

2018 Nonresident 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 *Reports and Legal Research* then click on *Legal Research* and select a *document* and *category* type from the drop down menus.

Publications
 To view or print the department's publications, go to our website and click on *Reports and Legal Research* then click on *Publications*.

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E-file through an Authorized IRS/DOR *e-file* provider or by using your personal computer and the Internet.

Visit our website at www.azdor.gov for a listing of approved *e-file* providers and on-line filing sources.

** For free *e-file* requirements, check out our website at www.azdor.gov.

NOTE: A nonresident composite return **cannot** be e-filed. Partnerships and S corporations filing a composite return on behalf of its nonresident partners or shareholders **must** mail Form 140NR.

Are You Subject to Tax in Arizona?

If you are in this state for a temporary or transitory purpose or did not live in Arizona but received income from sources within Arizona during 2018, you are subject to Arizona tax. You are subject to Arizona income tax on all income derived from Arizona sources. Income from Arizona sources includes the following:

- wages,
- rental income,
- business income,
- the sale of Arizona real estate,
- interest and dividends having a taxable or business situs, in this state, and
- any other income from an Arizona source.

Do You Have to File?

Arizona Filing Requirements These rules apply to all Arizona taxpayers.		
You may still need to file even if you had income taxes withheld and paid to Arizona. See table below.		
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 a nonresident , you must report income derived from Arizona sources.		
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 earned by a qualifying out-of-state employee, from performing qualified disaster recovery work during a disaster period, is exempt from Arizona income tax. For more information, see the instructions for line 15.		
You can find your Arizona adjusted gross income on line 54 of Arizona Form 140NR.		

NOTE: Even if you do not have 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?

NOTE: *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. For more information, see the instructions under **Residency Status**.*

You must file if you meet the Arizona filing requirements unless **all** 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 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.

Determining 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 resident earns the income.

If you are a full year resident, you **must** file Arizona Form 140, Form 140A, or Form 140EZ.

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 2018:

- 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 2018, 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 2018 and you did not remarry in 2018 or if your spouse died in 2019 before filing a return for 2018, you may file a joint return. If your spouse died in 2018, the joint return should show your spouse's 2018 income before death and your income for all of 2018. If your spouse died in 2019, before filing the 2018 return, the joint return should show all of your income and all of your spouse's income for 2018. Print "Filing as surviving spouse" in the area where you 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 2018 calendar year tax return is due no later than midnight, April 15, 2019. File your return as soon as you can after January 1, 2019, but no later than April 15, 2019.

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 15, 2019. 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** (above your name) 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** (above your name) 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 15, 2019, even though your federal return is due on June 15, 2019. If you want to file your Arizona return after April 15, 2019, you must ask for a filing extension. You must file this request by April 15, 2019. Arizona will allow up to a 6-month extension. This will allow you to file your return by October 15, 2019. 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, 2019, even though your federal return will not be due until December 16, 2019. If you file your 2018 Arizona calendar year return after October 15, 2019, 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 2018 calendar year return by April 15, 2019, 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 140NR. 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 and mail 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 2019?

You must make Arizona estimated income tax payments during 2019 if:		
Your filing status is:	AND	AND
	your Arizona gross income for 2018 was greater than:	your Arizona gross income for 2019 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 2018, you must make estimated payments during 2019 unless you are sure you will not meet the threshold for 2019. As a nonresident, your Arizona gross income is that part of your federal adjusted gross income derived from Arizona sources. Your Arizona gross income is on line 26 of the 2018 Form 140NR.

Use 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

- 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 these schedules behind your return and behind your Schedules A, if itemizing.
- You must complete your federal return before you can start your Arizona 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 you include your daytime telephone number.
- If filing a fiscal year return, fill in the period covered.

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 that 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 first 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.

NOTE: *If a partnership or S corporation files a composite return on behalf of its nonresident partners or shareholders, the entity filing the return should enter its EIN in place of the SSN. For example if the entity's EIN is 98-7654321, the entity would enter its EIN as 987-65-4321.*

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 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 140NR.

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, 2018. 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 2018 and you did not remarry in 2018. See page 2 of these instructions for details.

If you are married to an Arizona full year resident, you may file a joint return with your Arizona resident spouse. If filing a joint return with your Arizona resident spouse, you must use Form 140NR.

NOTE: *For help on filing a joint return with your full-year resident 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

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; or
- 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, 2018, 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. If one spouse is a resident and the other spouse is not, special rules apply when filing a separate return.

For more information on how to report income in this case, see the department's ruling, ITR 93-20, *Income Reporting Requirements of Resident and Nonresident Spouses Who File Separate Arizona Individual Income Tax Returns*; and the department's publication, Pub. 200, *Income Tax Issues Affecting Married and Divorced Taxpayers*.

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

Box 7 - Single Return

If you are filing as single, check box 7.

Use this filing status if you were single on December 31, 2018. 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, 2018, and you did not remarry in 2018, 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, and 10. **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.

Box 8 - Age 65 or Over

NOTE: *If a taxpayer's 65th birthday was January 1, 2019 (born 1/1/54), that person is considered to be age 65 at the end of 2018 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 2018 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 2018 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 2018 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, 2018, 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 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

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 05-02, 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:
 1. In 2018, 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.
 2. In 2018, you paid more than \$800 for either Arizona home health care or other medical costs for the person.
- A stillborn child if the following apply:
 1. The stillbirth occurred in Arizona during 2018.
 2. You received a certificate of birth resulting in stillbirth from the Arizona Department of Health Services.
 3. The child would have otherwise been a member of your household.

Dependents

Completing the Dependent Section

If you need additional lines to list all of your dependents, **complete page 3**, Dependent Information – Continuation Sheet, and include this page with your return. **Be sure to check the box 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 2018. 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 this 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 a 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 on line 10 (Box).

Reporting Your Residency Status

Check the appropriate box (11 through 13). Check only one box.

Box 11 - Nonresident

Check box 11, if you were not an Arizona resident during 2018, and were not on active military duty in Arizona.

Box 12 - Nonresident Active Military

Check box 12, if you were a nonresident on active duty military assignment in Arizona during 2018.

