2015 Part-Year Resident Personal Income Tax Return

Arizona Form 140PY

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**.

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 and Brochures

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

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Are You Subject to Tax in Arizona?

As a part-year resident, you are subject to tax on **all** of the following:

1. Any income you earned in 2015 while an Arizona resident. This includes any interest or dividends received from sources outside Arizona.
2. Any income you earned from an Arizona source in 2015 before moving to (or after leaving) the state.

NOTE: *If you also have Arizona source income and deductions for the portion of the year you were an Arizona nonresident, file AZ Form 140PY for the entire taxable year.*

Do You Have to File?

Arizona Filing Requirements These rules apply to all Arizona taxpayers		
You must file if you are:	**and** your Arizona adjusted gross income is at least:	**or** your gross income is at least:
• Single	$ 5,500	$15,000
• Married filing joint	$11,000	$15,000
• Married filing separate	$ 5,500	$15,000
• Head of household	$ 5,500	$15,000
If you are a part-year resident, you must report all income for the part of the year you were an Arizona resident, plus any income from Arizona sources for the part of the year you were an Arizona nonresident.		
To see if you have to file, figure your gross income the same as you would figure your gross income for federal income tax purposes. Then you should exclude income Arizona law does not tax.		
You can find your Arizona adjusted gross income on line 54 of Arizona Form 140PY.		

NOTE: *You must file a state return even if your employer withheld all or part of the tax. Even if you do not have to file, you must still file a return to get a refund of any Arizona income tax withheld.*

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

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

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

The department has issued a ruling on the Arizona tax treatment of American Indians. This ruling is ITR 96-4.

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

You must file if you meet the Arizona filing requirements. The department has issued a ruling on the tax treatment of spouses of American Indians. This ruling is ITR 96-4.

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

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

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

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

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

If you were an Arizona resident when you entered the service, you remain an Arizona resident, no matter where stationed, until you establish a new domicile.

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

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

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

To find out more, see our brochure, Pub 704, *Taxpayers in the Military*.

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

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

Residency Status

If you are not sure if you are an Arizona resident for state income tax purposes, we may be able to help. The department has issued Income Tax Procedure, ITP 92-1, on determining residency status.

Find an Authorized e-file Provider

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

To find an authorized e-file provider near you visit www.azdor.gov

Authorized e-file Provider

Residents

You are a resident of Arizona if your domicile is in Arizona. Domicile is the place where you have your permanent home. It is where you intend to return if you are living or working temporarily in another state or country. If you leave Arizona for a temporary period, you are still an Arizona resident while gone.

A resident is subject to tax on all income no matter where the resident earns the income.

If you are a full year resident, you must file either Arizona Form 140, Form 140A, or Form 140EZ.

Part-Year Residents

If you are a part-year resident, you must file Arizona Form 140PY, *Part-Year Resident Personal Income Tax Return*.

You are a part-year resident if you did either of the following during 2015:

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

Nonresidents

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

What if a Taxpayer Died?

If a taxpayer died before filing a return for 2015, the taxpayer's spouse or personal representative may have to file and sign a return for that taxpayer. A personal representative can be an executor, administrator, or anyone who is in charge of the deceased taxpayer’s property.

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

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

If your spouse died in 2015 and you did not remarry in 2015, or if your spouse died in 2016 before filing a return for 2015, you may file a joint return. If your spouse died in 2015, the joint return should show your spouse's 2015 income before death and your income for all of 2015. If your spouse died in 2016, before filing the 2015 return, the joint return should show all of your income and all of your spouse's income for 2015. Print "Filing as surviving spouse" in the area where you sign the return. If someone else is the personal representative, he or she must also sign the return.

Are Any Other Returns Required?

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

Claiming a Refund for a Deceased Taxpayer

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

What Are the Filing Dates and Penalties?

When Should You File?

Your 2015 calendar year tax return is due no later than midnight, April 18. File your return as soon as you can after January 1, but no later than April 18.

NOTE: *Because Emancipation Day (legal holiday) will be observed on April 15, 2016, you have until April 18, 2016, to file your return.*

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

What if You Cannot File on Time?

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

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

To get a filing extension, you can either

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

When Should You File if You Are a Nonresident Alien?

The due date for your Arizona return is not the same as the due date for your federal return. Your Arizona return is due by April 18 even though your federal return is due on June 15. If you want to file your Arizona return after April 18, you must ask for a filing extension. You must file this request by April 18. Arizona will allow up to a 6-month extension. This will allow you to file your return by October 17. See Arizona Form 204 for extension filing details.

If you have a federal 6-month extension, you can file your Arizona return under that extension. If you file using your federal extension, Arizona will also allow you an extra 6 months. Because we will allow only 6 months, the due date for your Arizona return is not the same as the due date for your federal return. In this case, your Arizona return will be due by October 17 even though your federal return will not be due until December 15. If you file your 2015 Arizona calendar year return after October 17, your return will be late.

NOTE: *Because October 15, 2016, falls on a Saturday, you have until October 17, 2016, to file your return.*

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

What if You File or Pay Late?

If you file or pay late, we will charge you interest and penalties on the amount you owe. If the U.S. Post Office postmarks your 2015 calendar year return by April 18, 2016, your return will not be late. You may also use certain private delivery services designated by the IRS to meet the "timely mailing as timely filed" rule.

Late Filing Penalty

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

Late Payment Penalty

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

Extension Underpayment Penalty

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

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

Interest

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

When Should You Amend a Return?

If you need to make changes to your return after you have filed, you should file Arizona Form 140X, *Individual Amended Income Tax Return.* You should file your amended return after your original return has processed. **Do not** file a new return for the year you are correcting. Generally, you have four years to amend a return to claim a refund.

If you amend your federal return for any year, you must also file an Arizona Form 140X for that year. You must file Form 140X within 90 days of the final determination of the IRS.

If the IRS makes a change to your federal taxable income for any year, you must report that change to Arizona. You may use one of the following two options to report this change.

Option 1

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

Option 2

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

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

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

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

Do You Need to Make Estimated Payments in 2016?

You must make Arizona estimated income tax payments during 2016 if:		
Your filing status is:	**AND** Your Arizona gross income for 2015 was greater than:	**AND** Your Arizona gross income for 2016 exceeds:
Married Filing Joint	$150,000	$150,000
Single	$75,000	$75,000
Head of Household	$75,000	$75,000
Married Filing Separate	$75,000	$75,000

If you met the income threshold for 2015, you must make estimated payments during 2016, unless you are sure you will not meet the threshold for 2016.

As a part-year resident, your Arizona gross income is that part of your federal adjusted gross income that you must report to Arizona. Your Arizona gross income is on line 27 of the 2015 Form 140PY.

Use the worksheet for Form 140ES to figure how much your payments should be. For more information, see the department's brochure (012), *Arizona Individual Estimated Income Tax Payments.*

What if You Make Your Estimated Payments Late?

We will charge you a penalty if you fail to make any required payments. We will charge you a penalty if you make any of your required payments late. For details, see Arizona Form 221.

Can You Make Estimated Payments Even if You do Not Have to?

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

Line-by-Line Instructions

Tips for Preparing Your Return

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

Entering Your Name, Address, and SSN

Lines 1, 2, and 3 -

NOTE: *Make sure that you write your SSN on the appropriate line.*

Print or type your name, address, and SSN in the space provided. If you are a nonresident of the United States or a resident alien who does not have an SSN, use the individual taxpayer identification number (ITIN) the IRS issued to you.

If you are filing a joint return, enter your SSNs in the same order as your first names. *If your name appears first on the return, make sure your SSN is the first number listed.* Put your last names in the same order as your first names and SSNs.

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

NOTE: *Make sure your SSN is correct. If you are filing a joint return, also make sure you list your SSNs in the same order every year.*

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

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

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

Foreign Addresses

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

Last Name(s) Used in Last 4 Prior Years

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

ID Numbers for Paid Preparers

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

A paid preparer may use any of the following:

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

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

Determining Your Filing Status

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

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

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

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

Box 4 - Married Filing Joint Return

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

You may file a joint return if you were married as of December 31, 2015. It does not matter whether or not you were living with your spouse. You may file a joint return, even if you and your spouse filed separate federal returns.

You may file a joint return if your spouse died during 2015 and you did not remarry in 2015. See page 2 of these instructions for details.

If you are a part-year resident married to an Arizona full year resident, you may file a joint return with your full year resident spouse. If filing a joint return with your full year resident spouse, you must use Form 140PY.

***NOTE**: The department has issued a ruling on filing a joint return with your full-year resident spouse. This ruling is ITR 14-1.*

Box 5 - Head of Household

If you are filing as a head of household, check box 5. You may file as head of household on your Arizona return, only if one of the following applies:

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

Box 6 - Married Filing Separate Return

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

If you were married as of December 31, 2015, you may choose to file a separate return. You may file a separate return, even if you and your spouse filed a joint federal return.

Arizona is a community property state. If you file a separate return, you must figure how much income to report using community property laws. If one spouse is a resident and the other spouse is not, special rules apply when filing a separate return.

The department has issued Income Tax Ruling, 93-20, on how to report income in this case. For more help, see the department's Publication, Pub. 200.

NOTE: *In some cases you may treat community income as separate income. The department has issued a ruling on when you may treat community income as separate income. This ruling is ITR 93-22.*

Box 7 - Single Return

If you are filing as single, check box 7.

Use this filing status if you were single on December 31, 2015. You are single if any of the following apply to you:

- You have never been married.
- You are legally separated under a decree of divorce or of separate maintenance.
- You were widowed before January 1, 2015, and you did not remarry in 2015, and you do not qualify to file as a qualifying widow or widower with dependent children on your federal return.

