

2017 Credits for Healthy Forest Enterprises

**CREDITS FOR HEALTHY FOREST ENTERPRISES
CONTACT INFORMATION**

Arizona Commerce Authority

- Certification requirements • Certification forms
- Program guidelines

Website: www.azcommerce.com

Program Manager (602) 845-1200

Arizona Department of Revenue

- Tax forms and instructions • Information and assistance

Website: www.azdor.gov

Taxpayer assistance (602) 255-3381
From area codes 520 and 928, toll-free (800) 352-4090

General Instructions

Employment Credit for Healthy Forest Enterprises

Arizona Revised Statutes (A.R.S.) §§ 43-1076 and 43-1162 allow a business that operates a healthy forest enterprise to receive a nonrefundable employment credit against individual and corporate income tax.

Training Credit for Healthy Forest Enterprises

A.R.S. §§ 43-1076.01 and 43-1162.01 allow a business that operates a healthy forest enterprise to receive a nonrefundable training credit against individual and corporate income tax liabilities.

NOTE: *In order to claim either credit, the business must be a qualified healthy forest enterprise, as certified by the Arizona Commerce Authority (Commerce). The business must provide a copy of its Commerce certification to the department for approval before using the certification to obtain this credit.*

The credit is available to an exempt organization that is subject to corporate income tax on unrelated business taxable income (UBTI). The credit must result from the activities that generate UBTI.

Co-owners of a business, including partners in a partnership and shareholders of an S corporation, may each claim only a *pro rata* share of the allowable credits based on the ownership interest. The total of the credits allowed all owners may not exceed the amount that would have been allowed for a sole owner of the business.

If the allowable tax credit exceeds the taxes otherwise due or, if there are no taxes due, the amount of the credit not used to offset taxes may be carried forward for not more than five taxable years as a credit against subsequent years' income tax liabilities.

While a taxpayer may claim both credits for healthy forest enterprises with respect to the same employees, the credits for healthy forest enterprises are in lieu of the following credits, with respect to the same employees:

- The credit for New Employment, claimed on Arizona Form 345; and
- The Military Reuse Zone credit, claimed on Arizona Form 306.

In general, a qualified healthy forest enterprise is a business operation that enhances or sustains forest health, sustains or recovers watershed or improves public safety. A qualified healthy forest enterprise must be primarily engaged in the business of harvesting, transporting or processing of qualifying forest products for commercial use. To obtain information regarding additional criteria for qualification, contact Commerce using the contact information shown above.

The credits are based on the net increase in the number of qualified employment positions created and filled by a business operating a healthy forest enterprise.

The employment credit is computed using the wages of qualified employees of the business and the net increase in the number of qualified employment positions.

The training credit is based on the net cost to the taxpayer of training and certifying a new employee in a qualified employment position, but not more than \$3,000 in each of the first three years of employment.

Positions occupied by employees that meet the following criteria are considered qualified employment positions.

- NOTE:**
- *If a qualified employment position is filled during the last ninety days of the taxable year, it is considered a new qualified employment position for the next taxable year.*
 - *A newly created position is a qualified employment position on the date that it meets all of the requirements for a qualified employment position.*

EMPLOYEES IN QUALIFIED POSITIONS

- Must be Arizona residents on their hire date.
- Must be permanent, full-time employees in positions that require at least 1,550 hours per year. The 1,550 hour requirement does not include overtime hours. If forest closures or weather conditions beyond the taxpayer's control result in a shorter period, this would not disqualify the employee so long as the position is still permanent and full-time, and all other qualifications are met.
- Must have duties that primarily involve or directly support the harvesting, transporting or processing of qualifying forest products for commercial use.
- Must be compensated at wages equal to or greater than the wage offer of the county, as computed annually by the Arizona Department of Economic Security research administration division.
- Cannot have been employed by the business within the twelve months preceding their hire date.
- Must have been employed for at least ninety days during the first taxable year. An employee who is hired during the last ninety days of the taxable year shall be considered a new employee during the following taxable year.
- Must have employer-provided health insurance coverage, a portion of which must be paid for by the employer. The employer must pay for at least twenty-five percent of the premium or membership cost of the insurance program in the third year the employer claims the credit for healthy forest enterprises. The employer must pay at least forty percent of this cost in the fourth year it claims the credit, and at least fifty percent of the cost in the fifth year it claims the credit.

Calculating the Credits

The number of qualified employment positions on which the credits can be computed cannot exceed 200 per year per taxpayer. For example, if a taxpayer has several healthy forest enterprises, the taxpayer would add up the net increase in qualified employment positions for all enterprises and compute the credit on that number, or 200, whichever is the lesser amount. Therefore, although a taxpayer may have more than 200 filled qualified employment positions, the taxpayer must select which of those positions should be used for computing the credits. The same employees who are used to compute the first year credit are used to compute the second and third year credits.

If the net increase is being computed for a group of corporations filing a combined or consolidated Arizona corporate income tax return, that group is considered a single taxpayer and therefore entitled to use no more than 200 positions for its credit calculations. Co-owners of the same enterprise(s) are similarly limited to the lesser of the net increase in qualified employment positions or 200. Each co-owner would get a *pro rata* share of the credits.

