

## 2013 Agricultural Water Conservation System Credit

### Phone Numbers

**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 Internet home page at [www.azdor.gov](http://www.azdor.gov).

**Income Tax Procedures and Rulings**

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

**Publications and Brochures**

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

### General Instructions

Arizona law allows a nonrefundable tax credit for the purchase and installation of an agricultural water conservation system. The credit is equal to 75% of the qualifying expenses incurred during the taxable year.

This credit is available to individuals only. A corporation, including an S corporation, may not claim this credit. However, an S corporation may pass the credit through to its individual shareholders. A partnership may not claim this credit, but may pass the credit through to its individual partners.

**To Qualify for the Credit:**

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

If the allowable tax credit exceeds the taxes otherwise due, or if there are no taxes due, you may carry the unused credit forward for a period not to exceed the next 5 taxable years.

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

You cannot take a subtraction for the same expenses for which you take a credit. If you take this credit, you must add the amount of the expenses taken for the taxable year to your Arizona gross income. For example: if the taxpayer had \$10,000 of qualifying expenses the credit would be \$7,500 and the add back would be \$10,000.

### Specific Instructions

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

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

#### Part I - Qualifying Water Conservation System

**Lines 1 through 3 -**

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

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

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

**Lines 4 through 7 -**

**Line 4 -**

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

**Line 5 -**

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

**Lines 6 and 7 -**

Complete these lines as instructed on the form.

#### Part III - S Corporation - Individual Shareholder's Share of Credit

**Lines 8 through 10 -**

An S corporation cannot claim this credit, but it may pass the credit through to its individual shareholders. If an S corporation is passing the credit through to its individual shareholders, the S corporation must complete Parts I and II.

An S corporation must complete Parts I and II of Form 312. Then, complete Part III, lines 8 through 10 separately for each individual shareholder.

Each individual shareholder may claim only a pro rata share of the credit based on the individual shareholder's ownership interest in the S corporation.

The S corporation must furnish each individual shareholder with a copy of the completed Form 312.

Each individual shareholder must complete Parts V and VI.

#### **Part IV - Partnership - Individual Partner's Share of Credit**

##### **Lines 11 through 13 -**

The partnership must complete Parts I and II. Then, complete Part IV, lines 11 through 13, separately for each individual partner. Each individual partner may claim only a pro rata share of the credit based on the individual partner's ownership interest in the partnership. The partnership must furnish each individual partner with a copy of the completed Form 312.

Each individual partner must complete Parts V and VI.

#### **Part V - Available Credit Carryover**

##### **Lines 14 through 19 -**

Calculate the total available carryover of the agricultural water conservation credit from tax years 2008 through 2012 on Part V, lines 14 through 19. Complete these lines if you claimed the credit on a prior taxable year's tax return and the credit was more than your tax.

- In column (b) enter the credit originally computed for the taxable year listed in column (a).
- In column (c) enter the amount of the credit from that taxable year which you have already used.
- Subtract the amount in column (c) from the amount in column (b) and enter the difference in column (d).
- Add the amounts entered on lines 14 through 18 in column (d).

Enter the total on line 19, column (d).

#### **Part VI - Total Available Credit**

##### **Lines 20 through 22 -**

##### **Line 20 -**

- *Individuals* - Enter the amount from Part II, line 7.
- *Individual shareholders of an S corporation* - Enter the amount from Part III, line 10
- *Individual partners of a partnership* - Enter the amount from Part IV, line 13.

##### **Line 21 -**

Enter the amount of available credit carryover from Part V, line 19, column (d).

##### **Line 22 -**

Add line 20 and line 21. This is the total available credit that may be applied to the current taxable year's tax liability. Enter the total here and on AZ Form 301, Part I, line 8.