

2017 Resident Personal Income Tax Return

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 website 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 website and click on *Legal Research* then click on *Procedures* or *Rulings* and select a tax type from the drop down menu.

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Who Must Use Form 140?

You (and your spouse, if married filing a joint return) may file Form 140 only if both of you are full year residents of Arizona.

You **must** use Form 140 rather than Form 140A or Form 140EZ to file for 2017 if any of the following apply to you:

- Your Arizona **taxable income** is \$50,000 or more, regardless of filing status.
- You are making adjustments to income.
- You itemize deductions.
- You claim tax credits other than the family income tax credit, the credit for increased excise taxes, or the property tax credit.
- You are claiming estimated payments.

Do You Have to File?

Arizona Filing Requirements These rules apply to all Arizona taxpayers.		
You must file if you are:	and your Arizona adjusted gross income is at least:	or your gross income is at least:
• Single	\$ 5,500	\$15,000
• Married filing joint	\$11,000	\$15,000
• Married filing separate	\$ 5,500	\$15,000
• Head of household	\$ 5,500	\$15,000

If you are an Arizona resident, you must report income from **all** sources including **out-of-state** income.

To see if you have to file, figure your gross income the same as you would figure your gross income for federal income tax purposes. Then, you should exclude income Arizona law does not tax. Income Arizona law does not tax includes:

- interest from U.S. Government obligations,
- social security retirement benefits received under Title II of the Social Security Act,
- benefits received under the Railroad Retirement Act, tier 1 or tier 2 railroad retirement benefits, railroad disability benefits reported on federal forms RRB-1099 and RRB-1099-R, railroad unemployment benefits and railroad sickness payments paid by the Railroad Retirement Board, or
- pay received for active service as a member of the Reserves, National Guard or the U.S. Armed Forces.

You can find your Arizona adjusted gross income on page 2, line 42 of Arizona Form 140.

NOTE: *Even if you are not required to file, you must still file a return to get a refund of any Arizona income tax withheld.*

Do You Have to File if You Are an American Indian?

You must file if you meet the Arizona filing requirements unless **all** the following apply to you:

- You are an enrolled member of an Indian tribe.
- You live on the reservation established for that tribe.
- You earned **all** of your income on that reservation.

For information on the Arizona tax treatment of American Indians, see the department's ruling, ITR 96-4, *Income Taxation of Indians and Spouses*.

Do You Have to File if You Are the Spouse of an American Indian and You Are Not an Enrolled Indian?

You must file if you meet the Arizona filing requirements. For more information, see the department's ruling, ITR 96-4, *Income Taxation of Indians and Spouses*.

Do You Have to File if You Are in the Military?

You must file if you meet the Arizona filing requirements unless **all** of the following apply to you:

- You are an active duty member of the United States armed forces.
- Your only income for the taxable year is pay received for active duty military service.
- There was no Arizona tax withheld from your active duty military pay.

If Arizona tax was withheld from your active duty military pay, you must file an Arizona income tax return to claim any refund you may be due from that withholding.

You must also file an Arizona income tax return if you have any other income besides pay received for active duty military service.

If you were an Arizona resident when you entered the service, you remain an Arizona resident, no matter where stationed, until you establish a new domicile.

As an Arizona resident, you must report all of your income to Arizona, no matter where stationed. You must include your military pay, but using Form 140, you may subtract all pay received for active duty military service; to the extent it is included in your federal adjusted gross income.

If you are **not** an Arizona resident, but stationed in Arizona, the following applies to you:

- You are not subject to Arizona income tax on your military pay.
- You must report any other income you earn in Arizona. Use Form 140NR, *Nonresident Personal Income Tax Return*, to report this income.

To find out more, see the department's publication, Pub. 704, *Taxpayers in the Military*.

If You Included Your Child's Unearned Income on Your Federal Return, Does Your Child Have to File an Arizona Return?

No. In this case, the child should not file an Arizona return. The parent must include that same income in his or her Arizona taxable income.

Residency Status

If you are not sure if you are an Arizona resident for state income tax purposes, we may be able to help. For more information, see the department's procedure, ITP 92-1, *Procedure For Determining Residency Status*.

Residents

You are a resident of Arizona if your domicile is in Arizona. Domicile is the place where you have your permanent home. It is where you intend to return if you are living or working temporarily in another state or country. If you leave Arizona for a temporary period, you are still an Arizona resident while gone. A resident is subject to tax on all income no matter where the income is earned.

Part-Year Residents

If you are a part-year resident, you must file Arizona Form 140PY, *Part-Year Resident Personal Income Tax Return*. You are a part-year resident if you did **either** of the following during 2017:

- You moved into Arizona with the intent of becoming a resident.
- You moved out of Arizona with the intent of giving up your Arizona residency.

Nonresidents

If you are a nonresident, you must file Arizona Form 140NR, *Nonresident Personal Income Tax Return*.

What if a Taxpayer Died?

If a taxpayer died before filing a return for 2017, the taxpayer's spouse or personal representative may have to file and sign a return for that taxpayer. A personal representative can be an executor, administrator, or anyone who is in charge of the deceased taxpayer's property.

If the deceased taxpayer did not have to file a return but had tax withheld, a return must be filed to get a refund.

The person who files the return should use the form the taxpayer would have used. The person who files the return should print the word "deceased" after the decedent's name. Also enter the date of death after the decedent's name.

If your spouse died in 2017 and you did not remarry in 2017 or if your spouse died in 2018 before filing a return for 2017, you may file a joint return. If your spouse died in 2017, the joint return should show your spouse's 2017 income before death and your income for all of 2017. If your spouse died in 2018, before filing the 2017 return, the joint return should show all of your income and all of your spouse's income for 2017. Print "Filing as surviving spouse" in the area where you

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sign the return. If someone else is the personal representative, he or she must also sign the return.

Are Any Other Returns Required?

You may also have to file a fiduciary income tax return (Form 141AZ). For details about filing a fiduciary income tax return, call the department at (602) 255-3381.

Claiming a Refund for a Deceased Taxpayer

If you are claiming a refund for a deceased taxpayer, you **must** complete Arizona Form 131, *Claim for Refund on Behalf of Deceased Taxpayer*. Place the completed Form 131 on top of the **front** of the return.

What are the Filing Dates and Penalties?

When Should You File?

Your 2017 calendar year tax return is due no later than midnight, April 17, 2018. File your return as soon as you can after January 1, 2018, but no later than April 17, 2018.

NOTE: *Because April 15, 2018, falls on a Sunday and District of Columbia Emancipation Day will be observed on Monday, April 16, 2018, you have until Tuesday, April 17, 2018, to file your return.*

If you are a fiscal year filer, your return is due on the 15th day of the fourth month following the close of your fiscal tax year.

What if You Cannot File on Time?

You may request an extension if you know you will not be able to file on time.

NOTE: *An extension does not extend the time to pay your income tax. See the instructions for Arizona Form 204.*

To get a filing extension, you can either

- Apply for a state extension (Arizona Form 204). To apply for a state extension, file Form 204 by April 17, 2018. See Form 204 for details. You do not have to include a copy of the extension with your return when you file, but make sure that you check box **82F** on page 1 of the return. If you must make a payment, use Arizona Form 204, or visit www.AZTaxes.gov to make an electronic payment.
- Use your federal extension (federal Form 4868). File your Arizona return by the same due date. You do not have to include a copy of your federal extension with your return, but make sure that you check box **82F** on page 1 of the return.

When Should You File if You Are a Nonresident Alien?

The due date for your Arizona return is not the same as the due date for your federal return. Your Arizona return is due by April 17, 2018, even though your federal return is due on June 15, 2018. If you want to file your Arizona return after April 17, 2018 you must ask for a filing extension. You must file this request by April 17, 2018. Arizona will allow up to a 6-month extension. This will allow you to file your return by October 15, 2018. See Form 204 for extension filing details.

If you have a federal 6-month extension, you can file your Arizona return under that extension. If you file using your federal extension, Arizona will also allow you an extra 6 months.

Because we will allow only 6 months, the due date for your Arizona return is not the same as the due date for your federal return. In this case, your Arizona return will be due by October 15, 2018, even though your federal return will not be due until December 17, 2018. If you file your 2017 Arizona calendar year return after October 15, 2018, your return will be late.

If you are a fiscal year filer, your return is due on the 15th day of the fourth month following the close of your fiscal year.

What if You File or Pay Late?

If you file or pay late, we will charge you interest and penalties on the amount you owe. If the U.S. Post Office postmarks your 2017 calendar year return by April 17, 2018, your return will not be late. You may also use certain private delivery services designated by the Internal Revenue Service (IRS) to meet the “timely mailing as timely filed” rule. For more information, see “Mailing Your Return” at the end of these instructions.

Late Filing Penalty

If you file late, we will charge you a late filing penalty. This penalty is 4½% (.045) of the tax required to be shown on the return for each month or fraction of a month the return is late. This penalty cannot exceed 25% (.25) of the tax found to be remaining due.

Late Payment Penalty

If you pay your tax late, we will charge you a late payment penalty. This penalty is ½ of 1% (.005) of the amount shown as tax for each month or fraction of a month for which the failure continues. We charge this penalty from the original due date of the return until the date you pay the tax. This penalty cannot exceed a total of 10% (.10) of the unpaid tax.

Extension Underpayment Penalty

If you file your return under an extension, you must pay 90% (.90) of the tax shown on your return by the return's original due date. If you do not pay this amount, we will charge you a penalty. This penalty is ½ of 1% (.005) of the tax not paid for each 30 day period or fraction of a 30 day period. We charge this penalty from the original due date of the return until the date you pay the tax. This penalty cannot exceed 25% (.25) of the unpaid tax. If we charge you the extension underpayment penalty, we will not charge you the late payment penalty under Arizona Revised Statutes (A.R.S.) § 42-1125(D).

NOTE: *If you are subject to two or more of the above penalties, the total cannot exceed 25%.*

Interest

We charge interest on any tax not paid by the due date. We will charge you interest even if you have an extension. If you have an extension, we will charge you interest from the

original due date until the date you pay the tax. The Arizona interest rate is the same as the federal rate.

When Should You Amend a Return?

If you need to make changes to your return after you have filed, **do not** file a new return using Form 140. You must file Arizona Form 140X, *Individual Amended Income Tax Return*. File your amended return after your original return has processed. Generally, you have four years to amend a return to claim a refund.

If you amend your federal return for any year, you must also file an Arizona Form 140X for that year.

If the IRS makes a change to your federal taxable income for any year, you must report that change to Arizona. You must file Form 140X within 90 days of the final determination of the IRS. You may use one of the following two options to report this change.

Option 1

You may file a Form 140X for that year. If you choose this option, you must amend your Arizona return within 90 days of the final determination of the IRS. Include a complete copy of the federal notice with your Form 140X.

Option 2

You may file a copy of the final federal notice with the department within 90 days of the final determination of the IRS. If you choose this option, you must include a statement in which you must:

1. Request that the department recompute your tax.
2. Indicate if you agree or disagree with the federal notice.

If you do not agree with the federal notice, you must also include any documents that show why you do not agree. If you choose option 2, mail the federal notice and any other documents to:

Individual Income Audit
 Arizona Department of Revenue
 PO Box 29084
 Phoenix, AZ 85038-9084

Do You Need to Make Arizona Estimated Payments in 2018?

You must make estimated income tax payments during 2018 if:		
Your filing status is:	AND your Arizona gross income for 2017 was greater than:	AND your Arizona gross income for 2018 is greater than:
Married Filing Joint	\$150,000	\$150,000
Single	\$75,000	\$75,000
Head of Household	\$75,000	\$75,000
Married Filing Separate	\$75,000	\$75,000

If you met the income threshold for 2017, you must make estimated payments during 2018 unless you are sure you will not meet the threshold for 2018. As a full year resident, your Arizona gross income is your federal adjusted gross income. This amount is on page 1, line 12 of the 2017 Form 140.

See the worksheet for Arizona Form 140ES to figure how much your payments should be. For more information about making estimated payments, see the department’s publication, Pub. 012, *Arizona Individual Estimated Income Tax Payments*.

What if You Make Your Estimated Payments Late?

We will charge you a penalty if you are late or if you fail to make any required payments. See Arizona Form 221.

Can You Make Estimated Payments Even if You Do Not Have To?

If you do not have to make Arizona estimated income tax payments, you may still choose to make them. For details, see Arizona Form 140ES.

Line-by-Line Instructions

Tips for Preparing Your Return

DO YOU HAVE A COMPLICATED RETURN?

e-file makes filing a complex return simple!

For a list of approved software visit www.azdor.gov

e-file software offers:

- easy step-by-step instructions
- error detection before filing
- Easy form selection
- Maximum deductions



- Make sure that you enter your Social Security Number (SSN) on your return.
- Complete your return using black ink.
- You **must** round dollar amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down. Do not enter cents.
- When asked to provide your own schedule, include a separate sheet with your name and SSN at the top. Include your own schedules with your return. Include these schedules behind your return and behind your Schedule A, if itemizing.
- You must complete your federal return before you can start your Arizona return.
- Make sure you include your daytime telephone number.
- If filing a fiscal year return, fill in the period covered in the space provided at the top of the form.

Entering Your Name, Address, and SSN

Lines 1, 2, and 3 -

NOTE: *Make sure that you enter your SSN on the appropriate line and your SSN is correct. If you are filing a joint return, also make sure you enter your SSNs in the same order every year.*

Enter your name, address, and SSN in the space provided. If you are filing a joint return, enter your SSNs in the same order as your names. *If your name appears first on the return, make sure your SSN is the first number listed.*

If you are married filing separately, enter your name and SSN on the first line 1. Then enter your spouse's name and SSN on the second line 1.

If you are a nonresident of the United States or a resident alien who does not have an SSN, use the individual taxpayer identification number (ITIN) the IRS issued to you.

Make sure that you enter your SSN on your return. Make sure that all SSNs are clear and correct. You may be subject to a penalty if you fail to include your SSN. It will take longer to process your return if SSNs are missing, incorrect, or unclear.

Use your current home address. The department will mail your refund to, or correspond with, you at that address.

For a deceased taxpayer, see page 2 of these instructions.

Foreign Addresses

If you have a foreign address, enter the information in the following order: city, province or state, and country. Follow the country's practice for entering the postal code. Do not abbreviate the country name.

Last Names Used in Last 4 Prior Years

If the last name that you or your spouse are using on this return is not the same as the last name you or your spouse used on returns filed for the last 4 years, enter any other last name(s) that you or your spouse used when filing your return during the last 4 years.

