

2014 Resident Personal Income Tax Return

For information or help, call one of the numbers listed:

Phoenix (602) 255-3381
From area codes 520 and 928, toll-free (800) 352-4090

Tax forms, instructions, and other tax information

If you need tax forms, instructions, and other tax information, go to the department's website at www.azdor.gov.

Income Tax Procedures and Rulings

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website and click on *Legal Research* then click on *Procedures* or *Rulings* and select a tax type from the drop down menu.

Publications and Brochures

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Who Must Use Form 140?

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

You must use Form 140 rather than Form 140A or Form 140EZ to file for 2014 if any of the following apply to you.

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

Do You Have to File?

Arizona Filing Requirements These rules apply to all Arizona taxpayers.		
You must file if you are:	and your Arizona adjusted gross income is at least:	or your gross income is at least:
● Single	\$ 5,500	\$15,000
● Married filing joint	\$11,000	\$15,000
● Married filing separate	\$ 5,500	\$15,000
● Head of household	\$ 5,500	\$15,000
If you are an Arizona resident, you must report income from all sources. This includes out-of-state income.		
To see if you have to file, figure your gross income the same as you would figure your gross income for federal income tax purposes. Then, you should exclude income Arizona law does not tax.		
Income Arizona law does not tax includes:		
<ul style="list-style-type: none"> ● Interest from U.S. Government obligations ● Social security retirement benefits received under Title II of the Social Security Act ● Benefits received under the Railroad Retirement Act ● Active duty Military pay ● Pay received for active service as a reservist or a National Guard Member 		
You can find your Arizona adjusted gross income on page 2, line 42 of Arizona Form 140.		

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

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

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

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

The department has issued a ruling on the Arizona tax treatment of American Indians. This ruling is ITR 96-4.

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. The department has issued income tax ruling, ITR 96-4, on the tax treatment of spouses of American Indians.

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

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

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

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

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

If you are an Arizona resident and you have to file an Arizona return, you should file using Form 140. If you were an Arizona resident when you entered the service, you remain an Arizona resident, no matter where stationed, until you establish a new domicile. As an Arizona resident, you must report all of your income to Arizona, no matter where stationed. You must include your military pay, but using Form 140, you may subtract all pay received for active duty military service; to the extent it is included in your federal adjusted gross income.

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

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

To find out more, see our brochure, Pub 704, *Taxpayers in the Military*.

Find an Authorized e-file Provider

An authorized e-file provider can take the guesswork out of filing taxes.

To find an authorized e-file provider near you visit www.azdor.gov



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

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

Residency Status

If you are not sure if you are an Arizona resident for state income tax purposes, we may be able to help. The department has issued a procedure on determining residency status. This procedure is ITP 92-1.

Residents

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

Part-Year Residents

If you are a part-year resident, you must file Form 140PY, *Part-Year Resident Personal Income Tax Return*.

You are a part-year resident if you did **either** of the following during 2014.

- 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 Form 140NR, *Nonresident Personal Income Tax Return*.

What if a Taxpayer Died?

If a taxpayer died before filing a return for 2014, 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 in the address section of the form. Also enter the date of death after the decedent's name.

If your spouse died in 2014 and you did not remarry in 2014, or if your spouse died in 2015 before filing a return for 2014, you may file a joint return. If your spouse died in 2014, the joint return should show your spouse's 2014 income before death and your income for all of 2014. If your spouse died in 2015, before filing the 2014 return, the joint return should show all of your income and all of your spouse's income for 2014. 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 2014 calendar year tax return is due no later than midnight, April 15, 2015. File your return as soon as you can after January 1, but no later than April 15, 2015. 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. For details, see the instructions for Arizona Form 204.*

To get a filing extension, you can either:

1. Apply for a state extension (Arizona Form 204). To apply for a state extension, file Form 204 by April 15. See Form 204 for details. You do not have to include a copy of the extension with your return when you file, but make sure that you check box **82F** on page 1 of the return. If you must make a payment, use Arizona Form 204, or visit www.AZTaxes.gov to make an electronic payment.
2. Use your federal extension (federal Form 4868). File your Arizona return by the same due date. You do not have to include a copy of your federal extension with your return, but make sure that you check box **82F** on page 1 of the return.

When Should You File if You Are a Nonresident Alien?

The due date for your Arizona return is not the same as the due date for your federal return. Your Arizona return is due by April 15 even though your federal return is due on June 15. If you want to file your Arizona return after April 15, you must ask for a filing extension. You must file this request by April 15. Arizona will allow up to a 6-month extension. This will allow you to file your return by October 15, 2015. 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 even though your federal return will not be due until December 15. If you file your 2014 Arizona calendar year return after October 15, 2015, 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 2014 calendar year return by April 15, 2015, 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.

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 once you have filed, you should file Form 140X, *Individual Amended Income Tax Return*. You should file your amended return after your original return has processed. **Do not** file a new return for the year you are correcting. 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. You must file the Form 140X within 90 days of the final determination of the IRS.

If the IRS makes a change to your federal taxable income for any year, you must report that change to Arizona. You may use one of the following two options to report this change.

Option 1

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

Option 2

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

1. Request that the department recompute your tax; and
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:

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

Do You Need to Make Estimated Payments in 2015?

You must make Arizona estimated income tax payments during 2015 if:

Your filing status is:	AND Your Arizona gross income for 2014 was greater than:	AND Your Arizona gross income for 2015 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 2014, you must make estimated payments during 2015 unless you are sure you will not meet the threshold for 2015.

As a full year resident, your Arizona gross income is your federal adjusted gross income. This amount is on page 1, line 12 of the 2014 Form 140.

See the worksheet for Arizona Form 140ES to figure how much your payments should be.

For more information about making estimated payments, see the department's brochure (012), *Arizona Individual Estimated Income Tax Payments*.

What if You Make Your Estimated Payments Late?

We will charge you a penalty if you fail to make any required payments. We will charge you a penalty if you make any of your required payments late. For details, 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 write your social security number (SSN) on your return.
- Complete your return using black ink.
- You **must** round dollar amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down. Do not enter cents.
- When asked to provide your own schedule, include a separate sheet with your name and SSN at the top. Include your own schedules with your return. Include these schedules behind your return and behind your Schedules A, if itemizing.
- You must complete your federal return before you can start your Arizona return.
- Make sure you include your daytime telephone number.
- If filing a fiscal year return, fill in the period covered in the space provided at the top of the form.

DO YOU HAVE A COMPLICATED RETURN?


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Entering Your Name, Address, and SSN

Lines 1, 2, and 3 -

NOTE: Make sure that you write your SSN on the appropriate line.

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

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

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

Make sure that you enter your SSN on your return. Make sure that all SSNs are clear and correct. You may be subject to a penalty if you fail to include your SSN.

It will take longer to process your return if SSNs are missing, incorrect, or unclear.

