimed.

**Part 4 Partnerships Passing Through the Credit**

Partnerships qualifying for this credit must pass it through to their partners. When passing this credit through to your partners, complete Form 325-P for each partner.

- Provide a copy of completed Form 325-P to each partner.
- File a copy of each completed Form 325-P with your tax return.
- Keep a copy of each completed Form 325-P for your records.

Name (as shown on page 1)	TIN
---------------------------	-----

**Part 5 S Corporation Credit Election**

The S corporation has made an irrevocable election for the taxable year ending MM, DD, YYYY to  
**(check only one box):**

- Claim the agricultural pollution control credit as shown on line 18 (for the taxable year mentioned above);  
**OR**
- Pass the agricultural pollution control credit as shown on line 18 (for the taxable year mentioned above) through to its shareholders.

\_\_\_\_\_  
Signature Title Date

If passing this credit through to your shareholders, complete Form 325-S for each individual shareholder.

- Provide a copy of completed Form 325-S to each shareholder.
- File a copy of each completed Form 325-S with your tax return.
- Keep a copy of each completed Form 325-S for your records.

**If you claimed this credit and there is a carryover of this credit from the past 5 taxable years, complete Part 6. If not, go to Part 7.**

**Part 6 Available Credit Carryover**

	(a) Taxable Year	(b) Original Credit Amount	(c) Amount Previously Used or Expired	(d) Available Carryover: Subtract column (c) from column (b).
19		00	00	00
20		00	00	00
21		00	00	00
22		00	00	00
23		00	00	00
24	Total Available Carryover: Add lines 19 through 23 in column (d). Enter the total.....			<b>24</b> 00

**Part 7 Total Available Credit**

<b>25</b> Current year's credit: <ul style="list-style-type: none"> <li>• <i>Individuals, corporations, S corporations claiming this credit at the corporate level, or exempt organizations with UBTI:</i> Enter the amount from Part 3, line 18.</li> <li>• <i>Individuals:</i> Also enter this amount on Form 301, Part 1, line 15, column (a).</li> <li>• <i>Corporations, S corporations claiming this credit at the corporate level, and exempt organizations with UBTI:</i> Also enter this amount on Form 300, line 9, column (a) .....</li> </ul>	<b>25</b>	00
<b>26</b> Enter the available credit carryover from line 24, column (d): <ul style="list-style-type: none"> <li>• <i>Individuals:</i> Also enter this amount on Form 301, Part 1, line 15, column (b).</li> <li>• <i>Corporations, S corporations claiming this credit at the corporate level, and exempt organizations with UBTI:</i> Also enter this amount on Form 300, line 9, column (b) .....</li> </ul>	<b>26</b>	00
<b>27 Total available credit:</b> Add line 25 and line 26. Enter the total. <ul style="list-style-type: none"> <li>• <i>Individuals:</i> Also enter the total on Form 301, Part 1, line 15, column (c).</li> <li>• <i>Corporations, S corporations claiming this credit at the corporate level, and exempt organizations with UBTI:</i> Also enter the total on Form 300, line 9, column (c) .....</li> </ul>	<b>27</b>	00



**2016 Agricultural Pollution Control Equipment Credit**

**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**

*Arizona Revised Statutes (A.R.S.) §§ 43-1081.01 and 43-1170.01* provide nonrefundable individual and corporate income tax credits for expenses that a taxpayer incurred during the taxable year to purchase agricultural pollution control equipment.

The amount of the credit is equal to 25% of the cost of the property. The maximum credit that a taxpayer may claim in a taxable year is \$25,000.

The agricultural pollution control equipment credit claimed on Form 325 is in lieu of the pollution control credit claimed on Form 315 with respect to the same equipment or expense.

Co-owners of a business, including partners in a partnership and shareholders of an S corporation, may each claim only the pro rata share of the credit allowed based on the ownership interest. The total of the credits allowed all such owners may not exceed the amount that would have been allowed for a sole owner of the business.

The credit is available to an exempt organization that is subject to corporate income tax on unrelated business taxable income (UBTI). The credit must result from the activities that generate UBTI.

**To Qualify for the Credit:**

- The taxpayer must be involved in the commercial production of livestock, livestock products or agricultural, horticultural, viticultural or floricultural crops or products; AND  
 The taxpayer must purchase tangible personal property that is primarily used in the taxpayer's trade or business in Arizona to control or prevent pollution.
- Property eligible for the tax credit includes only that portion of the property directly used, constructed, or installed in Arizona to prevent, monitor, or reduce air, water, or land pollution.
- Qualifying property includes a portion of a structure, building, installation, excavation, machine, equipment,

or device, and any attachment to, or addition to, or reconstruction, replacement, or improvement of that property.

**Amounts that qualify for the credit** must be includible in the taxpayer's adjusted basis for the property. The adjusted basis of any property for which the taxpayer has claimed a credit must be reduced by the amount of credit claimed for that property.

If the allowable tax credit exceeds the taxes otherwise due or, if there are no taxes due, the amount of the credit not used to offset taxes may be carried forward for not more than five taxable years as a credit against subsequent years' income tax liabilities.

**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 form with the tax return.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for a corporation, an exempt organization with UBTI, an S corporation, or a partnership is the taxpayer's employer identification number. The TIN for an individual is the taxpayer's Social Security Number or an Internal Revenue Service individual taxpayer identification number. Taxpayers that fail to include their TIN may be subject to a penalty.

**Part 1 - Schedule of Equipment and Current Taxable Year's Credit Calculation**

**Lines 1 through 10 -**

**Column (a):** Enter the date the qualifying agricultural property was placed in service or the date it is expected to be placed in service in Arizona.

**Column (b):** Enter a brief description of the Arizona property used in the taxpayer's business to control or prevent pollution.

**Column (c):** Enter the total cost incurred during the taxable year for qualifying agricultural property used to reduce pollution. For additional information, see the section "*To Qualify for the Credit*" in column 1 of this page.

If there are more than 10 items of qualifying property, complete additional schedules. Include the completed schedules with Form 325.

**Line 11 -**

Add lines 1 through 10 in column (c) and enter the total.

**Line 12 -**

Enter the total amounts in (c) from additional schedules.

**Line 13 -**

Add lines 11 and 12 and enter the total. This is the total cost incurred during this taxable year of all items of property for which the taxpayer is claiming the credit.

**Line 14 -**

Multiply line 13 by 25% (.25) and enter the result.

**Part 2 – Credit Passed Through From Partnerships or S Corporations****Line 15 -**

Enter the total amount you received as a flow through from Form(s) 325-P, line 4 and/or Form(s) 325-S, line 4 from all partnerships or S corporations. Include a copy of each Form 325-P and/or Form 325-S you received with your return.

**Part 3 - Total Current Year Credit****Line 16 -**

Add lines 14 and 15. Enter the total.

**Line 17 - Maximum Credit Allowed**

The maximum credit amount allowed for this credit is \$25,000.

**Line 18 -**

Enter the lesser of line 16 or line 17. This is your maximum current year credit for agricultural pollution control equipment.

**Partnerships** - continue to Part 4.

**S Corporations passing this credit through to its shareholders** - skip to Part 5.

**All others** - proceed to Part 6,

**Part 4 - Partnerships Passing Through the Credit**

Partnerships claiming this credit must pass it through to its partners. Proceed to the instructions on page 4 for completing Form 325-P.

Each partner is entitled to only a *pro rata* share of the credit based on the partner's ownership interest in the partnership. The total of the credit allowed to all partners may not exceed the amount that would have been allowed for a sole owner.

**NOTE:** *Trusts and estates which are partners in a partnership are not eligible to claim this credit. However, the share of a partnership owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.*

**Part 5 - S Corporation Credit Election**

An S corporation may make an irrevocable election to pass this credit through to its shareholders. Or, it can choose to keep this credit and apply it to its own liability generated at the corporate level.

Enter the S corporation's taxable year end. Check the box corresponding to the election made by the S corporation, to claim the credit, or to pass the credit through to its shareholders. The election must be signed by an officer of the S corporation.

S corporations electing to pass this credit through to its shareholders, proceed to the instructions on page 4 for completing Form 325-S.

Each S corporation shareholder is entitled to only a *pro rata* share of pass-through credit based on ownership interest in the S corporation. The total of the credit allowed to all shareholders may not exceed the amount that would have been allowed for a sole owner.

**NOTE:** *Trusts and estates which are shareholders of S corporations, are not eligible to claim this credit. However, the share of an S corporation owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.*

If the S corporation passes the credit through to its shareholders, it must notify each shareholder of the shareholder's *pro rata* share of the adjustment to income required by the difference between the federal depreciable basis and the Arizona depreciable basis of the property for which the credit is claimed. The S corporation must also notify the shareholder of the shareholder's *pro rata* share of any difference in gain or loss on the sale or other disposition of the property due to the difference in basis.

S corporations electing to claim this credit at the corporate level, continue to Part 6.

**Part 6 - Available Credit Carryover**

Complete Part 6 only if you claimed this credit and for prior taxable years and the credit exceeded your Arizona income tax liability for those taxable years.

**Lines 19 through 23 -**

Enter the taxable years from which the credit is carried over in column (a) on lines 19 through 23. In column (b), enter the credit originally computed for that taxable year. In column (c), enter the amount of the credit from that taxable year which was previously used or expired. Subtract the amount in column (c) from the amount in column (b) and enter the difference in column (d).

**Line 24 -**

Add the amounts entered on lines 19 through 23 in column (d). Enter the total on line 24, column (d).

**Part 7 - Total Available Credit****Line 25 -**

*Individuals, Corporations (including S corporations electing to claim this credit at the corporate level), and exempt organizations with UBTI* - enter the current year's credit from Part 3, line 18.

*Individuals* - Also, enter this amount on Form 301, Part 1, line 15, column (a).

*Corporations (including S corporations electing to claim this credit at the corporate level),* - Also, enter this amount on Form 300, Part 1, line 9, column (a).

**Line 26 -**

*Individuals, Corporations (including S corporations electing to claim this credit at the corporate level), and exempt organizations with UBTI - enter the amount from Part 6, line 24, column (d). This is the total available credit carryover.*

*Individuals – Also, enter this amount on Form 301, Part 1, line 15, column (b).*

*Corporations (including S corporations electing to claim this credit at the corporate level), and exempt organizations with UBTI – Also, enter this amount on Form 300, Part 1, line 9, column (b).*

**Line 27 -**

*Individuals, Corporations (including S corporations electing to claim this credit at the corporate level), and exempt organizations with UBTI - add line 25 and line 26. This is the total available agricultural pollution control equipment credit that may be applied to the current taxable year's tax liability.*

*Individuals – Also, enter the total here and on Form 301, Part 1, line 15, column (c).*

*Corporations (including S corporations electing to claim this credit at the corporate level), and exempt organizations with UBTI – Also, enter the total here and on Form 300, Part 1, line 9, column (c).*

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### Form 325-P, Partner's Portion of the Credit

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Enter the taxable year from which this credit is being passed through to your partners.

Complete Form 325-P for each partner of the partnership *except for* trust or estate partners. However, a partnership ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.

The partnership must furnish each partner with their completed copy of Form 325-P, including additional schedules as needed.

#### Part 1 – Partnership and Partner Information

##### Line 1 –

Enter the partnership name and EIN in the spaces provided.

##### Line 2 –

Enter the partner's name, EIN, TIN, or Social Security Number, and ownership percentage in the spaces provided.

#### Part 2 – Distribution of the Credit

##### Line 3 –

Enter the total amount of the partnership's credit for Agricultural Pollution Control Equipment from Form 325, Part 3, line 18.

##### Line 4 –

Multiply the amount on line 3 by the partner's ownership percentage shown on line 2(c). Enter the result. This is the partner's portion of this credit.

*All partners will use this form to complete their Form 325.*

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### Form 325-S, S Corporation Shareholder's Portion of the Credit

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Enter the taxable year from which this credit is being passed through to your shareholders.

Complete Form 325-S for each shareholder *except for* trust or estate shareholders. However, an S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.

The S corporation must furnish each shareholder with their completed copy of Form 325-S, including additional schedules as needed.

#### Part 1 – S Corporation and Shareholder Information

##### Line 1 –

Enter the S corporation name and EIN in the spaces provided.

##### Line 2 –

Enter the Shareholder's name, EIN, TIN, or Social Security Number, and ownership percentage in the spaces provided.

#### Part 2 – Distribution of the Credit

##### Line 3 –

Enter the total amount of the S corporation's credit for Agricultural Pollution Control Equipment Form 325, Part 3, line 18.

##### Line 4 –

Multiply the amount on line 3 by the shareholder's ownership percentage shown on line 2(c). Enter the result. This is the shareholder's portion of the credit.

*The shareholder will use this form to complete their own Form 325.*

For the calendar year 2016 or fiscal year beginning MM,DD,2016 and ending MM,DD,20YY.

**Partnerships:**

- Complete Form 325-P for each partner in the partnership **except for** trust or estate partners. However, a partnership ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.
- Provide a copy of the completed form to each partner.
- Keep a copy of each completed Form 325-P for your records.
- Include a copy of each completed Form 325-P with your partnership return.

**Partners:**

- Use this form to complete your own Form 325.
- Include this completed form with your return.
- Keep a copy of this form for your records.

**NOTE:** If you file your tax return on a calendar year basis but this entity files a return on a fiscal year basis (see above), claim this credit on your tax return for the year in which this entity's fiscal year ends.

**Part 1 Partnership and Partner Information**

<b>1</b>	(a) Partnership Name	(b) Employer Identification Number (EIN)
<b>2</b>	(a) Partner Name	(b) Taxpayer Identification Number (TIN) (c) Ownership Percentage %

**Part 2 Distribution of the Credit**

<b>3</b> Enter the partnership credit amount from Form 325, Part 3, line 18. ....	<b>3</b>		00
<b>4</b> Multiply the amount on line 3 by the partner's ownership percentage shown on line 2(c). Enter the total. This is the partner's portion of the credit.....	<b>4</b>		00

**Partners:**

The amount reported on line 4 is your portion of this credit. The amount on line 4 should be included on your own Form 325, Part 2, line 15.

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For the calendar year 2016 or fiscal year beginning MM,DD,2016 and ending MM,DD,20YY.

**S Corporations:**

- Complete Form 325-S for each shareholder of the S corporation **except for** trust or estate shareholders. However, an S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.
- Provide a copy of the completed form to each shareholder.
- Keep a copy of each completed Form 325-S for your records.
- Include a copy of each completed Form 325-S with your S corporation return.

**Shareholders:**

- Use this form to complete your own Form 325.
- Include this completed form with your return.
- Keep a copy of this form for your records.

**NOTE:** If you file your tax return on a calendar year basis but this entity files a return on a fiscal year basis (see above), claim this credit on your tax return for the year in which this entity's fiscal year ends.

**Part 1 S Corporation and Shareholder Information**

1	(a) S corporation Name	(b) Employer Identification Number (EIN)	
	(a) Shareholder Name	(b) Taxpayer Identification Number (TIN)	(c) Ownership Percentage %
2			

**Part 2 Distribution of the Credit**

3	Enter the S corporation credit amount from Form 325, Part 3, line 18.....	<b>3</b>		00
4	Multiply the amount on line 3 by the shareholder's ownership percentage shown on line 2(c). Enter the total. This is the shareholder's portion of the credit .....	<b>4</b>		00

**Shareholder:**

The amount reported on line 4 is your portion of this credit. The amount on line 4 should be included on your own Form 325, Part 2, line 15.

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**Include 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 140, 140PY, 140NR, 140X, 99T, 120, 120A, 120S, 120X or 165

Social Security or  
Employer Identification Number

The donated real property and improvements must be located in Arizona. The credit is in lieu of a deduction for the donation of the property for which the credit is claimed. See instructions.

**Part 1 Donated Property Information and Current Taxable Year's Credit Calculation**

	PROPERTY 1	PROPERTY 2	PROPERTY 3
1 Arizona county in which the property is located ...	1		
2 Parcel number of property .....	2		
3 Date of property conveyance.....	3		
4 Recording number of property conveyance.....	4		
5 Value of property based on appraisal .....	5	00	00
6 Multiply the amounts on line 5 in each column by 30 percent (.30) .....	6	00	00
7 Add the amounts on line 6 in each column and enter the total .....	7		00
8 Total from continuation sheets, if applicable.....	8		00
9 Current taxable year's credit: Add lines 7 and 8.....	9		00

**Part 2 S Corporation Credit Election and Shareholder's Share of Credit**

10 The S corporation has made an irrevocable election for the taxable year ending MM,DD,YYYY to  
(check only one box):

Claim the credit for donation of school site as shown on Part 1, line 9 (for the taxable year mentioned above);

**OR**

Pass the credit for donation of school site as shown on Part 1, line 9 (for the taxable year mentioned above) through to its shareholders.

Signature \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

If passing the credit through to the shareholders, complete lines 11 through 14 separately for each shareholder. Furnish each shareholder with a copy of pages 1 and 2 of Form 331.

11 Name of shareholder: \_\_\_\_\_

12 Shareholder's TIN: \_\_\_\_\_

13 Shareholder's share of the amount on Part 1, line 9 ..... **13** \_\_\_\_\_ **00**

14 Individual shareholder's share of donation on Part 1, line 5, to be excluded from the itemized deductions ..... **14** \_\_\_\_\_ **00**

Individual shareholders of an S corporation: The credit for donation of school site is in lieu of any deduction pursuant to §170 of the Internal Revenue Code. If you are claiming this credit in Part 2, line 13 and you itemize deductions on your Arizona return, you must exclude the amount of the charitable deduction otherwise allowed for the donation of the school site by adding back the amount in Part 2, line 14 on your Arizona Schedule A, line 13.

Continued on page 2 →

Name (as shown on page 1)	TIN
---------------------------	-----

**Part 3 Partner's Share of Credit**

Complete lines 15 through 17 separately for each partner. Furnish each partner with a copy of pages 1 and 2 of Form 331.

15 Name of partner: \_\_\_\_\_

16 Partner's TIN: \_\_\_\_\_

17 Partner's share of the amount on Part 1, line 9 ..... **17** \_\_\_\_\_ **00**

**Part 4 Available Credit Carryover**

	(a) Taxable Year	(b) Original Credit Amount	(c) Amount Previously Used or Expired	(d) Available Carryover: Subtract column (c) from column (b).
18		00	00	00
19		00	00	00
20		00	00	00
21		00	00	00
22		00	00	00
23	Total Available Carryover: Add lines 18 through 22 in column (d) .....			<b>23</b> 00

**Part 5 Total Available Credit**

24	Current year's credit: <ul style="list-style-type: none"> <li>Individuals, corporations, S corporations, or exempt organizations with UBTI: Enter the amount from Part 1, line 9.</li> <li>S corporation shareholders: Enter the amount from Part 2, line 13.</li> <li>Partners of a partnership: Enter the amount from Part 3, line 17.</li> <li>Individuals: Also enter this amount on Form 301, Part 1, line 16, column (a).</li> <li>Corporations, S corporations, and exempt organizations with UBTI: Also enter this amount on Form 300, Part 1, line 10, column (a).....</li> </ul>	<b>24</b>	00
25	Available credit carryover from Part 4, line 23, column (d). <ul style="list-style-type: none"> <li>Individuals: Also enter this amount on Form 301, Part 1, line 16, column (b).</li> <li>Corporations, S corporations, and exempt organizations with UBTI: Also enter this amount on Form 300, Part 1, line 10, column (b).....</li> </ul>	<b>25</b>	00
26	<b>Total available credit:</b> Add lines 24 and 25. <ul style="list-style-type: none"> <li>Individuals: Also enter this amount on Form 301, Part 1, line 16, column (c).</li> <li>Corporations, S corporations, and exempt organizations with UBTI: Also enter this amount on Form 300, Part 1, line 10, column (c).....</li> </ul>	<b>26</b>	00

## 2016 Credit for Donation of School Site

**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

*Arizona Revised Statutes (A.R.S.) §§ 43-1089.02 and 43-1181* provide nonrefundable individual and corporate income tax credits 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.

**To qualify for the credit:**

- The real property and improvements must be located in Arizona.
- The donor must convey the real property and improvements unencumbered and in fee simple, except that there must be a deed restriction and protective covenant related to the use of the property.
- The value of the donated property must be determined by an appraisal as defined in *A.R.S. § 32-3601* that is conducted by an independent party and is paid for by the donee.
- The conveyance shall not violate the provisions of *A.R.S. §§ 15-341(D)* or *15-183(U)*.
- The donor must record the appropriate lien on the property donated to an Arizona charter school. The tax credit constitutes a lien on the property. The lien is the amount of the allowable tax credit adjusted by the gross domestic product (GDP) price deflator, as defined in *A.R.S. § 41-563*, with a maximum of 12.5% over the allowable tax credit.
- An Arizona school district shall not accept the donation unless the school facilities board has reviewed the proposed donation and has issued a written determination that the real property and improvements are suitable as a school site or as a school.

On written request of the donee, the donor must disclose in writing to the donee the amount of the allowable tax credit for the property received by the donee.

The tax credit is in lieu of a deduction in the computation of Arizona gross income for the donation of the property for which the credit is claimed. **CORPORATE TAXPAYERS:** An addition to Arizona gross income is required for the amount of the deduction included in the computation of federal taxable income. **INDIVIDUAL TAXPAYERS:** The taxpayer cannot claim both the tax credit and an itemized deduction for the donation of a school site. If the taxpayer claims the credit and itemizes deductions on the Arizona return, the taxpayer must exclude the amount of the charitable deduction otherwise allowed for the donation of the school site.

For example, a taxpayer that donates a \$2,000,000 property would receive a credit of \$600,000 (\$2,000,000 x 30%). If the taxpayer is a corporation, the addition to Arizona gross income would be \$2,000,000. If the taxpayer is an individual that itemizes deductions, then the charitable contribution deduction must exclude the \$2,000,000 donation.

Co-owners of a business, including partners in a partnership and shareholders of an S corporation, may each claim only the pro rata share of the credit allowed based on the ownership interest. The total of the credits allowed all such owners may not exceed the amount that would have been allowed for a sole owner of the business.

The credit is available to an exempt organization that is subject to corporate income tax on unrelated business taxable income (UBTI). The credit must result from the activities that generate UBTI.

If the allowable tax credit exceeds the taxes otherwise due or, if there are no taxes due, the amount of the credit not used to offset taxes may be carried forward for not more than five taxable years as a credit against subsequent years' income tax liabilities.

This form is for donations of real property only (real estate). Do not use this form for cash donations to schools. Credits for those donations should be claimed on Form 322. Do not use this form for cash donations to school tuition organizations. Credits for those donations should be claimed on Form 323 or Form 348 for individuals; or claimed on Form 335 or Form 341 for corporations.

### 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 form with the tax return.

**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.

#### **Part 1 - Donated Property Information and Current Taxable Year's Credit Calculation**

If more than three parcels were donated, complete the information requested for lines 1 through 6 on continuation sheets.

**Line 1 -**

Enter the name of the Arizona county in which the donated property is located.

**Line 2 -**

Enter the parcel number of the donated property.

**Line 3 -**

Enter the date on which the property conveyance was recorded.

**Line 4 -**

Enter the recording number of the property conveyance.

**Line 5 -**

Enter the value of the donated property based on appraisal.

**Line 6 -**

Multiply the amounts on line 5 in each column by 30% (.30).

**Line 7 -**

Add the amounts on line 6 in each column. Enter the total.

**Line 8 -**

Enter the aggregate line 7 totals from the continuation sheets, if more than three parcels were donated.

**Line 9 -**

Add line 7 and line 8. Enter the total. This is the current taxable year's credit.

**Part 2 - S Corporation Credit Election and Shareholder's Share of Credit**

**Line 10 - S Corporation Credit Election**

S corporations must complete line 10. The S corporation must make an irrevocable election to either claim the credit or pass the credit through to its shareholders. The election statement must be signed by one of the officers of the S corporation who is also a signatory to Arizona Form 120S.

**Lines 11 through 14 -**

If the S corporation elects to pass the credit through to its shareholders, it must also complete lines 11 through 14.

The S corporation must complete Part 1. Then, complete Part 2, lines 11 through 14, separately for each shareholder.

Each S corporation shareholder is entitled to only a pro rata share of pass-through credit based on ownership interest in the S corporation. The total of the credit allowed to all shareholders may not exceed the amount that would have been allowed for a sole owner.

The S corporation must furnish each shareholder with a copy of pages 1 and 2 of Form 331. Each shareholder must complete Part 4 and Part 5.

**NOTE to individual shareholders of an S corporation:** *The credit for donation of school site is in lieu of any deduction pursuant to §170 of the Internal Revenue Code. If you are claiming the credit in Part 2, line 13, you must exclude the amount of the charitable deduction otherwise allowed for the donation of the school site, which is the amount in Part 2, line 14. See the example on page 1 of these instructions.*

**Part 3 - Partner's Share of Credit**

**Lines 15 through 17 -**

The partnership must complete Part 1. Then, complete Part 3, lines 15 through 17, separately for each partner.

Each partner is entitled to only a pro rata share of the credit based on the partner's ownership interest in the partnership. The total of the credit allowed to all partners may not exceed the amount that would have been allowed for a sole owner.

The partnership must furnish each partner with a copy of pages 1 and 2 of Form 331. Each partner must complete Part 4 and Part 5.

**Part 4 - Available Credit Carryover**

**Lines 18 through 23 -**

Complete Part 4 only if the allowable credit for donation of school site for prior taxable years exceeded the Arizona income tax liability for those taxable years. Calculate the total available carryover of the credit for donation of school site on page 2, Part 4, lines 18 through 23.

Partners of a partnership or shareholders of an S corporation should complete Part 4 only if their allowable credit for donation of school site for prior taxable years exceeded their Arizona income tax liability for those taxable years.

Enter the applicable taxable year(s) in column (a) on lines 18 through 22. In column (b), enter the credit originally computed for that taxable year. In column (c), enter the amount of the credit from that taxable year which has already been used. Subtract the amount in column (c) from column (b) and enter the difference in column (d). Add the amounts entered on lines 18 through 22 in column (d). Enter the total on line 23, column (d). This is the total credit carryover available for the current taxable year.

**Part 5 - Total Available Credit**

**Line 24 -**

*Individuals, exempt organizations with UBTI, and corporations (including S corporations that elected to claim the credit at the corporate level) - enter the current year's credit from Part 1, line 9.*

*S corporation shareholders - enter the credit from Part 2, line 13.*

*Partners of a partnership - enter the credit from Part 3, line 17.*

This is the current taxable year's credit for donation of school site.

*Individuals:* Also, enter this amount on Form 301, Part 1, line 16, column (a).

*Corporations (including S corporations that elected to claim the credit at the corporate level), and exempt organizations with UBTI:* Also, enter this amount on Form 300, Part 1, line 10, column (a).

**Line 25 -**

Enter the amount from Part 4, line 23, column (d). This is the total available credit carryover.

*Individuals:* Also enter this amount on Form 301, Part 1, line 16, column (b).

*Corporations (including S corporations that elected to claim the credit at the corporate level), and exempt organizations with UBTI:* Also, enter this amount on Form 300, Part 1, line 10, column (b).

**Line 26 -**

Add line 24 and line 25. This is the total available credit for donation of school site that may be applied to the current taxable year's tax liability.

*Individuals -* enter the total here and on Form 301, Part 1 line 16, column (c).

*Corporations (including S corporations that elected to claim the credit at the corporate level), and exempt organizations with UBTI:* Also, enter the total here and on Form 300, Part 1, line 10, column (c).

**THIS PAGE INTENTIONALLY LEFT BLANK**

**Include with your return.**

For the calendar year 2016 or fiscal year beginning   M     M     D     D     2     0     1     6   and ending   M     D     D     D     2     0     Y     Y  .

**All businesses must be certified by the Arizona Commerce Authority and the Department of Revenue before applying for this credit.**

Name as shown on Form 140, 140PY, 140NR, 140X, 99T, 120, 120A, 120S, 120X or 165	Social Security or Employer Identification Number
--	---

**Part 1 Healthy Forest Enterprise Information**

- 1 Name of Healthy Forest Enterprise: \_\_\_\_\_
- 2 Employer identification number: \_\_\_\_\_
- 3 Reserved
- 4 Check one box to indicate the year this form represents for claiming the employment credit under A.R.S. §§ 43-1076 or 43-1162:  
 First Year     Second Year     Third Year     Fourth Year     Fifth Year     Sixth Year or more
- 5 Check one box to indicate the year this form represents for claiming the training credit under A.R.S. §§ 43-1076.01 or 43-1162.01:  
 First Year     Second Year     Third Year     Fourth Year     Fifth Year     Sixth Year or more

**Part 2 Average Number of Full-Time Employees**

6 Average number of full-time employees in the healthy forest enterprise during the current taxable year.....	<b>6</b>	
7 Average number of full-time employees in the healthy forest enterprise during the immediately preceding taxable year.....	<b>7</b>	
8 Net increase in average number of full-time employees: Subtract line 7 from line 6.....	<b>8</b>	

**Part 3 Net Increase in Qualified Employment Positions**

9 Total number of filled, qualified employment positions created in the current year.....	<b>9</b>	
10 Net increase in average number of full-time employees: Enter the number from Part 2, line 8.....	<b>10</b>	
11 Net increase in qualified employment positions for this healthy forest enterprise: Enter the lesser of line 9 or line 10.	<b>11</b>	

**Part 4 Limitation on Number of Qualified Employment Positions**

12 Maximum number of filled, qualified employment positions on which a credit may be calculated.....	<b>12</b>	200
13 Maximum number of new qualified employment positions on which you may claim the credit: Enter the lesser of line 11 or line 12.....	<b>13</b>	

**Part 5 Employment Credit Calculation**

	(a) Number of Qualifying Employees	(b) Qualifying Wages	(c) Percentage	(d) Allowable Credit
14 Qualified new employees.....		00	25%	00
15 Previously qualified employees in the second year of continuous employment.....		00	33.33%	00
16 Previously qualified employees in the third year of continuous employment.....		00	50%	00
17 Employment credit passed through from partnerships and S corporations.....				00
18 Add the amounts in column (d) for lines 14 through 17. Enter the total. This is the total employment credit....				00

Continued on page 2 →

**Part 6 Training Credit Calculation**

	(a) Number of Qualifying Employees	(b) Net Training and Certifying Costs
19 Qualified new employees .....	19	00
20 Previously qualified employees in the second year of continuous employment.....	20	00
21 Previously qualified employees in the third year of continuous employment .....	21	00
22 Training credit passed through from partnerships and S corporations.....	22	00
23 Add the amounts in column (b) for lines 19 through 22. Enter the total. This is the total training credit	23	00

**Part 7 Recapture of the Employment Credit**

24 Enter the taxable year in which the certification of the business as a healthy forest enterprise was revoked or terminated...	24	YYYY
25 Enter the first taxable year in which the employment credit for healthy forest enterprises was allowed.....	25	YYYY
26 Number of years between when the employment credit was first allowed and when the certification was revoked or terminated .....	26	
27 Enter percentage based on the number of years entered on line 26. See instructions.....	27	%
28 Enter the full amount of all employment credits previously allowed .....	28	00
29 Recapture of employment credit for healthy forest enterprises. Multiply line 28 by the percentage on line 27.....	29	00
30 Recapture of employment credit passed through from partnerships and/or S corporations. Enter the amount from Form 332-P, Part 3, line 10, or Form 332-S, Part 3, line 10 .....	30	00
31 Add the amounts on line 29 and 30. Enter the total. This is the total amount of the employment credit subject to recapture.	31	00

**Part 8 Recapture of the Training Credit**

32 Enter the taxable year in which the certification of the business as a healthy forest enterprise was revoked or terminated...	32	YYYY
33 Enter the first taxable year in which the training credit for healthy forest enterprises was allowed.....	33	YYYY
34 Number of years between when the training credit was first allowed and when the certification was revoked or terminated.....	34	
35 Enter percentage based on the number of years entered on line 34: See instructions.....	35	%
36 Enter the full amount of all training credits previously allowed .....	36	00
37 Recapture of training credit for healthy forest enterprises. Multiply line 36 by the percentage on line 35 .....	37	00
38 Recapture of training credit passed through from partnerships and/or S corporations. Enter the amount from Form 332-P, Part 3, line 13 or Form 332-S, Part 3, line 13.....	38	00
39 Add the amounts on lines 37 and 38. Enter the total. This is the total amount on the training credit subject to recapture .	39	00

**Part 9 S Corporation Credit Elections**

- 40 The S corporation has made an irrevocable election for the taxable year ending MMDDYY to (check only one box):
- Claim the *employment credit* for healthy forest enterprises, as shown on Part 5, line 18, column (d) (for the taxable year mentioned above); OR
- Pass the *employment credit* for healthy forest enterprises, as shown on Part 5, line 18, column (d) (for the taxable year mentioned above) through to its shareholders.

Signature \_\_\_\_\_ Title \_\_\_\_\_ Date \_\_\_\_\_

- 41 The S corporation has made an irrevocable election for the taxable year ending MMDDYY to (check only one box):
- Claim the *training credit* for healthy forest enterprises, as shown on Part 6, line 23, column (b) (for the taxable year mentioned above); OR
- Pass the *training credit* for healthy forest enterprises, as shown on Part 6, line 23, column (b) (for the taxable year mentioned above) through to its shareholders.

Signature \_\_\_\_\_ Title \_\_\_\_\_ Date \_\_\_\_\_

If electing to claim the credit at the corporate level, continue to Part 11.

If passing either, or both, credit(s) through to the shareholders, complete Form 332-S for each shareholder.

- Provide a copy of completed Form 332-S to each shareholder.
- File a copy of each Form 332-S completed with your tax return.
- Keep a copy of each completed Form 332-S for your records.

If you are only passing one of these credits to the shareholders and claiming the other at the corporate level, see the instructions.

If you are passing both credits through to the shareholders, **STOP**. Do not complete the remainder of this form.



Name (as shown on page 1):	TIN:
----------------------------	------

**Part 10 Partner's Share of Credits and Credit Recaptures**

Partnerships qualifying for either credit **must** pass the credit(s) through to their partners. When passing the credit(s) through to your partners, complete Form 332-P for each partner.

- Provide a copy of completed Form 332-P to each partner.
- File a copy of each Form 332-P completed with your tax return.
- Keep a copy of each completed Form 332-P for your records.

After completing a Form 332-P for each partner, **STOP**. Do not complete the remainder of this form.

**Part 11 Recapture Summary for Employment Credit**

- 42 Enter the taxable year(s) in which you took an employment credit or credit carryover for a disqualified healthy forest enterprise: \_\_\_\_\_
- 43 Enter the total amount of employment credit originally allowed .....
- 44 Enter the total amount of the employment credit to be recaptured from Part 7, line 31 .....
- 45 Subtract line 44 from line 43 and enter the difference. This is the amount of current employment credit allowable.....
- 46 Amount of employment credit on line 43 that you have claimed on prior years' returns .....
- 47 Subtract line 46 from line 45 and enter the difference.
- If the difference is POSITIVE:
- *This is the amount of employment credit carryover you have remaining for use in future years.*
  - Adjust the amounts in Part 13, lines 54 through 58, column (d) so the total amount on line 59 equals the amount of the credit carryover remaining for use in future years. See instructions.
- If the difference is NEGATIVE:
- *This is the amount of employment credit carryover you must recapture.*
  - Adjust the amounts in Part 13, lines 54 through 58, column (d) to zero, "0". There is no carryover amount for the employment credit. See instructions.
  - *Individuals:* Also, enter this amount as a POSITIVE number on *Form 301, Part 2, line 36.* (If you have a recapture of the employment credit *and* the training credit, add the amounts on Part 11, line 47 and Part 12, line 53. Enter the total on *Form 301, Part 2, line 36.*)
  - *Corporations (including S corporations that claimed the training credit at the corporate level), and exempt organizations with UBTI:* Also enter this amount as a POSITIVE number on *Form 300, Part 2, line 27.* (If you have a recapture of the employment credit and the training credit, add the amounts on Part 11, line 47 and Part 12, line 53. Enter the total on *Form 300, Part 2, line 27.*) .....

<b>43</b>		00
<b>44</b>		00
<b>45</b>		00
<b>46</b>		00
<b>47</b>		00

**Part 12 Recapture Summary for Training Credit**

- 48 Enter the taxable year(s) in which you took a training credit or credit carryover for a disqualified healthy forest enterprise: \_\_\_\_\_
- 49 Enter the total amount of training credit originally allowed .....
- 50 Enter the total amount of the training credit to be recaptured from Part 8, line 39.....
- 51 Subtract line 50 from line 49 and enter the difference. This is the amount of current training credit allowable.....
- 52 Amount of credit on line 49 that you have claimed on prior years' returns.....
- 53 Subtract line 52 from line 51 and enter the difference.
- If the difference is POSITIVE:
- *This is the amount of training credit carryover you have remaining for use in future years.*
  - Adjust the amounts in Part 14, lines 60 through 64, column (d) so the total amount on line 65 equals the amount of the credit carryover remaining for use in future years. See instructions.
- If the difference is NEGATIVE:
- *This is the amount of training credit carryover you must recapture.*
  - Adjust the amounts in Part 14, lines 60 through 64, column (d) to zero, "0". There is no carryover amount for the employment credit. See instructions.
  - *Individuals:* Also, enter this amount as a POSITIVE number on *Form 301, Part 2, line 36.* (If you have a recapture of the employment credit *and* the training credit, add the amounts on Part 11, line 47 and Part 12, line 53. Enter the total on *Form 301, Part 2, line 36.*)
  - *Corporations (including S corporations that claimed the training credit at the corporate level), and exempt organizations with UBTI:* Also enter this amount as a POSITIVE number on *Form 300, Part 2, line 27.* (If you have a recapture of the employment credit and the training credit, add the amounts on Part 11, line 47 and Part 12, line 53. Enter the total on *Form 300, Part 2, line 27.*) .....

<b>49</b>		00
<b>50</b>		00
<b>51</b>		00
<b>52</b>		00
<b>53</b>		00

Name (as shown on page 1): \_\_\_\_\_ TIN: \_\_\_\_\_

**Part 13 Available Employment Credit Carryover**

	(a) Taxable Year	(b) Original Credit Amount	(c) Amount Previously Used Expired or Recaptured	(d) Available Credit Carryover: Subtract column (c) from column (b).
54		00	00	00
55		00	00	00
56		00	00	00
57		00	00	00
58		00	00	00
59	Total Available Carryover: Add lines 54 through 58 in column (d) .....			59 00

**Part 14 Available Training Credit Carryover**

	(a) Taxable Year	(b) Original Credit Amount	(c) Amount Previously Used Expired or Recaptured	(d) Available Credit Carryover: Subtract column (c) from column (b).
60		00	00	00
61		00	00	00
62		00	00	00
63		00	00	00
64		00	00	00
65	Total Available Carryover: Add lines 60 through 64 in column (d) .....			65 00

**Part 15 Total Available Credit**

66	Current year's <i>employment credit</i> : • <i>Individuals, corporations (including S corporations electing to claim the credit at the corporate level), and exempt organizations with UBTI</i> : Enter the amount from Part 5, line 18, column (d) .....	66	00
67	Current year's <i>training credit</i> : • <i>Individuals, corporations (including S corporations electing to claim this credit at the corporate level), and exempt organizations with UBTI</i> : Enter the amount from Part 6, line 23, column (b). • <i>Individuals</i> : Also enter the sum of lines 66 and 67 (total current year credit) on <i>Form 301, Part 1, line 17, column (a)</i> • <i>Corporations (including S corporations electing to claim the credit at the corporate level), and exempt organizations with UBTI</i> : Also enter the sum of lines 66 and 67 (total current year credit) on <i>Form 300, Part 1, line 11, column (a)</i> .....	67	00
68	Enter the available <i>employment credit</i> carryover from Part 13, line 59, column (d), if any .....	68	00
69	Enter the available <i>training credit</i> carryover from Part 14, line 65, column (d), if any. • <i>Individuals</i> : Also enter the sum of lines 68 and 69 (total carryover) on <i>Form 301, Part 1, line 17, column (b)</i> • <i>Corporations (including S corporations electing to claim the credit at the corporate level), and exempt organizations with UBTI</i> : Also enter the sum of lines 68 and 69 (total carryover) on <i>Form 300, Part 1, line 11, column (b)</i> .....	69	00
70	<b>Total available credit</b> : Add lines 66 through 69. • <i>Individuals</i> : Also, enter this amount on <i>Form 301, Part 1, line 17, column (c)</i> . • <i>Corporations (including S corporations electing to claim this credit at the corporate level), and exempt organizations with UBTI</i> : Also enter this amount on <i>Form 300, Part 1, line 11, column (c)</i> .....	70	00

**Form 332-1**

**Qualified Employees of Healthy Forest Enterprise**

**2016**

Complete a Form 332-1 for each qualified employee of the Healthy Forest Enterprise. See instructions for Form 332-1 (included with Instructions for Form 332) about providing the requested information in an alternative format.

1 Employee name: \_\_\_\_\_

2 Employee's taxpayer identification number (TIN) ..... \_\_\_\_\_

3 Did employee reside in Arizona on date of hire? .....  Yes  No

4 Brief description of employee's job duties:  
\_\_\_\_\_  
\_\_\_\_\_

5 Current date of employment .....   M     D     Y  Y  Y  

6 If employee was previously employed by the business, list the previous date of employment. (See instructions.) .....   M     D     Y  Y  Y  

7a Is the employee in a permanent full time position? .....  Yes  No

7b If the answer to line 7a is "Yes", list the number of hours the employee actually worked during the taxable year ..... \_\_\_\_\_

7c If the answer to line 7b is less than 1550 hours annually, explain:  
\_\_\_\_\_  
\_\_\_\_\_

8 Employee's annual compensation for the taxable year ..... \$ 

	00
--	----

9a Total cost of health insurance provided by employer for employee. (See instructions.) ..... \$ 

	00
--	----

9b Total cost of health insurance for employee paid by employer. (See instructions.) ..... \$ 

	00
--	----

10 Is this employee in a new qualified employment position? .....  Yes  No

11 Check only one box:  First year employee  Second year employee  Third year employee

**Form 332-2** **Qualified Employees for Which You are Taking the Employment Credit**

	(a) Employee's Name	(b) Social Security Number	(c) Type of Employee Check the appropriate box. This employee is a:			(d) Total Wages Paid to the Employee During the Current Tax Year	(e) Maximum Allowable Wages: Enter the lesser of column (d) or the maximum allowed below.			
			(c1) 1 <sup>st</sup> Year Employee	(c2) 2 <sup>nd</sup> Year Employee	(c3) 3 <sup>rd</sup> Year Employee		(e1) Year 1 \$2000	(e2) Year 2 \$3000	(e3) Year 3 \$3000	
1										
2										
3										
4										
5										
6										
7										
8										
9										
10										
11										
12										
13										
14										
<b>15 TOTAL:</b>										

• For column (c), add the number of employees in each column (c1), (c2) and (c3), and enter the total for each column on line 15.  
 • For columns (d) and (e), add the amounts in each column and enter the total for each column on line 15..... **15**

**Form 332-3** **Qualified Employees for Which You are Taking the Training Credit** **2016**

	(a) Employee's Name	(b) Social Security Number	(c) Type of Employee Check the appropriate box. This employee is a:			(d) Net Cost of Training and Certifying the Employee during the Current Tax Year	(e) Maximum Allowable Credit: Enter the lesser of column (d) or the maximum allowed below.		
			(c1) 1 <sup>st</sup> Year Employee	(c2) 2 <sup>nd</sup> Year Employee	(c3) 3 <sup>rd</sup> Year Employee		(e1) Year 1 \$3000	(e2) Year 2 \$3000	(e3) Year 3 \$3000
1									
2									
3									
4									
5									
6									
7									
8									
9									
10									
11									
12									
13									
14									
<b>15 TOTAL:</b>									

- For column (c), add the number of employees in each column (c1), (c2) and (c3), and enter the total for each column on line 15.
- For columns (d) and (e), add the amounts in each column and enter the total for each column on line 15..... **15**

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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].

**Partnership:**

- Complete Form 332-P for each partner in the partnership **except for** trust or estate partners. However, a partnership ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by grantor. The grantor may claim his or her share of the credit.
- Provide a copy of the completed form and the certification received from the Arizona Department of Revenue to each partner.
- Keep a copy of each completed Form 332-P for your records.
- Include a copy of each completed Form 332-P with your partnership return.

**Partner:**

- Use this form to complete your own Form 332.
- Include this completed form and a copy of the certification received from the Arizona Department of Revenue with your return.
- Keep a copy of this form and certification for your records.

**NOTE:** If you file your tax return on a calendar year basis but this entity files a return on a fiscal year basis (see above), claim this credit on your tax return for the year in which this entity's fiscal year ends.

**Part 1 Partnership and Partner Information**

<b>1</b>	(a) Partnership Name	(b) Employer Identification Number (EIN)	
<b>2</b>	(a) Partner Name	(b) Taxpayer Identification Number (TIN)	(c) Partner Ownership % %
<b>3</b>	(a) Healthy Forest Enterprise Name	(b) Healthy Forest Enterprise Employer Identification Number (EIN)	

**Part 2 Distribution of the Credit**

<b>4</b>	Enter the amount of the partnership's <b>employment credit</b> from Form 332, Part 5, line 18, column (d).....	<b>4</b>	00
<b>5</b>	Multiply line 4 by the percentage on line 2(c). Enter the result. This is the partner's portion of the <b>employment credit</b> . • <i>Partners:</i> Enter this amount on <i>your</i> Form 332, Part 5, line 17, column (d).....	<b>5</b>	00
<b>6</b>	Enter the amount of the partnership's <b>training credit</b> from Form 332, Part 6, line 23, column (b).....	<b>6</b>	00
<b>7</b>	Multiply the amount on line 6 by the percentage on line 2(c). This is the partner's portion of the <b>training credit</b> . • <i>Partners:</i> Enter this amount on <i>your</i> Form 332, Part 6, line 22, column (b).....	<b>7</b>	00

**Part 3 Credit Recapture**

<b>8</b>	Enter the total amount of the partnership's <b>employment credit</b> previously passed through to the partner .....	<b>8</b>	00
<b>9</b>	Enter the percentage of the <b>employment credit</b> amount previously passed through that is subject to recapture from Form 332, Part 7, line 27 .....	<b>9</b>	%
<b>10</b>	Multiply line 8 by the percentage on line 9. Enter the result. • <i>Partners:</i> Enter this amount on <i>your</i> Form 332, Part 7, line 30.....	<b>10</b>	00
<b>11</b>	Enter the total amount of the partnership's <b>training credit</b> previously passed through to the partner .....	<b>11</b>	00
<b>12</b>	Enter the percentage of the <b>training credit</b> previously passed through that is subject to recapture from Form 332, Part 8, line 35.....	<b>12</b>	%
<b>13</b>	Multiply line 11 by the percentage on line 12. Enter the result. • <i>Partners:</i> Enter this amount on <i>your</i> Form 332, Part 8, line 38.....	<b>13</b>	00

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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].

**S Corporation:**

- Complete Form 332-S for each shareholder in the S corporation **except for** trust or estate shareholders. However, an S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by grantor. The grantor may claim his or her share of the credit.
- Provide a copy of the completed form and the certification received from the Arizona Department of Revenue to each shareholder.
- Keep a copy of each completed Form 332-S for your records.
- Include a copy of each completed Form 332-S with your S corporation return.

**Shareholder:**

- Use this form to complete your own Form 332.
- Include this completed form and a copy of the certification received from the Arizona Department of Revenue with your return.
- Keep a copy of this form and certification for your records.

**NOTE:** If you file your tax return on a calendar year basis but this entity files a return on a fiscal year basis (see above), claim this credit on your tax return for the year in which this entity's fiscal year ends.

**Part 1 S Corporation and Shareholder Information**

<b>1</b>	(a) S Corporation Name	(b) Employer Identification Number (EIN)	
<b>2</b>	(a) Shareholder Name	(b) Taxpayer Identification Number (TIN)	(c) Shareholder Ownership % %
<b>3</b>	(a) Healthy Forest Enterprise Name	(b) Healthy Forest Enterprise Employer Identification Number (EIN)	

**Part 2 Distribution of the Credit**

<b>4</b>	Enter the amount of the S corporation's <b>employment credit</b> from Form 332, Part 5, line 18, column (d).....	<b>4</b>	00
<b>5</b>	Multiply line 4 by the percentage on line 2(c). Enter the result. This is the shareholder's portion of the <b>employment credit</b> . • <i>Shareholders:</i> Enter this amount on <i>your</i> Form 332, Part 5, line 17, column (d).....	<b>5</b>	00
<b>6</b>	Enter the amount of the S corporation's <b>training credit</b> from Form 332, Part 6, line 23, column (b).....	<b>6</b>	00
<b>7</b>	Multiply the amount on line 6 by the percentage on line 2(c). This is the shareholder's portion of the <b>training credit</b> . • <i>Shareholders:</i> Enter this amount on <i>your</i> Form 332, Part 6, line 22, column (b).....	<b>7</b>	00

**Part 3 Credit Recapture**

<b>8</b>	Enter the total amount of the S corporation's <b>employment credit</b> previously passed through to the shareholder.....	<b>8</b>	00
<b>9</b>	Enter the percentage of the <b>employment credit</b> amount previously passed through that is subject to recapture from Form 332, Part 7, line 27 .....	<b>9</b>	%
<b>10</b>	Multiply line 8 by the percentage on line 9. Enter the result. • <i>Shareholders:</i> Enter this amount on <i>your</i> Form 332, Part 7, line 30 .....	<b>10</b>	00
<b>11</b>	Enter the total amount of the S corporation's <b>training credit</b> previously passed through to the shareholder.....	<b>11</b>	00
<b>12</b>	Enter the percentage of the <b>training credit</b> previously passed through that is subject to recapture from Form 332, Part 8, line 35.....	<b>12</b>	%
<b>13</b>	Multiply line 11 by the percentage on line 12. Enter the result. • <i>Shareholders:</i> Enter this amount on <i>your</i> Form 332, Part 8, line 38 .....	<b>13</b>	00

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**2016 Credits for Healthy Forest Enterprises**

**CREDITS FOR HEALTHY FOREST ENTERPRISES  
CONTACT INFORMATION**

**Arizona Commerce Authority**

- Certification requirements • Certification forms
- Program guidelines

Website: [www.azcommerce.com](http://www.azcommerce.com)

Program Manager (602) 845-1200

**Arizona Department of Revenue**

- Tax forms and instructions • Information and assistance

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

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

**General Instructions**

**Employment Credit for Healthy Forest Enterprises**

*Arizona Revised Statutes (A.R.S.) §§ 43-1076 and 43-1162* allow a business that operates a healthy forest enterprise to receive a nonrefundable employment credit against individual and corporate income tax.

**Training Credit for Healthy Forest Enterprises**

*A.R.S. §§ 43-1076.01 and 43-1162.01* allow a business that operates a healthy forest enterprise to receive a nonrefundable training credit against individual and corporate income tax liabilities.

**NOTE:** *In order to claim either credit, the business must be a qualified healthy forest enterprise, as certified by the Arizona Commerce Authority (Commerce). The business must provide a copy of its Commerce certification to the department for approval before using the certification to obtain this credit.*

The credit is available to an exempt organization that is subject to corporate income tax on unrelated business taxable income (UBTI). The credit must result from the activities that generate UBTI.

Co-owners of a business, including partners in a partnership and shareholders of an S corporation, may each claim only a *pro rata* share of the allowable credits based on the ownership interest. The total of the credits allowed all owners may not exceed the amount that would have been allowed for a sole owner of the business.

If the allowable tax credit exceeds the taxes otherwise due or, if there are no taxes due, the amount of the credit not used to offset taxes may be carried forward for not more than five taxable years as a credit against subsequent years' income tax liabilities.

While a taxpayer may claim both credits for healthy forest enterprises with respect to the same employees, the credits for healthy forest enterprises are in lieu of the following credits, with respect to the same employees:

- The credit for new employment, claimed on Arizona Form 345; and
- The military reuse zone credit, claimed on Arizona Form 306.

In general, a qualified healthy forest enterprise is a business operation that enhances or sustains forest health, sustains or recovers watershed or improves public safety. A qualified healthy forest enterprise must be primarily engaged in the business of harvesting, transporting or processing of qualifying forest products for commercial use. To obtain information regarding additional criteria for qualification, contact Commerce using the contact information shown above.

The credits are based on the net increase in the number of qualified employment positions created and filled by a business operating a healthy forest enterprise.

**The employment credit** is computed using the wages of qualified employees of the business and the net increase in the number of qualified employment positions.

**The training credit** is based on the net cost to the taxpayer of training and certifying a new employee in a qualified employment position, but not more than \$3,000 in each of the first three years of employment.

Positions occupied by employees that meet the following criteria are considered qualified employment positions.

**NOTE:**

- *If a qualified employment position is filled during the last ninety days of the taxable year, it is considered a new qualified employment position for the next taxable year.*
- *A newly created position is a qualified employment position on the date that it meets all of the requirements for a qualified employment position.*

**EMPLOYEES IN QUALIFIED POSITIONS**

- Must be Arizona residents on their hire date.
- Must be permanent, full-time employees in positions that require at least 1,550 hours per year. The 1,550 hour requirement does not include overtime hours. If forest closures or weather conditions beyond the taxpayer's control result in a shorter period, this would not disqualify the employee so long as the position is still permanent and full-time, and all other qualifications are met.
- Must have duties that primarily involve or directly support the harvesting, transporting or processing of qualifying forest products for commercial use.
- Must be compensated at wages equal to or greater than the wage offer of the county, as computed annually by the Arizona Department of Economic Security research administration division.
- Cannot have been employed by the business within the twelve months preceding their hire date.
- Must have been employed for at least ninety days during the first taxable year. An employee who is hired during the last ninety days of the taxable year shall be considered a new employee during the following taxable year.
- Must have employer-provided health insurance coverage, a portion of which must be paid for by the employer. The employer must pay for at least twenty-five percent of the premium or membership cost of the insurance program in the third year the employer claims the credit for healthy forest enterprises. The employer must pay at least forty percent of this cost in the fourth year it claims the credit, and at least fifty percent of the cost in the fifth year it claims the credit.

## Calculating the Credits

The number of qualified employment positions on which the credits can be computed cannot exceed 200 per year per taxpayer. For example, if a taxpayer has several healthy forest enterprises, the taxpayer would add up the net increase in qualified employment positions for all enterprises and compute the credit on that number, or 200, whichever is the lesser amount. Therefore, although a taxpayer may have more than 200 filled qualified employment positions, the taxpayer must select which of those positions should be used for computing the credits. The same employees who are used to compute the first year credit are used to compute the second and third year credits.

If the net increase is being computed for a group of corporations filing a combined or consolidated Arizona corporate income tax return, that group is considered a single taxpayer and therefore entitled to use no more than 200 positions for its credit calculations. Co-owners of the same enterprise(s) are similarly limited to the lesser of the net increase in qualified employment positions or 200. Each co-owner would get a *pro rata* share of the credits.

*The number of qualified employment positions determined in the first year will never increase in the second or third year. Only the same positions that were qualified in the first year can be used to compute the credits in the two subsequent tax years.*

### Employment Credit for Healthy Forest Enterprises

Once the taxpayer has determined which employees it will use to compute the employment credit, the credit amount allowed per employee is applied. Only employee wages incurred during the period the taxpayer has been certified may be used for this calculation. The credit amount per employee depends on the employee's year of employment, as follows.

**First year employees:** The lesser of \$500 or one-fourth of the taxable wages paid to an employee in a qualified employment position in the first year or partial year of employment.

**Second year employees:** The lesser of \$1,000 or one-third of the taxable wages paid to an employee in a qualified employment position in the second year of continuous employment.

**Third year employees:** The lesser of \$1,500 or one-half of the taxable wages paid to an employee in a qualified employment position in the third year of continuous employment.

### Training Credit for Healthy Forest Enterprises

Once the taxpayer has determined which employees it will use to compute the training credit, the credit amount allowed per employee is applied. Only the net cost to the taxpayer of training and certifying the new employee incurred during the period the taxpayer has been certified may be used for this calculation. The credit amount per employee is the net cost to the taxpayer of training and certifying the employee, but not to exceed \$3,000 in each of the first three years of employment.

## 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 all supporting forms with the tax return.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for a corporation, an exempt organization with UBTI, an S corporation, or a partnership is the taxpayer's employer identification number. The TIN for an individual is the taxpayer's Social Security Number or an Internal Revenue Service individual taxpayer identification number. Taxpayers that fail to include their TIN may be subject to a penalty.

### Part 1 - Healthy Forest Enterprises Information

**NOTE:** Taxpayers claiming *only* a pass through of this credit from Form 332-P and/or Form 332-S and are claiming:

- The Employment Credit, skip to Part 5, line 17, column (d).
- The Training Credit, Skip to Part 6, line 22, column (b).

#### Lines 1 and 2 -

Enter the name and TIN of the healthy forest enterprise. For a corporation, an exempt organization with UBTI, a partnership, or an S corporation, use the taxpayer's employer identification number.

#### Line 3 -

Reserved for future use.

#### Lines 4 and 5 -

Check only one box on each line to answer each of the questions line 4 and line 5.

### Part 2 - Average Number of Full-Time Employees

Use these lines to calculate the difference in the average number of full-time employees that worked for the healthy forest enterprise in this taxable year and the average for the immediately preceding taxable year. The following worksheet can be helpful in figuring the average. The column for each year corresponds to line 6 and line 7 on page 1 of Form 332.

On lines 1 through 12 of the worksheet, enter the number of full-time employees employed at the end of each month of the year indicated. If the enterprise was not in operation in the immediately preceding taxable year, that year's average is zero. Once the worksheet is completed, enter the amounts on page 1 of Form 332.

Average Number of Full-Time Employees Worksheet		(a) Line 6 Current Taxable Year	(b) Line 7 Immediately Preceding Taxable Year
1	January		
2	February		
3	March		
4	April		
5	May		
6	June		
7	July		
8	August		
9	September		
10	October		
11	November		
12	December		
13	Total – add lines 1 through 12.		
14	Total number of months during the taxable year in which the healthy forest enterprise was in business.		
15	Average – divide the amount on line 13 by the amount on line 14.		

**Line 6 -**

Enter the average number of full-time employees in the healthy forest enterprise for the current taxable year from line 15, column (a) of the worksheet above.

**Line 7 -**

Enter the average number of full-time employees in the healthy forest enterprise for the immediately preceding taxable year from line 15, column (b) of the worksheet above.

**Line 8 -**

Subtract the amount on line 7 from the amount on line 6. If the difference contains a decimal, enter the whole number only - do not round up. This is the net increase in the average number of full-time employees. If the difference is zero, the enterprise cannot claim an employment credit for qualified employment positions created during the current taxable year. If the amount is greater than zero, enter the amount here and in Part 3, line 10.

**Part 3 - Net Increase in Qualified Employment Positions**

**Line 9 -**

Enter the total number of filled qualified employment positions created during the current taxable year.

**NOTE:**

- If a qualified employment position is filled during the last ninety days of the taxable year, it is considered a new qualified employment position for the next taxable year.
- A newly created position is a qualified employment position on the date that it meets all of the requirements for a qualified employment position.

**Line 10 -**

Enter the net increase in average number of full-time employees from Part 2, line 8.

**Line 11 -**

Enter the lesser of line 9 or line 10 here. This is the increase in qualified employment positions for this healthy forest enterprise.

**Part 4 - Limitation on Number of Qualified Employment Positions**

**Line 13 -**

Compare the amounts on lines 11 and 12. Enter the lesser of line 11 or line 12 here. This is the maximum number of positions on which you may compute each of the credits.

**NOTE:** Before completing Part 5, lines 14 through 17, complete Forms 332-1 and 332-2. Use additional sheets, if necessary. See the instructions for Forms 332-1 and 332-2 on page 9 of these instructions.

**Part 5 - Employment Credit Calculation**

**Line 14 - Column (a)**

Enter the number of qualified net new employees from Form 332-2, line 15, column (c1). This number cannot exceed the maximum number shown on line 13, Part 4 of Form 332.

**Line 14 - Column (b)**

Enter the total allowable wages for qualified first year employees from Form 332-2, line 15, column (e1).

**Line 14 - Column (d)**

Multiply the amount entered on line 14, column (b) by the percent shown on line 14, column (c). Enter the result on line 14, column (d). This is the allowable credit for qualified new employees.

**Line 15 - Column (a)**

Enter the number of previously qualified employees in the second year of continuous employment from Form 332-2, line 15, column (c2).

**Line 15 - Column (b)**

Enter the total allowable wages for qualified second year employees from Form 332-2, line 15, column (e2).

**Line 15 - Column (d)**

Multiply the amount entered on line 15, column (b) by the percent shown on line 15, column (c). Enter the result on line 15, column (d). This is the allowable credit for previously qualified employees in their second year of continuous employment.

**Line 16 - Column (a)**

Enter the number of previously qualified employees in the third year of continuous employment from Form 332-2, line 15, column (c3).

**Line 16 - Column (b)**

Enter the total allowable wages for qualified third year employees from Form 332-2, line 15, column (e3).

**Line 16 - Column (d)**

Multiply the amount entered on line 16, column (b) by the percent shown on line 16, column (c). Enter the result on

line 16, column (d). This is the allowable credit for previously qualified employees in their third year of continuous employment.

**Line 17 -**

Enter the amount of the Employment Credit passed through from partnerships on Form 332-P, Part 2, line 5 and/or from S corporations on Form 332-S, Part 2, line 5.

**Line 18 -**

Add the amounts on lines 14 through 17 in column (d). Enter the total here.

Before completing Part 6, lines 19 through 23, of Form 332, complete the Arizona Form 332-3. Use additional sheets, if necessary. See instructions for Form 332-3 at the end of these instructions.

**Part 6 - Training Credit Calculation**

**Line 19 - Column (a)**

Enter the number of qualified net new employees from Form 332-3, line 15, column (c1). This number cannot exceed the maximum number shown on line 13, Part 4 of Form 332.

**Line 19 - Column (b)**

Enter the total net cost of training and certifying qualified first year employees from Form 332-3, line 15, column (e1).

**Line 20 - Column (a)**

Enter the number of previously qualified employees in the second year of continuous employment from Form 332-3, line 15, column (c2).

**Line 20 - Column (b)**

Enter the total net cost of training and certifying qualified second year employees from Form 332-3, line 15, column (e2).

**Line 21 - Column (a)**

Enter the number of previously qualified employees in the third year of continuous employment from Form 332-3, line 15, column (c3).

**Line 21 - Column (b)**

Enter the total net cost of training and certifying qualified third year employees from Form 332-3, line 15, column (e3).

**Line 22 - Column (b)**

Enter the amount of the Training Credit passed through from partnerships on Form 332-P, Part 2, line 7 and/or S corporations on Form 332-S, Part 2, line 7.

**Line 23 -**

Add the amounts in column (b) on lines 19 through 22. Enter the total here.

**Part 7 - Recapture of the Employment Credit**

**NOTE:** Taxpayers recapturing *only* a pass through of this credit from Form 332-P and/or Form 332-S who claimed:

- The Employment Credit, skip to Part 7, line 30.
- The Training Credit, skip to Part 8, line 38.

If your healthy forest enterprise had its qualification for the employment credit terminated or revoked within five taxable

years after you first claimed that credit, you must recapture a percentage of the total employment credit you took in all prior years.

If your qualification was revoked due to reasons beyond your control, as determined by Commerce, you do not have to recapture the credit.

If you are required to recapture the employment credit, complete Part 7. If not, skip to Part 8.

**Line 24 -**

Enter the taxable year in which your certification as a healthy forest enterprise was revoked or terminated (i.e. if your taxable year end was 12/31/2015, enter "2015").

**Line 25 -**

Enter the first taxable year in which your employment credit for healthy forest enterprises was allowed (i.e. if your taxable year end was 12/31/2014, enter "2014").

**Line 26 -**

Subtract line 25 from line 24. Enter the difference. This is the number of years between when your employment credit was first allowed and when your certification was revoked.

**Line 27 -**

The amount of credit you must recapture depends on the year you first received the credit, and how long ago it was. Compare the amount on line 26 to the following table to determine the percentage of your Employment Credit to be recaptured. (For example: If the amount on line 26 is "2", the percentage to be recaptured is 80%. If the amount on line 26 is "6" or greater, the percentage to be recaptured is "0".) Enter that percentage here.

Number of years since receiving the credit:	Percentage to recapture:
1	100%
2	80%
3	60%
4	40%
5	20%
6 or more	0%

**Line 28 -**

Enter the total amount of employment credits that you were previously allowed to claim.

**Line 29 -**

Multiply line 28 by the percentage on line 27. Enter the result.

**Line 30 -**

Enter the amount of the employment credit subject to recapture that was passed through from partnerships on Form 332-P, Part 3, line 10 and/or from S corporations on Form 332-S, Part 3, line 10.

**Line 31 -**

Add line 29 and 30. Enter the total. This is the amount of your employment credit subject to recapture.

**Part 8 - Recapture of the Training Credit**

If your healthy forest enterprise had its qualification for the training credit terminated or revoked within five taxable years

after you first claimed that credit, you must recapture a percentage of the total training credit you took in all prior years. If your qualification was revoked due to reasons beyond your control as determined by Commerce, you do not have to recapture the credit.

If you are required to recapture the training credit, complete Part 8. If not, skip to Part 9.

**Line 32 -**

Enter the taxable year in which your certification as a healthy forest enterprise was revoked or terminated (i.e. if your taxable year end was 12/31/2015, enter "2015").

**Line 33 -**

Enter the first taxable year in which your employment credit for healthy forest enterprises was allowed (i.e. if your taxable year end was 12/31/2014, enter "2014").

**Line 34 -**

Subtract line 33 from line 32. Enter the difference. Enter the difference. This is the number of years between when your employment credit was first allowed and when your certification was revoked.

**Line 35 -**

The amount of credit you must recapture depends on the year you first received the credit, and how long ago it was. Compare the amount on line 34 to the following table to determine the percentage of your Training Credit to be recaptured. (For example, if the number on line 34 is "3", the percentage to be recaptured is 60%. If the number on line 34 is "6" or greater, the percentage to be recaptured is "0".) Enter that percentage here.

Number of years since receiving the credit:	Percentage to recapture:
1	100%
2	80%
3	60%
4	40%
5	20%
6 or more	0%

**Line 36 -**

Enter the total amount of training credits that you were previously allowed to claim.

**Line 37 -**

Multiply line 36 by the percentage on line 35. Enter the result.

**Line 38 -**

Enter the amount of training credit subject to recapture that was passed through from partnerships on Form 332-P, Part 3, line 13 and/or from S corporations on Form 332-S, Part 3, line 13.

**Line 39 -**

Add line 37 and 38. Enter the total. This is the amount of training credit subject to recapture.

**Part 9 - S Corporation Credit Election**

**Lines 40 and 41 -**

An S corporation may make an irrevocable election to pass either, or both, of these credits through to its shareholders. Or, it can

choose to keep these credits and apply them to its own liability generated at the corporate level.

For each credit:

- Enter the S corporation's taxable year end.
- Check the box corresponding to each election made by the S corporation, (to claim the credit; or to pass the credit through to its shareholders).
- Each election must be signed by an officer of the S corporation.

S corporations electing to pass both of these credits through to its shareholders, proceed to the instructions for completing Form 332-S on page 11.

Each S corporation shareholder is entitled to only a *pro rata* share of pass-through each credit based on ownership interest in the S corporation. The total of the each credit allowed to all shareholders may not exceed the amount that would have been allowed for a sole owner.