Identification Numbers for Paid Preparers

If you pay someone else to prepare your return, that person must also include an identification number where requested.

A paid preparer may use any of the following:

- his or her PTIN,
- his or her SSN, or
- the EIN for the business.

A paid preparer who fails to include the proper identification number may also be subject to a penalty.

Determining Your Filing Status

The filing status that you use on your Arizona return may be different from that used on your federal return.

Use this section to determine your filing status. Check the correct box (4 through 7) on the front of Form 140.

If you qualify as married for federal purposes, you qualify as married for Arizona purposes and must file using the status of either married filing joint or married filing separate.

If you are single, you must file as single or if qualified you may file as head of household (see the instructions for box 5).

Box 4 - Married Filing Joint Return

If you are married and filing a joint return, check box 4.

You may file a joint return if you were married as of December 31, 2017. It does not matter whether or not you were living with your spouse. You may file a joint return, even if you and your spouse filed separate federal returns.

You may file a joint return if your spouse died during 2017 and you did not remarry in 2017. See page 2 of these instructions for details.

Arizona Form 140 is for full year residents **only**. You may not file a joint income tax return on Form 140 if any of the following apply:

- Your spouse is a nonresident alien (citizen of and living in another country).
- Your spouse is a resident of another state.
- Your spouse is a part-year Arizona resident.

If filing a joint return with your nonresident spouse, you must file a joint return using Arizona Form 140NR. See Form 140NR instructions.

If filing a joint return with your part-year resident spouse, you must file a joint return using Arizona Form 140PY. See Form 140PY instructions.

NOTE: *For more information on filing a joint tax return with your part-year resident or nonresident spouse, see the department's ruling, ITR 14-1, Filing a Joint Tax Return When a Resident Spouse is Married to a Part-Year Resident or Nonresident.*

Box 4a - Injured Spouse Protection of Joint Overpayment

Beginning 2017, check box 4a **only** if you and your spouse are filing a joint return and you or your spouse qualify as an injured spouse and are requesting protection from application of any joint overpayment against the other spouse's delinquencies or debts.

NOTE: *You cannot use Form 203 to request protection from offset for past-due federal taxes. You must contact the IRS.*

You **must** complete Arizona Form 203, *Request for Injured Spouse Protection from Application of Joint Overpayment Against Spouse's Delinquencies and Debts*, and include that form with your tax return, when filed. Place the completed form on top of your income tax return. For more information, see the instructions for Form 203.

Box 5 - Head of Household Return

If you are filing as a head of household, check box 5. Enter the name of the qualifying child or dependent in the space provided.

You may file as head of household on your Arizona return, only if one of the following applies:

- You qualify to file as head of household on your federal return.

- You qualify to file as a qualifying widow or widower on your federal return.

Box 6 - Married Filing Separate Return

If you are filing a separate return, check box 6 and enter your spouse's name and SSN on the second line 1.

If you were married as of December 31, 2017, you may choose to file a separate return. You may file a separate return, even if you and your spouse filed a joint federal return.

Arizona is a community property state. If you file a separate return, you must figure how much income to report using community property laws. Under these laws, a separate return must reflect one-half of the community income from all sources plus any separate income.

When you file separate returns, you must account for community deductions and credits on the same basis as community income. Both you and your spouse must either itemize or not itemize. If one of you itemizes, you both must itemize. If one of you takes a standard deduction, you both must take a standard deduction. One of you may not claim a standard deduction while the other itemizes.

If you and your spouse support a dependent child from community income, either you or your spouse may claim the dependent. Both of you cannot claim the same dependent on both returns. For more information, see the department's rulings, ITR 93-18, *Income Reporting Requirements for Married Arizona Residents Who File Separate Arizona Individual Income Tax Returns*; and ITR 93-19, *Deductions, Exemptions, and Credits for Married Taxpayers Who File Separate Arizona Individual Income Tax Returns*.

NOTE: *In some cases you may treat community income as separate income. For more information, see the department's ruling, ITR 93-22, When Community Income May Be Treated as Separate Income.*

If one spouse is a resident and the other spouse is not, other special rules may apply when filing a separate return. See the department's ruling, 93-20, *Income Reporting Requirements of Resident and Nonresident Spouses Who File Separate Arizona Individual Income Tax Returns*. For more help, see the department's publication, Pub. 200, *Income Tax Issues Affecting Married and Divorced Taxpayers*.

Box 7 - Single Return

If you are filing as single, check box 7.

Use this filing status if you were single on December 31, 2017. You are single if any of the following apply to you:

- You have never been married.
- You are legally separated under a decree of divorce or of separate maintenance.
- You were widowed before January 1, 2017, and you did not remarry in 2017, and you do not qualify to file as a qualifying widow or widower with dependent children on your federal return.

NOTE: *If you got divorced during the year, see the department's ruling, ITR 14-2, Reporting Income, Deductions, Exemptions, and Withholding for Divorced Individuals for the Year of Divorce; and publication, Pub. 200, Income Tax Issues Affecting Married and Divorced Taxpayers.*

Exemptions

Enter the number of exemptions you are claiming in boxes 8, 9, 10, and 11. **Do not put a check mark.** You may lose the exemption if you put a checkmark in these boxes. You may lose the dependent exemption if you do not complete the Dependent Section, on page 1.

You may lose the exemption for qualifying parents or grandparents if you do not complete the Dependent Section, on page 1.

Box 8 - Age 65 or Over

NOTE: *If a taxpayer's 65th birthday was January 1, 2018 (born 1/1/53), that person would be considered to be age 65 at the end of 2017 for federal income tax purposes and likewise for Arizona income tax purposes.*

- If you are single or filing as head of household, enter "1" in box 8 if you were 65 or older in 2017 and not claimed as a dependent by another taxpayer.
- If you are married filing a joint return, enter "1" in box 8 if you were 65 or older and not claimed as a dependent by another taxpayer or your spouse was 65 or older in 2017 and not claimed as a dependent by another taxpayer. Enter "2" in box 8 if both you and your spouse were 65 or older in 2017 and neither of you are claimed as a dependent by another taxpayer.
- If you are married and filing a separate return, enter "1" in box 8 if you were 65 or older and not claimed by another taxpayer. You cannot take an exemption for your spouse. Your spouse, if 65 or older and not claimed by another taxpayer, may take this exemption on his/her own separate return.

Box 9 - Blind

If you or your spouse were partially blind as of December 31, 2017, you must get a statement certified by your eye doctor or registered optometrist that:

- You cannot see better than 20/200 in your better eye with glasses or contact lenses.
- Your field of vision is 20 degrees or less.

If your eye condition is not likely to improve beyond the conditions listed above, you can get a statement certified by your eye doctor or registered optometrist to that effect instead. You must keep the statement for your records.

- If you are single or filing as head of household, enter "1" in box 9 if you are totally or partially blind.
- If you are married filing a joint return, enter "1" in box 9 if you **or** your spouse is totally or partially blind. Enter "2" in box 9 if both you **and** your spouse are totally or partially blind.

- If you are married and filing a separate return, you may take an exemption for yourself if you are totally or partially blind. You may only claim an exemption for your spouse if (1) your spouse is totally or partially blind, (2) has no Arizona adjusted gross income for the calendar year, and (3) is not the dependent of another taxpayer.

Enter "1" in box 9 if you are totally or partially blind **or** your spouse is totally or partially blind **and** your spouse meets the above criteria. Enter "2" in box 9 if you are totally or partially blind and your spouse is totally or partially blind **and** your spouse meets the above criteria.

Box 10 - Dependents

NOTE: *If a person who qualifies as your dependent is also a qualifying parent or grandparent, you may claim that person as a dependent in box 10, **or** you may claim that person as a qualifying parent or grandparent in box 11. You may **not** claim that same person in both box 10 and box 11.*

You must complete the Dependent Section on page 1 (and page 3, if more space is needed) of your return before you can total your dependent exemptions. You may claim only the following as a dependent:

- A person that qualifies as your dependent on your federal return.

NOTE: *If you do not claim a dependent exemption for a student on your federal return in order to allow the student to claim a federal education credit on the student's federal return, you may still claim the exemption on your Arizona return. For more information, see the department's ruling, ITR 05-2, Will Arizona Allow a Dependent Exemption When a Taxpayer Does Not Claim Federal Exemption in Order to Claim the Education Credit?*

- A person who is age 65 or over (related to you or not) that does not qualify as your dependent on your federal return, but one of the following applies:
 - In 2017, you paid more than one-fourth of the cost of keeping this person in an Arizona nursing care institution, an Arizona residential care institution, or an Arizona assisted living facility. Your cost must be more than \$800.
 - In 2017, you paid more than \$800 for either Arizona home health care or other medical costs for the person.

NOTE: *If a taxpayer's 65th birthday was January 1, 2018 (born 1/1/53), that person would be considered to be age 65 at the end of 2017 for federal income tax purposes and likewise for Arizona income tax purposes.*

- A stillborn child if the following apply:
 - The stillbirth occurred during 2017.
 - You received a certificate of birth resulting in stillbirth from the Arizona Department of Health Services.
 - The child would have otherwise been a member of your household.

Box 11 - Qualifying Parents and Grandparents

NOTE: *If a person who is a qualifying parent or grandparent also qualifies as your dependent, you may claim that person as a dependent in box 10, **or** you may claim that person as a qualifying parent or grandparent in box 11. You may **not** claim the same person in both box 10 and box 11.*

You must complete the Dependent Section on page 1 (and page 3, if more space is needed) before you can total your exemptions for qualifying parents and grandparents.

A qualifying parent or grandparent may be any one of the following:

- Your parent, grandparent or great-grandparent, etc.
- If married filing a joint return, your spouse's parent, grandparent, or great-grandparent, etc.

You may claim this exemption if **all** of the following apply:

- The parent, grandparent or great-grandparent was 65 years old or older during 2017.
- The parent, grandparent, or great-grandparent lived in your principal residence for the entire taxable year.

If your parent or grandparent died during the taxable year, this requirement will still be met if he or she lived with you for the entire part of the year in which he or she was alive. Temporary absences by the parent or grandparent for special circumstances, such as a hospital stay or care in a hospice facility, count as time lived in the taxpayer's principle residence.

- You paid more than one-half of the support and maintenance costs of the parent or grandparent during the taxable year.

To help you determine if you paid more than one-half of your parent or grandparent's support during the taxable year, it is recommended that you review the department's procedure, ITP 14-1, *Procedure for Determining Support for Purposes of the Parents and Grandparents Exemption Allowed under A.R.S. § 43-1023(C)* and complete the worksheet. Keep the worksheet for your records.

- The parent or grandparent required assistance with activities of daily living.

The term "activities of daily living" means two or more of the listed categories. Activities of daily living include both basic activities of daily living and instrumental activities of daily living. The categories of activities of daily living are dressing, eating, ambulating, toileting, medicating and hygiene, shopping, housekeeping, managing personal finances, basic communication, food-preparation and transportation.

For more information regarding what the term "activities of daily living" means when determining an Arizona resident taxpayer's eligibility for this exemption, see the department's ruling, ITR 14-3, *"Activities of Daily Living" for the Purpose of the Exemption Allowed Under A.R.S. § 43-1023(C)*.

To help you determine if your parent or grandparent required assistance with activities of daily living to meet this requirement, it is recommended that you review the department's procedure, ITP 14-2, *Procedure for Determining Whether a Parent or Grandparent Requires Assistance with Activities of Daily Living for Purposes of the Exemption Allowed under A.R.S. § 43-1023(C)* and complete the checklist. Keep the checklist for your records.

Dependents

Completing the Dependent Section

If you need additional lines to list all of your dependents, including qualifying parents and grandparents, **complete page 3, *Dependent Information – Continuation Sheet***, and include this page with your return. **Be sure to check the box on page 1 indicating you are completing page 3.**

Do **not** include page 3 with your return if you do not use it.

Dependent information: children and other dependents

Enter the following in columns (a) through (f):

- The dependent's name. If you are claiming an exemption for a stillborn child and the child was not named, enter "stillborn child" in place of a name.
- The dependent's SSN. If you are claiming an exemption for a stillborn child, enter the certificate number from the certificate of birth resulting in stillbirth.
- The dependent's relationship to you.
- The number of months the dependent lived in your home during 2017. If you are claiming an exemption for a stillborn child, enter the date of birth resulting in the stillbirth.

Temporary absences: Your child or dependent is considered to have lived with you during periods of time when temporarily absent due to special circumstances such as: illness; education; business; or vacation. Your child is also considered to have lived with you during any required hospital stay following birth, as long as the child would have lived with you during that time but for the hospitalization.

- Check the box if this person did not qualify as a dependent on your federal return.
- Check the box if you did not claim this person (student) as an dependent on your federal return in order to allow that student to claim a federal education credit on the student's federal return.

You may lose the exemption if you do not furnish this information. Enter the total **number** of dependents listed in box 10.

Qualifying parents and grandparents

Enter the following in columns (a) through (f):

- The name of the qualifying parent or grandparent.
- The SSN of the qualifying parent or grandparent.

- The qualifying parent's or grandparent's relationship to you, or your spouse if filing a joint return.
- The number of months the qualifying parent or grandparent lived in your home during 2017.

Temporary absences: Temporary absences by the parent or grandparent for special circumstances, such as a hospital stay or care in a hospice facility, count as time lived in the taxpayer's principal residence.

- Check the box if this person is age 65 or older.
- Check the box if this person died in 2017.

You may lose the exemption if you do not furnish this information. Enter the total **number** of qualifying parents and/or grandparents listed in box 11.

Totaling Your Income

Line 12 - Federal Adjusted Gross Income

You must complete your federal return before you enter an amount on line 12. You must complete a 2017 federal return to determine your federal adjusted gross income, even if you are not filing a federal return.

Arizona uses federal adjusted gross income as a starting point to determine Arizona taxable income. Your federal adjusted gross income is your Arizona gross income.

NOTE: *Be sure to use your federal adjusted gross income and not your federal taxable income.*

If the amount on line 12 is more than \$75,000 (\$150,000 if filing a joint return), you may need to make estimated payments. See "*Do You Need to Make Estimated Payments in 2018?*" on page 4.

Additions to Income

Line 13 - Non-Arizona Municipal Interest

Enter the amount of interest income from non-Arizona municipal bonds that you did not include as income on your federal return.

You may exclude any expenses incurred to purchase or carry the obligation. Reduce the interest income by the amount of those expenses that you could not deduct on your federal return.