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

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

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

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.

ID Numbers for Paid Preparers

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

A paid preparer may use any of the following.

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

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

Determining Your Filing Status

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

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

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, 2014. 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 2014 and you did not remarry in 2014. See page 2 of these instructions for details.

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

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

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

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

NOTE: *The department has issued a ruling on filing a joint tax return with your part-year resident or nonresident spouse. This ruling is ITR 14-1.*

Box 5 - Head of Household Return

If you are filing as a head of household, check box 5. You may file as head of household on your Arizona return, only if one of the following applies.

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

Box 6 - Married Filing Separate Return

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

If you were married as of December 31, 2014, you may choose to file a separate return. You may file a separate return, even if you and your spouse filed a joint federal return.

Arizona is a community property state. If you file a separate return, you must figure how much income to report using community property laws. Under these laws, a separate

return must reflect one-half of the community income from all sources plus any separate income.

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

If you and your spouse support a dependent child from community income, either you or your spouse may claim the dependent. Both of you cannot claim the same dependent on both returns.

The department has issued tax rulings on filing a separate return. These rulings are ITR 93-18 and ITR 93-19.

NOTE: *In some cases you may treat community income as separate income. The department has issued a ruling, ITR 93-22, on when you may treat community income as separate income.*

If one spouse is a resident and the other spouse is not, other special rules may apply when filing a separate return. The department has issued a ruling on how to report income in this case. This ruling is ITR 93-20.

Box 7 - Single Return

If you are filing as single, check box 7.

Use this filing status if you were single on December 31, 2014. 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, 2014, and you did not remarry in 2014, 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 our income tax ruling, ITR 14-2; and Publication 200 for help completing your return.*

Exemptions

Write the number of exemptions you are claiming in boxes 8, 9, 10, and 11. **Do not put a check mark.** You may lose the exemption if you put a checkmark in these boxes.

Box 8 - Age 65 or Over

Write "1" in box 8 if you or your spouse were 65 or older in 2014. Write "2" in box 8 if both you and your spouse were 65 or older in 2014.

Box 9 - Blind

Write "1" in box 9 if you or your spouse is totally or partially blind. Write "2" in box 9 if both you and your spouse are totally or partially blind.

If you or your spouse were partially blind as of December 31, 2014, you must get a statement certified by your eye doctor or registered optometrist that:

1. You cannot see better than 20/200 in your better eye with glasses or contact lenses; or
2. 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.

Box 10 - Dependents

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

You must complete the Dependent Section on page 1 (and page 3, if required) 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 Arizona Individual Income Tax Ruling ITR 05-2.*

- 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 2014, 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 2014, 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 during 2014.
 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.

Box 11 - Qualifying Parents and Grandparents

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

You must complete the Dependent Section on page 1, before you can total your exemptions for qualifying parents and grandparents.

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

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

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

1. The parent or grandparent was 65 years old or older during 2014.

2. The parent or grandparent lived in your principal residence for the entire taxable year.

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

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

To help you determine if you paid more than one-half of your parent or grandparent's support during the taxable year, it is recommended that you review the department's income tax procedure, ITP 14-1, and complete the worksheet. Keep the worksheet for your records.

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

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

For more information regarding what the term "activities of daily living" means when determining an Arizona resident taxpayer's eligibility for this exemption, see the income tax ruling, ITR 14-3.

To help you determine if your parent or grandparent required assistance with activities of daily living, it is recommended that you review the department's income tax procedure, ITP 14-2, and complete the check-list. Keep the check-list for your records.

Completing the Dependent Section

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

- a) 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.
- b) 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.
- c) The dependent's relationship to you.
- d) The number of months the dependent lived in your home during 2014. If you are claiming an exemption for

a stillborn child, enter the date of birth resulting in the stillbirth.

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

You may lose the exemption if you do not furnish this information.

Enter the total **number** of dependents listed in Box 10.

Qualifying parents and grandparents

Enter the following.

- a) The name of the qualifying parent or grandparent.
- b) The SSN of the qualifying parent or grandparent.
- c) The qualifying parent's or grandparent's relationship to you, or your spouse if filing a joint return.
- d) The number of months the qualifying parent or grandparent lived in your home during 2014.
- e) Check the box if this person is age 65 or older.
- f) Check the box if this person died in 2014.

You may lose the exemption if you do not furnish this information.

Enter the total number of qualifying parents and/or grandparents listed in Box 11.

Totaling Your Income

Line 12 - Federal Adjusted Gross Income

You must complete your federal return before you enter an amount on line 12. You must complete a 2014 federal return to determine your federal adjusted gross income, even if you are not filing a federal return.

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

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

If the amount on line 12 is more than \$75,000 (\$150,000 if filing a joint return), you may need to make estimated payments. See "Do You Need to Make Estimated Payments in 2015?" instructions on page 4.

Additions to Income

Line 13 - Non-Arizona Municipal Interest

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

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

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

Line 14 - Ordinary Income Portion of Lump-Sum Distributions Excluded on Your Federal Return

Use line 14 if you use federal averaging for lump-sum distributions from your pension or profit-sharing plan.

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

For more information, see the department's Income Tax Ruling ITR 93-5.

Line 15 - Total Federal Depreciation

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

NOTE: *You may take a subtraction, on line 25, for Arizona bonus depreciation on assets placed in service during 2013. For more information, see the department's income tax procedure, ITP 14-3.*

Line 16 - Other Additions to Income

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

You may either add or subtract items A through C below on line 16 or 35, respectively, depending on your situation.

A. Married Persons Filing Separate Returns

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

- One-half of the community income from all sources.
- All of your separate income.

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

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

If you have to adjust your income, include a schedule showing how you figured your adjustment. For more information, see the department's publication, Pub. 200.

B. Partnership Income

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

If the difference reported on your Arizona Form 165, Schedule K-1, is a positive number, enter that difference as an addition. Enter the addition on line 16.

If the difference reported on your Arizona Form 165, Schedule K-1, is a negative number, enter that difference as a subtraction. Enter the subtraction on line 35.

C. Fiduciary Adjustment

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

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

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

D. Items Previously Deducted for Arizona Purposes

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

E. Claim of Right Adjustment for Amounts Repaid in 2014

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

1. During 2014, you were required to repay amounts held under a claim of right.
2. The amount required to be repaid during 2014 was more than \$3,000.
3. You took a deduction for the amount repaid on your 2014 federal income tax return.

If the above apply, enter the amount deducted on your federal income tax return here. For more information on the Arizona claim of right provisions, see the department's Individual Income Tax Procedure *ITP 95-1*.

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

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

1. During a year prior to 2014 you were required to repay amounts held under a claim of right.
2. You computed your tax for that prior year under Arizona's claim of right provisions.
3. A net operating loss or capital loss was established due to the repayment made in the prior year.
4. You are entitled to take that net operating loss or capital loss carryover into account when computing your 2014 Arizona taxable income.
5. The amount of the loss carryover included in your federal income is more than the amount allowed to be taken into account for Arizona purposes.