***NOTE:** If you got divorced during the year, see the department's Income Tax Ruling, ITR 14-2; and Publication, Pub. 200, for help completing your return.*

Exemptions

Enter the number of exemptions you are claiming in boxes 8, 9, 10, and 11. **Do not put a check mark**. You may lose the exemption if you put a checkmark in these boxes.

You may lose the dependent exemption if you do not complete the Dependent section on page 1. You may lose the exemption for qualifying parents and grandparents if you do not complete the Dependent Section on page 1.

Box 8 - Age 65 and Over

Enter "1" in box 8 if you or your spouse were 65 or older in 2015. Enter "2" in box 8 if both you and your spouse were 65 or older in 2015.

Box 9 - Blind

Enter "1" in box 9 if you or your spouse is totally or partially blind. Enter "2" in box 9 if both you and your spouse are totally or partially blind.

If you or your spouse were partially blind as of December 31, 2015, you must get a statement certified by your eye doctor or registered optometrist that:

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

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

Box 10 - Dependents

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

You must complete the Dependent section on page 1 (and page 3, if more space is needed) of your return before you can total your dependent exemptions. You may claim only the following as a dependent:

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

NOTE: *If you do not claim a dependent exemption for a student on your federal return in order to allow the student to claim a federal education credit on the student's federal return, you may still claim the exemption on your Arizona return.*

For more information, see the department's Individual Income Tax Ruling, ITR 05-02.

- A person who is age 65 or over (related to you or not) that does not qualify as your dependent on your federal return, but one of the following applies:
  1. In 2015, you paid more than one-fourth of the cost of keeping this person in an Arizona nursing care institution, an Arizona residential care institution, or, an Arizona assisted living facility. Your cost must be more than $800.
  2. In 2015, you paid more than $800 for either Arizona home health care or other medical costs for the person.
- A stillborn child if the following apply:
  1. The stillbirth occurred in Arizona during 2015.
  2. You received a certificate of birth resulting in stillbirth from the Arizona Department of Health Services.
  3. The child would have otherwise been a member of your household.

Box 11 - Qualifying Parents and Grandparents

NOTE: *If a person who is a qualifying parent or grandparent also qualifies as your dependent, you may claim that person as a dependent* ***or*** *you may claim that person as a qualifying parent or grandparent. You may* ***not*** *claim that same person as a dependent* <u>*and*</u> *a qualifying parent or grandparent.*

You must complete the qualifying parent and grandparent section on page 1 (and page 3 if more space is needed) of your return before you can total your exemptions for qualifying parents and grandparents. A qualifying parent or grandparent may be any one of the following:

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

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

1. The parent, grandparent or great-grandparent was 65 years old or older during 2015.
2. The parent or grandparent lived in your principal residence for the entire taxable year.

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

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

   To help you determine if you paid more than one-half of your parent or grandparent's support during the taxable year, it is recommended that you review the department's Income Tax Procedure, ITP 14-1, and complete the worksheet. Keep the worksheet for your records.
4. The parent or grandparent required assistance with activities of daily living.

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

For more information regarding what the term "activities of daily living" means when determining an Arizona resident taxpayer's eligibility for this exemption, see the department's Income Tax Ruling, ITR 14-3.

To help you determine if your parent or grandparent required assistance with activities of daily living to meet this requirement, it is recommended that you review the department's Income Tax Procedure, ITP 14-2, and complete the check-list. Keep the check-list for your records.

Reporting Your Residency Status

Check the appropriate box.

Line 12 Box - Part-Year Resident Other than Active Military

Check box 12 if you were an Arizona resident for part of 2015 and were not an active duty military member.

Line 13 Box - Part-Year Resident Active Military

Check box 13 if you were an active duty military member who either began or gave up Arizona residency during 2015.

Dependents

Completing the Dependent Section

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

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

Dependent Information: children and other Dependents

Enter the following:

a) The dependent's name. If you are claiming an exemption for a stillborn child and the child was not named, enter "stillborn child" in place of a name.

b) The dependent's SSN. If you are claiming an exemption for a stillborn child enter the certificate number from the certificate of birth resulting in stillbirth.

c) The dependent's relationship to you.

d) The number of months the dependent lived in your home during 2015. If you are claiming an exemption for a stillborn child, enter the date of birth resulting in the stillbirth.

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

e) Check the box if this person did not qualify as a dependent on your federal return.

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

You may lose the exemption if you do not furnish this information.

Enter the total number of dependents listed in Box 10.

Qualifying parents and grandparents

Enter the following:

a) The name of the qualifying parent or grandparent.

b) The SSN of the qualifying parent or grandparent.

c) The qualifying parent's or grandparent's relationship to you, or your spouse if filing a joint return.

d) The number of months the dependent lived in your home during 2015. If you are claiming an exemption for a stillborn child, enter the date of birth resulting in the stillbirth;

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

e) Check the box if this person is age 65 or older.

f) Check the box if this person died in 2015.

You may lose the exemption if you do not furnish this information.

Enter the total number of qualifying parents or grandparents listed in Box 11.

Line 14 - Dates of Arizona Residency

If you became an Arizona resident during 2015, enter the date that you became an Arizona resident. If you gave up your Arizona residency during 2015, do both of the following:

1. Enter the date you became an Arizona resident.
2. Enter the date you gave up your Arizona residency.

Enter the name of the other state(s) of residency in the space provided.

Determining Arizona Income

Use lines 15 through 27 to determine what portion of your total income is taxable by Arizona.

You must complete your federal return before completing your Arizona return. You must complete a 2015 federal return to determine your federal adjusted gross income, even if not filing a federal return.

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

NOTE: *If you are unable to determine the proper line to use, please contact one of the numbers listed on page 1.*

FEDERAL Column

Enter the actual amounts shown on your 2015 federal income tax return in the FEDERAL column. Complete lines 15 through 26. Line 26 should equal the federal adjusted gross income shown on your 2015 federal return Form 1040, Form 1040A, Form 1040EZ, or Form 1040NR.

ARIZONA Column

Enter that portion of your federal income received while you were an Arizona resident in the ARIZONA column. For example, if you became an Arizona resident on June 30, enter all income you received from that day to December 31, 2015.

NOTE: *If you also have Arizona source income for the portion of the taxable year you were an Arizona nonresident, also include that source income on the appropriate line in the ARIZONA column.*

The Tax Reform Act of 1986 limits the amount of losses that you may deduct from passive activities. A passive activity is one that involves the conduct of any trade or business in which the taxpayer does not materially participate.

As a part-year resident, your Arizona gross income may include some of these losses. For the part of the year you were an Arizona resident, you may consider any passive losses that arose while an Arizona resident. For the part of the year you were an Arizona nonresident, you may consider only those passive losses that arose from Arizona sources.

Your 2015 Arizona gross income can include only losses you used on your 2015 federal return.

The following line-by-line instructions apply to the ARIZONA column.

Line 15 - Wages, Salaries, Tips, etc.

Enter all amounts received while an Arizona resident. Also enter all amounts received from Arizona employment during the part of the year you were an Arizona nonresident.

Starting January 1, 2015, for the period while a nonresident, income earned by a qualifying out-of-state employee, from performing qualified disaster recovery work during a disaster period, is exempt from Arizona income tax. Exclude this income from line 15 in the Arizona column.

For the purpose of this exemption, a qualifying out-of-state employee is an Arizona nonresident individual who is temporarily in Arizona to solely perform qualified disaster recovery work during a disaster period. For more information, see the department's brochure, Pub. 720.

NOTE: *Do not include active duty military pay for the part of the year you were a nonresident.*

Line 16 - Interest

Enter all amounts received while an Arizona resident.

You must also enter any interest income derived from Arizona sources during the part of the year you were an Arizona nonresident. Interest income from Arizona sources is interest income that has acquired an Arizona business situs.

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

Be sure you add the amount you received while an Arizona resident from non-Arizona municipal bonds to your income on line 30, *Other additions to income.*

Line 17 - Dividends

Enter all amounts received while an Arizona resident.

You must also enter any dividends derived from Arizona sources during the part of the year you were an Arizona nonresident. Dividend income from Arizona sources is dividend income that has acquired an Arizona business situs.

Line 18 - Arizona Income Tax Refunds

Enter the amount of Arizona income tax refunds received in 2015 that you included in your federal adjusted gross income.

Line 19 - Alimony Received

Enter amounts received while an Arizona resident.

Line 20 - Business Income or (Loss)

Enter any business or farm income or (loss) incurred while you were an Arizona resident. Also enter income or (loss) derived from Arizona businesses during the part of the year you were an Arizona nonresident.

Starting January 1, 2015, for the period while a nonresident, income earned by a nonresident who is a sole owner of a qualifying out-of-state business, from performing qualified disaster recovery work during a disaster period, is exempt from Arizona income tax. Exclude this income from line 20 in the Arizona column.

For the purpose of this exemption, a qualifying out-of-state business is a business that is temporarily in Arizona to solely perform qualified disaster recovery work during a disaster period. For more information, see the department's brochure, Pub. 720.

Line 21 - Gains or (Losses)

Enter any gain or (loss) on property sold while an Arizona resident if you included the amount as income on your 2015 federal return. Also enter gains or (losses) on sales of Arizona property during the part of the year you were an Arizona nonresident.

Line 22 - Rents, etc.

Enter income received from rents, royalties, partnerships, estates, trusts, small business corporations, etc., while an Arizona resident.

Also enter rents or royalties earned on Arizona properties during the part of the year you were an Arizona nonresident. Enter any income or (loss) derived from Arizona sources from partnerships, small business corporations, etc., during the part of the year you were an Arizona nonresident.

Line 23 - Other Income Reported on Your Federal Return

Enter other income shown on your federal return that you received while an Arizona resident. Other income may include pensions, social security, unemployment, and lottery winnings. Include a schedule listing these other items. Also enter any other income derived from Arizona sources during the part of the year you were an Arizona nonresident.

