

For the calendar year 2021 or fiscal year beginning MM,DD,2021 and ending MM,DD,20YY.

CHECK ONE: Original Amended

Shareholder's Tax Identification Number	S Corporation's Employer Identification Number (EIN)
Shareholder's Name	S Corporation's Name
Shareholder's Address – number and street or rural route	S Corporation's Address – number and street or rural route
Shareholder's City, Town or Post Office State ZIP Code	S Corporation's City, Town or Post Office State ZIP Code
Shareholder's percentage of stock ownership for the taxable year: _____ %	

Part 1 Net Capital Gain (Loss) From Investment in a Qualified Small Business – Information Schedule

If the shareholder's federal Schedule K-1 (Form 1120-S) does not include any net capital gain (loss) from investment in a qualified small business as determined by the Arizona Commerce Authority, the S Corporation is not required to complete Part 1.

Pro Rata Share Items	Distributive Share Amount
1 Net capital gain (loss) from investment in a qualified small business..... 1	

Part 2 Net Capital Gain (Loss) From the Exchange of Legal Tender – Information Schedule

If the shareholder's federal Schedule K-1 (Form 1120-S) does not include any net capital gain (loss) from the exchange of legal tender, the S Corporation is not required to complete Part 2.

Pro Rata Share Items	Distributive Share Amount
2 Net capital gain (loss) from the exchange of legal tender..... 2	

Part 3 Net Long-Term Capital Gain (Loss) Subtraction – Information Schedule

If the shareholder's federal Schedule K-1 (Form 1120-S) includes net long-term capital gain (loss), complete lines 3 through line 5 (if applicable). If the shareholder's federal Schedule K-1 (Form 1120-S) does not include any net long-term capital gain (loss), the S Corporation is not required to complete Part 3.

Pro Rata Share Items From federal Form 1120-S, Schedule K-1	(a) Distributive Share Amount	(b) Net long-term capital gain (loss) included in column (a) from assets acquired before January 1, 2012	(c) Net long-term capital gain (loss) included in column (a) from assets acquired after December 31, 2011
3 Net long-term capital gain (loss)..... 3			

ADDITIONAL INFORMATION:

4 Net long-term capital gain (loss) from investment in a qualified small business (amount already included in line 3, column (c))..... 4			
5 Net long-term capital gain (loss) from the exchange of legal tender (amount already included in line 3, column (c))..... 5			

Continued on page 2 →

Name (as shown on page 1)	EIN
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Part 4 Marijuana Establishments Only - Information Schedule

6 Enter the S Corporation's disallowed federal expenses from line 16 of Schedule DFE	6		00
7 Multiply the amount on line 6 by the shareholder's ownership percentage shown on page 1. Enter the result. This is the shareholder's portion of the Disallowed Federal Expenses	7		00

SHAREHOLDER:

The amount reported on line 7 is your share of the S Corporation's disallowed federal expenses.

Enter this amount on your Arizona income tax return.

- If you ***did not make the Small Business Income election*** and are filing Arizona Form 140, enter this amount on page 6, line P.
- If you ***did not make the Small Business Income election*** and are filing Arizona Form 140PY, enter this amount on page 6, line U.
- If you ***made the Small Business Income election*** and are filing Arizona Form 140-SBI, enter this amount on line 46.
- If you ***made the Small Business Income election*** and are filing Arizona Form 140PY-SBI, enter this amount on line 43.

**Instructions for Resident and Part-
Year Resident Shareholders**

**Part 1 - Net Capital Gain (Loss) From
Investment in a Qualified Small Business –
Information Schedule**

Arizona allows individuals, estates, and trusts a subtraction from Arizona gross income for any net capital gain derived from investment in a qualified small business if:

- The gain is included in:
 - The individual's federal adjusted gross income, or
 - The estate or trust's federal taxable income, and
- The business in which the S Corporation invested is determined to be a qualified small business by the Arizona Commerce Authority.

A shareholder that is a pass-through entity (estate or trust) will need this information to:

- Calculate its subtraction, or,
- Complete Arizona Form 141AZ Schedule K-1, or Arizona Form 141AZ Schedule K-1(NR), for each beneficiary.

Line 1

Line 1 is your share of net capital gain (loss) from investment in a qualified small business. See the instructions for Form(s) 140, 140PY, or 141AZ to determine if you qualify to take this subtraction.