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

G. Addition to S Corporation Income Due to Credits Claimed

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

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

- Agricultural water conservation system credit (Form 312)
- Environmental technology facility credit (Form 305)
- Pollution control credit (Form 315)
- Credit for solar hot water heater plumbing stub outs and electric vehicle recharge outlets (Form 319)
- Credit for employment of TANF recipients (Form 320)
- Agricultural pollution control equipment credit (Form 325)
- Motion picture credits (Form 334)

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

If you claim a credit for installing solar hot water heater plumbing stub outs or electric vehicle recharge outlets in a dwelling you constructed on Form 319, you cannot deduct any expenses for which you claim the credit. If you take this credit, enter the amount of such expenses that you deducted on your federal return.

I. Wage Expense for Employers of TANF Recipients

If you claim a credit for employing TANF recipients on Form 320, you cannot deduct any wage expense for which you claim the credit. If you take this credit, enter the amount of such expenses that you deducted on your federal return.

J. Motion Picture Expenses

If you claim a motion picture credit on Form 334, you cannot deduct any expenses deducted on your federal return related to the production or related to a transferred credit. Enter the amount of any such expenses that were deducted in computing federal adjusted gross income for which you claimed a credit.

K. 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 2014 taxable year, on line 16, enter the amount by which the adjusted basis computed under the IRC with respect to that property exceeds the adjusted basis of the property computed under A.R.S. § 43-1074.02.

L. Nonqualified Withdrawals From 529 College Savings Plans

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

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

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

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

1. A qualified withdrawal. A qualified withdrawal is a withdrawal from an account to pay the qualified higher

education expenses of the designated beneficiary of the account.

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

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

For federal purposes, when a taxpayer made the special election to defer discharge of indebtedness (DOI) income under IRC § 108(i) (for 2009 or 2010), the taxpayer was not allowed to take a deduction with respect to the portion of any OID that accrued with respect to that DOI income, during the income deferral period. In this case, the taxpayer had to deduct the aggregate amount of the OID deductions disallowed ratably over a 5 year period, beginning with the period in which the income was includible in federal adjusted gross income.

Arizona did not adopt the federal provisions requiring a taxpayer to defer the OID deduction in cases where the taxpayer federally deferred the DOI income. For Arizona purposes, you had to report the DOI income from a debt reacquisition in the year in which you reacquired the debt, and you were allowed to subtract any OID related to that DOI income in the year the OID accrued. If your federal adjusted gross income includes a deduction for any accrued OID that you have already subtracted for Arizona purposes, you must make an addition to Arizona income for the amount of deferred OID deducted on your federal return. Generally, this addition will not apply until taxable year 2014 through 2018.

On line 16, enter the amount of any previously deferred OID that you deducted in computing your 2014 federal adjusted gross income, to the extent that the amount was previously subtracted from Arizona gross income.

N. Qualified Health Insurance Plans

If you claimed a credit on Form 347, you may not deduct any expenses for which you claim the credit. If you take this credit, enter the amount of such expenses that you deducted on your federal return.

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

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

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

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

Include the amount of the loss on line 16.

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

Q. Other Adjustments

Other special adjustments may be necessary. You may need to make an addition for depreciation or amortization. You may also need to make an addition if you claimed certain tax credits. Call one of the numbers listed on the back cover if any of the following apply.

- You sold or disposed of property that was held for the production of income and your basis was computed under the Arizona Income Tax Act of 1954, as amended (1978 prior), except depreciable property.
- You claimed the environmental technology facility credit.
- You claimed the pollution control credit.
- You claimed the recycling equipment credit.
- You claimed the agricultural pollution control equipment credit.
- You elected to amortize the cost of a child care facility under Arizona law in effect before 1990. You are still deducting amortization or depreciation for that facility on your federal income tax return.

Line 17 - Subtotal

Add lines 12 through 16 and enter the total.

Subtractions from Income

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

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

Lines 18 through 22 - Net Long-Term Capital Gain Subtraction from Income for Assets Acquired After December 31, 2011.

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

You may subtract a percentage of any net long-term capital gain included in your federal adjusted gross income that is derived from an investment in an asset acquired after December 31, 2011. For 2014, the percentage is 20% (.20).

Use the worksheet on page 25 of these instructions, *Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired after December 31, 2011*, to determine the allowable subtraction. Keep the worksheet for your records.

Line 18 – Total Net Capital Gain or (Loss)

If you reported a net capital gain or (loss) on your federal income tax return, enter the total net capital gain or (loss) included on line 12.

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

Enter the total amount of net short-term capital gain or (loss) included in your federal adjusted gross income and included on line 12.

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

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

Enter the amount from the worksheet, line 14, column (b).

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

Enter the amount from the worksheet, line 14, column (d).

Line 22 - Net Long-Term Capital Gain Subtraction From Income

Multiply the amount on line 21 by 20% (.20) and enter the result.

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

Beginning in 2014, 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 pursuant to A.R.S. § 41-1518.

On line 23, enter the amount of the allowable subtraction.

Caution: *If the amount entered on line 23 includes any long-term capital gain from an investment made after December 31, 2011, you cannot include that portion of the net capital gain in your computation of the allowable subtraction for any net long-term capital gain from assets acquired after December 31, 2011 and included in federal adjusted gross income.*

For more information, see the instructions on page 26 for the amount to enter on line 13 of the net long-term capital gain worksheet.

Line 24 - Recalculated Arizona Depreciation

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

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

NOTE: *For more information, see the department's individual income tax procedure, ITP 14-3.*

For assets placed in service in taxable years beginning from and after December 31, 2013, enter the total amount of depreciation allowable pursuant to IRC § 167(a) for the taxable year calculated as if the bonus depreciation is 10% of the amount of federal bonus depreciation pursuant to IRC § 168(k).

Add all amounts together and enter the total on line 24.

Line 25 – 2013 Arizona Depreciation Adjustment for Assets Placed in Service in Taxable Year 2013

For an asset placed in service during taxable year 2013, Arizona law allows a taxpayer that claimed bonus depreciation for the asset on the federal income tax return, to make an election to claim Arizona bonus depreciation for that asset on the 2014 Arizona income tax return.

This election is made by taking a subtraction, on the 2014 Arizona income tax return, for Arizona bonus depreciation for the asset placed in service during tax year 2013.

The Arizona bonus depreciation is 10% of the amount of bonus depreciation claimed on the federal income tax return.

On line 25, enter the amount of allowable Arizona depreciation adjustment for an asset placed in service during the 2013 taxable year.