Net Operating Losses

Arizona does not have specific provisions for calculating the net operating loss of an individual. Generally, the amount of net operating loss deduction included in your federal adjusted gross income is the amount allowable for Arizona purposes. However, there are instances when the amount allowable for Arizona purposes may be different.

As a part-year resident, Arizona recognizes that portion of the federal net operating loss which is attributable to income taxed by Arizona as the Arizona net operating loss.

As a part-year Arizona resident, include in Arizona gross income the amount of federal net operating loss carry forward or carryback attributable to Arizona unless any of the following apply:

- The net operating loss attributable to Arizona included in your federal adjusted gross income has already been deducted for Arizona purposes.
- The net operating loss included in your federal adjusted gross income was incurred from non-Arizona sources while a nonresident.

Enter the amount of net operating loss deduction included in your federal adjusted gross income that was attributable to income taxed by Arizona. Do not include any amount of the loss that has already been deducted for Arizona purposes.

For information on deducting a net operating loss carryback in cases where you did not make an election under Internal Revenue Code (IRC) § 172(b)(1)(H), see the department's income tax procedure, ITP 99-1. If you made an election under IRC § 172(b)(1)(H), see the instructions for line 46, "Other Subtractions From Income."

Line 24 - Total Income

Add lines 15 through 23 and enter the total.

Line 25 – Other Federal Adjustments

If any of the following are included in adjustments shown on your federal return, make an entry on this line as explained below.

1. IRA: Enter the amount actually paid while an Arizona resident for your IRA and/or your spouse's IRA.
2. Student loan interest: Enter the amount you paid while an Arizona resident.
3. Self-employed SEP, SIMPLE and qualified plans: Enter the amount actually paid while an Arizona resident.
4. Self-employment tax: Enter that portion of the self-employment tax that relates to self-employment income reportable to Arizona.
5. Self-employed health insurance: Enter that amount of self-employed health insurance that was actually paid while an Arizona resident.
6. Penalty on early withdrawal of savings: Multiply the federal deduction by the ratio of your Arizona interest to your federal interest.
7. Alimony: Enter the amount actually paid while an Arizona resident.
8. Moving expenses: Enter the amount of moving expenses included in your federal adjusted gross income that you accrued and paid during the part of the year you were an Arizona resident.

NOTE: *Do not enter any amounts for items 1 through 8 above unless you deducted these items in computing your federal adjusted gross income.*

If your federal return shows other adjustments to income, include your own schedule to show your calculation.

Line 26 – Federal Adjusted Gross Income

Subtract line 25 from line 24 in the FEDERAL column.

Line 27 – Arizona Gross Income

Subtract line 25 from line 24 in the ARIZONA column.

Line 28 – Arizona Income Ratio

Divide line 27 by line 26, and enter the result on line 28. You must round your answer to **three** decimal places.

Do not enter more than 1.000. Do not include the percent sign (%) with the amount entered on line 28.

This is your Arizona income ratio of your total income.

Examples:

Arizona Income from line 27	Federal Adjusted Gross Income from line 26	Arizona income ratio
$ 17,516	$ 32,000	17,516/32,000 = .547375 enter on line 28: [ ] . 5 4 7
$ 25,650	$ 92,100	25,650/92,100 = .278501 enter on line 28: [ ] . 2 7 9
$ 10,000	$ 9,000	10,000/9,000 = 1.11111 enter on line 28: 1 . 0 0 0

- If Arizona gross income is positive (greater than zero), and federal adjusted gross income is equal to or less than zero (negative), enter 1.000 on line 28.
- If Arizona gross income is equal to or less than zero (negative), and federal adjusted gross income is positive, enter 0.000 on line 28.
- If Arizona gross income is zero, and federal adjusted gross income is negative, enter 0.000 on line 28.
- If Arizona gross income and federal adjusted gross income are both negative, divide the Arizona amount by the federal amount and enter the result on line 28. The percentage cannot be more than 1.000.

Additions to Income

Line 29 - Total Depreciation Included in Arizona Gross Income

Enter the amount of depreciation deducted on the federal return that is included in Arizona gross income. If you make an entry here, you should also take a subtraction on line 40, for the amount that is attributable to income taxable by Arizona. See the instructions for line 40.

Line 30 - Other Additions to Income

Use line 30 if any of the special circumstances below apply. Include your own schedule explaining any amounts entered on line 30.

A. Non-Arizona Municipal Interest

Enter interest income earned from non-Arizona municipal bonds while an Arizona resident.

NOTE: *You mustreduce this addition by any interest or other related expenses incurred to purchase or carry the obligation. As a part-year resident, you must reduce the addition by the amount of those expenses attributable to income subject to Arizona tax. You may reduce the addition by those expenses that you could not deduct on your federal return.*

B. Ordinary Income Portion of Lump Sum Distribution Excluded on Your Federal Return

Arizona law does not provide for averaging. Enter the amount of the distributions received while an Arizona resident and treated as ordinary income on your federal return. If you chose to treat the capital gain portion of the distributions as ordinary income, you must also include that amount on line 30. For more information, see income tax ruling, ITR 93-5.

C. Fiduciary Adjustment

A fiduciary uses Form 141AZ, Schedule K-1, to report to you your share of the fiduciary adjustment from the trust or estate. Line 3 of Form 141AZ, Schedule K-1, shows your share of the fiduciary adjustment from the estate or trust. Depending on your situation, you may either add (line 30) or subtract (line 46) this amount.

If the amount reported on line 3 of your AZ Form 141AZ, Schedule K-1, is a positive number, enter that portion of line 3 that is allocable to estate or trust income taxable by Arizona as an addition. Enter the addition on line 30.

NOTE: *If the amount on line 3 of your AZ Form 141AZ, Schedule K-1, is a negative number, enter that portion of line 3 that is allocable to estate or trust income taxable by Arizona as a subtraction from income. Enter the subtraction on line 46.*

D. Partnership Income

Depending on your situation, you may either add (line 30) or subtract (line 46) this amount.

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

If the difference reported on your Form 165, Schedule K-1, is a positive number, enter that portion of the difference that is allocable to partnership income taxable by Arizona as an addition. Enter the addition on line 30.

NOTE: *If the difference reported on your Form 165, Schedule K-1, is a negative number, enter that portion of the difference that is allocable to partnership income taxable by Arizona as a subtraction. Enter the subtraction on line 46.*

E. Items Previously Deducted for Arizona Purposes

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

F. Claim of Right Adjustment for Amounts Repaid in 2015

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

- During 2015, you were required to repay amounts held under a claim of right.
- The amount required to be repaid was subject to Arizona income tax in the year included in income.
- The amount required to be repaid during 2015 was more than $3,000.
- You took a deduction for the amount repaid on your 2015 federal income tax return.
- The deduction taken on your federal income tax return is reflected in your Arizona taxable income.

If the above apply, enter the amount deducted on your federal income tax return which is reflected in your Arizona taxable income.

For more information, see the department's income tax procedure, ITP 95-1.

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

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

- During a year prior to 2015 you were required to repay income held under a claim of right.
- You computed your tax for that prior year under Arizona's claim of right provisions.
- A net operating loss or capital loss was established due to the repayment made in the prior year.
- You are entitled to take that net operating loss or capital loss carryover into account when computing your 2015 Arizona taxable income.
- The amount of the loss carryover included in your Arizona gross income is more than the amount allowed to be taken into account for Arizona purposes.

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

H. Addition to S Corporation Income Due to Credits Claimed

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

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

- Environmental Technology Facility Credit (Form 305)
- Agricultural Water Conservation System Credit (Form 312)
- Pollution Control Credit (Form 315)

- Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets (Form 319)
- Credit for Employment of TANF Recipients (Form 320)
- Agricultural Pollution Control Equipment Credit (Form 325)
- Credit for Motion Picture Production Costs (Form 334)

I. Solar Hot Water Heater Plumbing Stub Out and Electric Vehicle Recharge Outlet Expenses

If you claim a credit on Form 319, for installing solar hot water heater plumbing stub outs or electric vehicle recharge outlets in a dwelling you constructed, you cannot deduct any expenses for which you claim the credit. If you take this credit, enter the amount of such expenses that you deducted on your federal return.

J. Wage Expense for Employers of TANF Recipients

If you claim a credit on Form 320, for employing TANF recipients, you cannot deduct any wage expense for which you claim the credit. If you take this credit, enter the amount of such expenses that you deducted on your federal return.

K. Motion Picture Expenses

If you claim a motion picture credit on Form 334, you cannot deduct any expenses related to the production or related to a transferred credit. Enter the amount of any such expenses that were deducted in computing Arizona gross income for which you claimed a credit.

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

If you claim a credit for an investment in a qualified small business on Form 338, you must adjust your basis in the investment by the amount of the credit claimed. You must report this difference in basis on the Arizona return that you file for the taxable year in which you sell or otherwise dispose of the investment. If you sold or otherwise disposed of the investment during the 2015 taxable year, enter the amount by which the adjusted basis computed under the IRC with respect to that property exceeds the adjusted basis of the property computed under A.R.S. § 43-1074.02.

M. Nonqualified Withdrawals From 529 College Savings Plans

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

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

The amount that you must add is the amount withdrawn, but no more than the difference between the amount of contributions subtracted in prior years and the amount added in any prior years. A nonqualified withdrawal is a withdrawal other than any of the following:

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

N. Original Issue Discount (OID) on Reacquisition of Debt Instrument

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

Arizona did not adopt the federal provisions requiring a taxpayer to defer the OID deduction in cases where the taxpayer federally deferred the DOI income. For Arizona purposes you were required to add the amount of deferred DOI income to Arizona gross income on the return filed for the year in which you reacquired the debt instrument if the debt reacquisition occurred while you were an Arizona resident, or if the DOI income was from an Arizona source. In this case, you were allowed to subtract any OID related to that DOI income in the year the OID accrued. (See the instructions for line 46, "Other Subtractions From Income.")