Box 13 - Composite Return

Check box 13, if this is a composite return filed by a Partnership filing on behalf of its nonresident partners or an S corporation filing on behalf of its nonresident shareholders.

For a list of qualifications and additional information on filing an Arizona nonresident composite income tax return, see the department's ruling, ITR 16-2, *Composite Individual Income Tax Returns*.

Determining Arizona Income

Line 14 - Spouse of Active Duty Military Member

Check the box on line 14 if married and you are the spouse of an active duty military member and you qualify for relief under the Military Spouses Residency Relief Act. For information about who qualifies for relief, see the department's publication, Pub. 705, *Spouses of Active Duty Military Members*.

Use lines 15 through 27 to determine what portion of your total income is taxable by Arizona.

NOTE: *If you are unable to determine the proper line to use, please call one of the numbers listed on page 1.*

FEDERAL Column

Enter the actual amounts shown on your 2018 federal income tax return in the FEDERAL column. Complete lines 15 through 25. Line 25 should equal the federal adjusted gross income shown on your 2018 federal Form 1040 or Form 1040NR.

ARIZONA Column

Enter that portion of your federal income received from Arizona sources in the ARIZONA column. Such income includes wages earned in Arizona, Arizona rental and business income, and gains on the sale of Arizona property.

NOTE: *If you are filing a joint return with your full year resident spouse, you must enter your Arizona source income in the ARIZONA column and your spouse must enter all income from all sources in the ARIZONA column. For details, 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*

The Tax Reform Act of 1986 limits the amount of losses that you may deduct from passive activities. A passive activity is one that involves the conduct of any trade or business in which the taxpayer does not materially participate.

As a nonresident, your Arizona gross income may include some of these losses. You may consider only those passive losses that arose from Arizona sources. Your 2018 Arizona gross income can include only Arizona source losses you used on your 2018 federal return.

Lines 15 through 24 – Arizona column

The following line-by-line instructions apply to the ARIZONA column.

Line 15 - Wages, Salaries, Tips, etc.

Enter all amounts received for services performed in Arizona.

Income earned by a qualifying out-of-state employee, from performing qualified disaster recovery work during a disaster period, is exempt from Arizona income tax. Exclude this income from line 15 in the Arizona column.

For the purpose of this exemption, a qualifying out-of-state employee is an Arizona nonresident individual who is temporarily in Arizona to solely perform qualified disaster recovery work during a disaster period. For more information, see the department's publication, Pub. 720.

NOTE: Active Duty Military Members - Do not include active duty military pay unless the active duty military member is an Arizona resident filing a joint return with his or her Arizona nonresident spouse on Form 140NR. If you are an Arizona resident active duty military member including military pay on line 15 in the "ARIZONA" column, also include that amount in the amount entered as an "Other Subtraction From Income" on page 2, line 47.

NOTE: Spouses of Active Duty Military Members If you are the spouse of an active duty military and you qualify for relief under the Military Spouses Residency Relief Act, do not enter any wages, salaries or tips you earned during the taxable year for services performed in Arizona.

Line 16 - Interest

If you have an Arizona business, enter only interest (including U.S. Government interest) you earned on accounts pledged as collateral. Also, enter your distributive share of interest from a partnership doing business in Arizona or an S corporation doing business in Arizona. Do **not** include any other interest income, even if it was earned in Arizona banks.

Line 17 - Dividends

If you have an Arizona business, enter only those dividends earned on stocks pledged as collateral, including dividends from small business corporations. Also, enter your distributive share of dividend income from a partnership doing business in Arizona or an S corporation doing business in Arizona. Do **not** include any other dividend income.

Line 18 - Arizona Income Tax Refunds

Enter the amount of Arizona income tax refunds received in 2018 that you included in your federal adjusted gross income.

Line 19 - Business Income or (Loss)

Enter income or (loss) from Arizona businesses.

Income earned by a nonresident, who is a sole owner of a qualifying out-of-state business, from performing qualified disaster recovery work during a disaster period, is exempt from Arizona income tax. Exclude this income from line 19 in the Arizona column.

For the purpose of this exemption, a qualifying out-of-state business is a business that is temporarily in Arizona to solely perform qualified disaster recovery work during a disaster period. For more information, see the department's publication, Pub. 720, *Disaster Recovery Tax Relief*.

Line 20 - Gains or (Losses)

Enter gains or (losses) on sales of Arizona sourced property. Enter the total Arizona sourced net capital gain or (loss) used to determine the amount 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 reported the maximum allowable net capital (loss) for the current taxable year on your federal return, enter the total amount of Arizona sourced loss used to compute the net capital loss claimed on your federal return.

For example: A single taxpayer has a \$3,000 capital gain from property in State XYZ and a (\$7,000) capital (loss) from property in Arizona resulting in a (\$4,000) net federal capital loss. [\$3,000 gain – (\$7,000 loss) = (\$4,000 net loss)]

Because taxpayer is limited to claiming a loss in the amount of (\$3,000) on the federal tax return, the taxpayer must carryforward the remaining amount of the loss (\$1,000), for federal purposes. [(\$4,000 actual loss) – \$3,000 limit = (\$1,000 loss carryforward)]

- For the current tax year: the Arizona nonresident taxpayer would enter the loss actually used, (\$6,000), on line 20 of the Arizona column. [(\$7,000) – (\$1,000 carryforward) = (\$6,000)].
- In the year the carryforward amount is used for federal purposes, assuming taxpayer has no other gains or (losses), the taxpayer would enter the remaining Arizona sourced capital loss (\$1,000) on line 20, of the Arizona column.

Line 21 - Rents, etc.

Enter the following income on line 21.

- Rent or royalty income earned on Arizona properties.
- Income from Form 141AZ Schedule K-1(NR), line 2, from estates or trusts.
- Income or (loss) from Schedule(s) K-1(NR) from Arizona partnerships (Arizona Form 165), or small business corporations (Arizona Form 120S).

Line 22 - Other Income Reported on Your Federal Return

Enter other income from sources within Arizona. Do not include pension income or social security taxed by the federal government. Include your own schedule with the tax return.

Line 23 - Total Income

Add lines 15 through 22 and enter the total.