NOTE: *The number of qualified employment positions determined in the first year will never increase in the second or third year. Only the same positions that were qualified in the first year can be used to compute the credits in the two subsequent tax years.*

Employment Credit for Healthy Forest Enterprises

Once the taxpayer has determined which employees it will use to compute the employment credit, the credit amount allowed per employee is applied. Only employee wages incurred during the period the taxpayer has been certified may be used for this calculation. The credit amount per employee depends on the employee's year of employment, as follows.

First year employees: The lesser of \$500 or one-fourth of the taxable wages paid to an employee in a qualified employment position in the first year or partial year of employment.

Second year employees: The lesser of \$1,000 or one-third of the taxable wages paid to an employee in a qualified employment position in the second year of continuous employment.

Third year employees: The lesser of \$1,500 or one-half of the taxable wages paid to an employee in a qualified employment position in the third year of continuous employment.

Training Credit for Healthy Forest Enterprises

Once the taxpayer has determined which employees it will use to compute the training credit, the credit amount allowed per employee is applied. Only the net cost to the taxpayer of training and certifying the new employee incurred during the period the taxpayer has been certified may be used for this calculation. The credit amount per employee is the net cost to the taxpayer of training and certifying the employee, but not to exceed \$3,000 in each of the first three years of employment.

NOTE – To claim this credit:

- **Individual taxpayers,** complete this credit form and Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture. *Include both completed forms with your tax return.*
- **C corporations, S corporations claiming this credit at the corporate level, and exempt organizations with UBTI,** complete this credit form and Arizona Form 300, Nonrefundable Corporate Tax Credits and Recapture. *Include both completed forms with your tax return.*
- **S corporations electing to pass this credit through to its shareholders,** complete this credit form and Arizona Form 300, Nonrefundable Corporate Tax Credits and Recapture. *Also, complete Form 332-S for each shareholder of the S corporation. Provide each shareholder a copy of his or her completed Form 332-S. Include Form 300, Form 332, and one copy of each completed Form 332-S with your tax return.*
- **Partnerships,** complete this credit form. *Also, complete Form 332-P for each partner of the partnership. Provide each partner a copy of his or her completed Form 332-P. Include Form 332 and one copy of each completed Form 332-P with your tax return.*

Specific Instructions

Complete the name and taxpayer identification number (TIN) section at the top of the form. Indicate the period covered by the taxable year. Include all supporting forms with the tax return.

All returns, statements, and other documents filed with the department require a TIN. The TIN for a corporation, an exempt organization with UBTI, an S corporation, or a partnership is the taxpayer's employer identification number (EIN). The TIN for an individual is the taxpayer's Social Security Number (SSN) or an Internal Revenue Service individual taxpayer identification number. Taxpayers that fail to include their TIN may be subject to a penalty.

Part 1 - Healthy Forest Enterprises Information

NOTE: *Taxpayers claiming only a pass through of this credit from Form 332-P and/or Form 332-S and are claiming:*

- *The Employment Credit, skip to Part 5, line 17, column (d).*
- *The Training Credit, skip to Part 6, line 22, column (b).*

Lines 1 and 2 -

Enter the name and TIN of the healthy forest enterprise. For a corporation, an exempt organization with UBTI, a partnership, or an S corporation, use the taxpayer's EIN.

Line 3 -

Reserved for future use.

Lines 4 and 5 -

Check only one box on each line to answer each of the questions line 4 and line 5.

Part 2 - Average Number of Full-Time Employees

Use these lines to calculate the difference in the average number of full-time employees that worked for the healthy forest enterprise in this taxable year and the average for the immediately preceding taxable year. The following worksheet can be helpful in figuring the average. The column for each year corresponds to line 6 and line 7 on page 1 of Form 332.

On lines 1 through 12 of the worksheet, enter the number of full-time employees employed at the end of each month of the year indicated. If the enterprise was not in operation in the immediately preceding taxable year, that year's average is zero. Once the worksheet is completed, enter the amounts on page 1 of Form 332.

		(a) Line 6 Current Taxable Year	(b) Line 7 Immediately Preceding Taxable Year
1	January		
2	February		
3	March		
4	April		
5	May		
6	June		
7	July		
8	August		
9	September		
10	October		
11	November		
12	December		
13	Total - add lines 1 through 12.		
14	Total number of months during the taxable year in which the healthy forest enterprise was in business.		
15	Average - divide the amount on line 13 by the amount on line 14.		

Line 6 -
Enter the average number of full-time employees in the healthy forest enterprise for the current taxable year from line 15, column (a) of the worksheet above.

Line 7 -
Enter the average number of full-time employees in the healthy forest enterprise for the immediately preceding taxable year from line 15, column (b) of the worksheet above.