**NOTE:** *Trusts and estates which are shareholders of S corporations, are not eligible to claim these credits. However, the share of an S corporation owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of these credits.*

*S corporations electing to pass through either the employment credit or the training credit and claim the other credit at the corporate level:*

- If the S corporation elects to pass through the employment credit through to its shareholders and claim the training credit at the corporate level:
  - Check to box on line 40 indicating the S corporation elects to pass the employment credit through to its shareholders. Have the election signed by an officer.
  - Check the box on line 41 indicating the S corporation elects to claim the training credit at the corporate level. Have the election signed by an officer.
  - Complete Form(s) 332-S, Part 1, lines 1 through 3, and Part 2, lines 4 and 5 for each shareholder.
  - Complete Form 332 claiming the training credit.
- If the S corporation elects to pass through the training credit to its shareholders and claim the employment credit at the corporate level:
  - Check the box on line 41 indicating the S corporation elects to pass the training credit through to its shareholders. Have the election signed by an officer.
  - Check the box on line 41 indicating the S corporation elects to claim the employment credit at the corporate level. Have the election signed by an officer.
  - Complete Form(s) 332-S, Part 1, lines 1 through 3, and Part 2, lines 5 and 6 for each shareholder.
  - Complete Form 332 claiming the employment credit.

**Part 10 - Partner's Share of Credits and Credit Recaptures**

Partnerships claiming these credits must pass them through to its partners. Proceed to the instructions for completing Form 332-P on page 12.

Each partner is entitled to only a *pro rata* share of each credit based on the partner's ownership interest in the partnership. The total of each credit allowed to all partners may not exceed the amount that would have been allowed for a sole owner.

**NOTE:** *Trusts and estates which are partners in a partnership are not eligible to claim these credits. However, the share of a partnership owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of these credits.*

**Part 11 - Recapture Summary for Employment Credit**

Use lines 42 through 47 to determine whether you have any allowable employment credit remaining, even if you have to recapture some of it.

**Line 42 -**

Enter the taxable year(s) in which you took an employment credit or credit carryover for the disqualified healthy forest enterprise.

**Line 43 -**

Enter the total amount of employment credit originally allowed for the disqualified healthy forest enterprise.

**Line 44 -**

Enter the amount from Part 7, line 31. This is the total amount of the employment credit to be recaptured.

**Line 45 -**

Subtract line 44 from line 43. Enter the difference. This is the amount of employment credit allowable for the disqualified healthy forest enterprise.

**Line 46 -**

Enter the amount of employment credit on line 43 that you claimed on prior taxable year's returns.

**Line 47 -**

Subtract line 46 from line 45. Enter the difference.

If the difference is POSITIVE:

- This is the amount of employment credit carryover you have remaining for use in future years.
- Adjust the amounts in column (d) in Part 13, lines 54 through 58 so the total amount on line 59 equals the amount of the credit carryover remaining for use in future years.

If the difference is NEGATIVE:

- This is the amount of employment credit you must recapture.
- Adjust the amounts in Part 13, lines 54 through 58, column (d) to zero, "0". There is no carryover amount for the employment credit.
  - *Individuals:* Also, enter this amount as a POSITIVE number on Form 301, Part 2, line 36. (If you have a recapture of the employment credit *and* the training credit, and the amounts on Part 11, line 47 and Part 12, line 53. Enter that total on Form 301, Part 2, line 36.)
  - *Corporations (including S corporations that claimed the training credit at the corporate level), and exempt organizations with UBTI:* Also, enter this amount as a POSITIVE number on Form 300, Part 2, line 27. (If you have a recapture of the employment credit *and* the

training credit, add the amounts on Part 11, line 47, and Part 12, line 53. Enter the total on Form 300, Part 2, line 27.)

For additional guidance, refer to Examples 1 and 2 following the instructions for line 53.

**Part 12 - Recapture Summary for Training Credit**

Use lines 48 through 53 to determine whether you have any allowable training credit remaining, even if you have to recapture some of it.

**Line 48 -**

Enter the taxable year(s) in which you took a training credit or credit carryover for the disqualified healthy forest enterprise.

**Line 49 -**

Enter the total amount of training credit originally allowed for the disqualified healthy forest enterprise.

**Line 50 -**

Enter the amount from Part 8, line 39. This is the total amount of the training credit to be recaptured.

**Line 51 -**

Subtract line 50 from line 49. Enter the difference. This is the amount of training credit allowable for the disqualified healthy forest enterprise.

**Line 52 -**

Enter the amount of training credit on line 49 that you claimed on prior taxable year's returns.

**Line 53 -**

Subtract line 52 from line 51. Enter the difference.

If the difference is POSITIVE:

- This is the amount of training credit carryover you have remaining for use in future years.
- Adjust the amounts in column (d) in Part 14, lines 60 through 64 so the total amount on line 65 equals the amount of the credit carryover remaining for use in future years.

If the difference is NEGATIVE:

- This is the amount of training credit you must recapture.
- Adjust the amounts in Part 14, lines 60 through 64, column (d) to zero, "0". There is no carryover amount of the employment credit.
  - *Individuals:* Also, enter this amount as a POSITIVE number on Form 301, Part 2, line 36. (If you have a recapture of the training credit *and* the employment credit, and the amounts on Part 12, line 53 and Part 11, line 47. Enter that total on Form 301, Part 2, line 36.)
  - *Corporations (including S corporations that claimed the training credit at the corporate level), and exempt organizations with UBTI:* Also, enter this amount as a POSITIVE number on Form 300, Part 2, line 27. (If you have a recapture of the employment credit *and* the training credit, add the amounts on Part 12, line 53, and Part 11, line 47. Enter the total on Form 300, Part 2, line 27.)

For additional guidance, refer to Examples 1 and 2 on the following pages.



**EXAMPLE 1 (In this example, line 47 is positive):**

Healthy Forest Enterprise A (A) claimed the employment credit on Form 332 for taxable years 2013 through 2015. The amount of credit claimed each year was \$1,000; the total credit claimed is \$3,000. A used \$1,500 of its employment credit, leaving it with a credit carryover of \$1,500 as of taxable year ending 2015.

During 2015, A was notified by the department it was subject to a recapture of 60% of the credit claimed, or \$ 900.

A completes Part 11 of its Form 332 and finds that line 47 is **positive**. This means A still has a carryover of the employment credit in the amount of \$600.

At the end of taxable year 2015, A had an available employment credit carryover amount of \$1,500, shown on the schedule below (from Part 13 of its 2015 taxable year Form 332):

	(a) Taxable Year	(b) Original Credit Amount	(c) Amount Previously Used	(d) Available Credit Carryover
54	2013	1,000	500	500
55	2014	1,000	500	500
56	2015	1,000	500	500
57				
58				
<b>59</b>	<b>Total Available Carryover:</b>			<b>1,500</b>

Following the instructions for line 47, A adjusts Part 13, Available Employment Credit Carryover, for the recapture of \$900. Part 13 of its 2016 taxable year Form 332 is shown below:

	(a) Taxable Year	(b) Original Credit Amount	(c) Amount Previously Used Expired or Recaptured	(d) Available Credit Carryover
54	2013	1,000	1,000	0
55	2014	1,000	900	100
56	2015	1,000	500	500
57				
58				
<b>59</b>	<b>Total Available Carryover</b>			<b>600</b>

- A increased its 2013 Amount Previously Used (Or Recaptured) by \$500. This eliminated its credit carryover from 2013.
- A increased its 2014 Amount Previously Used (Or Recaptured) by \$400. This reduced its credit carryover for 2014 from \$500 to \$100.
- A’s 2015 Available Employment Credit Carryover remains unchanged.
- A has \$600 of Available Employment Credit Carryover it may use on its 2016 taxable year tax return.

**EXAMPLE 2 (In this example, line 47 is negative):**

Healthy Forest Enterprise B (B) claimed the employment credit on Form 332 for taxable years 2013 through 2015. The amount of credit claimed each year was \$1,000; the total credit claimed is \$3,000. B used \$2,500 of its employment credit, leaving it with a credit carryover of \$500 as of taxable year ending 2015.

During 2015, B was notified by the department it was subject to a recapture of 60% of the credit claimed, or \$ 900.

B completes Part 12 of its Form 332 and finds that line 47 is **negative**. This means B has no carryover of the employment credit and must report \$400 as a recapture on Form 300, Part 2, line 27, or Form 301, Part 2, line 36. (See line 47 for instructions).

At the end of taxable year 2015, B had an available employment credit carryover amount of \$500, shown on the schedule below (from Part 14 of its 2015 taxable year Form 332):

	(a) Taxable Year	(b) Original Credit Amount	(c) Amount Previously Used	(d) Available Credit Carryover
54	2013	1,000	1,000	0
55	2014	1,000	1,000	0
56	2015	1,000	500	500
57				
58				
<b>59</b>	<b>Total Available Carryover:</b>			<b>500</b>

Following the instructions for line 47, B adjusts Part 13 for the recapture of \$900. Part 13 of its 2016 taxable year Form 332 is shown below:

	(a) Taxable Year	(b) Original Credit Amount	(c) Amount Previously Used Expired or Recaptured	(d) Available Credit Carryover
54	2013	1,000	1,000	0
55	2014	1,000	1,000	0
56	2015	1,000	1,000	0
57				
58				
<b>59</b>	<b>Total Available Carryover</b>			<b>0</b>

No adjustment is needed for 2013.

No adjustment is needed for 2014.

B increased its 2015 Amount Previously Used (Or Recaptured) by \$500. This eliminated its Employment Credit carryover for 2015.

B has no credit carryover of the Employment Credit.

**Part 13 - Available Employment Credit Carryover**

Use Part 13 to figure your available employment credit carryover. Complete lines 54 through 59 if you claimed the employment credit on a prior taxable year return and your employment credit was more than your tax.

If the allowable tax credit exceeds the taxes otherwise due or, if there are no taxes due, the amount of the credit not used to offset taxes may be carried forward for not more than five taxable years as a credit against subsequent years' income tax liabilities.

**Lines 54 through 58 -**

Enter the following information in the columns indicated on lines 54 through 58:

- a) Taxable Year – the taxable year from which you are carrying over the employment credit.
- b) Original Credit Amount - the amount of the credit you originally computed.

- c) Amount Previously Used – the employment credit from that taxable year you have already used or the amount of the credit that expired.
- d) Available Credit Carryover – Subtract the amount in column (c) from the amount in column (b). Enter the difference here. This is the available employment credit carryover available for the current taxable year.

**Line 59 -**

Add the amounts on lines 54 through 58 in column (d). Enter the total. This is your available employment credit carryover for the current taxable year.

**Part 14 - Available Training Credit Carryover**

**Lines 60 through 64 -**

Use Part 14 to figure your available training credit carryover. Complete lines 60 through 64 if you claimed the training credit on a prior year return and your training credit was more than your tax.

If the allowable tax credit exceeds the taxes otherwise due or, if there are no taxes due, the amount of the credit not used to offset taxes may be carried forward for not more than five taxable years as a credit against subsequent years' income tax liabilities.

Enter the following information in the columns indicated on lines 60 through 64:

- a) Taxable Year – the taxable year from which you are carrying over the training credit.
- b) Original Credit – the amount of the credit you originally computed.
- c) Amount Previously Used the amount of the training credit from that taxable year you have already used or the amount of the credit that expired.
- d) Available Credit Carryover – Subtract the amount in column (c) from the amount in column (b). Enter the difference here. This is the available training credit carryover available for the current taxable year.

**Line 65 -**

Add the amounts entered on lines 60 through 64 in column (d). Enter the total on line 65, column (d). This is the available training credit carryover available for the current taxable year.

**Part 15 - Total Available Credit**

**Line 66 -**

Enter the current year's employment credit.

*Individuals, corporations, exempt organizations with UBTI, or S corporations claiming the credit* - enter the amount from Part 5, line 18, column (d).

**Line 67 -**

Enter the current year's training credit.

*Individuals, corporations, exempt organizations with UBTI, or S corporations claiming the credit* - enter the amount from Part 6, line 23, column (b).

**Line 68 -**

Enter the amount of available employment credit carryover from Part 13, line 59, column (d).

**Line 69 -**

Enter the amount of available training credit carryover from Part 14, line 65, column (d).

**Line 70 -**

Add lines 66 through 69 and enter the total here.

*Individuals* - enter the total available credit on Arizona Form 301, Part 1, line 17, column (c).

*Corporations, exempt organizations with UBTI, and S corporations* - enter the total available credit on Arizona Form 300, Part 1, line 11, column (c).

**FORM 332-1 QUALIFIED EMPLOYEES**

Alternative formats prescribed by the department may also be used to file this form. For example, the department will accept a hard copy spreadsheet that contains all the requested information or the information may be compiled with a spreadsheet program such as Microsoft Excel and submitted on a CD-ROM or DVD-ROM. The chosen media must be Microsoft Windows

compatible. Regardless of the form, the information must be filed on or before the due date of the tax return, including any extensions.

Taxpayers submitting the information on CD-ROM or DVD-ROM should secure the CD-ROM or DVD-ROM in a hard case and include it with the tax return. Arizona Forms 332-1, 332-2, and/or 332-3 submitted on CD-ROM or DVD-ROM are part of the income tax return, are subject to the sworn statement on the return that they are true, and correct to the best of the signer's knowledge and belief.

The CD-ROM or DVD-ROM should be labeled as Forms 332-1, 332-2 and 332-3, with the taxpayer's name, employer identification number and taxable year listed.

Taxpayers may password protect the CD-ROM or DVD-ROM and email the password separately to MediaLibrarian@azdor.gov. Include "Form 332-1, 332-2 and/or 332-3" in the subject line of the email. In the body of the email, include the same information that is on the CD-ROM or DVD-ROM label. The department will not return or copy any media.

**CAUTION:** Taxpayers that substitute the CD-ROM or DVD-ROM do so at their own risk and understand 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.

Complete one Form 332-1 for each qualified employee. Include the employee's name, social security number, and the date each employee was hired. If an employee's job duties do not involve or directly support the harvesting, transporting or processing of qualifying forest products in a qualified project, the employee is not in a qualified employment position. Do not complete a Form 332-1 for employees that are not in qualified employment positions. These employees should not be listed on Form 332-2 or Form 332-3, and will not be used to compute the credits.

**FORM 332-1, LINE 6** - complete this line if the employee was previously employed by the business (prior to current employment).

**FORM 332-1, LINES 9a AND 9b** - on line 9a, enter the total amount of the insurance premium or membership cost provided for the employee. If the business is self-insured, list the total amount of a predetermined fixed cost for the employee for an insurance program that is payable whether or not the employee has filed claims. On line 9b, enter the total amount of the insurance premium or membership cost paid by the employer.

**FORM 332-2 QUALIFIED EMPLOYEES FOR WHICH YOU ARE TAKING THE EMPLOYMENT CREDIT**

Complete the requested information for each employee in a qualified employment position for whom you are taking the employment credit. Utilize Forms 332-1 and 332-2 to complete Part 5, lines 14 through 18 on Form 332.

**FORM 332-3 QUALIFIED EMPLOYEES FOR WHICH YOU ARE TAKING THE TRAINING CREDIT**

Complete the requested information for each employee in a qualified employment position for whom you are taking the training credit. Utilize Forms 332-1 and 332-3 to complete Part 6, lines 19 through 23 on Form 332.

## Form 332-S, S Corporation Shareholder's Portion of the Credit

Enter the taxable year from which this credit is being passed through to your shareholders.

Complete Form 332-S for each shareholder of the S corporation, *except for* trust or estate shareholders. However, an S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.

The S corporation must furnish each shareholder with his or her completed copy of Form 332-S, including additional schedules as needed.

### Part 1 - S corporation and Shareholder Information

#### Line 1 -

Enter the S corporation name and Employer Identification Number (EIN) in the spaces provided

#### Line 2 -

Enter the Shareholder's name, Social Security Number, and ownership percentage in the spaces provided.

#### Line 3 -

If the name and EIN of the S corporation is different from the name and EIN of the Healthy Forest Enterprise, enter the name and EIN of the Healthy Forest Enterprise in the spaces provided. If the name and EIN of the S corporation is the same as the name and EIN of the Healthy Forest Enterprise, indicate, "SAME".

### Part 2 - Distribution of the Credit

#### Line 4 -

Enter the amount of the S corporation's employment credit from Form 332, Part 5, line 18, column (d).

#### Line 5 -

Multiply line 4 by the percentage on line 2(c). Enter the result. This is the shareholder's portion of the employment credit.

#### Line 6 -

Enter the amount of the S corporation's training credit from Form 332, Part 6, line 23, column (d).

#### Line 7 -

Multiply line 6 by the percentage on line 2(c). Enter the result. This is the shareholder's portion of the training credit.

### Part 3 - Credit Recapture

#### Line 8 -

Enter the total amount of the S corporation's employment credit previously passed through to the shareholder.

#### Line 9 -

Enter the percentage of the employment credit amount previously passed through that is subject to recapture from Form 332, Part 7, line 27.

#### Line 10 -

Multiply line 8 by the percentage on line 9. Enter the result.

- *Shareholders:* Enter this amount on *your* Form 332, Part 7, line 30.

**NOTE:** *If you have recapture amounts for the employment credit from more than one source, calculate each recapture amount separately. Total the amounts subject to recapture and enter that amount on line 10.*

#### Line 11 -

Enter the total amount of the S corporation's training credit previously passed through to the shareholder.

#### Line 12 -

Enter the percentage of the training credit amount previously passed through that is subject to recapture from Form 332, Part 8, line 35.

#### Line 13 -

Multiply line 11 by the percentage on line 12. Enter the result.

- *Shareholders:* Enter this amount on *your* Form 332, Part 8, line 38.

**NOTE:** *If you have recapture amounts for the training credit from more than one source, calculate each recapture amount separately. Total the amounts subject to recapture and enter that amount on line 13.*

*The shareholder will use this form to complete his or her own Form 332.*

## Form 332-P, Partner's Portion of the Credit

Enter the taxable year from which this credit is being passed through to your partners.

Complete Form 332-P for each partner of the partnership, *except for* trust or estate partners. However, a partnership ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.

The partnership must furnish each partner with their completed copy of Form 332-P, including additional schedules as needed.

### Part 1 - Partnership and Partner Information

#### Line 1 -

Enter the partnership name and Employer Identification Number (EIN) in the spaces provided

#### Line 2 -

Enter the partner's name, EIN, TIN, or Social Security Number, and ownership percentage in the spaces provided.

#### Line 3 -

If the name and EIN of the partnership is different from the name and EIN of the Healthy Forest Enterprise, enter the name and EIN of the Healthy Forest Enterprise in the spaces provided. If the name and EIN of the partnership is the same as the name and EIN of the Healthy Forest Enterprise, indicate, "SAME".

### Part 2 - Distribution of the Credit

#### Line 4 -

Enter the amount of the partnership's employment credit from Form 332, Part 5, line 18, column (d).

#### Line 5 -

Multiply line 4 by the percentage on line 2(c), column (c). Enter the result. This is the partner's portion of the employment credit.

#### Line 6 -

Enter the amount of the partnership's training credit from Form 332, Part 6, line 23, column (d).

#### Line 7 -

Multiply line 6 by the percentage on line 2(c). Enter the result. This is the partner's portion of the training

### Part 3 - Credit Recapture

#### Line 8 -

Enter the total amount of the partnership's employment credit previously passed through to the partner.

#### Line 9 -

Enter the percentage of the employment credit amount previously passed through that is subject to recapture from Form 332, Part 7, line 27.

#### Line 10 -

Multiply line 8 by the percentage on line 9. Enter the result.

- *Partners:* Enter this amount on *your* Form 332, Part 7, line 30.

**NOTE:** *If you have recapture amounts for the employment credit from more than one source, calculate each recapture amount separately. Total the amounts subject to recapture and enter that amount on line 10.*

#### Line 11 -

Enter the total amount of the partnership's training credit that was previously passed through to the partner.

#### Line 12 -

Enter the percentage of the training credit amount that was previously passed through that is subject to recapture from Form 332, Part 8, line 35.

#### Line 13 -

Multiply line 11 by the percentage on line 12. Enter the result.

- *Partners:* Enter this amount on *your* Form 332, Part 8, line 38.

**NOTE:** *If you have recapture amounts for the training credit from more than one source, calculate each recapture amount separately. Total the amounts subject to recapture and enter that amount on line 13.*

*Each partner will use this form to complete his or her own Form 332.*

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*Include with your return.*

For the calendar year 2016 or fiscal year beginning MM,DD,2016 and ending MM,DD,20YY.

Your Name as shown on Form 140, 140PY, 140NR, 140X, 99T, 120, 120A, 120S, 120X or 165	Your Social Security or Employer Identification Number
Spouse's Name as shown on Form 140, 140PY, 140NR, 140X (if a joint return)	Spouse's Social Security Number

**Part 1 Business Information**

- 1 Business name: \_\_\_\_\_
- 2 Business location: \_\_\_\_\_  
\_\_\_\_\_
- 3 Employer Identification Number: \_\_\_\_\_

**Part 2 Credit Computation**

4 Number of qualifying employees placed on active duty during the current taxable year .....	<b>4</b>		
5 Credit per employee .....	<b>5</b>	1,000	00
6 Multiply the number on line 4 by the amount on line 5 .....	<b>6</b>		00

**Part 3 S Corporation Credit Election and Shareholder's Share of Credit**

7 The S corporation has made an irrevocable election for the taxable year ending MM,DD,YYYY to (check only one box):

- Claim the credit for employing national guard members, as shown on Part 2, line 6 for the taxable year mentioned above;  
OR
- Pass the credit for employing national guard members, as shown on Part 2, line 6 for the taxable year mentioned above, through to its shareholders.

\_\_\_\_\_  
Signature Title Date

If passing the credit through to the shareholders, complete lines 8 through 10 separately for each shareholder. Furnish each shareholder with a copy of pages 1 and 2 of Form 333.

- 8 Name of shareholder: \_\_\_\_\_
- 9 Shareholder's TIN: \_\_\_\_\_

10 Shareholder's share of the amount on Part 2, line 6 .....	<b>10</b>		00
--	-----------	--	----

**Part 4 Partner's Share of Credit**

Complete lines 11 through 13 separately for each partner. Furnish each partner with a copy of pages 1 and 2 of Form 333.

- 11 Name of partner: \_\_\_\_\_
- 12 Partner's TIN: \_\_\_\_\_

13 Partner's share of the amount on Part 2, line 6 .....	<b>13</b>		00
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Continued on page 2 →

Your Name (as shown on page 1)	Your Social Security or Employer Identification Number
--------------------------------	--

**Part 5 Available Credit Carryover**

	(a) Taxable Year from which you are carrying a credit	(b) Original Credit Amount	(c) Amount Previously Used	(d) Available Carryover: Subtract column (c) from column (b).
<b>14</b>	2011	00	00	00
<b>15</b>	2012	00	00	00
<b>16</b>	2013	00	00	00
<b>17</b>	2014	00	00	00
<b>18</b>	2015	00	00	00
<b>19</b>	TOTAL AVAILABLE CARRYOVER: Add lines 14 through 18, column (d)...			00

**Part 6 Total Available Credit**

<b>20</b>	Current year's credit: • Individuals, corporations, S corporations that are claiming the credit, or exempt organizations with UBTI: Enter the amount from Part 2, line 6. • S corporation shareholders: Enter the amount from Part 3, line 10. • Partners of a partnership: Enter the amount from Part 4, line 13. • Individuals: Also, enter this amount on <i>Arizona Form 301, Part 1, line 18, column (a)</i> . • Corporations, S corporations that are claiming the credit, and exempt organizations with UBTI: Also, enter this amount on <i>Arizona Form 300, Part 1, line 12, column (a)</i> .....	<b>20</b>	00
<b>21</b>	Available carryover from Part 5, line 19, column (d). • Individuals: Also, enter this amount on <i>Arizona Form 301, Part 1, line 18, column (b)</i> . • Corporations, S corporations that are claiming the credit, and exempt organizations with UBTI: Also, enter this amount on <i>Arizona Form 300, Part 1, line 12, column (b)</i> .....	<b>21</b>	00
<b>22</b>	Total Available Credit: Add lines 20 and 21 and enter the total. • Individuals: Also, enter this amount on <i>Arizona Form 301, Part 1, line 18, column (c)</i> . • Corporations, including S corporations that are claiming the credit, and exempt organizations with UBTI: Also, enter this amount on <i>Arizona Form 300, Part 1, line 12, column (c)</i> .....	<b>22</b>	00



**Form 333-1**

**Qualifying Employees**

**2016**

(a) Employee Name	(b) Social Security Number	(c) Date of Hire	(d) Date placed on Active Duty	(e) Was this employee in a full-time employment position when placed on active duty?	(f) Did this employee serve on active duty during the taxable year for training that exceeds the required annual training period, including any activation for federal or state contingencies or emergencies?
1				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
2				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
3				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
4				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
5				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
6				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
7				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
8				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
9				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
10				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
11				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
12				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
13				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
14				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
15				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
16				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No

If you have more than 16 qualifying employees, complete additional schedules and include with the form.

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## 2016 Credit for Employing National Guard Members

**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

**Individuals:** *You must also complete Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture, and include Forms 301 and 333 with your tax return to claim this credit.*

**Corporate taxpayers including exempt organizations with unrelated business taxable income:** *You must also complete Arizona Form 300, Nonrefundable Corporate Tax Credits and Recapture, and include Forms 300 and 333 with your tax return to claim this credit.*

Arizona law provides a credit for employers who have an employee that is a member of the Arizona National Guard if the employee is placed on active duty.

The credit is \$1,000 for each employee who is placed on active duty by the Arizona National Guard.

**To qualify for the credit, all of the following must apply:**

- The employee must be a member of the Arizona National Guard.
- The employee must be in a full time equivalent position when the employee is placed on active duty.
- Each member of the Arizona National Guard who is employed must have served during the taxable year on active duty for training that exceeds the required annual training period, including any activation for federal or state contingencies or emergencies.

You may claim this credit only once in any taxable year with respect to each employee who is placed on active duty by the Arizona National Guard. However, you may claim the credit again for that employee in a subsequent year if that employee remains on active duty or is placed again on active duty in a subsequent taxable year.

If the allowable credit exceeds your income tax liability, you may carry over any unused amount for the next five consecutive taxable years.

This credit is available to individuals, corporations, and S corporations. A partnership may pass the credit through to its partners. An S corporation may pass the credit through to its shareholders.

This credit is also available to an exempt organization that is subject to corporate income tax on unrelated business taxable income (UBTI). The credit must result from the activities that generate the UBTI.

### Line-by-Line Instructions

Enter your name and Social Security Number (SSN) or Employer Identification Number (EIN) as shown on Arizona Forms 140, 140PY, 140NR, 140X, 99T, 120, 120A, 120S, 120X, or 165.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for an individual is the taxpayer's SSN or an Internal Revenue Service (IRS) individual taxpayer identification number (ITIN). The TIN for a business is the EIN. Taxpayers that fail to include their identification number may be subject to a penalty.

#### Part 1 - Business Information

S corporations, who elect to pass through the credit to its shareholders, must complete Form 333, Parts 1 through 3.

#### Lines 1 through 3 -

Enter the name, address, and employer identification number of the business that employs qualifying employees.

#### Part 2 - Credit Computation

**Before completing lines 4 through 6, complete Form 333-1.** Form 333-1 is a listing of all employees for which you are claiming the credit. If you have more than 16 qualifying employees, complete additional schedule(s) and include with the credit form.

#### Form 333-1 Qualifying Employees

Complete Form 333-1 as instructed on the form.

#### Form 333 -

#### Lines 4 through 6 -

The credit is \$1,000 for each qualifying employee that is placed on active duty by the Arizona National Guard.

Complete lines 4 through 6 as instructed on the form.

#### Part 3 - S Corporation Credit Election and Shareholder's Share of Credit

#### Line 7 -

The S corporation must complete this portion of Form 333 in order for the S corporation or its shareholders to claim this credit. The S corporation must make an irrevocable election either to claim the credit or to pass the credit through to its shareholders.

The election statement must be signed by one of the officers of the S corporation who is also a signatory to the Arizona Form 120S.

#### **Lines 8 through 10 -**

If the S corporation elects to pass the credit through to its shareholders, it must also complete lines 8 through 10 separately for each shareholder.

Each shareholder may claim only a pro rata share of the credit based on the shareholder's ownership interest in the S corporation. The S corporation must furnish each shareholder with a copy of pages 1 and 2 of Form 333.

Each shareholder must complete Parts 5 and 6.

#### **Part 4 - Partner's Share of Credit**

##### **Lines 11 through 13 -**

Partnerships must complete Form 333, Parts 1 and 2. Then complete Part 4, lines 11 through 13, separately for each partner. Each partner may claim only a pro rata share of the credit based on the partner's ownership interest in the partnership. The partnership must furnish each partner with a copy of pages 1 and 2 of Form 333.

Each partner must complete Parts 5 and 6.

#### **Part 5 – Available Credit Carryover**

##### **Lines 14 through 19 -**

Complete Part 5, lines 14 through 19 to figure your available credit carryover from taxable years 2011 through 2015.

- In column (b), enter the credit originally computed for the taxable year listed in column (a).
- In column (c), enter the amount of the credit from that taxable year which you have already used.
- In column (d), subtract the amount in column (c) from the amount in column (b) and enter the difference.
- Add the amounts entered on lines 14 through 18 in column (d).

Enter the total on line 19, column (d).

#### **Part 6 - Total Available Credit**

##### **Line 20 -**

Individuals, corporations, S corporations claiming the credit, or exempt organizations with UBTI, enter the amount from Part 2, line 6.

S corporation shareholders, enter the amount from Part 3, line 10.

Partners of a partnership, enter the amount from Part 4, line 13.

- Individuals: Also, enter this amount on Form 301, Part 1, line 18, column (a).
- Corporations, S corporations claiming the credit, and exempt organizations with UBTI claiming the credit: Also, enter this amount on Form 300, Part 1, line 12, column (a)

##### **Line 21 -**

Enter the amount from Part 5, line 19, column (d).

- Individuals: Also, enter this amount on Form 301, Part 1, line 18, column (b).
- Corporations, S corporations claiming the credit, and exempt organizations with UBTI claiming the credit: Also, enter this amount on Form 300, Part 1, line 12, column (b)

##### **Line 22 -Total Available Credit**

Add lines 20 and 21. Enter the total.

- Individuals: Also, enter this amount on Form 301, Part 1, line 18, column (c).
- Corporations, S corporations claiming the credit, and exempt organizations with UBTI claiming the credit: Also, enter this amount on Form 300, Part 1, line 12, column (c).

*Include 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 99T, 120, 120A, 120S, 120X or 165

Employer Identification Number

**Part 1 Current Taxable Year's Credit Calculation**

	(a) School Tuition Organization Name and Address	(b) Credit Approval Number	(c) Contribution Amount
1			00
2			00
3			00
4			00
5			00
6			00
7			00
8			00
9			00
10			00
11	Current year's contributions: Add lines 1 through 10 and any amounts on additional schedules .....		00
12	Flow-through from a partnership from Form 335-P, line 13.....		00
13	Total Current Year's Contributions: Add lines 11 and 12. Enter the total .....		00

Continued on page 2 →

Name (as shown on page 1)	EIN
---------------------------	-----

**Part 2 Available Credit Carryover**

	(a) Taxable Year	(b) Original Credit Amount	(c) Amount Previously Used	(d) Available Carryover: Subtract column (c) from column (b).
14		00	00	00
15		00	00	00
16		00	00	00
17		00	00	00
18		00	00	00
19	Total Available Carryover: Add lines 14 through 18 in column (d) .....			00

**Part 3 Total Available Credit**

Corporations, S corporations, and exempt organizations with UBTI:

<b>20</b>	Total current year's contributions:			
	• Partnerships passing through this credit, enter zero ("0").			
	• Qualified S corporations electing to pass through this credit, enter zero ("0"). (Complete Part 4 to determine if qualified.)			
	• All others, enter the amount from line 13.			
	• Also enter this amount on Form 300, Part 1, line 14, column (a).....		20	00
<b>21</b>	Available credit carryover from Part 2, line 19, column (d).			
	• Also enter this amount on Form 300, Part 1, line 14, column (b).....		21	00
<b>22</b>	<b>Total available credit:</b> Add lines 20 and 21.			
	• Also enter this amount on Form 300, Part 1, line 14, column (c).....		22	00

**NOTE:** Partnerships proceed to the instruction box at the bottom of this page. S corporations, continue to Part 4.

**Part 4 S Corporation Credit Election**

S corporations may elect to pass this credit through to its shareholders if its combined contributions to School Tuition Organizations and School Tuition Organizations for Displaced Students or Students With Disabilities, Forms 335 and 341, are greater than, or equal to, \$5,000.00.

<b>23</b>	Total contributions from line 11 .....			
		23	00	
<b>24</b>	Total contributions from Form 341, line 11.....	24	00	
<b>25</b>	Total contributions: Add lines 23 and 24.....	25	00	

**26** Is line 25 greater than or equal to \$5,000.00?.....  **Yes**  **No**

If "Yes", you qualify and may elect to pass this credit through to the individual shareholders of the S corporation. To do this, complete the authorization below.

If "No", STOP, the S corporation cannot pass this credit through to its individual shareholders.

**27** The S corporation has made an irrevocable election for the taxable year ending [M, M, D, D | Y, Y, Y, Y] to:

- Pass the credit as shown on line 13, for the taxable year indicated above, through to its individual shareholders.
- Claim this credit as shown on line 13, for the taxable year indicated above, at the corporate level.

\_\_\_\_\_  
Signature Title Date

S corporations making the election to pass on this credit to its shareholders, proceed to the instructions below.

**INSTRUCTIONS:**

- Partnerships passing this credit through to its corporate partners, complete Form 335-P for each corporate partner, and include a copy of this form with your return. Provide a copy of Form 335-P to each corporate partner.
- S corporations passing this credit through to its individual shareholders, complete Form 335-S for each shareholder, and include a copy of this form with your return. Provide a copy of Form 335-S to each shareholder.

**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

*Arizona Revised Statutes (A.R.S.) § 43-1183* provides a nonrefundable corporate income tax credit for contributions made to a school tuition organization (STO), authorized to receive corporate donations, that provides scholarships or grants to qualified schools. This credit must be pre-approved by the Arizona Department of Revenue. STO must be certified pursuant to Chapter 15 of Title 43 at the time of donation.

Contributions designated for the direct benefit of a specific student will not qualify for the credit.

This credit is in lieu of any deduction taken under Internal Revenue Code § 170 for state tax purposes.

A taxpayer cannot claim this credit and the credit claimed on Arizona Form 341 (see *A.R.S. § 43-1184*) for the same contribution.

The tax credit is equal to the amount the department has preapproved, if the taxpayer has made that amount of contribution to the STO within twenty days of when the STO notified the taxpayer of the preapproval.

The tax credit is available to corporate taxpayers, corporate partners, exempt organizations subject to corporate income tax on unrelated business income (UBTI), or S corporation individual shareholders.

- A partnership may pass this credit through only to its corporate partners, each of which may claim a *pro-rata* share of the credit based on their ownership interest.
- An exempt organization may utilize this credit only if it results from activities that generate UBTI.
- An S corporation may claim this credit against income Arizona is taxing at the corporate level, or it may make an irrevocable election to pass this credit through to its individual shareholders.
  - To pass this credit through, the S corporation must make minimum contributions of \$5,000 to School Tuition Organizations or to School Tuition Organizations for Displaced Students or Students With Disabilities in a tax year beginning after December 31, 2014.

- Each individual shareholder may claim only a *pro rata* share of the credit based on the individual's ownership interest in the S corporation.
- Any *pro rata* shares that would be distributed to non-eligible partners (individual partners in a partnership), or estates or trusts (shareholders in an S corporation) is lost.
- The total of the credits allowed to all owners may not exceed the amount that would have been allowed to a sole owner of the business.

If the allowable tax credit exceeds the taxes otherwise due, or if there are no taxes due, the amount of the credit not used to offset taxes may be carried forward for not more than five consecutive taxable years as a credit against subsequent years' income tax liability.

## Claiming the Credit

This credit must be pre-approved by the Arizona Department of Revenue before it can be claimed. The process for obtaining pre-approval for the credit is available on our website: [www.azdor.gov](http://www.azdor.gov), click on "Tax Credits", then click on "Corporate Tuition Tax Credits".

*Before claiming the credit, obtain a copy of the STO's preapproved application. Include a copy of the preapproved application with Form 335. Failure to do so could result in a disallowance of this credit.*

The department will preapprove the credits on a first-come, first-served basis. The preapproval process works as follows:

- Before making the contribution, the taxpayer notifies the STO of the intended amount.
- The STO requests preapproval from the Arizona Department of Revenue.
- The Arizona Department of Revenue preapproves or denies the request within twenty days after it has received the request, and notifies the STO.
- If the request is preapproved, the STO notifies the taxpayer immediately.
- The taxpayer must make the contribution within twenty days of receiving notice from the STO.

## QUALIFIED SCHOOL TUITION ORGANIZATION REQUIREMENTS

*The STO receiving contributions under this program must be certified pursuant to Chapter 15 of Title 43 at the time of donation.*

*A listing of certified School Tuition Organizations is available at [www.azdor.gov](http://www.azdor.gov), click on "Tax Credits", then click on "Corporate Tuition Tax Credits", and then click on "School Tuition Organizations Certified to Receive Corporate Donations".*

## Completing the Form

Complete the name and employer identification number section at the top of the form. Indicate the period covered by the taxable year. Include the completed form with the tax return.

**NOTE:** *If the entity passing this credit through has a different tax year-end than the taxpayer, the taxpayer may only claim this credit on its tax return for that year. For example, if the entity passing this credit through has a tax year end of February 2017, claim this credit on the taxpayer's 2017 return.*

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

## Part 1 – Current Taxable Year's Credit Calculation

### Lines 1 through 10:

- List each STO's name, address in column (a).
- List the credit approval number(s) in column (b).
- List the approved contribution amount in column (c).

### Line 11:

- Add the amounts in column (c) on lines 1 through 10 and enter that amount on line 11.

If contributions are made to more than ten STOs, complete and include additional schedules.

### Line 12:

- Corporate partners (only), enter the amount from Form 335-P, line 13. If none, enter "0".

### Line 13:

- Add the amounts entered on lines 11 and 12. Enter the total.

## Part 2 – Available Credit Carryover

Use Part 2 to calculate the taxpayer's total available credit carryover from prior taxable years.

### Lines 14 through 18:

- In column (a), enter the taxable year(s) from which the taxpayer is carrying over the credit
- In column (b), enter the credit originally computed for the taxable year listed in column (a)
- In column (c), enter the amount of the credit from the taxable year which was already used
- In column (d), subtract the amount in column (c) from column (b), enter the difference

### Line 19:

- Add the amounts entered on lines 14 through 18 and enter the amount in column (d).

## Part 3 – Total Available Credit

Use Part 3 to calculate the taxpayer's total available credit for this tax year.

### Line 20:

- Partnerships passing through this credit to corporate partners, enter "0"
- Qualified S corporations electing to pass this credit through to individual shareholders, enter "0".
  - To determine if the S corporation qualifies to pass this credit through to its individual shareholders, complete Part 4. If the S corporation's total contributions to STOs from Form 335 and/or Form 341 exceed \$5,000, the S corporation qualifies, and may elect, to pass this credit through to its individual shareholders.

- All other corporate entities, (C Corporations, exempt organizations subject to corporate income tax on UBTI, or **S corporations claiming this credit at the corporate level**), enter the amount from line 13.
- Also, enter this amount on Form 300, Line 14, column (a).

### Line 21:

- Enter the amount on line 19, column (d). If the amount is "0", enter "0".
- Also, enter this amount on Form 300, line 14, column (b).

### Line 22:

- Add lines 20 and 21, enter the total here. This is the taxpayer's total credit for this tax year.
- Also, enter this amount on Form 300, line 14, column (c).

**Partnerships:** skip Part 4 and proceed to the instructions for completing Form 335-P on page 3.

**S Corporations making the election to pass through this credit, proceed to Part 4.**

## Part 4 – S Corporation Credit Election

Beginning with tax years beginning from and after December 31, 2014, an S corporation may elect to pass this credit through to its individual shareholders.

**NOTE:** *Trusts and estates which are shareholders of S corporations, are not eligible to claim this credit. However, as S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. If the grantor is an individual, he or she may claim his or her share of the credit.*

To pass this credit through to its individual shareholders, the S corporation must have made an aggregate contribution of \$5,000.00 or more on Forms 335 and 341 during the tax year.

### Line 23:

- Enter the total contributions from line 11.

### Line 24:

- Enter the total contributions from Form 341, line 11.

### Line 25:

- Add lines 23 and 24, enter the total here.

### Line 26:

- Is the amount on line 25 greater than, or equal to, \$5,000.00? If yes, check the "Yes" box and continue to line 27. If no, STOP, the S corporation cannot pass this credit to its individual shareholders.

### Line 27:

- If the S corporation wishes to make an irrevocable election to pass this credit through to its individual shareholders, enter the ending date for this tax year, check the box indicating the S corporation is passing this credit through to its individual shareholders, and have this form signed by an officer of the S corporation.

**Proceed to the instructions on page 3 to complete Form 335-S.**



## Form 335-P, Corporate Partner's Portion of the Credit

Enter the name of the partnership and employer identification number at the top of Form 335-P. Enter the corporate partner's name, employer identification number, and ownership percentage on the next line. (Each corporate partner is entitled to a *pro-rata* share of the credit, based on its ownership percentage.)

Complete Form 335-P for *each* corporate partner of the partnership.

### Lines 1 through 10:

- Enter the names of the STO(s) in column (a).
- Enter the Credit Approval Number(s) received in column (b).

If contributions are made to more than ten organizations, complete and include additional schedules.

### Line 11:

Enter the amount of the total current year's contributions from Form 335, Part 1, line 13.

### Line 12:

Enter the corporate partner's ownership percentage of the partnership.

### Line 13:

Multiply line 11 by line 12, enter that amount here. This is the corporate partner's portion of this credit.

The partnership must furnish each corporate partner with its completed copy of Form 335-P, including additional schedules as needed.

The corporate partner will enter the amount on Form 335-P, line 13 on its own Form 335, line 12.

## Form 335-S, S Corporation Individual Shareholder's Portion of the Credit

Enter the S corporation name and tax identification number at the top of Form 335-S. Enter the individual shareholder's name, social security number, and ownership percentage on the next line. (Each individual shareholder of the S corporation is entitled to a *pro-rata* share of the credit based on his/her ownership percentage.)

Complete Form 335-S for each shareholder except for trust or estate shareholders. However, an S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. If the grantor is an individual, he or she may claim his or her share of the credit.

### Lines 1 through 10:

- Enter the names of the STO(s) in column (a).
- Enter the Credit Approval Number(s) received in column (b).

If contributions are made to more than ten organizations, complete and include additional schedules.

### Line 11:

Enter the amount of the total current year's contributions from Form 335, Part 1, line 13.

### Line 12:

Enter the shareholder's ownership percentage of the S corporation.

### Line 13:

Multiply line 11 by line 12, enter that amount here. This is the individual shareholder's portion of this credit.

The S Corporation must furnish each shareholder with their completed copy of Form 335-S, including additional schedules as needed.

The individual shareholder will use this form to complete Form 335-I.

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For the calendar year 2016 or fiscal year beginning MM,DD,2016 and ending MM,DD,20YY.

Partnership Name	Employer Identification Number
------------------	--------------------------------

**Partnerships:**

- Complete Form 335-P for each corporate partner in the partnership.
- Include a copy of this form with your return.
- Provide a copy of this form to the partner.
- Keep one for your records.

**Corporate Partners:**

- Use this form to complete your Form 335.
- Include a copy of this completed form with your Form 335.

Corporate Partner's Name	Employer Identification Number	Ownership Percentage	%
--------------------------	--------------------------------	----------------------	---

	(a) School Tuition Organization Name	(b) Credit Approval Number
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		

<b>11</b> Total contributions to school tuition organizations from Form 335, Part 1, line 13 .....	<b>11</b>		00
<b>12</b> Corporate partner's ownership percentage .....	<b>12</b>		%
<b>13</b> Corporate partner's portion of credit: Multiply line 11 by line 12. Enter the amount here and on Form 335, line 12. <b>This is the amount of credit available to the corporate partner</b> .....	<b>13</b>		00

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For the calendar year 2016 or fiscal year beginning MMDD 2016 and ending MMDD 20YY.

S Corporation Name	Employer Identification Number
--------------------	--------------------------------

**S Corporations:**

- Complete Form 335-S for each individual shareholder in the S corporation.
- Include a copy of this form with your return.
- Provide a copy of this form to each individual shareholder.
- Keep one copy for your records.

**Individual Shareholders:**

- Use this form to complete your Form 335-I.
- If you file your tax return on a calendar year basis but the corporation files a return for a fiscal year, claim this credit on your tax return for the year in which the corporation's fiscal year ends. For example, if the corporation's tax year ends in February 2017, claim this credit on your 2017 tax return.

Individual Shareholder's Name	Social Security Number	Ownership Percentage %
-------------------------------	------------------------	---------------------------

	(a) School Tuition Organization Name	(b) Credit Approval Number
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		

<b>11</b> Total contributions to school tuition organizations from Form 335, Part 1, line 13 .....	<b>11</b>		00
<b>12</b> Individual shareholder's ownership percentage .....	<b>12</b>		%
<b>13</b> Individual shareholder's portion of credit: Multiply line 11 by line 12. Enter the amount here <i>and on Form 335-I, line 11. This is the amount of credit available to the individual shareholder</i> .....	<b>13</b>		00

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*Include with your return.*

For the calendar year 2016 or fiscal year beginning MM,DD,YY (2,0,1,6) and ending MM,DD,YY (2,0,YY).

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 a joint return)	Spouse's Social Security Number

**Part 1 School Tuition Organization Information**

Check if you are claiming a pro rata credit from more than one S corporation. Complete and include a separate Part 1 for each additional S corporation.

**I am claiming a credit for my pro rata share of contributions made by the S corporation named below to the following school tuition organizations:**

S corporation name: \_\_\_\_\_ EIN: \_\_\_\_\_

If you need more space to list all school tuition organizations for which contributions were made by the S corporations identified above, complete an additional schedule and include it with the credit form.

	(a) School Tuition Organization Name	(b) Credit Approval Number	
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
11	Amount of individual shareholder's pro rata share of qualified contributions made to school tuition organizations from the S corporation listed above .....	11	00

Continued on page 2 →

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

**Part 2 Current Year's Credit**

12 Current year's credit: Enter the amount from Part 1, line 11. If you are claiming a current year's credit from more than one S corporation, include the amount(s) on line 11 from each additional Part 1 schedule and enter the total.....	<b>12</b>	00
---	-----------	----

**Part 3 Available Credit Carryover**

	(a) Taxable Year from which you are carrying the credit	(b) Original Credit Amount	(c) Amount Previously Used	(d) Available Carryover: Subtract column (c) from column (b).
13	2015	00	00	00
14				
15				
16				
17				
18	Total Available Carryover: Add lines 13 through 17, column (d) .....			00

**Part 4 Total Available Credit**

19 Current year's credit: Enter the amount from Part 2, line 12. Also, enter this amount on <i>Arizona Form 301, Part 1, line 19, column (a)</i> .....	<b>19</b>	00
20 Available credit carryover from Part 3, line 18, column (d). Also, enter this amount on <i>Arizona Form 301, Part 1, line 19, column (b)</i> .....	<b>20</b>	00
21 Total Available Credit: Add line 19 and line 20. Also, enter this amount on <i>Arizona Form 301, Part 1, line 19, column (c)</i> .....	<b>21</b>	00



# 2016 Credit for Business Contributions by an S Corporation to School Tuition Organizations - Individual

# Arizona Form 335-I

## 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 tax a 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

**NOTE:** You *must* also complete Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture, and include Forms 301 and 335-I with your tax return to claim this credit.

Beginning from and after December 31, 2014, Arizona law allows an individual shareholder to claim a nonrefundable tax credit for the pro rata amount of contributions made by an S Corporation to a school tuition organization.

The S corporation must make an irrevocable election on Arizona Form 335, *Credit for Contributions to School Tuition Organization*, to pass-through the credit to its individual shareholder(s). The S corporation making the election should give you an Arizona Form 335-S, *Credit for Corporate Contributions to School Tuition Organizations - Distribution to Shareholders of an S Corporation*, indicating your *pro rata* share of the available credit for the taxable year. The amount of the allowable credit you may claim is reported on Form 335-S.

An individual shareholder may claim a corporate private school tuition credit passed through from an S corporation even if the individual has already claimed the maximum amount allowed under the two individual private school tuition credits (Arizona Forms 323 and 348). The corporate private school tuition credits passed through from an S corporation are different credits that are not subject to the limitations under the two individual private school tuition credits.

**NOTE: Individual Shareholders of an S Corporation with a Fiscal Year-End** - If you file your tax return on a calendar year basis, but the corporation files a return for a fiscal year, claim the credit on your tax return for the year in which the corporation's fiscal year ends. For example, if the corporation's tax year ends in February 2017, claim the credit on your 2017 tax return.

Co-owners of the S Corporation may each claim the *pro rata* share of the credit allowed based on the taxpayers ownership interest. The total of the credits allowed all owners of the corporation may not exceed the amount that would have been allowed a sole owner of the business.

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

You cannot claim both a tax credit and an Arizona itemized deduction for the amount of contributions made to a school tuition organization for which you are claiming a credit.

**NOTE:** This tax credit is not allowed if the S corporation or a shareholder designates the contribution to the school tuition organization for the direct benefit of any dependent of a shareholder of the corporation claiming a credit under this section or if the corporation or a shareholder designates a student beneficiary as a condition of the contribution to the school tuition organization.

The tax credit is not allowed if the S corporation or a shareholder, with the intent to benefit a shareholder's dependent, agrees with one or more other taxpayers to designate reciprocal contributions to school tuition organizations for the direct benefit of the other taxpayer's dependent.

## Specific Instructions

Type or print your name and taxpayer identification number section at the top of the form. Indicate the period covered by the taxable year. Include the completed form with the income tax return.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for an individual is the taxpayer's Social Security Number (SSN) or an Internal Revenue Service (IRS) individual taxpayer identification number (ITIN). Taxpayers that fail to include their identification number may be subject to a penalty.

## Part 1 - School Tuition Organization Information

**NOTE:** If you are claiming a *pro rata* credit from more than one S corporation, check the box in Part 1. Complete and include a separate Part 1 for each S corporation.

In the space provided, enter the S corporation's name and employer identification number (EIN) for which you are claiming a *pro rata* credit for contributions made during the taxable year.

## Lines 1 through 10 -

On lines 1 through 10, enter the name and credit approval number for **all** school tuition organizations the S corporation made a contribution to for which you are claiming a *pro rata* credit for the current taxable year.

This information is shown on page 1 of the S corporation's Arizona Form 335-S.

If you need additional space to list **all** school tuition organizations for which contributions were made by the S corporation, include a separate schedule showing the name and credit approval number for each and include with the credit form.

**Line 11 - Taxpayer's *pro rata* share of contributions made by the S corporation named in Part 1**

Enter the amount from the S corporation's Arizona Form 335-S, line 13.

**Part 2 - Current Year's Credit**

**Line 12 -**

Enter the amount of your *pro rata* share of the contributions made to the school tuition organizations listed in Part 1.

If you are claiming a *pro rata* credit from more than one S corporation, add all amounts on line 11 from each separate Part 1, and enter the total.

**Part 3 - Available Credit Carryover**

**Lines 13 through 18 -**

- Complete Part 3, lines 13 through 18 to figure your available credit carryover from taxable year 2015 if you claimed this credit and the credit was more than your tax. In column (b) enter the credit originally computed for that taxable year listed in column (a).
- In column (c) enter the amount of the credit from that taxable year which you have already used.
- Subtract the amount in column (c) from column (b) and enter the difference in column (d).

Add lines 13 through 17, column (d), and enter the total on line 18, column (d).

**Part 4 - Total Available Credit**

**Line 19 -**

Enter the amount from Part 2, line 12. Also, enter this amount on Form 301, Part 1, line 19, column (a).

**Line 20 -**

Enter the amount from Part 3, line 18, column (d). Also, enter this amount on Form 301, Part 1, line 19, column (b)

**Line 21 - Total Available Credit**

Enter the amount from line 19. Also, enter this amount on Form 301, Part 1, line 19, column (c).

**All taxpayers: Include with your return. Exempt organizations: See instructions.**

For the calendar year 2016 or fiscal year beginning MM,DD,2016 and ending MM,DD,20YY.

Your Name as shown on Form 140, 140NR, 140PY, 140X, 99, 99T, 120, 120A, 120S, 120X, 165	Your Social Security or Employer Identification Number
Spouse's Name as shown on Form 140, 140NR, 140PY, 140X (if a joint return)	Spouse's Social Security Number

**Part 1 Eligibility**

- |   |                          |                          |
|---|--------------------------|--------------------------|
|   | <b>YES</b>               | <b>NO</b>                |
| 1 Has the taxpayer made an application with the Arizona Commerce Authority and received an initial certification of the solar energy project? .....1        | <input type="checkbox"/> | <input type="checkbox"/> |
| 2 After the installation of the solar energy device was complete, did the taxpayer receive a Credit Certificate from the Arizona Commerce Authority? .....2 | <input type="checkbox"/> | <input type="checkbox"/> |

If the answer to either question 1 or question 2 is "No", you do not qualify for this credit. In this case, do not complete Form 336.

**Part 2 Credit Computation for Installing Qualifying Devices**

- |   |          |  |
|---|----------|--|
| 3 Enter the total number of devices installed during the taxable year for which the taxpayer is claiming a credit | <b>3</b> |  |
| 4 Enter the total number of buildings on which the taxpayer installed solar energy devices .....                  | <b>4</b> |  |

	(a) <b>BUILDING 1</b>	(b) <b>BUILDING 2</b>	(c) <b>BUILDING 3</b>
5 Address of the building on which the device was installed .....			
6 Arizona Commerce Authority Credit Certificate Number for the device .....			

	BUILDING 1	BUILDING 2	BUILDING 3
7 Enter the installed cost of the device ..... 7	\$ <input type="text"/> 00	\$ <input type="text"/> 00	\$ <input type="text"/> 00
8 Credit Factor..... 8	10%	10%	10%
9 Multiply the amount on line 7 by the percentage on line 8, and enter the result..... 9	\$ <input type="text"/> 00	\$ <input type="text"/> 00	\$ <input type="text"/> 00
10 Maximum Credit Per Building.. 10	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00
11 In columns (a) through (c), enter the smaller of the amount on line 9, or the amount on line 10.. 11	\$ <input type="text"/> 00	\$ <input type="text"/> 00	\$ <input type="text"/> 00
12 Add the amounts on line 11 in each column and enter the total..... 12			00
13 Enter the total from continuation sheets, if applicable..... 13			00
14 Add the amount on line 12 to the amount on line 13. Enter the total ..... 14			00
15 Maximum allowable credit ..... 15			\$ 50,000.00
16 Enter the smaller of line 14 or line 15..... 16			00

Continued on page 2 →

Your Name (as shown on page 1)	Your Social Security or Employer Identification Number
--------------------------------	--

**Part 3 Allowable Credit Transferred to You as a Third Party**

<b>17 Credit Limitation:</b> Subtract the amount on line 16 from the amount on line 15. If "zero" or less, skip Part 3.....	<b>17</b>	00
<b>18 Credits Transferred to You as a Third Party:</b> Enter the aggregate total, from Part 4, line 24, from all Forms 336 received from taxpayers that have transferred the credit to you as a third party.....	<b>18</b>	00
<b>19 Allowable Credit to You as a Third Party:</b> Enter the smaller of line 17 or line 18.....	<b>19</b>	00

**Part 4 Taxpayer's Third Party Election**

To be completed by all taxpayers that had the solar energy device installed.

**20** The taxpayer has made an irrevocable election for the taxable year ending: MMDDYY to (**check only one box**):

- Claim the credit for solar energy devices listed on Part 2.
- OR-
- Allow a third party to claim the credit for solar energy devices listed on Part 2.

\_\_\_\_\_  
Signature Title Date

If you had more than one device installed, and are transferring those credits to different third parties, please complete a separate Form 336 for each third party for which the election is made.

**21** Name of third party: \_\_\_\_\_

**22** Third Party's TIN: \_\_\_\_\_

**23** Commerce Credit Certificate Number for the device for which you are transferring the credit:  
\_\_\_\_\_

<b>24</b> Amount of credit to be transferred to third party for the device noted on line 23. This amount must equal the amount entered on Form 336, Part 2, line 11 for that particular device.....	<b>24</b>	00
<b>25</b> If the credit is being transferred to only one third party, enter the amount on Part 4, line 24 here. If the credit is being transferred to more than one third party, enter the total transferred to all third parties here.....	<b>25</b>	00

**Part 5 Current Year's Credit**

<b>26 Credit Computed This Taxable Year:</b> Enter the amount from Part 2, line 16 .....	<b>26</b>	00
<b>27 Allowable Credit Transferred to You as a Third Party:</b> Enter the amount from Part 3, line 19 .....	<b>27</b>	00
<b>28 Subtotal:</b> Add the amount on line 26 to the amount on line 27. Enter the total .....	<b>28</b>	00
<b>29 Credit You Transferred to a Third Party:</b> Enter the amount from Part 4, line 25 .....	<b>29</b>	00
<b>30 Current Year's Credit:</b> Subtract the amount on line 29 from the amount on line 28.....	<b>30</b>	00

Continued on page 3 →

Your Name (as shown on page 1)	Your Social Security or Employer Identification Number
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**Part 6 S Corporation Credit Election and Shareholder's Share of Credit**

31 The S corporation has made an irrevocable election for the taxable year ending: MM,DD,YYYY  
to (check only one box):

- Claim the credit for solar energy devices as shown on Part 5, line 30, for the taxable year mentioned above.
- OR-**
- Pass the credit for solar energy devices as shown on Part 5, line 30, for the taxable year mentioned above through to its shareholders.

\_\_\_\_\_  
Signature Title Date

If passing the credit through to the shareholders, complete lines 32 through 34 separately for each shareholder. Furnish each shareholder with a copy of the completed Form 336.

32 Name of shareholder: \_\_\_\_\_

33 Shareholder's TIN: \_\_\_\_\_

34 Shareholder's share of the amount shown on Part 5, line 30..... **34** \_\_\_\_\_ **00**

**Part 7 Partner's Share of Credit**

Complete lines 35 through 37 separately for each partner. Furnish each partner with a copy of the completed Form 336.

35 Name of partner: \_\_\_\_\_

36 Partner's TIN: \_\_\_\_\_

37 Partner's share of the amount on Part 5, line 30..... **37** \_\_\_\_\_ **00**

**Part 8 Available Credit Carryover**

	(a) Taxable Year from which you are carrying a credit	(b) Original Credit Amount	(c) Amount Previously Used	(d) Available Carryover: Subtract column (c) from column (b).
38	2011	00	00	00
39	2012	00	00	00
40	2013	00	00	00
41	2014	00	00	00
42	2015	00	00	00
43	TOTAL AVAILABLE CARRYOVER: Add lines 38 through 42, column (d) ...			00

**Part 9 Total Available Credit**

<p>44 Current year's credit:</p> <ul style="list-style-type: none"> <li>• Individuals, corporations, S corporations that are claiming the credit, or exempt organizations with UBTI: Enter the amount from Part 5, line 30.</li> <li>• S corporation shareholders: Enter the amount from Part 6, line 34.</li> <li>• Partners of a partnership: Enter the amount from Part 7, line 37.</li> <li>• Individuals: Also, enter this amount on <i>Arizona Form 301, Part 1, line 20, column (a)</i>.</li> <li>• Corporations, S corporations that are claiming the credit, and exempt organizations with UBTI: Also, enter this amount on <i>Arizona Form 300, Part 1, line 15, column (a)</i> .....</li> </ul>	<b>44</b>		00
<p>45 Available credit carryover from Part 8, line 43, column (d).</p> <ul style="list-style-type: none"> <li>• Individuals: Also enter this amount on <i>Arizona Form 301, Part 1, line 20, column (b)</i>.</li> <li>• Corporations, S corporations that are claiming the credit, and exempt organizations with UBTI: Also, enter this amount on <i>Arizona Form 300, Part 1, line 15, column (b)</i> .....</li> </ul>	<b>45</b>		00
<p>46 Total Available Credit: Add lines 44 and 45 and enter the total.</p> <ul style="list-style-type: none"> <li>• Individuals: Also, enter this amount on <i>Arizona Form 301, Part 1, line 20, column (c)</i>.</li> <li>• Corporations, including S corporations that are claiming the credit, and exempt organizations with UBTI: Also, enter this amount on <i>Arizona Form 300, Part 1, line 15, column (c)</i>.</li> </ul>	<b>46</b>		00

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**CONTACTS FOR COMMERCIAL AND INDUSTRIAL  
SOLAR ENERGY TAX CREDIT PROGRAM**

**Arizona Commerce Authority (ACA)**

•Application forms •Program guidelines

Website: [www.azcommerce.com](http://www.azcommerce.com)

Program Manager: (602) 845-1200

**Arizona Department of Revenue**

**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**

**Individuals:** *You must also complete Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture, and include Forms 301 and 336 with your tax return to claim this credit.*

**Corporate taxpayers including exempt organizations with unrelated business taxable income:** *You must also complete Arizona Form 300, Nonrefundable Corporate Tax Credits and Recapture, and include Forms 300 and 336 with your tax return to claim this credit.*

For taxable years beginning on or after January 1, 2006 through December 31, 2018, Arizona law provides a solar energy credit for a taxpayer that installs one or more solar energy devices for commercial, industrial, or any other nonresidential application in the taxpayer's facility located in Arizona.

The solar energy credit is 10% (.10) of the cost of the installed device. The credit cannot exceed \$25,000 with respect to the same building in the same tax year, or \$50,000 in total credits in any given tax year.

If the allowable tax credit is more than the tax, the taxpayer may carry the unused credit forward for up to the next 5 consecutive tax years.

**Who May Claim This Credit**

This credit is available to individuals, corporations and S corporations. A partnership may pass the credit through to its partners. An S corporation may pass the credit through to its shareholders.

This credit is also available to an exempt organization that is subject to corporate income tax on unrelated business taxable income (UBTI). The credit must result from the activities that generate UBTI.

The taxpayer, including a tax exempt organization that would otherwise qualify for the credit, may elect to transfer the credit to the third party that financed, installed, or manufactured the solar energy device. All taxpayers, including a tax exempt organization that elects to transfer the credit to a third party, must complete Arizona Form 336 to make this election.

**Tax Exempt Organizations**

A tax exempt organization, filing only Form 99, and is transferring this credit to a third party must complete Parts 1, 2 and 4 of Form 336. The tax exempt organization must furnish each taxpayer, to whom it transfers a credit, a completed copy of Form 336 (Parts 1 through 4, only). The exempt organization must mail a copy of the completed Form 336 to:

Office of Economic Research and Analysis  
Arizona Department of Revenue  
PO Box 29099  
Phoenix, AZ 85038-9099

**NOTE:** *An exempt organization must mail a copy of the completed Form 336 to the above address regardless of whether the organization is required to file Arizona Form 99.*

A tax exempt organization with UBTI, and filing Arizona Form 99T, should do the following:

- Whether or not the credit is claimed by the exempt organization with UBTI, or is transferred by the exempt organization with UBTI to a third party, include the completed Form 336 with the Form 99T, when filed.
- Mail a copy of the completed Form 336 to:  
Office of Economic Research and Analysis  
Arizona Department of Revenue  
PO Box 29099  
Phoenix, AZ 85038-9099

**Credit Eligibility**

To be eligible for this credit, the Arizona Commerce Authority (ACA) must have issued the taxpayer a Credit Certificate that includes an identifying number. To obtain a Credit Certificate, the taxpayer must follow the procedures outlined by the ACA. These procedures include the requirement that the taxpayer file an application with the ACA so that the ACA can determine whether the project meets the criteria for the purpose of this tax credit.

Once the ACA determines that the project meets the criteria, the ACA will issue an initial certification of the project. To receive a Credit Certificate, the taxpayer must file additional information to the ACA once the installation is complete.

For more information on how to make an application for this credit with the ACA, visit [www.azcommerce.com](http://www.azcommerce.com).

**NOTE:** *A taxpayer cannot claim this credit without a Credit Certificate issued from the ACA.*

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## Solar Energy Devices

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For the purpose of this credit, a solar energy device means a system or series of mechanisms designed primarily to:

- provide heating,
- provide cooling,
- produce electrical power,
- produce mechanical power,
- provide solar day lighting, or
- provide any combination of the foregoing by means of collecting and transferring solar generated energy into such uses either by active or passive means, including wind generator systems that produce electricity.

Solar energy systems may also have the capability of storing solar energy for future use. Passive systems shall clearly be designed as a solar energy device, such as a trombe wall, and not merely as a part of a normal structure, such as a window.

The person who sells or installs the solar energy device must furnish the taxpayer with an accounting of the cost.

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## Line-by-Line Instructions

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Enter the names and taxpayer identification numbers (TIN) as shown on Arizona Form 99, 99T, 140, 140NR, 140PY, 140X, 120, 120A, 120S, 120X, or 165.

If the taxpayer is an exempt organization that is not required to file Arizona Form 99, enter the organization's name and employer identification number (EIN).

Fiscal year basis taxpayers must indicate the period covered by the taxable year. Include the completed form with the tax return. Exempt organizations must file this form as noted under the heading titled "Tax Exempt Organizations."

All returns, statements, and other documents filed with the Department of Revenue (Department) require a taxpayer identification number (TIN). The TIN is either a correct Social Security Number (SSN) or, for a business, the EIN.

Paid tax preparers must also include their TIN on forms where requested. Paid preparers who fail to include their TIN may be subject to a penalty.

Please check the return to be sure that all required identification numbers are accurate and written clearly. Missing, incorrect, or unclear identification numbers may cause delays in processing.

## Part 1 - Eligibility

### Lines 1 and 2 -

Answer questions 1 and 2. If you answer "NO" to either question 1 or question 2, **STOP**, you do not qualify for this credit. In this case, do not complete Form 336.

## Part 2 - Credit Computation for Installing Qualifying Devices

### Lines 3 through 16 -

Use lines 3 through 16 to figure your credit for installing one or more solar energy devices for commercial, industrial, or nonresidential purposes on your business property located in Arizona.

If you have installed more than one device on the same building during the same taxable year, complete your own separate schedule for each device installed on that building. The separate schedules should show the information required on lines 5 through 9 for a single device.

Enter the aggregate amount for all devices installed on the same building in the column designated for that building. When you file your return, include your separate schedules and Form 336 with your return.

Exempt organizations must file this form as noted under the heading titled "Tax Exempt Organizations."

If you have installed devices on more than three buildings, complete an additional schedule. The additional schedule should show the same information that is shown on the form for the first three buildings.

Complete lines 3 through 16 as instructed on the form.

## Part 3 - Allowable Credit Transferred to You as a Third Party

### Lines 17 through 19 -

Use lines 17 through 19 to claim a credit if you are the third party to which the taxpayer transferred the credit.

The credit may be transferred to you as a third party only if you financed, installed or manufactured the solar energy device.

### Line 17 - Credit Limitation

The total credit allowed in any given tax year cannot exceed \$50,000. Line 17 limits the amount of credit allowed to be claimed in both Part 2 and Part 3 to the \$50,000 maximum.

Complete line 17 as instructed on the form.

### Line 18 - Credits Transferred to You as a Third Party

Enter the amount from Form 336, Part 4, line 24 received from the taxpayer otherwise eligible for the credit.