If you received tax exempt interest from municipal bonds, include a schedule listing the payors and the amount received from each payor. You may also want to include supporting documents for amounts received from Arizona municipal bonds that are exempt from Arizona income tax. These may be items such as bank statements, brokerage statements, etc.

Line 14 - Partnership Income Adjustment (Positive)

Complete line 14 if line 3, of your Arizona Form 165 Schedule K-1, shows a difference between federal and state distributable income.

If the difference reported on line 3, of your Form 165 Schedule K-1, is a positive number, enter that difference as an addition on line 14.

NOTE: *If the difference reported on line 3, of your Form 165 Schedule K-1, is a negative number, enter that difference on line 25.*

Line 15 - Total Federal Depreciation

Enter the total amount of depreciation deducted on your federal return. If you make an entry here, you should also take a subtraction on line 24. To figure how much you should subtract, see the instructions for line 24.

Line 16 - Other Additions to Income

Use line 16 if any of the special circumstances below apply. Include your own schedule with your return explaining any amounts entered here.

You may either add (on line 16) or subtract (on line 35) items A and B below, depending on your situation.

A. Married Persons Filing Separate Returns

If you file a separate Arizona return, you must report the following income on that return:

- one-half of the community income from all sources, and
- all of your separate income.

If you and your spouse file a joint federal return but separate Arizona returns, you must make sure that each separate return reflects the correct income. If you begin your Arizona return with only the income that you earned during the year, you will have to adjust this income.

If you file separate federal returns, each of your federal returns should already reflect the correct income. Since your separate Arizona returns will begin with the federal adjusted gross income, you will not have to adjust your income.

If you have to adjust your income, include a schedule showing how you figured your adjustment. For more information, see the department's publication, Pub. 200, *Income Tax Issues Affecting Married and Divorced Taxpayers*.

B. Fiduciary Adjustment

A fiduciary uses Arizona Form 141AZ Schedule K-1, to report to you your share of the fiduciary adjustment from the trust or estate.

Line 3 of Form 141AZ Schedule K-1, shows your share of the fiduciary adjustment from the estate or trust. If the amount reported on line 3 of your Form 141AZ Schedule K-1, is a positive number, include that amount on line 16.

NOTE: *If the amount reported on line 3 of your Form 141AZ Schedule K-1, is a negative number, enter that amount as a subtraction on line 35.*

C. Ordinary Income Portion of Lump-Sum Distributions Excluded on Your Federal Return

Make this adjustment if you use federal averaging for lump-sum distributions from your pension or profit-sharing plan.

Arizona law does not provide for averaging. Enter the amount of the distribution that you treated as ordinary income on your federal return. If you choose to treat the capital gain portion of the distribution as ordinary income, you must also include that amount.

For more information, see the department's ruling, ITR 93-5, *Arizona's Income Tax Treatment of the Capital Gain Portion of a Lump Sum Distribution from a Qualified Retirement Plan*.

D. Items Previously Deducted for Arizona Purposes

Arizona statutes prohibit a taxpayer from deducting items more than once. If your Arizona taxable income includes items previously deducted for Arizona purposes, you must add such amounts to your Arizona gross income.

E. Claim of Right Adjustment for Amounts Repaid in 2017

You must make an entry here if **all** of the following apply:

1. During 2017, you were required to repay amounts held under a claim of right.
2. The amount required to be repaid during 2017 was more than \$3,000.
3. You took a deduction for the amount repaid on your 2017 federal income tax return.

If the above apply, enter the amount deducted on your federal income tax return here. For more information on the Arizona claim of right provisions, see the department's procedure, ITP 16-1, *Procedure for Individuals Who Restore Substantial Amounts Held Under a Claim of Right*.

F. Claim of Right Adjustment for Amounts Repaid in Prior Taxable Years

You must make an entry here if **all** of the following apply:

1. During a year prior to 2017 you were required to repay amounts held under a claim of right.
2. You computed your tax for that prior year under Arizona's claim of right provisions.
3. A net operating loss or capital loss was established due to the repayment made in the prior year.
4. You are entitled to take that net operating loss or capital loss carryover into account when computing your 2017 Arizona taxable income.
5. The amount of the loss carryover included in your federal income is more than the amount allowed to be taken into account for Arizona purposes.

Include the amount by which the loss carryover included in your federal adjusted gross income is more than the amount allowed for the taxable year under Arizona law.

G. Addition to S Corporation Income Due to Credits Claimed

Shareholders of an S corporation who claim a credit passed through from an S corporation must make an addition to income for the amount of expenses disallowed by reason of claiming the credit.

An S corporation that passes the following credits through to its shareholders must notify each shareholder of his or her *pro rata* share of the adjustment. You must include an amount on this line when claiming any of the following Arizona credits:

- Environmental Technology Facility Credit (Form 305)
- Agricultural Water Conservation System Credit (Form 312)
- Pollution Control Credit (Form 315)

- Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets (Form 319)
- Credit for Employment of TANF Recipients (Form 320)
- Agricultural Pollution Control Equipment Credit (Form 325)

H. Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlet Expenses

If you claim a credit on Form 319 for installing solar hot water heater plumbing stub outs or electric vehicle recharge outlets in a dwelling you constructed, you cannot deduct any expenses for which you claim the credit.

If you take this credit, include the amount of such expenses that you deducted on your federal return.

I. Wage Expense for Employers of TANF Recipients

If you claim a credit on Form 320 for employing TANF recipients, you cannot deduct any wage expense for which you claim the credit.

If you take this credit, include the amount of such expenses that you deducted on your federal return.

J. Adjusted Basis in Property for Which You Have Claimed a Credit for Investment in Qualified Small Businesses

If you claim a credit on Form 338 for an investment in a qualified small business, you must adjust your basis in the investment by the amount of the credit claimed. You must report this difference in basis on the Arizona return that you file for the taxable year in which you sell or otherwise dispose of the investment. If you sold or otherwise disposed of the investment during the 2017 taxable year, on line 16, include the amount by which the adjusted basis computed under the IRC with respect to that property exceeds the adjusted basis of the property computed under A.R.S. § 43-1074.02.

K. Nonqualified Withdrawals from 529 College Savings Plans

You must make an addition to income if **both** of the following apply to you:

- You received a nonqualified withdrawal from a 529 college savings plan.
- You did not include the amount of the withdrawal in your federal adjusted gross income.

The amount that you must include on line 16 is the amount withdrawn, but no more than the difference between the amount of contributions subtracted in prior years and the amount added in any prior years.

A nonqualified withdrawal is a withdrawal other than any of the following:

- A qualified withdrawal. A qualified withdrawal is a withdrawal from an account to pay the qualified higher education expenses of the designated beneficiary of the account.
- A withdrawal made as the result of the death or disability of the designated beneficiary of an account.

- A withdrawal that is made on the account of a scholarship, or the allowance or payment described in IRC § 135(d)(1)(B) or (C), and that is received by the designated beneficiary, but only to the extent of the amount of this scholarship, allowance or payment.
- A rollover or change of designated beneficiary.

L. Original Issue Discount (OID) on Reacquisition of Debt Instrument

For federal purposes, when a taxpayer made the special election to defer discharge of indebtedness (DOI) income under IRC § 108(i) (for 2009 or 2010), the taxpayer was not allowed to take a deduction with respect to the portion of any OID that accrued with respect to that DOI income during the income deferral period. In this case, the taxpayer had to deduct the aggregate amount of the OID deductions disallowed ratably over a 5 year period, beginning with the period in which the income was includible in federal adjusted gross income. Arizona did not adopt the federal provisions requiring a taxpayer to defer the OID deduction in cases where the taxpayer federally deferred the DOI income. For Arizona purposes, you had to report the DOI income from a debt reacquisition in the year in which you reacquired the debt, and you were allowed to subtract any OID related to that DOI income in the year the OID accrued. If your federal adjusted gross income includes a deduction for any accrued OID that you have already subtracted for Arizona purposes, you must make an addition to Arizona income for the amount of deferred OID deducted on your federal return. Generally, this addition will apply to taxable years 2014 through 2018.

On line 16, include the amount of any previously deferred OID that you deducted in computing your 2017 federal adjusted gross income, to the extent that the amount was previously subtracted from Arizona gross income.

M. Arizona Long-Term Health Care Savings Accounts (AZLTHSA) Withdrawals

You must add amounts withdrawn from your AZLTHSA if you withdrew money for purposes other than paying for qualified long-term health care expenses.

N. Sole Proprietorship Loss of an Arizona Nonprofit Medical Marijuana Dispensary included in Federal Adjusted Gross Income

If you are registered as an Arizona sole proprietorship with the Arizona Department of Health Services to operate in this state as a nonprofit medical marijuana dispensary, you are required to add the amount of the loss from the dispensary that is included in the computation of your federal adjusted gross income. Include the amount of the loss on line 16.

NOTE: *If the Arizona nonprofit medical marijuana dispensary is registered with the Arizona Department of Health Services as anything other than a sole proprietorship, this addition does not apply.*

O. Federal Net Operating Loss (NOL) Carryforward from Non-Arizona Sources Accrued While a Non-Resident

An individual cannot include a federal NOL carryforward deduction incurred from non-Arizona sources while the taxpayer was an Arizona nonresident in the Arizona taxable income of a return filed for a taxable year in which the taxpayer is an Arizona resident.

The taxpayer must make an addition (include on line 16) to Arizona gross income on the full-year Arizona resident return for the amount of the NOL carryforward deduction included in the taxpayer's federal adjusted gross income. For more information, see the department's ruling, ITR 13-5, *Can A Net Operating Loss Incurred as a Non-Resident Be Used to Offset Income In A Year In Which the Taxpayer Is A Resident?*

NOTE: For a non-Arizona source loss incurred while the taxpayer was an Arizona nonresident, the taxpayer would not be allowed to amend a prior year resident Arizona income tax return to claim the NOL carry back deduction.

P. Federal Capital Loss Carryforward Deduction Incurred from Non-Arizona sources prior to Arizona Residency

An individual cannot include a capital loss carryforward deduction, incurred from non-Arizona sources while the taxpayer was an Arizona nonresident, in the Arizona taxable income of a return filed for a taxable year in which the taxpayer is an Arizona resident. Therefore, a capital loss incurred from non-Arizona sources while the taxpayer was an Arizona nonresident cannot be carried forward to a taxpayer's Arizona resident return when the loss carryover is reflected in the taxpayer's federal adjusted gross income.

The taxpayer must make an addition (include on line 16) to Arizona gross income on the full-year Arizona resident return for the amount of such capital loss carryforward deduction included in the computation of the taxpayer's federal adjusted gross income.

For more information, see the department's ruling, ITR 13-6, *Can A Capital Loss Incurred as a Non-Resident Be Used to Offset Income In A Year In Which the Taxpayer Is A Resident?*

Q. Other Adjustments

Other special adjustments may be necessary. You may need to make an addition for depreciation or amortization. You may also need to make an addition if you claimed certain tax credits.

Call one of the numbers listed on page 1 of these instructions if any of the following apply:

- You claimed the Environmental Technology Facility Credit. (Form 305)
- You claimed the Pollution Control Credit. (Form 315)
- You claimed the Recycling Equipment Credit. (Form 307)
- You claimed the Agricultural Pollution Control Equipment Credit. (Form 325)
- You elected to amortize the cost of a child care facility under Arizona law in effect before 1990 and you are still

deducting amortization or depreciation for that facility on your federal income tax return.

Line 17 - Subtotal

Add lines 12 through 16 and enter the total.

Subtractions from Income

You may only subtract those items for which statutory authority exists. You cannot take a subtraction without such authority.

You may not subtract any amount that is allocable to income excluded from your Arizona taxable income.

If you have any questions concerning subtractions from income, call one of the numbers listed on page 1 of these instructions.

Lines 18 through 22 - Net Capital Gain or (Loss)

NOTE: If you enter an amount on line 18, you must complete lines 19 and 20. If you are taking a subtraction on line 22 for any net long-term capital gain from assets acquired after December 31, 2011, you must also complete line 21. If you do not complete lines 18 through 21, you cannot take the subtraction.

You may subtract 25% (.25) of any net long-term capital gain included in your federal adjusted gross income that is derived from an investment in an asset acquired after December 31, 2011. Use the worksheet on page 29 of these instructions, *Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired after December 31, 2011*, to determine the allowable subtraction. Keep the worksheet for your records.

Line 18 - Total Net Capital Gain or (Loss)

If you reported a net capital gain or (loss) on your federal income tax return, enter the total net capital gain or (loss) reported on the *Capital Gain or (Loss)* line on page 1 of your federal return. This amount should be reported in your federal adjusted gross income.

Line 19 - Total Net Short-Term Capital Gain or (Loss)

Enter the total amount of net short-term capital gain or (loss) reported on the *Capital Gain or (Loss)* line on page 1 of your federal return. This amount should be reported in your federal adjusted gross income.

NOTE: If you are not required to report dividend distributions and/or short-term capital gains from mutual funds on federal Form Schedule D, do not include the short-term capital gain distributed by the mutual fund on line 19.

Line 20 - Total Net Long-Term Capital Gain or (Loss)

If you did not complete the worksheet on page 29, subtract line 19 from line 18 and enter the difference.

If you completed the worksheet on page 29, enter the amount from the worksheet, line 14, column (a).

Line 21 - Net Long-Term Capital Gain from Assets Acquired After December 31, 2011

If you did not complete the worksheet on page 29 and you have no net long-term capital gain from assets acquired after December 31, 2011, enter zero, "0".

If you completed the worksheet on page 29, enter the amount from the worksheet, line 14, column (c).

Only include net long-term capital gains on this line if it can be verified that the asset was acquired after December 31, 2011. For purposes of this line, an asset acquired by gift or inheritance is considered acquired on the date it was acquired by the gift-giver or the deceased individual.

Line 22 - Net Long-Term Capital Gain Subtraction From Income for Assets Acquired After December 31, 2011.

Multiply the amount on line 21 by 25% and enter the result.

Line 23 - Net Capital Gain from Investment in a Qualified Small Business

You may subtract the amount of any net capital gain included in federal adjusted gross income for the taxable year derived from investment in a qualified small business as determined by the Arizona Commerce Authority (ACA) pursuant to A.R.S. § 41-1518.

To qualify for this subtraction, your investment in the qualified small business must have been made *after* the ACA certified the company as a qualified small business and *before* the company's certification expiration date. An investment made prior to certification or after the expiration of certification does not qualify for this subtraction. See the ACA's website, *Small Business Incentives: Angel Investment*, for a list of certified businesses and their certification dates. On line 23, enter the amount of the allowable subtraction.

