

Form 140 Schedule A Itemized Deduction Adjustments

Who Should Complete This Form?

You may itemize on your Arizona return, even if you do not itemize on your federal return. But, to itemize on your Arizona return, you must first complete a federal Schedule A. Use form 140, Schedule A, to adjust the amount shown on the federal schedule A. Complete Form 140, Schedule A, only if you are making changes to the amount shown on the federal Schedule A.

You must complete Form 140, Schedule A, only if any of the following items apply to you.

1. You are deducting medical and dental expenses.
2. You are claiming a federal credit (from federal Form 8396) for interest paid on mortgage credit certificates.
3. You are deducting gambling losses while taking a subtraction for Arizona lottery winnings.
4. You are a defense contractor claiming a property tax credit on Arizona Form 302.
5. Your deductions claimed on the federal Schedule A include expenses related to income not subject to Arizona tax.
6. You are claiming an Arizona credit for any amount allowed as a charitable contribution.

If any of the above items apply to you, complete a federal Form 1040 Schedule A and then complete Form 140 Schedule A, Itemized Deduction Adjustments as instructed below.

Do not complete Form 140, Schedule A, Itemized Deduction Adjustments, if the above items do not apply to you. If you do not have to complete Form 140, Schedule A, *Itemized Deduction Adjustments*, enter the amount from federal Form 1040, Schedule A, on Form 140, page 1, line 18.

Line-by-Line Instructions

Lines 1 through 6

NOTE: Skip lines 1 through 6 if you are **not** deducting medical and dental expenses.

In most cases, the deduction allowed on the Arizona return will be larger than the deduction allowed on the federal return. On your Arizona return, you do not have to reduce your medical expenses by a percentage of your federal adjusted gross income.

Complete lines 1 through 6 if you are deducting medical and dental expenses. In most cases, you may deduct more medical expenses on your Arizona return than you can deduct on your federal return. Complete lines 1 through 6 to deduct those expenses that were less than 7.5% of your federal adjusted gross income. Also complete lines 1 through 6 if you had an MSA.

Line 1

Enter the total of your medical and dental expenses. Do not include any expenses that were paid by insurance or other sources.

Do not reduce the amount you enter on line 1 by amounts paid from an MSA.

Do not include insurance premiums you paid through an employer-sponsored health insurance plan (cafeteria plan) unless your employer included the premiums in Box 1 of your Form W-2. Also do not include any other medical and dental expenses paid by the plan unless your employer included the amount paid in Box 1 of your Form(s) W-2. If you are self-employed, do not include any amount that you paid for health insurance that you deducted in computing your federal adjusted gross income.

For details about what types of expenses you may deduct, see federal Form 1040, Schedule A.

Line 2

Enter any amount of medical and dental expenses included on line 1 that were paid from your MSA.

Complete lines 3 through 6 as instructed on the form.

Line 7

NOTE: Skip line 7 if you are **not** claiming a credit for interest paid on mortgage credit certificates on your federal return.

If you claimed this credit on your federal return (using Form 8396), you may deduct the amount of mortgage interest you paid in 2004 that is equal to the amount of that credit. Enter the amount of that interest here.

Lines 8 through 12

NOTE: Skip lines 8 through 12 if you are **not** deducting gambling losses.

You may deduct wagering losses only to the extent of your wagering gains. You must complete lines 8 through 12 if both of the following apply:

1. You took a subtraction for Arizona lottery winnings; and
2. You are claiming a deduction for gambling losses.

Complete lines 8 through 12 as instructed on the form.

Line 13

NOTE: Skip line 13 if you are **not** claiming a property tax credit on Arizona Form 302.

You cannot claim both a deduction and a credit with respect to the same property taxes paid. You must complete line 13 if you are claiming a property tax credit on Arizona Form 302. Enter the amount of property taxes included on your federal Schedule A for which you are claiming a credit.

Line 14

NOTE: Skip line 14 if you are **not** taking any credit for an amount allowed as a charitable contribution.

You cannot claim both a deduction and a credit for the same charitable contributions. Enter the amount of charitable contributions for which you are taking a credit.

Line 15

You may not deduct any expense that relates to income not subject to Arizona tax. You must complete line 15 if your federal Schedule A includes such expenses.

Such expenses include:

1. Interest or other related expenses incurred to purchase or carry U.S. obligations, when the income is not subject to Arizona tax.
2. State taxes paid to other states for prior years if you were not an Arizona resident for that prior year.
3. Employee business expenses that relate to income not subject to Arizona tax.

This list is not all-inclusive. There may be other items included in your federal Schedule A that you cannot deduct on the Arizona return.

Enter the amount of expenses deductible on federal Schedule A that are allocable to income not subject to Arizona income tax.

Lines 16 through 22

Complete lines 16 through 22 as instructed on the form.