Line 24 - Other Federal Adjustments

Include, on line 24, any other federal adjustments included in your federal adjusted gross income that are attributable to the Arizona source income reported on your 2018 Arizona nonresident return.

Line 25 - Federal Adjusted Gross Income

Subtract line 24 from line 23 in the **FEDERAL** column.

Line 26 - Arizona Gross Income

Subtract line 24 from line 23 in the **ARIZONA** column.

Line 27 - Arizona Income Ratio

Divide line 26 by line 25 and enter the result on line 27. You must round your answer to **three** decimal places.

Do not enter more than 1.000. Do not include the percent sign (%) with the amount entered on line 27.

This is your Arizona income ratio of your total income.

Examples:		
Arizona Gross Income from line 26	Federal Adjusted Gross Income from line 25	Arizona income ratio
\$ 17,516	\$ 32,000	$17,516/32,000 = .547375$ enter on line 27: <input type="text" value="."/> <input type="text" value="5"/> <input type="text" value="4"/> <input type="text" value="7"/>
\$ 25,650	\$ 92,100	$25,650/92,100 = .278501$ enter on line 27: <input type="text" value="."/> <input type="text" value="2"/> <input type="text" value="7"/> <input type="text" value="9"/>
\$ 10,000	\$ 9,000	$10,000/9,000 = 1.11111$ enter on line 27: <input type="text" value="1"/> <input type="text" value="."/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="0"/>

- If Arizona gross income and federal adjusted gross income are both positive and Arizona's gross income is greater than the federal adjusted gross income, enter 1.000 on line 27.
- If Arizona gross income is positive (greater than zero), and federal adjusted gross income is equal to or less than zero (negative), enter 1.000 on line 27.
- If Arizona gross income is equal to or less than zero (negative), and federal adjusted gross income is more than zero, enter 0.000 on line 27.
- If Arizona gross income and federal adjusted gross income are both zero, enter 1.000 on line 27.
- If Arizona gross income is zero, and federal adjusted gross income is negative, enter 0.000 on line 27.
- If Arizona gross income and federal adjusted gross income are both negative, divide the Arizona amount by the federal amount and enter the result on line 27. The result cannot be more than 1.000.

Additions to Income

Line 28 - Total Depreciation Included in Arizona Gross Income

Enter the amount of depreciation deducted on the federal return that is included in Arizona gross income. If you make an entry here, you should also take a subtraction on line 40 for allowable depreciation attributable to assets used in your Arizona business. See the instructions for line 40.

Line 29 - Partnership Income Adjustment (Positive)

Depending on your situation, you may either add (line 29) or subtract (line 41) this amount.

Use this adjustment if line 17, column (c) of your Arizona Form 165 Schedule K-1(NR), shows a difference between federal and state distributable income.

If the difference reported on line 17, column (c) of your Arizona Form 165 Schedule K-1(NR) is a positive number, enter that portion of the difference that is allocable to partnership income taxable by Arizona as an addition on line 29.

NOTE: If the difference reported on line 17, column (c) of your Arizona Form 165 Schedule K-1(NR), is a negative number, enter that portion of the difference that is allocable to partnership income taxable by Arizona as a subtraction on line 41.

Line 30 - Net Capital (Loss) from the Exchange of one kind of Legal Tender for another kind of Legal Tender

To determine if you are required to make this addition to income, you must net **all** gains and (losses) from all exchanges of one kind of legal tender for another kind of legal tender including amounts shown on Form 165 Schedule K-1(NR), Form 120S Schedule K-1(NR), and Form 141AZ, Schedule K-1(NR).

For taxable years beginning from and after December 31, 2017, enter the amount of any net capital loss from Arizona sources and included in Arizona gross income for the taxable year that is derived from the exchange of one kind of legal tender for another kind of legal tender. For the purposes of this paragraph:

- (a) "Legal tender" means a medium of exchange, including specie that is authorized by the United States Constitution or Congress for the payment of debts, public charges, taxes and dues.
- (b) "Specie" means coins having precious metal content.

Line 31 - Other Additions to Income

Use line 31 if any of the special circumstances below apply. Include your own schedule with your return, explaining any amounts entered on line 31.

A. Fiduciary Adjustment

A fiduciary uses Form 141AZ Schedule K-1(NR), to report to you your share of the fiduciary adjustment from the trust or estate. Line 5 of Form 141AZ Schedule K-1(NR), shows your share of the fiduciary adjustment from the estate or trust.

Depending on your situation, you may either add (line 31) or subtract (line 47) this amount.

If the amount reported on line 5 of your Arizona Form 141AZ, Schedule K-1(NR), is a positive number, include that amount as an addition on line 31.

NOTE: If the amount reported on line 5 of your Arizona Form 141AZ Schedule K-1(NR), is a negative number, include that amount as a "Subtraction from Income" on line 47.

B. 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 back such amounts to your Arizona gross income.

C. Claim of Right Adjustment for Amounts Repaid in 2018

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

1. During 2018, you were required to repay amounts held under a claim of right.
2. The amount required to be repaid was subject to Arizona income tax in the year included in income.
3. The amount required to be repaid during 2018 was more than \$3,000.
4. You took a deduction for the amount repaid on your 2018 federal income tax return.
5. The deduction taken on your federal income tax return is reflected in your Arizona taxable income.

If the above apply, include the amount deducted on your federal income tax return which is reflected in your Arizona taxable income. For more information see the department's procedure, ITP 16-1, *Procedure for Individuals Who Restore Substantial Amounts Held Under a Claim of Right*.

D. 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 2018, you were required to repay income 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 2018 Arizona taxable income.
5. The amount of the loss carryover included in your Arizona gross 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 Arizona gross income is more than the amount allowed for the taxable year under Arizona law.

E. 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 credits:

- Environmental Technology Facility Credit (Form 305)
- Agricultural Water Conservation System Credit (Form 312)
- Pollution Control Credit (Form 315)
- Credit for Employment of TANF Recipients (Form 320)
- Agricultural Pollution Control Equipment Credit (Form 325)

F. Wage Expense for Employers of TANF Recipients

If you claim a credit for employing TANF recipients (Form 320), you cannot deduct any wage expense for which you

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

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

If you claim a credit for an investment in a qualified small business on Form 338, 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 2018 taxable year, include the amount by which the adjusted basis computed under the Internal Revenue Code (IRC) with respect to that property exceeds the adjusted basis of the property computed under A.R.S. § 43-1074.02.