If more than one taxpayer has transferred a credit to you as the third party, enter the aggregate amount from Part 4, line 24 from all Forms 336 received from the transferors.



**NOTE:** *If claiming the credit as a third party, you must include a copy of the Form 336 from which the credit was transferred. If you are claiming a credit from more than one taxpayer, include all Forms 336 from which the credits were transferred.*

### Line 19 - Allowable Credit to Third Party

Enter the smaller of line 17 or line 18. This is the amount of credit allowable to you as a third party.

## Part 4 - Taxpayer's Third Party Election

### Lines 20 through 25 -

All taxpayers claiming the credit must complete Part 4. The taxpayer must make an irrevocable election either to claim the credit or to transfer the credit to a third party. The credit may be transferred to a third party that financed, installed or manufactured the solar energy device.

If a taxpayer makes the election to transfer the credit to a third party, the taxpayer must transfer the entire credit allowable for that device to the third party. The taxpayer may not use a portion of the credit and also allow the third party to use a portion of the credit.

However, if the taxpayer has installed more than one device, the taxpayer may claim the credit for one device and transfer the credit for the second device to a third party.

The taxpayer must sign the election statement. In the case of a corporation, the election must be signed by one of the officers of the corporation who is also a signatory to the Arizona Form 120, Form 120A or Form 120S.

In the case of a partnership, the election must be signed by a partner who is also a signatory to the Arizona Form 165. In the case of a tax exempt organization, the election must be signed by an officer of the organization.

If you have credits for multiple devices that you are transferring to more than one third party, complete a separate Form 336 for each third party to which you are transferring a credit.

On line 25, enter the total amount of the credit transferred to all third party organizations. If you are transferring the credit to only one third party organization, enter the amount from line 24 on line 25.

**NOTE:** *If you are **not** transferring any credit to a third party, enter zero on both lines 24 and 25.*

The taxpayer must furnish each third party with a copy of the completed Form 336. The third party will use the information from Part 4, line 24 to complete its own Form 336 to claim the credit.

## Part 5 - Current Year's Credit

### Lines 26 through 30 -

Complete lines 26 through 30, as instructed on the form, to figure the current year's credit.

## Part 6 - S Corporation Credit Election and Shareholder's Share of Credit

### Lines 31 through 34 -

The S corporation must complete Form 336, Parts 1 through 5. Then the S corporation must also complete Part 6 of Form 336 in order for the S corporation or its shareholders to claim this credit. The S corporation must make an irrevocable election either to claim the credit or to pass the credit through to its shareholders. The election statement must be signed by one of the officers of the S corporation who is also a signatory to the Arizona Form 120S.

If the S corporation elects to pass the credit through to its shareholders, it must complete lines 32 through 34 separately for each shareholder.

Each shareholder may claim only a *pro rata* share of the credit based on the shareholder's ownership interest in the S corporation. The S corporation must furnish each shareholder with a copy of the completed Form 336.

Each shareholder must complete Parts 8 and 9.

## Part 7 - Partner's Share of Credit

### Lines 35 through 37 -

Partnerships must complete Form 336, Parts 1 through 5. Then complete Part 7, lines 35 through 37, separately for each partner. Each partner may claim only a *pro rata* share of the credit based on the partner's ownership interest in the partnership. The partnership must furnish each partner with a copy of the completed Form 336.

Each partner must complete Parts 8 and 9.

## Part 8 - Available Credit Carryover

### Lines 38 through 43 -

Use Part 8 to figure your total available credit carryover. Use lines 38 through 43 to figure your credit carryover from taxable years 2011 through 2015. Complete lines 38 through 43 if you claimed this credit on a return for one of these years and the credit was more than your tax.

- In column (b), enter the credit originally computed for the taxable year.
- In column (c), enter the amount of the credit from that taxable year which you have already used.
- In column (d), subtract the amount in column (c) from the amount in column (b) and enter the difference.
- Add the amounts entered on lines 38 through 42 in column (d).

Enter the total on line 43, column (d).

## Part 9 - Total Available Credit

### Line 44 -

Individuals, corporations, S corporations claiming the credit, and exempt organizations with UBTI: Enter the amount from Part 5, line 30.

S corporation shareholders: Enter the amount from Part 6, line 34.

Partners of a Partnership: Enter the amount from Part 7, line 37.

- Individuals: Also, enter this amount on Arizona Form 301, Part 1, line 20, column (a).
- Corporations, S corporations claiming the credit, and exempt organizations with UBTI: Also, enter this amount on Arizona Form 300, Part 1, line 15, column (a).

**Line 45 -**

Enter the amount from Part 8, line 43, column (d).

- Individuals: Also, enter this amount on Arizona Form 301, Part 1, line 20, column (b).
- Corporations, S corporations claiming the credit, and exempt organizations with UBTI: Also, enter this amount on Arizona Form 300, Part 1, line 15, column (b).

**Line 46 - Total Available Credit**

Add lines 44 and 45. Enter the total.

- Individuals: Also, enter this amount on Arizona Form 301, Part 1, line 20, column (c).
- Corporations, S corporations claiming the credit, and exempt organizations with UBTI: Also, enter this amount on Arizona Form 300, Part 1, line 15, column (c).

*Include 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, 120S, or 120X	Employer Identification Number
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**Available Credit Carryover**

(a) Taxable Year	(b) Original Credit Amount	(c) Amount Previously Used	(d) Available Carryover: Subtract column (c) from column (b).
<b>1</b>	00	00	00
<b>2</b> Total Available Carryover: Enter the amount on line 1, column (d) here and on Form 300, Part 1, line 16, column (b).....			<b>2</b> 00

**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 web site at [www.azdor.gov](http://www.azdor.gov).

**Specific Instructions**

Complete the name and employer identification number section at the top of the form. Indicate the period covered by the taxable year. Include the completed form with the tax return.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for a corporation or an S corporation is the taxpayer's employer identification number. A taxpayer that fails to include its TIN may be subject to a penalty.

**General Instructions**

Arizona Revised Statutes § 43-1182 previously provided a nonrefundable corporate income tax credit for the installation of a water conservation system plumbing stub out in each house or dwelling unit constructed by the taxpayer. The houses or dwelling units must be located in Arizona.

The tax credit applied to taxable years beginning from and after December 31, 2006 and ending before January 1, 2012.

**NOTE: Calendar year 2011 was the last year to establish a credit for water conservation system plumbing stub outs. Taxpayers with a fiscal year ending in 2012 did not qualify to establish a credit for 2011. Carryovers will be allowed for not more than five consecutive taxable years.**

If the allowable tax credit exceeded the taxes otherwise due, or if there are no taxes due, the amount of the credit not used to offset taxes may be carried forward for not more than five consecutive taxable years as a credit against subsequent years' income tax liability.

**Taxable year 2016 is the last year a taxpayer can apply a carryover of this credit.**

**Available Credit Carryover**

Complete Form 337 only if the allowable credit for prior taxable years exceeded the Arizona income tax liability for those taxable years.

Each corporate partner must complete Form 337 for the computation of the available carryover of the credit passed through by the partnership.

**Lines 1 and 2**

Enter the taxable year from which you are carrying over the credit in column (a) on line 1. In column (b), enter the credit originally computed for that taxable year. In column (c), enter the amount of the credit from that taxable year which you have already used. Subtract the amount in column (c) from the amount in column (b) and enter the difference column (d). Also enter this amount on line 2, column (d). This is the total credit carryover available for the current taxable year.

Enter the amount from line 2, column (d) on Form 300, Part 1, line 16, column (b). This is the total available credit which may be applied to the current taxable year's corporate income tax liability.

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*Include with your return.*

For the calendar year 2016 or fiscal year beginning MM, DD, 2016 and ending MM, DD, 20YY.

Your Name as shown on Form 140, 140PY, 140NR, 140X, 120S or 165	Your Social Security or Employer Identification Number
Spouse's Name as shown on Form 140, 140PY, 140NR, 140X (if a joint return)	Spouse's Social Security Number

**NOTE:** For the year in which the credit is available, you must file your return claiming the credit by the original due date or the extended due date of your return. If you fail to claim this credit for the taxable year on a timely filed return, the credit for that taxable year expires and no carryover will be allowed.

**Part 1 Current Year's Credit**

<b>1</b> Amount of credit for taxable year 2016 shown on the Arizona Commerce Authority's Authorization of Tax Credits.....	<b>1</b>		00
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To be eligible for the credit, you must include a copy of the Arizona Commerce Authority's Authorization of Tax Credits with your return.

**Part 2 S Corporation: Individual Shareholder's Share of Credit**

Complete lines 2 through 4 separately for each individual shareholder.  
Furnish each individual shareholder with a copy of the completed Form 338.

**2** Name of individual shareholder: \_\_\_\_\_

**3** Individual shareholder's SSN: \_\_\_\_\_

<b>4</b> Individual shareholder's share of the amount on Part 1, line 1 .....	<b>4</b>		00
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**Part 3 Partnership: Individual Partner's Share of Credit**

Complete lines 5 through 7 separately for each individual partner.  
Furnish each individual partner with a copy of the completed Form 338.

**5** Name of individual partner: \_\_\_\_\_

**6** Individual partner's SSN: \_\_\_\_\_

<b>7</b> Individual partner's share of the amount on Part 1, line 1 .....	<b>7</b>		00
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**Part 4 Available Credit Carryover**

	(a) Taxable Year from which you are carrying the credit	(b) Original Credit Amount	(c) Amount Previously Used	(d) Available Carryover: Subtract column (c) from column (b).
<b>8</b>	2013	00	00	00
<b>9</b>	2014	00	00	00
<b>10</b>	2015	00	00	00
<b>11</b>	TOTAL AVAILABLE CARRYOVER: Add lines 8 through 10, column (d) .....			00

**Part 5 Total Available Credit**

<b>12</b> Current year's credit: • Individual: Enter the amount from Part 1, line 1. • Individual S corporation shareholders: Enter the amount from Part 2, line 4. • Individual partners in a partnership: Enter the amount from Part 3, line 7. Also, enter this amount on <i>Arizona Form 301, Part 1, line 21, column (a)</i> .....	<b>12</b>		00
<b>13</b> Available credit carryover from Part 4, line 11, column (d). Also, enter this amount on <i>Arizona Form 301, Part 1, line 21, column (b)</i> .....	<b>13</b>		00
<b>14</b> Total Available Credit: Add line 12 and line 13. Also, enter this amount on <i>Arizona Form 301, Part 1, line 21, column (c)</i> .....	<b>14</b>		00

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**CONTACTS FOR QUALIFIED SMALL BUSINESS  
CAPITAL INVESTMENT TAX CREDIT PROGRAM**

**Arizona Commerce Authority (ACA)**

•Application forms •Program guidelines

Website: [www.azcommerce.com](http://www.azcommerce.com)

Program Manager: (602) 845-1200

**Arizona Department of Revenue**

**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**

**NOTE:** You *must* also complete *Arizona Form 301*, *Nonrefundable Individual Tax Credits and Recapture*, and *include Forms 301 and 338 with your tax return to claim this credit.*

For taxable years beginning from and after December 31, 2006 through December 31, 2024, Arizona law allows a credit for investments made in qualified small businesses. The amount of the credit is the amount determined and authorized by the Arizona Commerce Authority (ACA).

To claim this credit, you must include a copy of the ACA's *Authorization of Tax Credits* with your income tax return.

You must claim the credit on a timely filed return filed for the tax year in which the credit is available. A timely filed return is a return that you file by the return's original or extended due date. If you fail to timely file a return claiming the credit for a taxable year, the credit expires for that taxable year and there is no carryforward of the expired credit.

If the allowable tax credit is more than your tax liability or if you have no tax liability, you may carry the unused credit forward for up to the next three consecutive tax years.

This credit is available to individuals only. A corporation, including an S corporation, may not claim this credit. However, an S corporation may pass the credit through to its individual shareholders.

A partnership may pass the credit through to its individual partners. The total of the credits allowed all such owners may not exceed the amount that would have been allowed a sole owner.

The basis of any investment with respect to which you claim a credit must be reduced by the amount of the credit claimed with respect to the investment.

**Qualified Small Business Capital  
Investment Program**

The ACA administers the Qualified Small Business Capital Investment program. The ACA cannot allocate tax credits exceeding \$20 million during the life of the program. Tax credits are authorized on a first come, first served basis. Income tax credits are equal to 30% or 35% of the investment amount and are claimed over a three year period.

To seek a tax credit under this program, you must submit an application for an *Authorization of Tax Credits* to the ACA. To obtain an *Authorization of Tax Credits*, you must document that each investment and the small business meet the eligibility requirements. The ACA will issue an *Authorization of Tax Credits* after determining eligibility of the investor. For more information about this credit, visit the ACA's website at: [www.azcommerce.com](http://www.azcommerce.com).

**Line-by-Line Instructions**

Enter the names and taxpayer identification numbers (TIN) as shown on Arizona Form 140, 140PY, 140NR, 140X, 120S or 165. Fiscal year basis taxpayers must indicate the period covered by the taxable year. Include the completed form with the tax return.

All returns, statements, and other documents filed with the Department of Revenue require a TIN. The TIN is either a correct Social Security Number (SSN) or an Internal Revenue Service individual taxpayer identification number (ITIN), or for a business, the employer identification number (EIN). Taxpayers who fail to include a TIN may be subject to a penalty. Be sure that all required identification numbers are written clearly. Missing, incorrect, or unclear identification numbers may cause delays in processing.

**Part 1 - Current Year's Credit**

**Line 1 -**

Enter the amount of credit shown for the taxable year on the ACA's *Authorization of Tax Credits*. On line 1, enter only the credit available for the current taxable year. You must include a copy of each ACA's *Authorization of Tax Credits* with Form 338 when you file.

**Part 2 - S Corporation: Individual Shareholder's  
Share of Credit**

**Lines 2 through 4 -**

An S corporation cannot claim this credit, but it may pass the credit through to its individual shareholders. An S corporation

passing the credit through to its individual shareholders must complete lines 2 through 4.

An S corporation must complete Part 1, line 1 of Form 338. Then, complete lines 2 through 4 separately for each individual shareholder. Each individual shareholder may claim only a *pro rata* share of the credit based on the shareholder's ownership interest in the S corporation.

The S corporation must furnish each individual shareholder with a copy of the completed Form 338 **and** a copy of the ACA's *Authorization of Tax Credits*.

Each shareholder must complete Part 4 and Part 5.

### **Part 3 - Partnership: Individual Partner's Share of Credit**

#### **Lines 5 through 7 -**

A partnership must complete Part 1, line 1 of Form 338. Then, complete lines 5 through 7 separately for each individual partner. Each individual partner may claim only a *pro rata* share of the credit based on the partner's ownership interest in the partnership. The partnership must furnish each individual partner with a copy of the completed Form 338 **and** a copy of the ACA's *Authorization of Tax Credits*.

Each partner must complete Part 4 and Part 5.

### **Part 4 - Available Credit Carryover**

#### **Lines 8 through 11 -**

Use Part 4 to figure your total available credit carryover from taxable years 2013 through 2015. Complete lines 8 through 11 if you claimed this credit on one of these returns and the credit was more than your tax liability.

- In column (b), enter the credit originally computed for the taxable year listed in column (a).
- In column (c), enter the amount of the credit from that taxable year which you have already used.
- In column (d), subtract the amount in column (c) from the amount in column (b) and enter the difference.

Add the amounts on lines 8 through 10 in column (d).

Enter the total on line 11, column (d).

### **Part 5 - Total Available Credit**

#### **Line 12 -**

- If you are the investor, enter the amount from Part 1, line 1. Also, enter this amount on Form 301, Part 1, line 21, column (a).
- If you are receiving the credit as an S corporation individual shareholder, enter the amount from Part 2, line 4. Also, enter this amount on Form 301, Part 1, line 21, column (a).
- If you are receiving the credit as an individual partner in a partnership, enter the amount from Part 3, line 7. Also, enter this amount on Form 301, Part 1, line 21, column (a).

#### **Line 13 -**

Enter the amount from Part 4, line 11, column (d). Also, enter this amount on Form 301, Part 1, line 21, column (b).

#### **Line 14 - Total Available Credit**

Add the amounts on line 12 and line 13. Enter the total. Also, enter this amount on Form 301, Part 1, line 21, column (c).



**Include with your return.**

For the calendar year 2016 or fiscal year beginning MM,DD,2016 and ending MM,DD,20YY.

Your Name as shown on Form 140, 140PY, 140NR or 140X	Your Social Security Number
Spouse's Name as shown on Form 140, 140PY, 140NR or 140X (if a joint return)	Spouse's Social Security Number

- For calendar year filers, tax year 2011 was the last year to establish a new credit for a water conservation system.
- Fiscal year filers with an ending date after December 31, 2011, cannot establish a new credit.
- Carryovers will be allowed for no more than five taxable years.

**Available Credit Carryover**

(a) Taxable Year from which you are carrying the credit	(b) Original Credit Amount	(c) Amount Previously Used	(d) Available Carryover: Subtract column (c) from column (b).
2011	00	00	00
Enter this amount on <i>Arizona Form 301, Part 1, line 22, columns (b) and (c)</i> .....			00

**Instructions**

**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**

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**Income Tax Procedures and Rulings**

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**Publications**

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

If the allowable tax credit was more than your tax or if you had no tax, the unused credit may be carried forward for up to the next five consecutive tax years.

**Line-by-Line Instructions**

Enter the name(s) and taxpayer Social Security Number (SSN) as shown on Arizona Form 140, 140PY, 140NR or 140X. Fiscal year basis taxpayers must indicate the period covered by the taxable year. Include the completed form with the tax return.

**Available Credit Carryover**

Use the schedule to figure your total available credit carryover from taxable year 2011. Complete the schedule if you claimed the credit on a prior year return and the credit was more than your tax.

- In column (b), enter the credit originally computed for the taxable year listed in column (a).
- In column (c), enter the amount of the credit from that taxable year which you have already used.
- In column (d), subtract the amount in column (c) from the amount in column (b) and enter the difference.

Enter this amount on Form 301, Part 1, line 22, columns (b) and (c). This is your total available credit.

**General Instructions**

**NOTE:** You **must** also complete *Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture, and include Forms 301 and 339 with your tax return to claim this credit.*

*For calendar year filers, tax year 2011 was the last year to establish a new credit for a water conservation system. Fiscal year filers, with an ending date after December 31, 2011, cannot establish a new credit. Carryovers will be allowed for no more than five taxable years.*

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**Include with your return.**

For the calendar year 2016 or fiscal year beginning MM, DD, 2016 and ending MM, DD, 20, Y, Y.

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 a joint return)	Spouse's Social Security Number

**1** Did you receive a receipt from the Arizona Department of Veterans' Services that indicates that your contribution qualifies for this credit?..... **1**      **YES**    **NO**  
              
 If you answered "No," STOP! You do not qualify for this credit.

<b>2</b> Total qualified donations made to the Military Family Relief Fund during 2016 .....	<b>2</b>		00
<b>3</b> Single taxpayers or heads of household, enter \$200 here. Married taxpayers enter \$400 here.....	<b>3</b>		00
<b>4</b> Current year's credit before tax: Enter the smaller of line 2 or line 3. In most cases, if you are married filing a separate return, enter one-half (1/2) of the smaller of line 2 or line 3. See instructions for line 4. Also, enter this amount on <i>Arizona Form 301, Part 1, line 23, columns (a) and (c)</i> .....	<b>4</b>		00

**Instructions**

**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**  
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**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*.

For more information about the Military Family Relief Fund, visit the Arizona Department of Veterans' Services (ADVS) website at [www.azdvs.gov](http://www.azdvs.gov).

**General Instructions**

**NOTE:** You **must** also complete *Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture, and include Forms 301 and 340 with your tax return to claim this credit.*

For taxable years 2008 through 2018, Arizona law allows a credit for cash donations made to the Military Family Relief Fund. If your donation qualifies for the credit, your credit will be the smaller of 1 through 4 below.

1. The amount you donated to the fund during the taxable year.
2. If you are a single taxpayer or a head of household, \$200.
3. If you are married filing a joint return, \$400. If you are filing separate returns, you each may claim only 1/2 of the credit

that would have been allowed on a joint return (up to a maximum of \$200 each).

4. Your tax liability for the taxable year.

There is no carry forward for this credit. You must claim and use this credit on the tax return filed for the taxable year for which you made your donation.

This credit is available **only** to individuals. Corporations may not claim this credit. A partnership may not pass the credit through to its partners. An S corporation may not pass the credit through to its shareholders.

You cannot claim both a tax credit and an itemized deduction for your donation.

Before you claim this credit, you must have received a receipt from the ADVS. Your receipt must show **all** of the following:

- your full name and address,
- the last four digits of your Social Security Number (SSN),
- the amount you donated, and
- your donation qualifies for the credit.

**Military Family Relief Fund**

The ADVS administers the Military Family Relief Fund. The fund helps service members and their families faced with unforeseen expenses when a loved one becomes a casualty of war. Your donations to the fund may qualify for this income tax credit. Donations to the fund will qualify for the credit if the total amount donated to the fund during the calendar year has not exceeded one million dollars.

Donations made to the fund once the total donations for the calendar year reach one million dollars will not qualify for the credit. The determination of whether a donation will qualify for the credit is made on a first come, first served basis.

The ADVS will provide you with a receipt that will let you know if your donation qualifies for the credit. The ADVS will also send a copy of that receipt to the Arizona Department of Revenue.

**Line-by-Line Instructions**

Enter your name and SSN as shown on Arizona Forms 140, 140PY, 140NR, or 140X.

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

**Line 1 -**

To claim this credit, you must have received a receipt from the ADVS that indicates that your donation qualifies for the credit. Answer the question on line 1.

- If your answer to this question is "No", STOP, you do not qualify for the credit.
- If your answer to this question is "Yes", complete lines 2 through 4.

**Line 2 -**

Enter the amount of qualified donations that you made to the fund during the taxable year. To be a qualified donation, the ADVS must have issued you a receipt that shows that the donation qualifies for the credit.

**Line 3 -**

Single taxpayers and taxpayers filing as head of household, enter \$200. Married taxpayers enter \$400.

**Line 4 -**

Enter the smaller of line 2 or line 3. If you are married filing a separate return, enter 1/2 of the smaller of line 2 or line 3. If you are filing separate returns, you each may claim only 1/2 of the credit that would have been allowed on a joint return (up to a maximum of \$200 each).

Also, enter this amount on Arizona Form 301, Part 1, line 23, columns (a) and (c).

*Include 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 99T, 120, 120A, 120S, 120X or 165

Employer Identification Number

**Part 1 Current Taxable Year's Credit Calculation**

	(a) School Tuition Organization Name and Address	(b) Credit Approval Number	(c) Contribution Amount
1			00
2			00
3			00
4			00
5			00
6			00
7			00
8			00
9			00
10			00
11	Current year's contributions: Add lines 1 through 10 and any amounts on additional schedules .....		00
12	Flow-through from a partnership from Form 341-P, line 13.....		00
13	Total Current Year's Contributions: Add lines 11 and 12. Enter the total .....		00



# 2016 Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students With Disabilities

**Arizona Form  
341**

## 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

*Arizona Revised Statutes (A.R.S.) § 43-1184* provides a nonrefundable corporate income tax credit for contributions made to a school tuition organization (STO) authorized to receive corporation donations that provides scholarships or grants to displaced students or students with disabilities. This credit must be pre-approved by the Arizona Department of Revenue. The STO must be certified pursuant to Chapter 15 of Title 43 at the time of donation.

Contributions designated for the direct benefit of a specific student will not qualify for the credit.

This credit is in lieu of any deduction taken under Internal Revenue Code § 170 for state tax purposes.

A taxpayer cannot claim this credit and the credit claimed on Arizona Form 335 (see *A.R.S. § 43-1183*) for the same contribution.

The tax credit is equal to the amount the department has preapproved, if the taxpayer has made that amount of contribution to the STO within twenty days of when the STO notified the taxpayer of the preapproval.

The tax credit is available only to corporate taxpayers, corporate partners, exempt organizations subject to corporate income tax on unrelated business taxable income (UBTI), or S corporation individual shareholders.

- A partnership may pass this credit through only to its corporate partners, each of which may claim a pro rata share of the credit based on their ownership interest.
- An exempt organization may utilize this credit only if it results from activities that generate UBTI.
- An S corporation may claim this credit against income Arizona is taxing at the corporate level, or it may make an irrevocable election to pass this credit through to its individual shareholders.
  - To pass this credit through, the S corporation must make minimum contributions of \$5,000 to School Tuition Organizations or to School Tuition Organizations for Displaced Students or Students With Disabilities in a tax year beginning after December 31, 2014.

- Each individual shareholder may claim only a *pro rata* share of the credit based on the individual's ownership interest in the S corporation.
- Any *pro rata* shares that would be distributed to non-eligible partners (individual partners in a partnership), or estates or trusts (shareholders in an S corporation) is lost.
- The total of the credits allowed to all owners may not exceed the amount that would have been allowed to a sole owner of the business.

If the allowable tax credit exceeds the taxes otherwise due, or if there are no taxes due, the amount of the credit not used to offset taxes may be carried forward for not more than five consecutive taxable years as a credit against subsequent years' income tax liability.

## Claiming the Credit

This credit must be pre-approved by the Arizona Department of Revenue before it can be claimed. The process for obtaining pre-approval for the credit is available on our website: [www.azdor.gov](http://www.azdor.gov), click on "Tax Credits", then click on "Corporate Tuition Tax Credits".

*Before claiming the credit, obtain a copy of the STO's preapproved application. Include a copy of the preapproved application with Form 341. Failure to do so could result in a disallowance of this credit.*

The department will preapprove the credits on a first-come, first-served basis. The preapproval process works as follows:

- Before making the contribution, the taxpayer notifies the STO of the intended amount.
- The STO requests preapproval from the Arizona Department of Revenue.
- The Arizona Department of Revenue preapproves or denies the request within twenty days after it has received the request, and notifies the STO.
- If the request is preapproved, the STO notifies the taxpayer immediately.
- The taxpayer must make the contribution within twenty days of receiving notice from the STO.

## QUALIFIED SCHOOL TUITION ORGANIZATION REQUIREMENTS

*The school tuition organization receiving contributions under this program must be certified pursuant to Chapter 15 of Title 43 at the time of donation.*

*A listing of certified School Tuition Organizations is available at: [www.azdor.gov](http://www.azdor.gov), click on "Tax Credits", then click on "Corporate Tuition Tax Credits", and then click on "School Tuition Organizations Certified to Receive Corporate Donations".*

## Completing the Form

Complete the name and employer identification number section at the top of the form. Indicate the period covered by the taxable year. Include the completed form with the tax return.

**NOTE:** If the entity passing this credit through has a different tax year-end than the taxpayer, the taxpayer may only claim this credit on its tax return for that year. For example, if the entity passing this credit through has a tax year end of February 2017, claim this credit on the taxpayer's 2017 return.

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

## Part 1 – Current Taxable Year's Credit Calculation

### Lines 1 through 10:

- List each STO's name, address in column (a).
- List the credit approval number(s) in column (b).
- List the approved contribution amount in column (c).

### Line 11:

- Add the amounts in column (c) on lines 1 through 10 and enter that amount on line 11.

If contributions are made to more than ten organizations, complete and include additional schedules

### Line 12:

- Corporate partners (only), enter the amount from Form 335-P, line 13. If none, enter "0".

### Line 13:

- Add the amounts entered on lines 11 and 12. Enter the total.

## Part 2 – Available Credit Carryover

Use Part 2 to calculate the taxpayer's total available credit carryover from prior taxable years.

### Lines 14 through 18:

- In column (a), enter the taxable year(s) from which the taxpayer is carrying over the credit
- In column (b), enter the credit originally computed for the taxable year listed in column (a)
- In column (c), enter the amount of the credit from the taxable year which was already used
- In column (d), subtract the amount in column (c) from column (b), enter the difference

### Line 19:

- Add the amounts entered on lines 14 through 18. Enter the total in column(d).

## Part 3 – Total Available Credit

Use Part 3 to calculate the taxpayer's total available credit for this tax year.

### Line 20:

- Partnerships passing through this credit to corporate partners, enter "0".
- Qualified S corporations electing to pass this credit through to individual shareholders, enter "0".
  - To determine if the S corporation qualifies to pass this credit through to its individual shareholders, complete Part 4.

If the S corporation's total contributions to STOs from Form 335 and/or Form 341 exceed \$5,000, the S corporation qualifies, and may elect, to pass this credit through to its individual shareholders.

- All other corporate entities, (C Corporations, exempt organizations subject to corporate income tax on UBTI, or **S corporations claiming this credit at the corporate level**), enter the amount from line 13.

- Also, enter this amount on Form 300, Line 17, column (a).

### Line 21:

- Enter the amount on line 19, column (d). If the amount is "0", enter "0".

- Also, enter this amount on Form 300, line 17, column (b).

### Line 22:

- Add lines 20 and 21, enter the total here. This is the taxpayer's total credit for this tax year.

- Also, enter this amount on Form 300, line 17, column (c).

**Partnerships:** skip Part 4 and proceed to the instructions for completing Form 341-P on page 3.

**S Corporations making the election to pass through this credit, proceed to Part 4.**

## Part 4 – S Corporation Credit Election

Beginning with tax years beginning from and after December 31, 2014, an S corporation may elect to pass this credit through to its individual shareholders.

**NOTE:** *Trusts and estates which are shareholders of S corporations, are not eligible to claim this credit. However, as S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. If the grantor is an individual, he or she may claim his or her share of the credit.*

To pass this credit through to its individual shareholders, the S corporation must have made an aggregate contribution of \$5,000.00 or more on Forms 335 and 341 during the tax year.

### Line 23:

- Enter the total contributions from line 11.

### Line 24:

- Enter the total contributions from Form 341, line 11.

### Line 25:

- Add lines 23 and 24, enter the total here.

### Line 26:

- Is the amount on line 25 greater than, or equal to, \$5,000.00? If yes, check the "Yes" box and continue to line 27. If no, STOP, the S corporation cannot pass this credit to its individual shareholders.

### Line 27:

- If the S corporation wishes to make an irrevocable election to pass this credit through to its individual shareholders, enter the ending date for this tax year, check the box indicating the S corporation is passing this credit through to its individual shareholders, and have this form signed by an officer of the S corporation.

**Proceed to the instructions on page 3 to complete Form 341-S.**



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## Form 341-P, Corporate Partner's Portion of the Credit

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Enter the name of the partnership and employer identification number at the top of Form 341-P. Enter the corporate partner's name, employer identification number, and ownership percentage on the next line. (Each corporate partner is entitled to a *pro-rata* share of the credit, based on its ownership percentage.)

Complete Form 341-P for *each* corporate partner of the partnership.

### Lines 1 through 10:

- Enter the names of the STO(s) in column (a).
- Enter the Credit Approval Number(s) received in column (b).

If contributions are made to more than ten organizations, complete and include additional schedules.

### Line 11:

- Enter the amount of the total current year's contributions from Form 341, Part 1, line 13.

### Line 12:

- Enter the corporate partner's ownership percentage of the partnership.

### Line 13:

- Multiply line 11 by line 12, enter that amount here. This is the corporate partner's portion of this credit.

The partnership must furnish each corporate partner with its completed copy of Form 341-P, including additional schedules as needed.

The corporate partner will enter the amount on Form 341-P, line 13 on its own Form 341, line 12.

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## Form 341-S, S Corporation Individual Shareholder's Portion of the Credit

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Enter the S corporation name and tax identification number at the top of Form 341-S. Enter the individual shareholder's name, social security number, and ownership percentage on the next line. (Each individual shareholder of the S corporation is entitled to a *pro-rata* share of the credit based on his/her ownership percentage.)

Complete Form 341-S for *each* shareholder except for trust or estate shareholders. However, an S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. If the grantor is an individual, he or she may claim his or her share of the credit.

### Lines 1 through 10:

- Enter the names of the STO(s) in column (a).
- Enter the Credit Approval Number(s) received in column (b).

If contributions are made to more than ten organizations, complete and include additional schedules.

### Line 11:

- Enter the amount of the total current year's contributions from Form 341, Part 1, line 13.

### Line 12:

- Enter the shareholder's ownership percentage of the S corporation.

### Line 13:

- Multiply line 11 by line 12, enter that amount here. This is the individual shareholder's portion of this credit.

The S Corporation must furnish each shareholder with their copy of Form 341-S, including additional schedules as needed.

The individual shareholder will use this form to complete Form 341-I.

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For the calendar year 2016 or fiscal year beginning MM/DD/2016 and ending MM/DD/20YY.

Partnership Name	Employer Identification Number
------------------	--------------------------------

**Partnerships:**

- Complete Form 341-P for each corporate partner in the partnership.
- Include a copy of this form with your return.
- Provide a copy of this form to the partner.
- Keep one copy for your records.

**Corporate Partners:**

- Use this form to complete your Form 341.
- Include a copy of this completed form with your Form 341.

Corporate Partner's Name	Employer Identification Number	Ownership Percentage
		%

	(a) School Tuition Organization Name	(b) Credit Approval Number
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		

<b>11</b> Total contributions to school tuition organizations from Form 341, Part 1, line 13 .....	<b>11</b>		00
<b>12</b> Corporate partner's ownership percentage .....	<b>12</b>		%
<b>13</b> Corporate partner's portion of credit: Multiply line 11 by line 12. Enter the amount here and on Form 341, line 12. <b>This is the amount of credit available to the corporate partner</b> .....	<b>13</b>		00

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For the calendar year 2016 or fiscal year beginning MM/DD/2016 and ending MM/DD/20YY.

S Corporation Name	Employer Identification Number
--------------------	--------------------------------

**S Corporations:**

- Complete Form 341-S for each individual shareholder in the S corporation.
- Include a copy of this form with your return.
- Provide a copy of this form to each individual shareholder.
- Keep one copy for your records.

**Individual Shareholders:**

- Use this form to complete your Form 341-I.
- If you file your tax return on a calendar year basis but the corporation files a return for a fiscal year, claim this credit on your tax return for the year in which the corporation's fiscal year ends. For example, if the corporation's tax year ends in February 2017, claim this credit on your 2017 tax return.

Individual Shareholder's Name	Social Security Number	Ownership Percentage %
-------------------------------	------------------------	---------------------------

	(a) School Tuition Organization Name	(b) Credit Approval Number
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		

<b>11</b> Total contributions to school tuition organizations from Form 341, Part 1, line 13 .....	<b>11</b>		00
<b>12</b> Individual shareholder's ownership percentage .....	<b>12</b>		%
<b>13</b> Individual shareholder's portion of credit: Multiply line 11 by line 12. Enter the amount here <i>and on Form 341-I, line 11. This is the amount of credit available to the individual shareholder</i> .....	<b>13</b>		00

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**Credit for Business Contributions by an S Corporation to School Tuition Organizations for Displaced Students or Students with Disabilities - Individual**

*Include with your return.*

For the calendar year 2016 or fiscal year beginning MM,DD,YY 2,0,1,6 and ending MM,DD,YY 2,0,YY.

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 a joint return)	Spouse's Social Security Number

**Part 1 School Tuition Organization Information**

Check if you are claiming a pro rata credit from more than one S corporation. Complete and include a separate Part 1 for each additional S corporation.

**I am claiming a credit for my pro rata share of contributions made by the S corporation named below to the following school tuition organizations:**

S corporation name: \_\_\_\_\_ EIN: \_\_\_\_\_

If you need more space to list all school tuition organizations for which contributions were made by the S corporations identified above, complete an additional schedule and include it with the credit form.

	(a) School Tuition Organization Name	(b) Credit Approval Number	
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
11	Amount of individual shareholder's pro rata share of qualified contributions made to school tuition organizations from the S corporation listed above .....	11	00

Continued on page 2 →

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

**Part 2 Current Year's Credit**

12 Current year's credit: Enter the amount from Part 1, line 11. If you are claiming a current year's credit from more than one S corporation, include the amount(s) on line 11 from each additional Part 1 schedule and enter the total.....	<b>12</b>	00
---	-----------	----

**Part 3 Available Credit Carryover**

	(a) Taxable Year from which you are carrying the credit	(b) Original Credit Amount	(c) Amount Previously Used	(d) Available Carryover: Subtract column (c) from column (b).
13	2015	00	00	00
14				
15				
16				
17				
18	Total Available Carryover: Add lines 13 through 17, column (d) .....			00

**Part 4 Total Available Credit**

19 Current year's credit: Enter the amount from Part 2, line 12. Also, enter this amount on <i>Arizona Form 301, Part 1, line 24, column (a)</i> .....	<b>19</b>	00
20 Available credit carryover from Part 3, line 18, column (d). Also, enter this amount on <i>Arizona Form 301, Part 1, line 24, column (b)</i> .....	<b>20</b>	00
21 Total Available Credit: Add line 19 and line 20. Also, enter this amount on <i>Arizona Form 301, Part 1, line 24, column (c)</i> .....	<b>21</b>	00



# 2016 Credit for Business Contributions by an S Corporation to School Tuition Organizations for Displaced Students or Students with Disabilities - Individual

**Arizona Form  
341-I**

## 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 tax a 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

**NOTE:** You *must* also complete Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture, and include Forms 301 and 341-I with your tax return to claim this credit.

Arizona law allows an individual shareholder to claim a nonrefundable tax credit for the pro rata amount of contributions made by an S Corporation to a school tuition organization.

The S corporation must make an irrevocable election on Arizona Form 341, *Credit for Contributions to School Tuition Organization for Displaced Students or Students with Disabilities*, to pass-through the credit to its individual shareholder(s). The S corporation making the election should give you an Arizona Form 341-S, *Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students with Disabilities - Distribution to Shareholders of an S corporation*, indicating your *pro rata* share of the available credit for the taxable year. The amount of the allowable credit you may claim is reported on Form 341-S.

An individual shareholder may claim a corporate private school tuition credit passed through from an S corporation even if the individual has already claimed the maximum amount allowed under the two individual private school tuition credits (Arizona Forms 323 and 348). The corporate private school tuition credits passed through from an S corporation are different credits that are not subject to the limitations under the two individual private school tuition credits.

**NOTE: Individual Shareholders of an S Corporation with a Fiscal Year-End** - If you file your tax return on a calendar year basis, but the corporation files a return for a fiscal year, claim the credit on your tax return for the year in which the corporation's fiscal year ends. For example, if the corporation's tax year ends in February 2017, claim the credit on your 2017 tax return.

Co-owners of the S corporation may each claim the pro rata share of the credit allowed based on the taxpayers ownership interest. The total of the credits allowed all owners of the corporation may not exceed the amount that would have been allowed a sole owner of the business.

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

You cannot claim both a tax credit and an Arizona itemized deduction for the amount of contributions made to a school tuition organization for which you are claiming a credit.

**NOTE:** This tax credit is not allowed if the S corporation or a shareholder designates the contribution to the school tuition organization for the direct benefit of any dependent of a shareholder of the corporation claiming a credit under this section or if the corporation or a shareholder designates a student beneficiary as a condition of the contribution to the school tuition organization.

The tax credit is not allowed if the S corporation or a shareholder, with the intent to benefit a shareholder's dependent, agrees with one or more other taxpayers to designate reciprocal contributions to school tuition organizations for the direct benefit of the other taxpayer's dependent.

## Specific Instructions

Type or print your name and taxpayer identification number section at the top of the form. Indicate the period covered by the taxable year. Include the completed form with the income tax return.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for an individual is the taxpayer's Social Security Number (SSN) or an Internal Revenue Service (IRS) individual taxpayer identification number (ITIN). Taxpayers that fail to include their identification number may be subject to a penalty.

## Part 1 - School Tuition Organization Information

**NOTE:** If you are claiming a pro rata credit from more than one S corporation, check the box in Part 1. Complete and include a separate Part 1 for each S corporation.

In the space provided, enter the S corporation's name and employer identification number (EIN) for which you are claiming a *pro rata* credit for contributions made during the taxable year.

**Lines 1 through 10 -**

On lines 1 through 10, enter the name and credit approval number for **all** school tuition organizations the S corporation made a contribution to for which you are claiming a *pro rata* credit for the current taxable year.

This information is shown on page 1 of the S corporation's Arizona Form 341-S.

If you need additional space to list **all** school tuition organizations for which contributions were made by a specific S corporation, include a separate schedule showing the names and credit approval number for each and include with the form.

**Line 11 - Taxpayer's *pro rata* share of contributions made by the S corporation named in Part 1**

Enter the amount from the S corporation's Arizona Form 341-S, line 13.

**Part 2 - Current Year's Credit**

**Line 12 -**

Enter the amount of your *pro rata* share of the contributions made to the school tuition organizations listed in Part 1.

If you are claiming a *pro rata* credit from more than one S corporation, add all amounts on line 11 from each separate Part 1, and enter the total.

**Part 3 - Available Credit Carryover**

**Lines 13 through 18 -**

- Complete Part 3, lines 13 through 18 to figure your available credit carryover from taxable year 2015 if you claimed this credit and the credit was more than your tax. In column (b) enter the credit originally computed for that taxable year listed in column (a).
- In column (c) enter the amount of the credit from that taxable year which you have already used.
- Subtract the amount in column (c) from column (b) and enter the difference in column (d).

Enter the total on line 18, column (d).

**Part 4 - Total Available Credit**

**Line 19 -**

Enter the amount from Part 2, line 12. Also, enter this amount on Form 301, Part 1, line 24, column (a).

**Line 20 -**

Enter the amount from Part 3, line 18, column (d). Also, enter this amount on Form 301, Part 1, line 24, column (b).

**Line 21 - Total Available Credit**

Enter the amount from line 19. Enter the total. Also, enter this amount on Form 301, Part 1, line 24, column (c).

*Include this completed form and the Certification of Qualification from the Arizona Commerce Authority with your return.*

For the calendar year 2016 or fiscal year beginning MM,MM,DD,20,1,6 and ending MM,MM,DD,20,YY.

Name as shown on Form 140, 140PY, 140NR, 140X, 99T, 120, 120A, 120S, 120X, or 165	Social Security or Employer Identification Number
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**Part 1 Listing of Post-Approved Renewable Energy Operations and Apportioned Credit Amount**

List renewable energy operations for which you are entitled to claim a credit during this taxable year. If you have more than two operations, include additional schedules. See instructions.

(a) Arizona Commerce Authority Post-Approval Information			(b) Apportioned Credit Amount	
(a)1 Allocation Year	(a)2 Post-Approval Date	(a)3 Post-Approval Number		
1	YYYY	MM DD YYYY		00
2	YYYY	MM DD YYYY		00
3	Aggregate total from all additional schedules.....		<b>3</b>	00
4	TOTAL: Add lines 1 through 3 .....		<b>4</b>	00

**Part 2 Credit Recapture**

5 Date on which the Certification of the business as a renewable energy industry was terminated or revoked.....	5	MM,MM,DD,YYYY
6 Total recapture of apportioned credit for renewable energy industry: Full amount of credits previously claimed or passed through to S corporation shareholders or partners of a partnership. Enter the amounts from Part 1, column (b) on Form 342 for the tax years prior to the date on line 5. If more than one Certification has been terminated or revoked, enter the aggregate amount.....	6	00

**Part 3 S Corporation Credit Election and Shareholder's Share of Credit and Credit Recapture**

7 The S corporation has made an irrevocable election for the taxable year ending MM,MM,DD,YYYY to **(check only one box):**

Claim the credit for renewable energy industry as shown on Part 1, line 4 (for the taxable year mentioned above);

**OR**

Pass the credit for renewable energy industry as shown on Part 1, line 4 (for the taxable year mentioned above) through to its shareholders.

Signature \_\_\_\_\_ Title \_\_\_\_\_ Date \_\_\_\_\_

If passing the credit through to the shareholders, complete lines 8 through 10 separately for each shareholder. If passing credit recapture through to the shareholders, complete line 11 separately for each shareholder. Furnish each shareholder with a copy of the Certification from Commerce and pages 1 and 2 of Form 342.

8 Name of shareholder: \_\_\_\_\_

9 Shareholder's TIN: \_\_\_\_\_

10 Shareholder's share of the apportioned credit for renewable energy industry from Part 1, line 4.....	10		00
11 Shareholder's share of the credit recapture from Part 2, line 6 .....	11		00

Continued on page 2 →

Name (as shown on page 1)	TIN
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**Part 4 Partner's Share of Credit and Credit Recapture**

Complete lines 12 through 14 separately for each partner. If passing credit recapture through to the partners, complete line 15 separately for each partner. Furnish each partner with a copy of the Certification from Commerce and pages 1 and 2 of Form 342.

12 Name of partner: \_\_\_\_\_

13 Partner's TIN: \_\_\_\_\_

14 Partner's share of the apportioned credit for renewable energy industry from Part 1, line 4.....	<b>14</b>	00
15 Partner's share of the credit recapture from Part 2, line 6 .....	<b>15</b>	00

**Part 5 Credit Recapture Summary**

16 Enter the taxable year(s) in which you took a credit for a business as a renewable energy industry whose Certification has been terminated or revoked:

\_\_\_\_\_

- 17 Enter the total amount of credit originally claimed on prior returns:
- *Individuals, corporations, S corporations, and exempt organizations with UBTI:*  
Enter the amount from Part 2, line 6.
  - *S corporation shareholders:* Enter the amount from Part 3, line 11.
  - *Partners of a partnership:* Enter the amount from Part 4, line 15.
  - *Corporations, S corporations, and exempt organizations with UBTI:* Also enter this amount on Form 300, Part 2, line 28.
  - *Individuals:* Also enter this amount on Form 301, Part 2, line 37.....

<b>17</b>		00
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**Part 6 Total Apportioned Credit Claimed This Taxable Year**

- 18 Total apportioned credit for renewable energy industry:
- *Individuals, corporations, S corporations, or exempt organizations with UBTI:* Enter the amount from Part 1, line 4.
  - *S corporation shareholders:* Enter the amount from Part 3, line 10.
  - *Partners of a partnership:* Enter the amount from Part 4, line 14.
  - *Corporations:* Also enter this amount on Form 120, line 22; or Form 120A, line 14; or Form 120X, line 22.
  - *Exempt organizations with UBTI:* Also enter this amount on Form 99T, line 12.
  - *S corporations:* Also enter this amount on Form 120S, line 18.
  - *Individuals:* Also enter this amount on Form 140, line 57; or Form 140NR, line 64; or Form 140PY, line 68; or Form 140X, line 43.....

<b>18</b>		00
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**2016 Credit for Renewable Energy Industry**

**CONTACTS FOR RENEWABLE ENERGY INDUSTRY  
TAX INCENTIVES PROGRAM**

**Arizona Commerce Authority**

•Application forms •Program guidelines  
*Website:* **www.azcommerce.com**  
 Program Manager (602) 845-1200

**Arizona Department of Revenue**

•Tax forms and instructions •Information and assistance  
*Website:* **www.azdor.gov**  
 Taxpayer assistance (602) 255-3381  
 From area codes 520 and 928, toll-free (800) 352-4090

**General Instructions**

*Arizona Revised Statutes (A.R.S.) §§ 43-1083.01 and 43-1164.01* provide refundable individual and corporate income tax credits for expanding or locating qualified renewable energy operations in this state. "Renewable energy operations" are limited to manufacturers of, and headquarters for, systems and components that are used or useful in manufacturing renewable energy equipment for the generation, storage, testing and research and development, transmission or distribution of electricity from renewable resources, including specialized crates necessary to package the renewable energy equipment manufactured at the facility. The credit is effective for taxable years beginning from and after December 31, 2009 through December 31, 2019.

The credit is up to 10 percent of the taxpayer's total capital investment in Arizona. The credit is apportioned and claimed in five equal annual installments in each of five consecutive taxable years.

The credit for renewable energy industry is in lieu of the following credits, with respect to the same employment positions:

- The credit for new employment, claimed on Arizona Form 345; and
- The military reuse zone credit, claimed on Arizona Form 306.

To claim the credit for renewable energy industry, a renewable energy business must apply for and receive pre-approval from the Arizona Commerce Authority (Commerce). Commerce cannot preapprove income tax credits for any one taxpayer in excess of \$30 million in any calendar year. Commerce cannot pre-approve income tax credits in excess of \$70 million annually between this credit (for Renewable Energy Industry), and the credit for qualified facilities claimed on Arizona Form 349.

Once pre-approval is received, the renewable energy business must incur at least \$250,000 in qualifying investment within 12 months of pre-approval.

The tax year of pre-approval determines the "allocation year". The allocation year is the calendar year to which the credit was applied to the annual credit cap.

The renewable energy business must enter into a managed review with Commerce prior to applying for post-approval.

The renewable energy business must obtain post-approval from Commerce prior to claiming the credit. The first fifth

of the apportioned credit is claimed on the tax return that includes the post-approval date.

For example, Company A, a renewable energy business, is a calendar year filer. Company A received pre-approval from Commerce for renewable energy operations on March 10, 2014, and received its post-approval on March 16, 2015. Because Company A completed everything necessary to earn the credit in calendar year 2015, the first fifth of the credit must be claimed on the tax return for calendar year 2015.

**NOTE:** *Each fifth of the credit for renewable energy industry must be claimed on a timely filed original income tax return, including extensions. The credit may not be claimed on an amended return. Failing to claim the apportioned credit on a timely filed return will result in loss of the apportioned credit for that taxable year.*

The amount of the credit for renewable energy industry a taxpayer may claim can never exceed the amount that is on the post-approval from Commerce.

**NOTE:** *The renewable energy business must submit a copy of the Certification of Qualification (Certification) from Commerce with Form 342 when claiming the credit.*

Co-owners of a business, including partners in a partnership and shareholders of an S corporation, may each claim only the pro rata share of the apportioned credit based on ownership interest. The total of the apportioned credits allowed to all such owners may not exceed the amount that would have been allowed for a sole owner of the business.

The credit is available to an exempt organization that is subject to corporate income tax on unrelated business taxable income (UBTI). The credit must result from the activities that generate UBTI.

**Credit Recapture**

During the pre-approval process with Commerce, the applicant must consent to adjustment or recapture of the income tax credit in the case of noncompliance with *A.R.S. § 41-1511*.

If, within five taxable years after first receiving the credit for renewable energy industry, the Certification is rescinded by Commerce, the taxpayer is disqualified from the apportioned credits for subsequent taxable years and may be subject to recapture.

On a determination that the taxpayer has committed fraud or relocated outside of this state within five taxable years of first receiving a credit, all credits previously allowed are subject to recapture.

The recapture of the credit is computed by increasing the amount of taxes imposed in the year following the year of termination or revocation by the full amount of all credits previously allowed.

**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 form with the tax return.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN).

The TIN for a corporation, an exempt organization with UBTI, an S corporation, or a partnership is the taxpayer's employer identification number. The TIN for an individual is the taxpayer's social security number or an Internal Revenue Service individual taxpayer identification number. A taxpayer that fails to include its TIN may be subject to a penalty.

### **Part 1 - Listing of Post-Approved Renewable Energy Operations and Apportioned Credit Amount**

#### **Lines 1 through 4 -**

In Part 1, list renewable energy operations that Commerce has post-approved and that have apportioned credit amounts that are eligible to be claimed on this year's tax return. The first fifth of the credits for renewable energy industry is to be claimed on the tax return that includes the post-approval date and must be filed timely, including extensions.

Write the allocation year in column (a)1. The allocation year is the calendar year to which the credit was applied to the annual credit cap. This date will be noted on the post-approval document received from Commerce. Commerce has assigned each operation a priority placement number, which should be the same on both pre-approval and post-approval documents. List this number in column (a)3. Enter the apportioned credit amount per the post-approval document in column (b).

If you do not have enough lines on the form to enter all of the apportioned credits required to be claimed this tax year, include a schedule that shows all of the information Part 1 requires. Enter the total apportioned credit amounts from all included schedules on line 3. Add lines 1 through 3, and enter the total on line 4. This is the total apportioned credit for renewable energy industry for this year.

### **Part 2 - Credit Recapture**

#### **Lines 5 and 6 -**

On line 5, list the date on which the Certification of the renewable energy business was terminated or revoked. On line 6, enter the full amount of apportioned credits previously claimed.

### **Part 3 - S Corporation Credit Election and Shareholder's Share of Credit and Credit Recapture**

#### **Lines 7 through 11 -**

S corporations must complete this portion of Form 342 in order for the S corporation or its shareholders to claim the credit. The S corporation must make an irrevocable election either to claim this taxable year's apportioned credit or to pass this taxable year's apportioned credit through to its shareholders. The election statement must be signed by one of the officers of the S corporation who is also a signatory to Arizona Form 120S.

If the S corporation elects to pass this year's apportioned credit through to its shareholders, it must first complete Form 342, Part 1, then complete Part 3, lines 8 through 10, separately for each shareholder. Each S corporation shareholder is entitled to only a pro rata share of pass-through credit based on

ownership interest in the S corporation. The total of the credits allowed to all shareholders may not exceed the amount that would have been allowed for a sole owner.

If the S corporation has been notified of a credit recapture for a credit it passed through to its shareholders, it must also complete Part 2 and then Part 3, line 11, separately for each shareholder.

The S corporation must furnish each shareholder with a copy of the Certification from Commerce and pages 1 and 2 of Form 342. Each shareholder would then complete Part 5, if applicable, and Part 6.

### **Part 4 - Partner's Share of Credit and Credit Recapture**

#### **Lines 12 through 15 -**

A partnership must complete Form 342, Part 1, then complete Part 4, lines 12 through 14, separately for each partner.

Each partner is entitled to only a pro rata share of the credit based on the partner's ownership interest in the partnership. The total of the credits allowed to all partners may not exceed the amount that would have been allowed for a sole owner.

If the partnership has been notified of a credit recapture, it must also complete Part 2 and then Part 4, line 15, separately for each partner.

The partnership must furnish each partner with a copy of the Certification from Commerce and pages 1 and 2 of Form 342. Each partner would then complete Part 5, if applicable, and Part 6.

### **Part 5 - Credit Recapture Summary**

Complete Part 5 as instructed on the form.

### **Part 6 - Total Apportioned Credit Claimed This Taxable Year**

#### **Line 18 -**

Enter the current year's apportioned credit for renewable energy industry.

*Individuals, corporations (including S corporations that elected to claim the credit), and exempt organizations with UBTI* - enter the amount from Part 1, line 4.

*S corporation shareholders* - enter the amount from Part 3, line 10.

*Partners of a partnership* - enter the amount from Part 4, line 14.

Also enter this amount and check the box for Form 342 on your tax return.

*Individuals* - enter the amount on Arizona Form 140, line 57; or Arizona Form 140NR, line 64; or Arizona Form 140PY, line 68; or Arizona Form 140X, line 43.

*Corporations* - enter the amount on Arizona Form 120, line 22; or Form 120A, line 14; or Form 120X, line 22.

*Exempt organizations with UBTI* - enter the amount on Arizona Form 99T, line 12.

*S corporations* - enter the amount on Arizona Form 120S, line 18.

**Include 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 140, 140PY, 140NR, 140X, 99T, 120, 120A, 120S, 120X, or 165	Social Security or Employer Identification Number
---	---

**Part 1 Qualification for and Current Taxable Year's Credit**

1 Did you receive a Certificate from the Arizona Department of Revenue? ..... <input type="checkbox"/> Yes <input type="checkbox"/> No If "Yes", include a copy of the Certificate. If "No", skip line 2.		
2 Enter the credit amount on the Certificate from the Arizona Department of Revenue for this taxable year .....	<b>2</b>	00
3 Did an entity from which you are claiming a pass through renewable energy production tax credit receive a Certificate from the Arizona Department of Revenue?..... <input type="checkbox"/> Yes <input type="checkbox"/> No If "Yes", include a copy of the Certificate. If "No", skip line 4 and line 5.		
4 Enter the name of the entity that received the Certificate from the Arizona Department of Revenue and its identification number. Be sure to include a copy of the Certificate. Name: _____ TIN: _____		
5 Enter your share of the credit amount on the Certificate from the Arizona Department of Revenue for this taxable year. See instructions.....	<b>5</b>	00
<b>6 Total Credit:</b> Add line 2 and line 5 and enter the total. <b>This is your current year's renewable energy production tax credit.</b> .....	<b>6</b>	00

**Part 2 S Corporation Credit Election and Shareholder's Share of Credit**

7 The S corporation has made an irrevocable election for the taxable year ending MM,DD,YY to (check only one box):

Claim the renewable energy production tax credit as shown on Part 1, line 6 (for the taxable year mentioned above);

**OR**

Pass the renewable energy production tax credit as shown on Part 1, line 6 (for the taxable year mentioned above) through to its shareholders.

Signature \_\_\_\_\_ Title \_\_\_\_\_ Date \_\_\_\_\_

If passing the credit through to the shareholders, complete lines 8 through 10 separately for each shareholder. Also complete line 11 or line 12, as applicable, separately for each shareholder. Provide a copy of the Certificate to each shareholder. Furnish each shareholder with a copy of pages 1 and 2 of Form 343.

8 Name of shareholder: _____		
9 Shareholder's TIN: _____		
10 Shareholder's share of the renewable energy production tax credit on Part 1, line 6 .....	<b>10</b>	00
11 Shareholder's share of the amount on Part 1, line 2 .....	<b>11</b>	00
12 Shareholder's share of the amount on Part 1, line 5 .....	<b>12</b>	00

**Part 3 Partner's Share of Credit**

Complete lines 13 through 15 separately for each partner. Also complete line 16 or line 17, as applicable, separately for each partner. Provide a copy of the Certificate to each partner. Furnish each partner with a copy of pages 1 and 2 of Form 343.

13 Name of partner: _____		
14 Partner's TIN: _____		
15 Partner's share of the renewable energy production tax credit on Part 1, line 6 .....	<b>15</b>	00
16 Partner's share of the amount on Part 1, line 2 .....	<b>16</b>	00
17 Partner's share of the amount on Part 1, line 5 .....	<b>17</b>	00

Name (as shown on page 1)	TIN
---------------------------	-----

**Part 4 Available Credit Carryover**

	(a) Taxable Year	(b) Original Credit Amount	(c) Amount Previously Used	(d) Available Carryover: Subtract column (c) from column (b).		
18		00	00		00	
19		00	00		00	
20		00	00		00	
21		00	00		00	
22		00	00		00	
23	Total Available Carryover: Add lines 18 through 22 in column (d) .....				<b>23</b>	00

**Part 5 Total Available Credit**

<b>24</b>	Current year's credit: <ul style="list-style-type: none"> <li>Individuals, corporations, S corporations claiming this credit at the corporate level, or exempt organizations with UBTI: Enter the amount from Part 1, line 6.</li> <li>S corporation shareholders: Enter the amount from Part 2, line 10.</li> <li>Partners of a partnership: Enter the amount from Part 3, line 15.</li> <li>Individuals: Also enter this amount on Form 301, Part 1, line 25, column (a).</li> <li>Corporations, S corporations, and exempt organizations with UBTI: Also enter this amount on Form 300, Part 1, line 18, column (a).....</li> </ul>	<b>24</b>	00
<b>25</b>	Available credit carryover from Part 4, line 23, column (d): <ul style="list-style-type: none"> <li>Individuals: Also enter this amount on Form 301, Part 1, line 25, column (b).</li> <li>Corporations, S corporations claiming this credit at the corporate level, or exempt organizations with UBTI: Also enter this amount on Form 300, Part 1, line 18, column (b).....</li> </ul>	<b>25</b>	00
<b>26</b>	<b>Total available credit:</b> Add lines 24 and 25 and enter the total here. <ul style="list-style-type: none"> <li>Individuals: Also enter this amount on Form 301, Part 1, line 25, column (c).</li> <li>Corporations, S corporations claiming this credit at the corporate level, or exempt organizations with UBTI: Also enter this amount on Form 300, Part 1, line 18, column (c).....</li> </ul>	<b>26</b>	00



**2016 Renewable Energy Production Tax Credit**

**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**

*Arizona Revised Statutes §§ 43-1083.02 and 43-1164.03* provide nonrefundable individual and corporate income tax credits for production of electricity by a qualified energy generator that produces electricity using a qualified energy resource.

“Qualified energy generator” means a facility that has at least five megawatts generating capacity, that is located on land in Arizona owned or leased by the taxpayer, that produces electricity using a qualified energy resource and that sells electricity to an unrelated entity, unless the electricity is sold to a public service corporation.

“Qualified energy resource” means a resource that generates electricity through the use of only: solar light, solar heat, wind or biomass.

The qualified energy generator must first produce electricity from and after December 31, 2010, and before January 1, 2021. The credit is effective for taxable years beginning from and after December 31, 2010.

The Department of Revenue (Revenue) will certify credits on a first-come, first-served basis. The entity that holds title to the qualified energy generator must apply between January 2 and January 31 of the year following the calendar year of production. Fiscal year taxpayers will claim the credit on the return for the taxable year in which the calendar year ends.

The amount of total credits Revenue may allow cannot exceed \$20 million in any calendar year. The amount of credit per facility is limited to \$2 million per calendar year, for up to 10 consecutive calendar years. The amount of the credit is based on electricity produced, the qualified energy resource used, the year of production, and Revenue certification.

Revenue will issue a Certificate of Renewable Energy Production Tax Credit (Certificate) to the applicant if it is certified to claim the tax credit. Each taxpayer must include a copy of the Certificate with the return.

Co-owners of a business, including partners in a partnership and shareholders of an S corporation, may each claim only the *pro rata* share of the credit allowed based on the ownership interest. The total of the credits allowed all such owners may not exceed the amount that would have been allowed for a sole owner of the business.

The credit is available to an exempt organization that is subject to corporate income tax on unrelated business taxable income (UBTI). The credit must result from the activities that generate UBTI.

The unused portion of this tax credit may be carried forward for five succeeding taxable years.

For more information regarding this credit, review the program guidelines developed by Revenue, available at [www.azdor.gov](http://www.azdor.gov) on the Tax Credits page.

**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 form with the tax return.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for a corporation, an exempt organization with UBTI, an S corporation, or a partnership is the taxpayer's employer identification number. The TIN for an individual is the taxpayer's social security number or an Internal Revenue Service individual taxpayer identification number. A taxpayer that fails to include its TIN may be subject to a penalty.

**Part 1 - Qualification for and Current Taxable Year's Credit**

**Line 1 -**

If the taxpayer received a Certificate from Revenue, check the “Yes” box. Otherwise, check the “No” box and skip line 2.

**Line 2 -**

If you checked the “Yes” box on line 1, enter the amount of credit for calendar year 2016 on your Certificate from Revenue. Fiscal year taxpayers will claim the credit on the return for the taxable year in which the calendar year ends. Be sure to include a copy of your Certificate.

**Line 3 -**

If an entity from which you are claiming a pass through renewable energy production tax credit received a Certificate from Revenue, check the “Yes” box. Otherwise, check the “No” box, and skip line 4 and line 5.

If you checked the “No” box for both line 1 and line 3, do not file Form 343, unless you have carryovers from prior years.

**Line 4 -**

If you checked the “Yes” box on line 3, enter the name of the entity that received the Certificate from Revenue and its taxpayer identification number on line 4.

**Line 5 -**

If you checked the “Yes” box on line 3, enter your share of the credit for taxable year 2016.

**Line 6 -**

Enter the total of line 2 and line 5. This is your current taxable year's total renewable energy production tax credit.

**Part 2 - S Corporation Credit Election and Shareholder's Share of Credit**

**Line 7 - S Corporation Credit Election**

S corporations must complete line 7. The S corporation must make an irrevocable election to either claim the current taxable year credit or pass the credit through to its shareholders. The election

statement must be signed by one of the officers of the S corporation who is also a signatory to Arizona Form 120S. If the S corporation elects to claim the credit itself, it can skip lines 8 through 12 and complete Part 4 and Part 5.

### Lines 8 through 12 -

If an S corporation elects to pass the credit through to its shareholders, it must also complete lines 8 through 10. If the S corporation received a Certificate from Revenue, it must also complete line 11. If the S corporation received a credit passed through from a partnership, and the partnership received a Certificate from Revenue, the S corporation must also complete line 12.

After the S corporation completes Part 1, it must complete Part 2, lines 8 through 10, separately for each shareholder. The S corporation must also complete line 11 and/or line 12, as applicable, separately for each shareholder.

Each S corporation shareholder is entitled to only a *pro rata* share of pass through credit based on ownership interest in the S corporation. The total of the credit allowed to all shareholders may not exceed the amount that would have been allowed for a sole owner.

The S corporation must furnish each shareholder with a copy of the Certificate and pages 1 and 2 of Form 343. Each shareholder would then complete Part 4 and Part 5.

**NOTE:** *Taxpayers who are partners or shareholders in multiple entities receiving the renewable energy production tax credit must create a schedule detailing the amount of the credit passed through from each partnership or S corporation, and include the schedule with their tax returns.*

### Part 3 - Partner's Share of Credit

Partnerships must complete Form 343, Part 1. The partnership must complete Part 3, lines 13 through 17, separately for each partner.

Each partner is entitled to only a *pro rata* share of the credit based on the partner's ownership interest in the partnership. The total of the credit allowed to all partners may not exceed the amount that would have been allowed for a sole owner.

The partnership must furnish each partner with a copy of the Certificate and pages 1 and 2 of Form 343. Each partner would then complete Part 4 and Part 5.

**NOTE:** *Taxpayers who are partners or shareholders in multiple entities receiving the renewable energy production tax credit must create a schedule detailing the amount of the credit passed through from each partnership or S corporation, and include the schedule with their tax returns.*

### Part 4 - Available Credit Carryover

Use Part 4 to figure your total available credit carryover from prior taxable years. Complete lines 18 through 23, columns (a) through (d), if you claimed the credit on a prior year's return and the credit exceeded your tax liability.

Enter the taxable year(s) from which you are carrying over the credit in column (a) on lines 18 through 22. In column (b), enter the credit originally computed for that taxable year. In column (c), enter the amount of the credit from that taxable year which you have already used. Subtract the amount in column (c)

from the amount in column (b) and enter the difference in column (d). Add the amounts entered on lines 18 through 22 in column (d). Enter the total on line 23, column (d). This is the total credit carryover available for the current taxable year.

### Part 5 - Total Available Credit

**NOTE:** *If you are claiming this credit as a credit you earned, AND are claiming this credit as a pass through credit from a partnership or S corporation, add the amount you earned to the amount passed through to you. Enter the total on line 24.*

#### Line 24 -

Enter the current year's credit.

*Individuals, corporations (including S corporations that elected to claim the credit at the corporate level), and exempt organizations with UBTI* - enter the amount from Part 1, line 6.

*S corporation shareholders* - enter the amount from Part 2, line 10.

*Partners of a partnership* - enter the amount from Part 3, line 15.

*Individuals* - enter the total here and on Form 301, Part 1, line 25, column (a).

*Corporations (including S corporations that elected to claim the credit at the corporate level), and exempt organizations with UBTI* - enter the total here and on Form 300, Part 1, line 18, column (a).

#### Line 25 -

Enter the available credit carryover from prior years from Part 4, line 23, column (d).

*Individuals* - enter the total here and on Form 301, Part 1, line 25, column (b).

*Corporations (including S corporations that elected to claim the credit at the corporate level), and exempt organizations with UBTI* - enter the total here and on Form 300, Part 1, line 18, column (b).

#### Line 26 -

Add line 24 and line 25. This is the total available renewable energy production tax credit that may be applied to the current year's tax liability.

*Individuals* - enter the total here and on Form 301, Part 1, line 25, column (c).

*Corporations (including S corporations that elected to claim the credit at the corporate level), and exempt organizations with UBTI* - enter the total here and on Form 300, Part 1, line 18, column (c).

