

2013 Credit For Airline Bankruptcy Payments

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.

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 a tax 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 Credit Information

Each year, Arizona determines whether it will conform to tax law changes enacted by the federal government during the previous year. For 2013, Arizona did not conform to the retroactive provision of Section 1106 of Public Law 112-95 relating to payments made by airline carriers to qualified airline employees.

For federal tax purposes, under Public Law 112-95 (the FAA Modernization and Reform Act of 2012), a qualified airline employee who received a settlement payment from an airline company in bankruptcy was permitted to roll over that amount into a traditional IRA. An individual making such a rollover contribution may exclude the contributed airline payment amount from gross income in the taxable year in which the airline payment amount was paid. The provision would apply whether or not the settlement payment had previously been rolled over into a Roth IRA. The rollover to a traditional IRA must have occurred within 180 days of the bill's enactment date of February 14, 2012.

Taxpayers who wanted to take advantage of this provision must have made the transfer by August 13, 2012, and filed an amended federal income tax return to claim the deduction for the IRA contribution by April 15, 2013. Individuals were required to amend their federal tax returns to receive any overpayment as a result of the qualified rollover(s). This provision was retroactive to tax years 2001 through 2011.

Instead of conforming to the retroactive provision, any taxpayer that would have received a refund of Arizona income tax for taxable years 2001 through 2011, if Arizona had conformed to that retroactive provision, is allowed a refundable income tax credit on his or her 2013 income tax return. The credit is based on the amount of refund you

would have received if you amended your Arizona tax returns for taxable years 2001 through 2011.

To claim the credit, you must complete Part II to determine the allowable credit. The credit must be claimed on a timely filed 2013 Arizona income tax return (including extensions). You cannot claim the credit on an amended 2013 tax return if you did not claim the credit on an original 2013 tax return.

Note: If any amount of the credit claimed on Arizona Form 350 is later determined by the department to be incorrect or invalid, the excess refund may be treated as a tax deficiency.

Who May Claim This Credit?

Only individual taxpayers may claim this credit. A corporate taxpayer cannot claim this credit. Individuals may qualify to claim this refundable credit on their 2013 income tax return, if **all** of the following apply.

- You were an Arizona resident or part-year resident for any taxable year from 2001 through 2011; and
- You reported qualified airline bankruptcy-related payments as income on your Arizona resident or part-year resident return for any of those years; and
- You filed an amended federal income tax return for one of those years on which you claimed on an IRA rollover deduction under Public Law 112-95 for that settlement payment you received from an airline company in bankruptcy; and
- You timely file your 2013 income tax return (including extension) and claim this credit on that timely filed return.

Note: If all of the above apply and you are a nonresident of Arizona for 2013, you may claim the credit by timely filing Arizona Form 140NR) Nonresident Personal Income Tax return, even if you have no other Arizona income to report for tax year 2013.,

Specific Instructions

- Under the form's title, check the appropriate box to indicate if this form is an original claim or an amended claim.
- If you file a fiscal year tax return, enter the period covered by the taxable year.
- Enter your name and social security number. If married and filing a joint tax return, enter your spouse's name and social security number.
- Attach the completed form to your 2013 tax return.

Amending Your Credit Amount

If you claimed this credit on a timely filed 2013 tax return and the amount of the credit is incorrect, amend the credit amount claimed by timely filing a 2013 Arizona Form 140X for any of the following reasons.

- The amount of the rollover was incorrect for any tax year used in your credit computation.
- Your federal tax return was adjusted changing your federal adjusted gross income reported on your Arizona tax return for any tax year included in your credit calculation.
- Your Arizona tax return was adjusted changing your Arizona taxable income for any tax year used in your credit calculation.

If you are amending a previously claimed credit, complete the worksheet with the corrected amounts.

Line-by-Line Instructions

Part I - Recipient(s) and Airline(s) Information

Line 1a

Enter the Taxpayer’s name who received the airline bankruptcy-related payments.

Line 1b

Enter the name(s) of each airline which made the payments.

Line 1c

Check each tax year for which you amended your federal income tax return related to these payments.

Lines 2a through 2c

If you are married and filing a joint income tax return and your spouse also received airline bankruptcy-related payments, complete lines 2a through 2c following the instructions for lines 1a through 1c.

Part II - Total Credit

Refundable Credit Worksheet

Caution: If you did not file an amended federal tax return for a specific tax year claiming an overpayment of tax on the qualified rollover, do not include that tax year in the credit computation.

Because you cannot file amended Arizona income tax returns to claim this credit, you must complete the *Refundable Credit Worksheet* on Form 350, page 2 to claim the credit on your timely filed 2013 income tax return.

If you are computing your credit from more than 3 tax years, attach a separate worksheet. The worksheet must contain the same information as the worksheet provided in Part II.

Under the column headings, “Tax Year_____”, enter each tax year for which you are computing an overpayment of Arizona income tax.

Line 1

Residents: enter your federal adjusted gross income for each tax year.

Nonresidents and Part-year residents: enter your Arizona gross income for each tax year.

Line 2

Enter the amount of the qualified airline payments transferred into a qualified traditional IRA for each tax year.

Line 3

Subtract line 2 from line 1 and enter the difference for each tax year.

Lines 4 through 8

Enter the amount reported on your income tax return, or as later amended or adjusted, for each tax year.

Line 9

Subtract the sum of lines 7 and 8 from line 6.

Line 10

Using the tax table (or optional table) for the specific tax year, enter the tax amount for each tax year.

Line 11

Enter the amount of tax previously paid on your original return (or as later amended or adjusted) for each tax year.

Line 12

Subtract line 10 from line 11 for each tax year. This is your reduction in Arizona tax liability.

Line 13

Add all amounts on line 12 (including amounts from separate worksheets) and enter the total.

For original credit amount only:

- Include the amount entered on line 13 in the total amount of refundable credits claimed on your 2013 tax return.

2013 Form	Refundable credit line number
140	33
140NR	33
140PY	35

- Check the box for 350 on Form 140, line 33; Form 140NR, line 33; or Form 140PY, line 35.

For amended credit amount only:

- Include the amount entered on line 13 on your 2013 Form 140X, line 37.
- Check the box for 350 on your 2013 Form 140X, line 37.