

**ARIZONA FORM  
120S**

**Nonresident Shareholder's Share of  
Income and Deductions**

**2012**

**Schedule K-1(NR)**

CHECK ONE: Original <input type="checkbox"/> Amended <input type="checkbox"/>		For the <input type="checkbox"/> calendar year 2012 or <input type="checkbox"/> fiscal year beginning <u>MM/DD/YYYY</u> and ending <u>MM/DD/YYYY</u> .	
Shareholder's identifying number		S corporation's employer identification number	
Shareholder's name, address, and ZIP code		S corporation's name, address, and ZIP code	

Shareholder's percentage of stock ownership for the taxable year \_\_\_\_\_%

Pro Rata Share Items From Federal Form 1120-S, Schedule K-1		(a) Distributive Share Amount	(b) Arizona Apportionment Ratio	(c) Arizona Source Income	Form 140NR Filers Enter the Amount in Column (c) on:
1	Ordinary income (loss) from trade or business activities				
2	Net income (loss) from rental real estate activities				
3	Net income (loss) from other rental activities				
4	Total - Add lines 1, 2 and 3				Line B11
5	Interest				Line B6
6	Dividends				Line B7
7	Royalties				Line B11
8	Net short-term capital gain (loss)				Line B10
9	Net long-term capital gain (loss)				Line B10
10	Net IRC Section 1231 gain (loss)				Line B10
11	Deferred amount of discharge of indebtedness income included in federal income in the current year under IRC Section 108(i)				Line B12
12	Other income (loss)				Line B11
13	IRC Section 179 expense				Line B11
14	Deferred amount of original issue discount deduction included in federal income in the current year under IRC Section 108(i)				Line B11
15	Other deductions - <i>attach schedule</i>				

# 2012 Nonresident Shareholder's Share of Income and Deductions

## Arizona Form **120S** Schedule K-1(NR)

### Instructions for Individuals and Fiduciaries

Column (c) is your Arizona source income. Nonresident individuals should report the amounts in column (c) on Form 140NR line numbers indicated on Form 120S, Schedule K-1(NR). Nonresident trusts or nonresident estates should add lines 4 through 12, column (c), and enter the total on Form 141AZ, page 2, Schedule A.

However, if Form 120S, Schedule K-1(NR), shows a loss, you may only claim such losses on your Arizona nonresident return to the extent that such losses are included in your federal adjusted gross income (individuals) or federal taxable income (trusts and estates). Therefore, if the loss is considered to be a passive activity loss for federal purposes, the loss will likewise be considered to be a passive activity loss for Arizona purposes.

If you have a passive activity loss from an S corporation that was derived from Arizona sources, you would not necessarily begin the Arizona return with the amounts shown in column (c) of your Form 120S, Schedule K-1(NR). For Arizona purposes, you must first determine if any portion of the loss shown on Form 120S, Schedule K-1(NR), has been limited on your federal return because of the federal passive activity loss rules.

The amount of passive activity loss which is derived from Arizona sources is the amount of the passive activity loss which will be allowed on the Arizona return. Therefore, any portion of the passive activity loss which is not allowed on the federal return due to the passive activity loss limitations will likewise be limited on the Arizona return. That portion of the passive activity loss derived from Arizona sources which is required to be carried forward for federal purposes will similarly be carried forward for Arizona purposes.

**Note:** The amount of Internal Revenue Code § 179 expense deductible is limited to the Arizona portion of the amount deducted on federal Form 1040, Schedule E.