

2008 Agricultural Water Conservation System Credit

If you have questions, please call one of the following numbers:

Phoenix	(602) 255-3381
From area codes 520 and 928, toll-free	(800) 352-4090
Form Orders	(602) 542-4260
Phoenix	(602) 542-4021
From area codes 520 and 928, toll-free	(800) 397-0256

You may also visit our web site at: www.azdor.gov.

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 percent 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 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. sustain livestock.
- The expense must be consistent with a conservation plan that the taxpayer has filed and that is in effect with the United States Department of Agriculture Soil Conservation Service.

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

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.

Specific Instructions

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

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for a partnership or an S corporation is the taxpayer's federal employer identification number. The TIN for an individual is the taxpayer's social security number or

an IRS individual taxpayer identification number. Taxpayers that fail to include their TIN may be subject to a penalty.

Part I - Qualifying Water Conservation System

Lines 1 through 3 -

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

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

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

Line 4 -

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

Line 5 -

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

Part III - 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 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 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

Calculate the total available carryover of the agricultural water conservation credit on Part V, lines 14 through 19. Complete these lines if you claimed the credit on a prior taxable year's tax return and had excess credit.

In column (b) enter the credit originally computed for that taxable year listed in column (a). In column (c) enter the amount of the credit from that taxable year which you have already used. Subtract the amount in column (c) from column (b) and enter the difference in column (d). Add the amounts entered on lines 14 through 18 in column (d). Enter the total on line 19, column (d).

Part VI - Calculation of Available Credit for the Current Year

Line 20 -

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

Individual shareholder's 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 lines 20 and 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 Form 301, Part I, line 9.