If your Arizona gross income includes a deduction for any accrued OID that you have already subtracted for Arizona purposes, you must make an addition to Arizona income for the amount of deferred OID deducted on your federal return that you included in your Arizona gross income. Generally, this addition will apply to taxable years 2014 through 2018. On line 30, enter the amount of any previously deferred OID that you deducted in computing your 2015 Arizona gross income, to the extent that the amount was previously subtracted from Arizona gross income.

O. Sole Proprietorship Loss of an Arizona Nonprofit Medical Marijuana Dispensary Included in Federal Adjusted Gross Income

If you are registered as an Arizona sole proprietorship with the Arizona Department of Health Services to operate in this state as a nonprofit medical marijuana dispensary, you are required to add the amount of the loss from the dispensary that is included in the computation of your federal adjusted gross income. Include the amount of the loss on line 30.

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

P. Arizona Long-Term Health Care Savings Account (AZLTHSA) Withdrawals

You must add amounts withdrawn from your AZLTHSA if you used the money for purposes other than paying qualified long-term health care expenses. For more information, see A.R.S. § 43-1032.

Q. Other Adjustments

Other special adjustments may be necessary. You may need to make an addition for depreciation or amortization. You may also need to make an addition if you claimed certain tax credits. Call one of the numbers listed on page 1, if any of the following apply:

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

Line 31 - Subtotal

Add lines 27, 29, and 30. Enter the total on line 31.

Subtractions From Income

You may only subtract those items for which statutory authority exists. Without such authority, you cannot take a subtraction. If you have any questions concerning subtractions from income, call one of the numbers listed on page 1.

NOTE: *You may not subtract any amount which is allocable to income excluded from your Arizona taxable income.*

Lines 32 through 37 - Net Capital Gain or (loss)

NOTE: *If you reported a net capital gain or (loss) on your federal tax return, you must enter the amount of qualified Arizona net gain or (loss), on line 32. See the instructions for line 32.*

If you enter an amount on line 32, you must complete lines 33 and 34. If you do not complete lines 34 and 35, you cannot take the subtraction.

You may subtract a percentage of any Arizona net long-term capital gain included in your federal adjusted gross income that is derived from an investment in an asset acquired after December 31, 2011. For 2015, the percentage is 25% (.25).

You ***must*** complete the worksheet on page 29 of these instructions, *Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired after December 31, 2011,* to take the allowable subtraction.

Line 32 - Total Arizona Net Capital Gain or (Loss)

As a part-year resident, you may take the allowable subtraction for only those qualified net long-term capital gains that are from the following:

- A qualified net long-term capital gains sourced to Arizona during the period that you were an Arizona nonresident.
- All qualified net long-term capital gains during the period that you were an Arizona resident.

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

Line 33 - Total Arizona Net Short-Term Capital Gain or (Loss)

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

NOTE: *If you are not required to report dividend distributions and/or short-term capital gains from mutual funds on federal Form Schedule D, do not include the short-term capital gain distributed by the mutual fund on line 33.*

Line 34 - Total Net Long-Term Capital Gain or (Loss)

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

Line 35 - Net Long-Term Capital Gain From Assets Acquired After December 31, 2011

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

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

Line 36 - Net Long-Term Capital Gain Subtraction From Income

Multiply the amount on line 35 by 25% (.25) and enter the result.

Line 37- Net Capital Gain from Investment in a Qualified Small Business

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

CAUTION: *If the amount entered on line 37 includes any long-term capital gain from an investment made after December 31, 2011, you cannot include that portion of the net capital gain in your computation of the allowable subtraction for any net long-term capital gain from assets acquired after December 31, 2011 and included in federal adjusted gross income. See the instructions on page 31 for the amount to enter on line 13, column (d) of the net long-term capital gain worksheet.*

Line 38 -

Subtract lines 36 and 37 from line 31.

Line 39 –

Enter the amount from line 38.

Line 40 – Recalculated Arizona depreciation

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

For assets placed in service during taxable year beginning from and after December 31, 2012 through December 31, 2013, the amount of the subtraction depends on the method you used to compute the depreciation for these assets. Enter the amount that is attributable to income taxable by Arizona.

NOTE: *For more information, see the department's individual income tax procedure, ITP 15-1.*

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

Add all amounts together and enter the total on line 40.

NOTE: *For more information and examples of how to calculate Arizona bonus depreciation, see the department's Income Tax Procedure, ITP 15-1.*

Line 41 – Contributions to 529 College Savings Plans

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

If you contribute more than $2,000 ($4,000 if married) during the year, your total subtraction is still limited to $2,000 ($4,000 if married). For example, Jorge and Kate are married and have two children. During 2015, Jorge and Kate contributed $2,500 to a 529 plan for Child 1 and $2,500 to a 529 plan for Child 2. Even though Jorge and Kate contributed a total of $5,000 during 2015, they may subtract only $4,000 on their 2015 return.

You may take a subtraction for a contribution that you made during 2015, to a plan that existed before 2015. You may take a subtraction for a contribution that you made during 2015, to a plan established in another state. You may take a subtraction for a contribution that you made in 2015, to any 529 college savings plan. This could be a plan established for a child, grandchild, niece, nephew, or any other person for whom a plan has been established.

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

Line 42 - Adjustment for IRC § 179 Expense Not Allowed in Prior Years

If you made an addition for IRC § 179 expense on your 2011 and/or 2012 return, enter 20% of the amount added for 2011 and/or 2012.

Line 43 - Interest on U.S. Obligations

Enter the amount of interest income from U.S. Government obligations included on line 16 in the ARIZONA column. U.S. Government obligations include obligations such as U.S. savings bonds and treasury bills. You cannot deduct any interest or other related expenses incurred to purchase or carry the obligations. If such expenses are included in your Arizona gross income, you must reduce the subtraction by such expenses. If you are itemizing deductions on your Arizona return, you must exclude such expenses from the amount deducted.

NOTE: *Do not subtract interest earned on FNMA or GNMA bonds since this interest is taxable by Arizona. For details, see the department's income tax ruling, ITR 06-1.*

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 income tax rulings, *ITR 96-2* and *ITR 96-3*.

Line 44 - Arizona Lottery Winnings

You may subtract up to $5,000 of winnings received in 2015 for Arizona lottery prizes. Only subtract those Arizona lottery winnings that you included on line 23 in the ARIZONA column and reported on your federal income tax return.

If you subtract Arizona lottery winnings here, you may have to adjust the amount of gambling losses claimed as an itemized deduction.

Line 45 - U.S. Social Security Benefits or Railroad Retirement Benefits

Arizona does not tax social security benefits received under Title II of the Social Security Act. Arizona does not tax railroad retirement benefits received from the Railroad Retirement Board under the Railroad Retirement Act. If you included such social security or railroad retirement benefits on your federal return as income and also included this amount in the ARIZONA column on line 23, subtract this income on line 45.

Subtract only the amount you reported as income on your federal return and included on line 23 in the ARIZONA column.

See the department's income tax ruling, *ITR 96-1*, for more information about railroad retirement benefits.

Line 46 - Other Subtractions From Income

Use line 46 if any of the following special circumstances apply. Include your own schedule, explaining any amounts entered here.

A. Exclusion for U.S. Government, Arizona State, or Local Government Pensions

If you receive pension income from any of the sources listed below, subtract the amount you received or $2,500, whichever is less. Include only the amount you reported as income on your federal return and included on line 23 in the ARIZONA column. If both you and your spouse receive such pension income, each spouse may subtract the amount received or $2,500, whichever is less.

Public pensions from the following sources qualify for this subtraction:

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

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

- the Arizona State Retirement System
- the Arizona State Retirement Plan
- the Corrections Officer Retirement Plan
- the Public Safety Personnel Retirement System
- the Elected Officials' Retirement Plan
- a retirement plan established for employees of a county, city, or town in Arizona
- an optional retirement program established by the Arizona Board of Regents under Arizona Revised Statutes
- an optional retirement plan established by an Arizona community college district

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

B. Agricultural Crops Given to Arizona Charitable Organizations

Arizona law allows a subtraction for qualified crop gifts made during 2015 to one or more charitable organizations. To take this subtraction, **all** of the following must apply:

- You must be engaged in the business of farming or processing agricultural crops.
- The crop must be grown in Arizona.
- You made your gift to a charitable organization located in Arizona that is exempt from Arizona income tax.

The subtraction is the greater of the wholesale market price or the most recent sale price for the given crop. The amount of the subtraction cannot include any amount deducted pursuant to IRC § 170 with respect to the crop contribution that exceeds the cost of producing the contributed crop.

To determine if your crop contribution qualifies for this subtraction, see individual income tax procedure, ITP 12-1.

C. Certain Wages of American Indians

Enrolled members of American Indian tribes may subtract wages earned while living and working on their tribe's reservation. You can subtract only those amounts that you included on line 15, ARIZONA column. The federal government must recognize these tribes. For more information, see income tax ruling, ITR 96-4.

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

If you are a member of the reserves or the National Guard, you may subtract pay received for active service as a reservist or as a National Guard member, including pay received for weekend or two-week training periods. You may subtract the amount of pay received for active service as a reservist or as a National Guard member that you had to include in your Arizona gross income. Enter only that amount of pay reported on your 2015 federal return that you also included on line 15 in the ARIZONA column.

Members of the U.S. armed forces may subtract pay received for active duty military service, including pay for serving in a combat zone or an area given the treatment of a combat zone. If you are a member of the U.S. armed forces, you may subtract the amount of pay received for active duty military service that you had to include in your Arizona gross income. Enter only that amount of pay reported on your 2015 federal return that you also included on line 15 in the ARIZONA column.