CAUTION: *If the amount entered on line 23 includes any long-term capital gain from an investment made after December 31, 2011, you cannot include that portion of the net capital gain in your computation of the allowable subtraction for any net long-term capital gain of assets acquired after December 31, 2011, and included in federal adjusted gross income. For more information, see the instructions on page 30 for the amount to enter on line 13, column (c), of the net long-term capital gain worksheet.*

Line 24 - Recalculated Arizona Depreciation

NOTE: *For more information and examples of how to calculate Arizona bonus depreciation, see the department's procedure, ITP 16-2, Procedure for Individuals who Claim Federal and/or Arizona Bonus Depreciation.*

For assets placed in service in taxable years beginning before December 31, 2012, enter the total amount of depreciation allowable pursuant to IRC § 167(a) for the taxable year calculated as if you had elected not to claim bonus depreciation for eligible properties for federal purposes.

For assets placed in service during taxable years beginning from and after December 31, 2012 through December 31, 2013, the amount of the subtraction for these assets depends on the method used to compute the depreciation for these assets.

For assets placed in service in taxable years beginning from and after December 31, 2013 through December 31, 2015,

enter the total amount of depreciation allowable pursuant to IRC § 167(a) for the taxable year calculated as if the bonus depreciation is 10% of the amount of federal bonus depreciation pursuant to IRC § 168(k).

For assets placed in service in taxable years beginning from and after December 31, 2015 through December 31, 2016, enter the total amount of depreciation allowable pursuant to IRC § 167(a) for the taxable year calculated as if the bonus depreciation is 55% of the amount of federal bonus depreciation pursuant to IRC § 168(k).

For assets placed in service in taxable years beginning from and after December 31, 2016, enter the total amount of depreciation allowable pursuant to IRC § 167(a) for the taxable year calculated as if the bonus depreciation had been the full amount of federal bonus depreciation pursuant to IRC § 168(k).

Line 25 – Partnership Income Adjustment (Negative)

Use this adjustment if line 3, of your Arizona Form 165 Schedule K-1, shows a difference between federal and state distributable income.

If the difference reported on line 3, of your Arizona Form 165 Schedule K-1, is a negative number, enter that difference on line 25. **Do not include a minus sign or use parenthesis.**

NOTE: *If the difference reported on line 3, of your Arizona Form 165 Schedule K-1, is a positive number, enter that difference as an addition on line 14.*

Line 26 – Reserved

Do not enter an amount on line 26.

Line 27 - Interest on U.S. Obligations

Enter the amount of interest income from U.S. Government obligations included as income on your federal return. U.S. Government obligations include obligations such as savings bonds and treasury bills. You cannot deduct any interest or other related expenses incurred to purchase or carry the obligations. If such expenses are included in your Arizona gross income, you must reduce the subtraction by such expenses. If you are itemizing deductions on your Arizona return, you must exclude such expenses from the amount deducted.

NOTE: *Do not subtract interest earned on Fannie Mae (FNMA) or Ginnie Mae (GNMA) bonds since this interest is taxable by Arizona. For details, see the department's ruling, ITR 06-1, Obligations of the United States Government, Federal Agencies, and United States Territories.*

Do not subtract any amount received from a qualified pension plan that invests in U.S. Government obligations. Do not subtract any amount received from an IRA that invests in U.S. Government obligations. These amounts are not interest income. For details, see the department's rulings, ITR 96-2, *Pension Plan Distributions Derived from Investment in U.S. Government Obligations*; and ITR 96-3, *Distributions Comprised of Income Earned by the IRA*.

Line 28 - Exclusion for U.S. Government, Arizona State or Local Government Pensions

If you receive pension income from any of the sources listed below, subtract the amount you received or \$2,500, whichever is less. Include only the amount you reported as income on your federal return. If both you and your spouse receive such pension income, each spouse may subtract the amount received or \$2,500, whichever is less.

Public pensions from the following sources qualify for this subtraction:

- the United States Government Service Retirement and Disability Fund,
- the United States Foreign Service Retirement and Disability System,
- retired or retainer pay of the uniformed services of the United States,
- any other retirement system or plan established by federal law,

NOTE: *This applies only to those retirement plans authorized and enacted into the U.S. Code. This does not apply to a retirement plan that is only regulated by federal law (i.e., plans which must meet certain federal criteria to be qualified plans).*

- the Arizona State Retirement System,
- the Arizona State Retirement Plan,
- the Corrections Officer Retirement Plan,
- the Public Safety Personnel Retirement System,
- the Elected Officials' Retirement Plan,
- a retirement plan established for employees of a county, city, or town in Arizona, and
- an optional retirement program established by the Arizona Board of Regents under Arizona Revised Statutes, and an optional retirement program established by an Arizona community college district.

NOTE: *Public retirement pensions from states other than Arizona do not qualify for this subtraction.*

Line 29 - Arizona State Lottery Winnings

You may subtract up to \$5,000 of winnings received in 2017 for Arizona lottery prizes.

If you subtract Arizona lottery winnings here, you may have to adjust the amount of gambling losses claimed as an itemized deduction. See instructions for Arizona Form 140 Schedule A, *Itemized Deduction Adjustments*.

Line 30 - U.S. Social Security Benefits or Railroad Retirement Benefits

Arizona does not tax the following:

- social security benefits received under Title II of the Social Security Act, or
- railroad retirement benefits received from the Railroad Retirement Board under the Railroad Retirement Act, tier 1 or tier 2 railroad retirement benefits, railroad disability benefits reported on federal forms RRB-1099 and RRB-1099-R, railroad unemployment benefits and railroad

sickness payments paid by the Railroad Retirement Board.

For more information, see the department's ruling, ITR 16-1, *Railroad Retirement Benefits, Railroad Disability Benefits, Railroad Unemployment Benefits and Railroad Sickness Payments*.

If you included such social security or railroad retirement benefits as income on your federal return, use line 30 to subtract this income.

NOTE: *Enter only the taxable amount (the amount that was subject to federal income tax). Do not include any amount that was not subject to federal income tax.*

Line 31 - Certain Wages of American Indians

Enrolled members of American Indian tribes may subtract wages earned while living and working on their tribe's reservation. The federal government must recognize these tribes. For more information, see the department's ruling, ITR 96-4, *Income Taxation of Indians and Spouses*.

Line 32 - Pay Received for Active Service as a Member of the Reserves, National Guard or the U.S. Armed Forces

Members of the U.S. armed forces may subtract pay received for active duty military service. On line 32, enter the amount of that income included in your federal adjusted gross income.

Members of the reserves or the National Guard may subtract pay received for active service as a reservist or as a National Guard member. This includes pay received for weekend or two-week training periods. On line 32 enter the amount of that income included in your federal adjusted gross income.

Military Technician (dual status)

You may **not** subtract any income you received for full-time civil service employment as a "military technician (dual status)." Compensation received by a "military technician (dual status)" for federal civil service employment for the National Guard or for the United States Reserves, is not income received for active service as a National Guard member for a Reserve member even though the employee may be required to wear a military uniform while at work.

For more information, see the department's ruling, ITR 12-2, *Compensation Received by a National Guard member or a member of the United States Reserves*.

NOTE: *You may not subtract pay received for active duty service as a member of the U.S. Public Health Service or NOAA. For more information, see the department's ruling, ITR 10-1, Does the subtraction, for armed forces personnel, under A.R.S. § 43-1022 apply to Arizona residents who are active duty service members of the commissioned corps of the United States Public Health Service or the National Oceanic and Atmospheric Administration?*

Line 33 - Net Operating Loss Adjustment

Arizona did not adopt the special federal net operating loss rules for losses incurred during 2008 or 2009. For Arizona purposes, you must deduct a net operating loss as if the loss

was computed under IRC §172 in effect prior to the enactment of those special rules. If you made an election to deduct your 2008 or 2009 federal net operating loss under IRC § 172(b)(1)(H), you may have to enter an amount here. Figure how much of the net operating loss carry forward would have been allowed as a deduction on your 2017 federal income tax return, if the election described in IRC § 172(b)(1)(H) had not been made in the year of the loss. On line 33, enter the amount that exceeds the actual net operating loss carry forward that was deducted in arriving at federal adjusted gross income.

NOTE: *This subtraction applies to only those individuals who made an election under the special federal net operating loss rules for 2008 and 2009. Under the special rules for 2008 and 2009, you could have elected to carry the net operating loss back for 3, 4 or 5 years, instead of the normal 2 years. This election would have been allowed under IRC § 172(b)(1)(H) as amended by the American Recovery and Reinvestment Act of 2009 or the Worker, Homeownership, and Business Assistance Act of 2009.*

Line 34 - Contributions to 529 College Savings Plans

You may subtract amounts you contributed to 529 college savings plans during the taxable year. You may subtract the amount you contributed during the year up to a total of \$2,000 (\$4,000 for a married couple filing a joint return.) If you are married filing separate returns, either you or your spouse may take the subtraction, or you may divide it between you, but the total subtraction taken by both of you cannot be more than \$4,000.

If you contribute more than \$2,000 (\$4,000 if married) during the year, your total subtraction is still limited to \$2,000 (\$4,000 if married.)

For example: Jorge and Kate are married and have two children. During 2017, Jorge and Kate contributed \$2,500 to a 529 plan for Child 1 and \$2,500 to a 529 plan for Child 2. Even though Jorge and Kate contributed a total of \$5,000 during 2017, they may subtract only \$4,000 on their 2017 return.

You may take a subtraction for a contribution that you made during 2017 to a plan that existed before 2017. You may take a subtraction for a contribution that you made during 2017 to a plan established in another state. You may take a subtraction for a contribution that you made in 2017 to any 529 college savings plan. This could be a plan established for a child, grandchild, niece, nephew, or any other person for whom a plan has been established.

You cannot take a subtraction for an amount transferred from one college savings plan to a different college savings plan (a rollover).

Line 35 - Other Subtractions from Income

Use line 35 if any of the following special circumstances apply. Include your own schedule with your return explaining any amounts entered here. Include your schedule with the return.

A. Fiduciary Adjustment

A fiduciary uses Form 141AZ Schedule K-1 to report to you your share of the fiduciary adjustment from the trust or estate.

Line 3 of Form 141AZ Schedule K-1 shows your share of the fiduciary adjustment from the estate or trust. If the amount reported on line 3 of your Arizona Form 141AZ Schedule K-1, is a negative number, include that amount as a subtraction on line 35.

NOTE: *If the amount reported on line 3 of your Arizona Form 141AZ Schedule K-1, is a positive number, enter that amount as an addition on line 16.*

B. Federally Taxable Arizona Municipal Interest as Evidenced by Bonds

Include the amount of any interest income received on obligations of the State of Arizona, or any political subdivisions of Arizona, as evidenced by bonds, and is included in your Arizona gross income. Do not enter any Arizona municipal interest that is exempt from federal taxation and not included in your federal adjusted gross income. For more information, see the department's ruling, ITR 15-1, *Arizona Municipal Interest that is Included in Federal Adjusted Gross Income*.

C. Adoption Expenses

You may take this subtraction only in the year the final adoption order is granted. Include the lesser of the total of the following adoption expenses or \$3,000. When figuring your subtraction, you may include expenses incurred in prior years.

The following expenses are qualified adoption expenses:

- unreimbursed medical and hospital costs,
- adoption counseling,
- legal and agency fees, and
- other nonrecurring costs of adoption.

If you are married and filing separately, you may take the entire subtraction or you may divide the subtraction with your spouse. However, the total subtraction taken by both you and your spouse cannot exceed \$3,000.

D. Qualified Wood Stove, Wood Fireplace, or Gas Fired Fireplace

Arizona law provides a subtraction for converting an existing fireplace to one of the following:

- a qualified wood stove,
- a qualified wood fireplace, or
- a gas fired fireplace and non-optional equipment directly related to its operation.

You may subtract up to \$500 of the costs incurred for converting an existing fireplace on your property located in Arizona. When you figure your subtraction, do not include taxes, interest, or other finance charges.

A qualified wood stove or a qualified wood fireplace is a residential wood heater that was manufactured on or after July 1, 1990, or sold at retail on or after July 1, 1992. The residential wood heater must also meet the U.S.

Environmental Protection Agency's July 1990 particulate emissions standards.

A qualified gas fired fireplace is any device that burns natural or liquefied petroleum gas as its fuel through a burner system that is permanently installed in the fireplace. The conversion of an existing wood burning fireplace to noncombustible gas logs that are permanently installed in the fireplace also qualifies as a gas fired fireplace.

E. Claim of Right Adjustment for Amounts Repaid in Prior Taxable Years

You must make an entry here if **all** of the following apply:

- During a year prior to 2017 you were required to repay amounts held under a claim of right.
- You computed your tax for that prior year under Arizona's claim of right provisions.
- A net operating loss or capital loss was established due to the repayment made in the prior year.
- You are entitled to take that net operating loss or capital loss carryover into account when computing your 2017 Arizona taxable income.
- The amount of the loss carryover allowed to be taken into account for Arizona purposes is more than the amount included in your federal income.

Include the amount by which the loss carryover allowed for the taxable year under Arizona law is more than the amount included in your federal adjusted gross income.

F. Certain Expenses Not Allowed for Federal Purposes

You may subtract some expenses that you cannot deduct on your federal return when you claim certain federal tax credits. These federal tax credits include the following:

- the Federal Work Opportunity Credit
- the Empowerment Zone Employment Credit
- the credit for employer-paid social security taxes on employee cash tips
- the Indian Employment Credit.

If you received any of the above federal tax credits for 2017, include the portion of wages or salaries you paid or incurred during the taxable year equal to the amount of those federal tax credits you received.

G. Qualified State Tuition Program Distributions

If you are a beneficiary of a qualified state tuition program, you may subtract some of the amount distributed from the program for qualified education expenses. Include the amount of the distribution that you had to include in your federal adjusted gross income. A qualified state tuition program is a program that meets the requirements of IRC § 529.

H. Subtraction for World War II Victims

You may subtract distributions made to you for your persecution or the persecution of your ancestors by Nazi Germany or any other Axis regime for racial, religious or political reasons. If you are the first recipient of such distributions, include the amount of the distributions that you had to include in your federal adjusted gross income.