Line 8 -
Subtract the amount on line 7 from the amount on line 6. If the difference contains a decimal, enter the whole number only - do not round up. This is the net increase in the average number of full-time employees. If the difference is zero, the enterprise cannot claim an employment credit for qualified employment positions created during the current taxable year. If the amount

is greater than zero, enter the amount. Also, enter the amount in Part 3, line 10.

Part 3 - Net Increase in Qualified Employment Positions

Line 9 -

Enter the total number of filled qualified employment positions created during the current taxable year.

NOTE:

- If a qualified employment position is filled during the last ninety days of the taxable year, it is considered a new qualified employment position for the next taxable year.
- A newly created position is a qualified employment position on the date that it meets all of the requirements for a qualified employment position.

Line 10 -

Enter the net increase in average number of full-time employees from Part 2, line 8.

Line 11 -

Enter the lesser of line 9 or line 10. This is the increase in qualified employment positions for this healthy forest enterprise.

Part 4 - Limitation on Number of Qualified Employment Positions

Line 13 -

Compare the amounts on lines 11 and 12. Enter the lesser of line 11 or line 12. This is the maximum number of positions on which you may compute each of the credits.

NOTE: Before completing Part 5, lines 14 through 17, complete Forms 332-1 and 332-2. Use additional sheets, if necessary. See the instructions for Forms 332-1 and 332-2 on page 9 of these instructions.

Part 5 - Employment Credit Calculation

Line 14 - Column (a)

Enter the number of qualified net new employees from Form 332-2, line 15, column (c1). This number cannot exceed the maximum number shown on line 13, Part 4 of Form 332.

Line 14 - Column (b)

Enter the total allowable wages for qualified first year employees from Form 332-2, line 15, column (e1).

Line 14 - Column (d)

Multiply the amount entered on line 14, column (b) by the percent shown on line 14, column (c). Enter the result on line 14, column (d). This is the allowable credit for qualified new employees.

Line 15 - Column (a)

Enter the number of previously qualified employees in the second year of continuous employment from Form 332-2, line 15, column (c2).

Line 15 - Column (b)

Enter the total allowable wages for qualified second year employees from Form 332-2, line 15, column (e2).

Line 15 - Column (d)

Multiply the amount entered on line 15, column (b) by the percent shown on line 15, column (c). Enter the result on line 15, column (d). This is the allowable credit for previously qualified employees in their second year of continuous employment.

Line 16 - Column (a)

Enter the number of previously qualified employees in the third year of continuous employment from Form 332-2, line 15, column (c3).

Line 16 - Column (b)

Enter the total allowable wages for qualified third year employees from Form 332-2, line 15, column (e3).

Line 16 - Column (d)

Multiply the amount entered on line 16, column (b) by the percent shown on line 16, column (c). Enter the result on line 16, column (d). This is the allowable credit for previously qualified employees in their third year of continuous employment.

Line 17 -

Enter the amount of the Employment Credit passed through from partnerships on Form 332-P, Part 2, line 5 and/or from S corporations on Form 332-S, Part 2, line 5.

Line 18 -

Add the amounts on lines 14 through 17 in column (d). Enter the total.

Before completing Part 6, lines 19 through 23, complete Form 332-3. Use additional sheets, if necessary. See instructions for Form 332-on page 11 of these instructions.

Part 6 - Training Credit Calculation

Line 19 - Column (a)

Enter the number of qualified net new employees from Form 332-3, line 15, column (c1). This number cannot exceed the maximum number shown on line 13, Part 4 of Form 332.

Line 19 - Column (b)

Enter the total net cost of training and certifying qualified first year employees from Form 332-3, line 15, column (e1).

Line 20 - Column (a)

Enter the number of previously qualified employees in the second year of continuous employment from Form 332-3, line 15, column (c2).

Line 20 - Column (b)

Enter the total net cost of training and certifying qualified second year employees from Form 332-3, line 15, column (e2).

Line 21 - Column (a)

Enter the number of previously qualified employees in the third year of continuous employment from Form 332-3, line 15, column (c3).

Line 21 - Column (b)

Enter the total net cost of training and certifying qualified third year employees from Form 332-3, line 15, column (e3).

Line 22 - Column (b)

Enter the amount of the Training Credit passed through from partnerships on Form 332-P, Part 2, line 7 and/or S corporations on Form 332-S, Part 2, line 7.

Line 23 -

Add the amounts in column (b) on lines 19 through 22. Enter the total.

Part 7 - Recapture of the Employment Credit

NOTE: Taxpayers recapturing *only* a pass through of this credit from Form 332-P and/or Form 332-S who claimed:

- The Employment Credit, skip to Part 7, line 30.
- The Training Credit, skip to Part 8, line 38.

If your healthy forest enterprise had its qualification for the employment credit terminated or revoked within five taxable years after you first claimed that credit, you must recapture a percentage of the total employment credit you took in all prior years.

If your qualification was revoked due to reasons beyond your control, as determined by Commerce, you do not have to recapture the credit.

If you are required to recapture the employment credit, complete Part 7. If not, skip to Part 8.