NOTE: *For more information and examples of how to calculate Arizona bonus depreciation, see the department's Income Tax Procedure, ITP 14-3.*

Line 26 - Adjustment for IRC § 179 Expense not Allowed in Prior Years

If you made an addition for IRC § 179 expense on your 2010, 2011, and/or 2012 return, enter 20% of the amount added for 2010, 2011, and/or 2012.

Line 27 - Interest on U.S. Obligations

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

NOTE: *Do not subtract interest earned on FNMA or GNMA bonds since this interest is taxable by Arizona. For details, see the department's Income Tax Ruling, ITR 06-1.*

Do not subtract any amount received from a qualified pension plan that invests in U.S. Government obligations. Do not subtract any amount received from an IRA that invests in U.S. Government obligations. These amounts are not interest income. For details, see the department's Income Tax Rulings ITR 96-2 and ITR 96-3.

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

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

Public pensions from the following sources qualify for this subtraction.

- The United States Government Service Retirement and Disability Fund
- The United States Foreign Service Retirement and Disability System

- Retired or retainer pay of the uniformed services of the United States
- Any other retirement system or plan established by federal law

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

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

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

Line 29 - Arizona Lottery Winnings

You may subtract up to \$5,000 of winnings received in 2014 for Arizona lottery prizes.

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

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

Arizona does not tax social security benefits received under Title II of the Social Security Act. Arizona does not tax railroad retirement benefits received from the Railroad Retirement Board under the Railroad Retirement Act. If you included such social security or railroad retirement benefits as income on your federal return, use line 30 to subtract this income.

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

See the department's Income Tax Ruling, ITR 96-1, for more information about railroad retirement benefits.

Line 31 - Certain Wages of American Indians

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

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

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

Members of the reserves or the National Guard may subtract pay received for active service as a reservist or as a National

Guard member. This includes pay received for weekend or two-week training periods. On line 32 enter the amount of that income included in your federal adjusted gross income.

Military Technician (dual status)

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

For more information, see the department's Income Tax Ruling ITR 12-2.

NOTE: *You may not subtract pay received for active duty service as a member of the U.S. Public Health Service or NOAA. For more information, see the department's Income Tax Ruling ITR 10-1.*

Line 33 - Net Operating Loss Adjustment

Arizona did not adopt the special federal net operating loss rules for losses incurred during 2008 or 2009. For Arizona purposes, you must deduct a net operating loss as if the loss was computed under IRC § 172 in effect prior to the enactment of those special rules. If you made an election to deduct your 2008 or 2009 federal net operating loss under IRC § 172(b)(1)(H), you may have to enter an amount here. Figure how much of the net operating loss carry forward would have been allowed as a deduction on your 2014 federal income tax return, if the election described in IRC § 172(b)(1)(H) had not been made in the year of the loss. On line 33, enter the amount that exceeds the actual net operating loss carry forward that was deducted in arriving at federal adjusted gross income.

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

Line 34 - Contributions to 529 College Savings Plans

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

If you contribute more than \$2,000 (\$4,000 if married) during the year, your total subtraction is still limited to \$2,000 (\$4,000 if married). For example, Jorge and Kate are married and have two children. During 2014, Jorge and Kate contributed \$2,500 to a 529 plan for Child 1 and \$2,500 to a 529 plan for Child 2. Even though Jorge and Kate contributed a total of \$5,000 during 2014, they may subtract only \$4,000 on their 2014 return.

You may take a subtraction for a contribution that you made during 2014 to a plan that existed before 2014. You may take a subtraction for a contribution that you made during 2014 to a plan established in another state. You may take a subtraction for a contribution that you made in 2014 to any 529 college savings plan. This could be a plan established for a child, grandchild, niece, nephew, or any other person for whom a plan has been established.

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

Line 35 - Other Subtractions From Income

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

A. Fiduciary Adjustment

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

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

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

B. Partnership Income

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

If the difference reported on your Arizona Form 165, Schedule K-1, is a negative number, enter that difference as a subtraction. Enter the subtraction on line 35.

If the difference reported on your Arizona Form 165, Schedule K-1, is a positive number, enter that difference as an addition. Enter the addition on line 16.

C. Federally Taxable Arizona Municipal Interest as Evidenced by Bonds

Enter the amount of any interest income received on obligations of the State of Arizona, or any political subdivisions of Arizona, as evidenced by bonds, and is included in your Arizona gross income. Do not enter any Arizona municipal interest that is exempt from federal taxation and not included in your federal adjusted gross income.

D. Adoption Expenses

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

The following expenses are qualified adoption expenses.

1. Unreimbursed medical and hospital costs
2. Adoption counseling
3. Legal and agency fees
4. Other nonrecurring costs of adoption

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

E. 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
- 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.

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

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

1. During a year prior to 2014 you were required to repay amounts held under a claim of right.
2. You computed your tax for that prior year under Arizona's claim of right provisions.
3. A net operating loss or capital loss was established due to the repayment made in the prior year.
4. You are entitled to take that net operating loss or capital loss carryover into account when computing your 2014 Arizona taxable income.
5. The amount of the loss carryover allowed to be taken into account for Arizona purposes is more than the amount included in your federal income.

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

G. Certain Expenses Not Allowed for Federal Purposes

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

- The federal work opportunity credit
- The empowerment zone employment credit
- The credit for employer-paid social security taxes on employee cash tips
- The Indian employment credit

If you received any of the above federal tax credits for 2014, enter the portion of wages or salaries you paid or incurred during the taxable year equal to the amount of those federal tax credits you received.

H. Qualified State Tuition Program Distributions

If you are a beneficiary of a qualified state tuition program, you may subtract some of the amount distributed from the program for qualified education expenses. Enter the amount of the distribution that you had to include in your federal

adjusted gross income. A qualified state tuition program is a program that meets the requirements of IRC § 529.

I. Subtraction for World War II Victims

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

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

J. Installment Sale Income From Another State Taxed by the Other State in a Prior Taxable Year

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

1. The income from the sale is subject to Arizona income tax in 2014; and
2. You paid income tax to another state on that income in a **prior** tax year.

Enter the amount of such income that you included in your Arizona gross income for 2014.

Do not enter any amount that is subject to tax by both Arizona and another state in 2014. In this case, you may be eligible for a tax credit. See Arizona Form 309 for details.

K. Agricultural Crops Given to Arizona Charities

Arizona law allows a subtraction for qualified crop gifts made during 2014 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 larger of the wholesale market price or the most recent sale price for the contributed crop. The amount of the subtraction cannot include any amount deducted pursuant to IRC § 170 with respect to crop contribution that exceeds the cost of producing the contributed crop. To determine if your crop gift qualifies for this subtraction, see procedure, ITP 12-1.

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

With respect to property that is sold or otherwise disposed of during the taxable year by a taxpayer who has complied with the requirement to add back all depreciation with respect to that property on tax returns for all taxable years beginning from and after December 31, 1999, enter 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.)