You may also subtract items of income that are attributable to, derived from, or related to assets that were stolen or hidden from or lost to you if you were persecuted by Nazi Germany or any other Axis regime for racial, religious, or political reasons before, during or immediately after World War II. If you are the first recipient of such income, include the amount of income that you had to include in your federal adjusted gross income.

I. Installment Sale Income from Another State Taxed by the Other State in a Prior Taxable Year

You may subtract income from an installment sale if **both** of the following apply:

- The income from the sale is subject to Arizona income tax in 2017.
- You paid income tax to another state on that income in a **prior** tax year.

Include the amount of such income that you included in your Arizona gross income for 2017.

Do not include any amount that is subject to tax by both Arizona and another state in 2017. In this case, you may be eligible for a tax credit. See Arizona Form 309 for details.

J. Agricultural Crops Given to Arizona Charities

Arizona law allows a subtraction for qualified crop gifts made during 2017 to one or more charitable organizations. To take this subtraction, **all** of the following must apply:

- You must be engaged in the business of farming or processing agricultural crops.
- The crop must be grown in Arizona.
- You made your gift to a charitable organization located in Arizona that is exempt from Arizona income tax.

The subtraction is the larger of the wholesale market price or the most recent sale price for the contributed crop. The amount of the subtraction cannot include any amount deducted pursuant to IRC § 170 with respect to crop contribution that exceeds the cost of producing the contributed crop. To determine if your crop gift qualifies for this subtraction, see the department's procedure, ITP 12-1, *Establishing an Income Tax Subtraction for Agricultural Crops Contributed to Charitable Organizations*.

K. Basis Adjustment for Property Sold or Otherwise Disposed of During the Taxable Year

With respect to property that is sold or otherwise disposed of during the taxable year by a taxpayer who has complied with the requirement to add back all depreciation with respect to that property on tax returns for all taxable years beginning from and after December 31, 1999, include the amount of depreciation that has been allowed pursuant to IRC § 167(a) to the extent that the amount has not already reduced Arizona taxable income in the current or prior years. (Note: The practical effect of this is to allow a subtraction for the difference in basis for any asset for which bonus depreciation has been claimed on the federal return.)

L. Previously Deferred Discharge of Indebtedness (DOI) Income Adjustment

Generally, when a loan is settled for less than the amount owed, DOI income is realized by the debtor and usually must be included in the debtor's gross income. The amount of DOI income is generally equal to the amount of loan forgiveness. DOI income also occurs when a debtor repurchases his or her own debt at a discount (a price lower than the adjusted basis issue price of the debt instrument). In debt repurchase transactions, the amount of DOI income is generally equal to the difference between the adjusted issue price and the price paid for the debt instrument.

For federal purposes, a taxpayer may have made a special election for taxable years 2009 or 2010 to include DOI income in connection with the reacquisition of a business debt instrument, ratably over a 5 year period. A taxpayer that made this election will generally include this income in federal adjusted gross income beginning with the 2014 taxable year. A taxpayer would have made the federal election under IRC § 108(i) as added by the American Recovery and Reinvestment Act of 2009. Arizona did not adopt the special federal DOI income deferral provisions for the 2009 or 2010 taxable year. For Arizona purposes, if you made the federal election to defer the inclusion of DOI income under IRC § 108(i), you were required to add the amount of deferred DOI income to Arizona income for the year for which you made the election.

If you made the required addition to Arizona income on the Arizona return filed for the year in which you reacquired the debt instrument (2009 or 2010), Arizona will not tax that DOI income twice. In the year in which you include that deferred DOI income in your federal adjusted gross income, you may take a subtraction for the amount included for that year.

Usually this subtraction will apply to taxable years 2014 through 2018. On line 35, include the amount of previously deferred DOI income that you included in your federal adjusted gross income for the current taxable year to the extent that the amount was previously added to your Arizona income.

M. Original Issue Discount (OID) on Reacquisition of Business Debt Instrument

For federal purposes, when a taxpayer made the special election to defer DOI income under IRC § 108(i), the taxpayer was not allowed to take a deduction with respect to the portion of any OID that accrued with respect to that DOI income, during the income deferral period. In this case, the taxpayer must deduct the aggregate amount of the OID deductions disallowed ratably over a 5 year period, beginning with the period in which the income is includible in federal adjusted gross income.

Arizona did not adopt the federal provisions requiring a taxpayer to defer the OID deduction in cases where the taxpayer federally deferred the DOI income under IRC § 108(i). For Arizona purposes, you were required to add the amount of deferred DOI income to Arizona income on the return filed for the year in which you reacquired the debt instrument.

Since Arizona taxed the federally deferred DOI income for 2009 or 2010 on your 2009 or 2010 Arizona return, you may subtract the amount of OID that accrued during the taxable year with respect to that DOI income.

On line 35, include the amount of any OID that was deferred and not allowed to be deducted in computing your federal adjusted gross income for 2017 under IRC § 108(i).

N. Sole Proprietorship Income of an Arizona Nonprofit Medical Marijuana Dispensary included in Federal Adjusted Gross Income

If you are registered as an Arizona sole proprietorship with the Arizona Department of Health Services to operate in this state as a nonprofit medical marijuana dispensary, you may subtract the amount of the income from the dispensary that is included in the computation of your federal adjusted gross income. Include the amount of the income on line 35.

NOTE: *If the Arizona nonprofit medical marijuana dispensary is registered with the Arizona Department of Health Services as anything other than a sole proprietorship, this subtraction does not apply.*

O. Long-Term Care Insurance Premiums

You may subtract the amount of premium costs for long-term care insurance for qualified long-term care services. Qualified long-term care services are necessary diagnostic, preventive, therapeutic, curing, treating, mitigating, rehabilitative services, and maintenance and personal care services.

You may take this subtraction only if you are **not** claiming itemized deductions for the taxable year. Include the allowable subtraction on line 35.

An individual, who claims itemized deductions, may **not** take this subtraction.

P. Long-Term Health Care Savings Accounts

You may subtract amounts you paid into a long-term health care savings account established under Arizona law. An individual may establish a long-term health care savings account with an account Administrator who will manage the account.

For more information regarding the subtraction for contributions made to a long-term health care savings account, see A.R.S. § 43-1032.

The total amount you may subtract is equal to the amount of your contributions that are included in your federal adjusted gross income. Include the amount of the allowable subtraction on line 35.

Do not include on line 35 any amounts already excluded in the computation of your federal adjusted gross income

Q. Other Adjustments

Another special adjustment may be necessary. Call one of the numbers on page 1 of these instructions if you deferred exploration expenses determined under IRC § 617 in a taxable year ending before January 1, 1990, and you have not previously taken a subtraction for those expenses.

Line 36 -

Subtract lines 22 through 35 from line 17 and enter the difference.

Line 37 -

Enter the amount from page 1, line 36.

Exemptions - Lines 38 through 41

Line 38 - Age 65 or Over

Multiply the number in box 8 on the front of your return by \$2,100 and enter the result.

Line 39 - Blind

Multiply the number in box 9 on the front of your return by \$1,500 and enter the result.

Line 40 - Dependents

Multiply the number in box 10 on the front of your return by \$2,300 and enter the result.

Line 41 - Qualifying Parents and Grandparents

Multiply the number in box 11 on the front of your return by \$10,000 and enter the result.

Line 42 - Arizona Adjusted Gross Income

Subtract lines 38 through 41 from line 37 and enter the difference.

Figuring Your Tax

Line 43 - Standard or Itemized Deductions

You must decide whether to take the standard deduction or to itemize your deductions. Your Arizona income tax will be less if you take the larger of your standard deduction or your itemized deductions.

 When you *e-file*, the software completes the math for you.

Your Standard Deduction

If you take the standard deduction, check box 43S.

If your filing status is:	Your standard deduction is:
• Single	\$5,183
• Married filing separate	\$5,183
• Married filing joint	\$10,336
• Head of household	\$10,336

Your Itemized Deductions

If you itemize your deductions, check box 43I.

You may claim itemized deductions on your Arizona return even if you take a standard deduction on your federal return. For the most part, you may claim those deductions allowable as itemized deductions under the IRC.

In some cases, the amount allowed for some deductions may not be the same as the amount allowable for federal purposes.

You may have to adjust the amounts shown on your completed federal Form 1040 Schedule A.

See Arizona Form 140 Schedule A, *Itemized Deduction Adjustments*, to figure if you have to make any adjustments.

To figure your itemized deductions, you must complete a federal Form 1040 Schedule A. Then, if required, complete Arizona Form 140, Schedule A, *Itemized Deduction Adjustments*.

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, line 43.

You must include a copy of the completed federal Schedule A with your Arizona return.

Line 44 - Personal Exemptions

The amount you may claim as a personal exemption depends on your filing status. If married, the amount you may claim as a personal exemption also depends on whether you or your spouse claim dependents. You may use the following chart to figure your personal exemption.

If married, you may also use Arizona Form 202, *Personal Exemption Allocation Election*, to figure your personal exemption.

Personal Exemption Chart	
If you checked filing status:	Enter:
• Single (Box 7)	\$2,150
• Married filing joint return (Box 4) and claiming no dependents (Box 10)	\$4,300
• Married filing joint return (Box 4) and claiming at least one dependent (Box 10) excluding persons listed who did not qualify as a dependent on your federal return [Box 10, column (e)].	\$6,450
• Head of household and you are not married (Box 5)	\$4,300
• Head of household and you are a married person who qualifies to file as head of household (Box 5)	\$3,225, or complete Form 202
• Married filing separate return (Box 6) with neither spouse claiming any dependents (Box 10)	\$2,150, or complete Form 202
• Married filing separate return (Box 6) with one spouse claiming at least one dependent (Box 10) excluding persons listed who did not qualify as a dependent on your federal return [Box 10, column (e)].	\$3,225, or complete Form 202

A married couple who does not claim any dependents may take one personal exemption of \$4,300. If the husband and wife file separate returns, either spouse may take the entire \$4,300 exemption, or the spouses may divide the \$4,300 between them. You and your spouse must complete Form 202 if either you or your spouse claim a personal exemption of more than \$2,150. If you and your spouse do not complete

Form 202, you may take an exemption of only \$2,150 (one-half of the total \$4,300).

A married couple who claims at least one dependent may take one personal exemption of \$6,450. If the husband and wife file separate returns, either spouse may take the entire \$6,450 exemption, or the spouses may divide the \$6,450 between them. You and your spouse must complete Form 202 if either you or your spouse claims a personal exemption of more than \$3,225. If you and your spouse do not complete Form 202, you may take an exemption of only \$3,225 (one-half of the total \$6,450).

If you are a married person who qualifies to file as a head of household, you may take the entire \$6,450 personal exemption or you may divide the exemption with your spouse. You and your spouse must complete Form 202 if either you or your spouse claims a personal exemption of more than \$3,225. If you and your spouse do not complete Form 202 you may take an exemption of only \$3,225 (one-half of the total \$6,450).

The spouse who claims more than one-half of the total personal exemption must include the original Form 202 with his or her return. The spouse who claims less than one-half of the total personal exemption must include a copy of the completed Form 202 with his or her return.

Line 45 - Arizona Taxable Income

Subtract lines 43 and 44 from line 42 and enter the difference. If less than zero, enter "0". Use this amount to calculate your tax using Tax Table X or Y or the Optional Tax Tables.

Line 46 - Tax Amount

Enter the tax from either Tax Table X or Y or the Optional Tax Tables. If your taxable income is less than \$50,000, use the Optional Tax Table. If your taxable income is \$50,000 or more, use Tax Table X or Y.

Line 47 - Tax from Recapture of Credits from Arizona Form 301

Enter the amount of tax due from recapture of the credits from Arizona Form 301, Part 2, line 40.

Line 48 - Subtotal of Tax

Add lines 46 and 47 and enter the total.

Line 49 - Family Income Tax Credit

e-file E-file software will let you know if you are eligible and will figure the credit for you.

NOTE: *The family income tax credit will only reduce your tax and cannot be refunded.*

You may claim this credit if your income does not exceed the maximum income allowed for your filing status.

- Complete Steps 1, 2, and 3 to see if you qualify for this credit.
- If you qualify to take this credit, complete Worksheet II in Step 4.

Step 1

Complete Worksheet I below.

Worksheet I (continued on next column)		
1. Enter the amount from Form 140, line 42		\$
2. Enter the amount from Form 140, line 38.	\$	
3. Enter the amount from Form 140, line 39.	\$	
4. Enter the amount from Form 140, line 40.	\$	
5. Enter the amount from Form 140, line 41.	\$	
6. Add the amounts on lines 2 through 5 and enter the total.		
7. Add lines 1 and 6 and enter the total.		\$

Step 2

Look at the following tables. Find your filing status.

- Use Table I if married filing a joint return.
- Use Table II if head of household.
- Use Table III if single or married filing separate return.

Step 3

- Look at column (a) and find the number of dependents you are claiming (Form 140, page 1, box 10 excluding persons listed who did not qualify as a dependent on your federal return).
- Find the maximum income [in column (b)] for the number of dependents you are claiming.
- Compare that income [the amount in column (b)] with the income listed in Step 1 on Worksheet I, line 7.

If the amount entered in Step 1 on Worksheet I, line 7 is equal to or less than the maximum income allowed for the number of dependents you are claiming on Form 140, page 1, box 10, excluding persons listed who did not qualify as your dependent on your federal return, you qualify to claim this credit. To figure your credit, complete Step 4.

Table I Married Filing Joint Return	
Column (a)	Column (b)
Number of dependents you are claiming on Form 140, page 1, box 10 excluding persons listed who did not qualify as a dependent on your federal return [Box 10, column (e)].	Maximum Income
• 0 or 1	\$20,000
• 2	\$23,600
• 3	\$27,300
• 4 or more	\$31,000

Table II Head of Household	
Column (a)	Column (b)
Number of dependents you are claiming on Form 140, page 1, box 10, excluding persons listed who did not qualify as a dependent on your federal return [Box 10, column (e)].	Maximum Income
• 0 or 1	\$20,000
• 2	\$20,135
• 3	\$23,800
• 4	\$25,200
• 5 or more	\$26,575

Table III Single or Married Filing Separate Return	
Column (a)	Column (b)
Number of dependents you are claiming on Form 140, page 1, box 10 excluding persons listed who did not qualify as a dependent on your federal return [Box 10, column (e)].	Maximum Income
• 0 or more	\$10,000

Step 4

If you qualify to claim the credit, complete Worksheet II.