Line 24 -

Enter the taxable year in which your certification as a healthy forest enterprise was revoked or terminated (i.e. if your taxable year end was 12/31/2015, enter "2015").

Line 25 -

Enter the first taxable year in which your employment credit for healthy forest enterprises was allowed (i.e. if your taxable year end was 12/31/2014, enter "2014").

Line 26 -

Subtract line 25 from line 24. Enter the difference. This is the number of years between when your employment credit was first allowed and when your certification was revoked.

Line 27 -

The amount of credit you must recapture depends on the year you first received the credit, and how long ago it was. Compare the number of years on line 26 to the following table to determine the percentage of your Employment Credit to be recaptured. (For example: If the number on line 26 is "2", the percentage to be recaptured is 80%. If the number on line 26 is "6" or greater, the percentage to be recaptured is "0".) Enter that percentage.

Number of years since receiving the credit:	Percentage to recapture:
1	100%
2	80%
3	60%
4	40%
5	20%
6 or more	0%

Line 28 -

Enter the total amount of employment credits that you were previously allowed to claim.

Line 29 -

Multiply line 28 by the percentage on line 27. Enter the result.

Line 30 -

Enter the total amount of the employment credit subject to recapture passed through to you from partnerships on Form 332-P, Part 10, line 3 and/or S corporations from Form 332-S, Part 3 line 10.

Line 31 -

Add lines 29 and 30. Enter the total. This is the amount of your employment credit subject to recapture.

Part 8 - Recapture of the Training Credit

If your healthy forest enterprise had its qualification for the training credit terminated or revoked within five taxable years after you first claimed that credit, you must recapture a percentage of the total training credit you took in all prior years.

If your qualification was revoked due to reasons beyond your control as determined by Commerce, you do not have to recapture the credit.

If you are required to recapture the training credit, complete Part 8. If not, skip to Part 9.

Line 32 -

Enter the taxable year in which your certification as a healthy forest enterprise was revoked or terminated (i.e. if your taxable year end was 12/31/2015, enter "2015").

Line 33 -

Enter the first taxable year in which your employment credit for healthy forest enterprises was allowed (i.e. if your taxable year end was 12/31/2014, enter "2014").

Line 34 -

Subtract line 33 from line 32. Enter the difference. This is the number of years between when your employment credit was first allowed and when your certification was revoked.

Line 35 -

The amount of credit you must recapture depends on the year you first received the credit, and how long ago it was. Compare the number of years on line 34 to the following table to determine the percentage of your Training Credit to be recaptured. (For example, if the number on line 34 is "3", the percentage to be recaptured is 60%. If the number on line 34 is "6" or greater, the percentage to be recaptured is "0.") Enter that percentage.

Number of years since receiving the credit:	Percentage to recapture:
1	100%
2	80%
3	60%
4	40%
5	20%
6 or more	0%

Line 36 -

Enter the total amount of training credits that you were previously allowed to claim.

Line 37 -

Multiply line 36 by the percentage on line 35. Enter the result.

Line 38 -

Enter the amount of training credit subject to recapture that was passed through from partnerships on Form 332-P, Part 3, line 13 and/or from S corporations on Form 332-S, Part 3, line 13.

Line 39 -

Add line 37 and 38. Enter the total. This is the amount of training credit subject to recapture.

Part 9 - S Corporation Credit Election

Lines 40 and 41 -

An S corporation may make an irrevocable election to pass either, or both, of these credits through to its shareholders. Or, it can choose to keep these credits and apply them to its own liability generated at the corporate level.

For each credit:

- Enter the S corporation's taxable year ends in the box provided on lines 40 and 41.
- Check the box corresponding to each election made by the S corporation, (to claim the credit – lines 40a and 41a; or to pass the credit through to its shareholders – lines 40b and 41b).
- Each election must be signed by an officer of the S corporation who is also a signatory to Form 120S.

S corporations electing to pass both of these credits through to its shareholders, proceed to the instructions for completing Form 332-S on page 11.

Each S corporation shareholder is entitled to only a *pro rata* share of pass-through each credit based on ownership interest in the S corporation. The total of the each credit allowed to all shareholders may not exceed the amount that would have been allowed for a sole owner.

NOTE: *Trusts and estates which are shareholders of S corporations, are not eligible to claim these credits. However, the share of an S corporation owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of these credits.*

S corporations electing to pass through either the employment credit or the training credit and claim the other credit at the corporate level:

- If the S corporation elects to pass through the employment credit through to its shareholders and claim the training credit at the corporate level:
 - Check to box on line 40b indicating the S corporation elects to pass the employment credit through to its shareholders. Have the election signed by an officer.
 - Check the box on line 41a indicating the S corporation elects to claim the training credit at the corporate level. Have the election signed by an officer. Complete Form(s) 332-S, Part 1, lines 1 through 3, and Part 2, lines 4 and 5 for each shareholder.
 - Complete Form 332 claiming the training credit.