Military Technician (dual status)

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

For more information, see the department’s Income Tax Ruling ITR 12-2.

NOTE: *You may not subtract pay received for active duty service as a member of the U.S. Public Health Service or NOAA. For more information, see the income tax ruling, ITR 10-1.*

E. Federally Taxable Arizona Municipal Interest as Evidenced by Bonds

Enter the amount of any interest income received on obligations of the State of Arizona, or any political subdivisions of Arizona, as evidenced by bonds and is included in your Arizona gross income. Enter only that amount of Arizona municipal interest income that you

included on line 16 in the ARIZONA column. Do not enter any Arizona municipal interest that is exempt from federal taxation and not included in your federal adjusted gross income. For more information, see the department's Income Tax Ruling, ITR 15-1.

F. Adoption Expenses

You may take this subtraction only in the year the final adoption order is granted.

Enter the lesser of the total of the following adoption expenses or $3,000.

When figuring your subtraction, you may include expenses incurred in prior years.

The following expenses are qualified adoption expenses:

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

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

G. Qualified Wood Stove, Wood Fireplace, or Gas Fired Fireplace

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

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

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

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

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

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

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

1. During a year prior to 2015 you were required to repay income held under a claim of right.
2. The amount required to be repaid was subject to Arizona income tax in the year included in income.
3. You computed your tax for that prior year under Arizona's claim of right provisions.
4. A net operating loss or capital loss was established due to the repayment made in the prior year.
5. You are entitled to take that net operating loss or capital loss carryover into account when computing your 2015 Arizona taxable income.
6. The amount of the loss carryover allowed to be taken into account for Arizona purposes is more than the amount included in your Arizona gross income.

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

I. Certain Expenses Not Allowed for Federal Purposes

You may subtract some expenses that you cannot deduct on your federal return when you claim certain federal tax credits. These federal tax credits include the following:

- the federal work opportunity credit,
- the empowerment zone employment credit,
- the credit for employer-paid social security taxes on employee cash tips, and
- the Indian employment credit.

If you received any of the above federal tax credits for 2015, enter the portion of wages or salaries attributable to income subject to Arizona tax that you paid or incurred during the taxable year that is equal to the amount of those federal tax credits you received.

J. Qualified State Tuition Program Distributions

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

K. Subtraction for World War II Victims

You may subtract distributions made to you for your persecution or the persecution of your ancestors by Nazi Germany or any other Axis regime for racial, religious or political reasons. If you are the first recipient of such distributions, enter the amount of the distributions that you had to include in your federal adjusted gross income that you also entered in the ARIZONA column on your Form 140PY.

You may also subtract items of income that are attributable to, derived from or related to assets that were stolen or hidden from or lost to you if you were persecuted by Nazi Germany or any other Axis regime for racial, religious or political reasons before, during or immediately after World War II. If you are the first recipient of such income, enter the amount of income that you had to include in your federal adjusted gross income that you also entered in the ARIZONA column on your Form 140PY.

L. Installment Sale Income From Another State Taxed by the Other State in a Prior Taxable Year

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

1. The income from the sale is subject to Arizona income tax in 2015.
2. You paid income tax to another state on that income in a prior tax year.

Enter the amount of such income that you included in your Arizona gross income for 2015.

Do not enter any amount that is subject to tax by both Arizona and another state in 2015. In this case, you may be eligible for a tax credit. See Arizona Form 309 for details.

M. Basis Adjustment for Property Sold or Otherwise Disposed of During the Taxable Year

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

A part-year resident may subtract only that amount that is attributable to income subject to Arizona tax.

N. Fiduciary Adjustment

A fiduciary uses Form 141AZ, Schedule K-1, to report to you your share of the fiduciary adjustment from the trust or estate. Line 3 of Form 141AZ, Schedule K-1, shows your share of the fiduciary adjustment from the estate or trust.

Depending on your situation, you may either add (line 30) or subtract (line 46) this amount.

If the amount reported on line 3 of your AZ Form 141AZ, Schedule K-1, is a negative number, enter that portion of Form 141AZ, Schedule K-1, line 3 that is allocable to estate or trust income taxable by Arizona as a subtraction from income. Enter the subtraction on line 46.

NOTE: *If the amount reported on line 3 of your AZ Form 141AZ, Schedule K-1, is a positive number, enter that portion of line 3 that is allocable to estate or trust income taxable by Arizona as an addition. Enter the addition on line 30.*

O. Partnership Income

Depending on your situation, you may either add (line 30) or subtract (line 46) this amount.

Use this adjustment if your Arizona Form 165, Schedule K-1, shows a difference between federal and state distributable income. If the difference reported on your Form 165, Schedule K-1, is a negative number, enter that portion of the difference that is allocable to partnership income taxable by Arizona as a subtraction. Enter the subtraction on line 46.

NOTE: *If the difference reported on your Form 165, Schedule K-1, is a positive number, enter that portion of the difference that is allocable to partnership income taxable by Arizona as an addition. Enter the addition on line 30.*

P. Net Operating Loss Adjustment

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

Arizona did not adopt the special federal net operating loss rules for losses incurred during 2008 or 2009. For Arizona purposes, you must deduct an Arizona source net operating loss as if the loss was computed under IRC § 172 in effect prior to the enactment of those special rules. If you made an election to deduct your 2008 or 2009 federal net operating loss under IRC § 172(b)(1)(H), you may have to enter an amount here. Figure how much of the net operating loss carry forward would have been allowed as a deduction on your 2015 federal income tax return, if the election described in IRC § 172(b)(1)(H) had not been made in the year of the loss. Then figure how much of the carry forward computed under that method is attributable to income taxed by Arizona. The amount you may take as a subtraction is the difference between the Arizona amount and the amount actually taken for federal purposes that you included in your Arizona gross income. On line 46, enter the amount of carry forward deduction allowable on your Arizona return that exceeds the actual amount of net operating loss carry forward deduction that was deducted in arriving at Arizona gross income.

Q. Previously Deferred Discharge of Indebtedness (DOI) Income Adjustment

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

For federal purposes, a taxpayer may have made a special election for taxable years 2009 or 2010 to include DOI income in connection with the reacquisition of a business debt instrument, ratably over a 5 year period. A taxpayer that made this election will generally include this income in federal adjusted gross income beginning with the 2014 taxable year. A taxpayer would have made the federal election under IRC § 108(i) as added by the American Recovery and Reinvestment Act of 2009.

Arizona did not adopt the special federal DOI income deferral provisions for the 2009 or 2010 taxable year. For Arizona purposes, if you made the federal election to defer the inclusion of DOI income under IRC § 108(i), you were required to add the amount of deferred DOI income to Arizona

gross income on the return filed for the year in which you reacquired the debt instrument if the debt reacquisition occurred while you were an Arizona resident, or if the DOI income was from an Arizona source. If you made the required addition to Arizona income on the Arizona return filed for the year in which you reacquired the debt instrument (2009 or 2010), Arizona will not tax that DOI income twice. In the year in which you include that deferred DOI income in your federal adjusted gross income and likewise, your Arizona gross income, you may take a subtraction for the amount included for that year. Usually this subtraction will apply to taxable years 2014 through 2018. On line 46, enter the amount of previously deferred DOI income that you included in your Arizona gross income for the current taxable year to the extent that the amount was previously added to your Arizona income.

R. Original Issue Discount (OID) on Reacquisition of Debt Instrument

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

Arizona did not adopt the federal provisions requiring a taxpayer to defer the OID deduction in cases where the taxpayer federally deferred the DOI income under IRC § 108(i). For Arizona purposes, you were required to add the amount of deferred DOI income to Arizona gross income on the return filed for the year in which you reacquired the debt instrument if the debt reacquisition occurred while you were an Arizona resident, or if the DOI income was from an Arizona source. If Arizona taxed the federally deferred DOI income for 2009 or 2010 on your 2009 or 2010 Arizona return, you may subtract the amount of OID that accrued during the taxable year with respect to that DOI income. On line 46, enter the amount of any OID related to that DOI income that was deferred and not allowed to be deducted in computing your federal adjusted gross income for 2015 under IRC § 108(i).

S. Sole Proprietorship Income of an Arizona Nonprofit Medical Marijuana Dispensary Included in Federal Adjusted Gross Income

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

Include the amount of the income on line 46.

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

T. Long-Term Care Insurance Premiums

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

You may take this subtraction only if you are *not* claiming itemized deductions for the taxable year. An individual who claims itemized deductions may *not* take this subtraction.

You may only subtract the amount of premiums paid during the period you were an Arizona resident. Do not include the costs of any premiums paid during the period you were a nonresident. Include the allowable subtraction on line 46.

U. Arizona Long-Term Health Care Savings Accounts

You may subtract amounts you paid into a long-term health care savings account established under Arizona law. An individual may establish a long-term health care savings account with an account Administrator who will manage the account. For more information regarding the subtraction for contributions made to a long-term health care savings account, see A.R.S. § 43-1032.

The total amount you may subtract is equal to the amount of your contributions that are included in your federal adjusted gross income. Include the amount of the allowable subtraction on line 46.

Do not include any amounts already excluded in the computation of your federal adjusted gross income on line 26.

V. Other Adjustments

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

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

Line 47 -

Subtract lines 40 through 46 from line 39.

Exemptions

Line 48 - Exemption: Age 65 or Over

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

Line 49 - Exemption: Blind

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

Line 50 - Exemption: Dependents

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

Line 51 - Exemption: Qualifying Parents and Grandparents

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

Line 52 - Total Exemptions

Add lines 48 through 51 and enter the total.

Line 53 - Prorated Exemptions

Multiply the amount on line 52 by the Arizona income ratio from line 28 and enter the result.