H. 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 Arizona source 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. (See the instructions for line 47, "Other Subtractions from Income.") If your Arizona 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 that you included in your Arizona gross income.

Generally, this addition will apply to taxable years 2014 through 2018. On line 31, include the amount of any previously deferred OID that you deducted in computing your 2018 Arizona gross income, to the extent that the amount was previously subtracted from Arizona gross income.

I. 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 31.

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.*

J. Americans with Disabilities Act Access Expenditures

If a subtraction is taken on line 47, *Other Subtractions from Income*, for the full amount of eligible access expenditures paid or incurred during the taxable year for Arizona properties to comply with the requirements of the Americans with disabilities act of 1990 or title 41, chapter 9, article 8, any amount of eligible access expenditures that is recognized under the internal revenue code, including any amount that is amortized according to federal amortization schedules, and that is included in computing taxable income for the current taxable year must be added to Arizona gross income. (A.R.S. § 43-1021)

K. 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 Agricultural Pollution Control Equipment Credit. (325)
- You elected to amortize cost of a childcare 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 32 - Subtotal

Add lines 26, 28, 29, 30 and 31 and enter the total on line 32.

Subtractions from Income

You may only subtract those items for which statutory authority exists. Without such authority, you cannot take a subtraction. If you have any questions concerning subtractions from income, call one of the numbers listed on page 1 of these instructions.

NOTE: *You may not subtract any amount which is allocable to income excluded from your Arizona income.*

Lines 33 through 38 - Net Capital Gain or (loss)

NOTE: *If you reported a net capital gain or (loss) on your federal tax return, you must enter the amount of the net gain or (loss) from Arizona sources on line 33. See the instructions for line 33.*

If you enter an amount on line 37, you must also complete lines 35 and 36. If you do not complete these lines, you cannot take the subtraction.

If you do not have any net capital gain or (loss) to report, enter "0" on lines 33-35

As a nonresident, you may take the allowable subtraction for only those qualified net long-term capital gains that are from **Arizona sources**. You may subtract 25% (.25) of any qualifying 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 26 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 33 - Total Arizona Sourced Net Capital Gain or (Loss)

Enter the amount shown on line 20, of the Arizona column.

Line 34 - Total Arizona Sourced Net Short-Term Capital Gain or (Loss)

Enter the total Arizona sourced net short-term capital gain reported on the *Capital Gain or (Loss)* line on page 1 of your federal return, in the ARIZONA Column. 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 34.*

Line 35 - Total Arizona Sourced Net Long-Term Capital Gain or (Loss)

If you did not complete the worksheet on page 24, subtract line 34 from line 33 and enter the difference.

If you completed the worksheet on page 25, enter the amount from the worksheet, line 14, column (b).

Line 36 - Arizona Sourced Net Long-Term Capital Gain From Assets Acquired After December 31, 2011

If you did not complete the worksheet on page 24 and you have no net long-term capital gains from assets acquired after December 31, 2011, enter "0".

If you completed the worksheet on page 25, enter the amount from the worksheet, line 14, column (d).

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 37 - Arizona Sourced Net Long-Term Capital Gain Subtraction from Income for Assets Acquired After December 31, 2011

Multiply the amount on line 36 by 25% (.25) and enter the result.

CAUTION: *If you take a subtraction on line 38 or line 39 that includes any long-term capital gain from an investment made after December 31, 2011, you **cannot include** those portions of the net capital gain in your computation of the allowable subtraction for any net long-term capital gain from assets acquired after December 31, 2011, and included in federal adjusted gross income (line 23). For more information, see the instructions on page 26 for the amount to enter on lines 13a, 13b, and 13c, of the net long-term capital gain worksheet.*

Line 38 - 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 38, enter the amount of the allowable subtraction.

Line 39 - Capital Gain from the Exchange of one kind of Legal Tender for another kind of Legal Tender

To take this subtraction, you must net all gains and (losses) from all exchanges of one kind of legal tender for another kind of legal tender including amounts shown on Form 165 Schedule K-1, Form 120S Schedule K-1, and Form 141AZ, Schedule K-1.

For taxable years beginning from and after December 31, 2017, the amount of any net capital gain from Arizona sources and included in Arizona gross income for the taxable year that is derived from the exchange of one kind of legal tender for another kind of legal tender. For the purposes of this paragraph:

(a) "Legal tender" means a medium of exchange, including specie that is authorized by the United States Constitution or Congress for the payment of debts, public charges, taxes and dues.

(b) "Specie" means coins having precious metal content.

Line 40 - Recalculated Arizona Depreciation

As a nonresident, you may take the allowable subtraction that is **only** related to income sourced to Arizona.

For assets placed in service in taxable years beginning before December 31, 2012, enter the total amount of depreciation attributable to assets used in your Arizona business 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 depends on the method used to compute the depreciation for these assets.

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 from and after December 31, 2013 through December 31, 2015, enter the total amount of depreciation attributable to assets used in your Arizona business 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 attributable to assets used in your Arizona business 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 attributable to assets used in your Arizona business allowable pursuant to IRC § 167(a) for the taxable year calculated as if the bonus depreciation is the full amount of federal bonus depreciation pursuant to IRC § 168(k).

Add all amounts together and enter the total on line 38.

Line 41 - Partnership Income Adjustment (Negative)

Depending on your situation, you may either add (line 29) or subtract (line 41) this amount. Use this adjustment if line 17, column (c) of your Arizona Form 165 Schedule K-1(NR), shows a difference between federal and state distributable income.

If the difference reported on line 17, column (c) of your Arizona Form 165 Schedule K-1(NR), is a negative number, enter that portion of the difference that is allocable to partnership income taxable by Arizona as a subtraction on line 39. **Do not include a minus sign or use parenthesis.**

NOTE: *If the difference reported on line 17, column (c) of your Arizona Form 165 Schedule K-1(NR), is a positive number, enter that portion of the difference that is allocable to partnership income taxable by Arizona as an addition on line 29.*

Line 42 -

Subtract lines 37 through 41 from line 32 and enter the difference.