- If the S corporation elects to pass through the training credit to its shareholders and claim the employment credit at the corporate level:
 - Check the box on line 41b indicating the S corporation elects to pass the training credit through to its shareholders. Have the election signed by an officer.
 - Check the box on line 40a indicating the S corporation elects to claim the employment credit at the corporate level. Have the election signed by an officer.
 - Complete Form(s) 332-S, Part 1, lines 1 through 3, and Part 2, lines 6 and 7 for each shareholder.
 - Complete Form 332 claiming the employment credit.

Part 10 - Partner's Share of Credits and Credit Recaptures

Partnerships claiming these credits must pass them through to its partners. Proceed to the instructions for completing Form 332-P on page 12.

Each partner is entitled to only a *pro rata* share of each credit based on the partner's ownership interest in the partnership. The total of each credit allowed to all partners may not exceed the amount that would have been allowed for a sole owner.

NOTE: *Trusts and estates which are partners in a partnership are not eligible to claim these credits. However, the share of a partnership owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of these credits.*

Part 11 - Recapture Summary for Employment Credit

Use lines 42 through 47 to determine whether you have any allowable employment credit remaining, even if you have to recapture some of it.

Line 42 -

Enter the taxable year(s) in which you took an employment credit or credit carryover for the disqualified healthy forest enterprise.

Line 43 -

Enter the total amount of employment credit originally allowed for the disqualified healthy forest enterprise.

Line 44 -

Enter the amount from Part 7, line 31. This is the total amount of the employment credit to be recaptured.

Line 45 -

Subtract line 44 from line 43. Enter the difference. This is the amount of employment credit allowable for the disqualified healthy forest enterprise.

Line 46 -

Enter the amount of employment credit on line 43 that you claimed on prior taxable year's returns.

Line 47 -

Subtract line 46 from line 45. Enter the difference.

If the difference is POSITIVE:

- This is the amount of employment credit carryover you have remaining for use in future years.

- Adjust the amounts in column (d) in Part 13, lines 54 through 58 so the total amount on line 59 equals the amount of the credit carryover remaining for use in future years.

If the difference is NEGATIVE:

- This is the amount of employment credit you must recapture.
- Adjust the amounts in Part 13, lines 54 through 58, column (d) to zero, "0." There is no carryover amount for the employment credit.
 - *Individuals:* Also, enter this amount as a POSITIVE number on Form 301, Part 2, line 36. (If you have a recapture of the employment credit *and* the training credit, and the amounts on Part 11, line 47 and Part 12, line 53. Enter that total on Form 301, Part 2, line 36.)
 - *C corporations, S corporations that claimed the training credit at the corporate level, and exempt organizations with UBTI:* Also, enter this amount as a POSITIVE number on Form 300, Part 2, line 27. (If you have a recapture of the employment credit *and* the training credit, add the amounts on Part 11, line 47, and Part 12, line 53. Enter the total on Form 300, Part 2, line 27.)

For additional guidance, refer to Examples 1 and 2 following the instructions for line 53.

Part 12 - Recapture Summary for Training Credit

Use lines 48 through 53 to determine whether you have any allowable training credit remaining, even if you have to recapture some of it.

Line 48 -

Enter the taxable year(s) in which you took a training credit or credit carryover for the disqualified healthy forest enterprise.

Line 49 -

Enter the total amount of training credit originally allowed for the disqualified healthy forest enterprise.

Line 50 -

Enter the amount from Part 8, line 39. This is the total amount of the training credit to be recaptured.

Line 51 -

Subtract line 50 from line 49. Enter the difference. This is the amount of training credit allowable for the disqualified healthy forest enterprise.

Line 52 -

Enter the amount of training credit on line 49 that you claimed on prior taxable year's returns.

Line 53 -

Subtract line 52 from line 51. Enter the difference.

If the difference is POSITIVE:

- This is the amount of training credit carryover you have remaining for use in future years.
- Adjust the amounts in column (d) in Part 14, lines 60 through 64 so the total amount on line 65 equals the amount of the credit carryover remaining for use in future years.

If the difference is NEGATIVE:

- This is the amount of training credit you must recapture.
- Adjust the amounts in Part 14, lines 60 through 64, column (d) to zero, "0." There is no carryover amount of the employment credit.
 - *Individuals:* Also, enter this amount as a POSITIVE number on Form 301, Part 2, line 36. (If you have a recapture of the training credit *and* the employment credit, and the amounts on Part 12, line 53 and Part 11, line 47. Enter that total on Form 301, Part 2, line 36.)

- *C corporations, S corporations that claimed the training credit at the corporate level, and exempt organizations with UBTI:* Also, enter this amount as a POSITIVE number on Form 300, Part 2, line 27. (If you have a recapture of the employment credit *and* the training credit, add the amounts on Part 12, line 53, and Part 11, line 47. Enter the total on Form 300, Part 2, line 27.)

For additional guidance, refer to Examples 1 and 2 on the following pages.

EXAMPLE 1 (In this example, line 47 is positive):

Healthy Forest Enterprise A (A) claimed the employment credit on Form 332 for taxable years 2014 through 2016. The amount of credit claimed each year was \$1,000; the total credit claimed is \$3,000. A used \$1,500 of its employment credit, leaving it with a credit carryover of \$1,500 as of taxable year ending 2016.