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

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

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

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

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

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

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

Arizona did not adopt the federal provisions requiring a taxpayer to defer the OID deduction in cases where the taxpayer federally deferred the DOI income under IRC § 108(i). For Arizona purposes, you were required to add the

amount of deferred DOI income to Arizona income on the return filed for the year in which you reacquired the debt instrument.

Since Arizona taxed the federally deferred DOI income for 2009 or 2010 on your 2009 or 2010 Arizona return, you may subtract the amount of OID that accrued during the taxable year with respect to that DOI income. On line 35, enter the amount of any OID that was deferred and not allowed to be deducted in computing your federal adjusted gross income for 2014 under IRC § 108(i).

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

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

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

P. Long-Term Care Insurance Premiums

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

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

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

Q. Long-Term Health Care Savings Accounts

You may subtract amounts you paid into a long-term health care savings account established under Arizona law. An individual may establish a long-term health care savings account with an account Administrator who will manage the account. For more information regarding the subtraction for contributions made to a long-term health care savings account, see A.R.S. § 43-1032.

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

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

R. Other Adjustments

Other special adjustments may be necessary. Call one of the numbers listed on the back cover if any of the following apply.

- You sold or disposed of property that was held for the production of income and your basis was computed under the Arizona Income Tax Act of 1954, as amended (1978 prior) except depreciable property.

- You deferred exploration expenses determined under IRC § 617 in a taxable year ending before January 1, 1990, and you have not previously taken a subtraction for those expenses.

Line 36 -

Subtract lines 22 through 35 from line 17. Enter the difference.

Line 37 -

Enter the amount from page 1, line 36.

Exemptions

Line 38 - Age 65 or Over

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

Line 39 - Blind

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

Line 40 - Dependents

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

Line 41 - Qualifying Parents and Grandparents

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


Line 42 - Arizona Adjusted Gross Income

Subtract lines 38 through 41 from line 37.

Figuring Your Tax

Line 43 - 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.

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

Your Standard Deduction

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

If your filing status is:	Your standard deduction is:
• Single	\$5,009
• Married filing separate	\$5,009
• Married filing joint	\$10,010
• Head of household	\$10,010

Your Itemized Deductions

You may claim itemized deductions on your Arizona return even if you take a standard deduction on your federal return. For the most part, you may claim those deductions allowable as itemized deductions under the IRC. In some cases, the amount allowed for some deductions may not be the same as the amount allowable for federal purposes.

You may have to adjust the amounts shown on your completed federal Form 1040, Schedule A. See Arizona Form 140 Schedule A, *Itemized Deduction Adjustments* to figure if you have to make any adjustments.

To figure your itemized deductions, you must complete a federal Form 1040, Schedule A. Then, if required, complete Arizona Form 140, Schedule A, *Itemized Deduction Adjustments*. If you do not have to complete Form 140, Schedule A, *Itemized Deduction Adjustments*; enter the amount from federal Form 1040, Schedule A, on Form 140, line 43.

NOTE: *If you itemize, you must include a copy of the completed federal Schedule A with your Arizona return. If itemizing, check box 43I.*

Line 44 - Personal Exemptions

The amount you may claim as a personal exemption depends on your filing status. If married, the amount you may claim as a personal exemption also depends on whether you or your spouse claim dependents. You may use the following chart below to figure your personal exemption. If married, you may also use Arizona Form 202, *Personal Exemption Allocation Election*, to figure your personal exemption.

Personal Exemption Chart	
If you checked filing status:	Enter:
• Single (Box 7)	\$2,100
• Married filing joint return (Box 4) and claiming no dependents (Box 10)	\$4,200
• Married filing joint return (Box 4) and claiming at least one dependent (Box 10) excluding persons listed who did not qualify as a dependent on your federal return [Box 10, column (e)].	\$6,300
• Head of household and you are not married (Box 5)	\$4,200
• Head of household and you are a married person who qualifies to file as head of household (Box 5)	\$3,150, or Complete Form 202
• Married filing separate return (Box 6) with neither spouse claiming any dependents (Box 10)	\$2,100, or Complete Form 202
• Married filing separate return (Box 6) with one spouse claiming at least one dependent (Box 10) excluding persons listed who did not qualify as a dependent on your federal return [Box 10, column (e)].	\$3,150, or Complete Form 202

A married couple who does not claim any dependents may take one personal exemption of \$4,200. If the husband and wife file separate returns, either spouse may take the entire \$4,200 exemption, or the spouses may divide the \$4,200 between them. You and your spouse must complete Form 202 if either you or your spouse claim a personal exemption of more than \$2,100. If you and your spouse do not complete Form 202, you may take an exemption of only \$2,100 (one-half of the total \$4,200).

A married couple who claims at least one dependent may take one personal exemption of \$6,300. If the husband and wife file separate returns, either spouse may take the entire \$6,300 exemption, or the spouses may divide the \$6,300 between them. You and your spouse must complete Form 202 if either you or your spouse claims a personal exemption of more than \$3,150. If you and your spouse do not complete Form 202, you may take an exemption of only \$3,150 (one-half of the total \$6,300).

If you are a married person who qualifies to file as a head of household, you may take the entire \$6,300 personal exemption or you may divide the exemption with your spouse. You and your spouse must complete Form 202 if either you or your spouse claims a personal exemption of more than \$3,150. If you and your spouse do not complete Form 202 you may take an exemption of only \$3,150 (one-half of the total \$6,300).

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

Line 45 - Arizona Taxable Income

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

Line 46 - Tax Amount

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


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

Enter the amount of tax due from recapture of the credits from Arizona Form 301, Part 2, line 38.

Line 48 - Subtotal of Tax

Add lines 46 and 47 and enter the total.

Line 49 - Family Income Tax Credit

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

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

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

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

Step 1

Complete Worksheet I below.

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

Step 2

Look at the following tables. Find your filing status.

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

Step 3

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

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

To figure your credit, complete Step 4.

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

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

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

Step 4

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

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

Line 50 - Nonrefundable Credits from Arizona Form 301

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

1. **Enterprise Zone Credit.** Taxpayers can no longer establish credits on their tax year 2014 (or any future) return. All enterprise zone credits properly established can be carried

forward for the respective five year carry forward period. See Form 304 for more information.

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

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

4. Recycling Equipment Credit. The recycling equipment credit allowable to individuals has been repealed. You may not take this credit for taxable years beginning January 1, 2003 or later. However, the repeal did not affect any credit carryover that accrued prior to the repeal. Use Form 307 to figure any allowable credit carryover.

5. Credit for Increased Research Activities - Individuals. You may qualify for this credit if you incurred qualified research expenses for research conducted in Arizona. Use Form 308-I to figure this credit. Be sure to include **only** the nonrefundable portion on Form 140, line 25.