**Include 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 140, 140PY, 140NR, 140X, 99T, 120, 120A, 120S, 120X, or 165

Social Security or  
Employer Identification Number

**Part 1 Calculation of the Credit**

**Increased Research and Development Related to Solar Liquid Fuel**

1	Wages for qualified services (do not include wages used in figuring the federal work opportunity credit).....	1		00		
2	Cost of supplies .....	2		00		
3	Cost of computers (Rental or lease).....	3		00		
4	Contract research expenses. See instructions.....	4		00		
5	Total research expenses. Add lines 1 through 4. Enter the total .....	5		00		
6	Research expenses included on lines 1 through 4 related to solar liquid fuel that will be claimed on Arizona Form 308, Arizona Form 308-I or Arizona Form 346.....	6		00		
7	Total qualified research expenses. Subtract line 6 from line 5. Enter the difference .....	7				00
8	Average annual Arizona gross receipts. See instructions .....	8		00		
9	Fixed-base percentage [not more than 16% (.1600)]. See instructions .....	9	.			
10	Base amount. Multiply line 8 by the percentage on line 9. Enter the result.....	10				00
11	Subtract line 10 from line 7. If less than zero, enter zero .....	11				00
12	Multiply line 7 by 50% (.50). Enter the result.....	12				00
13	Enter the lesser of line 11 or line 12 .....	13				00
14	Multiply line 13 by 40% (.40). Enter the result.....	14				00
15	Enter the total amount of the research and development for solar liquid fuel credit passed through to you from Form 344-P, Part 2, line 4 and/or Form 344-S, Part 2, line 4. If you received this credit from more than one Form 344-P and/or Form 344-S, total the amounts from line 4 of all forms and enter the total here .....	15				00
16	Add line 14 and line 15. Enter the total here. <b>This is the total amount of the current year's research and development credit for solar liquid fuel.</b> <ul style="list-style-type: none"> <li>Partnerships: Enter this amount on Form 344-P, Part 2, line 3.</li> <li>S corporations making the election to pass this credit through to shareholders: Enter this amount on Form 344-S, Part 2, line 3.</li> <li>All others: Enter this amount on Part 2, line 31 .....</li> </ul>	16				00

**Production of Solar Liquid Fuel**

17	Enter the amount of solar liquid fuel you produced in commercial quantities in Arizona this taxable year. Enter the amount produced in British Thermal Units (BTU's).....	17				
18	Divide the amount on line 17 by 100,000 and enter the result here .....	18				
19	Multiply the amount on line 18 by \$0.11. Enter the result.....	19				00
20	Enter the amount of the credit for production of solar liquid fuel passed through to you from Form 344-P, Part 2, line 6 and/or Form 344-S, Part 2, line 6. If you received this credit from more than one Form 344-P and/or Form 344-S, add the amounts from line 6 of all forms, and enter the total here .....	20				00
21	Add line 19 and line 20. Enter the total here. <b>This is the total amount of the credit for solar liquid fuel production.</b> <ul style="list-style-type: none"> <li>Partnerships: Enter this amount on Form 344-P, Part 2, line 5.</li> <li>S corporations making the election to pass this credit through to shareholders: Enter this amount on Form 344-S, Part 2, line 5.</li> <li>All others: Enter this amount on Part 2, line 32 .....</li> </ul>	21				00

Continued on page 2 →

Name (as shown on page 1)	TIN
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**Converting or Modifying Existing Motor Vehicle Fuel Service Stations (Delivery)**

<b>22</b> Enter the number of existing motor vehicle fuel service stations converted or modified for the retail sale of solar liquid fuel during the taxable year .....	<b>22</b>		
On lines 23 through 25, enter the information for <i>each</i> motor vehicle fuel service station that was converted or modified for the sale of solar liquid fuel during the taxable year. (If more than three service stations were converted or modified, include a separate schedule providing this information.)			
(a) Service Station Name and Address (Street, City, State, ZIP Code)	(b) Costs Incurred	(c) Multiply column (b) by 30%	(d) Enter the lesser of column (c) or \$20,000
<b>23</b>	\$ 00	\$ 00	\$ 00
<b>24</b>	\$ 00	\$ 00	\$ 00
<b>25</b>	\$ 00	\$ 00	\$ 00
<b>26</b> Add the amounts in column (d) of lines 23, 24 and 25. Enter the total here .....			<b>26</b> 00
<b>27</b> If you are claiming this credit for more than three (3) motor vehicle service stations, include a separate schedule providing the same information. Enter the total for all additional other motor vehicle service stations modified or converted here.....			<b>27</b> 00
<b>28</b> Add line 26 and line 27. Enter the total.....			<b>28</b> 00
<b>29</b> Enter the amount of the credit for converting or modifying existing motor vehicle fuel service stations passed through to you from Form 344-P, Part 2, line 8 and/or Form 344-S, Part 2, line 8. If you received this credit from more than one Form 344-P and/or Form 344-S, add the amounts from line 8 of all forms, and enter the total here.....			<b>29</b> 00
<b>30</b> Add line 28 and line 29. Enter the total. <b>This is the converting or modifying motor vehicle service stations for solar liquid fuel credit.</b>			<b>30</b> 00
<ul style="list-style-type: none"> <li>• <i>Partnerships</i>: Enter this amount on Form 344-P, Part 2, line 7.</li> <li>• <i>S corporations making the election to pass this credit through to shareholders</i>: Enter this amount on Form 344-S, Part 2, line 7.</li> <li>• <i>All others</i>: Enter this amount on Part 2, line 33.....</li> </ul>			

**Part 2 Total Credit Available**

<b>31</b> Enter the total amount of the research and development credit for solar liquid fuel: <ul style="list-style-type: none"> <li>• <i>Individuals, corporations, including S corporations electing to claim this credit at the corporate level, and exempt organizations with UBTI</i>: Enter the amount from Part 1, line 16.</li> <li>• <i>Partnerships</i>: Enter "0".</li> <li>• <i>S corporations electing to pass this credit through to its shareholders</i>: Enter "0" .....</li> </ul>	<b>31</b>		00
<b>32</b> Enter the total amount of the production credit for solar liquid fuel: <ul style="list-style-type: none"> <li>• <i>Individuals, corporations, including S corporations electing to claim this credit at the corporate level, and exempt organizations with UBTI</i>: Enter the amount from Part 1, line 21.</li> <li>• <i>Partnerships</i>: Enter "0".</li> <li>• <i>S corporations electing to pass this credit through to its shareholders</i>: Enter "0" .....</li> </ul>	<b>32</b>		00
<b>33</b> Enter the total amount of the delivery systems credit for solar liquid fuel: <ul style="list-style-type: none"> <li>• <i>Individuals, corporations, including S corporations electing to claim this credit at the corporate level, and exempt organizations with UBTI</i>: Enter the amount from Part 1, line 30.</li> <li>• <i>Partnerships</i>: Enter "0".</li> <li>• <i>S corporations electing to pass this credit through to its shareholders</i>: Enter "0" .....</li> </ul>	<b>33</b>		00
<b>34</b> Add lines 31, 32, and 33. Enter the total. <b>This is the total credit for solar liquid fuel.</b> <ul style="list-style-type: none"> <li>• <i>Individuals</i>: Also enter this amount on <i>Form 301, Part 1, line 26, column (a) and column (c)</i>.</li> <li>• <i>Corporations, including S corporations claiming this credit at the corporate level, and exempt organizations with UBTI</i>: Also enter this amount on <i>Form 300, Part 1, line 19, column (a) and column (c)</i> .....</li> </ul>	<b>34</b>		00



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**2016 Solar Liquid Fuel Credit**

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**Publications**

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

**General Instructions**

*Arizona Revised Statutes (A.R.S.) §§ 43-1085.01 and 43-1164.02* provide nonrefundable individual and corporate income tax credits for increased research activities related to solar liquid fuel.

"Solar liquid fuel" means liquid fuel that is generated through processes that use sunlight, carbon dioxide and water to produce infrastructure-compatible liquid hydrocarbon fuels.

This credit is available to individuals, corporations, S corporations claiming the credit at the corporate level, and exempt organizations subject to tax on unrelated business taxable income (UBTI). For exempt organizations to claim this credit, the credit must result from activities that generate the UBTI.

Co-owners of a business, including partners in a partnership and shareholders of an S corporation, may each claim only the *pro rata* share of the credit allowed based on the ownership interest. The total of the credits allowed all such owners may not exceed the amount that would have been allowed for a sole owner of the business.

There is no carry forward for the solar liquid fuel credit. This credit must be used on the tax return filed for the taxable year in which the research was conducted.

This credit is composed of three parts:

1. A credit for increased research and development activity related to solar liquid fuel.
2. A credit for the production of solar liquid fuel in Arizona in commercial quantities.
3. A credit for costs incurred during the taxable year to convert or modify existing motor vehicle service stations for the retail sale of solar liquid fuel to customers.

***Increased Research and Development Activity Related to Solar Liquid Fuel***

- This credit is equal to 40 percent (.40) of the amount exceeding the excess, if any, of the qualified research expenses over the base amount defined in section 41(c) of the Internal Revenue Code (IRC).
- Claiming this credit is in lieu of the following credits, with respect to the same expenses:

- The credit for increased research activities claimed on Arizona Form 308-I or Form 308; and
- The credit for increased research activities for basic research payments, claimed on Arizona Form 346.
- The Arizona solar liquid fuel credit related to increased research is allowed in an amount computed pursuant to IRC § 41 with the following exceptions:
  - Qualified research includes only research related to solar liquid fuel conducted in Arizona. The term "qualified research", for purposes of the Arizona tax credit, means qualified research, as defined in IRC § 41, that is conducted in Arizona.
  - The amount of the credit is based on the federal regular credit computation method for Arizona qualified research expenses. [Taxpayers cannot use the federal alternative credit computation method.] The allowable current taxable year credit is 40 percent (.40) of the excess, if any, of the Arizona qualified research expenses for the taxable year, over the base amount.

***Production of Solar Liquid Fuel***

- Solar liquid fuel must be produced in commercial quantities in Arizona.
- The credit is equal to eleven cents (\$.11) per one hundred thousand (100,000) British Thermal Units (BTUs) of fuel produced in this state in the taxable year.

***Converting or Modifying Existing Motor Vehicle Service Stations (Delivery)***

- The credit is allowed 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.
- The credit is equal to 30 percent (.30) of the cost of conversion or modification, but not more than twenty thousand dollars (\$20,000) per taxable year per service station.

**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 form with the tax return.

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

**Part 1 - Calculation of the Credit**

***Increased Research and Development Activity Related to Solar Liquid Fuel***

**Line 1 -**

Enter total wages paid or incurred for qualified services performed in Arizona. Do not include the amount of wages

paid to employees that were used in the calculation of the federal work opportunity credit.

**NOTE:** *Wages include any wages paid or incurred to an employee for qualified services performed in Arizona.*

*Qualified services are: (1) engaging in qualified research related to solar liquid fuel; or, (2) engaging in the direct supervision, or the direct support of research activities related to solar liquid fuel conducted in Arizona that are defined as qualified research.*

**Line 2 -**

Enter the cost of supplies paid or incurred for use in conducting qualified research in Arizona. Supplies include expenditures for any tangible property other than land or improvements to land, and property that can be depreciated.

**Line 3 -**

Enter the amount paid or incurred to rent or lease the right to use computers in conducting qualified research in Arizona.

**Line 4 -**

Enter the total of:

- (a) Seventy-five percent (.75) of any amount paid or incurred for qualified research performed in Arizona by a qualified research consortium on the taxpayer's behalf. "Qualified research consortium" is any qualifying organization as defined in IRC § 41(b)(3)(C)(ii).
- (b) Sixty-five percent (.65) of any amount paid or incurred for qualified research performed in Arizona on the taxpayer's behalf, other than such amounts paid to a qualified research consortium. Prepaid contract research expenses are considered paid in the year the research is actually done.

**Line 5 -**

Add lines 1 through 4. Enter the total.

**Line 6 -**

Enter the amount of expenses included on lines 1 through 4 that are related to solar liquid fuel that will be claimed on Arizona Form 308, Arizona Form 308-I or Arizona Form 346. The solar liquid fuel credit is in lieu of these credits with respect to the same expenses.

**Line 7 -**

Subtract line 6 from line 5. Enter the difference.

**Line 8 -**

Enter the average annual Arizona gross receipts for the four taxable years preceding the taxable year for which the credit is being determined (the credit year). The taxpayer may be required to annualize gross receipts for any short taxable year.

If 2016 is the first year the taxpayer is in business, the average annual Arizona gross receipts for the preceding taxable years is zero. If the taxpayer has been in business in Arizona for less than four taxable years prior to the credit year, then the average is the sum of annual Arizona gross receipts of the applicable period, divided by the number of taxable years.

Example: ABC Corporation began business in Arizona in 2014. Its annual Arizona gross receipts for 2014 were \$100,000. Its annual Arizona gross receipts for 2015 were \$200,000.

Therefore, ABC Corporation's average annual Arizona gross receipts for the 2016 credit year is \$150,000 ([\$100,000 plus \$200,000] divided by 2).

**Line 9 -**

**Fixed base percentage**

Use the same type of formulas to compute your fixed-base percentage for Arizona as you would for computing your federal fixed-base percentage. The difference is that you use Arizona qualified research expense and gross receipts amounts instead of federal amounts. Other than that, the calculations are the same. Round off the percentage to the nearest one, one hundredth of one percent (four decimal places).

If the percentage computation involves *de minimis* amounts of gross receipts and qualified expenses in a taxable year or short taxable years are involved, the amounts may be annualized or disregarded. Refer to IRC §§ 41(c)(3) and 41(f)(4) for details.

**Existing firms and start-up companies**

Arizona's definition of whether an organization is an existing firm or a start-up company is also the same as federal, except on an Arizona basis:

- **Existing firms** - An existing firm is one that had both Arizona gross receipts and Arizona qualified research expenses for at least three taxable years beginning after December 31, 1983, and before January 1, 1989. The fixed-base percentage is the ratio that the aggregate Arizona qualified research expenses for all taxable years beginning after 1983 and before 1989, bears to the aggregate Arizona gross receipts for such taxable years.
- **Start-up companies** - A start-up company is one that had both Arizona gross receipts and Arizona qualified research expenses either (1) for the first time in a taxable year beginning after December 31, 1983, or (2) for fewer than three taxable years beginning after 1983 and before 1989.

If the percentage computation involves *de minimis* amounts of gross receipts and qualified expenses in a taxable year or short taxable years are involved, the amounts may be annualized or disregarded. Refer to IRC §§ 41(c)(3) and 41(f)(4) for details.

**NOTE:** *The maximum percentage that can be entered on line 9 is 16 percent (.1600).*

**Line 10 -**

Multiply the amount on line 8 by the percentage on line 9. Enter the result. This is the base amount.

**Line 11 -**

If line 7 is greater than line 10, subtract line 10 from line 7. Enter the result. If line 10 is greater than line 7, enter "0".

**Line 12 -**

Multiply line 7 by 50% (.50). The base amount cannot be less than 50 percent of the current year qualified research expenses. This rule applies to both existing and start-up companies.

**Line 13 -**

Enter the lesser of line 11 or line 12.



**Line 14 -**

Multiply the amount on line 13 by 40 percent (.40). Enter the result.

**Line 15 -**

Enter the total amount of the research and development credit for solar liquid fuel passed through to you on Form (s) 344-P, Part 2, line 4 and/or Form(s) 344-S, Part 2, line 4. If you received this credit from more than one Form 344-P and/or Form 344-S, total the amounts from line 4 of all forms and enter the total here.

**Line 16 -**

Add line 14 and line 15. Enter the total. This is the total research and development credit for solar liquid fuel.

- *Partnerships*, enter this amount on Form 344-P, Part 2, line 3.
- *S corporations making the election to pass this credit through to its shareholders*, enter this amount on Form 344-S, Part 2, line 3.
- *All others*, enter this amount on Part 2, line 31.

*Production of Solar Liquid Fuel*

**Line 17 -**

Enter the amount of solar liquid fuel produced in Arizona during this taxable year. Enter the amount produced in BTUs.

**Line 18 -**

Divide the amount on line 17 by 100,000. Enter the result.

**Line 19 -**

Multiply the amount on line 18 by eleven cents (0.11). Enter the result.

**Line 20 -**

Enter the total amount of the production credit for solar liquid fuel passed through to you on Form(s) 344-P, Part 2, line 6 and/or Form(s) 344-S, Part 2, line 6. If you received this credit from more than one Form 344-P and/or Form 344-S, total the amounts from line 4 on all forms and enter the total here.

**Line 21 -**

Add line 19 and line 20. Enter the total here. This is the total production credit for solar liquid fuel.

- *Partnerships*, enter this amount on Form 344-P, Part 2, line 5
- *S corporations making the election to pass this credit through to its shareholders*, enter this amount on Form 344-S, Part 2, line 5.
- *All others*, enter this amount on Part 2, line 32.

*Converting or Modifying Existing Motor Vehicle Service Stations (Delivery)*

**Line 22 -**

Enter the number of existing motor vehicle fuel service stations converted or modified for the retail sale of solar liquid fuel during the taxable year.

**Lines 23 through 25 -**

On lines 23 through 25 enter the information for *each* service station that was converted or modified for the sale of solar liquid fuel. In each column enter the following information:

- a) The service station name and address (street, city, state, zip);
- b) The costs incurred in converting or modifying the service station indicated in column (a)
- c) Multiply column (b) by thirty percent (.30). Enter the result.
- d) Enter the lesser of column (c) or \$20,000.

**Line 26 -**

Add the amounts in column (d) of lines 23, 24, and 25. Enter the total.

**Line 27 -**

If you are claiming this credit for more than three (3) motor vehicle service stations, include a separate schedule providing this information. *Enter the total for all additional other motor vehicle service stations modified or converted here.*

**Line 28 -**

Add lines 26 and 27. Enter the total. This is your conversion and modification credit for solar liquid fuel.

**Line 29 -**

Enter the total amount of the conversion and modification credit for solar liquid fuel passed through to you on Form(s) 344-P, Part 2, line 8 and/or Form(s) 344-S, Part 2, line 8. If you received this credit from more than one Form 344-P and/or Form 344-S, total the amounts from line 8 of all forms and enter the total here.

**Line 30 -**

Add line 28 and line 29. Enter the total. This is the converting or modifying motor vehicle service stations for solar liquid fuel credit.

- *Partnerships*, enter this amount on Form 344-P, Part 2, line 7.
- *S corporations making the election to pass this credit through to its shareholders*, enter this amount on Form 344-S, Part 2, line 7.
- *All others*, enter this amount on Part 2, line 33.

**Part 2 - Total Credit Available****Line 31 -**

Enter the total amount of the research and development credit for solar liquid fuel.

- *Individuals, corporations (including S corporations electing to claim this credit at the corporate level), and exempt organizations with UBTI*, enter the amount from Part 1, line 16.
- *Partnerships*, enter "0".
- *S corporations electing to pass this credit through to its individual shareholders*, enter "0".

**Line 32 -**

Enter the total amount of the production credit for solar liquid fuel.

- *Individuals, corporations (including S corporations electing to claim this credit at the corporate level), and exempt organizations with UBTI*, enter the amount from Part 1, line 21.
- *Partnerships*, enter "0".
- *S corporations electing to pass this credit through to its individual shareholders*, enter "0".

**Line 33 -**

Enter the total amount of the production credit for solar liquid fuel.

- *Individuals, corporations (including S corporations electing to claim this credit at the corporate level), and exempt organizations with UBTI*, enter the amount from Part 1, line 30.
- *Partnerships*, enter "0".
- *S corporations electing to pass this credit through to its individual shareholders*, enter "0".

**Line 34 -**

Add lines 31, 32, and 33. Enter the total. This is the total credit for solar liquid fuel.

- *Individuals*: Also enter this total on Form 301, Part 1, line 26 column (a) and column (c).
- *Corporations, including S corporations electing to claim this credit at the corporate level, and exempt organizations with UBTI*: Also enter this amount on Form 300, Part 1, line 19, column (a) and column (c).

**Partnerships:** Go to the instructions for completing Form 344-P on page 5.

**NOTE: Partnerships and S corporations - Trusts and estates which are partners in a partnership or shareholders in an S corporation are not eligible to claim this credit. However, the share of a partnership, or the share of an S corporation, owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.**

**Part 3 - S Corporation Credit Election and Shareholders Share of the Credit**

An S corporation may make an irrevocable election to pass this credit through to its shareholders. Or, it can choose to keep this credit and apply it to its own liability generated at the corporate level.

Enter the date the S corporation taxable year ends. Check the box corresponding to the election made by the S corporation, (to claim the credit; or to pass the credit through to its shareholders). The election must be signed by an officer of the S corporation.

When passing this credit through to your shareholders, complete Form 344-S for each shareholder.

- Provide a copy of the completed Form 344-S to each shareholder.
- File a copy of each completed Form 344-S with your tax return.
- Keep a copy of each completed Form 344-S for your records.

S corporations electing to pass this credit through to its shareholders, proceed to the instructions for completing Form 344-S on page 6.

S corporations electing to claim this credit at the corporate level, follow the instructions for Part 2, lines 31 through 34.

## Form 344-P, Partner's Portion of the Credit

Enter the taxable year for which this credit is being passed through to your partners.

Complete Form 344-P for each partner of the partnership, *except* for trust or estate partners. However, a partnership ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.

The partnership must furnish each partner with their completed copy of Form 344-P, including additional schedules as needed.

### Part 1 - Partnership and Partner Information

#### Line 1 -

Enter the partnership name and Employer Identification Number (EIN) in the spaces provided.

#### Line 2 -

Enter the partner's name, EIN, TIN, or Social Security Number, and ownership percentage in the spaces provided.

### Part 2 - Distribution of the Credit

#### *Increased Research and Development Related to Solar Liquid Fuel*

#### Line 3 -

Enter the total amount of the partnership's research and development credit for solar liquid fuel from Form 344, Part 1, line 16.

#### Line 4 -

Multiply the amount on line 3 by the percentage on line 2(c). Enter the result. This is the partner's share of the credit.

#### *Production of Solar Liquid Fuel*

#### Line 5 -

Enter the total amount of the partnership's production credit for solar liquid fuel from Form 344, Part 1, line 21.

#### Line 6 -

Multiply the amount on line 5 by the percentage on line 2(c). Enter the result. This is the partner's share of the credit.

#### *Converting or Modifying Existing Motor Vehicle Fuel Stations (Delivery)*

#### Line 7 -

Enter the total amount of the partnership's conversion and modification credit for solar liquid fuel from Form 344, Part 1, line 30.

#### Line 8 -

Multiply the amount on line 7 by the percentage on line 2(c). Enter the result. This is the partner's share of the credit.

*The partner will use this form to complete his or her own Form 344.*

## Form 344-S, S Corporation Shareholder's Portion of the Credit

Enter the taxable year for which this credit is being passed through to your shareholders.

Complete Form 344-S for each shareholder of the S corporation, *except* for trust or estate shareholders. However, an S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.

The S corporation must furnish each shareholder with their completed copy of Form 344-S, including additional schedules as needed.

### Part 1 - S Corporation and Shareholder Information

#### Line 1 -

Enter the S corporation name and Employer Identification Number (EIN) in the spaces provided.

#### Line 2 -

Enter the shareholder's name, Social Security Number, and ownership percentage in the spaces provided.

### Part 2 – Distribution of the Credit

#### *Increased Research and Development Related to Solar Liquid Fuel*

#### Line 3 -

Enter the total amount of the S corporation's research and development credit for solar liquid fuel from Form 344, Part 1, line 16.

#### Line 4 -

Multiply the amount on line 3 by the percentage on line 2(c). Enter the result. This is the shareholder's share of the credit.

#### *Production of Solar Liquid Fuel*

#### Line 5 -

Enter the total amount of the S corporation's production credit for solar liquid fuel from Form 344, Part 1, line 21.

#### Line 6 -

Multiply the amount on line 5 by the percentage on line 2(c). Enter the result. This is the shareholder's share of the credit.

#### *Converting or Modifying Existing Motor Vehicle Fuel Stations (Delivery)*

#### Line 7 -

Enter the total amount of the S corporation's conversion and modification credit for solar liquid fuel from Form 344, Part 1, line 30.

#### Line 8 -

Multiply the amount on line 7 by the percentage on line 2(c). Enter the result. This is the shareholder's share of the credit.

*The individual shareholder will use this form to complete his or her own Form 344.*

For the calendar year 2016 or fiscal year beginning         2,0,1,6 and ending         2,0,Y,Y.

**Partnership:**

- Complete Form 344-P for each partner in the partnership **except for** trust or estate partners. However, a partnership ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.
- Include a copy of each completed form with your return.
- Provide a copy of the completed form to each partner.
- Keep a copy of each completed Form 344-P for your records.

**Partner:**

- Use this form to complete your own Form 344.
- Include this completed form with your return.
- Keep a copy of this form and certificate for your records.

**NOTE:** If you file your tax return on a calendar year basis but this entity files a return on a fiscal year basis (see above), claim this credit on your tax return for the year in which this entity's fiscal year ends.

**Part 1 Partnership and Partner Information**

<b>1</b>	(a) Partnership Name	(b) Employer Identification Number (EIN)	
<b>2</b>	(a) Partner Name	(b) Taxpayer Identification Number (TIN)	(c) Ownership Interest %

**Part 2 Distribution of the Credit Passed Through**

**Increased Research and Development Related to Solar Liquid Fuel**

<b>3</b>	Enter the amount of the partnership's credit from Part 1, line 16 of the partnership's Form 344 .....	<b>3</b>	\$		00
<b>4</b>	Multiply the amount on line 3 by the partner's ownership interest shown in line 2(c). Enter the amount here. This is the partner's share of the research and development credit for solar liquid fuel. • Partners, enter this amount <i>on your Form 344, Part 1, line 15</i> .....	<b>4</b>	\$		00

**Production of Solar Liquid Fuel**

<b>5</b>	Enter the amount of the partnership's credit from Part 1, line 21 of the partnership's Form 344 .....	<b>5</b>	\$		00
<b>6</b>	Multiply the amount on line 5 by the partner's ownership interest shown in line 2(c). Enter the amount here. This is the partner's share of the credit for solar liquid fuel production. • Partners, enter this amount <i>on your Form 344, Part 1, line 20</i> .....	<b>6</b>	\$		00

**Converting or Modifying Existing Motor Vehicle Fuel Stations (Delivery)**

<b>7</b>	Enter the amount of the partnership's credit from Part 1, line 30 of the partnership's Form 344 .....	<b>7</b>	\$		00
<b>8</b>	Multiply the amount on line 7 by the partner's ownership interest shown in line 2(c). Enter the amount here. This is the partner's share of the converting or modifying motor vehicle service stations for solar liquid fuel credit. • Partners, enter this amount <i>on your Form 344, Part 1, line 29</i> .....	<b>8</b>	\$		00

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For the calendar year 2016 or fiscal year beginning MM,DD,2016 and ending MM,DD,20YY.

**S Corporation:**

- Complete Form 344-S for each shareholder of the S corporation **except for** trust or estate shareholders. However, an S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.
- Include a copy of each completed form with your return.
- Provide a copy of the completed form to each shareholder.
- Keep a copy of each completed Form 344-S for your records.

**Shareholder:**

- Use this form to complete your own Form 344.
- Include this completed form with your return.
- Keep a copy of this form and certificate for your records.

**NOTE:** If you file your tax return on a calendar year basis but this entity files a return on a fiscal year basis (see above), claim this credit on your tax return for the year in which this entity's fiscal year ends.

**Part 1 S Corporation and Shareholder Information**

<b>1</b>	(a) S Corporation Name	(b) Employer Identification Number (EIN)	
	(a) Shareholder Name	(b) Social Security Number (TIN)	(c) Ownership Interest %
<b>2</b>			

**Part 2 Distribution of the Credit Passed Through**

Increased Research and Development Related to Solar Liquid Fuel			
<b>3</b>	Enter the amount of the S corporation's credit from Part 1, line 16 of the S corporation's Form 344 .....	<b>3</b> \$	00
<b>4</b>	Multiply the amount on line 3 by the shareholder's ownership interest shown in line 2(c). Enter the amount here. This is the shareholder's share of the research and development credit for solar liquid fuel. • Shareholders, enter this amount <i>on your Form 344, Part 1, line 15</i> .....	<b>4</b> \$	00
Production of Solar Liquid Fuel			
<b>5</b>	Enter the amount of the S corporation's credit from Part 1, line 21 of the S corporation's Form 344 .....	<b>5</b> \$	00
<b>6</b>	Multiply the amount on line 5 by the shareholder's ownership interest shown in line 2(c). Enter the amount here. This is the shareholder's share of the credit for solar liquid fuel production. • Shareholders, enter this amount <i>on your Form 344, Part 1, line 20</i> .....	<b>6</b> \$	00
Converting or Modifying Existing Motor Vehicle Fuel Stations (Delivery)			
<b>7</b>	Enter the amount of the S corporation's credit from Part 1, line 30 of the S corporation's Form 344 .....	<b>7</b> \$	00
<b>8</b>	Multiply the amount on line 7 by the shareholder's ownership interest shown in line 2(c). Enter the amount here. This is the shareholder's share of the converting or modifying motor vehicle service stations for solar liquid fuel credit. • Shareholders, enter this amount <i>on your Form 344, Part 1, line 29</i> .....	<b>8</b> \$	00

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**Include with your return.**

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  .

Name as shown on Form 140, 140PY, 140NR, 140X, 99T, 120, 120A, 120S, 120X, or 165	Social Security or Employer Identification Number
---	---

**Part 1 Business Information**

1	Business Name
2	Business Location Address — Street
	City State ZIP Code
3	Employer Identification Number

- 4a What type of entity is the business?  
 Corporation     Exempt Organization     Limited Liability Company (LLC)  
 Partnership     S corporation     Sole Proprietorship
- 4b If the business is an LLC, what is the federal tax classification? Check only one box:  
 Corporation     Disregarded Entity     Partnership     S corporation

If the business is an LLC, a partnership or an S corporation, include a schedule that lists ownership information including: name, address, TIN, and ownership percentage at the end of the tax year.

**Part 2 Qualification for Credit and Credit Calculation**

- 5 Did you receive a Certification from Arizona Commerce Authority?  Yes  No  
 If "Yes", include a copy of the Certification. If "No", skip lines 6 through 9.

	(a) Number of Employees	(b) Available Credit: Multiply column (a) by \$3,000.
6 Credit for employees in first year or partial year of employment in a qualified employment position .....	6	00
7 Credit for employees in the second year of continuous employment in a qualified employment position.....	7	00
8 Credit for employees in the third year of continuous employment in a qualified employment position.....	8	00
9 Subtotal: Add lines 6 through 8 in each column, and enter the total .....	9	00

**Part 3 Qualification for Credit and Credit Amount Passed Through From S corporations and Partnerships**

- 10 Did an entity from which you are claiming a pass through credit for new employment receive Certification from the Arizona Commerce Authority?  Yes  No  
 If "Yes", include a copy. If "No", skip lines 11 through 15.
- 11 Enter the name of the entity that received the Certification from the Arizona Commerce Authority and its identification number.  
 Be sure to include a copy of the Certification.  
 Name: \_\_\_\_\_  
 EIN: \_\_\_\_\_

12 Enter your share of the credit for employees in first year or partial year of employment in a qualified employment position .....	12	00
13 Enter your share of the credit for employees in the second year of continuous employment in a qualified employment position.....	13	00
14 Enter your share of the credit for employees in the third year of continuous employment in a qualified employment position.....	14	00
15 Subtotal: Add lines 12 through 14, and enter the total.....	15	00

Name (as shown on page 1)	TIN
---------------------------	-----

**Part 4 Current Taxable Year's Credit**

16 Enter the sum of line 6, column (b) and line 12 .....	<b>16</b>		00
17 Enter the sum of line 7, column (b) and line 13 .....	<b>17</b>		00
18 Enter the sum of line 8, column (b) and line 14 .....	<b>18</b>		00
19 <b>Total Credit:</b> Add lines 16 through 18, and enter the total. <b>This is the total credit for new employment for this taxable year</b> .....	<b>19</b>		00

**Part 5 S Corporation Credit Election and Shareholder's Share of Credit**

20 The S corporation has made an irrevocable election for the taxable year ending                                                        to (check only one box):

Claim the credit for new employment as shown on Part 4, line 19 (for the taxable year mentioned above);

**OR**

Pass the credit for new employment as shown on Part 4, line 19 (for the taxable year mentioned above) through to its shareholders.

\_\_\_\_\_  
Signature Title Date

If passing the credit through to the shareholders, complete lines 21 through 26 separately for each shareholder. Furnish each shareholder with a copy of the Certification and pages 1 through 3 of Form 345.

21 Name of shareholder: \_\_\_\_\_

22 Shareholder's TIN: \_\_\_\_\_

23 Shareholder's share of the credit for new employment on Part 4, line 19 .....	<b>23</b>		00
24 Shareholder's share of the amount on Part 4, line 16 .....	<b>24</b>		00
25 Shareholder's share of the amount on Part 4, line 17 .....	<b>25</b>		00
26 Shareholder's share of the amount on Part 4, line 18 .....	<b>26</b>		00

**Part 6 Partner's Share of Credit**

Complete lines 27 through 32 separately for each partner. Furnish each partner with a copy of the Certification and pages 1 through 3 of Form 345.

27 Name of partner: \_\_\_\_\_

28 Partner's TIN: \_\_\_\_\_

29 Partner's share of the credit for new employment on Part 4, line 19 .....	<b>29</b>		00
30 Partner's share of the amount on Part 4, line 16 .....	<b>30</b>		00
31 Partner's share of the amount on Part 4, line 17 .....	<b>31</b>		00
32 Partner's share of the amount on Part 4, line 18 .....	<b>32</b>		00

Continued on page 3 →

**Part 7 Available Credit Carryover**

		(a)	(b)	(c)	(d)	(e)
33	Taxable year .....					
34	Original credit amount	00	00	00	00	00
35	Amount previously used.....	00	00	00	00	00
36	Tentative carryover: Subtract line 35 from line 34.....	00	00	00	00	00
37	Amount unallowable: See instructions.....	00	00	00	00	00
38	Available carryover: Subtract line 37 from line 36.....	00	00	00	00	00
39	Total Available Carryover.....				39	00

**Part 8 Total Available Credit**

40	Current year's credit for new employment: <ul style="list-style-type: none"> <li>• <i>Individuals, corporations, S corporations claiming this credit at the corporate level, or exempt organizations with UBTI:</i> Enter the amount from Part 4, line 19.</li> <li>• <i>S corporation shareholders:</i> Enter the amount from Part 5, line 23.</li> <li>• <i>Partners of a partnership:</i> Enter the amount from Part 6, line 29.</li> <li>• <i>Individuals:</i> Also enter this amount on <i>Form 301, Part 1, line 27, column (a).</i></li> <li>• <i>Corporations, S corporations, and exempt organizations with UBTI:</i> Also enter this amount on <i>Form 300, Part 1, line 20, column (a)</i> .....</li> </ul>	<b>40</b>	00
41	Available credit carryover from Part 7, line 39, column (e): <ul style="list-style-type: none"> <li>• <i>Individuals:</i> Also enter this amount on <i>Form 301, Part 1, line 27, column (b).</i></li> <li>• <i>Corporations, S corporations claiming this credit at the corporate level, and exempt organizations with UBTI:</i> Also enter this amount on <i>Form 300, Part 1, line 20, column (b)</i> .....</li> </ul>	<b>41</b>	00
42	<b>Total available credit:</b> Add lines 40 and 41 and enter the total here. <ul style="list-style-type: none"> <li>• <i>Individuals:</i> Also enter total here and on <i>Form 301, Part 1, line 27, column (c).</i></li> <li>• <i>Corporations, S corporations claiming this credit at the corporate level, and exempt organizations with UBTI:</i> Also enter total here and on <i>Form 300, Part 1, line 20, column (c)</i> .....</li> </ul>	<b>42</b>	00

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Form 345-1

Employees at Business Location

2016

Complete a Form 345-1 for each employee, whether or not the employee is in a qualified employment position. (See instructions)

1 Employee name: \_\_\_\_\_

2 Employee's taxpayer identification number (TIN)..... \_\_\_\_\_

3a What credit year are you claiming for this employee?  First  Second  Third  Not qualified for credit, or fourth year or more

3b Is this employee a replacement of another employee who left a qualified employment position in the second or third year? (See instructions).....  Yes  No

3c If the answer to line 3b is "Yes", did the total time the position was vacant from the date the employment position was originally filled to the end of the current tax year total 90 days or less? (See instructions).....  Yes  No

3d If the answer to line 3c is "Yes", enter the name of the replaced employee, his or her social security number, and termination date:

Employee Name	Social Security Number	Termination Date
		M M   D D   Y Y Y Y

4a Current date of employment..... M M | D D | Y Y Y Y

4b Termination date, if the employee was terminated before the end of the taxable year ..... M M | D D | Y Y Y Y

4c If the employee was terminated, is he or she replaced by a new hire in the same qualified employment position?  Yes  No  
If the answer is "Yes", enter the name of the new hire, his or her social security number, and hire date:

Employee Name	Social Security Number	Hire Date
		M M   D D   Y Y Y Y

5a If employee was previously employed by the business, list the previous date of employment. (See instructions.) . M M | D D | Y Y Y Y

5b If employee was previously employed by the business, list the date of separation..... M M | D D | Y Y Y Y

5c Did the employee relocate to this state from out of state? .....  Yes  No

5d If the employee relocated from out of state, enter date of relocation ..... M M | D D | Y Y Y Y

6a Is the employee in a permanent position that consists of at least 1750 hours per year? .....  Yes  No

6b If the answer to line 6a is "Yes", list the number of hours the employee actually worked during the taxable year. .... \_\_\_\_\_

7 Are the employee's job duties performed primarily at the location(s) of the business?.....  Yes  No

8a Employee's annual compensation for the taxable year ..... \$ \_\_\_\_\_ .00

8b Employee's HOURLY wage in dollars and cents..... \$ \_\_\_\_\_ .

9a Total cost of health insurance provided by employer for employee. (See instructions.)..... \$ \_\_\_\_\_ .00

9b Total cost of health insurance for employee paid by employer. (See instructions.)..... \$ \_\_\_\_\_ .00

10 Is this employee in a new qualified employment position?.....  Yes  No

11a Has this employee been substituted for another employee in a qualified employment position? .....  Yes  No

11b If answer on line 11a is "Yes", list the date of substitution (M M | D D | Y Y Y Y) and indicate whether the individual is a second year employee or a third year employee. See instructions for the qualification before answering this question.

Check only one box:  Second year employee  Third year employee

**Form 345-2**

**Employees in Qualified Employment Positions**

**2016**

	(a) Employee's Name	(b) Social Security Number	(c) Type of Employee			(d) Limitation on Total Number of Credits
			Check the appropriate box. This employee is a:			
			(c1) 1 <sup>st</sup> Year Employee	(c2) 2 <sup>nd</sup> Year Employee	(c3) 3 <sup>rd</sup> Year Employee	
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21						
22						
23						

24 TOTAL: Add lines 1 through 23 including only lines with check marks. Enter the total for each column ..... **24**

If you are claiming more than 23 employees in qualified employment positions, complete additional schedules.

## 2016 Credit for New Employment

### CONTACTS FOR CREDIT FOR NEW EMPLOYMENT

#### Arizona Commerce Authority

•Application forms •Program guidelines

Website: [www.azcommerce.com](http://www.azcommerce.com)

Program Manager (602) 845-1200

#### Arizona Department of Revenue

•Tax forms and instructions •Information and assistance

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

Taxpayer assistance (602) 255-3381

From area codes 520 and 928, toll-free (800) 352-4090

### General Instructions

*Arizona Revised Statutes (A.R.S.) §§ 43-1074 and 43-1161* provide nonrefundable individual and corporate income tax credits for net increases in qualified employment positions in Arizona at a business location in Arizona. This credit applies to taxable years beginning from and after June 30, 2011. No more than 10,000 first year qualified positions for all taxpayers shall be allowed annually. The 10,000 qualified position cap is administered by the Arizona Commerce Authority (Commerce).

**Note for Form 120 filers:** *Taxpayers filing on a combined or consolidated basis are considered to be a single taxpayer for the purposes of the credit for new employment.*

If the documents required to be filed with Commerce or the Arizona Department of Revenue (Revenue) are not timely filed or contain materially false information, the taxpayer is ineligible for the credit for new employment (including second and third year credits, and carryovers) and is subject to recovery of the amount of tax credits allowed in preceding taxable years based on the false information, plus penalties and interest.

The credit for new employment is in lieu of the following credits, with respect to the same employment positions:

- The military reuse zone credit, claimed on Arizona Form 306;
- The employment credit for healthy forest enterprises, claimed on Arizona Form 332; and
- The credit for renewable energy industry, claimed on Arizona Form 342.

To qualify for the credit for new employment, the owner must either:

- Invest at least \$5 million of capital investment and create at least 25 new qualified employment positions within the exterior boundaries of a city or town in Arizona that has a population of fifty thousand and that is located in a county that has a population of eight hundred thousand persons or more.

- Invest at least \$1 million of capital investment and create at least 5 new qualified employment positions in any other location in Arizona.

To qualify for the credit for new employment, the qualified employment positions must meet the following requirements:

- Consist of at least 1,750 hours per year of permanent employment.
- The job duties are performed primarily at the location or locations of the business in Arizona.
- The employment provides health insurance coverage for the employee where the employer pays 65% of the premium or membership cost.
- The employer pays at least equal to the median wage by county as computed annually by Commerce.

The credit for new employment for qualified employment positions is equal to:

- \$3,000 for each Arizona employee in a qualified employment position in the first year or partial year of employment.
- \$3,000 for each Arizona employee in a qualified employment position for the full taxable year, in the second year of continuous employment.
- \$3,000 for each Arizona employee in a qualified employment position for the full taxable year, in the third year of continuous employment.

The credit is limited to 400 first year employees, per taxpayer, in any taxable year beginning from and after June 30, 2011, through December 31, 2012. The credit is allowed for second and third year employees only for qualified employment positions for which a credit was claimed and allowed in the first year.

**NOTE:** *For taxable years beginning from and after December 31, 2013, if a full-time employee in a qualified employment position left during the second or third taxable year that a credit for that position is being claimed, the employee may be replaced with another new full-time employee in the same employment position and the new employee will be treated as being in their second or third full year of continuous employment if (1) the total time the qualified employment position was vacant from the date the position was originally filled to the end of the current tax year totals 90 days or less, **and** (2) the new employee meets all of the same requirements as the original employee was required to meet. However, only one credit can be claimed for one employee for each qualified employment position, even if there was more than one replacement for the same position during the taxable year.*

If the allowable tax credit exceeds the taxes otherwise due on the claimant's income, or if there are no taxes due, the amount of the credit not used to offset taxes may be carried forward for not more than five taxable years as a credit against subsequent years' income tax liabilities.

Co-owners of a business, including partners in a partnership and shareholders of an S corporation, may each claim only the *pro rata* share of the credit allowed based on the

ownership interest. The total of the credits allowed all such owners may not exceed the amount that would have been allowed for a sole owner of the business.

The credit is available to an exempt organization that is subject to corporate income tax on unrelated business taxable income (UBTI). The credit must result from the activities that generate UBTI.

**Reporting requirements:** Include a copy of the Certification received from Commerce stating that the taxpayer timely complied with the reporting requirements for that agency and indicating the number of positions certified for the taxable year. A taxpayer must timely comply with the reporting requirements of both Revenue and Commerce in order to claim the credit. Do not use the 2016 Forms 345 and 345-1 to claim the credit for new employment for prior taxable years.

**Aggregate summary:** Complete one Form 345, 345-1, and 345-2 for each business location. Taxpayers having multiple business locations must complete an aggregated summary Form 345. Do not complete aggregate summaries of Forms 345-1 and 345-2.

Taxpayers filing an aggregated Form 345 do NOT need to complete Part 1 - Business Information.

Include the Forms 344, 345-1, and 345-2 for each business location with the aggregated Form 345.

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### Specific Instructions

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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 form and all supporting documentation with the tax return.

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

#### Part 1 - Business Information

##### Lines 1 through 3 -

On lines 1, 2, and 3, enter the name, address, and employer identification number of the business location.

##### Line 4a and Line 4b -

Answer the questions on line 4a and line 4b. If the business is an LLC, a partnership, or an S corporation, be sure to include a schedule that lists ownership information including: name, address, TIN, and ownership percentage at the end of the tax year. Include the schedule immediately after Form 345, but before the Forms 345-1.

Complete Forms 345-1 and 345-2 before completing the rest of Form 345.

#### FORM 345-1

Complete a Form 345-1 for each employee at the business location, WHETHER OR NOT THE EMPLOYEE IS IN A QUALIFIED EMPLOYMENT POSITION.

**NOTE:** *A.R.S. § 41-1525(D)(1)* provides for the information requested in the Form 345-1 to be submitted in a form prescribed by Revenue and may include electronic media. Revenue 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.

Regardless of the form, the information must be filed on or before the due date of the tax return including any extensions. Taxpayers 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. Forms 345-1 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 true and correct to the best of the signer's knowledge and belief.

The CD-ROM or DVD should be labeled as Form 345-1 with the taxpayer's name, employer identification number, and taxable year.

Taxpayers may password protect the CD-ROM or DVD and email the password separately to MediaLibrarian@azdor.gov. Include "Form 345-1" in the subject line of the email. In the body of the email, include the same information that is on the CD-ROM or DVD label. Revenue **will not** return or copy any media.

**CAUTION:** *The taxpayer substitutes the CD-ROM or DVD at its own risk and understands that the information may need to be provided to Revenue again at a later date if it is not accessible by Revenue for any reason.*

**NOTE:** *For taxable years beginning from and after December 31, 2013, if a full-time employee in a qualified employment position left during the second or third taxable year that a credit for that position is being claimed, the employee may be replaced with another new full-time employee in the same employment position and the new employee will be treated as being in their second or third full year of continuous employment if (1) the total time the qualified employment position was vacant from the date the position was originally filled to the end of the current tax year totals 90 days or less, **and** (2) the new employee meets all of the same requirements as the original employee was required to meet. However, only one credit can be claimed for one employee for each qualified employment position, even if there was more than one replacement for the same position during the taxable year. See the example on page 3.*

**FORM 345-1, LINE 3a** - Check the applicable box for the credit year that you are claiming a credit for this employee.

**FORM 345-1, LINE 3b** - Check the applicable box to indicate whether this employee is a replacement of another employee



who left a qualified employment position in the second or third year that you are claiming a credit.

**FORM 345-1, LINE 3c** - If the answer to line 3b is "Yes", check the applicable box on line 3c to indicate if the total time the position was vacant from the date the employment position was originally filled to the end of the current tax year totals 90 days or less.

**FORM 345-1, LINE 3d** - If the answer to line 3c is "Yes", enter the name of the replaced employee, his or her social security number, and termination date.

**Example:** ABC Company began operations on January 1, 2014 and hired Employee A, B, and C at a different time period for the same qualified employment position that qualifies for the credit for new employment. ABC Company is a calendar year filer.

<u>Employee</u>	<u>Hire Date</u>	<u>Termination Date</u>
Employee A	May 1, 2015	January 31, 2016
Employee B	March 1, 2016	October 31, 2016
Employee C	December 1, 2016	December 31, 2017

Tax year 2015 (credit year 1): ABC Company was eligible to claim a credit for Employee A for the qualified employment position.

Tax year 2016 (credit year 2): ABC Company is eligible to claim only one credit for one employee (Employee A, Employee B, **OR** Employee C) for the same qualified employment position. The total time the position was vacant from the date the position was originally filled to the end of the current taxable year totals 58 days (28 days in February plus 30 days in November), which is less than 90 days.

Tax year 2017 (credit year 3): ABC Company is eligible to claim a credit for Employee C.

**FORM 345-1, LINE 4a** - List the employee's current date of employment.

**FORM 345-1, LINE 4b** - If the employee was terminated before the end of the taxable year, list the employee's termination date.

**FORM 345-1, LINE 4c** - If the employee was terminated and was replaced by a new hire in the same qualified employment position, check the box for "Yes" and enter the name of the new hire, his or her social security number, and hire date.

**FORM 345-1, LINES 5a, 5b, 5c AND 5d** - Complete these lines if the employee was previously employed by the business (prior to the current employment), or relocated from out-of-state.

**FORM 345-1, LINE 6b** - Enter the number of hours actually worked by the employee. Include paid time off for holidays, vacation, or sick. Do not include bonuses or over-time.

**FORM 345-1, LINES 9a and 9b** - On line 9a, enter the total amount of the insurance premium or membership cost provided for the employee. If the business is self-insured, enter the total amount of a predetermined fixed cost for the employee for an insurance program that is payable whether or not the employee has filed claims. On line 9b, enter the total

amount of the insurance premium or membership cost paid by the employer.

**FORM 345-1, LINES 11a and 11b** - Arizona's statutes do not require that the employee who is claimed in the second and third years of continuous employment be the same employee who was claimed in the first and second years of employment. Therefore, if one of the originally claimed new employees leaves employment, the business can claim the subsequent years' credits for another employee in a qualified employment position who is in the same year of continuous employment as the departed employee.

If the employee is being substituted for another employee, check the "Yes" box on line 11a, and enter the date of substitution on line 11b.

**FORM 345-2**

List each employee in a qualified employment position. Do not list employees that are not in qualified positions.

**FORM 345-2, COLUMN (d)**

Check this box to indicate the qualified employment positions for which the taxpayer is claiming the credit.

Generally, the number of second year credits claimed this taxable year cannot exceed the number of first year credits claimed in the prior taxable year. Similarly, the number of third year credits claimed this taxable year cannot generally exceed the number of second year credits claimed in the prior taxable year.

**FORM 345-2, LINE 24**

The totals on line 24 must include only the qualified employment positions for which the taxpayer is claiming the credit. These employees would be listed on lines that have a checkmark in column (d).

**FORM 345**

**Part 2 - Qualification for Credit and Credit Calculation**

**Line 5 -**

If the taxpayer received a Certification from Commerce, check the "Yes" box. Otherwise, check the "No" box and skip lines 6 through 9.

**Line 6 -**

In column (a), enter the number of employees in first year or partial year of employment in a qualified employment position, as certified by Commerce for the business for this taxable year. Multiply the number in column (a) by \$3,000 and enter the result in column (b).

**Line 7 -**

In column (a), enter the number of employees in the second year of continuous employment in a qualified employment position as certified by Commerce for the business for this taxable year. Multiply the number in column (a) by \$3,000 and enter the result in column (b).

**Line 8 -**

In column (a), enter the number of employees in the third year of continuous employment in a qualified employment position as certified by Commerce for the business for this taxable year. Multiply the number in column (a) by \$3,000 and enter the result in column (b).

**Line 9 -**

Add lines 6 through 8 in each column. Enter the total. The number in column (a) is the total number of employees certified by Commerce for the business for this taxable year. The amount in column (b) is the current year's credit for new employment.

### **Part 3 - Qualification for Credit and Credit Amount Passed Through From S Corporations and Partnerships**

**Line 10 -**

Did an entity from which you are claiming a pass through credit for new employment receive a Certification from Commerce? If so, check the "Yes" box. Otherwise, check the "No" box and skip lines 11 through 15.

**Line 11 -**

If you checked the "Yes" box on line 10, enter the name of the entity that received the Certification from Commerce, and its taxpayer identification number on line 11.

**Line 12 -**

Enter your share of the credit for employees in first year or partial year of employment in a qualified employment position. Enter the amount from the S corporation's Form 345, Part 5, line 24 or the partnership's Form 345, Part 6, line 30.

**Line 13 -**

Enter your share of the credit for employees in the second year of continuous employment in a qualified employment position. Enter the amount from the S corporation's Form 345, Part 5, line 25 or the partnership's Form 345, Part 6, line 31.

**Line 14 -**

Enter your share of the credit for employees in the third year of continuous employment in a qualified employment position. Enter the amount from the S corporation's Form 345, Part 5, line 26 or the partnership's Form 345, Part 6, line 32.

**Line 15 -**

Enter the total of lines 12, 13 and 14. This is your share of the current year's credit for new employment.

### **Part 4 - Current Taxable Year's Credit**

If you checked "No" to the question on line 10 and skipped lines 11 through 15, enter the amounts from Part 2, lines 6 through 9, column (b) in Part 4, lines 16 through 19, respectively.

If you checked "No" to the question on line 5, but checked "Yes" to the question on line 10, enter the amounts from Part 3, lines 12 through 15 in Part 4, lines 16 through 19, respectively.

If credit amounts are included in both Part 2 and Part 3, total those amounts in Part 4 using the instructions that follow.

**Line 16 -**

Enter the sum of line 6, column (b) and line 12.

**Line 17 -**

Enter the sum of line 7, column (b) and line 13. Generally, the amount on line 17 cannot exceed the amount of first year credits claimed in the prior year.

**Line 18 -**

Enter the sum of line 8, column (b) and line 14. Generally, the amount on line 18 cannot exceed the amount of second year credits claimed in the prior year.

**Line 19 -**

Enter the total of lines 16, 17 and 18. This is the current year's credit for new employment.

### **Part 5 - S Corporation Credit Election and Shareholder's Share of Credit**

**Line 20 -**

An S corporation must make an irrevocable election to either claim the credit itself or pass the credit through to its shareholders. The election statement must be signed by one of the officers of the S corporation who is also a signatory to Arizona Form 120S. If the S corporation elects to claim the credit itself, skip lines 21 through 26 and complete Part 7 and Part 8.

If the S corporation elects to pass the credit through to its shareholders, it must first complete Form 345, Parts 1, 2, and 4. If the S corporation received a pass through credit from a partnership, it must also complete Part 3. The S corporation must then complete Part 5, lines 21 through 26, separately for each shareholder.

**Lines 21 through 26 -**

If the S corporation elects to pass the credit through to its shareholders, it must complete lines 21 through 26 separately for each shareholder. The amounts in lines 24 through 26 will be used by shareholders who receive pass through credits from more than one entity.

Each S corporation shareholder is entitled to only a *pro rata* share of pass through credit based on ownership interest in the S corporation. The total of the credit allowed to all shareholders may not exceed the amount that would have been allowed for a sole owner.

The S corporation must furnish each shareholder with a copy of the Certification from Commerce and pages 1 through 3 of Form 345. Each shareholder must complete Part 7 and Part 8.

**NOTE:** Taxpayers who are partners or shareholders in multiple entities claiming the credit must complete a schedule detailing the amount of the credit passed through from each partnership or S corporation, and include the schedule with their tax returns.

## Part 6 - Partner's Share of Credit

### Lines 27 through 32 -

Complete Part 4, lines 27 through 32, separately for each partner. The amounts in lines 30 through 32 will be used by partners who receive pass through credits from more than one entity or partners who will pass the credit to their partners or S corporation shareholders (i.e. a tiered partnership).

Each partner is entitled to only a *pro rata* share of the credit based on the partner's ownership interest in the partnership. The total of the credit allowed to all partners may not exceed the amount that would have been allowed for a sole owner.

The partnership must furnish each partner with a copy of the Certification from Commerce and pages 1 through 3 of Form 345. Each partner must complete Part 7 and Part 8.

**NOTE:** Taxpayers who are partners or shareholders in multiple entities claiming the credit must complete a schedule detailing the amount of the credit passed through from each partnership or S corporation, and include the schedule with their tax returns.

## Part 7 - Available Credit Carryover

The taxpayer who is utilizing the credit carryover should complete Part 7 only if its allowable credit for new employment for qualified employment positions for prior taxable years exceeded its Arizona income tax liability for those taxable years.

Enter the taxable year(s) from which you are carrying over the credit on line 33 in columns (a) through (e). On line 34, enter the credit originally computed for that taxable year. On line 35, enter the amount of the credit from that taxable year already used. Subtract the amount on line 35 from the amount on line 34 and enter the difference on line 36.

On line 37, enter the amount of the credit that is unallowable because the business changed ownership. Subtract the amount entered on line 37 from line 36, and enter the difference on line 38.

### Line 39 -

Add the amounts from columns (a) through (e) on line 38 and enter the total on line 39. This is the total credit for new employment carryover available from prior taxable years.

## Part 8 - Total Available Credit

**NOTE:** If you are claiming this credit as a credit you earned, AND are claiming this credit as a pass through credit from a partnership or S corporation, add the amount you earned to the amount passed through to you. Enter the total on line 40.

### Line 40 -

*Individuals, corporations (including S corporations that elected to claim the credit at the corporate level), and exempt organizations with UBTI* - enter the amount from Part 4, line 19.

*S corporation shareholders* - enter the amount from Part 5, line 23.

*Partners of a partnership* - enter the amount from Part 6, line 29.

This is the current year's credit for new employment.

*Individuals* - enter this amount on Form 301, Part 1, line 27, column (a).

*Corporations (including S corporations that elected to claim the credit at the corporate level), and exempt organizations with UBTI* - enter this amount on Form 300, Part 1, line 20, column (a).

### Line 41 -

Enter the amount from Part 7, line 39. This is the total available credit carryover for new employment.

*Individuals* enter this amount on Form 301, Part 1, line 27, column (b).

*Corporations (including S corporations that elected to claim the credit at the corporate level), and exempt organizations with UBTI* - enter this amount on Form 300, Part 1, line 20, column (b).

### Line 42 -

Add line 40 and line 41 and enter the total. This is the total available credit for new employment for qualified employment positions that may be applied to the current year's tax liability.

*Individuals* - enter the total here and on Form 301, Part 1, line 27, column (c).

*Corporations (including S corporations that elected to claim the credit at the corporate level), and exempt organizations with UBTI* - enter the total here and on Form 300, Part 1, line 20, column (c).

**THIS PAGE INTENTIONALLY LEFT BLANK**

*Include with your return.*

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  .

**All businesses must be certified by the Arizona Commerce Authority and the Department of Revenue before applying for this credit.**

Name as shown on Form 140, 140PY, 140NR, 140X, 99T, 120, 120A, 120S, 120X, or 165	Social Security or Employer Identification Number
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**Part 1 Qualification for Additional Credit**

<p>1 Did you receive a Letter of Approval from the Arizona Department of Revenue (Revenue) for this credit? ..... <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p style="margin-left: 20px;">a If "Yes", include a copy of the letter.</p> <p style="margin-left: 20px;">b If "No", go to line 3.</p>				
2 Enter the credit amount from the Letter of Approval from Revenue .....	2			00
<p>3 Are you claiming this credit as a pass through from a partnership or S corporation and you received Form(s) 346-P from the partnership(s) and/or Form(s) 346-S from the S corporation(s)? ..... <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p style="margin-left: 20px;">a If "Yes", include a copy of each Form 346-P or Form 346-S you received.</p> <p style="margin-left: 20px;">b If "No", skip to line 4.</p>				
4 If you answered "Yes" to the question on line 1 and/or the question on line 3, go to Part 2.				
5 If you answered "No" to the question on line 1 and to the question on line 3, <b>STOP! YOU ARE NOT ELIGIBLE TO CLAIM THIS CREDIT.</b>				

**Part 2 Current Taxable Year's Credit Calculation**

<b>Portion Earned by the Taxpayer</b>				
6 Basic research payments paid to qualified organizations: See instructions	6		00	
7 Qualified organization base period amount .....	7		00	
8 Subtract line 7 from line 6. If less than zero, enter zero .....			8	00
9 Multiply line 8 by 10% (.10). Enter the result. The result cannot exceed the amount on line 2 .....			9	00
<b>Portion Passed Through From Partnerships or S Corporations</b>				
10 Enter your share of this credit passed through to you on Form(s) 346-P, line 4 or Form(s) 346-S line 4. • If you received a pass through credit from two or more partnerships or S corporations, total the credits received on a separate schedule and enter the total amount of credit passed through to you here. Include a copy of that schedule and each Form(s) 308-P and/or Form(s) 308-S you received .....			10	00

**Part 3 Total Current Year's Credit**

11 Total Credit: Add line 9 and line 10. Enter the total here. <b>This is the current year's Additional Credit for Increased Research Activities for Basic Research Payments</b> .....	11			00
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**IMPORTANT:**

- Partnerships, complete Form 346-P for each partner and include a copy of this form with your return. Provide a copy of Form 346-P to each partner.
- S corporations electing to pass this credit through to shareholders, proceed to Part 6.

Continued on page 2 →

Name (as shown on page 1)	TIN
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**Part 4 Available Credit Carryover**

	(a) Taxable Year	(b) Original Credit Amount	(c) Amount Previously Used or Expired	(d) Available Carryover: Subtract column (c) from column (b).
12		00	00	00
13		00	00	00
14		00	00	00
15		00	00	00
16		00	00	00
17	Total Available Carryover: Add lines 12 through 16 in column (d) .....			00

**Part 5 Total Additional Available Credit for Increased Research Activities for Basic Research Payments**

<b>18</b> Current year's credit: <ul style="list-style-type: none"> <li>• <i>Individuals:</i> Enter the amount from line 11. Also enter this amount on Form 301, line 28, column (a).</li> <li>• <i>Corporations, S corporations electing to claim this credit at the corporate level, and exempt organizations with UBTI:</i> Enter the amount from line 11. Also enter this amount on Form 300, line 21, column (a).....</li> </ul>	<b>18</b>	00
<b>19</b> Available credit carryover: Enter the amount from line 17. <ul style="list-style-type: none"> <li>• <i>Individuals:</i> Also enter this amount on Form 301, line 28, column (b).</li> <li>• <i>Corporations, S corporations electing to claim this credit at the corporate level, and exempt organizations with UBTI:</i> Also enter this amount on Form 300, line 21, column (b) .....</li> </ul>	<b>19</b>	00
<b>20 Total available credit:</b> Add lines 18 and 19 and enter the total here. <ul style="list-style-type: none"> <li>• <i>Individuals:</i> Also enter this amount on Form 301, line 28, column (c).</li> <li>• <i>Corporations, S corporations electing to claim this credit at the corporate level, and exempt organizations with UBTI:</i> Also enter this amount on Form 300, line 21, column (c).....</li> </ul>	<b>20</b>	00

**Part 6 S Corporation Credit Election and Shareholder's Share of Credit**

The S corporation has made an irrevocable election for the taxable year ending [M, M, D, D, Y, Y, Y, Y] to (check only one box):

- Claim the additional credit for increased research activities for basic research payments as shown on Part 3, line 11 (for the taxable year mentioned above) at the corporate level;
- OR**
- Pass the additional credit for increased research activities for basic research payments as shown on Part 3, line 11 (for the taxable year mentioned above) through to its shareholders.

Signature \_\_\_\_\_ Title \_\_\_\_\_ Date \_\_\_\_\_

S corporations making the election to pass on this credit to its shareholders, complete Form 346-S for each shareholder, and include a copy of this form with your return. Provide a copy of Form 346-S to each shareholder.

# 2016 Additional Credit for Increased Research Activities for Basic Research Payments

# Arizona Form 346

## CONTACTS FOR FURTHER INFORMATION REGARDING THE ADDITIONAL CREDIT FOR INCREASED RESEARCH ACTIVITIES FOR BASIC RESEARCH PAYMENTS

### Arizona Commerce Authority

Website: [www.azcommerce.com](http://www.azcommerce.com)  
Program Manager (602) 845-1200

### Arizona Department of Revenue

•Tax forms and instructions •Information and assistance  
Website: [www.azdor.gov](http://www.azdor.gov)  
Taxpayer assistance (602) 255-3381  
From area codes 520 and 928, toll-free (800) 352-4090

## General Instructions

Arizona Revised Statutes (A.R.S.) §§ 43-1074.01(A)(1)(c) and 43-1168(A)(1)(d) provide an additional income tax credit for increased research activities for basic research payments made to a university under the jurisdiction of the Arizona Board of Regents.

You may be eligible for this credit if you made cash payments in excess of your base period amount to a qualified Arizona university for research conducted in Arizona.

This credit is available to:

- Individuals,
- Corporations,
- Exempt organizations with unrelated business taxable income (UBTI),
- S corporations using this credit to offset tax incurred at the corporate level,
- S corporations or partnerships may pass the credit through to their shareholders or partners.

**NOTE:** For an exempt organization to claim this credit against its UBTI, the credit must result from the activities generating UBTI.

## CLAIMING THE CREDIT

To claim this credit, the taxpayer must first apply for certification from the Arizona Commerce Authority (ACA) that the taxpayer's basic research payments meet the requirements established by statute. Once the taxpayer receives certification from the ACA, the taxpayer then applies to the Arizona Department of Revenue (Revenue) for determination of the amount of the credit the taxpayer is eligible to claim.

## IMPORTANT INFORMATION/CREDIT SUMMARY

- The credit is limited to \$10 million in total credits in a calendar year.
- This credit is in addition to the credit for increased research activities:
  - Claimed by corporations on Arizona Form 308;
  - Claimed by individuals on Arizona Form 308-I.
- This tax credit is allowed in an amount computed pursuant to Internal Revenue Code (IRC) § 41(e), except for:

- Only basic research payments [defined in IRC § 41(e)] which are made to a university under the jurisdiction of the Arizona Board of Regents are included.
- The taxpayer must make basic research payments during the taxable year to a university under the jurisdiction of the Arizona Board of Regents, for research completed by the same university.
- The terms "basic research payments" and "qualified organization base period amount" have the same meanings prescribed by IRC § 41(e), without regard to whether the taxpayer is, or is not, a corporation.
- The amount of the credit is based on the federal regular credit computation method for basic research payments. Taxpayers cannot use the federal alternative credit computation method. The allowable current taxable year credit is 10% of the excess, if any, of the basic research payments over the qualified organization base period amount for the taxable year.
- If two or more taxpayers, including shareholders of an S corporation and partners in a partnership, share in the eligible expenses, each taxpayer is eligible to receive a proportionate share of the credit.
- The termination provisions of IRC § 41 do not apply.
- If the current taxable year's credit exceeds the taxpayer's tax liability for the taxable year, the taxpayer may carry forward the unused credit to the next five consecutive taxable years.
- This credit is in lieu of the credit for solar liquid fuel claimed on Arizona Form 344.
- **This credit is not refundable.**

**CORPORATE TAXPAYERS:** If two or more members of a unitary group, or an Arizona affiliated group incur qualifying basic research payments, the individual members of the group are not considered separate taxpayers. When a combined return, or a consolidated return is filed, the unitary group, or the Arizona affiliated group is considered a single taxpayer.

## 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 form with the tax return.

### NOTE:

- All returns, statements, or other documents filed with the department must have the taxpayer's Employer Identification Number (EIN) or taxpayer identification number (TIN) indicated on them.
- Taxpayers who fail to include their EIN or TIN may be subject to a penalty.

**Part 1 - Qualification for Additional Credit****Line 1 -**

If you received a letter of approval from Revenue for this credit, check the "Yes" box. If you did not, check the "No" box and skip line 2.

**Line 2 -**

If you checked the "Yes" box on line 1, enter the credit amount shown on your Letter of Approval from Revenue for taxable year 2016.

**Line 3 -**

If you received a pass through of this credit from a partnership or S corporation on Form 346-P or Form 346-S, check the "Yes" box and include a copy of each form you received. If you did not, check the "No" box.

**Line 4 -**

If you answered "Yes" to the question on line 1 and/or to the question on line 3, go to Part 2. Otherwise, go to line 5.

**Line 5 -**

If you answered "No" to the question on line 1 and to the question on line 3, **STOP! YOU ARE NOT ELIGIBLE TO CLAIM THIS CREDIT.**

**Part 2 - Current Taxable Year's Credit Calculation****Portion Earned by the Taxpayer****Line 6 -**

Enter the basic research payments paid to qualified organizations. Taxpayers may be eligible for an additional credit for basic research if their payments made in cash to a qualified university under the jurisdiction of the Arizona Board of Regents (pursuant to a written contract) for research conducted in Arizona exceeds a base period amount.