**Part 2 - Net Capital Gain (Loss) From the
Exchange of Legal Tender – Information
Schedule**

For taxable years beginning from and after December 31, 2017, Arizona allows the exclusion from gross income the amount of net capital gain (loss) derived from the exchange of one kind of legal tender for another kind of legal tender.

- (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 2

Line 2 is your share of the net capital gain (loss) from the exchange of one kind of legal tender for another kind of legal tender. See the instructions for Form(s) 140, 140PY, or 141AZ to determine how you treat this amount.

**Part 3 - Net Long-Term Capital Gain
Subtraction – Information Schedule**

Arizona allows individuals, estates, and trusts a subtraction from Arizona gross income for a percentage of any net long-term capital gain if:

- The gain arises from assets acquired after December 31, 2011, and,
- The gain is included in:
 - The individual's federal adjusted gross income, or
 - The estate or trust's federal taxable income.

In addition:

- Only include net long-term gains if you can verify the asset was acquired after December 31, 2011.
- If you cannot verify the asset was acquired after December 31, 2011, treat it as a capital gain 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.

A shareholder that is a pass-through entity (estate or trust) will need this information to:

- Calculate its subtraction, or,
- Complete Arizona Form 141AZ Schedule K-1, or Schedule K-1(NR) for each beneficiary.

Line 3

Line 3, column (c), is your share of net long-term capital gain (loss) from assets acquired after December 31, 2011.

Line 4

Line 4, column (c) is your share of the S Corporation's net long-term capital gain from investment in a qualified small business that is included in the amount on line 3, column (c). *The amount on this line cannot be included in your subtraction for any net long-term capital gain from assets acquired after December 31, 2011.*

For more information, see the instructions for Form(s) 140, 140PY, or 141AZ.

Line 5

Line 5, column (c) is your share of the S Corporation's net long-term capital gain (loss) from the exchange of legal tender that is included in the amount on line 3, column (c). *The amount on this line cannot be included in your subtraction for any net long-term capital gain from assets acquired after December 31, 2011.*

**Worksheet for Long-Term Capital Gain Subtraction
for Assets Acquired After December 31, 2011
(Worksheet)**

To determine if you qualify for a net long-term capital gain subtraction on your Arizona income tax return:

- **Full-year resident shareholders**, use the amounts in column (c) of lines 3, 4, and 5, to figure the allowable subtraction on the Worksheet included in the instructions for Arizona Form 140.
- **Part-year resident shareholders**, use the amounts in column (c) of lines 3, 4, and 5, that are included in your Arizona gross income to figure the allowable subtraction on the Worksheet included in the instructions for Arizona Form 140PY.
- **Resident estate or trust shareholders**, use the amounts in column (c) of lines 3, 4, and 5, to complete the Worksheet included in the instructions for Arizona Form 141AZ. If the resident estate or trust distributed the gain (loss) to the beneficiaries, the Worksheet will assist the estate or trust in completing the *Net Long-Term Capital Gain Subtraction – Information Schedule*

2021 Resident and Part-Year Resident Shareholder's Information Schedule

Arizona Form 120S Schedule K-1

on Arizona Form 141AZ, Schedule K-1, or Schedule K-1(NR) for each beneficiary.

Part 4 – Marijuana Establishments Only Information Schedule

If the S Corporation is licensed by ADHS as a Marijuana Establishment, a Marijuana Testing Facility, or as a Dual Licensee that made the election to operate on a for-profit basis, Arizona permits the S Corporation to deduct its federal disallowed expenses in computing its Arizona taxable income.

Line 6

Line 6 is the S Corporation's disallowed federal expenses from the operation of the Marijuana Establishment.

Line 7

Line 7 is your share of the S Corporation's disallowed federal expenses from the operation of the Marijuana Establishment. Enter this amount on your Arizona income tax return.

- If you *did not make the Small Business Income election* and are filing Arizona Form 140, enter this amount on page 6, line P.
- If you *did not make the Small Business Income election* that are filing Arizona Form 140PY, enter this amount on page 6, line U.
- If you *made the Small Business Income election* that are filing Arizona Form 140-SBI, enter this amount on line 46.
- If you *made the Small Business Income election* that are filing Arizona Form 140PY-SBI, enter this amount on line 43.