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

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

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

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

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

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

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

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

13. Credit for Contributions Made or Fees Paid to Public Schools. You may qualify for this credit if you made

contributions or paid certain fees to public schools in Arizona. Use Form 322 to figure this credit.

14. Credit for Contributions to Private School Tuition Organizations. You may qualify for this credit if you made contributions to a school tuition organization that provides scholarships or grants to qualified schools. Use Form 323 to figure this credit.

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

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

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

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

19. Motion Picture Credits. Motion picture production companies that produce motion pictures, commercials, music videos, or television series completely or partially in Arizona may claim a transferable income tax credit for production costs. To qualify, productions must have been preapproved by the Arizona Commerce Authority by December 31, 2010. See Form 334 for more information.

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

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

22. Credit for Water Conservation Systems. For calendar year filers, 2011 was the last year to establish a new credit for a water conservation system.

Fiscal year filers with an ending date after December 31, 2011, could not establish a new credit in 2011.

Carryovers will be allowed for no more than 5 succeeding taxable years. Use Form 339 to figure this credit.

23. 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.

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

25. Solar Liquid Fuel Credit. You may qualify for this credit if you incurred expenses for research and development costs associated with solar liquid fuel. Use Form 344 to figure this credit.

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

27. Additional Credit for Increased Research Activities for Basic Research Payments. You may qualify for this credit for qualified basic research payments for research conducted in Arizona.

Approval by the Department of Revenue is required prior to claiming this credit. Use Form 346 to figure this credit.

28. Credit for Qualified Health Insurance Plans. You may qualify for this credit if your business provided qualified health insurance plans or made contributions to health savings accounts (HSA) for its employees who are Arizona residents. Use Form 347 to figure this credit.

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

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

Compute your credit on the appropriate form(s). Complete Arizona Form 301 and enter the amount from Form 301, Part 2, line 72 on Form 140, line 50.

The total amount of credits on line 50 cannot reduce your tax below zero. These credits are nonrefundable credits.

Include Arizona Form 301, along with any supporting documents, with your return.

Line 51 - Balance of Tax

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

Totaling Payments and Credits

Line 52 - Arizona Income Tax Withheld

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

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

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

Line 53 - Arizona Estimated Tax Payments for 2014 and Amount Applied From Your 2013 Return

Use this line if you did any of the following.

1. Made estimated income tax payments to Arizona for 2014.
2. Applied any of your refund from your 2013 Arizona tax return to 2014 estimated taxes for Arizona.

Enter the total amount paid and/or applied to 2014 taxes.

NOTE: *If you made joint Arizona estimated payments for 2014, but are filing separate 2014 Arizona income tax returns, see the department's Income Tax Ruling ITR 02-3, Allocating Joint Estimated Payments to Separate Returns.*

Line 54 - 2014 Arizona Extension Payment (Form 204)

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

Line 55 - Increased Excise Tax Credit

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

1. You meet the income threshold for your filing status.
2. You are not claimed as a dependent by any other taxpayer.
3. You were not sentenced for at least 60 days of 2014 to a county, state, or federal prison.

If you are married filing a joint return, or a head of household, you may take this credit if the amount on Form 140, page 1, line 12, is \$25,000 or less. If you are single or married filing a separate return, you may take this credit if the amount on Form 140, page 1, line 12 is \$12,500 or less.

To figure your credit, complete the following worksheet.

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

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

Credit for Increased Excise Taxes Worksheet		
	Check One	
	Yes	No
If you checked filing status 4 or 5, is the amount on Form 140, page 1, line 12, \$25,000 or less?		
If you checked filing status 6 or 7, is the amount on Form 140, page 1, line 12, \$12,500 or less?		
If you checked no, STOP. You do not qualify for this credit. If you checked yes, complete the rest of this worksheet.		

1. Enter the number of dependents you entered on Form 140, page 1, box 10, excluding persons listed who did not qualify as a dependent on your federal return [Box 10, column (e)]. Also exclude any dependent that is not an Arizona resident.	
2. Number of personal exemptions. If you checked filing status 4, enter the number 2 here. If you checked filing status 5, 6, or 7, enter the number 1 here.	
3. Add lines 1 and 2. Enter the total.	
4. Multiply the amount on line 3 by \$25. Enter the result.	
5. Maximum credit.	\$ 100 00
6. Enter the smaller of line 4 or line 5 here and also enter on Form 140, page 2, line 55.	

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

Line 56 - Property Tax Credit

You may take the property tax credit if you meet **all** the following.

1. You were either 65 or older in 2014 or, if under age 65, you were receiving SSI Title 16 income from the Social Security Administration.

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

2. You were an Arizona resident for the full year in 2014.
3. You paid property tax on your Arizona home in 2014. You paid rent on taxable property for the entire year or you did a combination of both.
4. If you lived alone, your total household income was under \$3,751. If you lived with others, the total household income was under \$5,501. To see what income is included in household income, see the Form 140PTC instructions.

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

Tax Tip: *To claim a property tax credit, you must file your claim or extension request by April 15, 2015. You cannot claim this credit on an amended return if you file the amended return after the due date of your return.*

Line 57 - Other Refundable Credits

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

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

If you enter an amount on this line, be sure to include the credit claim form(s) with your return when you file.

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

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

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

If you are claiming a refund of the increased research activities credit from Form 308-I, enter the amount from Form 308-I, Part 4, line 31, here.

Credit for Renewable Energy Industry (Form 342)

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

If you are claiming the credit for renewable energy industry, from Form 342, enter the amount from Form 342, Part 6, line 18, here.

Credit for Qualified Facilities (Form 349)

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

You must include a copy of your “Certification of Qualification” from the Arizona Commerce Authority and Form 349 with your tax return to claim this credit. If you are claiming a refund of the qualified facilities credit from Form 349, enter the amount from Form 349, Part 6, line 18, here.

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

2014 - Refundable Credit Worksheet	
1. Enter the refundable credit from Form 308-I, Part 4, line 31	
2. Enter the refundable credit from Form 342, Part 6, line 18.	
3. Enter the refundable credit from Form 349, Part 6, line 18.	
4. Add the amounts on lines 1 through 3. Enter the total here and on line 57.	

Line 58 - Total Payments and Refundable Credits

Line 58 is the total payments and refundable credits claimed. Add lines 52 through 57. Enter the total on line 58, if you are not claiming the following refundable credit.

Arizona's Claim of Right Provision

If you computed your 2014 tax under Arizona's claim of right provisions do the following.

1. Write "A.R.S. § 43-1029" and the amount of the prior year tax reduction in the space to the left of your total payment amount.
2. Include the credit for the prior year tax reduction in the total entered on line 58.
3. Include a schedule explaining the amounts repaid and the computation of the prior year tax reduction.

For more information on Arizona's claim of right provisions, see the department's Individual Income Tax Procedure, *ITP 95-1*.