Line 43 -

Enter the amount from page 1, line 42.

Line 44 - Interest on U.S. Obligations

Enter the amount of interest income from U.S. Government obligations included as income on line 16 in the ARIZONA column. U.S. Government obligations include obligations

such as savings bonds and treasury bills. You must reduce this subtraction by any interest or other related expenses incurred to purchase or carry the obligation. Reduce the subtraction only by the amount of such expenses included in your Arizona gross income.

Line 45 - Arizona Lottery Winnings

You may subtract up to \$5,000 of winnings received in 2018 for Arizona lottery prizes. Only subtract those Arizona lottery winnings that you included on line 22 in the ARIZONA column and reported on your federal income tax return.

If you subtract Arizona lottery winnings here, you may have to adjust the amount of gambling losses claimed as an itemized deduction.

Line 46 - Agricultural Crops Given to Arizona Charitable Organizations

Arizona law allows a subtraction for qualified crop gifts made during 2018 to one or more charitable organizations. To take this subtraction, **all** of the following must apply:

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

The subtraction is the greater of the wholesale market price or the most recent sale price for the contributed crop.

The amount of 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*.

Line 47 - Other Subtractions from Income

Use line 47 if any of the following special circumstances apply. Include your own schedule with the return, explaining any amounts entered here.

A. Certain Wages of American Indians

Enrolled members of American Indian tribes may subtract wages earned while living and working on their tribe's reservation. You can subtract only those amounts that you included on line 15, ARIZONA column. The federal government must recognize these tribes. For more information, see the department's ruling, ITR 96-4, *Income Taxation of Indians and Spouses*.

B. 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.

C. 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 2018, you were required to repay income held under a claim of right.
2. The amount required to be repaid was subject to Arizona income tax in the year included in income.
3. You computed your tax for that prior year under Arizona's claim of right provisions.
4. A net operating loss or capital loss was established due to the repayment made in the prior year.
5. You are entitled to take that net operating loss or capital loss carryover into account when computing your 2018 Arizona taxable income.
6. The amount of the loss carryover allowed to be taken into account for Arizona purposes is more than the amount included in your Arizona gross 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 Arizona gross income. 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*.

D. 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, and
- the Indian Employment Credit.

If you claimed any of the above federal tax credits for 2018, include the portion of wages or salaries attributable to Arizona source income that you paid or incurred during the taxable year that is equal to the amount of those federal tax credits you claimed.

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

With respect to property used in an Arizona business 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.) You may make this adjustment only for property that was used in your Arizona business.

F. Fiduciary Adjustment

A fiduciary uses Form 141AZ Schedule K-1(NR), to report to you your share of the fiduciary adjustment from the trust or estate. Line 5 of Form 141AZ Schedule K-1(NR), shows your share of the fiduciary adjustment from the estate or trust.

Depending on your situation, you may either add (line 31) or subtract (line 47) this amount.

If the amount on Form 141AZ Schedule K-1(NR), line 5, is a negative number, include that amount as a subtraction from income on line 47.

NOTE: *If the amount on Form 141AZ Schedule K-1(NR), line 5, is a positive number, include that amount as an addition to income on line 31.*

G. Net Operating Loss Adjustment

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.*

Arizona did not adopt the special federal net operating loss rules for losses incurred during 2008 or 2009. For Arizona purposes, you must deduct an Arizona source 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 2018 federal income tax return, if the election described in IRC § 172(b)(1)(H) had not been made in the year of the loss. Then figure how much of the carry forward computed under that method was derived from Arizona source losses. The amount you may take as a subtraction is the difference between the amount of Arizona source net operating loss carryover allowable as a deduction for federal purposes under the as if calculation and the amount of the Arizona source net operating

loss deduction actually taken for federal purposes that you included in your Arizona gross income. On line 47, include the amount of allowable Arizona source loss carry forward deduction that exceeds the actual amount of Arizona source net operating loss carry forward deduction that was deducted in arriving at Arizona gross income.

NOTE: *As an Arizona nonresident, you may have had a loss from prior year Arizona business operations. However, the loss cannot offset this year's income unless the as if calculation results in an Arizona source net operating loss deduction for federal purposes. You can only take this subtraction if the as if federal net operating loss deduction for 2018 includes Arizona source losses that have not been absorbed by non-Arizona income in any intervening years. You cannot subtract any amount of that net operating loss that has been absorbed by non-Arizona income in any intervening years. You also cannot take a subtraction for any amount that has already been deducted for Arizona purposes.*

H. 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 Arizona source DOI income under IRC § 108(i), you were required to add the amount of that 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 Arizona source DOI income twice. In the year in which you include that deferred Arizona source DOI income in your federal adjusted gross income, and likewise your Arizona 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 47, include the amount of previously deferred Arizona source DOI income that you included in your Arizona gross income for the current taxable

year to the extent that the amount was previously added to your Arizona income.

I. 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 47.

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.*

J. Americans with Disabilities Act Access Expenditures

For taxable years beginning from and after December 31, 2017, a subtraction is allowed for eligible business access expenditures paid or incurred during the taxable year for Arizona properties to comply with the requirements of the Americans with disabilities act of 1990 or A.R.S. Title 41, chapter 9, article 8 by retrofitting developed real property that was originally placed in service at least ten years before the current taxable year. (A.R.S. §§ 43-1022 and 43-1024)

“Eligible business access expenditures” include reasonable and necessary amounts paid or incurred to:

- Remove any barriers that prevent a business from being accessible to or usable by individuals with disabilities.
- Provide qualified interpreters or other methods of making audio materials available to hearing-impaired individuals.
- Provide qualified readers, taped texts and other effective methods of making visually delivered materials available to individuals with visual impairments.
- Acquire or modify equipment or devices for individuals with disabilities.
- Provide other similar services, modifications, materials or equipment.

NOTE: *A taxpayer who has been cited for noncompliance with the Americans with disabilities act of 1990 or title 41, chapter 9, article 8 by either federal or state enforcement officials is ineligible for a subtraction under this section for any expenditure required to cure the cited violation.*

On line 47, include the amount of allowable expenses paid or incurred during the tax year.