During 2017, A was notified by the department it was subject to a recapture of 60% of the credit claimed, or \$ 900.

A completes Part 11 of its Form 332 and finds that line 47 is **positive**. This means A still has a carryover of the employment credit in the amount of \$600.

At the end of taxable year 2017, A had an available employment credit carryover amount of \$1,500, shown on the schedule below (from Part 13 of its 2016 taxable year Form 332):

	(a) Taxable Year	(b) Original Credit Amount	(c) Amount Previously Used, Expired, or Recaptured	(d) Available Credit Carryover
54	2014	1,000	500	500
55	2015	1,000	500	500
56	2016	1,000	500	500
57				
58				
59	Total Available Carryover:			1,500

Following the instructions for line 47, A adjusts Part 13, Available Employment Credit Carryover, for the recapture of \$900. Part 13 of its 2017 taxable year Form 332 is shown below:

	(a) Taxable Year	(b) Original Credit Amount	(c) Amount Previously Used, Expired, or Recaptured	(d) Available Credit Carryover
54	2014	1,000	1,000	0
55	2015	1,000	900	100
56	2016	1,000	500	500
57				
58				
59	Total Available Carryover			600

- A increased its 2014 Amount Previously Used (Or Recaptured) by \$500. This eliminated its credit carryover from 2014.
- A increased its 2015 Amount Previously Used (Or Recaptured) by \$400. This reduced its credit carryover for 2015 from \$500 to \$100.
- A's 2016 Available Employment Credit Carryover remains unchanged.
- A has \$600 of Available Employment Credit Carryover it may use on its 2017 taxable year tax return.

EXAMPLE 2 (In this example, line 47 is negative):

Healthy Forest Enterprise B (B) claimed the employment credit on Form 332 for taxable years 2014 through 2016. The amount of credit claimed each year was \$1,000; the total credit claimed is \$3,000. B used \$2,500 of its employment credit, leaving it with a credit carryover of \$500 as of taxable year ending 2017.

During 2017, B was notified by the department it was subject to a recapture of 60% of the credit claimed, or \$ 900.

B completes Part 12 of its Form 332 and finds that line 47 is **negative**. This means B has no carryover of the employment credit and must report \$400 as a recapture on Form 300, Part 2, line 27, or Form 301, Part 2, line 36. (See line 47 for instructions).

At the end of taxable year 2017, B had an available employment credit carryover amount of \$500, shown on the schedule below (from Part 14 of its 2015 taxable year Form 332):

	(a) Taxable Year	(b) Original Credit Amount	(c) Amount Previously Used, Expired, or Recaptured	(d) Available Credit Carryover
54	2014	1,000	1,000	0
55	2015	1,000	1,000	0
56	2016	1,000	500	500
57				
58				
59	Total Available Carryover:			500

Following the instructions for line 47, B adjusts Part 13 for the recapture of \$900. Part 13 of its 2017 taxable year Form 332 is shown below:

	(a) Taxable Year	(b) Original Credit Amount	(c) Amount Previously Used, Expired, or Recaptured	(d) Available Credit Carryover
54	2014	1,000	1,000	0
55	2015	1,000	1,000	0
56	2016	1,000	1,000	0
57				
58				
59	Total Available Carryover			0

No adjustment is needed for 2014.

No adjustment is needed for 2015.

B increased its 2016 Amount Previously Used (Or Recaptured) by \$500. This eliminated its Employment Credit carryover for 2016.

B has no credit carryover of the Employment Credit.

Part 13 - Available Employment Credit Carryover

Use Part 13 to figure your available employment credit carryover. Complete lines 54 through 59 if you claimed the employment credit on a prior taxable year return and your employment credit was more than your tax.

If the allowable tax credit exceeds the taxes otherwise due or, if there are no taxes due, the amount of the credit not used to offset taxes may be carried forward for not more than five taxable years as a credit against subsequent years' income tax liabilities.

S corporations, if this portion of the credit was claimed at the corporate level in a prior taxable year and there is a carryover amount available, complete Part 13.

Lines 54 through 58 -

Enter the following information in the columns indicated on lines 54 through 58:

- Taxable Year – the taxable year from which you are carrying over the employment credit.
- Original Credit Amount - the amount of the credit you originally computed.
- Amount Previously Used – the employment credit from that taxable year you have already used or the amount of the credit that expired.
- Available Credit Carryover – Subtract the amount in column (c) from the amount in column (b). Enter the difference. This is the available employment credit carryover available for the current taxable year.

Line 59 -

Add the amounts on lines 54 through 58 in column (d). Enter the total. This is your available employment credit carryover for the current taxable year.

Part 14 - Available Training Credit Carryover

S corporations, if this portion of the credit was claimed at the corporate level in a prior taxable year and there is a carryover amount available, complete Part 14.

Lines 60 through 64 -

Use Part 14 to figure your available training credit carryover. Complete lines 60 through 64 if you claimed the training credit on a prior year return and your training credit was more than your tax.