**Line 7 -**

Enter the qualified organization base period amount as defined by IRC § 41(e) that is based on qualified basic research payments.

**NOTE:** *The amount on line 7 (but not more than the amount on line 6), although not eligible for the additional basic research credit, may be eligible for the basic research credit for corporations on Form 308 and may be eligible to be treated as contract research expenses on Form 308 or Form 308-I.*

**Line 8 -**

If line 6 is greater than line 7, subtract line 7 from line 6 and enter the amount here. If line 7 is greater than line 6, enter zero "0" here.

**Line 9 -**

Enter the lesser of 10% of line 8 or the amount on line 2.

**Portion Passed Through From Partnerships or S Corporations****Line 10 -**

Enter the total amount of credit(s) passed through from partnership(s) on Form 346-P, Part 2, line 4, and/or from S corporation(s) on Form 346-S, Part 2, line 4. Include a copy of all Form(s) 346-P and/or 346-S and Letter(s) of Approval

received from partnership(s) and/or S corporation(s). If you received pass through amounts from more than one Form 346-P and/or Form 346-S, total the amounts received on a separate schedule, include it, and enter the total amount you received from all partnerships and/or S corporations here.

**Part 3 – Total Current Year's Credit****Line 11 -**

Add the amounts on line 9 and line 10. Enter the total. This is your total current year additional credit for increased research activities for basic research payments.

*Partnerships*, complete Form 346-P for each partner and include a copy of this form with your return. Do not complete the remainder of this form.

*S corporations* electing to pass this credit through to shareholders, proceed to Part 6. Do not complete the remainder of this form.

**NOTE Partnerships and S corporations:** *Trusts and estates which are partners in a partnership or shareholders in an S corporation are not eligible to claim this credit. However, the share of a partnership, or the share of an S corporation, owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the partner or shareholder. The grantor may claim his or her share of the credit.*

**Part 4 – Available Credit Carryover****Lines 12 through 16**

The unused additional credit for increased research activities for basic research payments may be carried forward to the next five consecutive taxable years.

Use Part 4 to calculate the available credit carryover. Complete lines 12 through 16 if you claimed the additional credit on a prior year return and your credit was more than your tax.

If you claimed this credit on a prior year income tax return and your credit was more than your tax, enter this information in the columns provided for lines 12 through 16:

- Taxable year from which you are carrying over the additional credit.
- The amount of the credit originally computed for that taxable year.
- The amount of the credit from that taxable year you have already used.
- Subtract the amount in column (c) from the amount in column (b) and enter the difference.

**Line 17 -**

Add the amounts entered on lines 12 through 16 in column (d). Enter the total on line 17, column (d). This is the available credit carryover available for the current taxable year.

**Part 5 – Total Available Additional Credit**

*S corporations electing to claim this credit at the corporate level, complete Part 5.*

*S corporations electing to pass this credit through to your shareholders, complete Part 6.*

Complete this section to compute the total available additional credit for the taxable year. The total available



credit is the sum of the credit for the current taxable year and the available credit carryover(s).

**Line 18 -**

Enter the additional credit for the current taxable year.

*Individuals, Corporations (including S corporations that elected to claim the credit at the corporate level) and exempt organizations with UBTI* - enter the amount from Part 3, line 11.

*Individuals* - enter the total available credit on Arizona Form 301, Part 1, line 28, column (a).

*Corporations (including S corporations electing to claim this credit at the corporate level), and exempt organizations with UBTI* - enter the total available credit on Arizona Form 300, Part 1, line 21, column (a).

**Line 19 -**

Enter the credit carryover amount from Part 4, line 17, column (d).

*Individuals* - enter the total available credit on Arizona Form 301, Part 1, line 28, column (b).

*Corporations (including S corporations electing to claim this credit at the corporate level), and exempt organizations with UBTI* - enter the total available credit on Arizona Form 300, Part 1, line 21, column (b).

**Line 20 -**

Add line 18 and line 19. Enter the total. This is the total available additional credit for increased research activities for basic research payments that may be applied to the current taxable year's tax liability.

*Individuals* - enter the total available credit on Arizona Form 301, Part 1, line 28, column (c).

*Corporations (including S corporations electing to claim this credit at the corporate level), and exempt organizations with UBTI* - enter the total available credit on Arizona Form 300, Part 1, line 21, column (c).

**Part 6 - S Corporation Credit Election and Shareholder's Share of the Credit**

Check the box corresponding to the election made by the S corporation, (to claim the credit; or to pass the credit through to its shareholders). Enter the ending date for the tax year the S corporation made this election. The election must be signed by an officer of the S corporation.

S corporations electing to pass this credit through to its shareholders, proceed to the instructions for completing Form 346-S on page 4.

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## Form 346-P, Partner's Portion of the Credit

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Enter the taxable year from which this credit is being passed through to your partners.

Complete Form 346-P for each partner of the partnership, *except for* trust or estate partners. However, a partnership ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.

The partnership must furnish each partner with their completed copy of Form 346-P, including additional schedules as needed.

### Part 1 – Partnership and Partner Information

#### Line 1 –

Enter the partnership name and EIN in the spaces provided.

#### Line 2 –

Enter the partner's name, EIN, TIN, or social security number, and proportionate share of the credit in the spaces provided.

### Part 2 – Distribution of the Credit Passed Through

#### Line 3 –

Enter the total amount of the partnership's credit for increased research and development from Form 346, Part 3, line 11.

#### Line 4 –

Multiply line 3 by the percentage reported on line 2, column (c). Enter that amount here. This is the partner's proportionate share of the credit.

*Each partner will use this form to complete his or her own Form 346.*

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## Form 346-S, S Corporation Shareholder's Portion of the Credit

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Enter the taxable year from which this credit is being passed through to your shareholders.

Complete Form 346-S for each shareholder of the S corporation, *except for* trust or estate partners. However, an S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.

The S corporation must furnish each shareholder with his or her completed copy of Form 346-S, including additional schedules as needed.

### Part 1 - S corporation and Shareholder Information

#### Line 1 –

Enter the S corporation name and EIN in the spaces provided.

#### Line 2 –

Enter the Shareholder's name, EIN, TIN, or social security number, and proportionate share of the credit in the spaces provided.

### Part 2 – Distribution of the Credit Passed Through

#### Line 3 –

Enter the total amount of the S corporation's credit for increased research and development on Form 346, Part 3, line 11.

#### Line 4 –

Multiply line 3 by the percentage reported on line 2, column (c). Enter that amount here. This is the shareholder's proportionate share of the credit.

*The shareholder will use this form to complete his or her own Form 346.*

For the calendar year 2016 or fiscal year beginning MM,DD,2016 and ending MM,DD,20YY.

**Partnership:**

- Complete Form 346-P for each partner of the partnership **except for** trust or estate partners. However, a partnership ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.
- Include a copy of this form with your return.
- Provide a copy of the completed form and the Letter of Approval received from the Arizona Department of Revenue to each partner.
- Keep a copy of each completed Form 346-P for your records.

**Partner:**

- Use this form to complete your own Form 346.
- Include this completed form and a copy of the Letter of Approval received from the Arizona Department of Revenue with your return.
- Keep a copy of this form and letters for your records.

**NOTE:** If you file your tax return on a calendar year basis but this entity files a return on a fiscal year basis (see above), claim this credit on your tax return for the year in which this entity's fiscal year ends.

**Part 1 Partnership and Partner Information**

<b>1</b>	(a) Partnership Name	(b) Employer Identification Number (EIN)	
<b>2</b>	(a) Partner Name	(b) Taxpayer Identification Number (TIN)	(c) Proportionate Share %

**Part 2 Distribution of the Credit Passed Through**

<b>3</b>	Enter the total amount of the partnership's credit from Part 3, line 11 of the partnership's Form 346 .....	<b>3</b>	\$		00
<b>4</b>	Partner's portion of the partnership research and development credit: Multiply line 3 by the partner's proportionate share shown on line 2(c) .....	<b>4</b>	\$		00

**Partners:** Enter the amount from line 4 on your Form 346, Part 2, line 10.

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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].

**S Corporation:**

- Complete Form 346-S for each shareholder of the S corporation **except for** trust or estate shareholders. However, an S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.
- Include a copy of this form with your return.
- Provide a copy of the completed form and the Letter of Approval received from the Arizona Department of Revenue to each shareholder.
- Keep a copy of each completed Form 346-S for your records.

**Shareholder:**

- Use this form to complete your own Form 346.
- Include this completed form and a copy of the Letter of Approval received from the Arizona Department of Revenue with your return.
- Keep a copy of this form and certificate for your records.

**NOTE:** If you file your tax return on a calendar year basis but this entity files a return on a fiscal year basis (see above), claim this credit on your tax return for the year in which this entity's fiscal year ends.

**Part 1 S Corporation and Shareholder Information**

<b>1</b>	(a) S Corporation Name	(b) Employer Identification Number (EIN)	
	(a) Shareholder Name	(b) Social Security Number (SSN)	(c) Proportionate Share %
<b>2</b>			

**Part 2 Distribution of the Credit Passed Through**

<b>3</b>	Enter the total amount of the S corporation's credit from Part 3, line 11 of the S corporation's Form 346 .....	<b>3</b>	\$		00
<b>4</b>	Shareholder's portion of the S corporation research and development credit: Multiply line 3 by the shareholder's proportionate share shown on line 2(c).....	<b>4</b>	\$		00

**Shareholders:** Enter the amount from line 4 on your Form 346, Part 2, line 10.

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**Include with your return.**

For the calendar year 2016 or fiscal year beginning MM,DD,20YY and ending MM,DD,20YY.

Your Name as shown on Form 140, 140PY, 140NR, 140X, 99T, 120, 120A, 120S, 120X or 165	Your Social Security or Employer Identification Number
Spouse's Name as shown on Form 140, 140PY, 140NR, 140X (if a joint return)	Spouse's Social Security Number

**Available Credit Carryover**

	(a) Taxable Year from which you are carrying a credit	(b) Original Credit Amount	(c) Amount Previously Used	(d) Available Carryover: Subtract column (c) from column (b).
1	2013	00	00	00
2	2014	00	00	00
3	TOTAL AVAILABLE CARRYOVER: Add lines 1 and 2 in column (d). Enter the total on line 3, column (d) .....			00

Individuals: Enter this amount on *Arizona Form 301, Part 1, line 29, columns (b) and (c)*.

Corporations, including S corporations that are claiming the credit and exempt organizations with UBTI.

Also, enter this amount on *Arizona Form 300, Part 1, line 22, columns (b) and (c)*.

**Instructions****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**

**Individuals:** You **must** also complete *Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture, and include Forms 301 and 347 with your tax return to claim this credit.*

**Corporate taxpayers including exempt organizations with unrelated business taxable income:** You **must** also complete *Arizona Form 300, Nonrefundable Corporate Tax Credits and Recapture, and include Forms 300 and 347 with your tax return to claim this credit.*

The credit for qualified health insurance plans was repealed effective for taxable years beginning from and after December 31, 2014. Taxpayers cannot claim any new credits.

If the credit was claimed in taxable years beginning prior to January 1, 2016, and the amount of credit was more than your

tax liability or if you had no tax, the unused credit may be carried forward for the next three consecutive tax years.

**Line-by-Line Instructions**

Enter your name and Social Security Number (SSN) as shown on Arizona Forms 140, 140PY, 140NR, or 140X.

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

**Available Credit Carryover****Lines 1 through 4 -**

Complete lines 1 through 3 to figure your total available credit carryover from taxable years 2013 and 2014.

If you claimed the credit on your 2013 and/or 2014 return, and the credit was more than your tax.

- In column (b), enter the credit originally computed for the taxable year listed in column (a).
- In column (c), enter the amount of the credit from that taxable year which you have already used.
- In column (d), subtract the amount in column (c) from the amount in column (b) and enter the difference.

Add the amounts entered on lines 1 and 2 in column (d). Enter the total on line 3, column (d).

Individuals, also enter the total available credit carryover on Arizona Form 301, Part 1, line 29, columns (b) and (c).

Corporations, including S corporations claiming the credit and exempt organizations with UBTI. Enter the total available credit carryover on Arizona Form 300, Part 1, line 22, columns (b) and (c).

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**Include with your return.**

*For contributions that exceed the maximum allowable credit on Arizona Form 323*

For the calendar year 2016 or fiscal year beginning MM, DD, DD 2, 0, 1, 6 and ending MM, DD, DD 2, 0, Y, Y.

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 joint return)	Spouse's Social Security Number

**Before you can claim this credit, you must claim the maximum allowable credit on Arizona Form 323, Credit for Contributions to Private School Tuition Organizations.** If you made contributions totaling more than the maximum allowable credit on Form 323, you may claim a credit on Form 348 for some or all of those contributions that exceed the maximum allowable credit on Form 323.

**If you have a carryover amount(s) from a credit claimed on Form 348 from prior tax year(s),** you do not have to claim the maximum allowable credit on Form 323 to **only** claim a carryover amount available on Form 348. See instructions under "Notice to All Taxpayers".

**Part 1 Eligibility**

- 1a** Are you claiming a current year's credit on your 2016 Form 323 for contributions to private school tuition organizations? ..... **1a**  **YES**  **NO**
- If you answered, "No", skip line 1b and go to line 1c.
  - If you answered, "Yes", complete line 1b.
- 1b** Did you make contributions in excess of the allowable credit claimed on Form 323? See Form 323, Part 4, line 23 **1b**
- If you answered, "No", go to line 1c.
  - If you answered, "Yes", complete this form to claim an allowable credit for the amount of contributions that exceed the amount of the allowable credit claimed on Form 323.
- 1c** Are you claiming only a carryover from Form 348 from prior tax year? ..... **1c**
- If you answered, "No", to lines 1a, 1b, and 1c, **STOP**, do not complete this form.
  - If you answered, "Yes", to line 1c, skip Part 2 and complete Part 3 and Part 4.

**Part 2 Current Year's Credit**

You must include the school tuition organizations to which you made contributions and claimed a 2016 current year's credit on Form 323. If you are married and filing separate, be sure to include **all** cash contributions made by you **and** your spouse.

Donations made from January 1, 2016, through December 31, 2016. If you made contributions to more than three school tuition organizations, include a separate schedule.

	(a) Name of Certified School Tuition Organizations to which you made cash contributions:	(b) Street Address	(c) City, State	(d) Cash Contribution Made
<b>2</b>				00
<b>3</b>				00
<b>4</b>				00
<b>5</b>	Total contributions made during 2016: Add the amounts in column (d) of lines 2, 3, and 4. Also, add any amount included on a separate schedule.....			<b>5</b> 00

Donations made from January 1, 2017, through April 18, 2017, for which you are claiming a credit on your 2016 return. If you made cash contributions to more than three school tuition organizations, include a separate schedule.

	(a) Name of Certified School Tuition Organizations to which you made cash contributions:	(b) Street Address	(c) City, State	(d) Cash Contribution Made
<b>6</b>				00
<b>7</b>				00
<b>8</b>				00
<b>9</b>	Total contributions made from January 1, 2017, through April 18, 2017, for which you are claiming a credit on your 2016 return: Add the amounts in column (d) of lines 6, 7, and 8. Also, add any amount included on a separate schedule.....			<b>9</b> 00

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

**Part 2 (Continued)**

<b>10</b> All Taxpayers: Add lines 5 and 9. Enter the total .....	<b>10</b>		00
<b>11</b> Maximum allowable credit claimed on Form 323 for the current taxable year: • Single taxpayer; and heads of household; enter \$545 • All married taxpayers, enter \$1,090 .....	<b>11</b>		00
<b>12</b> Potential credit: Subtract line 11 from line 10, and enter the difference .....	<b>12</b>		00
<b>13</b> Maximum allowable credit on Form 348 for the current taxable year: • Single taxpayers or heads of household, enter \$542. • All married taxpayers, enter \$1,083 .....	<b>13</b>		00
<b>14</b> Current year's credit to claim on Form 348: Enter the smaller of line 12 or line 13. In most cases, if you are married and filing a separate return, enter <i>one-half</i> of the smaller of line 12 or line 13.....	<b>14</b>		00

**Part 3 Available Credit Carryover**

	(a) Taxable Year from which you are carrying the credit	(b) Original Credit Amount	(c) Amount Previously Used	(d) Available Carryover: Subtract column (c) from column (b).
<b>15</b>	2012	00	00	00
<b>16</b>	2013	00	00	00
<b>17</b>	2014	00	00	00
<b>18</b>	2015	00	00	00
<b>19</b>				
<b>20</b>	TOTAL AVAILABLE CARRYOVER: Add lines 15 through 18 in column (d)...			00

**Part 4 Total Available Credit**

<b>21</b> Current year's credit: Enter the amount from Part 2, line 14. Also, enter this amount on <i>Arizona Form 301, Part 1, line 30, column (a)</i> .....	<b>21</b>		00
<b>22</b> Available credit carryover from Part 3, line 20, column (d). Also, enter this amount on <i>Arizona Form 301, Part 1, line 30, column (b)</i> .....	<b>22</b>		00
<b>23</b> Total Available Credit: Add line 21 and line 22. Also, enter this amount on <i>Arizona Form 301, Part 1, line 30, column (c)</i> .....	<b>23</b>		00

# 2016 Credit for Contributions to Certified School Tuition Organization - Individuals

(For contributions that exceed the maximum allowable credit on Arizona Form 323)

**Arizona Form  
348**

## 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*.

**NOTE:** You **must** also complete Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture, and include Forms 301 and 348 with your tax return to claim this credit.

## Notice to All Taxpayers

**NOTE:** To claim a current year's credit on Form 348, you **must** first claim the maximum current year's credit allowed on Arizona Form 323, Credit for Contributions to Private School Tuition Organizations. The amount of credit you must claim on Form 323 depends on your filing status. See Form 323 for these amounts.

**If you have a carryover amount(s) from a credit claimed on Form 348 from prior tax year(s), you do not have to claim the maximum allowable credit on Form 323 to only use a carryover amount on Form 348. If you are claiming only a carryover amount on Form 348, and are not claiming any current year's credit on Form 323, submit only Form 348.**

For an example of how to calculate the current year credit and carryover credit, if any, see the last page of these instructions.

## AZ Form 348 Credit Carryover Amount(s) from Prior Tax Year(s)

If you claimed an allowable credit on Form 348 on your 2012, 2013, 2014 and/or 2015 tax return and your 2012, 2013, 2014 and/or 2015 tax liability was less than your allowable credit, you may have a carryover amount available.

You may use the available credit carryover amount to reduce your 2016 tax liability even if you do not claim a credit on Form 323 for 2016.

## General Instructions

Arizona law provides an individual income tax credit for the voluntary cash contributions made to a certified school tuition

organization in order to improve education by raising tuition scholarships for children in Arizona.

This credit is available only to individuals. Corporations may not claim this credit. A partnership may not pass the credit through to its partners. An S corporation may not pass the credit through to its shareholders.

The amount of current year's contributions that may be claimed on Form 348 is computed *after* the maximum credit is claimed on Form 323 and is based on the excess amount of contributions shown on Form 323, Part 4, line 23.

For 2016, the maximum amount of credit on Form 348 that a taxpayer can establish for the current taxable year is \$542 for single taxpayers or heads of household. For married taxpayers that file a joint return, the maximum amount of credit that a taxpayer can establish for the current taxable year is \$1,083. In most cases, for married taxpayers who file separate returns, each spouse may claim only **one-half** (1/2) of the credit that would have been allowed on a joint return.

**NOTE:** The maximum amount of credit established for the current taxable year does **not** include any unused valid carryover amount(s) from prior taxable years. Because this is a nonrefundable credit, the total amount of available credit [current year plus any valid carryover amount(s)] that a taxpayer may use for the taxable year cannot be greater than the tax liability shown.

If the allowable tax credit is more than your tax or if you have no tax, you may carry the unused credit forward for up to the next five consecutive taxable years' income tax liability.

You cannot claim both a tax credit and an itemized deduction for the amount of contributions made to a certified school tuition organization for which you are claiming a credit.

**NOTE:** The credit eligible contributions made to a certified school tuition organization from January 1, 2017, to April 18, 2017, may be claimed as a tax credit on either your 2016 or 2017 Arizona income tax return.

If you claim this credit in 2016 for a donation made from January 1, 2017, to April 18, 2017, you must make an adjustment on your Arizona Form 140 Schedule A, or Form 140PY Schedule A(PY) or A(PYN); or Form 140NR Schedule A(NR), filed in 2017.

A certified school tuition organization is an organization that meets **all** of the following.

- The organization is tax exempt under Section 501(c)(3) of the Internal Revenue Code.
- The organization allocates at least 90% of its annual revenue for educational scholarships or tuition grants.
- The organization makes its scholarships or grants available to students of more than one qualified school.

A “*qualified school*” means a preschool that offers services to students with disabilities, nongovernmental primary or a secondary school that is located in Arizona. The school cannot discriminate on the basis of race, color, handicap, familial status, or national origin and requires all teaching staff and personnel that have unsupervised contact with students to be fingerprinted.

A “*qualified school*” does not include a charter school or programs operated by a charter school. The primary school must begin with kindergarten and the secondary school must end with grade 12.

In the case of a preschool that offers services to students with disabilities, a “*student with disabilities*” is a student who has any of the following conditions:

- hearing impairment,
- visual impairment,
- developmental delay,
- preschool severe delay, or
- speech and/or language impairment.

**NOTE:** *The Arizona Department of Revenue is required to certify school tuition organizations. The department maintains a list of currently certified school tuition organizations on its website at [www.azdor.gov](http://www.azdor.gov).*

To qualify for the credit, all contributions must be made to a certified school tuition organization. To determine if your contributions made in 2016 and/or 2017, qualify for this credit, you should verify that the school tuition organization you made a contribution to is certified. For a list of school tuition organizations certified to receive donations for the individual income tax credit, see the department’s website.

Your donation to the school tuition organization will not qualify for the credit if you designate the donation for the direct benefit of your dependent.

**NOTE:** *Your donation will also not qualify if you designate a student beneficiary as a condition of your contribution to the school tuition organization. Additionally, the tax credit is not allowed if you agree with another person to designate each other’s contributions to the school tuition organization for the direct benefit of each other’s dependent, a practice commonly known as swapping.*

Before claiming this credit, make sure the school tuition organization issues you a receipt for the contributions. The receipt should show **all** of the following:

- the name and address of the school tuition organization,
- the name of the taxpayer,
- the amount paid, and
- the date paid.

Please keep this receipt with your tax records.

**NOTE:** *You may be able to make credit eligible contributions to a certified school tuition organization through payroll withholding. Check with your employer to see if your employer has agreed to withhold contributions that qualify for this credit from your pay.*

## Line-by-Line Instructions

Enter your name and Social Security Number (SSN) as shown on Arizona Forms 140, 140PY, 140NR, or 140X.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for an individual is the taxpayer’s SSN or an Internal Revenue Service (IRS) individual taxpayer identification number (ITIN). Taxpayers that fail to include their identification number may be subject to a penalty.

### Part 1 - Eligibility

#### Lines 1a through 1c -

For lines 1a through 1c, answer the questions and follow the instructions on the form.

### Part 2 - Current Year’s Credit

**NOTE:** *You must include **all** school tuition organizations to which you and your spouse, if married, made contributions to and for which you claimed a 2016 credit on Form 323.*

#### Lines 2, 3 and 4 -

Enter the name and address of the certified school tuition organization to which you made contributions from January 1, 2016, through December 31, 2016, and for which you are claiming a current year’s credit on your return.

- name of the certified school tuition organization,
- street address of the certified school tuition organization,
- location (city and state) of the private school tuition organization, and
- the amount of contributions made.

**NOTE:** *Do not include those contributions that you made from January 1, 2016, through April 18, 2016, for which you claimed a credit on your 2015 tax return.*

If you made cash contributions to three or more schools, complete an additional schedule. The schedule should show the same information required on lines 2, 3 and 4 for each of the additional schools to which you made cash contributions.

#### Line 5 -

Add the amounts in column (d) of lines 2, 3, and 4. Also, add any amount included on a separate schedule.

#### Line 6, 7 and 8 -

**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 make a contribution and claim a credit for that amount on your 2016 tax return.*

Enter the name and address of the certified school tuition organization to which you made contributions from January 1, 2017, through April 18, 2017, and for which you are claiming a current year’s credit on your return. Enter the following:

- name of the certified school tuition organization,
- street address of the certified school tuition organization,
- location (city and state) of the certified school tuition organization, and
- the amount of contributions made.

If you made cash contributions to four or more schools, complete an additional schedule. The schedule should show the same information required on lines 6, 7, and 8 for each of the additional schools to which you made cash contributions.

**Line 9 -**

Add the amounts in column (d) of lines 6, 7, and 8. Also, add any amount included on a separate schedule.

**Line 10 -**

All taxpayers: Add lines 5 and 9. Enter the total.

**Line 11 - Maximum Credit Claimed on Form 323**

- Single taxpayers and taxpayers filing as heads of household enter \$545.
- All married taxpayers enter \$1,090.

**Line 12 - Potential Credit**

Subtract line 11 from line 10, and enter the difference.

**Line 13 - Maximum Allowable Credit on Form 348**

- Single taxpayers and taxpayers filing as heads of household enter \$542.
- All married taxpayers enter \$1,083.

**Line 14 - Current Year's Credit to Claim on Form 348**

Enter the smaller of line 12 or line 13. If you are married filing a separate return but could have filed a joint return, you may take only one-half (1/2) of the total credit that would have been allowed on a joint return, up to a maximum of \$542 each. In this case, enter one-half (1/2) of the smaller of line 12 or line 13.

**Part 3 - Available Credit Carryover**

**NOTE:** Arizona law requires that a taxpayer must claim the maximum credit amount allowed on Arizona Form 323 before claiming a credit for excess contributions on Form 348. However, you do not have to claim a current year credit on Form 323 to **only** claim a credit carryover amount from prior taxable years on Form 348.

**Lines 15 through 20 -**

Use Part 3 to figure your total available credit carryover from taxable years 2012, 2013, 2014 and/or 2015.

Complete lines 15, 16 and 17 to figure your available credit carryover from taxable years 2012, 2013, 2014 and/or 2015, if you claimed the credit on a return for one of these years, and the credit was more than your tax.

- In column (b), enter the credit originally computed for that taxable year listed in column (a).
- In column (c), enter the amount of the credit from that taxable year which you have already used.
- In column (d), subtract the amount in column (c) from column (b) and enter the difference.
- Add the amounts on lines 15 through 17 in column (d).

Enter the total on line 20, column (d).

**Part 4 - Total Available Credit**

**Line 21 -**

Enter the amount from Part 2, line 14. Also, enter this amount on Form 301, Part 1, line 30, column (a).

**Line 22 -**

Enter the amount from Part 3, line 20, column (d). Also, enter this amount on Form 301, Part 1, line 30, column (b).

**Line 23 -**

Add line 21 and line 22. Also, enter this amount on Form 301, Part 1, line 30, column (c).

**NOTE:** To claim this credit, you **must** first claim the maximum credit allowed on Arizona Form 323, Credit for Contributions to Private School Tuition Organizations. The amount of credit you must claim on Form 323 depends on your filing status. See Form 323 for these amounts.

**EXAMPLE:** During 2016, Mary, a single person, gave \$1400 to a school tuition organization. Mary's tax liability for 2016 is \$400. Mary claimed the maximum credit amount of \$545 allowed on Arizona Form 323.

Since Mary made a contribution that totaled more than the allowable credit on Arizona form 323, she may claim a credit, up to the maximum amount allowed, on Form 348 (for 2016, \$542 for single or head or household; or \$1,083 for married filing joint.) For 2016, Mary would compute her **available current year's credit** for Form 348 as follows:

2016 total contributions made	\$ 1,400
Credit claimed on Form 323 for tax year 2016	(\$ 545)
Contributions eligible to use for computing Form 348 credit	\$ 855
Maximum credit on Form 348 that Mary may claim	\$ 542
Contributions exceeding the allowable credit. Mary may not use the amount of the gift, \$313, which was more than the allowable \$542 credit (\$855 minus \$542) to figure her credit on Form 348.	\$ 313

Once Mary computes her credit, she must then determine how much of that credit may be applied to the current year's tax and how much, if any, may be carried over to a future year. In this case, Mary has already applied a credit (from Arizona Form 323) against her total tax liability of \$400. Therefore, Mary will have a \$542 carryover on Form 348 for the next taxable year. Mary will compute her **2016 carryover credit** amount as follows:

Current Year's Credit	\$ 542
Mary's 2016 tax liability	\$ 400
Tax credit used – from Arizona Form 323	(\$ 400)
Balance of tax	\$ 0
Amount of current year credit used from Form 348 to off-set taxes	\$ 0
Amount of current year credit from Form 348 available to carryover to next year.	\$ 542

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*Include this completed form and the Certification of Qualification from the Arizona Commerce Authority 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 140, 140PY, 140NR, 140X, 99T, 120, 120A, 120S, 120X, or 165	Social Security or Employer Identification Number
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**Part 1 Listing of Post-Approved Qualified Facilities and Apportioned Credit Amount**

List qualified facilities for which you are entitled to claim a credit during this taxable year. If you have more than two facilities, include additional schedules. See instructions.

(a) Arizona Commerce Authority Post-Approval Information			(b) Apportioned Credit Amount	
(a)1 Allocation Year	(a)2 Post-Approval Date	(a)3 Post-Approval Number		
1	YYYY MM DD YYYYY			00
2	YYYY MM DD YYYYY			00
3 Total from all additional schedules.....			<b>3</b>	00
4 Total amount of credit passed through from partnerships and/or S corporations .....			<b>4</b>	00
5 Subtotal: Add lines 1 through 4, column (b). Enter the total. This is your total apportioned credit amount.....			<b>5</b>	00

**Part 2 Full-Time Employment Positions Vacant More Than 150 Days**

List the number of full-time employment positions which were vacant for more than 150 days since the credit was approved. If positions were vacant at more than two facilities, include additional schedules. See instructions.

(a) Allocation Year	(b) Post-Approval Number	(c) Number of Employees	(d) Reduction	(e) Total	
6			\$4,000.00		00
7			\$4,000.00		00
8 Total from all additional schedules.....				<b>8</b>	00
9 Subtotal: Add lines 6 through 8, column (e). Enter the total. This is the amount of your credit reduction.....				<b>9</b>	00

**Part 3 Net Credit**

10 Subtract the amount on line 9 from the amount on line 5. Enter the difference. If less than zero, enter "0" .....	<b>10</b>		00
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**Part 4 Credit Recapture**

11 Date on which the certification of the business as a qualified facility was terminated or revoked.....	<b>11</b>	MM DD YYYYY	
12 Total recapture of apportioned credit for qualified facilities: Enter the total amount(s) of the credit(s) previously claimed for the facility(ies) whose certification was terminated or revoked. If more than one certification has been terminated or revoked, enter the total amount .....	<b>12</b>		00
13 Recapture of the credit passed through from partnerships and S corporations .....	<b>13</b>		00
14 Add lines 12 and 13. Enter the total. This is your total recapture amount.....	<b>14</b>		00

Continued on page 2 →

Name (as shown on page 1)	TIN
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**Part 5 S Corporation Credit Election**

- 15 The S corporation has made an irrevocable election for the taxable year ending MM,DD,YYYY to (check only one box):
- Claim the credit for qualified facilities as shown in Part 3, line 10 (for the taxable year mentioned above);
- OR**
- Pass the credit for qualified facilities as shown in Part 3, line 10 (for the taxable year mentioned above), through to its shareholders.

Signature \_\_\_\_\_ Title \_\_\_\_\_ Date \_\_\_\_\_

If passing the credit through to the shareholders, complete Form 349-S for each shareholder.

- Provide a copy of completed Form 349-S to each shareholder.
- File a copy of each Form 349-S completed with your tax return.
- Keep a copy of each completed Form 349-S for your records.

**Part 6 Partnerships Passing Through the Credit**

Partnerships passing the credit through to its partners, complete Form 349-P for each partner.

- Provide a copy of completed Form 349-P to each partner.
- File a copy of each Form 349-P completed with your tax return.
- Keep a copy of each completed Form 349-P for your records.

**Part 7 Credit Recapture Summary**

16 Enter the taxable year(s) in which you took a credit for a business as a qualified facility whose certification has been terminated or revoked:  _____		
17 Total amount of credit recaptured: • <i>Individuals, corporations, S corporations, and exempt organizations with UBTI:</i> Enter the amount from Part 4, line 14. • <i>Individuals:</i> Also enter this amount on Form 301, Part 2, line 38. • <i>Corporations, S corporations that claimed this credit at the corporate level, and exempt organizations with UBTI:</i> Also enter this amount on Form 300, Part 2, line 29.....	<b>17</b>	00

**Part 8 Total Apportioned Credit Claimed This Taxable Year**

18 Total apportioned credit for qualified facilities: • <i>Individuals, corporations, S corporations claiming this credit at the corporate level or exempt organizations with UBTI:</i> Enter the amount from Part 3, line 10. • <i>S corporations electing to pass this credit through to individual shareholders:</i> Enter "0". • <i>Partnerships:</i> Enter "0". • <i>Individuals:</i> Also enter this amount on Form 140, line 57; or Form 140NR, line 64; or Form 140PY, line 68; or Form 140X, line 43. • <i>Corporations:</i> Also enter this amount on Form 120, line 22; or Form 120A, line 14; or Form 120X, line 22. • <i>Exempt organizations with UBTI:</i> Also enter this amount on Form 99T, line 12. • <i>S corporations that claimed this credit at the corporate level:</i> Also enter this amount on Form 120S, line 18.....	<b>18</b>	00
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**2016 Credit for Qualified Facilities**

**CONTACTS FOR QUALIFIED FACILITY TAX INCENTIVES PROGRAM**

**Arizona Commerce Authority**

•Application forms •Program guidelines

Website: **www.azcommerce.com**

Program Manager (602) 845-1200

**Arizona Department of Revenue**

•Tax forms and instructions •Information and assistance

Website: **www.azdor.gov**

Taxpayer assistance (602) 255-3381

From area codes 520 and 928, toll-free (800) 352-4090

**General Instructions**

Arizona Revised Statutes (A.R.S.) §§ 43-1083.03 and 43-1164.04 provide refundable individual and corporate income tax credits for expanding or locating a qualified facility in this state.

A "qualified facility" means a facility in this state that devotes at least 80% of the property and payroll at the facility to one or more of the following:

- a) Qualified manufacturing,
- b) Qualified headquarters,
- c) Qualified research.

This credit is effective for taxable years beginning from and after December 31, 2012, through December 31, 2022, and is limited to 10% of the lesser of:

- a) The taxpayer's total capital investment in the qualified facility, or,
- b) \$200,000 for each net new full-time employment position at the qualified facility.

The credit is apportioned and claimed in five equal annual installments in each of five consecutive taxable years and is in lieu of the following credits, with respect to the same employment positions:

- The credit for new employment claimed on Arizona Form 345;
- The military reuse zone credit claimed on Arizona Form 306; and
- The credit for renewable energy industry claimed on Arizona Form 342.

To claim this credit a business must apply for, and receive pre-approval from the Arizona Commerce Authority (Commerce). Commerce cannot pre-approve income tax credits for any one taxpayer in excess of \$30 million in any calendar year. Commerce cannot pre-approve income tax credits in excess of \$70 million annually between this credit and the credit for renewable energy claimed on Form 342.

Once pre-approval is received, the business must incur at least \$250,000 in qualifying investment within 12 months of pre-approval.

The tax year of pre-approval determines the "allocation year". The allocation year is the calendar year to which the credit was applied to the annual credit cap.

The business must enter into a managed review with Commerce prior to applying for post-approval. The business must obtain post-approval from Commerce prior to claiming the credit. The first fifth of the apportioned credit is claimed on the tax return that includes the post-approval date.

For example, Company A, is a calendar year filer. Company A received pre-approval from Commerce for a qualified facility on March 11, 2015, and received its post-approval on March 14, 2016. Because Company A completed everything necessary to earn the credit in calendar year 2016, the first fifth of the credit must be claimed on the tax return for calendar year 2016.

**NOTE:** Each fifth of the credit for qualified facilities must be claimed on a *timely filed original income tax return, including extensions. If you do not claim this credit on a timely filed original return, you cannot claim this credit on an amended return. Failing to claim this credit on a timely filed return will result in loss of this credit for that taxable year.*

The amount of the credit for qualified facilities a taxpayer may claim can never exceed the amount indicated on the post-approval from Commerce.

**NOTE:** *The business must submit a copy of the Certification of Qualification (Certification) from Commerce with Form 349 when claiming the credit.*

Co-owners of a business, including partners in a partnership and shareholders of an S corporation, may each claim only the pro rata share of the apportioned credit based on ownership interest. The total of the apportioned credits allowed to all such owners may not exceed the amount that would have been allowed for a sole owner of the business.

The credit is available to an exempt organization that is subject to corporate income tax on unrelated business taxable income (UBTI). The credit must result from the activities that generate UBTI.

**Credit Recapture**

During the pre-approval process with Commerce, the applicant must consent to adjustment or recapture of the income tax credit in the case of noncompliance with A.R.S. § 41-1512.

If, within five taxable years after first receiving the credit for qualified facilities, the Certification is rescinded by Commerce, the taxpayer is disqualified from the apportioned credits for subsequent taxable years and may be subject to recapture.

On a determination that the taxpayer has committed fraud or relocated outside of this state within five taxable years of first receiving a credit, all credits previously allowed are subject to recapture.

The recapture of the credit is computed by increasing the amount of taxes imposed in the year following the year of termination or revocation by the full amount of all credits previously allowed.

## Specific Instructions

Complete the name and taxpayer identification number (TIN) section at the top of the form. Indicate the period covered by the taxable year. Include the completed form with the tax return.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for a corporation, an exempt organization with UBTI, an S corporation, or a partnership is the taxpayer's employer identification number. The TIN for an individual is the taxpayer's social security number or an Internal Revenue Service individual taxpayer identification number. A taxpayer that fails to include its TIN may be subject to a penalty.

### Part 1 - Listing of Post-Approved Qualified Facilities and Apportioned Credit Amount

List the qualified facilities for which you are entitled to claim a credit for this taxable year. The first fifth of the credit(s) for qualified facilities must be claimed on the tax return that includes the post-approval date and must be filed timely, including any extensions.

#### Lines 1 and 2 -

Enter the following information in the columns indicated on lines 1 and 2:

- (a)1 Allocation Year – the calendar year to which the credit was applied to the annual credit cap. This date will be noted on the post-approval document received from Commerce.
- (a)2 Post-Approval Date – the date Commerce issued the Post-Approval for the qualified facility.
- (a)3 Post-Approval Number – the priority placement number issued to each facility by Commerce.
- (b) Apportioned Credit Amount – list the apportioned credit amount (one-fifth per year for 5 years) indicated on the Post-Approval for the qualified facility.

#### Line 3 -

If you received this credit from more than two qualified facilities, include a separate schedule providing the same information required for lines 1 and 2. Total the credit(s) on the included schedule. Enter that total here.

#### Line 4 -

Enter the amount of credit passed through to you from partnerships (Form 349-P) or from S corporations (Form 349-S). If you have credits from more than one partnership and/or S corporation, include a separate schedule. Enter the total of all credit(s) for qualified facilities you received. Enter the total here.

#### Line 5 -

Add the amounts in column (b) of lines 1 through 4. Enter the total.

### Part 2 - Full-Time Employment Positions Vacant More than 150 Days

#### Lines 6 and 7 -

If you had full-time employment positions that were vacant for more than 150 days since this credit was approved, enter this information in the columns provided for lines 6 and 7:

- (a) Allocation Year – the calendar year to which the credit was originally applied to the annual credit cap.
- (b) Post-Approval Number – the priority placement number issued to the facility by Commerce.
- (c) Number of Employees – the total number of employees at the facility for which the position(s) was vacant for more than 150 days since the credit was approved.
- (d) Reduction – \$4,000.00.
- (e) Total – multiply the amount in column (c) by \$4,000 [column (d)]. Enter the number.

#### Line 8 -

If you have more than two facilities with full-time employment positions vacant for more than 150 days, include a separate schedule providing the same information required for lines 6 and 7. Total the amounts on the included schedule. Enter that amount here.

#### Line 9 -

Add the amounts in column (e) of lines 6 through 8. Enter the total.

### Part 3 - Net Credit

#### Line 10 -

Subtract the amount on line 9 from the amount on line 5. Enter the difference. If less than zero, enter "0".

### Part 4 - Credit Recapture

#### Line 11 -

Enter the date on which the certification of the business as a qualified facility was terminated or revoked.

#### Line 12 -

Enter the total amount(s) of the credit(s) previously claimed by you for the facility(ies) whose certification was terminated or revoked. If more than one certification was terminated or revoked, enter the total amount. Include a schedule providing the detailed amount(s) of credit being recaptured.

#### Line 13 -

Enter the amount of credit to be recaptured that was passed through to you on Form(s) 349-P, Part 2, line 7 and/or Form(s) 349-S, Part 2, line 7. If more than one partnership and/or S corporation passed through a credit recapture to you, enter the total amount and include a schedule providing the detail supporting the amount entered. Include copies of all Form(s) 349-P and/or Form(s) 349-S.

#### Line 14 -

Add line 12 and line 13. Enter the total. This is your total recapture amount.

## Part 5 - S Corporation Credit Election and Shareholder's Share of Credit and Credit Recapture

An S corporation may make an irrevocable election to pass this credit through to its individual shareholders.

**NOTE:** *Trusts and estates that are shareholders of S corporations are NOT eligible to claim this credit on their Arizona returns. However, an S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.*

An S corporation must complete its own Form 349, Parts 1 through 5 (as necessary) to pass this credit through to its individual shareholders.

### Line 15 -

If the S corporation wishes to make an irrevocable election to pass this credit through to its individual shareholders, enter the ending date for this tax year, check the box indicating the S corporation is passing this credit through to its individual shareholders and have this form signed by an officer of the S corporation.

**S corporations electing to pass this credit through to its shareholders, proceed to the instructions on page 5 to complete Form(s) 349-S.**

## Part 6 - Partner's Share of Credit and Credit Recapture

A partnership must complete its own Form 349, Parts 1 through 4 (as necessary) to pass this credit through to its partners.

**NOTE:** *Trusts and estates that are partners of a partnership are NOT eligible to claim this credit on their Arizona returns. However, a partnership ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.*

**After completing Parts 1 through 4, proceed to the instructions on page 4 to complete Form(s) 349-P.**

## Part 7 - Credit Recapture Summary

### Line 16 -

Enter the taxable year(s) for which you claimed a credit for a business as a qualified facility whose certification has been terminated or revoked.

### Line 17 -

Enter the total amount of this credit originally claimed on prior returns.

*Individuals, corporations, exempt organizations with UBTI, and S corporations that claimed this credit at the corporate level:* Enter the amount from Part 4, line 14.

*Individuals:* Also, enter this amount on Form 301, Part 2, line 38.

*Corporations, exempt organizations with UBTI, and S corporations that claimed this credit at the corporate level:* Also, enter this amount on Form 300, Part 2, line 29.

## Part 8 - Total Apportioned Credit Claimed This Taxable Year

### Line 18 -

Enter the current year's apportioned credit for qualified facilities.

*Individuals, corporations (including S corporations that elected to claim the credit), and exempt organizations with UBTI -* enter the amount from Part 3, line 10.

*S corporations electing to pass this credit through to individual shareholders:* Enter "0".

*Partnerships:* Enter "0".

Enter this amount and check the box for Form 349 on your tax return as instructed below:

*Individuals:* Also, enter the amount on Form 140, line 57; or Form 140NR, line 64; or Form 140PY, line 68; or Form 140X, line 43.

*Corporations:* Also, enter the amount on Form 120, line 22; or Form 120A, line 14; or Form 120X, line 22.

*Exempt organizations with UBTI:* Also, enter the amount on Form 99T, line 12.

*S corporations that elected to claim the credit at the corporate level:* Also, enter the amount on Form 120S, line 18.

## Form 349-P, Partner's Portion of the Credit

Enter the taxable year for which this credit is being passed through to your partners.

Complete Form 349-P for each partner of the partnership, *except for* trust or estate partners. However, a partnership ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.

The partnership must furnish each partner with their completed copy of Form 349-P, including additional schedules as needed.

**NOTE:** *Form 349-P can be used to distribute the partnership's share of this credit to its partners, or it can be used to notify the partners of the amount of the credit to be recaptured.*

### Part 1 - Distribution of the Credit

**To distribute the credit to the partners of the partnership (complete lines 1 through 3):**

#### Line 1

- a) Enter the partnership name.
- b) Enter the partnership's Employer Identification Number (EIN).
- c) Enter the post-approval number received from Commerce.

#### Line 2

- a) Enter the partner's name.
- b) Enter the partner's TIN.

#### Line 3

- a) Enter the amount of this credit from Form 349, Part 3, line 10 for which this partnership was approved.
- b) Enter the partner's ownership percentage.
- c) Multiply line 3(a) by line 3(b) and enter the amount.

**This is the partner's portion of this credit.**

### Part 2 - Notification of Credit Recapture

**To notify the partners of the amount of the credit that must be recaptured (complete lines 4 through 7):**

#### Line 4

- a) Enter the partnership name.
- b) Enter the partnership EIN.

#### Line 5

- a) Enter the partner's name.
- b) Enter the partner's TIN.

#### Line 6

- a) Enter the post-approval number received from Commerce.
- b) Enter the date the certification was terminated or revoked.

#### Line 7

Enter the total amount of the credit(s) previously passed through to the partner for the facility(ies) whose certification was terminated or revoked.

**This is the partner's portion of the credit to be recaptured.**

## Form 349-S, S Corporation Shareholder's Portion of the Credit

Enter the taxable year for which this credit is being passed through to your shareholders.

Complete Form 349-S for each shareholder of the S corporation, *except for* trust or estate shareholders. However, an S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.

The S corporation must furnish each shareholder with a completed copy of Form 349-S, including additional schedules as needed.

**NOTE:** *Form 349-S can be used to distribute the S corporation's share of this credit to its shareholders, or it can be used to notify the shareholders of the amount of the credit to be recaptured.*

### Part 1 - Distribution of the Credit

**To distribute the credit to the S corporation shareholders (complete lines 1 through 3):**

#### Line 1

- a) Enter the S corporation name.
- b) Enter the S corporation's Employer Identification Number (EIN).
- c) Enter the post-approval number received from Commerce.

#### Line 2

- a) Enter the shareholder's name.
- b) Enter the shareholder's TIN.

#### Line 3

- a) Enter the amount of this credit from Form 349, Part 3, line 10 for which the S corporation was approved.
- b) Enter the shareholder's ownership percentage.
- c) Multiply line 3(a) by line 3(b) and enter the amount.

**This is the shareholder's portion of this credit.**

### Part 2 Notification of Credit Recapture

**To notify the shareholders of the amount of the credit that must be recaptured (complete lines 4 through 7):**

#### Line 4

- a) Enter the S corporation name.
- b) Enter the S corporation EIN.

#### Line 5

- a) Enter the shareholder's name.
- b) Enter the shareholder's TIN.

#### Line 6

- a) Enter the post-approval number received from Commerce.
- b) Enter the date the certification was terminated or revoked.

#### Line 7

Enter the total amount of the credit(s) previously passed through to the shareholder for the facility(ies) whose certification was terminated or revoked.

**This is the shareholder's portion of the credit to be recaptured.**

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For the calendar year 2016 or fiscal year beginning MMDD, 2016 and ending MMDD, 20YY.

**Partnerships:**

- Complete Form 349-P for each partner in the partnership **except for** trust or estate partners. However, a partnership ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.
- Provide a copy of the completed form and the Certification of Qualification received from the Arizona Commerce Authority to each partner.
- Keep a copy of each completed Form 349-P for your records.
- Include a copy of each completed Form 349-P with your partnership return.

**Partners:**

- Use this form to complete your own Form 349.
- Include this completed form and a copy of the Certification of Qualification received from the Arizona Commerce Authority with your return.
- Keep a copy of this form and certificate for your records.

**NOTE:** If you file your tax return on a calendar year basis but this entity files a return on a fiscal year basis (see above), claim this credit on your tax return for the year in which this entity's fiscal year ends.

**Part 1 Distribution of the Credit**

Complete Part 1 to distribute the credit to each partner in the partnership.

<b>1</b>	(a) Partnership Name	(b) Employer Identification Number (EIN)	(c) Post-Approval Number
<b>2</b>	(a) Partner Name	(b) Taxpayer Identification Number (TIN)	
<b>3a</b>	Partnership credit amount from Form 349, Part 3, line 10.....		<b>3a</b> \$ <input type="text"/> 00
<b>3b</b>	Partner's ownership percentage.....		<b>3b</b> <input type="text"/> %
<b>3c</b>	Partner's portion of the credit .....		<b>3c</b> \$ <input type="text"/> 00

**Partners:**

The amount reported on line 3c is your portion of this credit. Enter the amount from line 3c on Part 1, line 4 of your own Form 349 to claim this credit.

**Part 2 Notification of Credit Recapture**

Complete Part 2 to notify each partner in the partnership of their share of the credit to be recaptured.

<b>4</b>	(a) Partnership Name	(b) Employer Identification Number (EIN)
<b>5</b>	(a) Partner Name	(b) Taxpayer Identification Number (TIN)
<b>6</b>	(a) Post-Approval Number	(b) Date the Certification was Terminated or Revoked <u>MMDD, 20YY</u>
<b>7</b>	Partner's portion of the credit to be recaptured .....	
	<b>7</b>	\$ <input type="text"/> 00

**Partners:**

The amount reported on line 7 is your portion of this credit's recapture. Enter the amount from line 7 on Part 4, line 13 of your own Form 349.

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For the calendar year 2016 or fiscal year beginning MM, DD, DD 2, 0, 1, 6 and ending MM, DD, DD 2, 0, Y, Y.

**S Corporations:**

- Complete Form 349-S for each shareholder of the S corporation **except for** trust or estate shareholders. However, an S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.
- Provide a copy of the completed form and the Certification of Qualification received from the Arizona Commerce Authority to each shareholder.
- Keep a copy of each completed Form 349-S for your records.
- Include a copy of each completed Form 349-S with your S corporation return.

**Shareholders:**

- Use this form to complete your own Form 349.
- Include this completed form and a copy of the Certification of Qualification received from the Arizona Commerce Authority with your return.
- Keep a copy of this form and certificate for your records.

**NOTE:** If you file your tax return on a calendar year basis but this entity files a return on a fiscal year basis (see above), claim this credit on your tax return for the year in which this entity's fiscal year ends.

**Part 1 Distribution of the Credit**

Complete Part 1 to distribute the credit to shareholders of the S corporation.

<b>1</b>	(a) S Corporation Name	(b) Employer Identification Number (EIN)	(c) Post-Approval Number
<b>2</b>	(a) Shareholder Name	(b) Taxpayer Identification Number (TIN)	
<b>3a</b>	S corporation credit amount from Form 349, Part 3, line 10.....	<b>3a</b>	\$ <input type="text"/> 00
<b>3b</b>	Shareholder's ownership percentage.....	<b>3b</b>	<input type="text"/> %
<b>3c</b>	Shareholder's portion of the credit .....	<b>3c</b>	\$ <input type="text"/> 00

**Shareholder:**

The amount reported on line 3c is your portion of this credit. Enter the amount from line 3c on Part 1, line 4 of your Form 349 to claim this credit.

**Part 2 Notification of Credit Recapture**

Complete Part 2 to notify each shareholder of the S corporation of his or her share of the credit to be recaptured.

<b>4</b>	(a) S Corporation Name	(b) Employer Identification Number (EIN)
<b>5</b>	(a) Shareholder Name	(b) Taxpayer Identification Number (TIN)
<b>6</b>	(a) Post-Approval Number	(b) Date the Certification was Terminated or Revoked <u>MM, DD, DD</u> 2, 0, Y, Y
<b>7</b>	Shareholder's portion of the credit to be recaptured .....	<b>7</b> <input type="text"/> 00

**Shareholder:**

The amount reported on line 7 is your portion of this credit's recapture. Enter the amount from line 7 on Part 4, line 13 of your Form 349.

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*Include this completed form and the certification from the Arizona Department of Revenue 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 140, 140PY, 140NR, 140X, 99T, 120, 120A, 120S, 120X, or 165	Social Security or Employer Identification Number
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**Part 1 Qualification for and Current Taxable Year's Credit**

<b>1</b> Did you receive a certificate from the Arizona Department of Revenue for this credit? ..... <input type="checkbox"/> Yes <input type="checkbox"/> No <b>a</b> If "Yes", proceed to line 2. Include a copy of the certificate. <b>b</b> If "No", skip to line 4.				
<b>2</b> Enter the facility code .....				
<b>3</b> Enter the credit amount authorized on the certificate .....	<b>3</b>		00	
<b>4</b> Did you receive a Form 351-P or Form 351-S?..... <input type="checkbox"/> Yes <input type="checkbox"/> No <b>a</b> If "Yes", include a copy of Form 351-P or Form 351-S and proceed to line 5. <b>b</b> If "No", skip to Part 2.				
<b>5</b> Enter the facility code on Form 351-P or 351-S ..				
<b>6</b> Enter the name of the pass-through entity and its EIN: <b>a</b> Name: ..... <b>b</b> EIN: .....				
<b>7</b> Enter your portion of the credit from Form 351-P, line 3(c), or Form 351-S, line 3(c).....	<b>7</b>		00	
<b>8</b> Add lines 3 and 7 and enter the total.....	<b>8</b>		00	
<b>9</b> Enter the lesser of line 8 or \$5,000,000.00. <b>This is the current year's amount of your credit</b> .....		<b>9</b>		00

**Part 2 Credit Recapture**

**NOTE:** If you are a partnership or S corporation that passed the credit through to partners or shareholders, do not complete Part 2. You will report the recapture to the partners or shareholders on either Form 351-P or Form 351-S.

<b>10</b> Did you receive a notice from the Arizona Department of Revenue during the year that your credit is subject to recapture..... <input type="checkbox"/> Yes <input type="checkbox"/> No <b>a</b> If "Yes", proceed to line 11. Include a copy of the notice. <b>b</b> If "No", skip to line 17.				
<b>11</b> Enter the facility code .....				
<b>12</b> Enter the tax year(s) you claimed the credit: .....				
<b>13</b> Enter the total credit amount subject to recapture as shown on the notice from the Arizona Department of Revenue .....	<b>13</b>		00	
<b>14</b> Enter the amount of credit carryover that remains unused.....	<b>14</b>		00	
<b>15</b> Subtract line 14 from line 13 and enter the difference. If line 15 is less than zero, see instructions .....	<b>15</b>		00	
<b>16</b> Enter the greater of line 15 or zero. <b>This is the amount of your direct recapture</b> .....		<b>16</b>		00

Continued on page 2 →

Name (as shown on page 1)	TIN
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**Part 2 Credit Recapture (continued)**

<p>17 Did you receive a notice of recapture on Form 351-P or Form 351-S? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p style="margin-left: 20px;">a If "Yes", proceed to line 18. Include a copy of Form 351-P or 351-S.</p> <p style="margin-left: 20px;">b If "No", skip to Part 3.</p> <p>18 a Enter the facility code from Form 351-P, line 1(c) or Form 351-S Line 1(c): _____</p> <p style="margin-left: 20px;">b Name of partnership or S corporation: _____</p> <p style="margin-left: 20px;">c EIN: _____</p> <p>19 Enter the tax year(s) you claimed the credit: _____</p> <p>20 Enter the total credit amount subject to recapture previously passed through to you from Form 351-P, line 7, or Form 351-S, line 7.....</p> <p>21 Enter the total amount of unused credit carryover(s) .....</p> <p>22 Subtract line 21 from line 20 and enter the difference. If line 22 is less than zero, see instructions .....</p> <p>23 Enter the greater of line 22 or zero. <b>This is the amount of recapture passed through to you from an S corporation or a partnership</b>.....</p> <p>24 Add lines 16 and 23 and enter the total on line 24. <b>This is your total recapture amount.</b></p> <ul style="list-style-type: none"> <li>• Individuals enter this amount on Form 301, line 39 .....</li> <li>• Corporations, exempt organizations with UBTI, and S corporations who claimed this credit, enter this amount on Form 300, line 30 .....</li> </ul>	20	00	21	00	22	00	23	00	24	00
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**Part 3 Available Credit Carryover**

	(a)	(b)	(c)	(d)	(e)
Taxable Year Ending:	M M D D Y Y	M M D D Y Y			
25 Original credit amount.....	00	00			
26 Minus amount previously used.....	00	00			
27 Net available carryover.....	00	00			
28 Minus carryover disqualified.....	00	00			
29 Total available carryover for each year	00	00			
30 Total Available Carryover: Enter the amount from line 29(a) .....					00

**Part 4 Total Available Credit**

<p>31 Total current year's credit: Enter the amount from Part 1, line 9.</p> <ul style="list-style-type: none"> <li>• <i>Individuals:</i> Also enter this amount on Form 301, line 31, column (a).</li> <li>• <i>Corporations, S corporations claiming this credit, and exempt organizations with UBTI:</i> Also enter this amount on Form 300, line 23, column (a).....</li> </ul> <p>32 Available credit carryover: Enter the amount from Part 3, line 30.</p> <ul style="list-style-type: none"> <li>• <i>Individuals:</i> Also enter this amount on Form 301, line 31, column (b).</li> <li>• <i>Corporations, S corporations claiming this credit, and exempt organizations with UBTI:</i> Also enter this amount on Form 300, line 23, column (b).....</li> </ul> <p>33 <b>Total available credit:</b> Add line 31 and line 32 and enter the total on line 33.</p> <ul style="list-style-type: none"> <li>• <i>Individuals:</i> Also enter this amount on Form 301, Part 1, line 31, column (c).</li> <li>• <i>Corporations, S corporations claiming this credit, and exempt organizations with UBTI:</i> Also enter this amount on Form 300, Part 1, line 23, column (c) .....</li> </ul>	31	00	32	00	33	00
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Name (as shown on page 1)	TIN
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**Part 5 S Corporation Credit Election and Shareholder's Share of Credit**

The S corporation has made an irrevocable election for the taxable year ending MM, DD, YYYY to

(check only one box):

- Claim the credit, as shown on Part 1, line 9 (for the taxable year mentioned above);
- OR**
- Pass the credit, as shown on Part 1, line 9 (for the taxable year mentioned above) through to its shareholders.

\_\_\_\_\_  
Signature Title Date

If passing the credit through to the shareholders, complete Form 351-S for each individual shareholder.

- Provide a copy of completed Form 351-S to each shareholder.
- File a copy of each completed Form 351-S with your tax return.
- Keep a copy of each completed Form 351-S for your records.

**Part 6 Partner's Share of Credit**

If passing this credit through to your partners, complete Form 351-P for each partner.

- Provide a copy of completed Form 351-P to each partner.
- File a copy of each completed Form 351-P with your tax return.
- Keep a copy of each completed Form 351-P for your records.

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# 2016 Credit for Renewable Energy Investment and Production for Self-Consumption by Manufacturers and International Operations Centers

## Arizona Form 351

### 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

*Arizona Revised Statutes (A.R.S.) §§ 43-1083.04 and 43-1164.05* provide nonrefundable individual and corporate income tax credits for investment in new renewable energy facilities or for International Operations Centers that produce energy for self-consumption using renewable energy resources. The credit authorized is \$5 million per year for five years. The initial credit is claimed in the year the facility becomes operational.

## Claiming this Credit

To claim this credit, a taxpayer must apply to the Arizona Department of Revenue (Department) for certification. The department reviews and pre-approves the taxpayer for the credit on a first come, first served basis. The maximum amount of this credit a taxpayer can receive is \$5,000,000 per tax year. The department may not authorize tax credits under *A.R.S. §§ 43-1083.04 and 43-1164.05* that exceed, in the aggregate, a total of \$10 million for any calendar year.

The taxpayer must submit a request for final certification to the department within 30 days after the renewable energy facility for which authorization was given becomes operational. See the program guidelines at [www.azdor.gov](http://www.azdor.gov) under the "Tax Credits" section.

There are two means of qualifying for this credit: (a) as a manufacturing facility (Manufacturer), or, (b) as an International Operations Center (IOC).

### To qualify as a Manufacturer, a taxpayer must:

- Invest \$300 million in new renewable energy facilities in Arizona
- Those facilities *must* produce energy for self-consumption using renewable energy resources
- The \$300 million investment must be completed within a 3-year period beginning on the date the initial application was received by the Department or by December 31, 2017, whichever is earlier.

- At least 90 percent of the energy produced at the facility must be used for self-consumption in Arizona
- The power generated is used primarily for manufacturing

### To qualify as an IOC, a taxpayer must:

- Invest at least \$100 million in one or more renewable energy facilities in Arizona
- The minimum investment of \$100 million must be completed within a 3-year period beginning on the date the initial application is received by the Department or by December 31, 2018, whichever is earlier
- Invest \$1.25 billion in the IOC within 10 years after being certified by the Arizona Commerce Authority
- The energy produced must be used for self-consumption
- By the fifth year the facility is in operation, at least 51 percent of the energy produced must be used for self-consumption in Arizona

This credit is available to corporate taxpayers, exempt organizations subject to unrelated business taxable income (UBTI), partners in a partnership, members of a limited liability company (LLC), and to shareholders of an S corporation. The total of the credits may not exceed the amount that would have been allowed for a sole owner of the business.

If the current taxable year's credit exceeds the taxpayer's tax liability for the taxable year, the taxpayer may carry forward the unused credit to the next five consecutive taxable years. No credit, other than carryovers generated properly, may be claimed for any taxable year beginning after December 31, 2025.

## Credit Recapture

### Manufacturer:

If a taxpayer fails to meet the required investment for a Manufacturer, the taxpayer must cease claiming any credits and recapture any and all credit(s) already claimed.

The recapture must be made on the taxpayer's income tax return for the taxable year in which it is first known that the required investment would not be made within the required time or the taxable year in which the certification was revoked.

### International Operations Center:

If an IOC taxpayer fails to make the \$1.25 billion investment in the center within the 10 years after certification, this credit is recaptured in inverse proportion to the total capital investment made in the IOC by the \$1.25 billion. The recapture must be made on the taxpayer's income tax return for the taxable year in which it is first known that the required investment would not be made within the required time or the taxable year in which the certification was revoked.

### IOC Example:

Ten years after its certification, an IOC taxpayer invested \$900 million in its center and claimed \$25 million for this credit (\$5,000,000 per year for 5 years.) The IOC taxpayer will determine its credit recapture by subtracting its total investment

*IOC Example (continued):*

(\$900 million) from the required investment (\$1.25 billion) and dividing that amount by the required investment

IOC taxpayer invests \$900 million in 10 years.  
Required investment amount is \$1.25 billion.

Required Investment	\$1,250,000,000
Total Investment	\$ 900,000,000
Amount not invested	\$ 350,000,000
Amount not invested	\$ 350,000,000
Required Investment	\$1,250,000,000
Percentage not invested	28%

Calculate Credit Recapture	
Total Credit Claimed	\$25,000,000
Percentage (above)	28%
<b>Amount to Recapture</b>	<b>\$ 7,000,000</b>

The IOC taxpayer will report a credit recapture on its income tax return of \$7 million.

**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 form and all supporting documentation with the tax return.

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

**Part 1 – Qualification for and Current Taxable Year's Credit**

**Line 1**

If you received any certificate(s) directly from the department, check the "Yes" box and include a copy of the certificate. If you did not, check the "No" box and skip to line 4.

**Line 2**

Enter the facility code for which you received the credit.

**Line 3**

Enter the total amount of the credit authorized by the certificate.

**Line 4**

If you received a Form 351-S or a Form 351-P, check the "Yes" box and include a copy of the form. If you did not, check the "No" box and skip to Part 2.

**Line 5**

Enter the facility code indicated on Form 351-S or Form 351-P.

**Line 6**

Enter the name and Employer Identification Number (EIN) of the company passing the credit through to you.

**Line 7**

Enter your portion of the credit indicated on Form 351-S or Form 351-P.

**Line 8**

Add lines 3 and 7 and enter the total here.

**NOTE:** *If you are a partner or shareholder in multiple entities receiving this tax credit, create a schedule detailing the amount of the credit recapture that was passed through to you from each partnership or S corporation, and include that schedule with your tax return.*

**Line 9**

Enter the lesser of line 8 or \$5,000,000. This is your current year's total tax credit. This amount cannot exceed \$5 million.

**NOTE:** *The maximum credit allowed per taxpayer per taxable year is \$5 million.*

**Part 2 – Credit Recapture**

**NOTE:** *If you are a partnership or S corporation that passed the credit through to partners or shareholders, do not complete Part 2. You will report the recapture to the partners or shareholders on either Form 351-P or Form 351-S.*

**Line 10**

If you received a notice from the department that your credit is subject to recapture, check the "Yes" box, and include a copy of the notice. If you did not, check the "No" box and skip to line 17.

**Line 11**

Enter the facility code indicated on the certificate.

**Line 12**

Enter the tax year(s) you claimed the credit.

**Line 13**

Enter the credit amount previously authorized by the department.

**Line 14**

Enter the amount of credit carryover that remains unused.

**Line 15**

Subtract line 14 from line 13 and enter the amount.

**Is line 15 less than zero?**

If you subtract line 14 from line 13 and your result is less than zero, you may be eligible to use a portion of your credit carryforward.

To determine the amount of credit carryforward you can use, subtract line 13 from line 14. The result is the amount of this credit you can carry forward.

**EXAMPLE:**

On your Form 351, line 13 is \$5,000,000 and line 14 is \$4,000,000. If you subtract line 14 from line 13, the result is negative (\$1,000,000).

As instructed above, you then subtract line 13, \$5,000,000, from line 14, \$4,000,000. The result is \$1,000,000.

This is the amount of this credit you can carry forward.

**Line 16**

Enter the greater of line 15 or zero. This is the amount of your direct recapture.



**NOTE:** *If you are a partner or shareholder in multiple entities receiving this tax credit, complete a schedule detailing the amount of the credit passed through from each partnership or S corporation, and include that schedule with your tax return.*

**Line 17**

If you received a notice of recapture on Form 351-S or 351-P, check the “Yes” box and include a copy of the form. If you did not, check the “No” box and skip to Part 3.

**Line 18**

Enter the name and EIN of the partnership or S corporation who sent you the notice or recapture.

**Line 19**

Enter the tax year(s) you claimed the credit.

**Line 20**

Enter the total credit previously passed through to you on Form 351-S or 351-P that is subject to recapture.

**Line 21**

Enter the amount of the credit carryover that remains unused.

**Line 22**

Subtract line 21 from line 20 and enter the amount.

**Is line 22 less than zero?**

If you subtract line 21 from line 20 and your result is less than zero, you may be eligible to use a portion of your credit carryforward.

To determine the amount of credit carryforward you can use, subtract line 20 from line 21. The result is the amount of this credit you can carry forward.

**EXAMPLE:**

On your Form 351, line 21 is \$5,000,000 and line 20 is \$4,000,000. If you subtract line 21 from line 20, the result is negative (\$1,000,000).

As instructed above, you then subtract line 20, \$5,000,000, from line 21, \$4,000,000. The result is \$1,000,000.

This is the amount of credit you can carry forward.

**Line 23**

Enter the greater of line 22 or zero. This is the amount of the credit recapture passed through to you from an S corporation or a partnership.

**Line 24**

Add lines 16 and 23 and enter the amount.

**This is your total recapture amount.**

- Individuals enter this amount on Form 301, line 39.
- Corporations, exempt organizations with UBTI, and S corporations, who claimed this credit, enter this amount on Form 300, line 30.