K. Other Adjustments

Another special adjustment may be necessary. Call one of the numbers listed 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 48 -

Subtract lines 44 through 47 from line 43.

Exemptions – Lines 49 through 53

Line 49 - Exemption: Age 65 or Over

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

Line 50 - Exemption: Blind

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

Line 51 - Exemption: Dependents

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

Line 52 - Total Exemptions

Add lines 49, 50, and 51 and enter the total.

Line 53 - Prorated Exemptions

Multiply the amount on line 52 by your Arizona income ratio from line 27 and enter the result.

For Active Duty Military Personnel Only: *If you were on active duty in Arizona during 2018, but you were a resident of another state, you must prorate these exemptions.*

Line 54 - Arizona Adjusted Gross Income

Subtract line 53 from line 48. If less than zero, enter “0”.

Figuring Your Tax

Line 55 - Itemized or Standard 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.

Your Standard Deduction

CAUTION: *You must prorate the standard deduction.*

Nonresident individuals, who claim the standard deduction, must prorate the deduction by the income ratio which the taxpayer’s Arizona gross income is of the taxpayer’s federal adjusted gross income.

This will in effect prorate the standard deduction between income taxable to Arizona and income not taxable to Arizona and allow only that portion of the deduction allocable to income taxable to Arizona. **If you take the standard deduction, check box 55S.**

Standard Deduction Chart	
If your filing status is:	Your standard deduction prior to prorating is:
• Single	\$5,312
• Married filing separate	\$5,312
• Married filing joint	\$10,613
• Head of household	\$10,613

If you and your spouse do not complete Form 202, you may (prior to prorating) take an exemption of only \$3,300 (one-half of the total \$6,600).

If you are a married person who qualifies to file as a head of household, you may take the entire \$6,600 (prior to prorating) 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 \$6,600 (prior to prorating).

If you and your spouse do not complete Form 202, you may (prior to prorating) take an exemption of only \$3,300 (one-half of the total \$6,600). The spouse who claims more than one-half of the total personal exemption (prior to prorating) must include the original Form 202 with his or her return. The spouse who claims less than one-half of the total personal exemption (prior to prorating) must include a copy of the completed Form 202 with his or her return.

Line 57- Arizona Taxable Income

Subtract lines 55 and 56 from line 54 and enter the difference. If less than zero, enter "0".

Use this amount to calculate your tax using Tax Table X or Y.

Line 58 - Tax Amount

Enter the tax from Tax Table X or Y.

Line 59 - Tax From Recapture of Credits From Arizona Form 301

Enter the amount of tax due from recapture of credits from Arizona Form 301, Part 2, line 36.

Line 60 - Subtotal of Tax

Add lines 58 and 59 and enter the total.

Line 61- Nonrefundable Credits from Arizona Form 301

Complete line 61 if you claim any of the following credits. Also, make sure that you include Arizona Form 301 and the appropriate credit form or forms with your return.

Enterprise Zone Credit. The enterprise zone credit allowable to 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.

Military Reuse Zone Credit. The military reuse zone credit expired. All credits for military reuse zones that were properly established can be carried forward for the respective five year carry forward period. See Form 306 for more information.

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 140NR, line 61.

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 this credit.

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.

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.

Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets. The credit for solar hot water heater plumbing stub outs and electric vehicle recharge outlets has expired. All credits that were property established can be carried forward for the respective five year carry forward period.

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.

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.

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

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.

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 in Arizona to control or prevent pollution. Use Form 325 to figure this credit.

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.

Credit for Employment by a Healthy Forest Enterprise. You may qualify for this credit if you had net increases in qualified employment positions in a healthy forest enterprise.. Use Form 332 to figure this credit.

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.

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.

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

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.

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.

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 \$5,000 or more may pass-through the credit to its individual shareholders on a *pro rata* basis. See Form 341-I for more information.

Renewable Energy Production Tax Credit. You may qualify for this credit if you produced electricity using renewable energy resources. Use Form 343 to figure this credit.

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.

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.

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

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

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 on the appropriate form. Then complete Arizona Form 301 and enter the amount from Form 301, Part 2, line 69. The amount on line 61 cannot reduce your tax below zero. These credits are not refundable credits.

Include the completed Form 301 along with any supporting documents with your return.

Line 62 - Balance of Tax

Subtract line 61 from line 60. If line 61 is greater than line 60, enter, "0".

Totaling Payments and Refundable Credits

Line 63 - 2018 Arizona Income Tax Withheld

Enter the 2018 Arizona income tax withheld as shown on Form(s) W-2 from your employer. Do not include income taxes withheld by any other state. Include the Form(s) W-2 with your return.

Line 64 (Boxes a, b, and c) – 2018 Arizona Estimated Tax Payments including Amount Applied from 2017 Return; and Arizona Claim of Right

Use this line if you did one of the following:

- made estimated income tax payments to Arizona for 2018;
- applied any of your refund from your 2017 Arizona return to 2018 estimated taxes for Arizona; or
- recomputed a prior year's tax under Arizona's Claim of Right provisions.

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.

Box 64a: Enter the total amount of estimated taxes paid and/or applied to your 2018 taxes.

NOTE: *If you are married and made joint Arizona estimated payments for 2018, but are filing separate 2018 Arizona income tax returns, see the department's ruling ITR 02-3, Allocating Joint Estimated Payments to Separate Returns.*

Box 64b: 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 64b.

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 64c: Add the amounts in box 64a and box 64b and enter the total on line 64c.

Line 65 - 2018 Arizona Extension Payment (Arizona Form 204)

Use this line to report the payment you sent with your extension request or the electronic extension payment you made using www.AZTaxes.gov.

Line 66 - Other Refundable Credits

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

- Credit for Increased Research Activities - Individuals, (Form 308-I)
- 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 may be 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 (ACA), 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 32.

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 ACA. For more information, see Arizona Form 349.

You must include a copy of your “Certificate of Qualification” from the ACA 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.

If you are claiming more than one of the refundable tax credits, check the appropriate boxes and add the amounts from the credit forms together and enter the total on line 65. You may use the table to figure the amount to enter on line 65.

