

Obtain additional information or assistance by calling one of the numbers listed below:

Phoenix	(602) 255-3381
From area codes 520 and 928, toll-free	(800) 352-4090
Hearing impaired TDD user	
Phoenix	(602) 542-4021
From area codes 520 and 928, toll-free	(800) 397-0256

Obtain tax rulings, tax procedures, tax forms and instructions, and other tax information by accessing the department's Internet home page at www.azdor.gov.

General Instructions

ARS § 43-1182 provides a nonrefundable corporate income tax credit for the installation of a water conservation system plumbing stub out in each house or dwelling unit constructed by the taxpayer. The houses or dwelling units must be located in Arizona.

The tax credit applies to taxable years beginning from and after December 31, 2006 and ending before January 1, 2012. The amount of total credits the Department of Revenue may allow cannot exceed \$500,000 for each calendar year.

Qualifying installations of water conservation system plumbing stub outs must:

- Comply with rules that are adopted by the Department of Environmental Quality that relate to the recovery and disposal of gray water that is separate and distinct from the regular plumbing system.
- Meet applicable local building codes.

The amount of the credit is equal to the lesser of \$200 or the installation cost *for each installation* of a water conservation system plumbing stub out *in each separate house or dwelling unit*.

The tax credit is in lieu of a deduction for the expenses of installing the water conservation system plumbing stub outs for which the credit is claimed.

The credit is available only to corporate taxpayers. A partnership may pass this credit through only to its corporate partners. While an S corporation may claim this credit, the S corporation may not pass this credit through to its shareholders.

Co-owners of a business, including corporate partners of a partnership, may each claim only the pro rata share of the credit allowed based on the ownership interest. The total of the credits allowed all such owners may not exceed the amount that would have been allowed for a sole owner of the business.

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

CREDIT CERTIFICATION PROCEDURE

If the taxpayer's installation of the stub outs is contingent upon receiving the credit, the taxpayer may call (602) 716-6927 to see how much room under the credit limitation is available. Although a guarantee of credit availability cannot be provided, a fairly educated guess of credit availability can be made.

The Department will certify credits not to exceed \$500,000 annually, on a first come, first served basis. The certification process works as follows:

- Taxpayer purchases and installs the qualifying stub out(s).
- Taxpayer then completes and files the "Application for Corporate Income Tax Credit for Installation of Water Conservation System Plumbing Stub Outs" which can be found on the department's website under the "Tax Credits" link, and includes copies of documentation for installation of the plumbing stub out(s), with date of installation and address(es) shown.
- The department approves or denies taxpayer's application. The department may verify that a water conservation system plumbing stub out has been installed by the taxpayer.
- If taxpayer's application is approved, the department will issue a "Corporate Income Tax Credit Certification for Installation of a Water Conservation System Plumbing Stub Out" (Credit Certification) indicating that the taxpayer is entitled to take the tax credit and the amount of tax credit to which the taxpayer is entitled.
- Taxpayer shall attach the Credit Certification to Form 337 when filing its tax return.

Specific Instructions

Complete the name and employer identification number section at the top of the form. Indicate the period covered by the taxable year. Attach the completed form to the tax return.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for a corporation, an S corporation, or a partnership is the taxpayer's employer identification number. A taxpayer that fails to include its TIN may be subject to a penalty.

Part I - Current Taxable Year's Credit Calculation

Enter the amount of tax credit the taxpayer is entitled to according to the Credit Certification. If more than one Credit Certification has been received, enter the sum of all Credit Certifications. *Attach the Credit Certification(s) immediately following Form 337.*

Part II - Corporate Partner's Share of Credit

Lines 2 through 4 -

Partnerships must complete Form 337, Part I. Next, a partnership must complete lines 2 through 4 separately for each corporate partner.

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

The partnership must furnish each corporate partner with a copy of the completed Form 337. Each corporate partner must complete Part III and Part IV.

Part III - Available Credit Carryover

Complete Part III only if the allowable credit for prior taxable years exceeded the Arizona income tax liability for those taxable years.

Each corporate partner must complete Part III for the computation of the available carryover of the credit passed through by the partnership.

Lines 5 through 10 -

Enter the taxable year(s) from which you are carrying over the credit in column (a) on lines 5 through 9. In column (b), enter the credit originally computed for that taxable year. In column (c), enter the amount of the credit from that taxable year which you have already used. Subtract the amount in

column (c) from the amount in column (b) and enter the difference in column (d). Add the amounts entered on lines 5 through 9 in column (d). Enter the total on line 10, column (d). This is the total credit carryover available for the current taxable year.

Part IV - Total Available Credit

Line 11 -

Corporations and S corporations - enter the current taxable year's credit from Part I, line 1.

Corporate partners of a partnership - enter the amount from Part II, line 4.

Line 12 -

Enter the total available credit carryover from Part III, line 10, column (d).

Line 13 -

Add lines 11 and 12. Enter the total here and on Form 300, Part I, line 17. This is the total available credit which may be applied to the current taxable year's corporate income tax liability.