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### Part 3 – Available Credit Carryover

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Use Part 3 to figure your total available credit carryover from prior taxable years. Columns (a) through (e) represent the tax years for which you claimed this credit. Complete lines 25 through 29, columns (a) through (e), if you claimed the credit on a prior year’s return and the credit exceeded your tax liability.

**NOTE:** *This credit has a 5-year carryforward. You have 5 years in which to apply this credit to your Arizona taxes.*

**Line 25**

Enter the amount of the credit originally computed for the first year you claimed the credit.

**Line 26**

Enter the amount of the credit you previously claimed on an earlier tax return.

**Line 27**

Subtract line 26 from line 25 and enter the amount. This is your net available credit carryover.

**Line 28**

Enter the amount of this credit carryover that was disqualified.

**Line 29**

**Subtract line 28 from line 27 and enter the amount.**

**Line 30**

Add lines 29(a) through (e) and enter the amount. **This is your total available credit carryover.**

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### Part 4 – Total Available Credit

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**Line 31**

Enter the amount from line 9. This is your total current year’s credit. It is the sum of the current year’s credit that you established and also the pass-through credit you received in the current year.

- *Individuals*, also enter this amount on Form 301, line 31, column (a).
- *Corporations, exempt organizations with UBTI, and S corporations claiming this credit*, also enter this amount on Form 300, line 23, column (a).

**Line 32**

Enter the amount from Part 3, line 30. This is your total available credit carryover for renewable energy investment and production for self-consumption by manufacturers and international operations centers.

- *Individuals*, also enter this amount on Form 301, line 31, column (b).
- *Corporations, exempt organizations with UBTI, and S corporations claiming this credit*, also enter this amount on Form 300, line 23, column (b).

**Line 33**

Add line 31 and line 32, enter the total here. This is the total available credit that may be applied to the current year’s tax liability.

- *Individuals*, also enter this amount on Form 301, line 31, column (c).
- *Corporations, exempt organizations with UBTI, and S corporations claiming this credit*, also enter this amount on Form 300, line 23, column(c).

**Part 5 - S Corporation Credit Election**

**PASSING THIS CREDIT THROUGH TO SHAREHOLDERS OF AN S CORPORATION**

An S corporation may make an irrevocable election to pass this credit through to its shareholders.

**NOTE:** *Trusts and estates which are shareholders of S corporations are NOT eligible to claim this credit on their Arizona returns. However, the ownership share of an S corporation that is disregarded for federal income tax purposes is treated as owned by the grantor. If the grantor is an individual, he or she may claim his or her share of the credit.*

An S corporation must complete its own Form 351, Parts 1 through 5 (as necessary) to pass this credit through to its shareholders.

- To Complete Part 5, the S corporation must:
  - Check the box indicating it is passing this credit through to its shareholders.
  - Enter the ending date for this tax year.
  - Have the form signed by an officer of the S corporation.

**NOTE:** *If you have more than 10 shareholders, create a similar schedule to divide the credit amount. Include that schedule with your return.*

**To pass this credit amount through to your shareholders:**

1. Enter the Tax Year(s) on the notice you received from the Department or from Forms 351-P or 351-S you received.

**Using the table below, complete lines 1 – 10 as follows:**

2. Enter each shareholder’s name in column (a).
3. Enter the shareholder’s corresponding ownership percentage of the S corporation in column (b).
4. Enter the total credit amount from the certificate or Form 351 you received in each line of the worksheet.
5. Multiply column (b) by column (c) enter that amount in column (d) for each shareholder.

**The amounts indicated in column (d) are the respective shareholder’s portion of this credit.**

Enter the amount here in each respective shareholder’s Form 351-S, line 3(c).

**Total**

6. Add the amounts in column (d) and enter the amount here. This amount should equal the credit amount on the certificate you received from the Department.

To complete the transfer of this credit, the S corporation must:

- Complete Form 351-S for each shareholder:
  - Provide each shareholder with their respective copy of Form 351-S,
  - File a copy of each completed Form 351-S with its tax return, and
  - Keep a copy of each Form 351-S for its records.

The shareholder will then complete his or her own Form 351 to claim this credit.

**NOTE:** *Each S corporation shareholder is entitled to only a pro rata share of pass-through credit based on ownership interest in the S corporation. The total of the credit allowed to all shareholders may not exceed the amount that would have been allowed for a sole owner.*

**Use this form to determine the amount of the credit to be passed through to each shareholder.**

Tax Year	(a) Shareholder	(b) Ownership %	(c) Credit Amount	(d) Shareholder’s Portion
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
<b>Total</b>				<b>\$</b>

**RECAPTURE OF THIS CREDIT PASSED THROUGH TO SHAREHOLDERS OF AN S CORPORATION**

If you passed this credit through to your shareholders in a previous tax year and then received a notice from the Arizona Department of Revenue that your credit is subject to recapture during this year, you must pass the amount(s) subject to recapture through to your shareholders who received the original credit.

This credit was passed through to your shareholders based on their ownership percentage (per year). The recapture amount is based on a percentage of the total credit passed through to all shareholders. You will receive a notice of recapture from the Department indicating the percentage of this credit that is subject to recapture. You must notify your shareholders of their portion of this amount.

To notify your shareholders of their respective amount(s) of this credit that is subject to recapture from them:

- A. Determine the amount of credit passed through to each shareholder for all years of the credit.
- B. Multiply the amount in A (above) by the recapture percentage (provided by Arizona Department of Revenue).
- C. Complete Part 2 of Form 351-S for each shareholder informing him/her of the amount of this credit subject to recapture.

**Example:**

*S Corporation claimed this credit for five years, 1 through 5. Each year, S Corporation claimed the maximum amount, \$5M. The total credit claimed was \$25M.*

*During the time S Corporation claimed this credit, it had 5 shareholders:*

- *Shareholder A owned 20% of S Corporation for each year, 1 through 5*
- *Shareholder B owned 20% of S Corporation for each year 1 through 5*
- *Shareholder C owned 20% of S Corporation for years 1 through 3; in year 4, Shareholder C sold his ownership percentage of S Corporation to Shareholder D*
- *Shareholder D owned 20% of S Corporation for years 1 through 3; for years 4 and 5, Shareholder D owned 40% of Partnership*
- *Shareholder E owned 20% of Partnership for each year 1 through 5.*

*During year 7, S Corporation received a notice from the Department indicating 40%, or \$10M of its credit is subject to recapture.*

*Using the 351-S forms it completed for years 1 through 5, S Corporation determined it passed through the following amounts of credits to each of its shareholders for these years:*

<b>Shareholder</b>	<b>Total Credit Passed Through</b>
Shareholder A	\$ 5,000,000
Shareholder B	\$ 5,000,000
Shareholder C	\$ 3,000,000
Shareholder D	\$ 7,000,000
Shareholder E	\$ 5,000,000
<b>Total Credit</b>	<b>\$25,000,000</b>

*Multiplying each shareholder’s amount of credit “passed through” by the recapture percentage, 40%, S Corporation determined the credit amount(s) subject to recapture for each shareholder is:*

<b>Shareholder:</b>	<b>Credit Passed Through</b>	<b>Recapture %</b>	<b>Shareholder Credit Subject to Recapture</b>
Shareholder A	\$ 5,000,000	40%	\$ 2,000,000
Shareholder B	\$ 5,000,000	40%	\$ 2,000,000
Shareholder C	\$ 3,000,000	40%	\$ 1,200,000
Shareholder D	\$ 7,000,000	40%	\$ 2,800,000
Shareholder E	\$ 5,000,000	40%	\$ 2,000,000
<b>Total Credit</b>	<b>\$25,000,000</b>	<b>40%</b>	<b>\$10,000,000</b>

*S Corporation completed Form 351-S for each shareholder above informing him or her of the amount of this credit that is subject to recapture.*

**Part 6 - Partner's Portion of Credit**

**PASSING THIS CREDIT THROUGH TO PARTNERS OF A PARTNERSHIP**

Partnerships must pass this credit through to its individual and/or corporate partners.

**NOTE:** *Trusts and estates which are partners of a partnership are NOT eligible to claim this credit on their Arizona returns. However, the ownership share of a partnership that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.*

A partnership must complete its own Form 351, Parts 1 through 4 (as necessary) to pass this credit through to its partners.

**NOTE:** *If you have more than 10 partners, create a similar schedule to divide the credit amount. Include that amount with your return.*

**To pass this credit amount through to your partners:**

1. Enter the Tax Year(s) on the notice you received from the Department or from Forms 351-P you received.

**Using the table below, complete lines 1 – 10 as follows:**

2. Enter each partner's name in column (a).
3. Enter the partner's corresponding ownership percentage of the S corporation in column (b).

4. Enter the total credit amount from the certificate or Form 351 you received in each line of the worksheet.
5. Multiply column (b) by column (c) and enter that amount in column (d) for each partner.

**The amounts indicated in column (d) are the respective partner's portion of this credit.**

Enter the amount here in each respective partner's Form 351-P, line 3(c).

**Total:**

6. Add the amounts in column (d) and enter the amount here. This amount should equal the credit amount on the certificate you received from the Department.

To complete the transfer of this credit, the partnership must:

- Complete Form 351-P for each partner:
  - Provide each partner with their respective copy of Form 351-P,
  - File a copy of each completed Form 351-P with its tax return, and
  - Keep a copy of each completed Form 351-P for its records.

The partner will then complete its own Form 351 to claim this credit.

**NOTE:** *Each partner is entitled to only a pro rata share of the credit based on the partner's ownership interest in the partnership. The total of the credit allowed to all partners may not exceed the amount that would have been allowed for a sole owner.*

**Use this form to determine the amount of the credit to be passed through to each partner.**

Tax Year	(a) Partner	(b) Ownership %	(c) Credit Amount	(d) Partner's Portion
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
<b>Total</b>				<b>\$</b>

**RECAPTURE OF THIS CREDIT PASSED THROUGH TO PARTNERS OF A PARTNERSHIP**

If you passed this credit through to your partners in a previous tax year and then received a notice from the Arizona Department of Revenue that your credit is subject to recapture during this year, you must pass the amount(s) subject to recapture through to your partners that received the credit.

This credit was passed through to your partners based on their ownership percentage (per year). The recapture amount is based on a percentage of the total credit passed through to all partners. You will receive a notice of recapture from the Department indicating the percentage of this credit that is subject to recapture. You must notify your shareholders of their portion of this amount.

To notify your partners of their respective amount(s) of this credit that is subject to recapture from them:

- A. Determine the amount of credit passed through to each partner for all years of the credit,
- B. Multiply the amount in A (above) by the recapture percentage (provided by Arizona Department of Revenue),
- C. Complete Part 2 of Form 351-P for each partner informing him/her of the amount of this credit subject to recapture.

**Example:**

Partnership claimed this credit for five years, 1 through 5. Each year, Partnership claimed the maximum amount, \$5M. The total credit claimed was \$25M.

During the time Partnership claimed this credit, it had 5 Partners:

- Partner A owned 20% of Partnership for each year, 1 through 5,
- Partner B owned 20% of Partnership for each year 1 through 5,
- Partner C owned 20% of Partnership for years 1 through 3; in year 4, Partner C sold his ownership percentage of Partnership to Partner D,
- Partner D owned 20% of Partnership for years 1 through 3; for years 4 and 5, Partner D owned 40% of Partnership,
- Partner E owned 20% of Partnership for each year 1 through 5.

During year 7, Partnership received a notice from the Department indicating 40%, or \$10M of its credit is subject to recapture.

Using the 351-P forms it completed for years 1 through 5, Partnership determined it passed through the following amounts of credits to each of its partners for these years:

Partner	Credit Amount
Partner A	\$ 5,000,000
Partner B	\$ 5,000,000
Partner C	\$ 3,000,000
Partner D	\$ 7,000,000
Partner E	\$ 5,000,000
<b>Total Credit</b>	<b>\$25,000,000</b>

Multiplying each Partner's amount of credit "passed through" by the recapture percentage, 40%, Partnership determined the credit amount(s) subject to recapture for each individual Partner is:

<b>Partner:</b>	<b>Credit Amount</b>	<b>Recapture %</b>	<b>Subject to Recapture</b>
Partner A	\$ 5,000,000	40%	\$ 2,000,000
Partner B	\$ 5,000,000	40%	\$ 2,000,000
Partner C	\$ 3,000,000	40%	\$ 1,200,000
Partner D	\$ 7,000,000	40%	\$ 2,800,000
Partner E	\$ 5,000,000	40%	\$ 2,000,000
<b>Total Credit</b>	<b>\$25,000,000</b>	<b>40%</b>	<b>\$10,000,000</b>

Partnership completed Form 351-P for each Partner above informing him or her of the amount of this credit that is subject to recapture.

## Form 351-S, S Corporation Shareholder's Portion of the Credit

Enter the tax year at the top of Form 351-S. If you are filing a calendar year tax return, check the box labeled "year 2016". If you are a fiscal year filer, indicate the beginning and ending dates for your tax years. Enter the dates in MM/DD/YYYY format.

Complete Form 351-S for each shareholder except for trust or estate shareholders. However, an S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. If the grantor is an individual, he or she may claim his or her share of the credit.

**NOTE:**

*S corporations use Form 351-S to notify each shareholder of their share of:*

- *The credit to be claimed, or*
- *The credit subject to recapture.*

**To distribute the credit to the S corporation shareholders (complete lines 1 through 3):**

**Line 1**

- a) Enter the S corporation name
- b) Enter the S corporation's EIN
- c) Enter the facility code for which this credit was received.

**Line 2**

- a) Enter the shareholder's name
- b) Enter the shareholder's TIN

**Line 3**

- a) Enter the amount of this credit for which the S corporation was approved
- b) Enter the shareholder's ownership percentage
- c) Multiply line 3(a) by line 3(b) and enter the amount.

**This is the shareholder's portion of this credit.**

**To distribute the recapture amount to the S corporation shareholders (complete lines 4 through 7):**

**Line 4**

- a) Enter the S corporation name
- b) Enter the S corporation EIN

**Line 5**

- a) Enter the shareholder's name
- b) Enter the shareholder's TIN

**Line 6**

- a) Enter the facility code for which this credit was originally approved
- b) Enter the tax year(s) for which this credit was originally approved

**Line 7**

Enter the shareholder's portion of the credit subject to recapture from the worksheet in the instructions.

**This is the shareholder's amount of the credit subject to recapture.**

## Form 351-P, Partner's Portion of the Credit

Enter the tax year at the top of Form 351-P. If you are filing a calendar year tax return, check the box labeled "year 2016". If you are a fiscal year filer, indicate the beginning and ending dates for your tax years. Enter the dates in MM/DD/YYYY format.

Complete Form 351-P for each partner except for trust or estate partners. However, a partnership ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.

**NOTE:**

*Partnerships use Form 351-P to notify each partner of their share of:*

- *The credit to be claimed, or*
- *The credit subject to recapture.*

**To distribute the credit to the partners of the partnership (complete lines 1 through 3):**

**Line 1**

- a) Enter the partnership name
- b) Enter the partnership's EIN
- c) Enter the facility code for which this credit was received.

**Line 2**

- a) Enter the partner's name
- b) Enter the partner's TIN

**Line 3**

- a) Enter the amount of this credit for which the partnership was approved
- b) Enter the partner's ownership percentage
- c) Multiply line 3(a) by line 3(b) and enter the amount.

**This is the partner's portion of this credit.**

**To distribute the recapture amount to the partners of the partnership (complete lines 4 through 7):**

**Line 4**

- a) Enter the partnership name
- b) Enter the partnership EIN

**Line 5**

- a) Enter the partner's name
- b) Enter the partner's TIN

**Line 6**

- a) Enter the facility code for which this credit was originally approved
- b) Enter the tax year(s) for which this credit was originally approved

**Line 7**

Enter the partner's portion of the credit subject to recapture from the worksheet in the instructions.

**This is the partner's amount of the credit subject to recapture.**

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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].

**S Corporations** passing this credit through to S corporation individual shareholders:

- Complete Form 351-S for each individual shareholder of the S corporation.
- Provide a copy of the completed form and the certificate received from the Arizona Department of Revenue to each individual shareholder.
- Keep a copy of each completed Form 351-S for your records.

**Individual Shareholders:**

- Use this form to complete your own Form 351.
- Include this completed form and a copy of the certificate received from the Arizona Department of Revenue with your return.
- Keep a copy of this form and certificate for your records.

**NOTE:** If you file your tax return on a calendar year basis but this entity files a return on a fiscal year basis (see above), claim this credit on your tax return for the year in which this entity's fiscal year ends.

**Part 1 Distribution of the Credit**

Complete this portion to distribute the credit to the individual shareholders of the S corporation.

<b>1</b>	(a) S Corporation Name	(b) Employer Identification Number (EIN)	(c) Facility Code
<b>2</b>	(a) Individual Shareholder Name	(b) Taxpayer Identification Number (TIN)	
<b>3a</b>	S corporation credit amount .....	<b>3a</b>	\$ ..... 00
<b>3b</b>	Shareholder's ownership percentage .....	<b>3b</b>	..... %
<b>3c</b>	Shareholder's portion of the credit .....	<b>3c</b>	\$ ..... 00

**Individual Shareholder:**

The amount reported on line 3(c) is your portion of this credit. Complete your own Form 351 to claim this credit.

**Part 2 Distribution of the Credit Recapture**

Complete this portion to notify each individual shareholder in the S corporation of his or her share of the credit to be recaptured.

<b>4</b>	(a) S Corporation Name	(b) Employer Identification Number (EIN)	
<b>5</b>	(a) Individual Shareholder Name	(b) Taxpayer Identification Number (TIN)	
<b>6</b>	(a) Facility Code	(b) Tax Year(s) Credit Passed Through to This Individual Shareholder	
<b>7</b>	Individual shareholder's portion of the credit subject to recapture .....	<b>7</b>	\$ ..... 00

**Individual Shareholder:**

The amount reported on line 7 is your portion of this credit's recapture. Complete your own Form 351 to determine your recapture amount.

**THIS PAGE INTENTIONALLY LEFT BLANK**

*Include with your return.*

For the calendar year 2016 or fiscal year beginning MM,DD,2016 and ending MM,DD,20YY.

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 joint return)	Spouse's Social Security Number

**Part 1 Current Year's Credit**

**Do not** include donations to a qualifying charitable organization for which you are claiming a credit on Arizona Form 321.

Donations made from January 1, 2016, through December 31, 2016.

If you made cash contributions to more than three qualifying foster care charitable organizations, include a separate schedule.

	(a) Name of Qualifying Foster Care Charity to which you made cash contributions	(b) Location of Qualifying Foster Care Charity (City, State)	(c) Cash Amount
1			00
2			00
3			00
4	Total contributions made in 2016 to the qualifying foster care charitable organizations: Add the amounts in column (c) of lines 1, 2, and 3. Also, add any amount included on a separate schedule ..		4 00

Donations made from January 1, 2017, through April 18, 2017, for which you are claiming a credit on your 2016 return.

If you made cash contributions to more than three qualifying foster care charitable organizations, include a separate schedule.

	(a) Name of Qualifying Foster Care Charity to which you made cash contributions	(b) Location of Qualifying Foster Care Charity (City, State)	(c) Cash Amount
5			00
6			00
7			00
8	Total contributions made from January 1, 2017, through April 18, 2017, to the qualifying foster care charitable organizations for which you are claiming a credit on your 2016 return: Add the amounts in column (c) of lines 5, 6, and 7. Also, add any amount included on a separate schedule .....		8 00
9	Add lines 4 and 8. Enter the total .....		9 00
10	Single taxpayers or heads of household, enter \$500. Married taxpayers, enter \$1,000 .....		10 00
11	Current year's credit: Enter the smaller of line 9 or line 10. In most cases, if you are married filing a separate return, enter one-half of the smaller of line 9 or line 10. See instructions .....		11 00

Continued on page 2 →

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

**Part 2 Available Credit Carryover**

If you have a carryover amount available from a prior year for contributions for which you claimed on Arizona Form 321, you **must** claim those carryover amounts on Form 321.

The first year this credit is available is 2016. There is no carryover amount to claim for taxable year 2016.

	(a) Taxable Year from which you are carrying the credit	(b) Original Credit Amount	(c) Amount Previously Used	(d) Available Carryover: Subtract column (c) from column (b).
<b>12</b>				
<b>13</b>				
<b>14</b>				
<b>15</b>				
<b>16</b>				
<b>17</b>	TOTAL AVAILABLE CARRYOVER: Add lines 12 through 16, column (d) ...			

**Part 3 Total Available Credit**

<b>18</b> Current year's credit: Enter the amount from Part 1, line 11. Also, enter this amount on <i>Arizona Form 301, Part 1, line 32, column (a)</i> .....	<b>18</b>		00
<b>19</b> Available credit carryover from Part 2, line 17, column (d). Do not enter an amount on line 19 .....	<b>19</b>		
<b>20</b> Total Available Credit: Add line 18 and line 19. Also, enter this amount on <i>Arizona Form 301, Part 1, line 32, column (c)</i> .....	<b>20</b>		00

# 2016 Credit for Contributions To Qualifying Foster Care Charitable Organizations

## Arizona Form 352

### 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

**NOTE:** You **must** also complete Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture, and include Forms 301 and 352 with your tax return to claim this credit.

For taxable years beginning from and after December 31, 2015, Arizona law provides a **separate** credit for cash contributions made to qualifying foster care charitable organizations.

**CAUTION:** Contributions made after December 31, 2015, to a qualifying foster care charitable organization does not qualify for, and cannot be included in, a credit claimed on Arizona Form 321 for cash contributions made to a qualifying charitable organization.

If you made cash contributions to a **non-foster care qualifying charitable organization**, you **must** complete Arizona Form 321 to claim a credit for those contributions. Do **not** use Form 352 to claim a credit for contributions made to non-foster care charitable organizations.

This credit is available **only** to individuals. Corporations may not claim this credit. A partnership may not pass the credit through to its partners. An S corporation may not pass the credit through to its shareholders.

Beginning 2016, credit eligible contributions made to a qualifying foster care charitable organization from January 1, 2017, through April 18, 2017, may be used as a tax credit on either your 2016 or 2017 Arizona income tax return.

If you claim this credit in 2016 for a donation made from January 1, 2017, through April 18, 2017, you must make an adjustment on your Arizona Form 140 Schedule A; or Form 140PY Schedule A(PY) or A(PYN); or Form 140NR Schedule A(NR), filed in 2017.

The maximum amount of credit that a taxpayer can establish for the current taxable year for these donations is \$500 for single taxpayers or heads of household. For married taxpayers

filing a joint return, the maximum amount of credit that a taxpayer can establish for the current taxable year is \$1,000. In most cases, for married taxpayers who file separate returns, each spouse may claim only **one-half** (1/2) of the total credit that would have been allowed on a joint return.

**NOTE:** The maximum amount of credit established for the current taxable year does **not** include any unused valid carryover amount(s) from prior taxable years. Because this is a nonrefundable credit, the total amount of available credit [current year plus any valid carryover amount(s)] that a taxpayer may use for the taxable year cannot be greater than the tax liability shown.

If the allowable tax credit is more than your tax or if you have no tax, you may carry the unused credit forward for up to the next five consecutive taxable years' income tax liability.

You cannot claim both a tax credit and an itemized deduction for the amount of contributions made to a qualifying foster care charitable organization for which you are claiming a credit.

You may qualify for this credit if you make cash contributions to a qualified foster care charity through an Umbrella Charitable Organization (UCO). An UCO is a charitable organization that collects donations on behalf of member charities and directs that donation as designated by the taxpayer to a qualifying foster care charitable organization that is certified by the Department.

In this case, 100% of the donation to a specific qualifying foster care charitable organization or to a specific fund of the UCO must be distributed to a qualifying foster care charitable organization that is certified by the Department.

The UCO will need to provide you with a receipt for your donation that specifies the qualifying foster care charity or fund to whom the donation is designated and certifies that 100% of the donation will be distributed to the named charity. If a fund is designated then the receipt should certify that 100% of the fund is distributed to a qualifying foster care charitable organization that is certified by the Department.

**NOTE:** You may be able to make contributions to these charities through your payroll withholding. Contact your employer and ask if they can withhold contributions for this credit from your pay.

For more information about this credit, see the department's publication, Pub 710, *Credit for Contributions to Qualifying Charitable Organizations*.

### What is a Qualifying Foster Care Charitable Organization?

A qualifying foster care charitable organization is a qualifying charitable organization that each operating year provides services to at least two hundred qualified individuals in Arizona. The charity must spend at least 50% of its budget on services to qualified individuals in this state.

"Qualified Individual" means a child placed in a foster home or child welfare agency or a person who is under 21 years of age and who is participating in a transitional independent living program.

"Foster home" means a home maintained by any individual or individuals having the care or control of minor children, other than those related to each other by blood or marriage, or related to such individuals, or who are legal wards of such individuals.

**NOTE:** For more information on what is a qualifying charitable organization, see the instructions for Form 321.

### How Can I Tell if a Charity Qualifies?

In order to qualify, a foster care charity must provide the Department with written certification that it meets the criteria necessary to be considered a qualifying foster care charity.

To see if a particular charity qualifies, visit the department's website and click on *Tax Credits* to see a list of the qualifying foster care charities.

### Line-by-Line Instructions

Enter your name and Social Security Number (SSN) as shown on Arizona Forms 140, 140PY, 140NR, or 140X.

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

### Part 1 - Current Year's Credit

#### Lines 1, 2 and 3 -

Enter the following information for each qualifying foster care charitable organization for which you made cash contributions or paid fees from January 1, 2016 through December 31, 2016:

- name of the qualifying foster care charitable organization,
- location of the qualifying foster care charity (city and state), and
- amount of cash contributions made during 2016.

If you made qualifying cash contributions to four or more charities, complete an additional schedule. The schedule should show the same information required on lines 1, 2 and 3 for each of the additional qualifying foster care charitable organizations to which you made cash contributions.

#### Line 4 -

Add the amount of qualifying cash contributions listed on lines 1 through 3, and any additional schedule. Enter the total on line 4.

### Lines 5, 6, and 7 -

**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 make a contribution and claim a credit for that amount on your 2016 tax return.

Enter the following information for each qualifying foster care charitable organization for which you made cash contributions from January 1, 2017, through April 18, 2017, for which you are claiming a credit on your 2016 tax return.

- name of the qualifying foster care charitable organization,
- location of the qualifying foster care charity (city and state), and
- amount of cash contributions made from January 1, 2017, through April 18, 2017.

If you made qualifying cash contributions to a second and third qualifying foster care charity, complete line(s) 6 and 7.

If you made qualifying cash contributions to four or more qualifying foster care charities, complete an additional schedule. The schedule should show the same information required on lines 5, 6, and 7 for each of the additional qualifying foster care charitable organizations to which you made cash contributions.

#### Line 8 -

Add the amount of qualifying cash contributions listed on lines 5 through 7, and any additional schedule. Enter the total on line 8.

#### Line 9 -

Add lines 4 and 8. Enter the total.

#### Line 10 -

Single taxpayers and taxpayers filing as head of household enter \$500. Married taxpayers enter \$1,000.

#### Line 11 - Current Year's Credit

Enter the smaller of line 9 or line 10. If you are married filing a separate return, but you could have filed a joint return, you may take only 1/2 of the total credit that you and your spouse would have been allowed to take on a joint return, up to a maximum of \$500. In this case, enter 1/2 of the smaller of line 9 or line 10.

### Part 2 - Available Credit Carryover

#### Lines 12 through 17 -

No carryover amount is available for 2016. Do not enter any amounts on lines 12 through 17.

**NOTE:** If you have a carryover amount available from prior years for cash contributions made to qualifying foster care charitable organizations for which you claimed a credit on Form 321, you **must** claim any available carryover amount from those contributions on Form 321.



**Part 3 - Total Available Credit****Lines 18 through 20 -**

Use lines 18 through 20 to figure your total available credit for 2016.

**Line 18 -**

Enter the amount from Part 1, line 11. Also, enter this amount on Form 301, Part 1, line 32, column (a).

**Line 19 -**

Do not enter an amount on line 19.

**Line 20 - Total Available Credit**

Enter the amount from line 18. Enter the total. Also, enter this amount on Form 301, Part 1, line 32, column (c).

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DO NOT STAPLE ANY ITEMS TO THE RETURN.

For the calendar year 2016 or fiscal year beginning MM/DD/20YY and ending MM/DD/20YY 66

82E Check box 82E if filing under extension

1 Print Name of Estate or Trust Employer Identification Number (required)

2 Print Name and Title of Fiduciary

3 Address of Fiduciary - number and street, or rural route REVENUE USE ONLY. DO NOT MARK IN THIS AREA. 88

4 City, Town or Post Office State ZIP Code

Daytime Phone Number of Fiduciary/Representative - include area code

Check ONLY ONE box:

5a Resident Estate 5c Resident Trust 5b Nonresident Estate 5d Nonresident Trust

81 PM 80 RCVD

Check applicable box(es):

6 1 Amended Return 2 Final Return Initial Return Decedent's Estate Bankruptcy Estate Grantor Trust Simple Trust Complex Trust Charitable Remainder Trust

Table with 3 columns: Line number, Description, Amount. Includes lines 7-30 for income, adjustments, and tax payments.

Direct Deposit of Refund: Check box 30A if your deposit will be ultimately placed in a foreign account; see instructions. 30A

98 C Checking or S Savings ROUTING NUMBER ACCOUNT NUMBER

**SCHEDULE A Nonresident Estate or Trust Source Income Schedule**

Only nonresident estates and nonresident trusts should complete Schedule A. Arizona resident estates and Arizona resident trusts should not complete Schedule A.

A1 Income (specify type):		FEDERAL COLUMN	ARIZONA COLUMN
A1(a) _____	A1(a)	00	00
A1(b) _____	A1(b)	00	00
A1(c) _____	A1(c)	00	00
A1(d) _____	A1(d)	00	00
A1(e) _____	A1(e)	00	00
A1(f) _____	A1(f)	00	00
A1(g) _____	A1(g)	00	00
<b>A2</b> Total Income: Add lines A1(a) through A1(g) .....	<b>A2</b>	00	00
<b>A3</b> Deductions (specify):			
A3(a) _____	A3(a)	00	00
A3(b) _____	A3(b)	00	00
A3(c) _____	A3(c)	00	00
A3(d) _____	A3(d)	00	00
A3(e) _____	A3(e)	00	00
A3(f) _____	A3(f)	00	00
A3(g) _____	A3(g)	00	00
<b>A4</b> Total deductions: Add lines A3(a) through A3(g).....	<b>A4</b>	00	00
<b>A5</b> <b>Federal Taxable Income:</b> Subtract line A4 from line A2 in the Federal column .....	<b>A5</b>	00	
<b>A6</b> <b>Arizona Gross Income:</b> Subtract line A4 from line A2 in the Arizona column. Enter the difference here and also on Form 141AZ, page 1, line 7 .....	<b>A6</b>		00

**SCHEDULE B Fiduciary Adjustment**

Fiduciary adjustment <i>increasing</i> federal taxable income			
B1 Positive Arizona fiduciary adjustment from another estate or trust .....	B1		00
B2 Non-Arizona municipal bond interest .....	B2		00
B3 Other additions to federal taxable income. See instructions .....	B3		00
<b>B4</b> Total: Add lines B1 through B3.....	<b>B4</b>		00
<b>Fiduciary adjustment <i>decreasing</i> federal taxable income</b>			
B5 Negative Arizona fiduciary adjustment from another estate or trust .....	B5		00
B6 Interest received on U.S. obligations .....	B6		00
B7 Refunds from other states.....	B7		00
B8 Reserved.....	B8		
B9 Other subtractions from federal taxable income. See instructions .....	B9		00
<b>B10</b> Total: Add lines B5 through B9.....	<b>B10</b>		00
<b>B11</b> <b>Net adjustment:</b> Subtract line B10 from line B4. If the result is a negative number, enter the difference in brackets. Also, enter the difference on Form 141AZ, page 1, line 8.....	<b>B11</b>		00

Name of Estate or Trust (as shown on page 1)	Employer Identification Number
--	--------------------------------

**SCHEDULE C Fiduciary Adjustment Allocation**

The Arizona fiduciary adjustment is allocated among the beneficiaries and the fiduciary in proportion to their share of the federal distributable net income.

	(a) Beneficiary	(b) Share of Federal Distributable Net Income		(c) Percent	
		\$			%
C1		\$	00		%
C2		\$	00		%
C3		\$	00		%
C4		\$	00		%
C5		\$	00		%
C6		\$	00		%
C7		\$	00		%
C8		\$	00		%
C9		\$	00		%
C10		\$	00		%
C11	Subtotal: If more than 10 beneficiaries, include an additional schedule.....	C11	\$	00	%
C12	Fiduciary.....	C12	\$	00	%
C13	<b>Total:</b> Add lines C11 and C12. This should total the federal distributable net income.....	C13	\$	00	100 %
C14	Enter the fiduciary adjustment from Form 141AZ, Schedule B, line B11 here and also on Form 141AZ Schedule K-1, line 1 or Form 141AZ Schedule K-1(NR), line 3 .....	C14			00
C15	Multiply the amount on line C14 by the percentage on line C11. Enter the result here and also on Form 141AZ, page 1, line 9 .....	C15			00
C16	Multiply the amount on line C14 by the percentage on line C12. Enter the result here and also on Form 141AZ, page 1, line 10.....	C16			00

**SCHEDULE D Federal Distributable Net Income From Arizona Sources**

Complete Schedule D only if the estate or trust has nonresident beneficiaries. Use the information in Schedule D to complete Form 141AZ, Schedule K-1(NR). Do not complete Schedule D if all of the beneficiaries are Arizona residents.

	(a)	(b) FEDERAL		(c) ARIZONA	
		\$			
D1	Dividends.....	D1		00	00
D2	Interest.....	D2		00	00
D3	Partnership/fiduciary income .....	D3		00	00
D4	Net rents and royalties.....	D4		00	00
D5	Net profit (loss) business .....	D5		00	00
D6	Other income.....	D6		00	00
D7	Total: Add lines D1 through D6.....	D7		00	00
D8	Expenses.....	D8		00	00
D9	Federal distributable income: Subtract line D8 from line D7 and enter the difference here. Also, enter the amount from column (c) on Form 141AZ, Schedule K-1(NR), line 1.....	D9		00	00

Name of Estate or Trust (as shown on page 1)	Employer Identification Number
--	--------------------------------

**SCHEDULE E Questions**

- E1** Check the box if this return is for a short taxable year.....   
YES  NO
- E2** Have Arizona income tax returns been filed for the four (4) years preceding date of death?.....  YES  NO

If "No", please explain: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

- E3** Date of decedent's death or date the trust was established .....   M  M  D  D  Y  Y  Y  Y    
YES  NO
- E4** Was a fiduciary return filed the preceding year?.....  YES  NO
- E5** Check the box to indicate whether this return was prepared on a cash or accrual basis: .....  CASH  ACCRUAL
- E6** Has the federal government made an additional assessment on the income of this estate in the last four (4) years? ...  YES  NO   
If "Yes", submit a detailed report with this return.

**E7** If return is for a trust, enter the name and address of the grantor:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

PLEASE SIGN BELOW			
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.			
<p>➔ _____ DATE _____</p> <p>SIGNATURE OF FIDUCIARY OR OFFICER REPRESENTING FIDUCIARY</p>	<p>➔ _____ DATE _____</p> <p>PAID PREPARER'S SIGNATURE</p>		
<p>➔ _____ DATE _____</p> <p>SIGNATURE OF PERSON OTHER THAN TAXPAYER OR AGENT</p>	<p>_____ FIRM NAME OF PAID PREPARER (PREPARER'S NAME IF SELF-EMPLOYED)</p>		
<p>_____ STREET ADDRESS OF FIDUCIARY OR OFFICER</p>		<p>_____ STREET ADDRESS OF PAID PREPARER</p>	
<p>_____ CITY STATE ZIP CODE</p>		<p>_____ CITY STATE ZIP CODE</p>	
<p>_____ EMPLOYER OR FIRM NAME OF FIDUCIARY/OFFICER, IF ANY</p>		<p>_____ PHONE NO. (include area code)</p>	<p>_____ PAID PREPARER'S TIN</p>

- 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 141AZ.**
- 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.

NOTE: If an estate is being probated, the fiduciary may have to obtain a certificate from the department that shows no income tax is due. See page 3 of the instructions for details. Make requests for an income tax certificate separately. Do not include requests for the income tax certificate with Form 141AZ.

## 2016 Arizona Fiduciary 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* 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 at [www.azdor.gov](http://www.azdor.gov).

**NOTE:** You can *e-file* Form 141AZ **only** if you *e-file* federal Form 1041. If you mail your federal Form 1041, you **must** also mail Form 141AZ to the address on the form.

If you are filing an amended Form 141AZ and are **not** filing an amended federal Form 1041, you **must** mail the amended Form 141AZ to the address on the form.

### General Information

#### Estates

An Arizona resident estate is the estate of a decedent who was a resident of Arizona at the time of death. The starting point for the Arizona income tax computation for a resident estate is the estate's federal taxable income.

A nonresident estate is an estate that is not a resident estate. The starting point for a nonresident estate is that portion of the estate's federal taxable income derived from Arizona sources.

#### Trusts

An Arizona resident trust is a trust of which the fiduciary is a resident of Arizona. If the trust has more than one fiduciary, the trust is a resident trust if at least one of the fiduciaries is a resident of Arizona. If a corporate fiduciary engaged in interstate trust administration is the sole fiduciary of a trust, or is a co-fiduciary with a nonresident, the trust is a resident trust only if the corporate fiduciary conducts the administration of the trust in Arizona. The starting point for the Arizona income tax computation for a resident trust is the trust's federal taxable income.

A nonresident trust is a trust that is not a resident trust. The starting point for a nonresident trust is that portion of the trust's federal taxable income derived from Arizona sources.

#### Who Must File

The fiduciary, or fiduciaries, must file a return for an estate or trust if one of the following applies:

1. The estate or trust has any Arizona taxable income for the tax year.
2. The estate or trust's gross income for the tax year is \$5,000 or more, regardless of the amount of the Arizona taxable income.

This also applies to bankruptcy estates.

The fiduciary does not have to file a return if the income does not exceed the amounts shown in items 1 or 2.

**NOTE:** The fiduciary must file a final return for an estate when the fiduciary is requesting a tax certificate required by the probate court. In this case, the fiduciary must file a final return regardless of the estate's income. See instructions for requesting a certificate on page 3.

#### Fiduciary Filing Return on Arizona Form 140

A personal representative must file a return on Arizona Form 140 if any of the following apply:

- The gross income of a single decedent was \$15,000 or more.
- The Arizona adjusted gross income of a single decedent was \$5,500 or more.
- The Arizona adjusted gross income of a married decedent for which the representative will file a separate return was \$5,500 or more.
- The gross income of a married decedent for which the representative will file a separate return was \$15,000 or more.
- The Arizona adjusted gross income of a married decedent and his or her surviving spouse for which a joint return will be filed was \$11,000 or more.
- The gross income of a married decedent and his or her surviving spouse for which a joint return will be filed was \$15,000 or more.

For individual filing purposes, gross income is gross income as defined under the Internal Revenue Code (IRC) less income included in gross income that is excluded from Arizona taxation.

**For Example:** A taxpayer died on June 29, 2016. The decedent had wages of \$9,700 and interest income of \$920 received through the date of death. The personal representative files a final Arizona Form 140 for the period January 1, 2016, through June 29, 2016. The personal representative notes on the Form 140 that the taxpayer is deceased as of June 29, 2016. The personal representative reports the wage and interest income of \$10,620 on the Form 140. The personal representative reports all income that the estate receives from June 30, 2016, forward on the Form 141AZ.

A fiduciary who has charge of the income of an individual must file a return of income on Form 140 if that individual's income meets the filing requirements. Such fiduciaries include guardians of minors and guardians or committees of legally incompetent persons. Where several fiduciaries exist, a return filed by one of two or more joint fiduciaries is sufficient.

### Filing for a Charitable Remainder Trust

Charitable remainder trusts should file on Form 141AZ. The fiduciary should indicate that the return is for a charitable remainder trust by checking the appropriate box on line 6.

The trustee should not enter any numerical figures on the face of the return. Go directly to signature line. The trustee should not complete a Form 141AZ, Schedule K-1, or Schedule K-1(NR) for any of its beneficiaries.

### Grantor Trusts

Grantor trusts file only an information return since the income reverts to the grantor. The grantor reports this income on the individual income tax return (Arizona Form 140). The fiduciary should indicate that the return is for a grantor trust by checking the appropriate box on line 6. Do not enter any numerical figures on the face of the return. Go directly to the signature line.

### Qualified Subchapter S Trusts (QSST)

A QSST that is treated as a grantor trust for federal purposes will be treated the same for Arizona purposes.

### Where Should You Mail the 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

### When Should You File?

Your 2016 calendar year tax return is due no later than midnight, April 18, 2017. You must file a return made on a fiscal year basis by the 15th day of the fourth month following the close of the fiscal year. Your original filing date must be the same for Arizona as it is for federal purposes.

**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 extension.*

You may request an extension if you know you will not be able to file on time. An extension does not extend the time to pay the income tax. Failure to pay at least 90% (.90) of the tax due by the original due date will result in a penalty.

**NOTE:** *Arizona will grant a 5 ½ month extension. For more information, see the department's ruling, FTR 16-1, Extension for Estates and Trusts Filing.*

Arizona charges interest on any unpaid tax. The extension underpayment penalty is ½ of 1% (.005) of the tax not paid for each 30-day period or fraction of a 30-day period. The extension underpayment penalty cannot exceed 25% of the unpaid tax.

### To Get a Filing Extension, You Can Either

1. Apply for a state extension (Form 141AZ EXT). To apply for an automatic 5 ½ month state extension, file Form 141AZ EXT by April 18, 2017. See Form 141AZ EXT 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 extension box 82E on page 1 of the return. If you must make a payment, use Form 141AZ EXT.
2. Use your federal extension. File your Arizona return by the same due date. You do not have to include a copy of the extension with your return, but make sure that you check extension box 82E on page 1 of the return.

**NOTE:** *Because September 30, 2017, falls on a Saturday, you have until Monday, October 2, 2017, to file Form 141AZ.*

### Does an Estate or Trust Have to Make Estimated Payments?

An estate or trust does not have to make estimated payments. An estate or trust may elect to make Arizona estimated tax payments on Form 141AZ ES.

### 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 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.



## 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% 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% 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% 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.

## Amended Returns

If you are filing an amended Form 141AZ, check the amended return box on line 6. Complete the entire return, correct the appropriate line(s) with the new information, and recompute your tax liability.

On a separate schedule, explain the reason(s) for the amendment(s) and identify the line(s) and amount(s) being changed on the amended return. Also, include a copy of the amended federal Form 1041.

**NOTE:** *You must plainly mark an amended return "Amended" by checking the appropriate box on line 6. The period covered by this return must be the same accounting period as covered by the original return. If you are amending a prior year return, use Form 141AZ for that taxable year.*

## Copy of Will or Trust Instrument

Upon the department's request, the fiduciary must submit a copy of the will or trust instrument when the estate or trust's gross income is \$5,000 or more. The fiduciary must swear that the will or trust instrument is a true and complete copy.

## Reporting Payments Made by an Estate or Trust

An estate or trust that paid salaries or wages may have to report those payments to the department.

## Request for Certificate of Payment of Taxes

**IMPORTANT:** *Make requests for this income tax certificate separately. Do not include requests for the income tax certificate with Form 141AZ. The department can issue certificates only if required by the probate court.*

Mail requests to:

Attention: Fiduciary Unit  
Arizona Department of Revenue  
Box B-06  
1600 West Monroe  
Phoenix, AZ 85007-2650

If an estate is in probate, the probate court may require a certificate from the department that shows no income tax is due. The probate court may require this before approving the fiduciary's final account.

Arizona law requires a certificate only when **all** of the following apply.

1. The estate is subject to probate.
2. The value of the assets of the estate at the decedent's date of death exceeds \$20,000.
3. The estate has a beneficiary that is not an Arizona resident.

In order for the department to issue a certificate, **all** of the following must be met.

1. The fiduciary has filed Arizona Form 210 - *Notice of Assumption of Duties in a Fiduciary Capacity*.
2. A return was filed by, or on behalf of, the decedent and for the estate for each taxable year in which the respective incomes of the decedent or estate exceeded the requirements for filing returns.
3. A final Arizona fiduciary return is filed when the certificate is requested. This return must be filed regardless of the gross or net income for the year. If there is no income, submit a return with "zero" on all lines.

If filing a final return and you are **sending a payment** with this return, mail the return to:

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

If filing a final return and 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

4. The request must contain a statement regarding the status of returns filed by, or on behalf of, the decedent, or for the estate for the four taxable years immediately preceding the date of the request. The fiduciary must make the statement under declaration of perjury. The statement must indicate the following:
  - The years for which returns were filed.

- The years for which the gross and Arizona taxable incomes were less than the amount necessary to require the filing of returns.

If you have any questions, call us at (602) 716-7809.

**NOTE:** Before completing the rest of page 1 of Form 141AZ, complete Schedules A, B, C, D and E, as necessary.

### Additional Arizona Returns or Forms You May Have to File

- Arizona Form 140, 140PY, or 140NR to report a decedent's income for the period to the date of death
- Arizona Form 210 - *Notice of Assumption of Duties in a Fiduciary Capacity* - Filed for all estates
- Form 141AZ EXT – *Application for Filing Extension for Fiduciary Returns Only*
- Form 141AZ ES - *Estate or Trust Estimated Tax Payment*

### Line-by-Line Instructions

#### Period Covered

The accounting period for the return must be the same for Arizona as it is for federal purposes. If the period is for a fiscal year, it cannot exceed a 12-month period. A fiscal year period cannot end on the last day of December.

For each return filed in the future, you must keep the same accounting period unless you receive written permission from the department to change it.

If filing for a fiscal year, enter the beginning and ending dates.

#### Lines 1 through 4 -

Enter the name of the estate or trust. Enter the name, title, address, and ZIP Code of the fiduciary. Enter the employer identification number (EIN) of the estate or the trust.

#### Foreign Addresses

If the estate, trust or fiduciary 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.

#### Lines 5a through 5d – Check Box (only one)

If you are filing this return for a:	check box
resident estate	5a
nonresident estate	5b
resident trust	5c
nonresident trust	5d

#### Line 6 -

Check the box(es) that identifies the type of return you are filing.

#### Line 7 - Federal Taxable Income of Fiduciary

An Arizona resident estate or trust should enter the federal taxable income shown on page 1 of the federal fiduciary return, Form 1041.

A nonresident estate or trust must complete Form 141AZ, Schedule A, before entering an amount on line 7. For a nonresident estate or trust, the fiduciary should enter the amount from Form 141AZ, Schedule A, line A6 on line 7.

### Schedule A - Nonresident Estate or Trust Source Income Schedule

Use Schedule A to compute the federal taxable income of the **nonresident** estate or trust from Arizona sources. All nonresident estates and nonresident trusts must complete Schedule A.

*Resident estates and resident trusts skip Schedule A.*

#### Federal Column

Enter all items of income and deductions that correspond to those items listed on the federal fiduciary return. Line A5 should equal the federal taxable income reported on the federal fiduciary return.

#### Arizona Column

Enter that part of each item of income and deductions reported in the federal column that is derived from Arizona sources. Intangible income will not be considered to be from Arizona sources except where it is part of a business, trade, or occupation carried on in Arizona.

### Schedule B - Fiduciary Adjustment

#### Fiduciary adjustment increasing federal taxable income

Use lines B1 through B4 to figure the amount of fiduciary adjustment that increases federal taxable income.

#### Line B1 - Positive Arizona Fiduciary Adjustment From Another Estate or Trust

Use this adjustment only if the estate or trust's Form 141AZ, Schedule K-1, indicates a difference between federal and state distributable income. If the amount shown on the Form 141AZ, Schedule K-1, is a positive number, enter that amount here.

#### Line B2 - Non-Arizona Municipal Bond Interest

Arizona taxes interest received from non-Arizona municipal bonds. Enter the amount of this type of interest income that you did not include on the federal return.

You may exclude any expenses incurred to purchase or hold the bond(s). Reduce the interest income by the amount of expenses that you could not deduct on your federal return.

#### Line B3 - Other Additions to Federal Taxable Income

Enter any other additions, including those shown below, to federal taxable income. Include your own schedule.

#### A. 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, also see the instructions for line B9, "*Other Subtractions From Federal Taxable Income.*"

#### B. Net Operating Losses

Arizona does not have specific provisions for calculating the net operating loss of estates or trusts. Generally, the net

operating loss deduction included in the federal taxable income is the amount allowable for Arizona purposes. There are, however, instances when the amount allowable for Arizona may be different.

You must adjust the net operating loss deduction included in the federal taxable income if the estate or trust has already deducted any amount of the net operating loss included in federal taxable income for Arizona purposes. Enter on line B3, the amount of net operating loss included in federal taxable income that was previously deducted for Arizona purposes.

Usually, Arizona conforms to the federal net operating loss and the carryback provisions. Arizona, however, did not conform to the special federal net operating loss rules for 2008 and 2009. Under the special rules for 2008 and 2009, a taxpayer 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. If a taxpayer deducted a federal net operating loss carryback under the federal American Recovery and Reinvestment Act of 2009 or the federal Worker, Homeownership, and Business Assistance Act of 2009, see the instructions for line B9, (K).

For information on deducting a net operating loss carryback in cases where a taxpayer did not make an election under IRC § 172(b)(1)(H), see the department's procedure, ITP 13-1, *Procedure for Individuals Deducting a Net Operating Loss Carryback*.

### C. Annuity Income in Excess of Contributions

Make this adjustment if both of the following apply.

1. The estate or trust received annuity income and the first payment received from the annuity was before December 31, 1978.
2. The sum of the proceeds received from the annuity in all taxable years prior to and including the current tax year exceeds the total consideration premiums paid.

### D. Excess of a Partner's Share of Partnership Taxable Income or Loss

#### Resident Estates and Trusts:

Make this adjustment if the 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 difference as an addition on line B3.

**NOTE:** *If the difference reported on line 3, of your Arizona Form 165 Schedule K-1, is a negative number, enter that difference as a subtraction on line B9.*

#### Amending Form 141AZ and Reporting Arizona Form 165PA K-1 Positive Adjustment

If the estate or trust received an Arizona Form 165PA K-1, include the positive adjustment amount reported on Form

165PA K-1, line 3, with the total amount of additions reported on line B3.

#### Nonresident Estates and Trusts

Make this adjustment if the 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 difference as an addition on line B3.

**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 difference as a subtraction on line B9.*

#### Amending Form 141AZ and Reporting Arizona Form 165PA K-1(NR) Positive Adjustment

If the estate or trust received an Arizona Form 165PA K-1(NR), include the positive adjustment amount reported on Form 165PA K-1(NR), line 5, with the total amount of additions reported on line B3.

### 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, the estate or trust was 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. The estate or trust took a deduction for the amount repaid on its 2016 federal income tax return.
5. The deduction taken on the estate or trust's federal income tax return is reflected in the Arizona taxable income.

If all of the above apply, enter the amount deducted on the federal income tax return that is reflected in the 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*.

### 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, the estate or trust was required to repay amounts held under a claim of right.
2. The estate or trust computed its 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. The estate or trust is entitled to take that net operating loss or capital loss carryover into account when computing its 2016 Arizona taxable income.
5. The amount of the loss carryover included in the estate or trust's 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 the federal income is more than the amount allowed for the taxable year under Arizona law.

### G. Nonqualified Withdrawals From 529 College Savings Plans

Make this adjustment if both of the following apply.

1. The estate or trust received a nonqualified withdrawal from a 529 college savings plan.
2. The amount of withdrawal was not included in the federal taxable income.

The amount that the fiduciary must add is the amount of withdrawal, 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.

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

For federal purposes, when an estate or trust made the special election to defer discharge of indebtedness (DOI) income under IRC § 108(i), the estate or trust 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 estate or trust 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 an estate or trust to defer the OID deduction in cases where the estate or trust federally deferred the DOI income.

For Arizona purposes, the estate or trust had to report the DOI income from a debt reacquisition in the year in which it reacquired the debt, and it was allowed to subtract any OID related to that DOI income in the year the OID accrued. (See the instructions for "Other Subtractions From Federal Taxable Income" line B9, (L).) If the estate or trust's federal taxable income includes a deduction for any accrued OID already subtracted for Arizona purposes, make an addition to Arizona income for the amount of deferred OID deducted on the federal return. Generally, this addition will apply to taxable years 2014 through 2018. On line B3, enter the amount of any previously deferred OID deducted in

computing the estate or trust's 2016 federal taxable income, to the extent that the amount was previously subtracted from Arizona taxable income.

### I. Estate Loss of an Arizona Nonprofit Medical Marijuana Dispensary (NMMD) included in Federal Adjusted Gross Income

If the NMMD was registered to an individual as a sole proprietorship and the NMMD becomes part of the individual's estate after the individual died, the estate is required to add the amount of the loss from the dispensary that is included in the computation of the estate's federal adjusted gross income. Include the amount of the loss on line B3.

### J. Other Adjustments

Other special adjustments may be necessary. You may need to make an addition for depreciation or amortization. Call one of the numbers listed on page 1 of these instructions if any of the following apply.

1. 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.
2. You elected to amortize the basis of a pollution control device or the cost of a childcare facility under Arizona law in effect before 1990. You are still deducting amortization or depreciation for that device or facility on your federal income tax return.

### Line B4 - Total Adjustments Increasing Federal Taxable Income

Add lines B1 through B3. Enter the total.

### Fiduciary Adjustment Decreasing Federal Taxable Income

Use lines B5 through B10 to figure the amount of fiduciary adjustment that decreases federal taxable 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 cannot subtract any amount that is allocable to income excluded from Arizona taxable income.*

Enter the following other subtractions from federal taxable income. Include your own schedule.

### Line B5 - Negative Arizona Fiduciary Adjustment From Another Estate or Trust

Use this adjustment only if the Form 141AZ, Schedule K-1, indicates a difference between federal and state distributable income. If the amount shown on the Form 141AZ, Schedule K-1, is a negative number, enter that amount here.

### Line B6 - Interest Received on U.S. Obligations

Enter the amount of interest income from U.S. Government obligations included on page 1, line 7. 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 Arizona gross income, you must reduce the subtraction by such expenses. Reduce the subtraction only by the amount of such expenses included in your Arizona gross income.

**NOTE:** Do not subtract interest earned on FNMA or 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 Obligations*; and ITR 96-3, *Distributions Comprised of Income Earned by the IRA*.

**Line B7 - Refunds From Other States**

Enter any state income tax refunds received from states other than Arizona. Enter an amount only to the extent it is included on page 1, line 7 of Form 141AZ.

**Line B8 – Reserved**

Do not enter an amount on line B8.

**Line B9 - Other Subtractions From Federal Taxable Income**

Enter any other subtractions, including those shown below, to federal taxable income. Include your own schedule.

**A. Exclusion for U.S. Government, Arizona State, or Local Government Pensions**

This subtraction does not apply to nonresident estates or trusts.

If the estate or trust received pension income from any of the sources listed below, subtract the amount received or \$2,500, whichever is less. Only include amounts which the estate or trust reported as income on the federal return.

**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 that 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 Plan,
- 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, 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.

**B. Qualified Wood Stove, Wood Fireplace, or Gas Fired Fireplace**

Arizona allows 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 for converting an existing fireplace on property located in Arizona to a qualified wood stove, qualified wood fireplace, or 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, the estate or trust was required to repay amounts held under a claim of right.
2. The estate or trust computed its 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. The estate or trust is entitled to take that net operating loss or capital loss carryover into account when computing its 2016 Arizona taxable income.
5. 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 income.

**D. Certain Expenses Not Allowed For Federal Purposes**

The estate or trust may subtract some expenses that it cannot deduct on its federal return when the estate or trust claims 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 the estate or trust claimed any of these federal tax credits for 2016, enter the portion of wages or salaries it paid or incurred during the taxable year equal to the amount of those federal tax credits it received.

A nonresident estate or trust should enter the amount of wages or salaries that it paid or incurred during the taxable year that is related to the income sourced to Arizona. The subtraction is equal to the amount of the federal credits it received.

#### **E. Agricultural Crops Given to Charitable Organizations**

Arizona 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:

- The estate or trust must be engaged in the business of farming or processing agricultural crops.
- The crop must be grown in Arizona.
- The gift must be made to a charitable organization located in Arizona.
- The charitable organization must be exempt from Arizona income tax.

The subtraction is the greater of the wholesale market price or the most recent sale price for the crop given. The amount of the subtraction cannot include any amount deducted under IRC § 170 with respect to the crop contribution that exceeds the cost of producing the contributed crop.

To determine if the estate or trust's 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*.

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

**This subtraction does not apply to nonresident estates or trusts.**

The estate or trust may subtract any income from an installment sale that has been properly subjected to income tax in another state in a prior tax year. Enter the amount of such income included in Arizona gross income in the current taxable year.

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

The estate or trust may subtract distributions made to it for the decedent or settlor's persecution by Nazi Germany or any other Axis regime for racial, religious, or political reasons. The estate or trust may also subtract distributions made for the persecution of the ancestors of the decedent or settlor. If the estate or trust is the first recipient of such distributions, enter the amount of the distributions that it had to include in the estate or trust's federal taxable income.

The estate or trust may also subtract certain items of income, if the decedent or settlor was persecuted by Nazi Germany or any other Axis regime for racial, religious, or political reasons before, during, or immediately after World War II. The income must be attributable to, derived from, or related to assets that were stolen or hidden from the decedent or settlor. If the estate or trust is the first recipient of such income, enter the

amount of income that it had to include in the estate or trust's federal taxable income.

A nonresident estate or trust should enter such payments only to the extent included in Arizona taxable income.

#### **H. Recalculated Arizona Depreciation Resident Estate or Trust**

**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 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 you used to compute the depreciation for these assets.

**NOTE:** *For more information, 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 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).

Add all amounts together and enter the total on line B9.

#### **Nonresident Estate or Trust**

**For assets placed in service in taxable years beginning before December 31, 2012**, enter the total amount of depreciation attributable to assets used in an Arizona business 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 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 you used to compute the depreciation for these assets. Enter the total amount of depreciation attributable to assets used in an Arizona business.

**NOTE:** *For more information, 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 an 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 an 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 B9.

### **I. 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 was 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.) A nonresident estate or trust may make this adjustment for only property that was used in an Arizona business.

### **J. Federal Estate Taxes Paid by an Estate**

An estate may subtract the amount of federal estate tax paid by the estate in the current taxable year. Enter the amount of federal estate taxes paid in 2016.

### **K. Net Operating Loss Adjustment**

This subtraction applies to only those estates or trusts that made an election under the special federal net operating loss rules for 2008 and 2009. Under these federal rules for 2008 and 2009, an estate or trust 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, estates or trusts 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.

### **Resident Estate or Trust**

If the estate or trust made an election to deduct a 2008 or 2009 federal net operating loss under IRC § 172(b)(1)(H), the estate or trust 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 the estate or trust's 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 B9, enter the amount that exceeds the actual net operating loss carry forward that was deducted in arriving at federal taxable income.

### **Nonresident Estate or Trust**

Figure how much of the net operating loss carry forward would have been allowed as a deduction on the estate or trust's 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 the estate or trust 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 the estate or trust included in its Arizona gross income. On line B9, 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 estate or trust, the estate or trust 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. The estate or trust 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. The estate or trust cannot subtract any amount of that net operating loss that has been absorbed by non-Arizona income in any intervening years. The estate or trust also cannot take a subtraction for any amount that has already been deducted for Arizona purposes.*

### **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 its 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, an estate or trust 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.

An estate or trust that made this election will generally include this income in federal taxable income beginning with the 2014 taxable year. An estate or trust 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 a taxpayer made the federal election to defer the inclusion of DOI income under IRC § 108(i), the estate or trust was required to add the amount of deferred DOI income to Arizona income for the year for which the estate or trust made the election. If the estate or trust made the required addition to Arizona income on the Arizona return filed for the year in which the estate or trust reacquired the debt instrument (2009 or 2010), Arizona will not tax that DOI income twice. In the year in which the estate or trust includes that deferred DOI income in federal taxable income, the estate or trust may take a subtraction for the amount included for that year.

#### **Resident Estate or Trust**

On line B9, enter the amount of previously deferred DOI income included in federal taxable income for the current taxable year to the extent that the amount was previously added to the Arizona income.

#### **Nonresident Estate or Trust**

On line B9, enter the amount of previously deferred Arizona source DOI that the estate or trust included in its Arizona gross income for the current taxable year to the extent that the amount was previously added to the estate or trust's Arizona income.

#### **M. Estate Income of an Arizona Nonprofit Medical Marijuana Dispensary (NMMD) included in Federal Adjusted Gross Income**

If the NMMD was registered to an individual as a sole proprietorship and the NMMD becomes part of the individual's estate after the individual died, the estate may subtract the amount of the income from the dispensary that is included in the computation of the estate's federal adjusted gross income. Include the amount of the income on line B9.

#### **N. Excess of a Partner's Share of Partnership Taxable Income or Loss**

##### **Resident Estate or Trust:**

Make this adjustment if the 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 as a subtraction on line B9.

**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 B3.*

#### **Amending Form 141AZ and Reporting Arizona Form 165PA K-1 Negative Adjustment**

If the estate or trust received an Arizona Form 165PA K-1, include the negative adjustment amount reported on Form 165PA K-1, line 3; with the total amount of subtractions reported on line B9.

#### **Nonresident Estate or Trust:**

Make this adjustment if the 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 difference as a subtraction on line B9.

**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 difference as an addition on line on B3.*

#### **Amending Form 141AZ and Reporting Arizona Form 165PA K-1(NR) Negative Adjustment**

If the estate or trust received an Arizona Form 165PA K-1(NR), include the negative adjustment amount reported on Form 165PA K-1(NR), line 5, with the total amount of subtractions reported on line B9.

#### **O. Other Adjustments**

Other special adjustments may be necessary. 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.
- 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 B10 - Total Adjustments Decreasing Federal Taxable Income**

Add lines B5 through B9. Enter the total.

#### **Line B11 - Net Fiduciary Adjustment**

Subtract the amount on line B10 from the amount on line B4. If the result is a negative number, enter the result in brackets. Also, enter the result on Form 141AZ, line 8.

### **Schedule C - Fiduciary Adjustment Allocation**

Use Schedule C to determine the allocation of the shares of the Arizona fiduciary adjustment. This adjustment is divided among the beneficiaries and the fiduciary in proportion to their share of the federal distributable net income. If there is no federal distributable net income, each beneficiary's share of the adjustment is in proportion to each share of the estate or trust income distributed. Any balance of the adjustment not allocated to the beneficiaries is allocable to the fiduciary.

#### **Lines C1 through C10 -**

In column (a), enter the name of each beneficiary. In column (b), enter each beneficiary's share of the federal distributable net income. In column (c), enter the percentage of the estate or trust to be distributed to each beneficiary in accordance with the documents or laws controlling distribution of the estate or trust. If the estate or trust has more than 10 beneficiaries, complete an additional schedule. The schedule



should show the same information required on lines C1 through C10.

#### **Line C11 -**

Add the amounts on lines C1 through C10 in column (b). Add the percent on lines C1 through C10 in column (c). If the fiduciary completed an additional schedule because there are more than 10 beneficiaries, include the amounts from the additional schedule on line C11.

#### **Line C12 -**

In column (b), enter the fiduciary's share of the federal distributable net income. In column (c), enter the percentage of the fiduciary's share of federal distributable net income computed in accordance with the documents or laws controlling distribution of the estate or trust.

#### **Lines C13 through C16 -**

Complete lines C13 through C16 as instructed on the form.

### **Schedule D - Federal Distributable Net Income From Arizona Sources**

Schedule D is used to determine the net estate or trust income reportable to Arizona by **nonresident beneficiaries**. Use the information in Schedule D to complete Form 141AZ, Schedule K-1(NR) for nonresident beneficiaries.

The fiduciary should complete Schedule D only if the trust or estate has Arizona nonresident beneficiaries. If the trust or estate does not have any nonresident beneficiaries, the fiduciary should skip Schedule D.

#### **Lines D1 through D9 -**

In column (b), enter an amount for each item from which federal distributable net income is comprised. The total entered on line D9, column (b), should equal the federal distributable net income.

In column (c), enter that portion of federal distributable net income derived from Arizona sources. Such income includes Arizona rental and business income, and gains on the sale of Arizona property.

### **Schedule E - Questions**

Answer the questions on lines E1 through E7.

### **Tax Computation**

#### **Line 12 - Electing Small Business Trust (ESBT) Income**

Enter the federal taxable income of Electing Small Business Trusts (ESBT) from the IRC § 641(c) worksheet included with your federal Form 1041. Include a copy of the worksheet with the Arizona return. A nonresident trust should enter the amount of ESBT income received from the S corporation that was derived from sources within Arizona.

#### **Line 13 -**

Add lines 11 and 12. Enter the total.

### **Line 14 - Undistributed Net Capital Gain from Investment in Qualified Small Business**

The estate or trust may subtract the amount of any undistributed 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, the 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.

**CAUTION:** *If the amount entered on line 14 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 18 for the amount to enter on line 13, columns (c) through (e) on the net long-term capital gain worksheet at the end of these instructions.*

### **Lines 15a through 15e - Net Capital Gain or (Loss) and Net Long-Term Capital Gain Subtraction for assets acquired after December 31, 2011.**

The estate or trust may subtract a percentage of any net long-term capital gain included in the federal taxable income of a resident estate or trust (or the Arizona gross income of a nonresident estate or trust) that is derived from an investment in an asset acquired after December 31, 2011. For 2016, the percentage is 25% (.25).

The estate or trust must complete the worksheet at the end of these instructions, *Worksheet for Net Long-Term Capital Gains Subtraction for Assets Acquired after December 31, 2011*, to take the allowable subtraction.

#### **Line 15a - Total Net Capital Gain or (loss)**

Enter the total net capital gain or (loss) reported on the Capital Gain or (Loss) line on page 1 of the estate or trust's federal return. This amount should be reported in federal taxable income.

#### **Line 15b - 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 the estate or trust's federal return. This amount should be reported in federal taxable income.

#### **Line 15c - Total Net Long-Term Capital Gain or (Loss)**

Enter the total net long-term capital gain or (loss) from the worksheet on line 14, column (a).

**Line 15d - Net Long-Term Capital Gain From Assets Acquired after December 31, 2011**

Enter the total net long-term capital gain from assets acquired after December 31, 2011, from the worksheet, line 14, column (d).

Only include net long-term capital gain 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 that it was acquired by the gift-giver deceased individual.

**Line 15e - Net Long-Term Capital Gain Subtraction from Income**

Multiply the amount on line 15d by 25% (.25) and enter the result on line 15e.

**Line 16 - Arizona Taxable Income**

Subtract lines 14 and 15e from line 13. Enter the difference. If less than zero, enter "0".

**Line 17 - Tax Amount**

Compute the tax on the amount on line 16 from the tax table on page 20 of these instructions.

**Line 18 - Credit for Taxes Paid to Another State or Country**

If both Arizona and another state or country considers an estate or trust to be a resident, Arizona will allow the estate or trust a tax credit against the Arizona income tax liability for taxes paid to the other state or country.

The credit allowed on the Arizona fiduciary return is subject to the following conditions:

1. The credit is allowed only for the proportion of the taxes paid to the other state or country that the income taxable to Arizona and also subject to tax in the other state or country bears to the entire income on which the taxes paid to the other state or country are imposed.
2. The credit cannot exceed the proportion of the tax payable to Arizona that the income subject to tax in the other state or country and also taxable to Arizona bears to the entire income that is taxable to Arizona.
3. The credit is not allowed for taxes paid to the other state or country on income from sources within Arizona.