2018 - Refundable Credit Worksheet	
1. Enter the refundable credit from Form 308-I, Part 5, line 32.	
2. Enter the refundable credit from Form 349, Part 8, line 20.	
3. Add the amounts on lines 1 and 2. Enter the total here and on line 66.	

Line 67 - Total Payments and Refundable Credits

Line 67 is the total payments and refundable credits claimed. Add lines 63 through 66 and enter the total.

NOTE: *An Arizona Claim of Right amount is now reported on line 64. See line 64 for instructions.*

Figuring Your Tax Due or Overpayment

Line 68 - Tax Due

If line 62 is more than line 67, you have tax due. Subtract line 67 from line 62 and enter the amount of tax due. Skip lines 69, 70, and 71.

Line 69 - Overpayment

If line 67 is more than line 62, you have an overpayment. Subtract line 62 from line 67 and enter the difference. Complete lines 70 and 71.

Line 70 - Amount of Line 69 to Apply to 2019 Estimated Tax

If you want all or part of your overpayment applied to next year’s Arizona estimated taxes, enter that amount on line 70.

NOTE: *If you apply any of the amount shown on line 69 to 2019, you cannot use that amount to pay any tax that is later found to be due for 2018. You also may not claim a refund for that amount until you file your 2019 return.*

Line 71 - Balance of Overpayment

Subtract line 70 from line 69 to determine your overpayment balance before voluntary gifts and any estimated payment 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 72 - 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 88. Enter the amount you want to donate on line 72.

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 73 - 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 88. Enter the amount you want to donate on line 73.

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 74 - 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 88. Enter the amount you want to donate on line 74.

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

Line 75 - 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 88. Enter the amount you want to donate on line 75.

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

Line 76 - 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 88. Enter the amount you want to donate on line 76. If you donated to a political party, complete line 83.

Gifts go to one of the following political parties:

- Democratic
- Green Party
- Libertarian
- Republican

Line 77 - 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 88. Enter the amount you want to donate on line 77.

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 78 - 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 88. Enter the amount you want to donate on line 78.

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

Line 79 - 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 88. Enter the amount you want to donate on line 79.

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

Line 80 - 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 88. Enter the amount you want to donate on line 80.

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

Line 81 - 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 88. Enter the amount you want to donate on line 81.

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 82 - 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 88. Enter the amount you want to donate on line 82.

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 83 - Political Party

If you entered an amount on line 76, 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 76.

Line 84 - Estimated Payment Penalty

You must have made Arizona 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 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

NOTE: Do not complete Arizona Form 221, Underpayment of Estimated Tax by Individuals, if the amount on Form 140NR, line 63, is more than the amount on Form 140NR, line 62.

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 to determine if any penalty is due. Enter the total penalty from Form 221.

If you report as a farmer or fisherman for federal purposes, you were not required to make estimated payments during 2018 if the following apply:

1. You are a calendar year filer. You file your Arizona return by March 1, 2019. You pay in full the amount stated on your return as owed.
2. 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 852 on line 85 and do not complete Form 221.

Line 85 - Box 851 through Box 853

Box 851: 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 852: check if you are an individual who for federal purposes reports as a farmer or fisherman.

Box 853: check if you completed and are including Form 221.

Line 86 -

Add lines 72 through 82 and 84. 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 87 - Refund

Subtract line 86 from line 71. Enter your refund on line 87 and skip line 88. If less than zero, enter amount owed on line 88.

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 the 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 87 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 87A if the direct deposit will ultimately be placed in a foreign account. If you check box 87A, do not enter your routing or account numbers. If this box is checked, we will not direct deposit your refund. We will mail 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.*

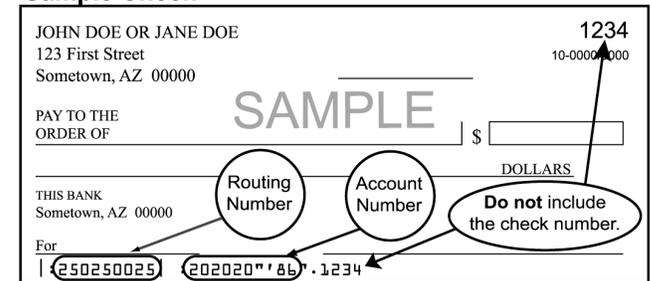
Routing Number

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 will be mailed instead. On the sample check, the routing number is 250250025.

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

Sample Check



Note: *The routing and account numbers may be in different places on your check. correct routing number to enter.*

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 88 - Amount Owed

Add lines 68 and 86. Enter the amount you owe on line 88. If you are making voluntary gifts on lines 72 through 82 in excess of your overpayment, enter the difference on line 88. You may pay only with a check, electronic check, money order, or credit card.

Check or money order

NOTE: *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. The department cannot accept checks or money orders in foreign currency. You must make payment in U.S. dollars. It may take 2-3 weeks for your payment to process.

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 2018. 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 routing and account 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 American Express, Discover, Visa, or MasterCard. 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 88 when you file, you may request to make monthly installment payments. Complete Arizona Form 140-IA and mail the completed form to the address on the Form 140-IA. **Do not mail Form 140-IA with your income tax return.** You may obtain Arizona Form 140-IA from our website.

If you cannot pay the full amount shown on line 88, you will be charged interest and may be charged a late payment penalty on the tax not paid by April 15, 2019. 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 140NR is not considered a valid return unless you sign it. The department cannot mail a refund check without proper signatures on the return.

Instructions before Mailing

- **DO NOT STAPLE YOUR RETURN. DO NOT STAPLE ANY DOCUMENTS, SCHEDULES, 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, enter each dependent's name, SSN, relationship, and the number of months that he or she lived in your home. If more space is needed, complete page 3 and include 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** (*above your name*) 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 \$50 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. Documents you must include with your return are those items listed in numbers 1 through 4 below.
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. If itemizing, include Arizona Schedule A(NR) and federal Schedule A directly after page 2 (or 3) of your return. Include other forms and schedules behind the Schedules A.
3. Include Arizona Form 301, applicable credit forms, and your own schedules after page 2 (or 3) of your return. 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 are claiming a credit for taxes paid to another state or country include a copy of the other state's or country's filed return.
 - 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 you are 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 15, 2019.

