

2018 Form 140PY Schedule A(PY) Itemized Deductions

For Part-Year Residents Only

You may itemize your deductions on your Arizona return even if you do not itemize deductions on your federal return. Before you complete Arizona Form 140PY Schedule A(PY), you must complete a federal Form 1040 Schedule A.

Even if you don't itemize deductions on your federal return, you must complete and include a copy of the federal Form 1040, Schedule A, with this form.

For the most part, you can deduct those items that are allowable itemized deductions under the Internal Revenue Code (IRC).

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

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

For more information, see the department's ruling, ITR 94-10, *Part-Year Resident Deductions* at www.azdor.gov.

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

- You are deducting medical and dental expenses.
- You are claiming a federal credit (from federal Form 8396) for interest paid on mortgage credit certificates.
- You are deducting gambling losses while claiming a subtraction for Arizona lottery winnings.
- You are claiming a credit for any amount allowed as a charitable contribution.

Line-by-Line Instructions

Line 1 - Medical and Dental Expenses

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

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

Be sure you reduce these expenses by any payments received from insurance or other sources. Do not include the following amounts you paid through an employer-sponsored health insurance plan (cafeteria plan) unless your employer included the amount(s) in Box 1 of your Form W-2.

- Insurance premiums you paid through the plan.
- Other medical and dental expenses paid by the plan.

If you are self-employed, do not include any amount that you paid for health insurance that you deducted in computing your federal adjusted gross income.

Line 2 - Taxes

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

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

Line 3 - Interest Expense

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

If you received a federal credit for interest paid on mortgage credit certificates (from federal Form 8396), you may deduct some of the mortgage interest you paid for 2018 that you could not deduct for federal purposes. Include that portion of such interest that you incurred and paid during the part of the year while an Arizona resident.

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

Line 4 - Gifts to Charity

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

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

For Example: (table continued on next page)		
If you claimed a credit on Arizona Form:	For:	You cannot take a deduction on the Arizona Form 140PY Schedule A (PY) for the amount of that contribution.
321	Contributions to Qualifying Charitable Organizations	
322	Contributions Made or Fees Paid to Public Schools	
323	Contributions to Private School Tuition Organization	
331	Donation of School Site	
335-I	Contributions made by an S Corporation to a School Tuition Organization - Individual	
340	Donation to the Military Family Relief Fund	

341-I	Contributions made by an S Corporation to a School Tuition Organization for Displaced Students or Students with Disabilities - Individual	
348	Contributions to Certified School Tuition Organization - Individual	
352	Contributions to Qualifying Foster Care Charitable Organizations	

If you claimed a credit on your 2017 return for a contribution that you made during 2018 (see Arizona Forms 321, 322, 323, 348 and 352), you must exclude this deduction on your 2018 Arizona return, even though you claimed the credit on your 2017 Arizona return.

If you are claiming a credit on your 2018 return for a contribution made during 2019 (see Arizona Forms 321, 322, 323, 348 and 352), you must exclude this deduction on your 2019 return, even though you are claiming the credit on your 2018 return.

Lines 5 through 9 - Casualty and Theft Losses

Line 5 -

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

Line 6 -

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

Line 7 -

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

Line 8 -

Divide the amount on line 7 by the amount on line 6. Enter the result in decimal form. You must round your answer to **three** decimal places.

Line 9 -

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

Other Expenses Allowable on Federal Form 1040 Schedule A

Line 10 -

Combine the following amounts and enter the total on line 10.

1. Other expenses that you incurred and paid while an Arizona resident; and
2. Other expenses from Arizona sources that you incurred and paid during the part of the year while a nonresident.

Other expenses may include, but are not limited to, the following:

- Gambling losses (cost of non-winning bingo, lottery, and raffle-tickets) but only to the extent of gambling winnings reported on federal Form 1040.
- Casualty and theft losses of income-producing property reported on federal Forms 4684 or 4797.
- Impairment-related work expenses of a disabled person.

See the instructions for federal Form 1040 Schedule A for other types of expenses.

Lines 11 through 16 - Gambling Losses

Skip lines 11 through 16 if not deducting gambling losses.

Line 11 -

Enter the amount of wagering losses included on line 10, Form 140PY Schedule A(PY).

Line 12 -

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

Line 13 -

Enter the Arizona lottery subtraction from Form 140PY, page 2, line 44.

Line 14 -

Subtract line 13 from line 12. Enter the difference

Line 15 -

If the amount on line 14 is less than the amount on line 11, subtract line 11 from line 14. Otherwise, enter zero, "0".

Line 16 -

If you completed lines 11 through 15, subtract line 15 from line 10. If you skipped lines 11 through 15, enter the amount from line 10.

Line 17 -

Add lines 1, 2, 3, 4, 9, and 16. Enter the total. Also enter the total on Form 140PY, line 55.