If the allowable tax credit exceeds the taxes otherwise due or, if there are no taxes due, the amount of the credit not used to offset taxes may be carried forward for not more than five taxable years as a credit against subsequent years' income tax liabilities.

Enter the following information in the columns indicated on lines 60 through 64:

- Taxable Year – the taxable year from which you are carrying over the training credit.
- Original Credit – the amount of the credit you originally computed.
- Amount Previously Used the amount of the training credit from that taxable year you have already used or the amount of the credit that expired.
- Available Credit Carryover – Subtract the amount in column (c) from the amount in column (b). Enter the difference.

This is the available training credit carryover available for the current taxable year.

Line 65 -

Add the amounts entered on lines 60 through 64 in column (d). Enter the total. This is the available training credit carryover available for the current taxable year.

Part 15 - Total Available Credit**Line 66 -**

Enter the current year's employment credit.

Individuals, C corporations, S corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI - enter the amount from Part 5, line 18, column (d).

Partnerships, enter "0".

S corporations that passed the current year credit through to shareholders, enter "0".

Line 67 -

Enter the current year's training credit.

Individuals, corporations, S corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI - enter the amount from Part 6, line 23, column (b).

Partnerships, enter "0".

S corporations that passed the current year credit through to shareholders, enter "0".

Line 68 -

Enter the amount of available employment credit carryover from Part 13, line 59, column (d).

Line 69 -

Enter the amount of available training credit carryover from Part 14, line 65, column (d).

Line 70 -

Add lines 66 through 69 and enter the total.

Individuals - enter the total available credit on Arizona Form 301, Part 1, line 17, column (c).

C corporations, S corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI - enter the total available credit on Arizona Form 300, Part 1, line 11, column (c).

FORM 332-1 QUALIFIED EMPLOYEES

Alternative formats prescribed by the department may also be used to file this form. For example, the department will accept a hard copy spreadsheet that contains all the requested information or the information may be compiled with a spreadsheet program such as Microsoft Excel and submitted on a CD-ROM or DVD-ROM. The chosen media must be Microsoft Windows compatible. Regardless of the form, the information must be filed on or before the due date of the tax return, including any extensions.

Taxpayers submitting the information on CD-ROM or DVD-ROM should secure the CD-ROM or DVD-ROM in a hard case and include it with the tax return. Arizona Forms 332-1, 332-2, and/or 332-3 submitted on CD-ROM or DVD-ROM are part of the income tax return, are subject to the sworn statement

on the return that they are true, and correct to the best of the signer's knowledge and belief.

The CD-ROM or DVD-ROM should be labeled as Forms 332-1, 332-2 and 332-3, with the taxpayer's name, EIN and taxable year listed.

Taxpayers may password protect the CD-ROM or DVD-ROM and email the password separately to MediaLibrarian@azdor.gov. Include "Form 332-1, 332-2 and/or 332-3" in the subject line of the email. In the body of the email, include the same information that is on the CD-ROM or DVD-ROM label. The department will not return or copy any media.

CAUTION: *Taxpayers that substitute the CD-ROM or DVD-ROM do so at their own risk and understand that the information may need to be provided to the department again at a later date if it is not accessible by the department for any reason.*

Complete one Form 332-1 for each qualified employee. Include the employee's name, SSN, and the date each employee was hired. If an employee's job duties do not involve or directly support the harvesting, transporting or processing of qualifying forest products in a qualified project, the employee is not in a qualified employment position. Do not complete a Form 332-1 for employees that are not in qualified employment positions. These employees should not be listed on Form 332-2 or Form 332-3, and will not be used to compute the credits.

FORM 332-1, LINE 6 - complete this line if the employee was previously employed by the business (prior to current employment).

FORM 332-1, LINES 9a AND 9b - on line 9a, enter the total amount of the insurance premium or membership cost provided for the employee. If the business is self-insured, list the total amount of a predetermined fixed cost for the employee for an insurance program that is payable whether or not the employee has filed claims. On line 9b, enter the total amount of the insurance premium or membership cost paid by the employer.

FORM 332-2 QUALIFIED EMPLOYEES FOR WHICH YOU ARE TAKING THE EMPLOYMENT CREDIT

Complete the requested information for each employee in a qualified employment position for whom you are taking the employment credit. Use Forms 332-1 and 332-2 to complete Part 5, lines 14 through 18 on Form 332.

FORM 332-3 QUALIFIED EMPLOYEES FOR WHICH YOU ARE TAKING THE TRAINING CREDIT

Complete the requested information for each employee in a qualified employment position for whom you are taking the training credit. Use Forms 332-1 and 332-3 to complete Part 6, lines 19 through 23 on Form 332.

Form 332-S, S Corporation Shareholder's Portion of the Credit

Enter the taxable year from which this credit is being passed through to your shareholders.

Complete Form 332-S for each shareholder of the S corporation, *except for* trust or estate shareholders. However, an S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.