Figuring Your Tax Due or Overpayment**Line 59 - Tax Due**

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

Line 60 - Overpayment

If line 58 is more than line 51, subtract line 51 from line 58 and enter the difference. Complete lines 61 and 62.

Line 61 - Amount of Line 60 to Apply to 2015 Estimated Tax

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

NOTE: *If you apply any of the amount shown on line 60 to 2015, you cannot use that amount to pay any tax that is later found to be due for 2014.*

You also may not claim a refund for that amount until you file your 2015 return.

Line 62 - Balance of Overpayment

Subtract line 61 from line 60 to determine your overpayment balance before voluntary gifts and any estimated payment penalty.

Making Voluntary Gifts

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

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

Line 63 - Solutions Teams Assigned to Schools Fund

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

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

Line 64 - Arizona Wildlife Fund

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

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

Line 65 - Child Abuse Prevention Fund

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

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

Line 66 - Domestic Violence Shelter Fund

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

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

Line 67 - Political Gift

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

- Americans Elect
- Democratic
- Libertarian
- Republican
- Arizona Green Party

Line 68 - National Guard Relief Fund

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

Gifts go to the National Guard Relief Fund. This fund provides financial aid to families of Arizona National Guard members when the National Guard member is placed on active duty and is serving in a combat zone.

Line 69 - Neighbors Helping Neighbors Fund

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

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

Line 70 – Special Olympics Fund

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

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

Line 71 – Veterans’ Donations Fund

You may give some or all of your refund to the Veterans’ Donations Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 79. Enter the amount you want to donate on line 71.

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

Line 72 – I Didn’t Pay Enough Fund

You may give some or all of your refund to the I Didn’t Pay Enough Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 79. Enter the amount you want to donate on line 72.

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

Line 73 – Sustainable State Parks and Roads Fund

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

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 74 – Political Party

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

Line 75 -

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

Estimated Payment Penalty

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

You must have made Arizona estimated income tax payments during 2014 if:		
Your filing status is:	AND Your Arizona gross income for 2013 was greater than:	AND Your Arizona gross income for 2014 was greater than:
Married Filing Joint	\$150,000	\$150,000
Single	\$75,000	\$75,000
Head of Household	\$75,000	\$75,000
Married Filing Separate	\$75,000	\$75,000

If you report as a farmer or fisherman for federal purposes, you were not required to make estimated payments during 2014 if the following apply.

1. You are a calendar year filer. You file your Arizona return by March 1, 2015. 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 2 on line 76 and do not complete Form 221.

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

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

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

You must pay a withdrawal penalty if you made a long-term health care savings account withdrawal during 2014 from a long-term health care savings account, established under Arizona law, for purposes other than to pay for qualified long-term health care expenses. *Long-term health care expense* means any expense you paid for long-term health care costs, including the following:

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

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

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

NOTE: If you are subject to more than one of these penalties, add the amounts together and enter the total on line 75.

Line 76 – Box 761 through 764

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

1. You checked the box on line 1 of Form 221.

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

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

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

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

Line 77

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

Figuring Your Refund or Tax Due

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

Line 78 - Refund

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

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

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

Direct Deposit of Refund

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

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

Why use Direct Deposit?

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

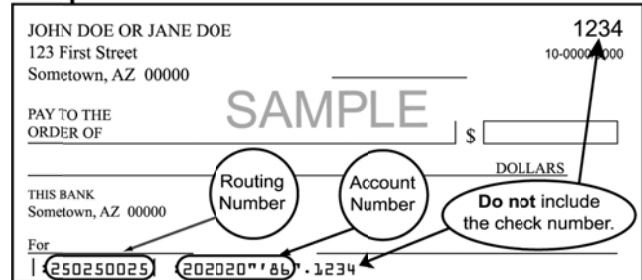
NOTE: We are not responsible for a lost refund if you enter the wrong account information.
Check with your financial institution to get the correct routing and account numbers and to make sure your direct deposit will be accepted.

Routing Number

MAKE SURE YOU ENTER THE CORRECT ROUTING NUMBER

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

Sample Check



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

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

Account Number

MAKE SURE YOU ENTER THE CORRECT ACCOUNT NUMBER.

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

Line 79 - Amount Owed

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

Check or money order

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

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

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

Electronic payment from your checking or savings account

You can make an electronic payment from your checking or savings account to pay your balance due for 2014. 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. The "E-Check" option in the "Payment Method" drop-down box will debit the amount from the checking or savings account that you specify. If you make an

electronic payment from your checking or savings account, you will receive a confirmation number. **Please keep this confirmation number as proof of payment.**

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

Credit card payment

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

Installment payments

If you cannot pay the full amount shown on line 79 when you file, you may ask to make monthly installment payments. To make this request, complete Arizona Form 140-IA and mail the completed form to the address 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 at www.azdor.gov.

If you cannot pay the full amount shown on line 54, you will be charged interest and may be charged a late payment penalty on the tax not paid by April 15, 2015. To limit the interest and penalty charges pay as much of the tax as possible when you file your return.

Sign your return

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

Instructions before mailing

- **DO NOT STAPLE YOUR RETURN OR ANY SCHEDULE, FORM OR PAYMENT TO YOUR RETURN.**
- Make sure your **NAME** is on the return.
- Make sure your **SSN** is on your return.
- Be sure you enter your daytime telephone number in the space provided on the front of your return.
- Check to make sure that your math is correct. A math error can cause delays in processing your return.
- If claiming **dependent** exemptions, write the number of dependents claimed on the **front** of the return. On page 1 of the return, also write each dependent's name, relationship, SSN, and the number of months that he or she lived in your home. If more space is needed, complete page 3 and include with your return.
- If claiming exemptions for qualifying parents or grandparents, write the number of qualifying parents or

grandparents claimed on the **front** of the return. On page 1 of the return, also write each parent's or grandparent's name, relationship, SSN, and the number of months that he or she lived in your home. If more space is needed, complete page 3 and include with your return.

- Check the **boxes** to make sure you filled in all required boxes.
- If you requested a filing extension, make sure that you check box **82F** on page 1 of the return.
- Sign your return and have your spouse sign, if filing jointly.
- Write your SSN and tax year on the front of your check. Include your check with your return.

The Department of Revenue may charge you \$25 for a check returned unpaid by your financial institution.

- Include all required documents after your return. Please do not use tape. Documents you must include are those items listed in numbers 1 through 6.
1. Include Form(s) W-2 after the last page of your return. Also include Form(s) 1099-R after the last page of your return if you had Arizona tax withheld from your pension or annuity.
 2. Include Arizona Form 301, applicable credit forms, and your own schedules after page 2 (or 3) of your return. If itemizing, include these forms after your Arizona Schedule A and your federal Schedule A.
 3. If claiming a credit for taxes paid to another state or country include a copy of the other state's or country's filed return.
 4. If you itemize, be sure to include a copy of the federal Schedule A. Include the Arizona Schedule A and the federal Schedule A directly after page 2 (or 3) of your return. Include other forms and schedules behind the Schedules A.
 5. If you are claiming a property tax credit, include a completed Form 140PTC and all required documents.
 6. If you have tax exempt interest income, be sure to include a schedule listing the payors and the amount received from each payor.
- **Do not** include correspondence with your return.