If claiming this tax credit, the estate or trust must include the following items with the Form 141AZ:

1. a copy of the other state or country's income tax return, and
2. a schedule showing how the credit was calculated.

**Line 19 - Balance of Tax**

Subtract line 18 from line 17 and enter the difference. If line 18 is more than line 17, enter "0".

**Payments****Line 20 (Boxes a, b and c) - Arizona Estimated Tax Payments; Arizona Claim of Right**

Use this line if you did any of the following:

- Made any estimated tax payments to the State of Arizona for 2016.

- Recomputed a prior year's tax under Arizona Claim of Right provisions.

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

**Box 20a:** Enter the total amount of estimated taxes paid and/or applied to the estate or trust's 2016 taxes.

**Box 20b:** Enter the amount from your *Arizona Claim of Right* schedule, line 8.

If you completed more than one Claim of Right schedule for the current taxable year, add all amounts on line 8 and enter the total in box 20b.

**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 20c:** Add the amounts in box 20a and box 20b and enter the total on line 20c.

**Line 21 - Payment With Extension**

Enter the amount of payment made with an extension request on Form 141AZ EXT.

**Line 22 - Arizona Income Tax Withheld**

Use line 22 to claim a credit for any Arizona income tax withheld (and not repaid) by:

1. an employer on wages and salaries of a decedent received by the decedent's estate,
2. a payer of certain gambling winnings (e.g., state lottery winnings), or
3. a payer of distributions from pensions, annuities, retirement, or profit-sharing plans received by a decedent's estate or trust.

Include a copy of each Form W-2, Form W-2G, or Form 1099-R with the return.

**Line 23 - Payment With Original Return (if amending)**

Enter the payment sent with the original Form 141AZ return. Also, include any additional tax payments made after the return was filed.

**Line 24 - Total Payments**

Add lines 20 through 23. Enter the total.

**NOTE:** Arizona Claim of Right amount is now entered on line 20. See line 20 for instructions.

**Line 25 - Refund From Original Return (if amending)**

Enter any refunds received from your original filing.

**Line 26 - Balance of Payments**

Subtract line 25 from line 24. Enter the difference.

## Overpayment or Balance Due

### Line 27 - Balance Due

Subtract line 26 from line 19. The estate or trust owes this amount. You may pay the balance due only with a check, money order, or electronic check.

#### Check or money order

Include your check or money order with your return. Please do not send cash. Make the check payable to the Arizona Department of Revenue. Write the estate or trust's EIN and tax year on the front of the 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 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.

### Line 28 - Refund Due

Subtract line 19 from line 26. This is the amount the State of Arizona owes the estate or trust.

### Line 29 - Amount of Line 28 to be Applied to 2017 Estimated Tax

If the estate or trust wants all or part of the refund applied to next year's Arizona estimated taxes, enter that amount.

### Line 30 - Balance of Refund/Overpayment

Subtract line 29 from line 28. Enter the difference.

**TAX TIP:** If the estate or trust's address changes before it receives its refund let the department know. Write to: Refund Desk, Arizona Department of Revenue, PO Box 29216, Phoenix, AZ 85038-9216. Include the EIN in the letter.

#### Direct Deposit of Refund

Complete the direct deposit line if you want us to directly deposit the amount shown on line 30 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 30A if the direct deposit will ultimately be placed in a foreign account. If you check box 30A, 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 SAMPLE \$ 1234 DOLLARS

THIS BANK Sometown, AZ 00000

For 250250025 20202086 1234

**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.

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## Declaration

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The individual or authorized officer of the organization receiving or having custody, control, or management of the income of the estate or trust must sign the declaration.

If two or more individuals act jointly as fiduciaries, any one of them may sign the declaration.

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## Filing Reminder to Fiduciary Filers

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1. **DO NOT STAPLE THE RETURN. DO NOT STAPLE ANY DOCUMENT, SCHEDULE OR PAYMENT TO THE RETURN.**
2. Be sure to use the correct year's form to file the return. Also, be sure to clearly mark the period covered by the return.
3. Enter the correct EIN on the return.
4. If the estate or trust is ready to file but has not yet received an EIN, it may file the return. Let us know what the number is as soon as it is received.  
Mail the correspondence to:  
Customer Care  
Arizona Department of Revenue  
PO Box 29086  
Phoenix, AZ 85038-9086
5. Write the estate or trust's EIN and tax year on the front of all checks and correspondence. Include the check with the return.
6. Do **not** attach correspondence to the back of the return. Mail all correspondence separate from returns to:  
Customer Care  
Arizona Department of Revenue  
PO Box 29086  
Phoenix, AZ 85038-9086
7. When filing returns that generate a refund due to any previous payments (i.e., amount paid with extension, amount paid as estimated payment, amount paid with original returns), it may speed the refund process if a copy of the canceled check of the previous payment accompanies the return generating the refund.
8. If the estate or trust is a fiscal year filer (for periods not ending on December 31), use the Tax Table for the prior year. Example: If filing for April 1, 2015, to March 31, 2016, use the 2015 Tax Table. If this return is for a short taxable year, use the 2016 Tax Table. Example: If filing for June 1, 2016, to November 30, 2016, use the 2016 Tax Table.
9. If the income is taxable but deductions bring the return to zero, make sure all necessary lines are filled in to support this declaration.
10. Grantor trusts file an information return using Form 141AZ showing no numerical figures for lines 7 through 30. Taxable income on a grantor trust reverts to the grantor. The grantor reports this income on the Arizona individual income tax return. The fiduciary should indicate that the return is for a grantor trust by checking the appropriate box on line 6.

11. When filing an amended Form 141AZ return, be sure the return is marked as an amended return. You must plainly mark an amended return "amended" by checking the appropriate box on line 6. If amending the 2016 return use the 2016 form. If amending a different tax year, use the Form 141AZ for that tax year.

12. File returns on time to avoid late filing and/or late payment penalties. Returns are due on the 15<sup>th</sup> day of the fourth (4<sup>th</sup>) month from the date the tax period ends.

**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 extension.

### 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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**Taxpayer Identification Numbers**

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All returns, statements, and other documents filed with the Arizona Department of Revenue require a taxpayer identification number (TIN). The TIN for a trust or an estate is its EIN.

Taxpayers who fail to include the proper TIN may be subject to a penalty. Please check the return to be sure that all required identification numbers are accurate and written clearly. Missing, incorrect, or unclear identification numbers may cause delays in processing the returns.

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**Identification Numbers for Paid Preparers**

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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 business.

A paid preparer who fails to include the proper numbers may be subject to a penalty.

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

2016 Original return       2016 Amended return

Long-Term Capital Gain or (loss) as reported on federal Schedule D (or other form or schedule) <i>Enter the total net long-term capital gains or (losses) from the following forms in each applicable column. See page 17 for instructions.</i>		(a) Total net long-term capital gain or (loss) included in Arizona gross income from all assets (see instructions)	(b) Net long-term capital gain or (loss) included in column (a) from assets acquired before January 1, 2012	(c) Net long-term capital gain or (loss) included in column (a) from assets acquired after December 31, 2011	(d) Amount from column (c) taxable to the estate or trust (amount that is undistributed to beneficiaries)	(e) Amount from column (c) distributed to all beneficiaries
1	Long-term capital gain or (loss) amounts reported directly on federal Schedule(s) D and D-1 (combine the amounts and enter the result).					
2	Form(s) 2439 <i>Notice to Shareholder of Undistributed Long-Term Capital Gains</i>					
3	Form(s) 4684 <i>Casualties and Thefts</i>					
4	Form(s) 6252 <i>Installment Sale Income</i>					
5	Form(s) 6781 <i>Gains and Losses from Sec. 1256 Contracts and Straddles</i>					
6	Form(s) 8824 <i>Like-Kind Exchanges</i>					
7	Partnerships, S corporations, and other estates and trusts – from Arizona 120S Schedule K-1; Arizona 165 Schedule K-1; and 141AZ Schedule K-1					
8	Form(s) 4797 <i>Sales of Business Property (Gain in Part I)</i>					
9	Form(s) 1099-DIV <i>Dividends and Distributions</i>					
10	Subtotal: for each column, combine the amounts and enter the total.					
11	Long-term capital loss carryover - See the instructions for the amount(s) to enter, if any, in each applicable column.					
12	Subtract line 11 from line 10 and enter the difference in each applicable column.					
13	For amount to enter on line 13, columns(c) through (e), see the worksheet instructions.					
14	Net long-term capital gain or (loss) Subtract line 13 from line 12 and enter the result in each applicable column.					

Estate and Trust

- **Total net long-term capital gain or (loss):**  
Enter the amount on line 14, column (a) on Form 141AZ, line 15c.
- **Net long-term capital gain or (loss) from assets acquired after December 31, 2011:**  
If the amount on line 14, column (d) is a net **gain**, enter the amount from line 14, column (d) on Form 141AZ, line 15d.  
If the amount on line 14, column (d) is a net **loss**, the estate or trust cannot take a subtraction for any net long-term capital gain from assets acquired after December 31, 2011.

## Instructions For Completing The Worksheet For The Subtraction From Arizona Gross Income For The Net Long-Term Capital Gain From Assets Acquired After December 31, 2011.

### Purpose of the Worksheet

The estate or trust may subtract a percentage of any undistributed net long-term capital gain included in its federal taxable income (resident estate or trust) or its Arizona gross income (nonresident estate or trust) that is from an investment in an asset acquired after December 31, 2011. The worksheet is used to identify a *qualified* asset. For purpose of this subtraction, “qualified” means a capital asset acquired after December 31, 2011 and held for more than one year.

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 qualified assets 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 this Worksheet?

Complete the worksheet to compute the allowable subtraction if the estate or trust has a net long-term capital gain included in federal taxable income (resident estate or trust) or its Arizona gross income (nonresident estate or trust) and the gain includes assets purchased *after* December 31, 2011.

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

- The estate or trust does not have any capital gains to report for the current tax year; or
- The estate or trust does not have any net capital gain from qualified 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 the estate or trust’s records.

### Line-by-Line instructions for completing the worksheet

Lines 1 through 8, lists the federal forms reported on Schedule D (Form 1041). Line 9 identifies the total capital gain distributions reported on Form(s) 1099-DIV.

- **Column (a)** is the total amount of *net* long-term capital gains or (losses) included in Arizona gross income. For a resident estate or trust, the Arizona gross income is the

federal taxable income. For a nonresident estate or trust, the Arizona gross income is that part of the federal taxable income derived from Arizona sources.

- **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.
- **Column (d)** is the amount of the long-term capital gains or (losses) for assets acquired *after* December 31, 2011, taxable to the estate or trust.
- **Column (e)** is the amount of the long-term capital gains or (losses) for assets acquired *after* December 31, 2011, distributed to all beneficiaries.

### 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 the estate or trust federal Schedule D and included in federal taxable income (resident estate or trust) or its Arizona gross income (nonresident estate or trust).

### Line 9 - Form(s) 1099-DIV Dividends and Distributions

Enter the long-term capital gain or (loss) reported on Form(s) 1099-DIV and included in the estate or trust’s federal taxable income (resident estate or trust) or its Arizona gross income (nonresident estate or trust).

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.

**NOTE:** *Some taxpayers are not required to file Schedule D. 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.*

### Line 10 - Subtotal

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

### 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 -**

To determine the amount to enter on line 13, columns (c), (d) and (e); answer the following questions.

Did the estate or trust 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 Form 141AZ, page 1, line 14?

- If “no”, enter zero on line 13, columns (c), (d) and (e).
- 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, columns (c), (d) and (e).
  - If “yes”, enter in column (c) the total amount of any net long-term capital gain from an investment made after December 31, 2011, and included in the amount subtracted on Form 141AZ, page 1, line 14.

Enter in column (d) the amount of undistributed net long-term capital gain from an investment made after December 31, 2011, and included in the amount subtracted on Form 141AZ, page 1, line 14.

Enter in column (e) the amount of distributed net long-term capital gain from an investment made after December 31, 2011, and included in the amount subtracted on Form 141AZ, page 1, line 14.

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

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

- Enter the amount on line 14, column (a) on Form 141AZ line 15(c). If the result for line 14, column (d) is a net capital gain, enter the result on Form 141AZ, page 1, line 15d.
- If the amount on line 14, column (d) is a net capital loss, the estate or trust cannot take a subtraction for any net long-term capital gain from assets acquired after December 31, 2011.

**NOTE:** Follow the instructions on Form 141AZ Schedule K-1, Part 2; or Schedule K-1(NR), Part 3, for amounts to report to the beneficiaries.



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**Example of the computation of Arizona fiduciary income tax, resident beneficiary's Arizona fiduciary adjustment, and nonresident beneficiary's Arizona source income.**


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**The federal Form 1041 for the Judy Jones estate showed the following items of income and deduction:**

Interest Income	\$ 32,614
Dividends	4,800
Net Rent Income (AZ)	<u>16,832</u>
Total Income	<u>\$ 54,246</u>
Less: Fiduciary Fees	6,000
Accountant's Fees	<u>1,500</u>
Total Fees	<u>(7,500)</u>
Adjusted Total Income	<u>\$ 46,746</u>
Less: Income Distribution Deduction	34,189
Exemption	<u>600</u>
Total Deductions	(\$ 34,789)
Taxable Income	<u>\$ 11,957</u>

The estate also had \$2,476 in non-Arizona municipal bond interest during the taxable year. \$24,000 was distributed to Jane Jones, an Arizona resident and \$12,000 to June Jones, a nonresident of Arizona. The estate had \$8,700 in U.S. Government interest.

**The shares of federal distributable net income (DNI) are as follows:**

Jane Jones	\$ 24,000	48.76%
June Jones	12,000	24.38%
Judy Jones Estate	<u>13,222</u>	<u>26.86%</u>
Total	\$ 49,222	100.00%

**The estate's Arizona taxable income is figured as follows:**

Federal taxable income	\$ 11,957
Modifications increasing federal taxable income: Non-Arizona municipal bond interest	\$ 2,476
Modifications decreasing federal taxable income: U.S. Government Interest	<u>\$ 8,700</u>
Net Modifications	\$(6,224)
Allocated to the estate @ 26.86%	<u>\$ (1,672)</u>
Arizona taxable income	<u>\$ 10,285</u>

**June Jones income reportable to Arizona is figured as follows:**

Share of federal distributable net income	\$ 12,000
From Arizona sources @ 29.67%	3,561

Arizona source income is figured as follows:

<u>Rental income (Arizona) \$16,832</u>	
Total income \$56,722 (\$54,246 + \$2,476)	= 29.67%

This can be verified as follows:

**June's share of income \$12,000**

DNI \$49,222 (\$46,746 + \$2,476)	= 29.67%
Share of rental income \$16,832 X 24.38%	= \$4,104
Share of fees \$7,500 X 24.38% X 29.67% *	= <u>(543)</u>
Net Arizona income	<u>\$3,561</u>

\* Share of fees allocated to rental income

**Jane Jones share of the Arizona fiduciary adjustment is figured as follows:**

Share of non-Arizona municipal bond interest \$ 2,476 x 48.76%	\$ 1,207
Share of U.S. Government Interest \$ 8,700 x 48.76%	<u>4,242</u>
Net modification	<u>\$(3,035)</u>

**2016 Tax Table for Estate or Trust**

(a)		(b)	(c)	(d)	(e)	(f)
If taxable income from Form 141AZ, page 1, line 16 is:		Enter the amount from Form 141AZ, page 1, line 16	Multiply the amount entered in column (b) by	Enter the result	Subtract	Tax Round the difference and enter this amount on Form 141AZ, page 1, line 17
<b>Over</b>	<b>But not over</b>					
\$0	\$10,179	X	.0259 =	-	0 =	
\$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 =	

For the calendar year 2016 or fiscal year beginning MM,DD,2016 and ending MM,DD,20YY.

Name of Estate or Trust	Estate or Trust Employer Identification Number (EIN)
Beneficiary's Name	Fiduciary's Name
Beneficiary's I.D. Number	Fiduciary's Address - number and street, or rural route
Beneficiary's Address - number and street, or rural route	Fiduciary's City, Town or Post Office      State      ZIP Code
Beneficiary's City, Town or Post Office      State      ZIP Code	Fiduciary's Phone Number – include area code
Beneficiary's Daytime Phone Number – include area code	

**Part 1 Beneficiary's Share of Fiduciary Adjustment**

1 Net fiduciary adjustment to be allocated: Enter the amount from Form 141AZ, Schedule C, line C14.....	1		00
2 Percent of beneficiary's share of federal distributable income from Form 141AZ, Schedule C .....	2		%
3 Multiply the amount on line 1 by the percent on line 2, and enter the result .....	3		00

**Full-year Resident Individual Beneficiaries:**

- If the amount on line 3 is a positive number, enter this amount as an *Other Addition* to income on Arizona Form 140, page 1, line 16.
- If the amount on line 3 is a negative number, enter this amount as an *Other Subtraction* from income on Arizona Form 140, page 1, line 35.

**Part-year Resident Individual Beneficiaries:**

- If the amount on line 3 is a positive number, enter that portion of line 3 allocable to estate or trust income taxable by Arizona as an *Other Addition* to income on Arizona Form 140PY, page 1, line 30.
- If the amount on line 3 is a negative number, enter that portion of line 3 allocable to estate or trust income taxable by Arizona as an *Other Subtraction* from income on Arizona Form 140PY, page 2, line 46.

Continued on page 2 →

Name of Estate or Trust (as shown on page 1)	Employer Identification Number
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**Part 2 Net Long-Term Capital Gain Subtraction – Information Schedule**

INSTRUCTIONS FOR THE FIDUCIARY:

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’s federal adjusted gross income or the estate or trust’s federal taxable income.

- If the **individual** beneficiary’s federal Schedule K-1 (Form 1041) includes an amount for any net capital gain or (loss), complete line 4, column (b) and line 5, columns (b) through (d).
- If this is the final return for the estate or trust and a capital loss carryover amount was distributed to the beneficiary, complete line 6, column (b) and line 7, columns (b) through (d).

(a) Item	(b) Amount reported on federal Schedule K-1	(c) Net <b>long-term</b> capital gain or (loss) included in column (b) from assets acquired <i>before</i> January 1, 2012	(d) Net <b>long-term</b> capital gain or (loss) included in column (b) from assets acquired <i>after</i> December 31, 2011
<b>4</b> Total net short-term capital gain or (loss) from Form 141AZ, page 1, line 15b distributed to the beneficiary..... <b>4</b>			
<b>5</b> Total net long-term capital gain or (loss) from Form 141AZ, page 1, line 15c distributed to the beneficiary..... <b>5</b>			
<b>6</b> Short-term capital loss carryover(s) distributed to the beneficiary upon termination of the estate or trust..... <b>6</b>			
<b>7</b> Long-term capital loss carryover(s) distributed to the beneficiary upon termination of the estate or trust..... <b>7</b>			

INSTRUCTIONS FOR THE INDIVIDUAL BENEFICIARY:

The beneficiary should complete the worksheet, *Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired After December 31, 2011*, to determine the allowable subtraction. The worksheet is included in the instructions for the resident and part-year resident income tax returns (Arizona Forms 140 and 140PY).

**Full-year residents** use the amount on line 5, column (d) to figure the allowable subtraction on the worksheet included with Arizona Form 140.

**Part-year residents** use only that portion of the amount on line 5, column (d) that is included in your Arizona gross income to figure the allowable subtraction on the worksheet that is included with Arizona Form 140PY.

INSTRUCTIONS FOR THE FIDUCIARY BENEFICIARY:

If the net long-term capital gain (loss) on line 5, above, is taxed at the estate or trust level, use the information above 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) on Part 2, line 5, above, is distributed to the beneficiary, use the information above 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.

# 2016 Resident or Part-Year Resident Beneficiary's Share of Fiduciary Adjustment

# Arizona Schedule 141AZ K-1

## 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 for Fiduciary

Complete Form 141AZ, Schedule K-1, for each resident or part-year resident beneficiary.

### File one copy of each Schedule K-1 with Form 141AZ.

Provide all beneficiaries with a copy of their Schedule K-1. Keep a copy for your records.

### Foreign Addresses

If a beneficiary or the fiduciary 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.

## Line-by-Line Instructions

### Part 1 - Beneficiary's Share of Fiduciary Adjustment

#### Instructions for Fiduciary

##### Line 1 -

Enter the net fiduciary adjustment to be allocated to beneficiaries from Form 141AZ, Schedule C, line C14. If this is a negative amount, enter the amount in brackets.

##### Line 2 -

Enter the percentage of the beneficiary's share of federal distributable net income from Form 141AZ, Schedule C.

##### Line 3 -

Multiply line 1 by the percentage on line 2. Enter the result. If the result is a negative number, enter the number in brackets. This is the beneficiary's share of the fiduciary adjustment.

#### Instructions for Beneficiary

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

Do not file this Schedule K-1 with your return. Keep this Schedule K-1 with your records. The fiduciary filed a copy of this form with the department.

### Resident Beneficiary

Line 3 shows your share of the fiduciary adjustment from the estate or trust. If the amount on line 3 is a positive number, you must report this amount as an *addition to income* on your Arizona return. If you are an individual, report this amount as an *Other Addition* to income on your Arizona Form 140, line 16.

If the amount on line 3 is a negative number, you must report this amount as a *subtraction from income* on your Arizona return. If you are an individual, report this amount as an *Other Subtraction* from income on your Arizona Form 140, line 35.

### Part-Year Resident Beneficiary

If you are a part-year resident individual, report estate or trust income received while you were an Arizona resident. Also, report estate or trust income received from Arizona sources while you were a nonresident. Report this income on Arizona Form 140PY, page 1, line 22 (ARIZONA column). The amount that you should report on your Form 140PY, line 22 (FEDERAL column) is the amount from your federal income tax return.

If the amount on line 3 is a positive number, enter that portion of line 3 that is allocable to estate or trust income taxable by Arizona on Form 140PY, line 30.

If the amount on line 3 is a negative number, enter that portion of line 3 that is allocable to estate or trust income taxable by Arizona on Form 140PY, line 46.

### 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 estate's or trust's federal taxable income.

#### Instructions for Fiduciary

##### Lines 4 through 7 -

If the **individual** beneficiary's federal Schedule K-1 (Form 1041) includes an amount for any net capital gain or (loss), complete lines 4 through 7 as instructed on page 2 of Form 141AZ, Schedule K-1.

#### Instructions for Beneficiaries

Follow the instructions on page 2 of Form 141AZ, Schedule K-1.

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For the calendar year 2016 or fiscal year beginning MM,DD,2016 and ending MM,DD,20YY.

Name of Estate or Trust	Estate or Trust Employer Identification Number (EIN)
Beneficiary's Name	Fiduciary's Name
Beneficiary's I.D. Number	Fiduciary's Address - number and street, or rural route
Beneficiary's Address - number and street, or rural route	Fiduciary's City, Town or Post Office      State      ZIP Code
Beneficiary's City, Town or Post Office      State      ZIP Code	Fiduciary's Phone Number – include area code
Beneficiary's Daytime Phone Number – include area code	

**Part 1 Arizona Nonresident Beneficiary's Share of Federal Distributable Income From Arizona Sources**

1 Federal distributable net income from Arizona sources: Enter the amount from Form 141AZ, Schedule D, line D9, column (c).....	1		00
2 Beneficiary's share of the amount entered on line 1: Nonresident individual beneficiaries, also enter this amount on Form 140NR, page 1, line 21, "ARIZONA" column .....	2		00

**Part 2 Arizona Nonresident Beneficiary's Share of Fiduciary Adjustment Related to Arizona Source Income**

3 Net fiduciary adjustment to be allocated: Enter the amount from Form 141AZ, Schedule C, line C14 .....	3		00
4 Amount on line 3 related to Arizona source income allocated to all nonresident beneficiaries.....	4		00
5 Beneficiary's share of the amount entered on line 4 .....	5		00

- If the amount on line 5 is a positive number, enter this amount as an *Other Addition* to income on Arizona Form 140NR, page 1, line 30.
- If the amount on line 5 is a negative number, enter this amount as an *Other Subtraction* from income on Arizona Form 140NR, page 2, line 46.

Continued on page 2 →

Name of Estate or Trust (as shown on page 1)	Employer Identification Number
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**Part 3 Net Long-Term Capital Gain Subtraction – Information Schedule**

INSTRUCTIONS FOR THE FIDUCIARY:

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's Arizona gross income or the estate's or trust's Arizona gross income.

- If the **individual** beneficiary's federal Schedule K-1 (Form 1041) includes an amount for any net capital gain or (loss), complete line 6, columns (b) and (c) and line 7, columns (b) through (e).
- If this is the final return for the estate or trust and a capital loss carryover amount was distributed to the beneficiary, complete line 8, columns (b) and (c) and line 9, columns (b) through (e).

(a) Item	(b) Amount reported on federal Schedule K-1	(c) Amount included in column (b) from Arizona sources	(d) Net <b>long-term</b> capital gain or (loss) included in column (c) from assets acquired before January 1, 2012	(e) Net <b>long-term</b> capital gain or (loss) included in column (c) from assets acquired after December 31, 2011
<b>6</b> Total net short-term capital gain or (loss) from Form 141AZ, page 1, line 15b distributed to the beneficiary..... <b>6</b>				
<b>7</b> Total net long-term capital gain or (loss) from Form 141AZ, page 1, line 15c distributed to beneficiary..... <b>7</b>				
<b>8</b> Short-term capital loss carryover(s) distributed to the beneficiary upon termination of the estate or trust..... <b>8</b>				
<b>9</b> Long-term capital loss carryover(s) distributed to the beneficiary upon termination of the estate or trust..... <b>9</b>				

INSTRUCTIONS FOR AN INDIVIDUAL BENEFICIARY:

The beneficiary should complete the worksheet, *Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired After December 31, 2011*, to determine the allowable subtraction. The worksheet is included in the instructions for the nonresident income tax return (Arizona Form 140NR).

**Nonresidents** may use only the amount of Arizona-sourced, net capital gains entered on line 7, column (e) to figure the allowable subtraction on the worksheet that is included with Arizona Form 140NR.

INSTRUCTIONS FOR THE FIDUCIARY BENEFICIARY:

If the net long-term capital gain (loss) on Part 3, line 7, above, is taxed at the estate or trust level, use the information above 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) on Part 3, line 7, above, is distributed to the beneficiary, use the information above 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.

INSTRUCTIONS FOR THE PARTNERSHIP OR S CORPORATION BENEFICIARY:

The information in Part 3, above, should be used 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 165 or Arizona Form 120S. The worksheet will assist the partnership or S corporation in completing the *Net Long-Term Capital Gain Subtraction – Information Schedule* on Arizona Form 165, Schedule K-1 or Schedule K-1(NR), for each partner; or Arizona Form 120S, Schedule K-1 or Schedule K-1(NR), for each shareholder.

INSTRUCTIONS FOR THE C CORPORATION OR EXEMPT ORGANIZATION BENEFICIARY:

A subtraction is not allowed for a C corporation or an exempt organization. The information in Part 3, above, is informational only, and not required to be reported by the C corporation or exempt organization.



# 2016 Nonresident Beneficiary's Share of Income and Share of Fiduciary Adjustment

# Arizona Schedule 141AZ K-1 (NR)

**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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**General Instructions for Fiduciary**

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Complete a Form 141AZ, Schedule K-1(NR), for each nonresident beneficiary.

**File one copy of each Schedule K-1(NR) with the fiduciary's Form 141AZ.**

Provide all nonresident beneficiaries with a copy of their Schedule K-1(NR). Keep a copy for your records.

**Foreign Addresses**

If a beneficiary or the fiduciary 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.

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**Line-by-Line Instructions**

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**Part 1 - Beneficiary's Share of Federal Distributable Net Income From Arizona Sources****Instructions for Fiduciary****Line 1 -**

Enter the federal distributable net income from Arizona sources. Enter the amount from Form 141AZ, Schedule D, line D9, column (c).

**Line 2 -**

Enter the beneficiary's share of federal distributable net income from Arizona sources.

**Part 2 - Beneficiary's Share of Fiduciary Adjustment Related to Arizona Source Income****Line 3 -**

Enter the net fiduciary adjustment to be allocated to the beneficiaries from Form 141AZ, Schedule C, line C14. If this is a negative amount, enter the amount in brackets.

**Line 4 -**

Enter the amount of line 3 related to Arizona source income that is allocated to **all** nonresident beneficiaries.

**Line 5 -**

Enter the amount of line 4 allocated to the beneficiary. If the result is a negative number, enter the number in brackets.

This is the beneficiary's share of the fiduciary adjustment.

**Instructions for Beneficiary**

The fiduciary uses Form 141AZ, Schedule K-1(NR), to report to you your share of the federal distributable income from Arizona sources and your share of fiduciary adjustment from the estate or trust.

Do not file this Schedule K-1(NR) with your return. Keep this Schedule K-1(NR) with your records. The fiduciary filed a copy of this form with the department.

Nonresident individual beneficiaries should enter the amount from Form 141AZ, Schedule K-1(NR), line 2, on Arizona Form 140NR, line 21, in the ARIZONA column.

Line 5 shows your share of the fiduciary adjustment from the estate or trust. If the amount on line 5 is a positive number, you must report this amount as an *addition to income* on your Arizona return. If you are a nonresident individual, report this amount as an *Other Addition* to income on your Arizona Form 140NR, line 30.

If the amount on line 5 is a negative number, you must report this amount as a *subtraction from income* on your Arizona return. If you are a nonresident individual, report this amount as an *Other Subtraction* from income on your Arizona Form 140NR, line 46.

**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's Arizona gross income or the estate's or trust's Arizona gross income.

**Instructions for Fiduciary****Lines 6 through 9 -**

If the **individual** beneficiary's federal Schedule K-1 (Form 1041) includes an amount for any net long-term capital gain or (loss) from Arizona sources, complete lines 6 through 9 as instructed on page 2 of Form 141AZ, Schedule K-1(NR).

**Instructions for Beneficiaries**

Follow the instructions on page 2 of Form 141AZ, Schedule K-1 (NR).

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# 2017 Estate or Trust Estimated Income Tax Payment Instructions

# Arizona Form 141AZ ES

## 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 141AZ ES

A fiduciary making a voluntary estimated payment on behalf of an estate or a trust should use Form 141AZ ES.

## General Information

- Please type or print the estate or trust's employer identification number (EIN).
- Complete Form 141AZ ES 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 the 2016 tax table to help estimate this year's tax liability.
- If the fiduciary 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.

## Voluntary Payments

Estates and trusts are not required to make Arizona estimated income tax payments. An estate or a trust may choose to make voluntary estimated income tax payments.

Taxpayers who elect to make voluntary estimated payments may choose one of the following three methods to make their payments.

**Method 1:** If you pay federal estimated tax, you can file Form 141AZ ES at the same time. The amount that you remit with Form 141AZ ES should be 10%, 15%, or 20% of the amount that you paid on the federal Form 1041-ES.

**Method 2:** You may pay installments using Form 141AZ ES. If you are a calendar year taxpayer, pay four installments by the following dates.

Installment	Due Date
First Quarter	April 18, 2017. 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.
Second Quarter	June 15, 2017
Third Quarter	September 15, 2017
Fourth Quarter	January 16, 2018. Because January 15, 2018, is Martin Luther King Day, you have until January 16, 2018, to make this payment.

## Fiscal year tax filer

If you are a fiscal year tax filer, use the due dates established for the federal filing.

**NOTE:** *If any due date falls on a Saturday, Sunday, or legal holiday, you may make the installment by midnight on the next business day following that day.*

The sum of the amounts remitted should equal your estimated end-of-tax-year liability.

**Method 3:** You may file Form 141AZ ES with a single, lump-sum payment before January 16, 2018. The payment should reflect your estimated end-of-tax-year liability.

Record of Estimated Income Tax Payments		
	Date Made	Amount
Amount of 2016 overpayment applied to 2017 estimated tax		
Payment # 1		
Payment # 2		
Payment # 3		
Payment # 4		
Total:		

---

**Sending Your Payment**

Fiduciaries filing Form 141AZ ES making estimated payments must make those payments by check or money order.

**Check or money order**

Include the estate's or trust's EIN and tax year on the check or money order. Make your check payable to Arizona Department of Revenue and include it with the return. Mail the check along with Form 141AZ ES 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.

DO NOT STAPLE ANY ITEMS TO THE FORM.

For the calendar year 2016 or fiscal year beginning MM,DD,2016 and ending MM,DD,20YY **66**

<b>1</b>	Print Name of Estate or Trust	Employer Identification Number (required)
<b>2</b>	Print Name and Title of Fiduciary	
<b>3</b>	Address of Fiduciary - number and street, or rural route	<b>REVENUE USE ONLY. DO NOT MARK IN THIS AREA.</b> <b>88</b>
<b>4</b>	City, Town or Post Office                      State                      ZIP Code	
Daytime Phone Number of Fiduciary/Representative – include area code		
<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.

Arizona will grant an automatic 5 1/2 month extension to fiduciaries filing Form 141AZ. Arizona will accept a valid federal extension for the period covered by the federal extension. This includes the automatic 5 1/2 month fiduciary federal filing extension.

<b>CHECK ONE BOX:</b>	<b>Fiscal Tax Year Ending</b>	<b>Return Due Date</b>
<input type="checkbox"/> <b>Fiduciary Calendar Year Filers:</b>  This is a request for an automatic 5 1/2 month filing extension .....		October 2, 2017
<input type="checkbox"/> <b>Fiduciary Fiscal Year Filers:</b>  Enter taxable year-end date and 5 1/2 month extended due date .....	<u>MM,DD,YY,YY</u>	<u>MM,DD,YY,YY</u>
<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>1</b> Tax liability for 2016. You may estimate this amount .....	<b>1</b>		00
<b>2</b> Arizona estimated tax payments for 2016 .....	<b>2</b>		00
<b>3 Balance of Tax:</b> Subtract line 2 from line 1 .....	<b>3</b>		00
<b>4</b> Enter the amount of payment. Round your payment to the nearest dollar .....	<b>4</b>		00

- Make check payable to Arizona Department of Revenue.
- **Write the estate or trust's EIN and 2016 extension on the payment.**
- Include the payment with Form 141AZ EXT.
- 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.

# 2016 Application for Filing Extension For Fiduciary Returns

# Arizona Form 141AZ EXT

## 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 Form 141AZ EXT to apply for an extension of time to file a Form 141AZ.

Fiduciaries use this form to apply for an automatic 5 ½ month extension.

Also use Form 141AZ EXT to remit an extension payment whether you are requesting an Arizona extension or using a valid federal extension.

Enter the estate or trust's federal employer identification number (EIN) in the space provided.

Arizona will accept your federal extension for the period covered by the federal extension.

## Foreign Addresses

If the fiduciary 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.

## When to File

For 2016, you must file Form 141AZ EXT by the original due date of the return.

Complete Form 141AZ EXT to request an automatic 5 ½ month extension (fiduciaries filing Form 141AZ). Mark your envelope "Extension Request."

**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 extension.*

**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). If you do not pay

at least 90% (.90) of the 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:** The estate or trust may be charged this penalty if it does not pay at least 90% of the tax liability shown on your return filed under an extension by the return's original due date. 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 impose this penalty from the original due date of the return until the tax is paid. 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 § 42-1125(D).

## Making Your Payment

### Check or money order

Fiduciaries filing Form 141AZ must make extension payments by check or money order.

Make your check or money order payable to Arizona Department of Revenue. Write the estate or trust's EIN and **2016 extension** on the **front** of the check or money order. Include the check or money order with Form 141AZ EXT.

## Instructions Before Mailing

Make sure that you have completed all of the information requested on the **front** of the form.

To avoid an extension underpayment penalty, make sure you pay at least 90% of your Arizona tax liability.

## Mailing Instructions

If you are **sending a payment** with this request, mail the request to:

Arizona Department of Revenue  
Extension Request  
PO Box 29085  
Phoenix, AZ 85038-9085

If you are **not sending a payment** with this request, mail the request to:

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

The department will not return a copy of the Form 141AZ EXT to you.

Be sure to keep a copy of the completed Form 141AZ EXT for your record.



Use Form 141AZ V **only** if you electronically filed 141AZ and are mailing a payment for taxes due.

Print Name of Estate or Trust <input style="width:95%;" type="text"/>	Employer Identification Number (required) <input style="width:95%;" type="text"/>
Print Name and Title of Fiduciary <input style="width:95%;" type="text"/>	
Address of Fiduciary - number and street, or rural route <input style="width:95%;" type="text"/>	
City, Town or Post Office <input style="width:60%;" type="text"/>	State <input style="width:20%;" type="text"/>
Daytime Phone Number of Fiduciary/Representative – include area code <input style="width:95%;" type="text"/>	
REVENUE USE ONLY. DO NOT MARK IN THIS AREA.	
<input style="width:95%; height: 100px;" type="text"/>	
<input style="width: 30px; height: 20px;" type="text"/> PM	<input style="width: 30px; height: 20px;" type="text"/> RCVD

Enter the amount of payment enclosed..... \$   00

- To ensure proper application of this payment, be sure that you:**
- ✓ Do **not** send cash.
  - ✓ Make your check or money order payable to Arizona Department of Revenue.
  - ✓ Write your EIN and "2016 Tax" on your payment.
  - ✓ Include your payment with this form.
  - ✓ **Mail to** Arizona Department of Revenue, PO Box 29085, Phoenix, AZ 85038-9085.

**NOTE:** To avoid interest and penalties you must pay the full amount of your tax by April 18, 2017. You will not receive an additional notice from the Arizona Department of Revenue unless an error exists with your return.

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Notice of Assumption of Duties  
in a Fiduciary Capacity

Complete and mail to: Attention: Fiduciary Unit  
Arizona Department of Revenue  
Box B-06  
1600 West Monroe  
Phoenix, AZ 85007-2650

For assistance, call (602) 716-7809

Notice is hereby given of the assumption of duties in a fiduciary capacity in the estate named below pursuant to A.R.S. § 43-1366.

Section 1 Decedent Information			
Full Name of Decedent	Decedent's Social Security Number	Decedent's Date of Death M M D D Y Y Y Y	
	Estate's Employer I.D. Number	Decedent's Date of Birth M M D D Y Y Y Y	
Full Name of Spouse	Spouse's Social Security Number	If spouse is deceased, Date of Death M M D D Y Y Y Y	
Last known home address of decedent – number and street	City, Town or Post Office	State	ZIP Code
Date domicile was established in Arizona (If nonresident, describe Arizona property on a separate schedule): M M D D Y Y Y Y			
Mailing Address – if different from home address	City, Town or Post Office	State	ZIP Code

Section 2 Fiduciary Information			
Name of Fiduciary	Telephone Number (with area code)		
Address – number and street	City, Town or Post Office	State	ZIP Code

Section 3 Probate Information			
County in which estate is being probated	Probate Number	Date of Fiduciary's Appointment M M D D Y Y Y Y	
Name of Attorney	Telephone Number (with area code)		
Address – number and street	City, Town or Post Office	State	ZIP Code

Section 4 Estate Information			
Approximate Value of Entire Gross Estate	Approximate Value of Probate Estate		
\$	\$		
Name of Beneficiary (Include additional sheet if necessary to list additional beneficiaries.)	Beneficiary's Social Security Number		
Address of Beneficiary – number and street	City, Town or Post Office	State	ZIP Code

Section 5 Termination of Fiduciary Relationship	
Complete this section only if you are terminating a prior notice of a fiduciary relationship.	
If you are terminating a prior notice concerning fiduciary relationships on file with the Arizona Department of Revenue, check this box..... <input type="checkbox"/>	
Enter the date the fiduciary capacity was terminated: M M D D Y Y Y Y	

Signature		
_____	_____	_____
SIGNATURE OF FIDUCIARY	TITLE	DATE

NOTE: Tax information on file with the department is confidential. If the fiduciary wants the department to discuss tax matters with someone other than the fiduciary, the fiduciary must authorize the department to release confidential information to that person. If a fiduciary wishes to authorize an individual to represent or perform certain acts on behalf of the entity, a Power of Attorney must be filed and signed by the fiduciary acting in the position of the taxpayer. Use Arizona Form 285 for this purpose. Form 285 may be filed with Form 210. You may obtain Form 285 from our website at [www.azdor.gov](http://www.azdor.gov)  
ADOR 10124 (15)

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# Notice of Assumption of Duties in a Fiduciary Capacity

# Arizona Form 210

## 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 Form 210 to notify the Arizona Department of Revenue of a fiduciary relationship for a decedent's estate. A fiduciary for a decedent's estate may be any of the following:

- an executor,
- an administrator,
- a personal representative, or
- a person in possession of property of a decedent.

## Who Should File

The fiduciary should file Form 210 to notify the department of either of the following:

- the creation of a fiduciary relationship for a decedent's estate, or
- the termination of a fiduciary relationship for a decedent's estate.

## Instructions

### Section 1: Decedent Information

Enter the decedent's name, address, and social security number. Enter the estate's identification number, if applicable. Enter the dates of the decedent's death and birth, and the date decedent established domicile in Arizona. If the decedent was a nonresident, describe the decedent's Arizona property on a separate schedule. If applicable, provide the name of the decedent's spouse, the spouse's social security number, and, if deceased, the spouse's date of death.

### Foreign Addresses

If the decedent had 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 2: Fiduciary Information

Enter the fiduciary's name, address, and telephone number. If the fiduciary 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 3: Probate Information

Complete this section only if the decedent's estate is being probated.

- Enter the name of the county in which probate proceedings are being conducted.
- Enter the probate number, the date of the fiduciary's appointment, and the name, address, and telephone number of the attorney for the estate.

If an estate is being probated, the fiduciary may have to obtain a Certificate of Payment of Taxes from the department that shows no income tax is due. The probate court may require this certificate before approving the fiduciary's final account. Arizona law requires a certificate only when **all** of the following apply:

1. The estate is subject to probate.
2. On the date of death, the value of the assets of the estate exceeded \$20,000.
3. The estate has a beneficiary that is not an Arizona resident.

To obtain a certificate from the department, **all** of the following must be met.

1. A written request for a certificate must be submitted. The request must contain a statement regarding the status of returns filed by or on behalf of the decedent or for the estate for the four taxable years immediately preceding the date of the request. The fiduciary must make the statement under declaration of perjury. The statement must indicate the following:
  - the years for which returns were filed, and
  - the years for which the gross and Arizona taxable incomes were less than the amount necessary to require the filing of returns.
2. A return was filed by or on behalf of the decedent and for the estate for each taxable year in which the respective incomes of the decedent or estate exceeded the requirements for filing returns.
3. A final return (Form 141AZ) is filed when the certificate is requested. This return must be filed regardless of the gross or net income for the year. If there is no income, file a return with zero "0" on all lines.
4. The fiduciary has filed Form 210.

### Section 4: Estate Information

Enter the approximate gross value of the decedent's entire estate. If the estate is being probated, also enter the approximate value of the probate estate. Enter the name, address, and social security number of each beneficiary of the estate. Include an extra sheet, if necessary.

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**Section 5: Termination of Fiduciary Relationship**

Complete this section only if you are terminating a prior notice of assumption of duties in a fiduciary capacity on file with the department.

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**Signature of Fiduciary**

Sign and date the completed Form 210. Include a title describing your role as a fiduciary (executor, administrator, personal representative, etc.).

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**Contacting the Department**

Tax information on file with the department is confidential. If the fiduciary wants the department to discuss tax matters with someone other than the fiduciary, the fiduciary must authorize the department to release confidential information to that person. Use Arizona Form 285 to do the following:

- Authorize the department to release confidential information to your appointee.
- Authorize an individual to represent or perform certain acts on behalf of the entity.

Form 285 may be filed with Form 210.

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**Mailing Form 210**

**DO NOT STAPLE ANY DOCUMENTS, SCHEDULES OR PAYMENT TO THE FORM 210.**

Mail your completed Form 210 to:

Attention: Fiduciary Unit  
Arizona Department of Revenue  
Box B-06  
1600 W Monroe  
Phoenix, AZ 85007-2650

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**Calling the Department**

If you have any questions or need help with Form 210, call the department at (602) 716-7809.

OR FISCAL YEAR BEGINNING MM/DD/2016 AND ENDING MM/DD/20YY 66F

**Include this form with your return.**

Print Name of Estate or Trust	Employee Identification Number
Print Name and Title of Fiduciary	

If the fiduciary figures the estate or trust's 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. 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 was <b>repaid</b> during the 2016 tax year that was included in income under a claim of right ..... <i>If the amount on line 1 is \$3,000 or less, STOP. The estate or trust does 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? <i>If the answer is "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: <table border="1" 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;">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										
<b>4</b> Did the estate or trust take a deduction instead of a credit for the claim of right on the 2016 federal income tax return? ..... <i>If the answer is "Yes", you must include the amount on line 1 as an "Other Additions to federal Income" on Form 141AZ, Schedule B, line B3.</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 the estate or trust's claim of right credit for the current tax year. Enter the amount shown on line 8 on the estate or trust's income tax return, Form 141AZ, line 20, box 20b.

*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.*

**Part 3 Explanation of the estate or trust's claim of right for the prior tax year entered on line 5. Show how the fiduciary 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**

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**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:** An estate or trust received income during 2013. In 2016 the estate or trust received a letter from the business that paid the income stating there was a mistake and the income amount paid during 2013 was more than the estate or trust should have received. The estate or trust must now pay the overpaid amount back to the business.

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, the estate or trust 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, the estate or trust may be able to deduct the amount repaid from the income for the year in which it was repaid. Or, if the amount the estate or trust repaid is more than \$3,000, it may be able to claim a credit against the tax for the year in which it 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, the estate or trust cannot take a deduction, but must claim a "credit".

When the estate or trust figures whether the amount it repaid was more or less than \$3,000, it must consider the **total** amount being repaid during the year. Each instance of repayment 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 the estate or trust figures its 2016 income tax under Arizona's claim of right provisions, complete an Arizona Claim of Right form and include it with the estate or trust's 2016 income tax return.

The Fiduciary **must** complete and include a separate form for each prior tax year for which the Fiduciary 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**, the Fiduciary 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 the estate or trust 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**. The estate or trust does 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 the estate or trust's 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 the estate or trust took a deduction on its federal return instead of claiming a credit, check the box, "Yes".

The estate or trust cannot take both a deduction and claim a credit on its Arizona return for the amounts repaid and included in income under a claim of right. Because the deduction is included in the computation of its federal taxable income, it must add-back the amount of the income entered on line 1 as an "Other Addition to Income" on its income tax return, Form 141AZ, Part B, line B3.

**Part 2 - Decrease in Prior Year's Tax**

**Line 5**

Using the format, MM/DD/YYYY, enter the prior tax year for which the estate or trust is completing this form. If the fiduciary is 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 the estate or trust's tax for the tax year listed on line 5 without including the income that it repaid in 2016.

**Line 8**

Subtract line 7 from line 6 and enter the difference.

This is the estate or trust's claim of right credit for the current tax year. Enter the amount shown on line 8 on its current year's income tax return, Form 141AZ, line 20, box 20b.

If the estate or trust is completing more than one Claim of Right form, add all amounts on line 8 and enter the total on the tax return.

**Part 3 - Explanation**

Complete Part 3 explaining the estate or trust's claim of right. Show how it figured the amounts in Part 2. If more space is needed, continue on page 2 of the form or provide its own schedule.

**How does the Estate or Trust file a Claim of Right form?**

Complete and include the Arizona Claim of Right form with its tax return, when filed.

If it fails to complete and include this form with its tax return, the claim may be denied. Keep a copy for the estate or trust's record.

If the estate or trust is completing more than one Claim of Right form include all forms with the estate or trust's tax return.

Form A1-APR is due on or before February 28, 2017.  
If you file Form A1-QRT, do not file this form. Instead, file Form A1-R.

**Part 1 Taxpayer Information**

Name	Employer Identification Number (EIN)		
Number and street or PO Box	<b>DO NOT FILE MORE THAN ONE ORIGINAL FORM A1-APR PER EIN PER YEAR.</b>		
City or town, state and ZIP Code			
Business telephone number (with area code)			
<b>Check box if:</b> <input type="checkbox"/> Amended Return <input type="checkbox"/> Address Change <input type="checkbox"/> Final Return (CANCEL ACCOUNT)  If this is your final return, the department will cancel your withholding account. Enter the date final wages were paid and complete Part 6 ..... M,M,I,D,D,I,Y,Y,Y,Y			
<table border="1"> <tr> <td><b>81</b> PM</td> <td><b>66</b> RCVD</td> </tr> </table>		<b>81</b> PM	<b>66</b> RCVD
<b>81</b> PM	<b>66</b> RCVD		
<input type="checkbox"/> Check this box if return is an early-filed return for calendar year 2017 due to an account cancellation during 2017. <input type="checkbox"/> Check this box if cancellation was due to a merger or acquisition and surviving employer is filing Forms W-2.			

**Part 2 Arizona Withholding Tax Liability**

1 Total Annual Withholding Tax Liability: Enter the amount withheld during the calendar year ..... 1

**Part 3 Tax Payments (See instructions.)**

2 Withholding tax payments previously made .....	2		
3 Amount of tax paid when filing extension request .....	3		
4 Total payments.....	4		
5 <b>Balance of tax due:</b> If line 1 is larger than line 4, subtract line 4 from line 1. Enter the difference. This is the balance of tax due. Skip line 6. Non-EFT payment must accompany return.....	5		
6 <b>Overpayment of tax:</b> If line 4 is larger than line 1, subtract line 1 from line 4. Enter the difference. This is the overpayment of tax.....	6		

**Part 4 Federal Form Transmittal Information**

7 Total amount of Arizona income tax withheld as shown on federal Forms W-2, W-2c, W-2G, and 1099-R .....	7		
8 Total wages paid to Arizona employees.....	8		
9 Total number of Arizona employees.....	9		
10 Total number of federal Forms W-2, W-2c, W-2G, and 1099-R.....	10		

**Instructions:** If line 1 does not equal line 7, you have misreported your annual tax withholdings OR you have misreported your employee wage withholdings.

<b>Declaration</b>	Under penalties of perjury, I declare that I have examined this return and to the best of my knowledge and belief, it is a true, complete and correct return.		
<b>Please Sign Here</b>	TAXPAYER'S SIGNATURE _____	DATE _____	( ) BUSINESS PHONE NUMBER _____
	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 _____
	FIRM'S STREET ADDRESS _____		( ) FIRM'S PHONE NUMBER. _____
	CITY _____	STATE _____	ZIP CODE _____

Name (as shown on page 1)	EIN
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**Part 5 Amended Form A1-APR**

If you checked the box "Amended Return" in Part 1, explain why an amended Form A1-APR is being filed:

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**Part 6 Final Form A1-APR**

If you checked the box "Final Return" in Part 1, check the box that indicates why this is a final return:

- 1  Reorganization or change in business entity (example: from corporation to partnership).
- 2  Business sold.
- 3  Business stopped paying wages and will not have any employees in the future.
- 4  Business permanently closed.
- 5  Business has only leased or temporary agency employees.
- 6  Other (specify reason): \_\_\_\_\_

**Part 7 Other Information**

<input type="checkbox"/> Check this box if records will be kept at a location different from the address shown in Part 1. Enter the name and address of the person keeping the records.	<input type="checkbox"/> Check this box if there is a successor employer. Enter the name and address of the successor employer.
Name	Name
Number and Street	Number and Street
City State ZIP Code	City State ZIP Code

**Payment and Submission of Form A1-APR**

- ▶ **Make check payable to:** Arizona Department of Revenue. Include EIN on payment.
- ▶ **Mail return and payment to:** Arizona Department of Revenue, PO Box 29009, Phoenix, AZ 85038-9009

## 2016 Arizona Annual Payment Withholding Tax Return

**For information or help, call one of these numbers:**

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).

**Withholding Tax Procedures and Rulings**

These instructions may refer to the department's withholding tax procedures and rulings. 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*.

**NOTE:** *If you file federal Form 941 to report federal withholding on Arizona wages and federal Form 945 to report federal withholding on Arizona non-wage payments for the same Employer Identification Number (EIN), AND your total Arizona withholding amounts are less than \$200 per quarter, file one A1-APR to report and reconcile your total Arizona withholding for the year. Do not file more than one original A1-APR for the same EIN for the same period of time.*

**Who May Use the Annual Deposit Schedule?**

**NOTE:** *Only an employer that qualifies to make its withholding payment on an annual basis should use Form A1-APR. If the employer files Form A1-QRT or Form A1-R, do not file Form A1-APR.*

### General Instructions

#### Why is Form A1-APR Filed?

An employer must withhold Arizona income tax from wages paid for services performed in Arizona. Tax must be withheld, unless those wages are exempt from Arizona withholding.

The employer must remit the tax withheld to the department, based on the deposit schedule that applies to the employer. Some employers may qualify to make one annual Arizona withholding payment.

An employer that is eligible to file and pay on an annual basis files one Form A1-APR. Form A1-APR may be filed electronically or the employer may file a paper Form A1-APR.

If a paper Form A1-APR is filed, use Form A1-APR to transmit federal Forms W-2, Form W-2c, Form W-2G (with Arizona withholding) and Form 1099-R (with Arizona withholding).

Form A1-APR may also be used as the written notice that the business is cancelling its withholding registration.

**NOTE:** *For details about other returns and forms that may be required, see the department's procedure WTP 16-2, What Withholding Tax Forms and Returns to File and When to File Them.*

#### Who May File Form A1-APR?

Employers that qualify to use the annual deposit schedule file Form A1-APR.

**NOTE:** *An employer that uses the annual deposit schedule does not file Form A1-QRT or Form A1-R. This employer files Form A1-APR instead.*

#### What withholding payments are reconciled using this form?

All Arizona withholding amounts averaging less than \$200 per quarter are reconciled using this form. Arizona law requires all amounts withheld to be treated as if the withholding was from wages paid to an employee.

For an employer to qualify to make its withholding payment on an annual basis, the employer must have been in business for at least a year and it must have established a filing and payment history. To establish a filing and payment history, the employer must have:

- Filed quarterly returns (Form A1-QRT) for at least 4 preceding quarters.
- Had a withholding liability of more than zero ("0") for at least 1 of the previous 4 quarters.
- Had average quarterly Arizona tax withholding of \$200 or less in the last 4 quarters. This will be met if the total amount withheld in that period is \$800 or less.
- Timely filed Form A1-QRT and timely paid its Arizona withholding for at least 3 out of the last 4 preceding quarters.
- If more than 4 prior quarters, filed Form A1-QRT for all preceding quarters.
- Filed the annual reconciliation tax return (Form A1-R) for all prior calendar years.
- Timely filed Form A1-R for the immediately preceding calendar year.
- Paid all amounts due [has no balance due (tax, penalty, or interest) for any prior quarter].

An employer may continue to make its Arizona withholding payments on an annual basis for the succeeding calendar year if all of the following conditions are met:

- The average amount of Arizona income taxes withheld by the employer in the four preceding calendar quarters does not exceed \$200.
- The employer has timely filed the annual payment tax return (Form A1-APR) and has timely made its annual Arizona withholding payment for the preceding calendar year.

If an employer does not meet all of the qualifying conditions to continue making its Arizona withholding payments on an annual basis for the succeeding calendar year:

- The employer must determine its Arizona withholding payment schedule for succeeding calendar quarters according to the Arizona Withholding Liability/Payment Schedule section of Form A1-QRT instructions; and
- The employer shall file quarterly tax returns (Form A1-QRT) for succeeding calendar quarters.

## What is the due date for filing Form A1-APR and for Making the Annual Deposit?

### Due Date for Payment and Filing Form A1-APR

Period in Which Wages Paid	Form A1-APR and Payment Due By
January - December	February 28 of the following year
<i>If the due date falls on a Saturday, Sunday, or a legal holiday, the return will be considered timely if filed on the next business day.</i>	

### Payment of Tax

The entire amount of tax must be paid by the original due date of Form A1-APR. The tax must be paid by this due date even if the employer has been granted an extension of time to file Form A1-APR.

**NOTE:** *If the due date falls on a Saturday, Sunday, or a legal holiday, the payment will be considered timely if made on the next business day.*

### Can you get an extension of time to file Form A1-APR?

You may apply for a 30-day extension of time to file Form A1-APR. When asking for an extension, you must show good cause. You must file the extension request as soon as you know that you need an extension. The extension request must be mailed on or before February 28. For details on how to request an extension, see the department's procedure, *WTP 11-1, Procedure for Requesting Extension of the Filing Deadline for Annual Withholding Tax Returns*.

If you are making a payment with an extension request, you must make that payment with a completed Form A1-WP. Show that the payment is for the 4<sup>th</sup> Quarter.

### Sending Federal Forms W-2, W-2c, W-2G, and 1099-R to the Department

An employer may send Forms W-2, W-2c, W-2G, and 1099-R to the department by attaching paper copies or optical media to Form A1-APR.

If the employer is filing a paper Form A1-APR, it must send federal Forms W-2, W-2c, W-2G, and 1099-R (either paper copies or optical media) to the department included with Form A1-APR.

If the employer is electronically filing Form A1-APR, it must send in federal forms W-2, W-2c, W-2G, and 1099-R (either paper copies or optical media) with Form A1-T.

**Paper copy.** Submit a paper copy of each federal Form W-2, W-2c, W-2G, and 1099-R with Form A1-APR.

**Optical media.** Label the CD-ROM or DVD (CD/DVD) with the employer's name, EIN, calendar year, and Form W-2 or Form 1099 (or both, whichever applies). If the CD/DVD is password protected, note that on the label and indicate the email address from which you will be sending the password to the department. Email the password separately to MediaLibrarian@azdor.gov. Include "Form W-2" or "Form 1099" (or both, whichever applies) in the subject line of the email. In the body of the email, include the same information

that is on the CD/DVD label. The department **will not** return or copy any media.

Employers submitting the information on CD/DVD should secure the CD/DVD in a hard case and include it with Form A1-APR.

**NOTE:** *If you filed Form A1-APR electronically, do not include a paper copy of Form A1-APR with the CD/DVD containing optical media. Instead, submit the CD/DVD with Form A1-T.*

For more details on sending in federal forms using optical media, see the department's publication 701, *Optical Media Reporting*.

### Penalties and Interest

**A. Late Filing Penalty.** If you file late, we will charge you a late filing penalty. This penalty is 4½% (.0425) 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.

**B. 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).

**NOTE:** *If the penalties in both A and B apply, the maximum combined penalty cannot be more than 25%.*

**C. Additional Failure to Pay Penalty.** We may charge an additional penalty if the amount of tax required to be withheld is not paid by the date set for its payment. This amount may be determined by either the employer or the department. This penalty is 25% (.25) of the amount of tax required to be withheld and paid to the department.

**D. Payroll Service Company Penalty.** A payroll service company (PSC) must make withholding payments electronically. A PSC must also file Form A1-APR electronically. A PSC is subject to a \$25 penalty for each failure to make withholding payments electronically. A PSC is also subject to a \$25 penalty for each failure to file withholding returns electronically. Multiple \$25 penalties could apply to the same client on one return.

**E. Interest.** We charge interest on any tax not paid by the due date. The Arizona interest rate is the same as the federal rate imposed on individual taxpayers.

## Specific Instructions

You may file a paper Form A1-APR, or you may file Form A1-APR electronically. To file Form A1-APR online, the business must be registered to use [www.AZTaxes.gov](http://www.AZTaxes.gov). When filing and paying online, the employer does not have to file a paper form with the department. If you are using a PSC, that company must file your form A1-APR electronically. Visit [www.AZTaxes.gov](http://www.AZTaxes.gov) to register.

## Part 1 - Taxpayer Information

### Name and Address

Type or print the employer's name, address, and phone number.

If the employer 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.**

### EIN and Paid Preparer Taxpayer Identification Number (TIN)

Enter the employer's EIN. If the employer does not have an EIN, it must get one from the IRS.

Paid preparers must provide a TIN. Taxpayers and their paid preparers that fail to include their EIN or TIN may be subject to a penalty.

The TIN for a paid preparer may be one of the following:

- The preparer's PTIN,
- The preparer's SSN, or
- The EIN for the business.

### Amended Return

If this is an amended Form A1-APR, check the amended return box on page 1 of the form. Also complete Part 5 on page 2 of the form to explain why you are amending the return. Include the state copies of the federal Forms W-2c, or corrected copies of Forms W-2G and 1099-R with the amended Form A1-APR.

**NOTE:** *An amended Form A1-APR can only be electronically filed through [www.AZTaxes.gov](http://www.AZTaxes.gov) by a PSC or by an employer filing through a registered transmitter. All other employers required to file an amended Form A1-APR must file a paper return.*

### Address Change

If you have had an address change since you last filed Form A1-APR, enter your current address in Part 1. Also, check the "Address Change" box.

### Final Return

If this is a final return, check the final return box on page 1 of Form A1-APR. Enter the date that the final wages were paid. Complete Part 6 on page 2 of the form to indicate the reason for the cancellation.

For details about an employer's duties when a business stops paying wages or if the business is sold, transferred or closed, see the department's procedure, *WTP 92-1, Procedure for Filing Final Withholding Reports>Returns*.

### Check Boxes:

#### • Amended Return

If this is an amended Form A1-APR, check the amended return box on page 1 of the form. Explain why you are amending the return in Part 4. Include the corrected copies of Forms W-2G and 1099-R with the amended Form A1-APR.

#### • Address Change

If you have had an address change since you last filed Form A1-APR, check the "Address Change" box and enter your current address in the address section.

#### • Final Return

If this is a final submission of Form A1-APR, check the box "Final Return (CANCEL ACCOUNT)". By checking this box, you request the department cancel your withholding account.

#### • Early-Filed Return

If you cancelled your withholding account during 2017 and are filing your final return before February 28, 2018, check this box.

#### • Cancellation Due to Merger or Acquisition

If you cancelled your withholding account due to a merger or acquisition and the surviving employer is filing forms W-2 for the calendar year, check this box

## Part 2 - Arizona Withholding Tax Liability

### Line 1 -

Enter the amount of Arizona income tax withheld for the calendar year (or the amount required to be withheld). Include all amounts withheld, even though you have not yet paid those amounts. The total entered on line 1 should equal the amount entered on line 7.

## Part 3 - Tax Payments

### Line 2 -

Enter the amount of all payments made for 2016. Do not enter any amount paid with an extension request.

### Line 3 -

Enter any payment made with an extension request. If filing with an extension, attach a copy of the extension request to the front of Form A1-APR.

### Line 4 -

Add lines 2 and 3. Enter the total.

*If you are amending Form A1-APR, add lines 2 and 3 and then subtract any previous amount that was refunded or for which you received a credit.*

### Line 5 -

If line 1 is more than line 4, subtract line 4 from line 1. Enter the difference.

This is the amount of tax due. You can pay by check, electronic check, money order, or credit card. If you owe any penalty or interest, the department will calculate these amounts and mail a billing notice after the return is processed.

If you are filing an amended return and that return shows a balance due, enclose the amount due with the amended return. You may also pay through [www.AZtaxes.gov](http://www.AZtaxes.gov) if you are registered. The department will send you a bill for any interest or penalty due once the amended return is processed.

**Check or Money Order**

Make checks payable to Arizona Department of Revenue. Include the employer's EIN on the front of the check or money order. Include the check or money order with the return.

**Internet Payments**

Go to [www.AZTaxes.gov](http://www.AZTaxes.gov) to register or to 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 fee based on the amount of the tax payment. The service provider will disclose the amount of the fee during the transaction and you will be given the option to continue or cancel. If you accept the fee and complete the credit card transaction, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

**Line 6 -**

If line 4 is more than line 1, subtract line 1 from line 4. Enter the difference.

An overpayment will first be applied to any unpaid tax. This may include tax due for another tax type. If the overpayment is more than any unpaid tax, or if the employer does not have an unpaid balance of tax, a refund will be issued. A refund will not be issued once the overpayment is applied to a tax balance.

**Part 4 - Federal Form Transmittal Information****Line 7 -**

Enter the total amount of Arizona income tax withheld from wages paid to employees for 2016. This amount must be the same as shown on federal Forms W-2, W-2c, W-2G, and 1099-R.

**Line 8 -**

Enter the total amount of wages paid to Arizona employees for 2016. This amount must be the same as shown on federal Forms W-2, W-2c, W-2G, and 1099-R.

**Line 9 -**

Enter the total number of Arizona employees for the calendar year.

**Line 10 -**

Enter the total number of federal Forms W-2, W-2c, W-2G, and 1099-R submitted with this return.

**Part 5 - Amended Form A1-APR**

If this is an amended return, please explain why you are amending Form A1-APR.

**Part 6 - Final Form A1-APR**

If you checked the "Final Return" box on page 1, place a check in box that explains why this is a final return. If the reason is not provided, check the box "Other" and enter your own explanation.

**Part 7 - Payment and Submission of Return****Filing Form A1-APR**

If filing a paper return, mail Form A1-APR and any required attachments to:

Arizona Department of Revenue  
PO Box 29009  
Phoenix AZ 85038-9009

For details on how the department normally determines if a return has been filed timely, see the department's ruling *GTR 16-1, Timely Filing of Income or Withholding Tax Returns Through the United States Mail*.

If payment is due, make check payable to:

Arizona Department of Revenue.  
Include the taxpayer's EIN on the check.

**Who Must Sign Form A1-APR**

The following persons are authorized to sign the return for each type of business entity.

- **Sole proprietorship** - The individual who owns the business.
- **Corporation (including a limited liability company (LLC) treated as a corporation)** - The president, vice president, or other principal officer duly authorized to sign.
- **Partnership (including an LLC treated as a partnership) or unincorporated organization** - A responsible and duly authorized member, partner, or officer having knowledge of its affairs.
- **Single member LLC treated as a disregarded entity for federal income tax purposes** - The owner of the LLC or a principal officer duly authorized to sign.
- **Trust or estate** - The fiduciary.

Form A1-APR may be signed by a duly authorized agent of the taxpayer if a valid power of attorney has been filed.

**Paid Preparer Use Only**

A paid preparer must sign Form A1-APR and provide the information in the *Paid Preparer Use Only* section, if the preparer was paid to prepare Form A1-APR and isn't an employee of the filing entity. The preparer must give you a copy of the return in addition to the copy to be filed with the department.