Active Duty Military Personnel Only: *If you were an active duty military member who either began or gave up Arizona residency during 2015, do not prorate these exemptions.*

You are allowed 100 % deductions for the age 65, the blind, the dependent and qualifying parent and grandparent exemptions. Enter the amount on line 52 (Total) on this line.

Line 54 - Arizona Adjusted Gross Income

Subtract line 53 from line 47 and enter the difference on line 54.

Figuring Your Arizona Tax

Line 55 - Standard or Itemized Deductions

You must decide whether to take the standard deduction or to itemize your deductions.

Your Arizona income tax will be less if you take the larger of your standard deduction or your itemized deductions.

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

Your Standard Deduction

Tax Tip: *The standard deduction is not prorated.*

If you take the standard deduction, check box 55S.

If your filing status is:	Your standard deduction is:
• Single	$5,091
• Married filing separate return	$5,091
• Married filing joint return	$10,173
• Head of household	$10,173

Your Itemized Deductions

You may itemize deductions on your Arizona return even if you do not itemize deductions on your federal return.

The itemized deductions allowed for Arizona purposes are, with some exceptions, those itemized deductions that are allowable under the IRC.

A part-year resident who has no Arizona source income during the part of the year while an Arizona nonresident can deduct **all** of the following:

1. Those expenses incurred and paid during the part of the year while an Arizona resident.
2. Arizona source itemized deductions incurred and paid during the period of nonresidency.

Complete Arizona Form 140PY, Schedule A(PY), to determine your Arizona itemized deductions.

A part-year resident who also had Arizona source income during the part of the year while an Arizona nonresident can deduct all of the following:

1. Those expenses incurred and paid during the part of the year while an Arizona resident.
2. Arizona source itemized deductions incurred and paid during the period of nonresidency.
3. A portion of all other itemized deductions paid during the period of nonresidency.

Complete Form 140PY, Schedule A(PYN), to determine your Arizona itemized deductions. Form 140PY, Schedule A(PYN), is not included in your booklet.

You may get this form by visiting our website at www.azdor.gov.

To determine your Arizona itemized deductions, complete a federal Form 1040, Schedule A. Then complete the Form 140PY, Schedule A(PY) or A(PYN).

If you itemize deductions, check box 55I.

NOTE: *If you itemize, you must include a copy of your federal Schedule A with your Arizona return.*

For more information on itemized deductions allowed to a part-year Arizona resident, see income tax ruling, ITR 94-10.

Line 56 - Personal Exemptions

Your personal exemption depends on your filing status. See the Personal Exemption Chart on the next page. Then complete the Personal Exemption Worksheet.

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

NOTE: For Active Duty Military Personnel Only - *If you were an active duty military member who either began or gave up Arizona residency during 2015, do not prorate the personal exemption.*

You are allowed a 100 % deduction for the personal exemption (to include spouse).

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

Personal Exemption Worksheet	
1. Enter amount from the Personal Exemption chart. Taxpayers, other than active duty military members, complete lines 2 and 3. If you are an active duty military member who either began or gave up Arizona residency during 2015, skip lines 2 and 3 and enter this amount on Form 140PY, line 56.	
2. Enter your Arizona income ratio from Form 140PY, line 28.	.
3. Multiply line 1 by the income ratio on line 2. Enter the result here and on Form 140PY, line 56.	

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

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

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

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

Line 57 – Arizona Taxable Income

Subtract lines 55 and 56 from line 54 and enter the difference. Use this amount to calculate your tax using Tax Table X or Y.

Line 58 - Tax Amount

Enter the tax from Tax Table X or Y.

Line 59 - Tax From Recapture of Credits From Arizona Form 301

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

Line 60 - Subtotal of Tax

Add lines 58 and 59. Enter the total.

Line 61 - Family Income Tax Credit

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

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

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

Step 1

Complete Worksheet I.

Worksheet I	
1. Enter the amount from line 54.	
2. Enter the amount from line 53.	
3. Add lines 1 and 2. Enter the total.	

Step 2

Look at the following tables. Find your filing status.

- Use Table I if married filing a joint return.
- Use Table II if head of household.
- Use Table III if single or married filing a separate return.

Step 3

- Look at the column (a) labeled "number of dependents" and find the number of dependents you are claiming (Form 140PY, page 1, box 10, excluding persons who did not qualify as your dependent on your federal return [Box 10, column (e)].
- Find the maximum income [amount in column (b)] for the number of dependents you are claiming.
- Compare that income [the amount in column (b)] with the income listed in Step 1 on Worksheet I, line 3.

If the amount entered in Step 1 on Worksheet I, line 3, is equal to or less than the maximum income allowed for the number of dependents you are claiming, you qualify to take this credit.

To figure your credit, complete Step 4.

Table I
Married Filing a Joint Return

Column (a)	Column (b)
Number of dependents you are claiming on Form 140PY, page 1, box 10, excluding persons listed who did not qualify as your dependent on your federal return [Box 10, column (e)].	Maximum Income
• 0 or 1	$20,000
• 2	$23,600
• 3	$27,300
• 4 or more	$31,000

Table II
Head of Household

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

Table III
Single or
Married Filing a Separate Return

Column (a)	Column (b)
Number of dependents you are claiming on Form 140PY, page 1, box 10, excluding persons listed who did not qualify as your dependent on your federal return [Box 10, column (e)].	Maximum Income
• 0 or more	$10,000

Step 4

If you qualify to take the credit, complete the following Worksheet II.

Worksheet II
You must complete Steps 1 through 3 before you complete Worksheet II.

1. Enter the number of dependents you entered on Form 140PY, page 1, box 10, excluding persons listed who did not qualify as your dependent on your federal return [Box 10, column (e)].	
2. Number of personal exemptions. If you checked filing status 4, **enter** the number 2. If you checked filing status 5, 6, or 7, **enter** the number 1.	
3. Add lines 1 and 2. Enter the total.	
4. Multiply the number on line 3 by $40. Enter the result.	
5. If you checked filing status 4 or 5, enter $240 here. If you checked filing status 6 or 7, enter $120 here.	
6. Family income tax credit. Enter the lesser of line 4 or line 5. Enter amount on Form 140PY, page 2, line 61.	
NOTE: *The family income tax credit will only reduce your tax and cannot be refunded.*	

Line 62 - Nonrefundable Credits From Arizona Form 301

Complete line 62 if you claim any of the following credits. Complete and include the Form 301 and the appropriate credit form or forms with your return.

1. **Enterprise Zone Credit**.

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

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

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

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

5. **Credit for Increased Research Activities - Individuals.** You may qualify for this credit if you incurred qualified research expenses for research conducted in Arizona. Use Form 308-I to figure this credit. Be sure to include only the nonrefundable portion on Form 140PY, line 62.

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

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

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

9. **Pollution Control Credit.** You may qualify for this credit if you purchased depreciable property used in a trade or business to reduce or prevent pollution. Use Form 315 to figure this credit.

10. **Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets.** You may qualify for this credit if you installed solar hot water heater plumbing stub outs or electric vehicle recharge outlets in houses or dwelling units you constructed. The taxpayer that constructed the dwelling may also transfer the credit to a purchaser. Use Form 319 to figure this credit.

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

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

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

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

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

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

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

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

19. **Motion Picture Credits.** Motion picture production companies that produced motion pictures, commercials, music videos, or television series completely or partially in Arizona may claim a transferable income tax credit for production costs. To qualify, productions must have been preapproved by the Arizona Commerce Authority by December 31, 2010. See Form 334 for more information.

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

21. **Credit for Solar Energy Devices - Commercial or Industrial Applications.** This credit is available to taxpayers that installed solar energy devices for commercial, industrial, or other nonresidential applications in Arizona. Use Form 336 to figure this credit.

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

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

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

25. **Credit for Business Contributions by an S Corporation to School Tuition Organizations for Displaced Students or Students with Disabilities - Individual.** S corporations that make qualifying contributions of $5,000 or more may pass-

through the credit to its individual shareholders on a pro rata basis. See Form 341-I for more information.

26. **Renewable Energy Production Tax Credit.** You may qualify for this credit if you produced electricity using renewable energy resources. Use Form 343 to figure this credit.

27. **Solar Liquid Fuel Credit.** You may qualify for this credit if you incurred expenses for research and development costs associated with solar liquid fuel. Use Form 344 to figure this credit.

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

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

30. **Credit for Qualified Health Insurance Plans.** The credit for qualified health insurance plans for individuals was repealed. Any unused credit that was properly established can be carried forward for the respective three year carry forward period. Use Form 347 to figure this credit.

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

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

Compute your credit on the appropriate form. Complete Form 301 and enter the amount from Form 301, Part 2, line 76. The amount on line 62 cannot reduce your tax below zero. These credits are not refundable credits.

Include Form 301 along with any supporting documents with your return.

Line 63 - Balance of Tax

Subtract lines 61 and 62 from line 60. If the sum of lines 61 and 62 is more than line 60, enter zero.

Totaling Payments and Refundable Credits

Line 64 - 2015 Arizona Income Tax Withheld

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

Line 65 - Arizona Estimated Tax Payments for 2015 and Amount Applied From 2014 Return

Use this line if you did one of the following:

- Made estimated income tax payments to Arizona for 2015.
- Applied any of your refund from your 2014 Arizona return to 2015 estimated taxes for Arizona.

Enter the total amount paid and/or applied to 2015 taxes.

NOTE: *If you made joint Arizona estimated payments for 2015, but are filing separate 2015 Arizona income tax returns, see Arizona Department of Revenue Income Tax Ruling ITR 02-3.*

Line 66 - 2015 Arizona Extension Payment (Arizona Form 204)

Use this line to report the payment you sent with your extension request, or the electronic extension payment you made using www.AZTaxes.gov.