Worksheet II You must complete Steps 1 through 3 before you complete Worksheet II	
1. Enter the number of dependents you entered on Form 140, page 1, box 10, excluding persons listed who did not qualify as a dependent on your federal return [Box 10, column (e)].	
2. Enter the number of personal exemptions. If you checked filing status 4, enter the number 2 here. If you checked filing status 5, 6, or 7, enter the number 1 here.	
3. Add lines 1 and 2. Enter the total.	
4. Multiply the amount on line 3 by \$40. Enter the result.	\$
5. If you checked filing status 4 or 5, enter \$240 here. If you checked filing status 6 or 7, enter \$120 here.	\$
6. Enter the lesser of line 4 or line 5. Also, enter this amount on Form 140, line 49.	\$

Line 50 - Nonrefundable Credits from Arizona Form 301

Complete line 50 if you claim any of the following credits. Also make sure that you complete and include Form 301 and the appropriate credit form or forms with your return.

1. **Enterprise Zone Credit.** The enterprise zone credit for individuals was repealed. All credits for enterprise zones that were properly established can be carried forward for the respective five year carry forward period. See Form 304 for more information.

2. **Environmental Technology Facility Credit.** You may qualify for this credit if your business incurred expenses in constructing a qualified environmental technology manufacturing facility. Use Form 305 to figure this credit.

3. **Military Reuse Zone Credit.** You may qualify for this credit if you have qualifying net increases in full-time employment within a military reuse zone. Use Form 306 to figure this credit.

4. **Recycling Equipment Credit.** The recycling equipment credit for individuals was repealed. All credits for recycling equipment that were properly established can be carried forward for the respective 15 year carry forward period. Use Form 307 to figure any allowable credit carryover.

5. **Credit for Increased Research Activities - Individuals.** You may qualify for this credit if you incurred qualified research expenses for research conducted in Arizona. Use Form 308-I to figure this credit. Be sure to include **only** the nonrefundable portion on Form 140, line 50.

6. **Credit for Taxes Paid to Another State or Country.** You may qualify for this credit if you paid tax to Arizona and another state or country on the same income. Use Form 309 to figure your credit.

7. **Credit for Solar Energy Devices.** You may qualify for this credit if you installed a solar energy device in your residence located in Arizona. Use Form 310 to figure this credit.

8. **Agricultural Water Conservation System Credit.** You may qualify for this credit if you incurred expenses to purchase and install an agricultural water conservation system in Arizona. Use Form 312 to figure this credit.

9. **Pollution Control Credit.** You may qualify for this credit if you purchased depreciable property used in a trade or business to reduce or prevent pollution. Use Form 315 to figure this credit.

10. **Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets.** You may qualify for this credit if you installed solar hot water heater plumbing stub outs or electric vehicle recharge outlets in houses or dwelling units you constructed.

The taxpayer that constructed the dwelling may also transfer the credit to a purchaser. Use Form 319 to figure this credit.

11. **Credit for Employment of TANF Recipients.** You may qualify for this credit if you employed TANF recipients during the taxable year. Use Form 320 to figure this credit.

12. **Credit for Contributions to Qualifying Charitable Organizations.** You may qualify for this credit if you made contributions to qualifying charitable organizations. Use Form 321 to figure this credit.

13. **Credit for Contributions Made or Fees Paid to Public Schools.** You may qualify for this credit if you made contributions or paid certain fees to public schools in Arizona. Use Form 322 to figure this credit.

14. **Credit for Contributions to Private School Tuition Organizations.** You may qualify for this credit if you made contributions to a school tuition organization that provides

scholarships or grants to qualified schools. Use Form 323 to figure this credit.

15. Agricultural Pollution Control Equipment Credit. You may qualify for this credit if you are involved in commercial agriculture and incurred expenses to purchase tangible personal property that is primarily used in your trade or business to control or prevent pollution. Use Form 325 to figure this credit.

16. Credit for Donation of School Site. You may qualify for this credit if you donated real property and improvements to a school district or a charter school for use as a school or as a site for the construction of a school. Use Form 331 to figure this credit.

17. Credits for Healthy Forest Enterprises. You may qualify for these credits if you had net increases in qualified employment positions in a healthy forest enterprise and net training and certifying costs. Use Form 332 to figure these credits.

18. Credit for Employing National Guard Members. You may qualify for this credit if you are an employer who has an employee that is a member of the Arizona National Guard if the employee is placed on active duty. Use Form 333 to figure this credit.

19. Credit for Business Contributions by an S Corporation to School Tuition Organizations - Individual. S corporations that make qualifying contributions of \$5,000 or more may pass-through the credit to its individual shareholders on a *pro rata* basis. See Form 335-I for more information.

20. Credit for Solar Energy Devices - Commercial and Industrial Applications. This credit is available to taxpayers that installed solar energy devices for commercial, industrial, or other nonresidential applications located in Arizona. Use Form 336 to figure this credit.

21. Credit for Investment in Qualified Small Businesses. You may qualify for this credit if you made an investment in a qualified small business. Use Form 338 to figure this credit.

22. Credit for Donations to the Military Family Relief Fund. You may qualify for this credit if you made a cash contribution to the Arizona Military Family Relief Fund during the taxable year. Use Form 340 to figure this credit.

23. Credit for Business Contributions by an S Corporation to School Tuition Organizations for Displaced Students or Students with Disabilities - Individual. S corporations that make qualifying contributions of \$5000 or more may pass-through the credit to its individual shareholders on a *pro rata* basis. See Form 341-I for more information.

24. Renewable Energy Production Tax Credit. You may qualify for this credit if you produced electricity using a qualified energy resource. Use Form 343 to figure this credit.

25. Solar Liquid Fuel Credit. You may qualify for this credit if you incurred expenses for (1) research and development costs associated with solar liquid fuel, (2) for the production of solar liquid fuel in this state in commercial quantities, and (3) for costs incurred during the taxable year to convert or modify

existing motor vehicle fuel service stations for the retail sale of solar liquid fuel to customers. Use Form 344 to figure this credit.

26. Credit for New Employment. For taxable years beginning from and after June 30, 2011, you may qualify for this credit if your business had a net increase in qualified employment positions. Use Form 345 to figure this credit.

27. Additional Credit for Increased Research Activities for Basic Research Payments. You may qualify for this credit for qualified basic research payments for research conducted in Arizona. Approval by the Department of Revenue is required prior to claiming this credit. Use Form 346 to figure this credit.

28. Credit for Qualified Health Insurance Plans. The credit for qualified health insurance plans for individuals has been repealed. All credits for qualified health insurance plans that were properly established can be carried forward for the respective three year carry forward period. Use Form 347 to figure this credit.

29. Credit for Contributions to Certified School Tuition Organization (for the amounts that exceed the allowable credit on AZ Form 323). You may qualify for this credit if you made contributions to school tuition organization(s) that exceed the allowable credit amount on Arizona Form 323. Use Form 348 to figure this credit.

30. Credit for Renewable Energy Investment & Production for Self-Consumption by Manufacturers and International Operations Centers. You may qualify for this tax credit if you made an investment in new renewable energy facilities that produce energy for self-consumption using renewable energy resources if the power will be used primarily for manufacturing or in an international operations center. Use Form 351 to figure this credit.

31. Credit for Contributions to Qualifying Foster Care Charitable Organizations. You may qualify for this credit if you made contributions to qualifying foster care charitable organizations. Use Form 352 to figure this credit.

Compute your credit(s) on the appropriate form(s). Complete Arizona Form 301 and enter the amount from Form 301, Part 2, line 76 on Form 140, line 50. The total amount of credits on line 50 cannot reduce your tax below zero. These credits are nonrefundable credits.

Include Form 301 and completed tax credit forms, along with any supporting documents, with your return.

Line 51 - Balance of Tax

Subtract lines 49 and 50 from line 48. Enter the difference. If the sum of lines 49 and 50 is greater than line 48, enter "0".

Totaling Payments and Refundable Credits

Line 52 - 2017 Arizona Income Tax Withheld

Enter the Arizona income tax withheld shown on Form(s) W-2 from your employer(s). Also enter the Arizona income tax

withheld shown on your Form(s) 1099-R (distributions from pensions, annuities, etc.). Do not include any income tax withheld for another state. Include Form(s) W-2 and 1099-R after the last page of your return.

NOTE: *You should receive your Form(s) W-2 no later than January 31. If you did not receive a Form W-2 or you think your Form W-2 is wrong, contact your employer.*

Line 53 (Boxes a, b and line 53c) - 2017 Arizona Estimated Tax Payments including Amount Applied from Your 2016 Return; and Arizona Claim of Right

Use this line if you did any of the following:

- made 2017 estimated income tax payments to Arizona;
- applied any of your refund from your 2016 Arizona tax return to 2017 estimated taxes for Arizona; or
- recomputed a prior year’s tax under Arizona’s Claim of Right provisions.

Beginning in 2017, you **must** also complete and include the *Arizona Claim of Right-Individual* form(s) with your income tax return. If you fail to complete and include the form(s), the amount of your claim may be denied. The form is available on the department’s website at www.azdor.gov.

Box 53a: Enter the total amount of *estimated taxes* paid and/or applied to your 2017 taxes.

NOTE: *If you are married and made joint Arizona estimated payments for 2017, but are filing separate 2017 Arizona income tax returns, see the department’s ruling, ITR 02-3, Allocating Joint Estimated Payments to Separate Returns.*

Box 53b: Enter the amount from your *Arizona Claim of Right-Individual* form, line 8.

If you completed more than one Claim of Right form for the current taxable year, add all amounts on line 8 and enter the total in box 53b.

NOTE: *For more information on Arizona’s claim of right provisions, see the department’s procedure, ITP 16-1, Procedure for Individuals Who Restore Substantial Amounts Held Under a Claim of Right.*

Line 53c: Add the amounts in box 53a and box 53b. Enter the total on line 53c.

Line 54 - 2017 Arizona Extension Payment (Form 204)

Use this line to report the payment you sent with your 2017 extension request (Arizona Form 204) or the electronic extension payment you made using www.AZTaxes.gov.

Line 55 - Increased Excise Tax Credit

You may claim this credit if you meet **all** of the following:

- You **must** have a SSN that is valid for employment.
- You meet the income threshold for your filing status.
 - If you are married filing a joint return, or a head of household, you may claim this credit if the amount on Form 140, page 1, line 12, is \$25,000 or less.
 - If you are single or married filing a separate return,

you may claim this credit if the amount on Form 140, page 1, line 12 is \$12,500 or less.

- You are not claimed as a dependent by any other taxpayer.
- You were not sentenced for at least 60 days of 2017 to a county, state, or federal prison.

NOTE: *If you are filing a joint return with your spouse and your spouse was sentenced for at least 60 days during 2017 to a county, state or federal prison, you may claim the Excise Tax Credit if you otherwise qualify to claim the credit, but you cannot claim the credit for your spouse. If your spouse has a valid SSN, but you do not, neither you nor your spouse can claim this credit.*

For more information on how incarceration affects this credit, see the department’s publication, Pub. 709, *Excise Tax Credit - How Does Incarceration Affect Eligibility?*

If you are filing a joint return with your spouse, you may also claim this credit for your spouse if your spouse has either a valid SSN or an ITIN.

If you also claim a credit for qualifying children, your qualifying children **must** have either a valid SSN or an ITIN.

To figure your credit, complete the following worksheet.

NOTE: *Do not complete the following worksheet if you are claiming the property tax credit on Arizona Form 140PTC. Use Form 140PTC to figure both the credit for increased excise taxes and the property tax credit.*

If you are claiming both the credit for increased excise taxes and the property tax credit, enter the increased excise tax credit from Form 140PTC, page 1, line 17, on line 55; and enter the property tax credit from Form 140PTC, page 1, line 15, on line 56.

Credit for Increased Excise Taxes Worksheet (continued on next page)		
If you checked filing status 4 or 5, is the amount on Form 140, page 1, line 12, \$25,000 or less? If you checked filing status 6 or 7, is the amount on Form 140, line 12, \$12,500 or less?	Check One	
	Yes	No
If you checked no, STOP. You do not qualify for this credit. If you checked yes, complete the rest of this worksheet.		
1. Enter the number of dependents you entered on Form 140, page 1, box 10, excluding persons listed who did not qualify as a dependent on your federal return [Box 10, column (e)]. Also exclude any dependent that is not an Arizona resident.		
2. Number of personal exemptions. If you checked filing status 4, enter the number 2 here. If you checked filing status 5, 6, or 7, enter the number 1 here.		
3. Add lines 1 and 2. Enter the total.		
4. Multiply the amount on line 3 by \$25. Enter the result.	\$	

5. Maximum credit.	\$ 100	00
6. Enter the smaller of line 4 or line 5 here and also enter on Form 140, line 55.	\$	00

NOTE: *The credit cannot exceed \$100 per household. Do not claim this credit if someone else in your household has already claimed \$100 of the credit. If someone else in your household has claimed less than \$100, you may claim the credit as long as all credit claims filed from your household do not exceed \$100.*

Line 56 - Property Tax Credit

You may claim the property tax credit if you meet **all** of the following:

- You were either 65 or older in 2017 or, if under age 65, you were receiving SSI Title 16 income from the Social Security Administration.

NOTE: *SSI Title 16 income is not the normal Social Security disability.*

- You were an Arizona resident for the full year in 2017.
- You paid property tax on your Arizona home in 2017. You paid rent on taxable property for the entire year or you did a combination of both.
- If you lived alone, your total household income was under \$3,751. If you lived with others, the total household income was under \$5,501. To see what income is included in household income, see the Form 140PTC instructions.

Complete Form 140PTC to figure your credit. Enter the amount from Form 140PTC, page 1, line 15. Include Form 140PTC with your return.

TAX TIP: *To claim a property tax credit, you must file your claim or extension request by April 17, 2018. You cannot claim this credit on an amended return if you file the amended return after the due date of your return.*

Line 57 - Other Refundable Credits

Enter the total amount of refundable credits you are claiming from any of the following:

- Credit for Increased Research Activities - Individuals (Form 308-I)
- Credit for Renewable Energy Industry (Form 342)
- Credit for Qualified Facilities (Form 349)

If you enter an amount on this line, be sure you check the box or boxes to show which credit(s) you are claiming. Also, be sure to include the credit form(s) with your return.

Credit for Increased Research Activities - Individuals (Form 308-I)

A portion of this credit is refundable. You may qualify for the refundable increased research activities credit if you incurred qualified research expenses for research conducted in Arizona. For more information about this credit, and to see whether you may claim a refund of this credit, see Arizona Form 308-I.

