

**CONTACTS FOR QUALIFIED SMALL BUSINESS  
CAPITAL INVESTMENT TAX CREDIT PROGRAM**

**Arizona Commerce Authority (ACA)**

•Application forms •Program guidelines

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

Program Manager: (602) 845-1200

**Arizona Department of Revenue**

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

Phoenix (602) 255-3381

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

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

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

**Income Tax Procedures and Rulings**

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

**Publications and Brochures**

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

**General Instructions**

**NOTE:** *You must also complete Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture, and include Forms 301 and 338 with your tax return to claim this credit.*

For taxable years beginning from and after December 31, 2006 through December 31, 2024, Arizona law allows a credit for investments made in qualified small businesses. The amount of the credit is the amount determined and authorized by the Arizona Commerce Authority (ACA).

To claim this credit, you must include a copy of the ACA's *Authorization of Tax Credits* with your income tax return.

You must claim the credit on a timely filed return for the tax year in which the credit is available. A timely filed return is a return that you file by the return's original or extended due date. If you fail to timely file a return claiming the credit for a taxable year, the credit expires for that taxable year and there is no carryforward of the expired credit.

If the allowable tax credit is more than your tax liability or if you have no tax liability, you may carry the unused credit forward for up to the next three consecutive tax years.

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

A partnership may pass the credit through to its individual partners. The total of the credits allowed all such owners may not exceed the amount that would have been allowed a sole owner.

The basis of any investment with respect to which you claim a credit must be reduced by the amount of the credit claimed with respect to the investment.

**Qualified Small Business Capital  
Investment Program**

The ACA administers the Qualified Small Business Capital Investment program. The ACA cannot allocate tax credits exceeding \$20 million during the life of the program. Tax credits are authorized on a first come, first served basis. Income tax credits are equal to 30% or 35% of the investment amount and are claimed over a three year period.

To seek a tax credit under this program, you must submit an application for an *Authorization of Tax Credits* to the ACA. To obtain an *Authorization of Tax Credits*, you must document that each investment and the small business meet the eligibility requirements. The ACA will issue an *Authorization of Tax Credits* after determining eligibility of the investor. For more information about this credit, visit the ACA's website at: [www.azcommerce.com](http://www.azcommerce.com).

**Line-by-Line Instructions**

Enter the names and taxpayer identification numbers (TIN) as shown on Arizona Form 140, 140PY, 140NR, 140X, 120S or 165. Fiscal year basis taxpayers must indicate the period covered by the taxable year. Include the completed form with the tax return.

All returns, statements, and other documents filed with the Department of Revenue require a TIN. The TIN is either a correct social security number (SSN) or an Internal Revenue Service individual taxpayer identification number (ITIN), or for a business, the employer identification number (EIN). Taxpayers who fail to include a TIN may be subject to a penalty. Be sure that all required identification numbers are written clearly. Missing, incorrect, or unclear identification numbers may cause delays in processing.

**Part 1 – Current Year's Credit**

**Line 1 -**

Enter the amount of credit shown for the taxable year on the ACA's *Authorization of Tax Credits*. On line 1, enter only the credit available for the current taxable year. You must include a copy of each ACA's *Authorization of Tax Credits* with Form 338 when you file.

**Part 2 - S Corporation: Individual Shareholder's  
Share of Credit**

**Lines 2 through 4 -**

An S corporation cannot claim this credit, but it may pass the credit through to its individual shareholders. An S corporation

passing the credit through to its individual shareholders must complete lines 2 through 4.

An S corporation must complete Part 1, line 1 of Form 338. Then, complete lines 2 through 4 separately for each individual shareholder. Each individual shareholder may claim only a pro rata share of the credit based on the shareholder's ownership interest in the S corporation.

The S corporation must furnish each individual shareholder with a copy of the completed Form 338 **and** a copy of the ACA's *Authorization of Tax Credits*.

Each shareholder must complete Part 4 and Part 5.

### **Part 3 - Partnership: Individual Partner's Share of Credit**

#### **Lines 5 through 7 -**

A partnership must complete Part 1, line 1 of Form 338. Then, complete lines 5 through 7 separately for each individual partner. Each individual partner may claim only a pro rata share of the credit based on the partner's ownership interest in the partnership. The partnership must furnish each individual partner with a copy of the completed Form 338 **and** a copy of the ACA's *Authorization of Tax Credits*.

Each partner must complete Part 4 and Part 5.

### **Part 4 - Available Credit Carryover**

#### **Lines 8 through 11 -**

Use Part 4 to figure your total available credit carryover from taxable years 2012 through 2014. Complete lines 8 through 11 if you claimed the credit on a 2012, 2013 and/or 2014 return and the credit was more than your tax liability.

- In column (b), enter the credit originally computed for the taxable year listed in column (a).
- In column (c), enter the amount of the credit from that taxable year which you have already used.
- In column (d), subtract the amount in column (c) from the amount in column (b) and enter the difference.

Add the amounts on lines 8 through 10 in column (d).

Enter the total on line 11, column (d).

### **Part 5 - Total Available Credit**

#### **Line 12 - Current Year's Credit**

- If you are the investor, enter the amount from Part 1, line 1. Also, enter this amount on Form 301, Part 1, line 22, column (a).
- If you are receiving the credit as an S corporation individual shareholder, enter the amount from Part 2, line 4. Also, enter this amount on Form 301, Part 1, line 22, column (a).
- If you are receiving the credit as an individual partner in a partnership, enter the amount from Part 3, line 7. Also, enter this amount on Form 301, Part 1, line 22, column (a).

#### **Line 13 - Available Credit Carryover**

Enter the amount from Part 4, line 11, column (d). Also, enter this amount on Form 301, Part 1, line 22, column (b).

#### **Line 14 - Total Available Credit**

Add the amounts on line 12 and line 13. Enter the total. Also, enter this amount on Form 301, Part 1, line 22, column (c).