Line 67 - Increased Excise Tax Credit

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

- You (the taxpayer) **must** have a SSN that is valid for employment.
- You meet the income threshold for your filing status.
- You are not claimed as a dependent by any other taxpayer.
- You were not sentenced for at least 60 days of 2015 to a county, state or federal prison.

If you are married filing a joint return, or a head of household, you may take this credit if the amount on Form 140PY, page 1, line 26, is $25,000 or less.

If you also claim a credit for your spouse and/or qualifying children, your spouse and qualifying children **must** have either a valid SSN or an individual taxpayer identification number (ITIN) issued by the IRS.

If you are single or married filing a separate return, you may claim this credit if the amount on Form 140PY, page 1, line 26, is $12,500 or less.

To figure your credit, complete the following worksheet.

Credit for Increased Excise Taxes Worksheet

	Check one	
	Yes	No
If you checked filing status 4 or 5, is the amount on Form 140PY, page 1, line 26, $25,000 or less?		
If you checked filing status 6 or 7, is the amount on Form 140PY, page 1, line 26, $12,500 or less?		

If you checked no, STOP. You do not qualify for this credit. If you checked yes, complete the rest of this worksheet on the following page.

1. Enter the number of dependents you entered on Form 140PY, page 1, box 10, excluding persons who did not qualify as your dependent on your federal return [Box 10, column (e)]. Also exclude any dependent that is not an Arizona resident.	
2. Number of personal exemptions. If you checked filing status 4, enter the number 2 here. If you checked filing status 5, 6, or 7, enter the number 1 here.	
3. Add lines 1 and 2. Enter the total.	
4. Multiply the number on line 3 by $25. Enter the result.	
5. Maximum credit.	$ 100
6. Enter the smaller of line 4 or line 5 here and also on Form 140PY, page 2, line 67.	

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

For more information about this credit, see the department's brochure, Pub. 709.

Line 68 - Other Refundable Credits

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

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

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

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

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

You must include a copy of your "Certificate of Qualification" from the Arizona Commerce Authority, Form 301 and Form 308-I with your return to claim this credit. If you are claiming a refund of the increased research activities credit from Form 308-I, enter the amount from Form 308-I, Part 4, line 31, here.

Credit for Renewable Energy Industry (Arizona Form 342)

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

You must include a copy of your "Certificate of Qualification" from the Arizona Commerce Authority, and Form 342 with your return to claim this credit.

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

Credit for Qualified Facilities (Arizona Form 349)

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

You must include a copy of your "Certificate of Qualification" from the Arizona Commerce Authority and Form 349 with your tax return to claim this credit. If you are claiming a refund of the qualified facilities credit from Form 349, enter the amount from Form 349, Part 6, line 18, here.

If you are claiming more than one of the refundable tax credits, add the amounts from the credit forms together and enter the total on line 68. You may use the following table to figure the amount to enter on line 68.

2015 - Refundable Credit Worksheet	
1. Enter the refundable credit from Form 308-I, Part 4, line 31	
2. Enter the refundable credit from Form 342, Part 6, line 18.	
3. Enter the refundable credit from Form 349, Part 6, line 18.	
4. Add the amounts on lines 1 through 3. Enter the total here and on line 68.	

Line 69 - Total Payments and Refundable Credits

Line 69 is the total payments and refundable credits claimed. Add lines 64 through 68. Enter the total

Arizona's Claim of Right Provision

If you computed your 2015 tax under Arizona's claim of right provisions do the following:

1. Write "A.R.S. § 43-1029" and the amount of the prior year tax reduction in the space to the left of your total payment amount.
2. Include the credit for the prior year tax reduction in the total entered on line 69.
3. Include a schedule explaining the amounts repaid and the computation of the prior year tax reduction.

For more information on Arizona's claim of right provisions, see the department's Individual Income Tax Procedure, ITP 95-1.

Figuring Your Tax Due or Overpayment

Line 70 - Tax Due

If line 63 is more than line 69, you have tax due. Subtract line 69 from line 63. Skip lines 71, 72 and 73.

Line 71 - Overpayment

If line 69 is more than line 63, subtract line 63 from line 69. Complete lines 72 and 73.

Line 72 - Amount of Line 71 to Apply to 2016 Estimated Tax

If you want all or part of your refund applied to next year's Arizona estimated taxes, enter that amount on line 72.

NOTE: *If you apply any of the amount shown on line 71 to 2016, you cannot use that amount to pay any tax that is later found to be due for 2015. You also may not claim a refund for that amount until you file your 2016 return.*

Line 73 - Balance of Overpayment

Subtract line 72 from line 71 to determine your overpayment balance before voluntary gifts and any estimated payment penalty and/or an Arizona Long-Term Health Care Savings Account (AZLTHSA) withdrawal penalty.

Making Voluntary Gifts

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

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

Line 74 - Solutions Teams Assigned to Schools Fund

You may give some or all of your refund to the Solutions Teams Assigned to Schools Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 89. Enter the amount you want to donate on line 74.

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

Line 75 - Arizona Wildlife Fund

You may give some or all of your refund to the Arizona Wildlife Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 89. Enter the amount you want to donate on line 75.

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

Line 76 - Child Abuse Prevention Fund

You may give some or all of your refund to the Arizona Child Abuse Prevention Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 89. Enter the amount you want to donate on line 76.

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

Line 77 - Domestic Violence Shelter Fund

You may give some or all of your refund to the Domestic Violence Shelter Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 89. Enter the amount you want to donate on line 77.

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

Line 78 - Political Gift

You may give some or all of your refund to a political party. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 89. Enter the amount you want to donate on line 78.

If you donate to a political party, complete line 84.

Gifts go to one of the following political parties.

- Americans Elect
- Arizona Green Party
- Democratic
- Libertarian
- Republican

Line 79 - Neighbors Helping Neighbors Fund

You may give some or all of your refund to the Neighbors Helping Neighbors Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 89. Enter the amount you want to donate on line 79.

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

Line 80 - Special Olympics Fund

You may give some or all of your refund to the Special Olympics Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 89. Enter the amount you want to donate on line 80.

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

Line 81 - Veterans' Donations Fund

You may give some or all of your refund to the Veterans' Donations Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 89. Enter the amount you want to donate on line 81.

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

Line 82 - I Didn't Pay Enough Fund

You may give some or all of your refund to the I Didn't Pay Enough Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 89. Enter the amount you want to donate on line 82.

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

Line 83 – Sustainable State Parks and Roads Fund

You may give some or all of your refund to the Sustainable State Parks and Roads Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 89. Enter the amount you want to donate on line 83.

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

Line 84 - Political Party

If you entered an amount on line 78, check the box for the political party to which you wish to give. Select only one party. If you do not select a political party, the department will return the amount on line 78.

Line 85 -

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

Estimated Payment Penalty

NOTE: *Do not complete Arizona Form 221,* Underpayment of Estimated Tax by Individuals, *if the amount on Form 140PY, line 64, is more than the amount on Form 140PY, line 63. If the amount on Form 140PY, line 64, is more than the amount on Form 140PY, line 63, skip line 85, unless you must report an Arizona Long-Term Health Care Savings Account penalty.*

You must have made Arizona estimated income tax payments during 2015 if:		
Your filing status is:	**AND** Your Arizona gross income for 2014 was greater than:	**AND** Your Arizona gross income for 2015 was greater than:
Married Filing Joint	$150,000	$150,000
Single	$75,000	$75,000
Head of Household	$75,000	$75,000
Married Filing Separate	$75,000	$75,000

If you report as a farmer or fisherman for federal purposes, you were not required to make estimated payments during 2015 if the following apply:

1. You are a calendar year filer. You file your Arizona return by March 1, 2016. You pay in full the amount stated on your return as owed.
2. You are a fiscal year filer. You file your Arizona return by the first day of the third month after the end of your fiscal year. You pay in full the amount stated on your return as owed.

If the above applies, check box 862 on line 86 and do not complete Form 221.

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

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

Arizona Long-Term Health Care Savings Account Withdrawal Penalty

You must pay a withdrawal penalty if you made a long-term health care savings account withdrawal during 2015 for purposes other than to pay for qualified long-term health care expenses. *Long-term health care expense* means any expense you paid for long-term health care costs, including the following:

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

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

Multiply the amount of your withdrawal subject to penalty by 10%. Enter the result on line 85.

Line 86 - Box 861 through Box 864

Box 861: check if any of the following applies to you:

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

Box 862: check if you are an individual who for federal purposes reports as a farmer or fisherman.

Box 863: check if you completed and are including Arizona Form 221.

Box 864: check if you included an AZLTHSA penalty on line 85.

Line 87 -

Add lines 74 through 83 and line 85. Enter the total.

Figuring Your Refund or Amount Owed

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

Line 88 - Refund

Subtract line 87 from line 73. Enter your refund on line 88 and skip line 89. If you owe money to any Arizona state agency, court, county, incorporated city or town and certain federal agencies, your refund may go to pay some of the debt. If so, the department will let you know by letter.

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

Direct Deposit of Refund

Complete the direct deposit line if you want us to directly deposit the amount shown on line 88 into your account at a bank or other financial institution (such as a mutual fund, brokerage firm or credit union) instead of sending you a check.

NOTE: *Check the box on line 88A if the direct deposit will ultimately be placed in a foreign account. If you check box 88A, do not enter your routing or account numbers. If this box is checked, we will not direct deposit your refund. We will mail you a check instead.*

Why Use Direct Deposit?

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

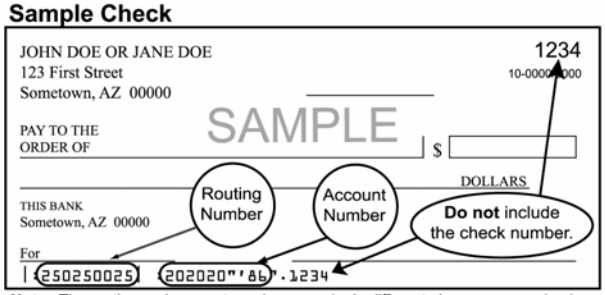
NOTE: *We are not responsible for a lost refund if you enter the wrong account information. Check with your financial institution to get the correct routing and account numbers and to make sure your direct deposit will be accepted.*

Routing Number

MAKE SURE YOU ENTER THE CORRECT ROUTING NUMBER.