You must include a copy of your “Certificate of Qualification” from the Arizona Commerce Authority, Form 301 and Form 308-I with your return to claim this credit.

If you are claiming a refund of the increased research activities credit from Form 308-I, enter the amount from Form 308-I, Part 5, line 35.

Credit for Renewable Energy Industry (Form 342)

You may qualify for the refundable renewable energy industry credit if you expanded or located a qualified renewable energy operation in Arizona. The tax credit is refundable in five equal installments. Pre-approval and post-approval are required through the Arizona Commerce Authority. For more information about this credit, see Arizona Form 342.

If you are claiming the credit for renewable energy industry, from Form 342, enter the amount from Form 342, Part 6, line 15, here.

Credit for Qualified Facilities (Form 349)

You may qualify for the refundable qualified facilities credit if you expanded or located a qualified facility in Arizona. This credit is refundable in five equal installments. Pre-approval and post-approval are required through the Arizona Commerce Authority. For more information about this credit, see Arizona Form 349.

You must include a copy of your “Certification of Qualification” from the Arizona Commerce Authority and Form 349 with your tax return to claim this credit. If you are claiming a refund of the qualified facilities credit from Form 349, enter the amount from Form 349, Part 8, line 20, here.

If you are claiming more than one of the refundable tax credits, add the amounts from the credit forms together and enter the total on line 57. You may use the following table to figure the amount to enter on line 57.

2017 - Refundable Credit Worksheet	
1. Enter the refundable credit from Form 308-I, Part 5, line 35.	
2. Enter the refundable credit from Form 342, Part 6, line 15.	
3. Enter the refundable credit from Form 349, Part 8, line 20.	
4. Add the amounts on lines 1 through 3. Enter the total here and on line 57.	

Line 58 - Total Payments and Refundable Credits

Line 58 is the total payments and refundable credits claimed. Add lines 52 through 57 and enter the total.

Arizona’s Claim of Right Provision

NOTE: *Arizona’s Claim of Right amount is now reported on line 53. See line 53 for instructions.*

Figuring Your Tax Due or Overpayment

Line 59 - Tax Due

If line 51 is more than line 58, you have tax due. Subtract line 58 from line 51 and enter the amount of tax due. Skip lines 60, 61 and 62.

Line 60 - Overpayment

If line 58 is more than line 51 you have an overpayment. Subtract line 51 from line 58 and enter the difference. Complete lines 61 and 62.

Line 61 - Amount of Line 60 to Apply to 2018 Estimated Tax

If you want all or part of your overpayment applied to next year's estimated taxes, enter that amount on line 61.

NOTE: *If you apply any of the amount shown on line 60 to 2018, you cannot use that amount to pay any tax that is later found to be due for 2017.*

You also may not claim a refund for that amount until you file your 2018 return.

Line 62 - Balance of Overpayment

Subtract line 61 from line 60 to determine your overpayment balance before voluntary gifts and any estimated payment penalty and/or Arizona Long-Term Health Care Savings Account (AZLTHSA) withdrawal penalty.

Making Voluntary Gifts

You can make voluntary gifts to each of the funds shown below. A gift will reduce your refund or increase the amount due with your return.

NOTE: *If you make a gift, you cannot change the amount of that gift later on an amended return.*

Line 63 - Solutions Teams Assigned to Schools Fund

You may give some or all of your refund to the Solutions Teams Assigned to Schools Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 79. Enter the amount you want to donate on line 63.

Gifts go to the Arizona Assistance for Education Fund. The Arizona Board of Education will distribute money to the Arizona Department of Education to fund solutions teams assigned to schools.

Line 64 - Arizona Wildlife Fund

You may give some or all of your refund to the Arizona Wildlife Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 79. Enter the amount you want to donate on line 64.

Your gift to the Arizona Wildlife Fund helps protect wildlife in the state. Many species like bald eagles, Apache trout and black-footed ferrets benefit from your gifts to this fund. Gifts are also used to improve areas for watching wildlife statewide.

Line 65 - Child Abuse Prevention Fund

You may give some or all of your refund to the Arizona Child Abuse Prevention Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 79. Enter the amount you want to donate on line 65.

Gifts go to the Arizona Child Abuse Prevention Fund. This fund provides financial aid to community agencies for child abuse prevention programs.

Line 66 - Domestic Violence Shelter Fund

You may give some or all of your refund to the Domestic Violence Shelter Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 79. Enter the amount you want to donate on line 66.

Gifts go to the Domestic Violence Shelter Fund. This fund provides financial aid to shelters for victims of domestic violence.

Line 67 - Political Gift

You may give some or all of your refund to a political party. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 79. Enter the amount you want to donate on line 67. If you donate to a political party, complete line 74.

Gifts go to one of the following political parties:

- Democratic
- Green Party
- Libertarian
- Republican

Line 68 - Neighbors Helping Neighbors Fund

You may give some or all of your refund to the Neighbors Helping Neighbors Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 79. Enter the amount you want to donate on line 68.

Gifts go to the Neighbors Helping Neighbors Fund. This fund provides eligible recipients with emergency aid in paying utility bills, conserving energy and weatherization.

Line 69 - Special Olympics Fund

You may give some or all of your refund to the Special Olympics Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 79. Enter the amount you want to donate on line 69.

Gifts go to the Special Olympics Fund. This fund helps provide programs of the Arizona Special Olympics.

Line 70 - Veterans' Donations Fund

You may give some or all of your refund to the Veterans' Donations Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 79. Enter the amount you want to donate on line 70.

Gifts go to the Veterans' Donations Fund, which may be used for veterans in Arizona.

Line 71 - I Didn't Pay Enough Fund

You may give some or all of your refund to the I Didn't Pay Enough Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 79. Enter the amount you want to donate on line 71.

Gifts that you make to the I Didn't Pay Enough Fund will aid the state by going to the Arizona general fund.

Line 72 - Sustainable State Parks and Roads Fund

You may give some or all of your refund to the Sustainable State Parks and Roads Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 79. Enter the amount you want to donate on line 72.

Gifts that you make to the Sustainable State Parks and Roads Fund will aid the state to operate, maintain and make capital improvements to buildings, roads, parking lots, highway entrances and any related structure used to operate state parks.

Line 73 - Spaying and Neutering of Animals Fund

You may give some or all of your refund to the Spaying and Neutering of Animals Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 79. Enter the amount you want to donate on line 73.

Gifts that you make to the Spaying and Neutering of Animals Fund will help to reduce pet overpopulation by sterilizing, at minimal or no cost, dogs and cats in this state, including those that are impounded and sterilized.

Line 74 - Political Party

If you entered an amount on line 67, check the box for the political party to which you wish to give. Select only one party. If you do not select a political party, the department will return the amount on line 67.

Line 75 -

- Estimated Payment Penalty
- Arizona Long-Term Health Care Savings Account (AZLTHSA) Withdrawal Penalty

Estimated Payment Penalty

NOTE: Do not complete Form 221, Underpayment of Estimated Tax by Individuals, if the amount on Form 140, line 52 is more than the amount on Form 140, line 51. If the amount on Form 140, line 52, is more than the amount on Form 140, line 51, skip line 75, unless you must report an Arizona Long-Term Health Care Savings Account penalty.

You must have made Arizona estimated income tax payments during 2017 if:		
Your filing status is:	AND Your Arizona gross income for 2016 was greater than:	AND Your Arizona gross income for 2017 was greater than:
Married Filing Joint	\$150,000	\$150,000
Single	\$75,000	\$75,000
Head of Household	\$75,000	\$75,000
Married Filing Separate	\$75,000	\$75,000

If you report as a farmer or fisherman for federal purposes, you were not required to make estimated payments during 2017 if the following apply:

- You are a calendar year filer. You file your Arizona return by March 1, 2018. You pay in full the amount stated on your return as owed.
- You are a fiscal year filer. You file your Arizona return by the first day of the third month after the end of your fiscal year. You pay in full the amount stated on your return as owed.

If the above applies, check Box 2 on line 76 and do not complete Form 221.

An individual who fails to make the required estimated payments is subject to penalty on any estimated tax payment that is late or underpaid.

Complete and include Form 221, *Underpayment of Estimated Tax by Individuals*, to determine if any penalty is due. Enter the total penalty from Form 221.

Arizona Long-Term Health Care Savings Account (AZLTHSA) Withdrawal Penalty

You must pay a withdrawal penalty if you made a long-term health care savings account withdrawal during 2017 from a long-term health care savings account, established under Arizona law, for purposes other than to pay for qualified long-term health care expenses. *Long-term health care expense* means any expense you paid for long-term health care costs, including the following:

- expenses for skilled nursing care,
- expenses for home health care, and
- personal care or supportive services due to the loss of some capacity for self-care based on a chronic illness or condition.

The penalty is equal to 10% (.10) of the withdrawal. You must remit this penalty with your income tax return filed for the year in which you made the withdrawal.

Multiply the amount of your withdrawal subject to penalty by 10%. Enter the result.

NOTE: If you are subject to both the estimated payment penalty and the AZLTHSA penalty, add the penalty amounts together and enter the total on line 75.

Line 76 - Box 761 through 764

Box 761: check if any of the following applies to you:

1. You checked the box on line 1 of Form 221.
2. You completed the annualized income worksheet on Form 221.
3. You elected to be treated as a nonresident alien on your federal income tax return. You made three estimated payment installments. Your first installment equaled 50% of the total of all of your required installments.

Box 762: check if you are an individual who for federal purposes reports as a farmer or fisherman.

Box 763: check if you completed and included Form 221.

Box 764: check if you included an Arizona Long-Term HSA penalty on line 75.

Line 77 -

Add lines 63 through 73 and 75. Enter the total.

Figuring Your Refund or Amount Owed

e-file You can get your refund quicker when you e-file and use direct deposit.

Line 78 - Refund

Subtract line 77 from line 62. Enter your refund on line 78 and skip line 79.

If you owe money to any Arizona state agency, court, county, incorporated city or town and certain federal agencies, your refund may go to pay some of that debt. If so, the department will let you know by letter.

Tax Tip: If you change your address before you get your refund, let the department know. Write to: Refund Desk, Arizona Department of Revenue, PO Box 29216, Phoenix, AZ 85038-9216. Include your SSN in your letter.

Direct Deposit of Refund

Complete the direct deposit line if you want us to directly deposit the amount shown on line 78 into your account at a bank or other financial institution (such as a mutual fund, brokerage firm or credit union) instead of sending you a check.

NOTE: Check the box on line 78A if the direct deposit will ultimately be placed in a foreign account. If you check box 78A, do not enter your routing or account numbers. If this box is checked, we will not direct deposit your refund. We will send you a check instead.

Why use Direct Deposit?

- You will get your refund fast – even faster if you e-file!
- Payment is more secure - there is no check to get lost.
- It is more convenient. No trip to the bank to deposit your check.
- It saves tax dollars. A refund by direct deposit costs less to process than a check.

NOTE: We are not responsible for a lost refund if you enter the wrong account information. Check with your financial institution to get the correct routing and account numbers and to make sure your direct deposit will be accepted.

Routing Number**MAKE SURE YOU ENTER THE CORRECT ROUTING NUMBER**

The routing number must be nine digits. The first 2 digits must be 01 through 12 or 21 through 32. Otherwise, the direct deposit will be rejected and a check sent instead. On the following sample check, the routing number is 250250025.

Sample Check

JOHN DOE OR JANE DOE
123 First Street
Sometown, AZ 00000

PAY TO THE ORDER OF **SAMPLE** \$ 1234 DOLLARS

THIS BANK Sometown, AZ 00000

For 250250025 20202086 .1234

Do not include the check number.

Note: The routing and account numbers may be in different places on your check.

Your check may state that it is payable through a financial institution different from the one at which you have your checking account. If so, do not use the routing number on that check. Instead, contact your financial institution for the correct routing number to enter here.

Account Number**MAKE SURE YOU ENTER THE CORRECT ACCOUNT NUMBER.**

The account number can be up to 17 characters (both numbers and letters). DO NOT include hyphens, spaces or special symbols. Enter the number from left to right and leave any unused boxes blank. On the sample check the account number is 20202086. Be sure **not** to include the check number.

NOTE: If the direct deposit is rejected, a check will be mailed instead.

Line 79 - Amount Owed

Add lines 59 and 77. Enter the amount you owe on line 79. If you are making voluntary donations on lines 63 through 73 in excess of your overpayment, enter the difference on line 79. You may pay the amount owed only with a check or money order, electronic check, or credit card.

Check or money order

Include your check or money order with your return. Please do not send cash.

Make your check payable to Arizona Department of Revenue. Write your SSN and tax year on the front of your check or money order. It may take 2-3 weeks for your payment to process.

The department cannot accept checks or money orders in foreign currency. You must make payment in U.S. dollars.

Electronic payment from your checking or savings account

You can make an electronic payment from your checking or savings account to pay your balance due for 2017. There is no fee to use this method. To make an electronic payment, go to www.AZTaxes.gov and click on the "Make a Payment" link.

Be sure to enter the correct routing number and account number for your checking or savings account. You will be charged a \$50 NSF (non-sufficient funds) fee if you provide an incorrect routing number or an incorrect account number. Check with your financial institution to get the correct account and routing numbers.

The "E-Check" option in the "Payment Method" drop-down box will debit the amount from the checking or savings account that you specify. If you make an electronic payment from your checking or savings account, you will receive a confirmation number. **Please keep this confirmation number as proof of payment.**

NOTE: *You may not make an electronic payment from your checking or savings account if the payment will ultimately be coming from a foreign account. In this case, you must pay by check or money order.*

Credit card payment

You can pay with your Visa, MasterCard, Discover, or American Express credit card. Go to www.AZTaxes.gov and click on the "Make a Payment" link and choose the credit card option. This will take you to a third party vendor site (provider). The provider **will charge** you a convenience fee based on the amount of your tax payment. The provider will tell you what the fee is during the transaction; you will have the option to continue or cancel the transaction. If you complete the credit card transaction, you will receive a confirmation number. **Please keep this confirmation number as proof of payment.**

Installment payments

If you cannot pay the full amount shown on line 79 when you file, you may ask to make monthly installment payments. To make this request, complete Arizona Form 140-IA and mail the completed form to the address listed on Form 140-IA. **Do not mail Form 140-IA with your income tax return.** You may obtain Arizona Form 140-IA from our website at www.azdor.gov.

If you cannot pay the full amount shown on line 79, you will be charged interest and may be charged a late payment penalty on the tax not paid by April 17, 2018. To limit the interest and penalty charges, pay as much of the tax as possible when you file your return.