**Part 4 Semi-Weekly Deposit Schedule**

**A. First Month of Quarter (Days of the Month)**

1 <input type="checkbox"/>	8 <input type="checkbox"/>	15 <input type="checkbox"/>	22 <input type="checkbox"/>	29 <input type="checkbox"/>
2 <input type="checkbox"/>	9 <input type="checkbox"/>	16 <input type="checkbox"/>	23 <input type="checkbox"/>	30 <input type="checkbox"/>
3 <input type="checkbox"/>	10 <input type="checkbox"/>	17 <input type="checkbox"/>	24 <input type="checkbox"/>	31 <input type="checkbox"/>
4 <input type="checkbox"/>	11 <input type="checkbox"/>	18 <input type="checkbox"/>	25 <input type="checkbox"/>	<b>Check a box only if you had a next-banking day withholding obligation.</b>
5 <input type="checkbox"/>	12 <input type="checkbox"/>	19 <input type="checkbox"/>	26 <input type="checkbox"/>	
6 <input type="checkbox"/>	13 <input type="checkbox"/>	20 <input type="checkbox"/>	27 <input type="checkbox"/>	
7 <input type="checkbox"/>	14 <input type="checkbox"/>	21 <input type="checkbox"/>	28 <input type="checkbox"/>	

Month 1 Liability: Enter total here and on Part 2, line B1..... \$

**B. Second Month of Quarter (Days of the Month)**

1 <input type="checkbox"/>	8 <input type="checkbox"/>	15 <input type="checkbox"/>	22 <input type="checkbox"/>	29 <input type="checkbox"/>
2 <input type="checkbox"/>	9 <input type="checkbox"/>	16 <input type="checkbox"/>	23 <input type="checkbox"/>	30 <input type="checkbox"/>
3 <input type="checkbox"/>	10 <input type="checkbox"/>	17 <input type="checkbox"/>	24 <input type="checkbox"/>	31 <input type="checkbox"/>
4 <input type="checkbox"/>	11 <input type="checkbox"/>	18 <input type="checkbox"/>	25 <input type="checkbox"/>	<b>Check a box only if you had a next-banking day withholding obligation.</b>
5 <input type="checkbox"/>	12 <input type="checkbox"/>	19 <input type="checkbox"/>	26 <input type="checkbox"/>	
6 <input type="checkbox"/>	13 <input type="checkbox"/>	20 <input type="checkbox"/>	27 <input type="checkbox"/>	
7 <input type="checkbox"/>	14 <input type="checkbox"/>	21 <input type="checkbox"/>	28 <input type="checkbox"/>	

Month 2 Liability: Enter total here and on Part 2, line B2..... \$

**C. Third Month of Quarter (Days of the Month)**

1 <input type="checkbox"/>	8 <input type="checkbox"/>	15 <input type="checkbox"/>	22 <input type="checkbox"/>	29 <input type="checkbox"/>
2 <input type="checkbox"/>	9 <input type="checkbox"/>	16 <input type="checkbox"/>	23 <input type="checkbox"/>	30 <input type="checkbox"/>
3 <input type="checkbox"/>	10 <input type="checkbox"/>	17 <input type="checkbox"/>	24 <input type="checkbox"/>	31 <input type="checkbox"/>
4 <input type="checkbox"/>	11 <input type="checkbox"/>	18 <input type="checkbox"/>	25 <input type="checkbox"/>	<b>Check a box only if you had a next-banking day withholding obligation.</b>
5 <input type="checkbox"/>	12 <input type="checkbox"/>	19 <input type="checkbox"/>	26 <input type="checkbox"/>	
6 <input type="checkbox"/>	13 <input type="checkbox"/>	20 <input type="checkbox"/>	27 <input type="checkbox"/>	
7 <input type="checkbox"/>	14 <input type="checkbox"/>	21 <input type="checkbox"/>	28 <input type="checkbox"/>	

Month 3 Liability: Enter total here and on Part 2, line B3..... \$

**Part 5 Amended Form A1-QRT Return Information**

If you checked the box "Amended Return" in Part 1, explain why an amended Form A1-QRT is being filed (include additional sheets, if necessary):

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Part 6 Final Form A1-QRT**

If you checked the box "Final Return" in Part 1, check the box that indicates why this is a final return:

- 1  Reorganization or change in business entity (example: from corporation to partnership).
- 2  Business sold.
- 3  Business stopped paying wages and will not have any employees in the future.
- 4  Business permanently closed.
- 5  Business has only leased or temporary agency employees.
- 6  Other (specify reason): \_\_\_\_\_
  
- 7  Check this box if records will be kept at a location different from the address shown in Part 1.  
 Name: \_\_\_\_\_  
 Number and Street: \_\_\_\_\_  
 City: \_\_\_\_\_ State: \_\_\_\_\_ ZIP Code: \_\_\_\_\_
  
- 8  Check this box if there is a successor employer.  
 Name: \_\_\_\_\_ EIN: \_\_\_\_\_  
 Number and Street: \_\_\_\_\_  
 City: \_\_\_\_\_ State: \_\_\_\_\_ ZIP Code: \_\_\_\_\_

**Arizona Quarterly Withholding Tax Return**

**For information or help, call one of these numbers:**

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).

**Withholding Tax Procedures and Rulings**

These instructions may refer to the department's withholding tax procedures and rulings. 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**

**Why is Form A1-QRT required?**

An employer must withhold Arizona income tax from wages paid for services performed in Arizona. Tax must be withheld, unless those wages are exempt from Arizona withholding tax. Withholding may also be withheld from pensions and gambling winnings.

The employer must remit the tax withheld to the department, based on the deposit schedule that applies to that employer. Employers must reconcile the amounts withheld during the quarter to the amounts paid during the quarter. Form A1-QRT is filed for this purpose.

Form A1-QRT is also used as:

- The payment transmittal form for payments made on a quarterly basis when those payments are made by check or money order.
- The written notification to the department that the business is cancelling its withholding registration.

*NOTE: For details about other returns and forms that may be required, see Withholding Tax Procedure (WTP) 16-2, What Withholding Tax Forms and Returns to File and When to File Them.*

**Who Must File Form A1-QRT**

All employers, except employers who remit on an annual basis must file Form A1-QRT. Employers that remit on any of the following schedules must file Form A1-QRT:

- Quarterly
- Monthly
- Semi-weekly (including employers that incur a one banking day payment obligation)

*NOTE: An employer must file Form A1-QRT for every quarter. This includes quarters in which the employer has not withheld any Arizona tax. For those quarters, the employer must file a Form A1-QRT that shows zero withholding liability. These returns must be filed until the employer cancels its withholding registration by filing a final Form A1-QRT. The only exception is for employers that qualify to file and pay on an annual basis (Form A1-APR).*

**What withholding payments are reconciled using this form?**

All Arizona withholding amounts averaging more than \$200 per quarter are reconciled using this form. Arizona law requires all amounts withheld to be treated as if the withholding was from wages paid to an employee.

*NOTE: If you file federal Form 941 to report federal withholding on Arizona wages and federal Form 945 to report federal withholding on Arizona non-wage payments for the same Employer Identification Number (EIN), file one A1-QRT to reconcile the total Arizona withholding for the quarter. Do not file more than one original A1-QRT for the same EIN for the same quarter.*

**What are the due dates for filing Form A1-QRT?**

Form A1-QRT is due as follows:

Quarter	Form A1-QRT Due Date	*Form A1-QRT Extended Due Date
1 (January - March)	April 30	May 10
2 (April - June)	July 31	August 10
3 (July - September)	October 31	November 10
4 (October - December)	January 31	February 10
If any due date falls on a Saturday, Sunday or legal holiday, the return will be considered timely if it is filed by the next business day.		
*Extended Form A1-QRT due dates are available to employers who have made every payment on time during the prior quarter. These employers may have 10 additional days in which to file their A1-QRT.		

Because April 30, 2017, is a Sunday, the return will be timely if filed by Monday, May 1, 2017. Also, if the extended due date applies, a return due on February 10, 2018, will be timely if filed by Monday, February 12, 2018.

**Penalties and Interest**

**A. 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% of the tax found to be remaining due.

**B. 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%.

*NOTE: If the penalties in both A and B apply, the maximum combined penalty cannot be more than 25%.*

**C. Additional Failure to Pay Penalty.** We may charge an additional penalty if the amount of tax required to be withheld is not paid by the date set for its payment. This amount may be determined by either the employer or the department. This penalty is 25% (.25) of the amount of tax required to be withheld and paid to the department.

**D. Payroll Service Company Penalty.** A Payroll Service Company (PSC) **must** make withholding payments electronically. A PSC must also file Form A1-QRT electronically. A PSC is subject to a \$25 penalty for each failure to make withholding payments electronically. A PSC is also subject to a \$25 penalty for each failure to file withholding returns electronically. Multiple \$25 penalties could apply to the same client on one return. For example, if Client A is required to make 4 payments in the 3rd quarter, and none of the payments are made electronically, the PSC would be subject to four \$25 penalties, totaling \$100. If the PSC files a paper Form A1-QRT for Client A, the PSC will be charged another penalty of \$25. The PSC would owe a grand total of \$125 in penalties related to Client A for the 3rd quarter.

**E. Interest.** We charge interest on any tax not paid by the due date. The Arizona interest rate is the same as the federal rate imposed on individual taxpayers.

### Specific Instructions

You may file a paper Form A1-QRT, or you may file Form A1-QRT electronically. To file Form A1-QRT online, the business must be registered to use [www.AZTaxes.gov](http://www.AZTaxes.gov). When filing and paying online, the employer does not have to file a paper form with the department. If you are using a PSC, that company must file your A1-QRT electronically. Visit [www.AZTaxes.gov](http://www.AZTaxes.gov) and select the link under Payroll Service Companies, “Bulk File & Pay WTH Returns”.

### EIN and Paid Preparer TIN

All withholding returns filed with the department require the employer’s EIN. Paid preparers must provide a taxpayer identification number (TIN). Taxpayers and their paid preparers that fail to include their EIN or TIN may be subject to a penalty.

The TIN for a paid preparer may be one of the following:

- The preparer’s PTIN,
- The preparer’s SSN, or
- The EIN for the business.

### Part 1 - Taxpayer Information

#### Name, Address, Phone Number and Address Change Box

Type or print the employer’s name, address, and phone number. If the employer 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.

#### Address Change

If you have had an address change since you last filed Form A1-QRT, enter your current address in Part 1. Also, check the “Address Change” box.

#### Employer Identification Number (EIN)

Enter the employer’s EIN. If the employer does not have an EIN, it must get one from the IRS.

### Quarter and Year

Enter the quarter and the year for which Form A1-QRT is being filed. For this purpose, the term “quarter” refers to a calendar quarter based on a calendar year. Each quarter is comprised of three months and each quarter contains the months shown in the following chart.

Quarter	Months in Quarter
1st	January through March
2nd	April through June
3rd	July through October
4th	October through December

### Amended Return

If this is an amended Form A1-QRT, check the amended return box on page 1 of the form. Also, complete Part 5 on page 2 of the form to explain why you are amending the return. If you are filing an amended return for a quarter in a prior calendar year, you must also file an amended Form A1-R for that year. Include the state copies of the federal Forms W-2c, or corrected copies of Forms W-2G and 1099-R with the amended Form A1-R.

**NOTE:** *An amended Form A1-QRT can only be electronically filed through [www.AZTaxes.gov](http://www.AZTaxes.gov) by a PSC or by an employer filing through a registered transmitter. All other employers required to file an amended Form A1-QRT must file a paper return.*

### Final Return

If this is a final return, check the final return box on page 1 of the form. Enter the date that the final wages were paid.

Complete Part 6 on page 2 of the form to indicate the reason for the cancellation.

When you cancel your withholding account, you must file a final return on Form A1-QRT to report your Arizona tax liability for the quarter in which the account was closed.

**NOTE:** *You must also file Form A1-R, Arizona Withholding Reconciliation Return, for that calendar year.*

For details about an employer’s duties when a business stops paying wages or if the business is sold, transferred or closed, see the department’s procedure *WTP 92-1, Procedure for Filing Final Withholding Reports/Returns*.

### Total Arizona Payroll and Employees for the Quarter

Enter the total gross Arizona payroll for this calendar quarter. This is the amount of wages paid to employees who are subject to Arizona withholding.

Enter the number of employees on your payroll for the quarter who received wages, tips, or other compensation this quarter. Include only employees who are subject to Arizona withholding.

This includes:

1. An employee who had Arizona withholding deducted from his or her wages in this calendar quarter; and
2. An employee whose wages were for services performed in Arizona, but the employee filed an election to not have any Arizona withholding deducted from his or her wages.

Do not include annuity recipients, independent contractors or pension recipients.

**Part 2 - Tax Liability Schedule**

Complete either line A1, Quarterly Tax Liability, or lines B1 through B4, Monthly Tax Liability. **DO NOT** complete both.

**NOTE:** All liabilities reported and payments made should be net of any withholding designated for tax credits.

**Arizona Withholding Deposit Schedules**

Part 2 of Form A1-QRT is completed based on the deposit schedule that applies for the employer.

For Arizona withholding tax purposes, several deposit schedules may apply. The schedule that an employer must use will depend on the amount of Arizona tax withheld. These schedules are based on the average amount withheld during the prior 4 quarter period. The employer must compute this average at the start of each new quarter. The deposit schedule that may apply for one quarter may not be the same schedule that applies to the next.

**Explanation of Deposit Schedules**

The Arizona deposit schedules are as follows:

Previous 4 Quarter Arizona Withholding Average	Arizona Deposit Schedule
\$1,500 or less	<b>Quarterly</b> (May deposit on an annual basis if 4 quarter average is \$200 or less and other criteria met)
More than \$1,500	<b>Same time as Federal</b> (Monthly, Semi-weekly, Next Business Day)

**NOTE:** For help in figuring out your quarterly averages and which deposit schedule to use, see WTP 16-2, What Withholding Tax Forms and Returns to File and When to File Them.

**Quarterly Deposit Schedule**

An employer must use the quarterly deposit schedule if:

1. The average amount of Arizona tax withheld during the prior 4 quarters was not more than \$1,500; and
2. The employer does not qualify to use the annual deposit schedule.

Payment due dates for the quarterly deposit schedule are as follows:

Quarter in Which Wages Paid	Arizona Payment Due By
1st	April 30
2nd	July 31
3rd	October 31
4th	January 31

*If the due date falls on a Saturday, Sunday, or a legal holiday, the payment will be considered timely if made on the next banking day.*

**Annual Deposit Schedule**

**NOTE:** An employer that uses the annual deposit schedule does not file Form A1-QRT. This employer files Form A1-APR instead.

Some employer's may qualify to make one annual Arizona withholding payment. The employer must have been in business for at least a year and it must have established a specified filing and payment history. The employer must also have an average quarterly Arizona tax withholding of \$200 or less for the last 4 quarters. For complete details, see WTP 16-2, What Withholding Tax Forms and Returns to File and When to File Them.

Payment due date for the annual deposit schedule:

Period in Which Wages Paid	Arizona Payment Due By
January – December	February 28 of the following year

*If the due date falls on a Saturday, Sunday, or a legal holiday, the payment will be timely if made on the next banking day.*

**Same Time as Federal Deposit Schedule**

When the prior 4 quarter average is more than \$1,500, the employer must remit its Arizona tax at the same time it must remit its federal tax.

For federal purposes, there are two deposit schedules (monthly and semi-weekly). Before the start of each calendar year, the employer must decide which of the two deposit schedules it must use. The terms "monthly deposit schedule" and "semi-weekly deposit schedule" do not refer to how often a business pays wages. These terms do not refer to how often the employer must make deposits. These terms refer to which set of deposit rules the employer must use. The deposit rules are based on the dates when wages are paid (cash basis); not on when tax liabilities are accrued for accounting purposes.

**Federal Monthly Deposit Schedule**

For federal purposes, this schedule applies when the total federal tax reported for the federal lookback period was \$50,000 or less. Under this schedule, an employer must deposit its taxes for wages paid during the month by the 15<sup>th</sup> day of the following month. An Arizona employer whose prior 4 quarter average is more than \$1,500, who uses this schedule for federal purposes must also deposit the Arizona tax withheld by the 15<sup>th</sup> day of the following month.

**Monthly Deposit Schedule**

Period in Which Wages Paid	Arizona Payment Due By
Any month during the year	15 <sup>th</sup> day of the month following the month in which wages were paid

*If the due date falls on Saturday, Sunday, or a legal holiday, the payment is considered timely if made on the next banking day.*

**Federal Semi-weekly Deposit Schedule**

For federal purposes, this schedule applies when the total federal tax reported for the federal lookback period was more than \$50,000. An Arizona employer whose prior 4 quarter

average is more than \$1,500, who uses this schedule for federal purposes must also use this schedule to remit its Arizona tax.

**Semi-weekly Deposits**

Day of the Week Wages Paid	Payment Due By
Wednesday, Thursday or Friday	The Following Wednesday
Saturday, Sunday, Monday or Tuesday	The Following Friday
<i>If the due date falls on a Saturday, Sunday, or a legal holiday, the withholding payment is timely if made on the next banking day.</i>	

**Federal Next Business Day Deposit**

For federal purposes, this schedule applies when the employer accumulates a federal withholding tax liability of \$100,000 or more on any day during a federal deposit period. In this case, the employer must deposit the tax by the close of the next business day. This applies whether the employer is a monthly or semi-weekly schedule depositor.

An Arizona employer whose prior 4 quarter average is more than \$1,500, which must deposit its federal tax by the close of the next business day, must also deposit its Arizona tax by the close of the next business day. If an employer is a monthly depositor, that employer will become a semi-weekly depositor when it incurs a next day deposit obligation. The employer will remain a semi-weekly depositor for the remainder of the calendar quarter.

**Completing Part 2 of Form A1-QRT**

**Part 2, Section A - Quarterly Deposit Schedule**

Employers that use the Quarterly Deposit Schedule must complete Part 2, Section A.

An employer that uses the quarterly deposit schedule must complete:

- Part 2, Section A, line A1. For line A1, enter the amount withheld during the quarter, not the amount paid to the department. Also, enter this amount on Part 3, line 1.

***IF YOU COMPLETED PART 2A, LINE 1A, DO NOT COMPLETE PART 2B, LINES B1 THROUGH B4, MONTHLY DEPOSIT SCHEDULE, OR PART 4, SEMI-WEEKLY DEPOSIT SCHEDULE.***

**Part 2, Section B - Monthly Deposit Schedule**

Employers that use the Monthly Deposit Schedule must complete Part 2, Section B.

**Monthly Deposit Schedule Used for All Months in the Quarter**

An employer that uses the Monthly Deposit Schedule for all three months of the quarter must complete:

- Part 2, Section B, lines B1 through B3. Enter the amount withheld during each respective month of the quarter, not the amount paid to the department.
- Part 2, Section B, line 4. Add lines B1 through B3. Enter the total. Also, enter this amount on Part 3, line 1.

**Employer that Changes from the Monthly Deposit Schedule to the Semi-weekly Deposit During the Quarter**

If the employer is a monthly depositor, that employer will become a semi-weekly depositor once it incurs a next day deposit obligation. The employer will be a semi-weekly depositor for the rest of the calendar quarter. If this occurs, the employer must:

- Check the box on page 1, in Part 2B.
- Complete Part 4 on page 2, Section A, B and/or C as applicable.

**If an Employer Becomes a Semi-weekly Depositor During the 1<sup>st</sup> Month of the Quarter, The Employer Must:**

- Check the box on page 1, in Part 2B.
- *1<sup>st</sup> month* - Complete Part 4, Section A of the Semi-weekly Deposit Schedule. Enter the total of Part 4, Section A in Part 2B, line B1.
- *2<sup>nd</sup> month* - Complete Part 4, Section B of the Semi-weekly Deposit Schedule. Enter the total of Part 4, Section B in Part 2B, line B2.
- *3<sup>rd</sup> month* - Complete Part 4, Section C of the Semi-weekly Deposit Schedule. Enter the total of section C in Part 2B, line B3.

**If an Employer Becomes a Semi-weekly Depositor During the 2<sup>nd</sup> Month of the Quarter, The Employer Must:**

- Check the box on page 1, in Part 2B.
- *1<sup>st</sup> month* - Complete Part 2B, Line B1.
- *2<sup>nd</sup> month* - Complete Part 4, Section B of the Semi-weekly Deposit Schedule. Enter the total of Part 4, Section B in Part 2B, line B2.
- *3<sup>rd</sup> month* - Complete Part 4, Section C of the Semi-weekly Deposit Schedule. Enter the total of section C in Part 2B, line B3.

**If an Employer Becomes a Semi-weekly Depositor During the 3<sup>rd</sup> Month of the Quarter, The Employer Must:**

- Check the box on page 1, in Part 2B.
- *1<sup>st</sup> month* - Complete Part 2B, Line B1.
- *2<sup>nd</sup> month* - Complete Part 2B, Line B2.
- *3<sup>rd</sup> month* - Complete Part 4, Section C of the Semi-weekly Deposit Schedule. Enter the total of section C in Part 2B, line B3.

**SEMI-WEEKLY DEPOSIT SCHEDULE**

An employer that uses the semi-weekly deposit schedule for each month of the quarter must complete the following parts of Form A1-QRT:

- Part 2, Section B, lines B1 through B4
- Part 3
- Part 4

**First, Complete Part 4, Sections A, B and C.**

Each section (A, B and C) in Part 4 represents one month in the quarter. Lines 1 through 31 of each section represent days of the month.

Complete each section in Part 4 using the following rules:

- For each day in a month on which you paid wages, enter the amount withheld. Do not enter the amount paid.

- If the payment was required to be paid as a next day banking obligation, check the box to the right of the day of the month on which the wages were paid. If this does not apply, do not check the box.
- Total the amount of the withholding liability for the month. This is the total of all amounts entered for each day during the month on which you paid wages. Your withholding liability is the amount withheld, not the amount that you paid to the department during the month.
- For each month, also enter the monthly total on the correct line in Part 2, Section B.

The following example will show how a semi-weekly depositor completes Part 4 for the 1<sup>st</sup> month of withholding in the quarter.

Day of the Week Wages Paid		Payment Due By		
Wednesday, Thursday, or Friday		The Following Wednesday		
Saturday, Sunday, Monday, or Tuesday		The Following Friday		
<b>Semi-weekly</b>				
Group D uses the semi-weekly deposit schedule to remit its federal tax withheld. Because Group D's previous 4 quarter Arizona average was more than \$1,500, Group D must also make its Arizona withholding payments using the federal semi-weekly deposit schedule. Group D pays wages on the 15 <sup>th</sup> and the 30 <sup>th</sup> of each month. (Since the 15 <sup>th</sup> of the example month falls on a Sunday, Group D pays its wages on the preceding Friday.) For the first quarter of 2017, Group D must remit its Arizona withholding as shown:				
Date Wages Paid	Day of the Week	Tax Withheld	Due By	Amount Due
13th	Friday	\$525	Wednesday 1/18	\$525.00
30th	Tuesday	\$675	Friday 2/3	\$675.00
<b>Group D completes Part 4, Section A as follows:</b>				
Because Group D has only 2 payday in January, Group D enters an amount in Part 4, Section A on line 13, and on line 30. Group D would enter \$525.00 on line 13 and \$675.00 on line 30. Group D would add these amounts together and enter \$1,200 for its total monthly liability.				

**Second, Complete Part 2, lines B1 through B4.**

Once Part 4, Sections A, B and C are completed, do the following:

- Enter the total from Part 4, Section A, on Part 2B, line B1.
- Enter the total from Part 4, Section B, on Part 2B, line B2.
- Enter the total from Part 4, Section C, on Part 2B, line B3.
- Add the amounts entered on lines B1, B2 and B3 and enter the total on line B4.
- Also check the box that indicates that the employer is a semi-weekly depositor.

**Third, Complete Part 3, lines 1 through 3.**

Complete Part 3, lines 1 through 3 following the instructions for Part 3.

**Part 3 - Tax Computation**

**Line 1 - Liability (Arizona Tax Withheld or Amount Required to be Withheld During the Quarter)**

• **Quarterly Depositors**

Enter the amount from Part 2, Section A, line A1 here.

• **Monthly and Semi-weekly Depositors**

Enter the amount from Part 2, Section B, line B4 here.

**Line 2 - Payments Made for the Quarter**

Enter the total amount of payments made for this quarter. If no payments were made prior to filing this return, enter "0".

Do not include any payment that is made with this return (or for this return, if you are making a payment for an amount due for this return).

**Line 3 - Total Amount Due**

Subtract the amount on line 2 from the amount on line 1. Enter the difference.

**If line 3 is a positive number**, this is the amount of tax due. You can pay by check, money order, electronic check, or credit card. If you owe any penalty or interest, the department will calculate these amounts and mail a billing notice after the return is processed.

If you are filing an amended return and that return shows a balance due, enclose the amount due with the amended return, unless the payment must be made by EFT. If payments must be made by EFT, make the payment for the balance due by EFT. The department will send you a bill for any interest or penalty due once the amended return is processed.

**If line 3 is a negative number (an amount less than zero)**, this is the overpayment for the quarter. Use a minus sign to indicate a negative amount. After the return is processed and payments are confirmed, the overpayment will be applied to any outstanding liabilities, possibly in another tax type. If the overpayment exceeds the outstanding liabilities or the employer has no outstanding liabilities, a refund check will be issued and mailed to the employer. A refund will not be issued once the overpayment is applied to a liability.

**Tax Payments**

**Check or Money Order**

Make checks payable to Arizona Department of Revenue. Include the employer's EIN on the front of the check or money order. Include the check or money order with the return.

**Internet Payments**

Go to [www.AZTaxes.gov](http://www.AZTaxes.gov) to register or to 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 fee based on the amount of the tax payment. The service provider will disclose the amount of the fee during the transaction and you will be given the option to continue or cancel. If you accept the fee and complete the credit card transaction, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

**Part 4 – Semi-Weekly Deposit Schedule**

If you are an employer who is required to make withholding deposits on a semi-weekly schedule, or you are required to make a federal next day deposit, complete Part 4 using the instructions beginning on page 4, “SEMI-WEEKLY DEPOSIT SCHEDULE”.

**Part 5 - Amended Return Information**

If this is an amended return, explain why you are amending Form A1-QRT.

**Part 6 - Reason for Cancellation**

If you checked the “Final Return” box on page 1, place a check in the box explaining why this is your final return. If the reason is not provided, check the box “Other” and enter your own explanation.

**Who Must Sign Form A1-QRT**

The following persons are authorized to sign the return for each type of business entity.

- **Sole proprietorship** - The individual who owns the business.
- **Corporation (including a limited liability company (LLC) treated as a corporation)** - The president, vice president, or other principal officer duly authorized to sign.
- **Partnership (including an LLC treated as a partnership) or unincorporated organization** - A responsible and duly authorized member, partner, or officer having knowledge of its affairs.
- **Single member LLC treated as a disregarded entity for federal income tax purposes** - The owner of the LLC or a principal officer duly authorized to sign.
- **Trust or estate** - The fiduciary.

Form A1-QRT may be signed by a duly authorized agent of the taxpayer if a valid power of attorney has been filed.

**Paid Preparer Use Only**

A paid preparer must sign Form A1-QRT and provide the information in the *Paid Preparer Use Only* section, if the preparer was paid to prepare Form A1-QRT and is not an employee of the filing entity. The preparer must give you a copy of the return in addition to the copy to be filed with the department.



Arizona Department of Revenue  
 PO Box 29085  
 Phoenix AZ 85038-9085

Employer Identification Number (EIN)		
Qtr	Year	Amount of Payment
Q	Y Y Y Y	Dollars Cents

Enter Quarter (1, 2, 3, or 4)  
 Four digits of year for which payment is made.

Taxpayer Information
Name
Number and street or PO Box
City or town, state and ZIP Code
Business telephone number (with area code)

REVENUE USE ONLY. DO NOT MARK IN THIS AREA.	
88	
81 PM	66 RCVD

**IMPORTANT:** Arizona law requires certain taxpayers to make withholding tax payments at the same time as federal withholding deposits are due. Failure to make payment may result in a 25% penalty in addition to other penalties and interest required by law.

Return Top Portion with Payment

- Make check payable to: Arizona Department of Revenue and include EIN on payment.
- Mail top portion with payment to: Arizona Department of Revenue, PO Box 29085, Phoenix, AZ 85038-9085.

Instructions

Employers required to make more than one Arizona withholding payment per calendar quarter use Form A1-WP to transmit Arizona withholding payments to the department. *Employers required to make quarterly withholding payments should not use this form. Employers making withholding payments by electronic funds transfer or on the Internet should not use this form.*

**Internet payments:** Employers that register may make their withholding payments on the Internet with e-check or credit card. There is a fee to pay by credit card. Visit [www.AZTaxes.gov](http://www.AZTaxes.gov) for further information.

Electronic Funds Transfer (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) for detailed information regarding electronic funds transfer.

Employers whose average Arizona quarterly withholding tax liability for the preceding taxable year was \$20,000 or more must make Arizona withholding payments via the electronic funds transfer program. *If the employer makes its withholding payments by electronic funds transfer (EFT), the employer should not submit Form A1-WP to the department.*

**NOTE:** Employers required to make withholding 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).

Employers whose average Arizona quarterly withholding tax liability for the preceding taxable year was less than \$20,000 may elect voluntary participation in the electronic funds transfer program.

Participants in the Electronic Funds Transfer program must enroll online at [www.AZTaxes.gov](http://www.AZTaxes.gov) at least 30 days prior to the first applicable transaction.

Taxpayer Information

Type or print the name, address, and phone number in the boxes in the Taxpayer Information section. 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.**

Employer Identification Number (EIN)

Enter the EIN. An EIN can be obtained from the Internal Revenue Service.

Quarter and Year

The charts below identify which months or payments are included in each quarter:

For these months:	Enter this number for the quarter:
January, February, March	1
April, May, June	2
July, August, September	3
October, November, December	4

For this payment:	Enter this number for the quarter:
Extension payment for Form A1-APR	4

Enter the quarter from one of the charts above. Enter the four-digit year.

Amount of Payment

Enter the amount of payment enclosed.

**NOTE:** Do not submit Form A1-WP if the payment is zero or no payment is enclosed. Do not submit Form A1-WP to list prior payments made during the quarter. Do not submit Form A1-WP for a negative amount (to apply a credit as a payment or to claim a credit as an overpayment).

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## Arizona Charitable Withholding Statement

**Form A1-C is due on or before January 30, 2018. Do not mail with Form A1-R or Form A1-APR.**

### Part 1 Employer Information

Name	Employer Identification Number (EIN)	Period End <b>12/31/2017</b>
Number and street or PO Box	<b>REVENUE USE ONLY. DO NOT MARK IN THIS AREA.</b>	
City or town, state and ZIP Code	<b>88</b>	
Business telephone number (with area code)		
<b>Check box if:</b> <input type="checkbox"/> Amended Statement <input type="checkbox"/> Address Change		
	<b>81</b> PM	<b>66</b> RCVD

### Part 2 Payments Made on Behalf of Employees (if necessary, include continuation sheet(s))

Charitable Withholding Statement			Charitable Withholding Statement		
CHARITY'S name, street address, city, state, and ZIP Code			CHARITY'S name, street address, city, state, and ZIP Code		
CHARITY'S federal identification no.		EMPLOYEE'S Social Security no.	CHARITY'S federal identification no.		EMPLOYEE'S Social Security no.
EMPLOYEE'S name			EMPLOYEE'S name		
EMPLOYEE'S street address (including apt. no.)			EMPLOYEE'S street address (including apt. no.)		
EMPLOYEE'S city, state, ZIP Code			EMPLOYEE'S city, state, ZIP Code		
<b>2017</b>	<b>1</b> Employee contributions made in 2017	<b>2</b> Termination date (if applicable)	<b>2017</b>	<b>1</b> Employee contributions made in 2017	<b>2</b> Termination date (if applicable)
	\$	MM/DD/20YY		\$	MM/DD/20YY
<input type="checkbox"/> CORRECTED (if checked)			<input type="checkbox"/> CORRECTED (if checked)		

### Part 3 Explain Why an Amended Form A1-C is Being Filed (if necessary, include additional sheet)

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<b>Declaration</b>	Under penalties of perjury, I declare that I have examined this statement and to the best of my knowledge and belief, it is true, complete and correct.		
<b>Please Sign Here</b>	EMPLOYER'S SIGNATURE _____	DATE _____	BUSINESS PHONE NUMBER ( ) _____
	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 _____
	FIRM'S STREET ADDRESS _____		( ) FIRM'S PHONE NUMBER. _____
	CITY _____	STATE _____	ZIP CODE _____

### Mail form and any documents to:

**Office of Economic Research and Analysis • Arizona Department of Revenue • PO Box 29099 • Phoenix, AZ 85038-9099**

Employer Name (as shown on page 1)

EIN

Page \_\_\_\_ of \_\_\_\_

**Charitable Withholding Statement**

CHARITY'S name, street address, city, state, and ZIP Code

CHARITY'S federal identification no. EMPLOYEE'S Social Security no.

EMPLOYEE'S name

EMPLOYEE'S street address (including apt. no.)

EMPLOYEE'S city, state, ZIP Code

2017

1 Employee contributions made in 2017

2 Termination date (if applicable)

\$

MM|DD|20YY

ADOR 10754 (16)

CORRECTED (if checked)

**Charitable Withholding Statement**

CHARITY'S name, street address, city, state, and ZIP Code

CHARITY'S federal identification no. EMPLOYEE'S Social Security no.

EMPLOYEE'S name

EMPLOYEE'S street address (including apt. no.)

EMPLOYEE'S city, state, ZIP Code

2017

1 Employee contributions made in 2017

2 Termination date (if applicable)

\$

MM|DD|20YY

ADOR 10754 (16)

CORRECTED (if checked)

**Charitable Withholding Statement**

CHARITY'S name, street address, city, state, and ZIP Code

CHARITY'S federal identification no. EMPLOYEE'S Social Security no.

EMPLOYEE'S name

EMPLOYEE'S street address (including apt. no.)

EMPLOYEE'S city, state, ZIP Code

2017

1 Employee contributions made in 2017

2 Termination date (if applicable)

\$

MM|DD|20YY

ADOR 10754 (16)

CORRECTED (if checked)

**Charitable Withholding Statement**

CHARITY'S name, street address, city, state, and ZIP Code

CHARITY'S federal identification no. EMPLOYEE'S Social Security no.

EMPLOYEE'S name

EMPLOYEE'S street address (including apt. no.)

EMPLOYEE'S city, state, ZIP Code

2017

1 Employee contributions made in 2017

2 Termination date (if applicable)

\$

MM|DD|20YY

ADOR 10754 (16)

CORRECTED (if checked)

**2017 Arizona Charitable Withholding Statement**

**For information or help, call one of these numbers:**

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)

**Withholding Tax Procedures and Rulings**

These instructions may refer to the department's withholding tax procedures and rulings. 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**

Arizona permits employees to reduce their income tax withholding and have that amount forwarded to qualifying charitable organizations by their employer. The following conditions apply:

- The employee must make his or her request in writing;
- The employer must agree to reduce the amount of the employee's income tax withholding;
- Only the following contributions to charitable organizations qualify:
  - Contributions to charitable organizations claimed on Arizona Form 321;
  - Contributions or fees paid to public schools claimed on Arizona Form 322;
  - Contributions to school tuition organizations claimed on Arizona Form 323; or,
  - Contributions to certified school tuition organizations claimed on Arizona Form 348; or,
  - Contributions to qualifying foster care charitable organizations claimed on Arizona Form 352.
- Form A1-C for calendar year 2017 is due January 30, 2018.
- Do not mail this form with any other withholding form.

**Who Must File Form A1-C**

Employers that made payments of reduced withholding from employees to charitable organizations must file this form to report the amount(s) withheld and paid to charitable organizations on behalf of the employee(s). This information must be provided to the department. Each employee who requested his or her withholding be reduced and paid to a charitable organization must receive his or her withholding and contribution information.

The employer may substitute its own schedule rather than file Form A1-C. The substitute schedule must provide the same information as Form A1-C.

**NOTE:** *Employers that file Form A1-C still must file either Form A1-APR, or Form A1-R.*

**Filing Original Statements, and Due Date**

Form A1-C must be filed within 30 days after the end of the calendar year (January 30), or within 15 days after the termination of an employee whose withholding was reduced. If the due date falls on a Saturday, Sunday, or legal holiday, the statement is considered timely if it is filed by the next business day.

Mail the statement to:

Office of Economic Research and Analysis  
Arizona Department of Revenue  
PO Box 29099  
Phoenix, AZ 85038-9099

**NOTE:** *Do not mail Form A1-C with any other withholding form(s).*

**Filing Amended Statements**

If this is an amended Form A1-C, check the box "Amended Statement". Enter the corrected information in all areas of the form. Check the "Corrected" box for each employee or charity that was corrected. Complete Part 3 to explain the reason for amending this form.

**Specific Instructions**

**Part 1 -**

Enter the employer's name, Employer Identification Number (EIN), address, and phone number where indicated. If the employer 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.**

All returns, statements, and other documents filed with the department require a taxpayer identification number (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 employer identification number of the business. Paid tax return preparers that fail to include their TIN may be subject to a penalty.

If this is an amended statement, check the box "Amended Statement". Enter the corrected information in the appropriate areas. Complete Part 3 to explain why an amended statement is being filed.

If the employer's address changed, check the box, "Address Change". Ensure the employer's new address is entered above.

**Part 2**

Complete a Charitable Withholding Statement for each charity and each employee who had his or her withholding reduced and forwarded to that charity. There may be several individual Charitable Withholding statements for each charity and each employee.

Include continuation sheet(s) as needed. Include the employer name and EIN at the top of each continuation sheet filed to the department.

**Example:**

Employer X has two employees (A & B) who requested their withholding be reduced and forwarded to a qualifying charity.

Employee A requested his or her withholding be reduced by \$100.00 and forwarded to these charities: Charity A, \$50.00; Charity B, \$25.00; Charity C, \$25.00.

Employee B requested his or her withholding be reduced by \$200.00 and forwarded to these charities: Charity A, \$75.00, Charity C, \$50.00, Charity Z, \$75.00.

Employer X would complete six (6) Charitable Withholding Statements:

1. Employee A's contribution of \$50.00 to Charity A
2. Employee A's contribution of \$25.00 to Charity B
3. Employee A's contribution of \$25.00 to Charity C
4. Employee B's contribution of \$75.00 to Charity A
5. Employee B's contribution of \$50.00 to Charity C
6. Employee B's contribution of \$75.00 to Charity Z

Rather than complete the individual Charitable Withholding Statements, employers may substitute a schedule providing the same information as the Charitable Withholding Statements.

**Box 1 - Employee Contributions Made in 2017**

Include the amount of reduced withholding paid to the employee's chosen charity. Do not round the amount paid to the nearest whole dollar.

**Box 2 - Termination Date**

Enter the termination date of the employee, if applicable.

Provide a copy of the individual Charitable Withholding Statement to the employee. Maintain a copy of the statements for the employer's records.

**Complete this form only if you file Form A1-QRT.** Arizona Form A1-R is an information return. Do not submit any liability owed or try to claim refunds with this return. To submit additional liability or claim a refund, file amended quarterly withholding tax Form(s) A1-QRT. **Form A1-R is due on or before February 28, 2017.**

**Part 1 Taxpayer Information**

Name	Employer Identification Number (EIN)		
Number and street or PO Box	<b>REVENUE USE ONLY. DO NOT MARK IN THIS AREA.</b> <b>88</b>		
City or town, state and ZIP Code			
Business telephone number (with area code)			
<p><b>Check box if:</b> <input type="checkbox"/> Amended Return <input type="checkbox"/> Address Change</p> <input type="checkbox"/> Check this box if return is an early-filed return for calendar year 2017 due to an account cancellation during 2017. <input type="checkbox"/> Check this box if cancellation was due to a merger or acquisition and surviving employer is filing Forms W-2. <input type="checkbox"/> Check this box if this form is being filed by the surviving employer and the amount on line 10 is less than the amount on line 1 because the difference was remitted by the predecessor employer. Also enter the following: Predecessor Employer Name ..... Predecessor Employer EIN .....			
<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td style="width:50%;"><b>81</b> PM</td> <td style="width:50%;"><b>66</b> RCVD</td> </tr> </table>		<b>81</b> PM	<b>66</b> RCVD
<b>81</b> PM	<b>66</b> RCVD		

**Part 2 Federal Transmittal Information**

1 Total Arizona Tax Withheld per federal Forms W-2, W-2c, W-2G and 1099-R .....	1		
2 Total wages paid to Arizona employees for 2016 .....	2		
3 Total number of Arizona employees in 2016 .....	3		
4 Total number of federal Forms W-2, W-2c, W-2G, and 1099-R submitted .....	4		
5 Information Return Penalty .....	5		00

**Part 3 Annual Summary of Amounts Reported on 2016 Arizona Forms A1-QRT**

		Liability Reported	
6 First Quarter .....	6		
7 Second Quarter .....	7		
8 Third Quarter .....	8		
9 Fourth Quarter .....	9		
10 Total Annual Withholding Reported .....	10		

**Part 4 Explain Why an Amended Form A1-R is Being Filed (include additional sheet, if necessary)**

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<b>Declaration</b>	Under penalties of perjury, I declare that I have examined this return and to the best of my knowledge and belief, it is a true, complete and correct return.		
<b>Please Sign Here</b>	TAXPAYER'S SIGNATURE _____	DATE _____	( ) BUSINESS TELEPHONE NUMBER _____
<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 _____	( ) FIRM'S TELEPHONE NUMBER _____	
	CITY _____	STATE _____	ZIP CODE _____

**Mail return to: Arizona Department of Revenue, PO Box 29009, Phoenix, AZ 85038-9009**

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**2016 Arizona Withholding Reconciliation Return**

**For information or help, call one of these numbers:**  
 Phoenix (602) 255-2060  
 From area codes 520 and 928, toll-free (800) 843-7196

**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).

**Withholding Tax Procedures and Rulings**  
 These instructions may refer to the department's withholding tax procedures and rulings. 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 File Form A1-R**

Employers that file Form A1-QRT must file Form A1-R to reconcile the amount of tax withheld during the year to the amount paid during the year.

Form A1-R is also used to transmit federal Forms W-2, Form W-2c, Form W-2G (with Arizona withholding) and Form 1099-R (with Arizona withholding).

**NOTE:** *Employers that file Form A1-APR, Arizona Annual Payment Withholding Tax Return, will not file Form A1-R.*

**IMPORTANT:** *Arizona Form A1-R is an information return. Do not submit any amount(s) owed or try to claim a refund with this return. To pay additional amounts, or claim a refund, file an amended quarterly withholding tax Form A1-QRT.*

**When is Form A1-R Due?**

Period in Which Wages Paid	Form A1-R Due By
January - December	February 28 of the following year
<i>If the due date falls on a Saturday, Sunday, or a legal holiday, the return will be considered timely if filed on the next business day.</i>	

**Filing Original Returns**

File this form only on a calendar year basis (for example, January 1, 2016, through December 31, 2016).

If you cancelled your withholding account during 2017, you may use this form to file your final reconciliation for 2017 before its normal due date of February 28, 2018. If you are filing an early return for 2017, check the box to indicate that this is an early return for 2017.

**Extension of Time to File a Return**

You may apply for a 30-day extension of time to file Form A1-R. When asking for an extension, you must show good cause. You must file the extension request as soon as you know that you need an extension. The extension request must be mailed on or before February 28. For details on how to request an extension, see *WTP 11-1, Procedure for Requesting Extension of the Filing Deadline for Annual Withholding Tax Returns*.

If you are filing under an extension, include a copy of the extension with Form A1-R.

**Filing Amended Returns**

If this is an amended Form A1-R, check the amended return box. Enter the amended numbers in all areas of the form, and explain why an amended return is being filed in the space provided. Include amended federal Forms W-2, W-2c, W-2G, and/or 1099-R with the amended return.

**Penalties**

This form is an information return. The penalty for failing to file, filing late (including extensions) or filing an incomplete return is \$100 for each month, or fraction of a month, that the failure continues. The maximum penalty is \$500.

**Sending Federal Forms W-2, W-2c, W-2G (with Arizona withholding), and 1099-R (with Arizona withholding) to the Department**

An employer may send Forms W-2, W-2c, W-2G (with Arizona withholding), and 1099-R (with Arizona withholding) to the department by attaching paper copies to Form A1-R. The employer may also send the federal forms in by optical media.

**Paper copy.** Submit a paper copy of each federal Form W-2, W-2c, W-2G, and 1099-R with Form A1-R.

**Optical media.** Label the CD-ROM or DVD (CD/DVD) with the employer's name, Employer Identification Number (EIN), calendar year and Form W-2 or Form 1099 (or both, whichever applies). If the CD/DVD is password protected, note that on the label and indicate the email address from which you will be sending the password to the department. Email the password separately to [MediaLibrarian@azdor.gov](mailto:MediaLibrarian@azdor.gov). Include "Form W-2" or "Form 1099" (or both, whichever applies) in the subject line of the email. In the body of the email, include the same information that is on the CD/DVD label. The department **will not** return or copy any media.

Employers submitting the information on CD/DVD should secure the CD/DVD in a hard case and include it with Form A1-R.

For more details on sending in federal forms using optical media, see the department's publication 701, *Optical Media Reporting*.

**CAUTION:** *The employer submits the CD/DVD at its own risk. If the department cannot access the information on the CD/DVD for any reason, the employer may need to provide the information again.*

**Specific Instructions**

**Part 1 – Taxpayer Information**

- 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.

### Employer Information

Enter the employer's name, EIN, address, and telephone number in the spaces provided.

If the employer 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.**

### Check Boxes:

- **Amended Return**

If this is an amended Form A1-R, check the "Amended Return" box on page 1 of the form. Explain why you are amending the return in Part 4. Include the corrected copies of Forms W-2G and 1099-R with the amended Form A1-R.

- **Address Change**

If you had an address change since you last filed Form A1-R, check the "Address Change" box and enter your current address in the address section.

- **Early-Filed Return**

If you cancelled your withholding account during 2017 and are filing your final return before February 28, 2018, check this box.

- **Cancellation Due to Merger or Acquisition**

If you cancelled your withholding account due to a merger or acquisition and the surviving employer is filing forms W-2, check this box.

- **Surviving Employer is Filing Form A1-R**

Check this box if Form A1-R is being filed by the surviving *employer and the amount on line 1 is less than the amount on line 10* because the difference was remitted by the predecessor employer. If this box is checked, also enter the predecessor employer name and EIN.

## Part 2 – Federal Transmittal Information

### Line 1 –

Enter the total Arizona tax withheld on federal Forms W-2, W-2c, W-2G, or 1099-R for 2016.

### Line 2 –

Enter the total wages paid to Arizona employees for 2016.

### Line 3 –

Enter the number of Arizona employees in 2016.

### Line 4 –

Enter the total number of federal Forms W-2, W-2c, W-2G, or 1099-R submitted to the department.

### Line 5 –

Form A1-R 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 employer files this return after its due date (including extensions), enter the amount of the penalty on this line. Payments of the penalty can be made via check or money order, electronic check, or credit card.

### Check or Money Order

Make checks payable to Arizona Department of Revenue. Include the employer's EIN on the front of the check or money order. Include the check or money order with the return.

### Internet Payments

Go to [www.AZTaxes.gov](http://www.AZTaxes.gov) to register or to 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 fee based on the amount of the tax payment.

The service provider will disclose the amount of the fee during the transaction and you will be given the option to continue or cancel. If you accept the fee and complete the credit card transaction, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

## Annual Summary of Amounts Reported on 2016 Arizona Forms A1-QRT

### Lines 6 through 10 –

On lines 6 through 9, enter the amount of tax reported on Form A1-QRT for each quarter. Add the amounts on lines 6 through 9 and enter the total on line 10. The amount entered on line 10 should equal the amount reported on line 1.

If you are filing Form A1-R as a surviving employer (as a result of a merger or acquisition), and the amount on line 1 is more than the amount on line 10 because amounts were remitted by the prior employer, check the box near the top of Form A1-R to indicate that. Also, enter the name and EIN of the predecessor employer in the space provided.

### Underpayment of Tax for 2016

If you find that you have underpaid your tax for 2016, you must file an amended Form A1-QRT for each quarter for which there was an under payment.

You must send in a separate payment with each amended Form A1-QRT. The department will calculate the amount of interest and any applicable penalties and send a billing notice after the amended return is processed.

**Overpayment of Tax for 2016**

If you find that you have overpaid your tax for 2016, you must file an amended Form A1-QRT for each quarter for which there was an overpayment.

An overpayment will first be applied to any unpaid tax. This may include tax due for another tax type. If the overpayment is more than any unpaid tax, or if the employer does not have an unpaid balance of tax, a refund will be issued. A refund will not be issued once the overpayment is applied to a tax liability.

**Where to Mail Form A1-R**

Mail Form A1-R along with Forms W-2, W-2c, W-2G (with Arizona withholding), and 1099-R (with Arizona withholding) to:

Arizona Department of Revenue  
PO Box 29009  
Phoenix, AZ 85038-9009

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Name		Employer Identification Number	
Address – number and street or rural route			
City or Town		State	ZIP Code

Number of Arizona employees: \_\_\_\_\_

- Election is hereby made to not withhold Arizona taxes from compensation paid to employees during the month of December 2017, and certification is made that all employees have been notified of this and given the option of completing a new Arizona Form A-4 to change the withholding election for the rest of the year.

I certify that I am authorized to make and have made the election marked above.		
SIGNATURE	PHONE NUMBER (with area code)	DATE

**General Instructions**

**Purpose of Form A1-E**

Form A1-E is to be used by Arizona employers to elect to **not** withhold Arizona taxes from compensation paid to employees during December. If you make this election, it applies to **all** employees.

**Action Required**

- Notify all your employees in writing, informing them of your election to not withhold Arizona taxes from their December 2017 wages and informing them that they can, if they wish, complete Arizona Form A-4 to adjust their Arizona withholding election to compensate for the change in their annual withholding amount.
- Complete Form A1-E and mail it by July 1, 2017. **You only need to submit one Form A1-E for all employees.**

**Deadline**

Form A1-E must be filed and all employees notified by July 1, 2017.

**Where to Mail Form A1-E**

Mail Form A1-E to:

**OFFICE OF ECONOMIC RESEARCH AND ANALYSIS  
 ARIZONA DEPARTMENT OF REVENUE  
 PO BOX 29099  
 PHOENIX, AZ 85038-9099**

**Duration of this Election**

This election is valid for December 2017 only.

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Type or print your Full Name		Your Social Security Number	
Home Address – number and street or rural route			
City or Town		State	ZIP Code

**Choose either box 1 or box 2:**

- 1** Withhold from gross taxable wages at the percentage checked (**check only one percentage**):
- 0.8%   
  1.3%   
  1.8%   
  2.7%   
  3.6%   
  4.2%   
  5.1%
- Check this box and enter an extra amount to be withheld from each paycheck ..... \$
- 2** I elect an Arizona withholding percentage of zero, and I certify that I expect to have no Arizona tax liability for the current taxable year.

I certify that I have made the election marked above.	
SIGNATURE _____	DATE _____

**Employee's Instructions**

Arizona law requires your employer to withhold Arizona income tax from your wages for work done in Arizona. The amount withheld is applied to your Arizona income tax due when you file your tax return. The amount withheld is a percentage of your gross taxable wages from every paycheck. You may also have your employer withhold an extra amount from each paycheck. Complete this form to select a percentage and any extra amount to be withheld from each paycheck.

**What are my "Gross Taxable Wages"?**

For withholding purposes, your "gross taxable wages" are the wages that will generally be in box 1 of your federal Form W-2. It is your gross wages less any pretax deductions, such as your share of health insurance premiums.

**New Employees**

Complete this form within the first five days of your employment to select an Arizona withholding percentage. You may also have your employer withhold an extra amount from each paycheck. If you do not file this form, the department requires your employer to withhold 2.7% of your gross taxable wages.

**Current Employees**

If you want to change your current amount withheld, you must file this form to change the Arizona withholding percentage to change the extra amount withheld.

**What Should I do With Form A-4?**

Give your completed Form A-4 to your employer.

**Electing a Withholding Percentage of Zero**

You may elect an Arizona withholding percentage of zero if you expect to have no Arizona income tax liability for the current year. Arizona tax liability is gross tax liability less any tax credits, such as the family tax credit, school tax credits, or credits for taxes paid to other states. If you make this election, your employer will not withhold Arizona income tax from your wages for payroll periods beginning after the date you file the form. Zero withholding does not relieve you from paying Arizona income taxes that might be due at the time you file your Arizona income tax return. If you have an Arizona tax liability when you file your return or if at any time during the current year conditions change so that you expect to have a tax liability, you should promptly file a new Form A-4 and choose a withholding percentage that applies to you.

**Voluntary Withholding Election by Certain Nonresident Employees**

Compensation earned by nonresidents while physically working in Arizona for temporary periods is subject to Arizona income tax. However, under Arizona law, compensation paid to certain nonresident employees is not subject to Arizona income tax withholding. These nonresident employees need to review their situations and determine if they should elect to have Arizona income taxes withheld from their Arizona source compensation. Nonresident employees may request that their employer withhold Arizona income taxes by completing this form to elect Arizona income tax withholding.

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# Employer's Instructions for the Employee's Arizona Withholding Election

# Arizona Form A-4

## For information or help, call one of these numbers:

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).

## Withholding Tax Procedures and Rulings

These instructions may refer to the department's withholding tax procedures and rulings. 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 and Brochures

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

*Arizona Revised Statutes (A.R.S.) § 43-401(E)* requires an employer to make Form A-4 available to employees at all times and to inform employees of the Arizona withholding election options.

Arizona income tax withholding is based on a percentage of gross taxable wages. "Gross taxable wages" is the amount that meets the federal definition of "wages" contained in Internal Revenue Code § 3401. Generally, it is the amount included in box 1 of the employee's federal Form W-2 at the end of the calendar year.

Employees elect the percentage of their gross taxable wages they wish to be withheld. They may also elect to have an extra amount withheld from each paycheck.

## EMPLOYEE INFORMATION - COMPLETING ARIZONA FORM A-4

- All employees are required to complete Form A-4.
- New employees must complete Form A-4 within 5 days of employment. If the employee fails to complete the form, the employer must withhold 2.7% of the employee's wages until the employer receives a completed Form A-4 from that employee.
- Current employees must complete an updated Form A-4 to elect a different Arizona withholding percentage or to change any extra amount to be withheld from his or her paycheck.
- An employee may elect an Arizona withholding percentage of zero ("0") if that employee expects to have no Arizona income tax liability for the current taxable year.
  - o If an employee makes this election, his or her employer will not withhold Arizona tax from his or her paycheck for all payroll periods beginning after the date of the employee's election.
  - o Each employee claiming to be exempt from Arizona withholding must renew this election annually.
- A qualifying nonresident employee may use Form A-4 to voluntarily elect to have a portion of his or her wages withheld to be applied to his or her Arizona income tax liability.

## EMPLOYMENT REQUIRING WITHHOLDING

*Withholding tax shall be deducted from the compensation of:*

- Wages paid to an Arizona resident whose compensation is for services performed within this state.
- Wages paid to a nonresident employee who is in this state solely for athletic or entertainment purposes.
- Wages paid to part-time or seasonal agricultural employees whose principal duties are operating any mechanically-driven device in such operations.

## EMPLOYMENT EXCLUDED FROM WITHHOLDING

**NOTE:** *An employee exempted from withholding tax may not be exempted from paying Arizona income tax.*

*No withholding amount shall be deducted from:*

- Wages paid to an employee of a common carrier when that employee is a nonresident of Arizona and regularly performs services inside and outside the state.
- Wages paid for domestic service in a private home.
- Wages paid for casual labor not in the course of the employer's trade or business.
- Wages paid for part-time or seasonal agricultural labor whose services to the employer consist solely of labor in connection with the planting, cultivating, harvesting or field packing of seasonal agricultural crops.
- Wages paid to a nonresident of Arizona who is solely in this state on a temporary basis for the purpose of performing disaster recovery from a declared disaster during a disaster period.
- Wages paid to a nonresident of Arizona engaged in any phase of motion picture production, if the employer applies for an exemption from the withholding provisions, and the department determines that the nonresident would be allowed a credit for taxes paid to his or her state of residency or domicile.
- Wages paid to a nonresident of Arizona who is:
  - o An employee of an individual, fiduciary, partnership, corporation, or limited liability company (multi-state business) having property, payroll and sales in this state, or of a related entity having more than fifty percent (50%) direct or indirect common ownership. (All companies are owned at least 50% by the same interest[s].)
  - o Physically present in this state for less than sixty (60) days in a calendar year for the purpose of performing a service that will benefit the employer or the related entity. For purposes of determining the number of days of service in this state, days spent in the following activities are not included:
    - o In transit
    - o Engaging in personal activities
    - o Participating in training or professional development activities or attending meetings that are not directly connected to the Arizona operations of the employer or related entity.

The examples on page 2 illustrate three different situations in which a nonresident employee is performing services in Arizona for a multi-state business for less than 60 days during

a calendar year. In these examples, the employer has met the qualifying criteria for this exemption and is not required to withhold Arizona income taxes from compensation paid to the employee for services performed in Arizona.

**Example 1:**

Corporation A is the U.S. domestic parent of Corporation B, a wholly owned foreign subsidiary corporation. Corporation A has property, payroll and sales in Arizona. Corporation B operates in China and does not have property, payroll and sales in Arizona. Individual R, an Arizona nonresident, is an employee of Corporation B. Individual R performs services for Corporation B in Arizona for 45 days during calendar year 2016.

**Example 2:**

Corporation F, based in California, is the common parent of Corporation W. Corporation F does not have property, payroll and sales in Arizona. Corporation W does have property, payroll and sales in Arizona. Individual L, an Arizona nonresident, is an employee of Corporation F. Individual L performs services for Corporation F in Arizona for 55 days during calendar year 2016.

**Example 3:**

Individual D owns 60 percent of Corporation K and 51 percent of Corporation S. Individual N owns 40 percent of Corporation K and 49 percent of Corporation S. Corporation S has property, payroll and sales in Arizona. Corporation K, based in California, does not have property, payroll and sales in Arizona. Individual T, an Arizona nonresident, is an employee of Corporation K. Individual T performs services for Corporation K in Arizona for 35 days during calendar year 2016.

**EMPLOYMENT FOR WHICH WITHHOLDING MAY BE ELECTED**

- A nonresident Arizona employee of a multi-state business in this state for less than 60 days may elect to have Arizona withholding amounts subtracted from his or her paycheck and the employer must withhold tax based on the employee's election to do so.
- A multi-state business may elect to withhold tax from the nonresident employee before the 60 day limitation has elapsed.

Type or print your Full Name			Your Social Security Number
Home Address – number and street or rural route			Annuity Contract Claim or I.D. Number
City or Town	State	ZIP Code	Telephone Number (with area code)

**Choose either box 1 or box 2:**

- 1** I elect to have Arizona income taxes withheld from my annuity or pension payments as authorized by A.R.S. § 43-404. Withhold from the taxable amount of distribution at the percentage checked (**check only one percentage**):
- 0.8%       1.3%       1.8%       2.7%       3.6%       4.2%       5.1%
- Check this box and enter an extra amount to be withheld per distribution..... \$
- 2** I elect to terminate my prior election for voluntary Arizona income tax withholding from my annuity or pension payments as authorized by A.R.S. § 43-404.

I certify that I have made the election marked above.

---

SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_

**General Instructions**

**Who May Use Form A-4P**

If you receive an annuity or pension, you may use this form to have Arizona income tax withheld from your annuity or pension payment(s) if that payment is included in your federal adjusted gross income. Generally, this is the amount reported in box 2a of your federal Form 1099-R.

You may NOT elect to have Arizona income tax withheld from nonperiodic payments, lump sum distributions, or individual retirement account distributions, that do not meet the definition of annuity listed above.

You also may NOT elect to have Arizona income tax withheld from the following:

- Any payments NOT received at regular intervals (non-period payments)
- Lump sum distributions
- Individual Retirement Account distributions
- Social Security pensions
- Veteran's Administration annuities
- Railroad Retirement pensions

Complete the form above by entering the requested information in the boxes provided.

- If you are choosing to have Arizona income tax withheld from your annuity or pension, place a check in the box on line 1 indicating the percentage of your payment that you wish to have withheld from Arizona income taxes.

- If you wish to have an additional amount withheld to be applied to your Arizona income taxes, check the box immediately below line 1, and indicate the additional amount to be withheld in the box. If you wish to stop having Arizona income tax withheld from your payment, place a check in the box on line 2.
- Sign and date the form.

**Where to Mail Form A-4P**

Mail Form A-4P to the payor of your annuity or pension. Do not mail Form A-4P to the Arizona Department of Revenue.

**Duration of Voluntary Arizona Withholding Election**

The payor of your pension or annuity will withhold Arizona income tax from your payments until you notify the payor to change or terminate Arizona withholding.

**How to Terminate a Voluntary Arizona Withholding Election**

You may terminate your voluntary Arizona withholding election at any time. You may use Form A-4P to terminate Arizona withholding or you may send a written notice to the payor of your pension or annuity requesting termination of withholding.

**Statement of Income Tax Withheld**

The payor of your pension or annuity will provide you with a statement listing the total amount of your pension or annuity payments and the total amount of Arizona income tax withheld from these payments for the calendar year 2017. You will receive this statement from the payor of your pension or annuity early in 2018.

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Type or print your Full Name		Your Social Security Number	
Home Address – number and street or rural route			
City or Town	State	ZIP Code	

**Choose either box 1 or box 2:**

- 1** I am an Arizona resident employed outside of Arizona. I elect to have Arizona income taxes withheld from my compensation paid for services performed outside of Arizona for my employer as authorized by A.R.S. § 43-408. Withhold from gross taxable wages at the percentage checked (**check only one percentage**):
- 0.8%     1.3%     1.8%     2.7%     3.6%     4.2%     5.1%
- Check this box and enter an extra amount to be withheld per paycheck..... \$
- 2** I am an Arizona resident employed outside of Arizona. I elect to terminate my prior election for voluntary Arizona income tax withholding from my compensation paid for services performed outside of Arizona for my employer.

I certify that I have made the election marked above.

---

EMPLOYEE'S SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_

**General Instructions**

**Who May Use Form A-4V**

Arizona Form A-4V is for Arizona resident employees who are performing work outside of Arizona. Use this form to request that your employer withhold Arizona income taxes from your wages for work done outside of Arizona. This amount is applied to your Arizona income tax due when you file your return. Your employer is not required by statute to grant your request.

If your employer agrees to withhold Arizona income tax from your wages, Arizona withholding is a percentage of your gross taxable wages of every paycheck. You may also have your employer withhold an extra amount from each paycheck.

**What are my "Gross Taxable Wages"?**

For withholding purposes, "gross taxable wages" are the wages from each paycheck that will generally be in box 1 of your federal Form W-2. It is your gross wages less any pretax deductions, such as your share of health insurance premiums.

**What Should I do With Form A-4V?**

Complete this form to request that your employer withhold Arizona income tax from your wages and elect an Arizona withholding percentage and any additional amount to be withheld from each paycheck. Give your completed form to your employer.

**Employer Certification**

\_\_\_\_\_, the employer of an Arizona resident,  
(NAME OF EMPLOYER – COMPANY OR INDIVIDUAL)

\_\_\_\_\_, whose compensation is for services performed outside of Arizona,  
(EMPLOYEE'S NAME)

has agreed to withhold Arizona income taxes from the employee's compensation as authorized by A.R.S. § 43-408. As stated in A.R.S. § 43-408(B), the employer understands and agrees that the employer and the employee are subject to the provisions of Chapter 4 of Title 43 of the Arizona Revised Statutes, as if the employer were required to withhold Arizona income taxes from such compensation.

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SIGNATURE OF OFFICER, SOLE PROPRIETOR, OR AGENT \_\_\_\_\_ TITLE \_\_\_\_\_ DATE \_\_\_\_\_

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## Employee Withholding Exemption Certificate

**For information or help, call one of these numbers:**

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)

**Withholding Tax Procedures and Rulings**

These instructions may refer to the department's withholding tax procedures and rulings. 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*.

### Why is Form WEC Used?

Your employer must withhold Arizona income tax from your wages that you earn while working in Arizona. Tax must be withheld unless your wages are exempt from withholding.

Wages paid to certain people are exempt from Arizona withholding. People who are earning these types of wages use Form WEC to let their employer know to not withhold.

### Who May Use Form WEC?

You may use Form WEC if you are a:

- Qualified Native American;
- Qualified Military Spouse;
- Qualified Arizona Nonresident.

**NOTE:** Do not use Form WEC to make a zero withholding election. You must make this election on Form A-4.

### Native Americans

If you are a Native American, your wages are exempt from Arizona withholding if you:

1. Live on the reservation;
2. Work on that reservation;  
AND
3. Are an affiliated and enrolled member of the tribe for which that reservation was established.

Any wages earned off the reservation for work done in Arizona are subject to Arizona withholding.

For more details see the department's income tax ruling, *ITR 96-4, Income Taxation of Indians and Spouses*.

### Military Spouses

The federal Military Spouses Residency Relief Act provides tax relief for qualifying spouses. Under this Act, wages earned in Arizona by a qualifying spouse are not deemed to be income for work done in Arizona. Those wages are exempt from Arizona withholding.

If you are married to a servicemember and you earn wages in Arizona, those wages are exempt from Arizona withholding if:

1. Your spouse is a member of the armed forces and is in Arizona in compliance with military orders;
2. You are in Arizona solely to be with your spouse;  
AND

3. You maintain a domicile in another state, which is the same state that is the domicile of your spouse.

For more details, see the department's publication, *Pub 705, Spouses of Active Duty Military Members*.

### Nonresidents

If you are a nonresident working in Arizona, you may claim an exemption from Arizona income tax withholding if you are:

1. A resident of one of the following states:  
California, Indiana, Oregon, or Virginia;  
AND
2. Allowed to claim a tax credit against your Arizona tax for taxes paid to your state of residence on Form 140NR filed for the year.

For more details about how to claim this tax credit, see Arizona Form 309, *Credit for Taxes Paid to Another State or Country*.

### When Should I Complete Form WEC?

You should complete Form WEC as soon as you qualify for the exemption. Give the completed Form WEC to your employer.

To keep your exemption from year to year, you must file a new Form WEC at the beginning of each calendar year. You must also provide required documentation with each annual Form WEC.

### Will I Have to File an Arizona Income Tax Return if I am Exempt from Arizona Withholding?

Even though your wages may be exempt from Arizona tax withholding, you may still have to file an Arizona income tax return.

### Native Americans

If you have any wages or other income earned off the reservation you may be subject to Arizona income tax on that income. If you are subject to Arizona income tax and you meet the Arizona filing requirements, you will need to file an Arizona income tax return.

For more details see the department's income tax ruling *ITR 96-4, Income Taxation of Indians and Spouses*.

### Military Spouses

If you or your spouse have any other income subject to Arizona income tax and you meet the Arizona filing requirements, you will need to file an Arizona income tax return. See Arizona Form 140NR for more details.

### Nonresidents

You will have to file Arizona Form 140NR, if you meet the Arizona filing requirements. For complete details, see Arizona Form 140NR.

### Part 1 - Native American Withholding Exemption

Complete Part 1 if you are claiming the exemption because you are a qualifying Native American. Skip Parts 2, 3 and 4.

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### **Part 2 - Nonresident Military Spouse Withholding Exemption**

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Complete Part 2 if you are claiming the exemption because you are a qualifying spouse of a military member. Skip Parts 1, 3 and 4.

You must give your employer a copy of your military spouse identification and your spouse's last Leave and Earnings Statement (LES).

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### **Part 3 - Nonresident Withholding Exemption**

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Complete Part 3 if you are claiming the exemption because you are a qualifying nonresident. Skip Parts 1, 2 and 4.

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### **Part 4 - Termination**

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If your situation changes and you no longer qualify for the withholding exemption, complete a new Form WEC to let your employer know.

Complete Part 4. Skip Parts 1, 2 and 3. Also, complete Arizona Form A-4 to elect a withholding percentage. Give both the completed Form WEC and Arizona Form A-4 to your employer so that your employer can start to withhold the proper amount of Arizona tax from your wages.

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### **Part 5 - Signatures**

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#### **Employee**

You must sign the completed Form WEC to certify that you are entitled to the exemption you are claiming.

#### **Employer**

You must sign the completed Form WEC to certify that you:

1. Have looked at any required documents;
2. Confirm that the employee is working on the reservation named in Part 1, if the employee is claiming the exemption under Part 1.

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### **Where to File Form WEC**

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#### **Employee**

Give the completed Form WEC to your employer. Be sure to keep a copy for your records.

#### **Employer**

Keep the completed Form WEC and any required attachments for your records. **Do not** send a copy of the completed Form WEC to the department. You will only need to provide a copy to the department if we request it.

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