The S corporation must furnish each shareholder with his or her completed copy of Form 332-S, including additional schedules as needed.

Part 1 - S corporation and Shareholder Information

Line 1 -

Enter the S corporation name and EIN in the spaces provided

Line 2 -

Enter the shareholder's name, SSN, and ownership percentage in the spaces provided.

Line 3 -

If the name and EIN of the S corporation is different from the name and EIN of the Healthy Forest Enterprise, enter the name and EIN of the Healthy Forest Enterprise in the spaces provided. If the name and EIN of the S corporation is the same as the name and EIN of the Healthy Forest Enterprise, indicate, "SAME."

Part 2 - Distribution of the Credit

Line 4 -

Enter the amount of the S corporation's employment credit from Form 332, Part 5, line 18, column (d).

Line 5 -

Multiply line 4 by the percentage on line 2(c). Enter the result. This is the shareholder's portion of the employment credit.

Line 6 -

Enter the amount of the S corporation's training credit from Form 332, Part 6, line 23, column (b).

Line 7 -

Multiply line 6 by the percentage on line 2(c). Enter the result. This is the shareholder's portion of the training credit.

Part 3 - Credit Recapture

Line 8 -

Enter the total amount of the S corporation's employment credit previously passed through to the shareholder.

Line 9 -

Enter the recapture percentage of the employment credit amount previously passed through that is subject to recapture from Form 332, Part 7, line 27.

Line 10 -

Multiply line 8 by the percentage on line 9. Enter the result.

- *Shareholders:* Enter this amount on *your* Form 332, Part 7, line 30.

This is the shareholder's amount of the employment credit subject to recapture.

NOTE: *If you have recapture amounts for the employment credit from more than one source, calculate each recapture amount separately. Total the amounts subject to recapture and enter that amount on line 10.*

Line 11 -

Enter the total amount of the S corporation's training credit previously passed through to the shareholder.

Line 12 -

Enter the recapture percentage of the training credit amount previously passed through that is subject to recapture from Form 332, Part 8, line 35.

Line 13 -

Multiply line 11 by the percentage on line 12. Enter the result.

- *Shareholders:* Enter this amount on *your* Form 332, Part 8, line 38.

This is the shareholder's amount of the training credit subject to recapture.

NOTE: *If you have recapture amounts for the training credit from more than one source, calculate each recapture amount separately. Total the amounts subject to recapture and enter that amount on line 13.*

The shareholder will use this form to complete his or her own Form 332.

Form 332-P, Partner's Portion of the Credit

Enter the taxable year from which this credit is being passed through to your partners.

Complete Form 332-P for each partner of the partnership, *except for* trust or estate partners. However, a partnership ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.

The partnership must furnish each partner with their completed copy of Form 332-P, including additional schedules as needed.

Part 1 - Partnership and Partner Information

Line 1 -

Enter the partnership name and EIN in the spaces provided

Line 2 -

Enter the partner's name, EIN, TIN, or SSN, and ownership percentage in the spaces provided.

Line 3 -

If the name and EIN of the partnership is different from the name and EIN of the Healthy Forest Enterprise, enter the name and EIN of the Healthy Forest Enterprise in the spaces provided. If the name and EIN of the partnership is the same as the name and EIN of the Healthy Forest Enterprise, indicate, "SAME."

Part 2 - Distribution of the Credit

Line 4 -

Enter the amount of the partnership's employment credit from Form 332, Part 5, line 18, column (d).

Line 5 -

Multiply line 4 by the percentage on line 2(c), column (c). Enter the result. This is the partner's portion of the employment credit.

Line 6 -

Enter the amount of the partnership's training credit from Form 332, Part 6, line 23, column (b).

Line 7 -

Multiply line 6 by the percentage on line 2(c). Enter the result. This is the partner's portion of the training credit.

Part 3 - Credit Recapture

Line 8 -

Enter the total amount of the partnership's employment credit previously passed through to the partner.

Line 9 -

Enter the recapture percentage of the employment credit amount previously passed through that is subject to recapture from Form 332, Part 7, line 27.

Line 10 -

Multiply line 8 by the percentage on line 9. Enter the result.

- *Partners:* Enter this amount on *your* Form 332, Part 7, line 30.

This is the partner's portion of the employment credit subject to recapture.

NOTE: *If you have recapture amounts for the employment credit from more than one source, calculate each recapture amount separately. Total the amounts subject to recapture and enter that amount on line 10.*

Line 11 -

Enter the total amount of the partnership's training credit that was previously passed through to the partner.

Line 12 -

Enter the recapture percentage of the training credit amount that was previously passed through that is subject to recapture from Form 332, Part 8, line 35.

Line 13 -

Multiply line 11 by the percentage on line 12. Enter the result.

- *Partners:* Enter this amount on *your* Form 332, Part 8, line 38.

This is the partner's portion of the training credit subject to recapture.

NOTE: *If you have recapture amounts for the training credit from more than one source, calculate each recapture amount separately. Total the amounts subject to recapture and enter that amount on line 13.*

Each partner will use this form to complete his or her own Form 332.