Sign your return

You must sign your return. If married filing a joint return, both you and your spouse must sign even if only one had income. Form 140 is not considered a valid return unless you sign it. The department cannot send a refund check without proper signatures on the return.

Instructions before mailing

- **DO NOT STAPLE YOUR RETURN OR ANY SCHEDULE, FORM OR PAYMENT TO YOUR RETURN.**
 - Make sure your **NAME** is on the return.
 - Make sure your **SSN** is on your return.
 - Be sure you enter your daytime telephone number in the space provided on the front of your return.
 - Check to make sure that your math is correct. A math error can cause delays in processing your return.
 - If claiming **dependent** exemptions, enter the number of dependents claimed on the **front** of the return. On page 1 of the return, also enter each dependent's name, relationship, SSN, and the number of months that he or she lived in your home. If more space is needed, complete page 3 and include it with your return.
 - If claiming exemptions for **qualifying parents or grandparents**, enter the number of qualifying parents or grandparents claimed on the **front** of the return. Also enter each parent's or grandparent's name, relationship, SSN, and the number of months that he or she lived in your home. If more space is needed, complete page 3 and include it with your return.
 - Check the **boxes** to make sure you filled in all required boxes.
 - If you requested a filing extension, make sure that you check box **82F** on page 1 of the return.
 - Sign your return and have your spouse sign, if filing jointly.
 - Write your SSN and tax year on the front of your check or money order. Include your payment with your return.
- The Department of Revenue may charge you \$25 for a check returned unpaid by your financial institution.
- If you completed Form 203, be sure to check box 4a on page 1 of your return. Place Form 203 on top of your return.
 - Include all other required documents after your return. Please do not use tape. Documents you must include are those items listed in numbers 1 through 6.
 1. Include Form(s) W-2 after the last page of your return. Also include Form(s) 1099-R after the last page of your return if you had Arizona tax withheld from your pension or annuity.
 2. Include Arizona Form 301, applicable credit forms, and your own schedules after page 2 (or 3) of your return. If itemizing, include these forms after your Arizona Schedule A and your federal Schedule A.
 3. If claiming a credit for taxes paid to another state or country include a copy of the other state's or country's filed return.
 4. If you itemize, be sure to include a copy of the federal Schedule A. Include the Arizona Schedule A and your federal Schedule A directly after page 2 (or 3) of your return. Include other forms and schedules behind the Schedules A.

5. If you are claiming a property tax credit, include a completed Form 140PTC and all required documents.
 6. If you have tax exempt interest income, be sure to include a schedule listing the payors and the amount received from each payor.
- Do **not** include correspondence with your return.

Mailing Your Return

If you are mailing your return, make a copy of your return before mailing. Also make a copy of any forms and schedules that you are including with your return. Keep the copies for your records. Be sure that you mail the original and not a copy.

To avoid delays, if mailing more than one tax return please use separate envelopes for each return.

Where should I mail my return?

If you are **including a payment with this return**, mail the return to:

Arizona Department of Revenue
PO Box 52016
Phoenix, AZ 85072-2016

If you are **expecting a refund, or owe no tax, or owe tax but are not including a payment**, mail the return to:

Arizona Department of Revenue
PO Box 52138
Phoenix, AZ 85072-2138

Make sure you put enough postage on the envelope

The U.S. Post Office or United States mail service must postmark your return or extension request by midnight April 17, 2018.

The term "United States mail" includes any private delivery service designated by the United States Secretary of the Treasury pursuant to Internal Revenue Code § 7502(f) and the term "postmark" includes any date recorded or marked by any such designated delivery service.

An income tax return that is mailed to the department is timely filed if it is delivered on or before its due date. Additionally, if the envelope or wrapper containing the return sent through the United States mail bears a postmark of the United States mail and that tax return is delivered to the department after its due date that return will be considered timely filed if **all** of the following apply:

1. The return was deposited in an official depository of the United States mail;
2. The date of the postmark is no later than the due date;
3. The return was properly addressed; and
4. The return had proper postage.

If the envelope or wrapper containing a return sent through the United States mail bears a private meter postmark made by other than the United States mail, the return is treated as timely filed if both of the following apply:

1. The private meter postmark bears a date on or before the due date for filing; and

2. The return is received no later than the time it would ordinarily have been received from the same point of origin by the same class of U.S. postage. If the return is received by the department within five business days of the private meter postmark date the department will consider this requirement satisfied.

You may also use certain private delivery services designated by the IRS to meet the "timely mailing as timely filed" rule.

For more information, see the department's ruling, GTR 16-1, *Timely Filing of Income or Withholding Tax Returns Through the United States Mail*.

How long to keep your return

You must keep your records as long as they may be needed for the administration of any provision of Arizona tax law. Generally, this means you must keep records that support items shown on your return until the period of limitations for that return runs out.

The period of limitations is the period of time in which you can amend your return to claim a credit or refund or the department can assess additional tax. A period of limitations is the limited time after which no legal action can be brought. Usually, this is four years from the date the return was due or filed.

In some cases, the limitation period is longer than four years. The period is six years from when you file a return if you under report the income shown on that return by more than 25% (.25). The department can bring an action at any time if a return is false or fraudulent, or if you do not file a return. To find out more about what records you should keep, get federal Publication 552.

Where's my Refund?

You can check on your refund by visiting www.azdor.gov or www.AZTax.gov and clicking on "Where's my refund?" or you may call one of the numbers listed on page 1 of these instructions. Before you call, be sure to have a copy of your 2017 tax return on hand. You will need to know your SSN, your filing status and your 5-digit ZIP Code.

Contacting the Department

Your tax information on file with the department is confidential. If you want the department to discuss your tax matters with someone other than yourself, you must authorize the department to release confidential information to that person.

You may use Arizona Form 285 to authorize the department to release confidential information to your appointee. See Form 285 for details.

HOW MUCH INCOME CAN YOU HAVE AND PAY NO TAXES?

EXAMPLES

You still have to file a return, but you pay no taxes, if your income is less than the levels shown in the chart below. **For purposes of this chart**, “income” means Arizona adjusted gross income plus the dependent exemption claimed (Form 140, page 2, line 42 plus the amount on Form 140, page 2, line 40; or Form 140A, page 1, line 17, plus the amount on Form 140A, page 1, line 15, or Form 140EZ, page 1, line 6). *To rely on this chart, you must claim the family income tax credit, if you qualify.*

FILING STATUS				
NUMBER OF DEPENDENTS	SINGLE	MARRIED FILING SEPARATE	UNMARRIED HEAD OF HOUSEHOLD	MARRIED FILING JOINT
0	\$ 8,882	\$ 8,882	N/A	\$ 17,735
1	(A) 10,000	10,727	20,000	20,000
2	11,952	13,027	20,135	23,600
3	14,252	15,327	23,800	27,300
4	16,552	17,627	25,200	(C) 31,000
5	18,852	19,927	(B) 26,575	31,000

	(A) single, \$10,000 income*, one dependent	(B) unmarried head of household, \$26,575 income*, five dependents	(C) married filing joint, \$31,000 income*, four dependents
Income*	\$ 10,000	\$ 26,575	\$ 31,000
less: Dependent exemption	-2,300	-11,500	-9,200
Standard deduction	-5,183	-10,336	-10,336
Personal exemption	-2,150	-4,300	-6,450
Net taxable income	\$ 367	\$ 439	\$5,014
Tax (optional tax table)	\$ 10	\$ 11	\$ 130
less: Family tax credit	-80	-240	-240
Tax owed	\$ 0	\$ 0	\$ 0

*For purposes of these examples, “income” means Arizona adjusted gross income plus the dependent exemption amount claimed.

Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired After December 31, 2011

2017 Original return 2017 Amended return

Long-Term Capital Gain or (loss) as reported on federal Schedule D (or other form/schedule) and included in computation of federal adjusted gross income. Enter the <u>total</u> net long-term capital gains or (losses) from the following forms in each applicable column. See page 30 for instructions.		(a) Total net long-term capital gains or (losses) from all assets	(b) Net long-term capital gains or (losses) included in column (a) from assets acquired before January 1, 2012	(c) Net long-term capital gains or (losses) included in column (a) from assets acquired after December 31, 2011
1	Form(s) 8949 <i>Sales and Other Dispositions of Capital Assets; and Form(s) 1099-B, Proceeds from Broker and Barter Exchange Transactions, for long-term transactions directly reported on federal Schedule D.</i> 1			
2	Form(s) 4797 <i>Sales of Business Property</i> 2			
3	Form(s) 2439 <i>Notice to Shareholder of Undistributed Long-Term Capital Gains</i> 3			
4	Form(s) 6252 <i>Installment Sale Income</i> 4			
5	Form(s) 4684 <i>Casualties and Thefts</i> 5			
6	Form(s) 6781 <i>Gains and Losses from Sec. 1256 Contracts and Straddles</i> 6			
7	Form(s) 8824 <i>Like-Kind Exchanges</i> 7			
8	Partnerships, S corporations, estates, and trusts – from AZ 120S Schedule K-1; AZ 165 Schedule K-1; and AZ 141 Schedule K-1 8			
9	Form(s) 1099-DIV <i>Dividends and Distributions</i> 9			
10	Subtotal: for each column, combine the amounts and enter the total. 10			
11	Long-term capital loss carryover. See the instructions for the amount(s) to enter, if any, in each applicable column. 11			
12	Subtract line 11 from line 10 and enter the difference in each applicable column. 12			
13	For amount to enter on line 13, column (c), see the worksheet instructions. 13			
14	Net long-term capital gain or (loss) included in computation of your federal adjusted gross income. Subtract line 13 from line 12 and enter the difference in each applicable column. <ul style="list-style-type: none"> If the amount on line 14, column (c) is a net capital (loss), you do not qualify to take the subtraction. If the amount on line 14, column (c) is a net capital gain, enter the result on Form 140, line 21. Also enter the amount from line 14, column (a) on Form 140, line 20. 14			

Instructions for completing the worksheet for the subtraction from Arizona gross income for net long-term capital gain from assets acquired after December 31, 2011.

Purpose of the Worksheet

You may subtract a percentage of any net long-term capital gain included in your federal adjusted gross income that is from an investment in an asset acquired after December 31, 2011. For tax year 2017, the percentage is 25% (.25).

For purposes of this subtraction, “qualified” means an Arizona asset that was acquired *after* December 31, 2011.

To take the allowable subtraction, you must know whether the capital gain or (loss) is considered short-term or long-term. Only the net long-term capital gain from assets acquired *after* December 31, 2011, is used to compute the allowable subtraction. For more information about determining whether a gain or (loss) is short term or long term, see federal Publication 544 at www.irs.gov.

If you cannot verify that the capital gain is from the sale of an asset acquired after December 31, 2011, then the capital gain should be included in column (b) of the worksheet as a capital gain from an asset acquired before January 1, 2012.

An asset acquired by gift or inheritance is considered acquired on the date it was acquired by the gift-giver or the deceased individual.

Who Should Complete the Worksheet?

You *must* complete this worksheet to take the allowable subtraction if you have a net capital gain included in your federal adjusted gross income and the gain includes assets purchased *after* December 31, 2011.

Do *not* complete this worksheet if either of the following applies:

- You do not have any capital gains to report for the current tax year.
- You do not have any net capital gain from asset(s) acquired *after* December 31, 2011, to report for the current tax year.

General Instructions

1. Check the box if this worksheet is for an original or an amended return.
2. Keep this worksheet for your records.

Line-by-Line Instructions

Lines 1 through 8 lists the federal forms reported on Schedule D. Line 9 identifies the total capital gain distribution(s) reported on Form(s) 1099-DIV.

- **Column (a)** is the **total** amount of long-term capital gains or (losses) reported on federal Schedule D or other forms/schedules.

- **Column (b)** is the amount of the long-term capital gains or (losses), included in column (a) for assets acquired *before* January 1, 2012.
- **Column (c)** is the amount of the long-term capital gains or (losses), included in column (a) for assets acquired *after* December 31, 2011.

Lines 1 through 8 - Capital Gains or (Losses) Reported on Federal Schedule D.

Enter the long-term capital gain or (loss) from the federal form listed that was reported on your federal Schedule D and included in the computation of your federal adjusted gross income.

Line 9 - Long-Term Capital Gains or (Losses)

Capital gains listed on a 1099-DIV are gains passed on from a fund, such as a mutual fund, from the sale of assets within the fund. Generally, such funds do not provide the information needed to determine when the asset that was sold was acquired. In this situation, the capital gains will be considered as acquired before January 1, 2012, and would not qualify for this subtraction.

Enter the total capital gain distribution(s) reported on Form(s) 1099-DIV and included in your computation of federal adjusted gross income.

NOTE: *Some taxpayers are not required to file federal Schedule D to report certain capital gains or (losses). In these cases, the long-term capital gains or (losses) are reported directly on the taxpayer's income tax return. Enter those items on line 9 of the worksheet.*

Line 10 - Subtotal

For each column, combine the amounts listed on lines 1 through 9 and enter the total.

Line 11 - Long-Term Capital Loss Carryover

- Column (a), enter the total amount of long-term capital loss carryover *actually used* on the federal return for the current table year.
- Column (b), enter the portion from column (a) that is from assets acquired before January 1, 2012.
- Column (c), enter the portion from column (a) that is from assets acquired after December 31, 2011.

Line 12 -

Subtract line 11 from line 10 and enter the difference in each applicable column.

Line 13 - Net Capital Gain from Investment in Qualified Small Businesses

To determine the amount to enter on line 13, column (c), answer the following questions.

Did you take a subtraction for any net capital gain included in federal adjusted gross income for the taxable year derived from investment in a qualified small business on Arizona Form 140, line 23?

- If “No”, enter zero, “0” on line 13, column (c).

- If “Yes”, does that amount include any net long-term capital gain from an investment made *after* December 31, 2011?
 - If “No”, enter zero, “0” on line 13, column (c).
 - If “Yes”, enter on line 13, column (c) the amount of any net long-term capital gain from an investment made *after* December 31, 2011, and included in the amount subtracted on Arizona Form 140, line 23.

Line 14 - Net Long-Term Capital Gain or (Loss)

Subtract line 13 from line 12 and enter the difference in each applicable column.

- If the amount on line 14, column (c) is a negative number, you have a net capital loss. You do not qualify to take the subtraction.
- If the amount on line 14, column (c) is a positive number, you have a net long-term capital gain. Enter the result on Form 140, line 21.

Also, enter the amount from line 14, column (a) on Form 140, line 20.