

Form 140PY Schedule A(PY) Itemized Deductions

For Part-Year Residents Only

Before you complete Arizona Form 140PY, Schedule A(PY), you must complete a federal Form 1040, Schedule A.

You may itemize your deductions on your Arizona return even if you do not on your federal return. For the most part, you can deduct those items that are allowable itemized deductions under the Internal Revenue Code.

A part-year resident who has no Arizona source income during the part of the year while an Arizona nonresident can deduct all of the following.

1. Those expenses incurred and paid during the part of the year while an Arizona resident.
2. Arizona source itemized deductions incurred and paid during the part of the year while a nonresident.

For more information, see Arizona Department of Revenue Individual Income Tax Ruling *ITR 94-10*.

In some cases, the itemized deductions allowed on your Arizona return are not the same as those allowable under the Internal Revenue Code. The itemized deductions allowed on your Arizona return can differ if any of the following apply.

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 claiming a subtraction for Arizona lottery winnings.
4. You are claiming the credit for property taxes paid by a qualified defense contractor.
5. You are claiming a credit for any amount allowed as a charitable contribution.

Complete the Arizona Form 140PY, Schedule A(PY), as instructed below.

Medical and Dental Expenses

Line 1 -

Enter the amount of medical and dental expenses incurred and paid while an Arizona resident. Also enter the amount of such expenses from Arizona sources that you incurred and paid during the part of the year that you were a nonresident.

The medical and dental expenses that you can deduct on your Arizona return are the same expenses that you can deduct on your federal return.

Be sure you reduce these expenses by any payments received from insurance or other sources. 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 self-employed, do not include any amount paid for health insurance that you deducted in computing your federal adjusted gross income.

Do not include any medical and dental expenses paid from your individual medical savings account.

Taxes

Line 2 -

Enter the amount of taxes allowable on federal Form 1040, Schedule A, that you incurred and paid while an Arizona resident. Also enter the amount of such taxes from Arizona sources that you incurred and paid during the part of the year while a nonresident.

If you claimed the credit for property taxes paid by a qualified defense contractor, do not include any property taxes for which you have claimed a tax credit.

Also, do not include any state taxes paid to other states for prior years if you were not an Arizona resident for that prior year.

Interest Expense

Line 3 -

Enter the amount of interest expense allowable on federal Form 1040, Schedule A, that you incurred and paid while an Arizona resident. Also enter the amount of such interest from Arizona sources that you incurred and paid during the part of the year while a nonresident.

If you received a federal credit for interest paid on mortgage credit certificates (from federal Form 8396), you may deduct some of the mortgage interest you paid for 2004 that you could not deduct for federal purposes. Include that portion of such interest that you incurred and paid during the part of the year while an Arizona resident.

Do not enter any interest expense that you incurred to purchase or carry U.S. obligations, the income from which is exempt from Arizona income tax.

Gifts to Charity

Line 4 -

Enter the amount of gifts to charity allowable on federal Form 1040, Schedule A, that you incurred and paid while an Arizona resident. Also enter the amount of such gifts from Arizona sources that you incurred and paid during the part of the year while a nonresident.

If you claimed a credit for any charitable contribution, do not include any contribution for which you claimed a tax credit.

Casualty and Theft Losses

Line 5 -

Enter the casualty loss(es) allowable on federal Form 1040, Schedule A, **after** applying the 10 percent federal adjusted gross income limitation and the \$100 per loss floor.

Line 6 -

Enter the casualty loss(es) allowable on federal Form 4684 **before** applying the 10 percent federal adjusted gross income limitation and the \$100 per loss floor.

Line 7 -

Enter the amount of casualty loss shown on line 6 that you incurred and paid while an Arizona resident. Also enter the amount of casualty loss shown on line 6 from Arizona sources that you incurred during the part of the year while a nonresident.

Line 8 -

Divide the amount on line 7 by the amount on line 6. Enter the percentage.

Line 9 -

Multiply the amount on line 5 by the percent on line 8. Enter the result.

Job Expenses and Other Miscellaneous Expenses

Line 10 -

Enter the amount of miscellaneous expenses subject to the 2 percent federal adjusted gross income limitation allowable on federal Form 1040, Schedule A, before applying the limitation.

Lines 11 through 14 -

Complete lines 11 through 14 as instructed on Form 140PY, Schedule A(PY).

Do not include on line 11 any amount that is allocable to income excluded from your Arizona taxable income. Such amounts would include employee business expenses attributable to income excluded from your Arizona taxable income.

Line 15 -

Enter the amount of other allowable miscellaneous expenses not subject to the 2 percent federal adjusted gross income limitation that you incurred and paid while an Arizona resident. Also enter the amount of other allowable miscellaneous expenses not subject to the 2 percent federal adjusted gross income limitation from Arizona sources that you incurred and paid during the part of the year while a nonresident.

Lines 16 through 20 -

Skip lines 16 through 20 if not deducting gambling losses.

Line 16 -

Enter the amount of wagering losses included on line 15, Form 140PY, Schedule A(PY).

Line 17 -

Enter the total gambling winnings included in your Arizona gross income.

Line 18 -

Enter the authorized Arizona lottery subtraction from Form 140PY, page 2, line D32.

Line 19 -

Maximum allowable gambling loss deduction. Subtract the amount on line 18 from the amount on line 17.

Line 20 -

If the amount on line 19 is less than the amount on line 16, subtract line 19 from line 16. Otherwise, enter zero (0).

Line 21 -

If you completed lines 16 through 20, subtract line 20 from line 15. If you skipped lines 16 through 20, enter the amount from line 15 above here.

Line 22 -

Add lines 14 and 21. This is your Arizona miscellaneous deduction.

Arizona Itemized Deduction

Lines 23 through 28 -

Complete lines 23 through 28 as instructed on Form 140PY, Schedule A(PY).