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

Sample Check



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

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

Account Number

MAKE SURE YOU ENTER THE CORRECT ACCOUNT NUMBER.

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

On the sample check, the account number is 20202086. Be sure **not** to include the check number.

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

Line 89 - Amount Owed

Add lines 70 and 87. Enter the amount you owe on line 89. If you are making voluntary donations on lines 74 through 83 in excess of your overpayment, enter the difference on line 89. You may pay only with a check, electronic check, money order, or credit card. If you want to make a cash payment, please visit one of our offices.

Check or money order

NOTE: *Include your check with your return. Please do not send cash.*

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

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

Electronic payment from your checking or savings account

You can make an electronic payment from your checking or savings account to pay your balance due for 2015. There is no fee to use this method. To make an electronic payment, go to www.AZTaxes.gov and click on the "Make a Payment" link.

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

The "E-Check" option in the "Payment Method" drop-down box will debit the amount from the checking or savings account that you specify.

If you make an electronic payment from your checking or savings account, you will receive a confirmation number. **Please keep this confirmation number as proof of payment.**

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

Credit card payment

You can pay with your Discover, MasterCard, Visa, or American Express credit card. Go to www.AZTaxes.gov and click on the "Make a Payment" link and choose the credit card option. This will take you to a third party vendor site (provider). The provider **will charge** you a convenience fee based on the amount of your tax payment.

The provider will tell you what the fee is during the transaction; you will have the option to continue or cancel the transaction. If you complete the credit card transaction, you will receive a confirmation number. **Please keep this confirmation number as proof of payment.**

Installment Payments

If you cannot pay the full amount shown on line 89 when you file, you may ask to make monthly installment payments. To make this request, complete Arizona Form 140-IA and mail the completed form to the address on the Form 140-IA. **Do not mail Form 140-IA with your income tax return.** You may obtain Arizona Form 140-IA from our website.

If you cannot pay the full amount shown on line 89, you will be charged interest and may be charged a late payment penalty on the tax not paid by April 15, 2016. To limit the interest and penalty charges, pay as much of the tax as possible when you file.

Sign Your Return

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

Instructions Before Mailing

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

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

- Include **all** required documents. Include these documents to the back of your return. Documents you must include with your return include those items listed in numbers 1 through 5 below.

1. Include Form(s) W-2 after the last page of your return. Also include Form(s) 1099-R after the last page of your return if you had Arizona tax withheld from your pension or annuity.
2. Include AZ Form 301, applicable credit forms, and your own schedules after the last page of your return. If itemizing, include these forms after your Arizona Schedule A and your federal Schedule A.
3. If you are claiming a credit for taxes paid to another state or country, include copies of the other state's or country's filed return.
4. If you have tax exempt interest income, be sure to include a schedule listing the payors and the amount received from each payor.
5. If you itemize, be sure to include AZ Schedule A(PY), or A(PYN), and a copy of the federal Schedule A. Include the AZ Schedule A(PY) or A(PYN) and the federal Schedule A directly after page 2 of your return. Include other forms and schedules behind the Schedules A.

- Do **not** include correspondence with your return.

Filing Your Return

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

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

Where Should I Mail My Return?

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

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

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

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

Make sure you put enough postage on the envelope

The U.S. Post Office must postmark your return or extension request by midnight April 18. A postage meter postmark will

not qualify as a timely postmark. *Only a postmark from the U.S. Post Office will qualify*. You may also use certain private delivery services designated by the IRS to meet the "timely mailing as timely filed" rule.

How Long To Keep Your Return

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

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

In some cases, the limitation period is longer than four years. The period is six years from when you file a return if you underreport the income shown on that return by more than 25% (.25).

The department can bring an action at any time if a return is false or fraudulent, or you do not file a return. To find out more about what records you should keep, get federal Publication 552.

Where Is My Refund?

You can check on your refund by visiting **www.azdor.gov** or www.AZTaxes.gov and clicking on "Where's my refund?" or you may call one of the numbers listed on page 1. Before you call, be sure to have a copy of your 2015 tax return on hand. You will need to know your SSN, your filing status and your 5-digit ZIP Code.

Contacting the Department

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

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

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

☐ 2015 Original return ☐ 2015 Amended return

Long-Term Capital Gain or (loss) as reported on federal Schedule D (or other form/schedule) *and* included in computation of federal adjusted gross income. ***Enter*** **the total net long-term capital gains or (losses) from the following forms in each applicable column.** ***See page 30 for instructions.***			**(a) Total net long-term capital gains or (losses) for *all* assets**	**(b) For amounts to enter, see instructions for column (b)**	**(c) Net long-term capital gains or (losses) included in column (b) from assets acquired *before* 1/1/2012**	**(d) Net long-term capital gains or (losses) included in column (b) from assets acquired *after* 12/31/2011**
1	Form(s) 8949 *Sales and Other Dispositions of Capital Assets;* ***and*** Form(s) 1099-B, *Proceeds from Broker and Barter Exchange Transactions*, for long-term transactions directly reported on federal Schedule D.	1				
2	Form(s) 4797 *Sales of Business Property*	2				
3	Form(s) 2439 *Notice to Shareholder of Undistributed Long- Term Capital Gains*	3				
4	Form(s) 6252 *Installment Sale Income*	4				
5	Form(s) 4684 *Casualties and Thefts*	5				
6	Form(s) 6781 *Gains and Losses from Sec. 1256 Contracts and Straddles*	6				
7	Form(s) 8824 *Like-Kind Exchanges*	7				
8	Partnerships, S corporations, estates, and trusts – from AZ Form 120S Schedule K-1; AZ Form 165 Schedule K-1; and AZ Form 141 Schedule K-1.	8				
9	Form(s) 1099-DIV *Dividends and Distributions*	9				
10	Subtotal: for each column, combine the amounts and enter the total.	10				
11	Long-term capital loss carryover. See the instructions for the amount(s) to enter, if any, in each applicable column.	11				
12	Subtract line 11 from line 10 and enter the difference in each applicable column.	12				
13	For amount to enter on line 13, column (d), see worksheet instructions.	13				
14	**Net Long-term capital gain or (loss) included in computation of your federal adjusted gross income.** *Subtract* line 13 from line 12 and enter the difference in each applicable column. • If the amount on line 14, column (d) is a net capital (loss), you do not qualify to take the subtraction. • If the amount on line 14, column (d) is a net capital gain, enter the result on Form 140PY, page 1, line 35. Also enter the amount from line 14, column (b) on Form 140PY, page 1, line 34.	14				

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

Purpose of the Worksheet

You may subtract a percentage of any net long-term capital gain included in your federal adjusted gross income that is from an investment in an asset acquired after December 31, 2011.

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

As a part-year resident, you may take the allowable subtraction for only those qualified net long-term capital gains that are from the following.

- Only those qualified net long-term capital gains sourced to Arizona during the period that you were an Arizona nonresident.
- All qualified net long-term capital gains during the period that you were an Arizona resident.

To take the allowable subtraction, you must know whether the capital gain or (loss) is considered short-term or long-term. Only the net long-term capital gain from assets acquired *after* December 31, 2011, is used in the computation for the subtraction.

For more information about determining whether a gain or (loss) is short term or long term, see federal *Publication 544* at www.irs.gov.

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

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

Who Should Complete the Worksheet?

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

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

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

General Instructions

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

Line-by-Line instructions

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

- **Column (a)** is the **total** amount of long-term capital gains or (losses) reported on federal Schedule D or other forms/schedules.
- **Column (b)** is the amount of long-term capital gains or (losses) included in column (a) from the following.
  - Only those qualified net long-term capital gains sourced to Arizona during the period that you were an Arizona nonresident.
  - All qualified net long-term capital gains during the period that you were an Arizona resident.
- **Column (c)** is the amount of the long-term capital gains or (losses), included in column (b) for assets acquired ***before*** January 1, 2012.
- **Column (d)** is the amount of the long-term capital gains or (losses), included in column (b) for assets acquired ***after*** December 31, 2011.

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

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

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

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

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

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

Line 10 - Subtotal

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

Line 11 - Long-Term Capital (Loss) Carryover

- Column (a), enter the total amount of long-term capital loss carryover *actually used* on the federal return for the current table year.
- Column (b), enter the portion from column (a) that is *from Arizona sources*.

- Column (c), enter the portion from column (b) that is from assets acquired before January 1, 2012.
- Column (d), enter the portion from column (b) that is from assets acquired after December 31, 2011.

Line 12 -

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

Line 13 – Net Long-Term Capital Gain from Investment in Qualified Small Business

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

Did you take a subtraction for any net capital gain included in federal adjusted gross income for the taxable year derived from investment in a qualified small business on Arizona Form 140PY, page 1, line 37?

- If "No", enter zero on line 13, column (d).
- If "Yes", does that amount include any net long-term capital gain from an investment made ***after*** December 31, 2011?
    - If "No", enter zero on line 13, column (d).
    - If "Yes", enter on line 13, column (d) the amount of any net long-term capital gain from an investment made ***after*** December 31, 2011, and included in the amount subtracted on AZ Form 140PY, line 37.

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

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

- If the amount on line 14, column (d) is a net capital (loss), you do not qualify to take the subtraction.
- If the amount on line 14, column (d) is a net capital gain, enter the amount on Form 140PY, line 35.

Also enter the amount from line 12, column (b) on Form 140PY, line 34.