The term "United States mail" includes any private delivery service designated by the United States Secretary of the Treasury pursuant to IRC § 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 underreport the income shown on that return by more than 25%. The department can bring an action at any time if a return is false or fraudulent, or you do not file a return. To find out more about what records you should keep, see federal Publication 552.

Where's My Refund?

You can check on your refund by visiting www.azdor.gov or www.AZTaxes.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 2018 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.

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

2018 Original return 2018 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. <i>Enter the <u>total</u> net long-term capital gains or (losses) from the following forms in each applicable column. See page 27 for instructions.</i>		(a) Total net long-term capital gains or (losses) for all assets	(b) Net long-term capital gains or (losses) included in column (a) from Arizona sources	(c) Net long-term capital gains or (losses) included in column (b) from assets acquired before 1/1/2012	(d) Net long-term capital gains or (losses) included in column (b) from assets acquired after 12/31/2011
1	Form(s) 8949 <i>Sales and Other Dispositions of Capital Assets</i> ; and Form(s) 1099-B, <i>Proceeds from Broker and Barter Exchange Transactions</i> , for long-term transactions directly reported on federal Schedule D.	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 Form 120S Schedule K-1(NR); AZ Form 165 Schedule K-1(NR); and AZ Form 141 Schedule K-1(NR)	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			
13a	For amount to enter on line 13a, column (d), see the worksheet instructions.	13a			
13b	For amount to enter on line 13b, column (d), see the worksheet instructions.	13b			
13c	For amount to enter on line 13c, column (d), see the worksheet instructions.	13c			
14	Net Long-term capital gain or (loss) included in computation of your federal adjusted gross income. For all amounts to enter on line 14, see the worksheet instructions. <ul style="list-style-type: none"> Enter the amount from line 14, column (b) on Form 140NR, line 35. If the amount on line 14, column (d) is a net capital gain, enter the result on Form 140NR, line 36. <i>If the amount in column (d), is a negative number, you have a net capital (loss). You do not qualify to take the subtraction.</i>	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 2018, the percentage is 25% (.25).

As a nonresident, you may take the allowable subtraction for only those qualified net long-term capital gains that are from Arizona sources.

For purposes of this subtraction, “qualified” means an Arizona sourced 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 in the computation for the 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 (c) 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 federal 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 long-term capital gains or (losses) included in column (a) from Arizona sources.
- **Column (c)** is the amount of the long-term capital gains or (losses), included in column (b) for assets acquired **before** January 1, 2012.
- **Column (d)** is the amount of the long-term capital gains or (losses), included in column (b) 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 long-term capital gain or (loss) 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 Arizona sources*.
- Column (c), enter the portion from column (b) that is from assets acquired before January 1, 2012.
- Column (d), enter the portion from column (b) that is from assets acquired after December 31, 2011.

Line 12 -

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

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

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

Did you take a subtraction, on Form 140NR, line 38, for any net capital gain derived from investment in a qualified small business that is included in federal adjusted gross income for the taxable year?

- If “No”, enter “0”, on line 13a, column (d) and go to line 13b.
- If “Yes”, does that amount include any net long-term capital gain from an investment made *after* December 31, 2011?
 - If “No”, enter “0”, on line 13a, column (d) and go to line 13b.
 - If “Yes”, enter on line 13a, column (d) 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 140NR, line 38. Go to line 13b.

Lines 13b and 13c - Capital Gain or (Loss) from the Exchange of one kind of Legal Tender for Another kind of Legal Tender

To determine the amount to enter in column (d) of lines 13b and 13c, answer the following questions.

Question 1. *Did you make an addition, on Form 140NR, line 30, for any net capital (loss) from Arizona sources derived from the exchange of one kind of legal tender for another kind of legal tender and included in federal adjusted gross income for the taxable year?*

- If “No”, go to Question #2.
- If “Yes”, complete the following table:

(A)	(B)	(C)
Total Net Capital Loss	Net Capital Gain or (loss) from legal tender acquired <i>before</i> December 31, 2011	Net Capital Gain or (loss) from legal tender acquired <i>after</i> December 31, 2011
.00	.00	.00

- If column (C) is a net capital gain, enter the amount on line 13b, column (d). Go to line 14.
- If column (C) is a net capital (loss), enter the amount on line 13c, column (d), as a positive. Go to line 14.

Question 2. *Did you take a subtraction, on Form 140NR, line 39, for any net capital gain from Arizona sources that is derived from exchange of one kind of legal tender for another kind of legal tender and included in federal adjusted gross income for the taxable year?*

- If “No”, enter “0” in column (d) of line 13c. Go to line 14.
- If “Yes”, complete the following table:

(A)	(B)	(C)
Total Net Capital Gain	Net Capital Gain or (loss) from legal tender acquired <i>before</i> December 31, 2011	Net Capital Gain or (loss) from legal tender acquired <i>after</i> December 31, 2011
.00	.00	.00

- If column (C) is a net capital gain, enter the amount on line 13b, column (d). Go to line 14.
- If column (C) is a net capital (loss), enter the amount on line 13c, column (d), as a positive. Go to line 14.

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

- For column (a), enter the amount from line 12, column (a).
- For column (b), enter the amount from line 12, column (b).
- For column (c), enter the amount from line 12, column (c).
- For column (d), compute the following:

Line 12, column (d), minus the *sum of* lines 13a and 13b, column (d) plus line 13c, column (d).

[Line 12, col. (d), minus (13a + 13b) plus line 13c]

You may use the schedule below to compute the amount to enter on line 14, column (d).

1. Enter the amount from Line 12, column (d), of the worksheet.	\$	00
2. Enter the sum of lines 13a and 13b, column (d) of the worksheet	\$	00
3. Subtract line 2 from line 1 above.	\$	00
4. Enter the amount on line 13(c), column (d).	\$	00
5. Add lines 3 and 4 above.	\$	00

- Enter the amount on line 14, column (b) on Form 140NR, line 33.
- If the net amount on line 14, column (d) is a positive number, you have a net long-term capital gain. Enter the result on Form 140NR, line 36.

This is your net long-term capital gain from assets acquired after December 31, 2011.

If the net amount on line 14, column (d) is a negative number, you have a net capital loss. You do not qualify to take the subtraction.