Filing Your Return

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

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

Where should I mail my return?

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

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

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

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

Put enough postage on the envelope

The U.S. Post Office must postmark your return or extension request by midnight April 15, 2015. A postage meter postmark will not qualify as a timely postmark. *Only a postmark from the U.S. Post Office will qualify.* You may also use certain private delivery services designated by the IRS to meet the “timely mailing as timely filed” rule.

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% (.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, get 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 2014 tax return on hand. You will need to know your SSN, your filing status and your 5-digit ZIP Code.

Contacting the Department

Your tax information on file with the department is confidential. If you want the department to discuss your tax matters with someone other than yourself, you must authorize the department to release confidential information to that person. You may use Arizona Form 285 to authorize the department to release confidential information to your appointee. See Form 285 for details.

**HOW MUCH INCOME CAN YOU HAVE AND PAY NO TAXES?
EXAMPLES**

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

FILING STATUS				
NUMBER OF DEPENDENTS	SINGLE	MARRIED FILING SEPARATE	UNMARRIED HEAD OF HOUSEHOLD	MARRIED FILING JOINT
0	\$ 8,658	\$ 8,658	N/A	\$ 17,309
1	(A) 10,000	10,478	19,609	20,000
2	11,728	12,778	20,135	23,600
3	14,028	15,078	23,800	27,300
4	16,328	17,378	25,200	(C) 31,000
5	18,628	19,678	(B) 26,575	31,000

	(A) single, \$10,000 income one dependent	(B) unmarried head of household, \$26,575 income*, five dependents	(C) married filing joint, \$31,000 income*, four dependents
Income*	\$ 10,000	\$ 26,575	\$ 31,000
less: Dependent exemption	-2,300	-11,500	-9,200
Standard deduction	-5,009	-10,010	-10,010
Personal exemption	-2,100	-4,200	-6,300
Net taxable income	\$ 591	\$ 865	\$ 5,490
Tax (optional tax table)	\$ 15	\$ 23	\$ 142
less: Family tax credit	-80	-240	-240
Tax owed	\$ 0	\$ 0	\$ 0

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

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

2014 Original return 2014 Amended return

(a)		(b)	(c)	(d)
Long-Term Capital Gain or (loss) as reported on federal Schedule D (or other form/schedule) <i>and</i> included in computation of federal adjusted gross income. Enter the total net long-term capital gains or (losses) from the following forms in each applicable column. See page 26 for instructions.		Total net long-term capital gains or (losses) from all assets	Net long-term capital gains or (losses) included in column (b) from assets acquired before January 1, 2012	Net long-term capital gains or (losses) included in column (b) from assets acquired after December 31, 2011
1	Form(s) 8949 <i>Sales and Other Dispositions of Capital Assets; and Form(s) 1099-B, Proceeds from Broker and Barter Exchange Transactions, for long-term transactions directly reported on federal Schedule D.</i>	1		
2	Form(s) 4797 <i>Sales of Business Property</i>	2		
3	Form(s) 2439 <i>Notice to Shareholder of Undistributed Long-Term Capital Gains</i>	3		
4	Form(s) 6252 <i>Installment Sale Income</i>	4		
5	Form(s) 4684 <i>Casualties and Thefts</i>	5		
6	Form(s) 6781 <i>Gains and Losses from Sec. 1256 Contracts and Straddles</i>	6		
7	Form(s) 8824 <i>Like-Kind Exchanges</i>	7		
8	Partnerships, S corporations, estates, and trusts –from AZ 120S Schedule K-1; AZ 165 Schedule K-1; and AZ 141 Schedule K-1	8		
9	Form(s) 1099-DIV <i>Dividends and Distributions</i>	9		
10	Subtotal: for each column, combine the amounts and enter the total.	10		
11	Available long-term capital loss carryover. Enter the amount, if any, in each applicable column.	11		
12	Subtract line 11 from line 10 and enter the difference in each applicable column.	12		
13	For amount to enter on line 13, columns (a) through (c), see the worksheet instructions.	13		
14	Net long-term capital gain or (loss) included in computation of your federal adjusted gross income. Subtract line 13 from line 12 and enter the difference in each applicable column. <ul style="list-style-type: none"> • If the amount on line 14, column (d) is a net capital (loss), you do not qualify to take the subtraction. • If the amount on line 14, column (d) is a net capital gain, enter the result on Form 140, page 1, line 21. Also enter the amount from line 14, column (b) on Form 140, page 1, line 20.	14		

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

Purpose of the Worksheet

You may subtract a percentage of any net long-term capital gain included in your federal adjusted gross income that is from an investment in an asset acquired after December 31, 2011. For tax year 2014, the percentage is 20% (.20).

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

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

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; or
- 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. Enter your name and social security number as shown on Form 140.
2. Check the box if this worksheet is for an original or an amended return.
3. Keep this worksheet for your records.

Line-by-Line instructions

Columns (a) through (d)

- **Column (a)**, lines 1 through 8, lists the federal forms reported on Schedule D. Line 9 identifies the total capital gain distribution(s) reported on Form(s) 1099-DIV.
- **Column (b)** is the **total** amount of long-term capital gains or (losses) reported on Schedule D or other forms/schedules.
- **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)

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

NOTE: Some taxpayers are not required to file 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

If you used a long-term capital loss carryover from previous tax years to reduce your long-term capital gains for the current taxable year, enter the amount used to apply to gains from assets acquired before January 1, 2012, in columns (b) and (c).

Line 12 -

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

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

To determine the amount to enter on line 13, columns (a), (b) and (c); answer the following questions.

Did you take a subtraction for any net capital gain included in federal adjusted gross income for the taxable year derived from investment in a qualified small business on Arizona Form 140, page 1, line 23?

- If “No”, enter zero on line 13.
- If “Yes”, does that amount include any net long-term capital gain from an investment made *after* December 31, 2011?
 - If “No”, enter zero on line 13.
 - If “Yes”, enter the amount of any net long-term capital gain from an investment made *after* December 31, 2011, and included in the amount subtracted on Arizona Form 140, page 1, line 23.

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

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

- If the amount on line 14, column (d) is a negative number, you have a net capital loss. You do not qualify to take the subtraction.
- If the amount on line 14, column (d) is a positive number, you have a net long-term capital gain. Enter the result on Form 140, page 1, line 21.

Also, enter the amount from line 14, column (b) on Form 140, page 1, line 20.