2023 Nonresident Personal Income Tax Return

Arizona Form 140NR

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 select the *About* tab on the home page and select *Legal Research* from the drop-down menu and then click on *Procedures* or *Rulings* from the drop-down menu. Using the Category box, select the tax type and then scroll down to find the *Document ID* or use the *Search Keyword* function to locate the document.

Publications

To view or print the department's publications, go to our website select the *About* tab on the home page and select *Legal Research* from the drop-down menu and then click on *Publications* from the drop-down menu.

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E-file today, pay by April 15, 2024, to avoid penalties and interest.

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

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

NOTE: FOR ALL COMPOSITE NONRESIDENT PERSONAL INCOME TAX RETURNS

- *If this return is filed as a Nonresident Composite Personal Income Tax Return,* ***check box 13*** *on page 1 of the return and see the instructions, beginning on page 29, for completing a composite return.*
- *A composite nonresident return* ***cannot*** *be e-filed. Partnerships and S corporations filing a composite return on behalf of its nonresident partners or nonresident shareholders* ***must*** *mail Form 140NR to the department.*

AVOID PROCESSING DELAYS: ***Are you mailing your Arizona income tax return?*** *If you are mailing your return to the department, see the last page of these instructions for assembly order (for sequence) information.*

Are You Subject to Tax in Arizona?

If you are in this state for a temporary or transitory purpose or did not live in Arizona but received income from sources within Arizona during 2023, you are subject to Arizona tax. You are subject to Arizona income tax on all income derived from Arizona sources. Income from Arizona sources includes the following:

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

Do You Have to File?

Arizona Filing Requirements
These rules apply to all Arizona taxpayers.

You must file if you are:	and your gross income is more than:
• Single	$ 13,850
• Married filing joint	$ 27,700
• Married filing separate	$ 13,850
• Head of Household	$ 20,800

If you are a **nonresident**, you must report income derived **from Arizona sources**. To determine if you meet the gross income threshold amount above, multiply the amount by the percentage of your federal adjusted gross income that represents your Arizona gross income (income ratio shown on line 27 of Form 140NR).

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 that Arizona law does not tax. Income that Arizona law does not tax includes:

- 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, tier 1 or tier 2 railroad retirement benefits, railroad disability benefits reported on federal forms RRB-1099 and RRB-1099-R, railroad unemployment benefits and railroad sickness payments paid by the Railroad Retirement Board;
- pay received for active service as a member of the Reserves, National Guard, or the U.S. Armed Forces; or
- benefits, annuities and pensions as retired or retainer pay of the uniformed services of the United States

If you are the surviving spouse of a deceased military veteran, and are receiving payments from the uniformed services of the United States, you may exclude 100% of the payments you received.

Income earned by a qualifying out-of-state employee from performing qualified disaster recovery work during a disaster period is exempt from Arizona income tax. For more information, see the instructions for line 15.

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

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

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

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

For information on the Arizona tax treatment of American Indians, see the department's ruling, ITR 96-4, *Income Taxation of Indians and Spouses*.

Do You Have to File if You Are The Spouse of an American Indian and You Are Not an Enrolled Indian?

You must file if you meet the Arizona filing requirements. For more information, see the department's ruling, ITR 96-4, *Income Taxation of Indians and Spouses*.

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

NOTE: *If you were an Arizona resident when you entered the service, you remain an Arizona resident, no matter where you are stationed, until you establish a new domicile. For more information, see the instructions under* ***Residency Status****.*

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

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

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

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

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

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

To find out more, see the department's publication, Pub. 704, *Taxpayers in the Military*.

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

No. The child should not file an Arizona return. The parent must include that same income in their Arizona taxable income.

Determining Residency Status

If you are not sure if you are an Arizona resident for state income tax purposes, we may be able to help. For more information, see the department's procedure, ITP 92-1, *Procedure For Determining Residency Status*.

Residents

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

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

Part-Year Residents

If you are a part-year resident, you must file Arizona Form 140PY, *Part-Year Resident Personal Income Tax Return*. You are a part-year resident if you did **either** of the following during 2023:

- 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 (including nonresident aliens), you must file Arizona Form 140NR, *Nonresident Personal Income Tax Return.*

What if a Taxpayer Died?

If a taxpayer died before filing a return for 2023, the taxpayer's spouse or personal representative may have to file and sign a return for that taxpayer. A personal representative can be an executor, administrator, or anyone who is in charge of the deceased taxpayer's property.

If the deceased taxpayer did not have to file a return but had tax withheld, a return must be filed to get a refund.

The person who files the return should use the form the taxpayer would have used. The person who files the return should print the word "deceased" after the decedent's name. Also, enter the date of death after the decedent's name.

If your spouse died in 2023 and you did not remarry in 2023 or if your spouse died in 2024 before filing a return for 2023, you may file a joint return. If your spouse died in 2023, the joint return should show your spouse's 2023 income before death and your income for all of 2023. If your spouse died in 2024, before filing the 2023 return, the joint return should show all of your

income and all of your spouse's income for 2023. **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 Form 131 behind Form 140NR when mailing the return.

If you are claiming a refund on Form 140NR-SBI for a deceased taxpayer, you must also complete Arizona Form 131-SBI, *Claim for Refund on Behalf of Deceased Taxpayer*. Place Form 131-SBI behind Form 140NR-SBI return when mailing the returns.

What are the Filing Dates and Penalties?

NOTE: *If the due date for an income tax or related payment falls on a weekend and/or legal holiday, the filing or payment is considered timely if filed or paid on the next business day and that business day is a day other than Saturday, Sunday or a legal holiday.*

When Should You File?

Your 2023 calendar year tax return is due no later than midnight, April 15, 2024. File your return as soon as you can after January 1, 2024, but no later than April 15, 2024.

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. If you request an extension to file your 2023 calendar year tax return, your due date is October 15, 2024 to timely file your 2023 tax return.

NOTE: *An extension does not extend the time to pay your income tax. See the instructions for Arizona Form 204.*

To get a filing extension, you can either

- *Apply for a state extension* (Arizona Form 204). To apply for a state extension, file Form 204 by April 15, 2024. See Form 204 for details. You do not have to include a copy of the extension with your return when you file, but make sure that you check box **82F** (above your name) on page 1 of the return. If you must make a payment, use Arizona Form 204, or visit www.AZTaxes.gov to make an electronic payment.
- *Use your federal extension* (federal Form 4868). File your Arizona return by the same due date. You do not have to include a copy of your federal extension with your return, but make sure that you check box **82F** (above your name) on page 1 of the return.

When Should You File if You Are a Nonresident Alien?

The due date for your Arizona return is not the same as the due date for your federal return. Your Arizona return is due by April 15, 2024, even though your federal return is due on June 15, 2024. If you want to file your Arizona return after April 15, 2024, you must ask for a filing extension. You must file this request by April 15, 2024. Arizona will allow up to a 6-month extension. This will allow you to file your return by October 15, 2024. 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, 2024, even though your federal return will not be due until December 15, 2024. If you file your 2023 Arizona calendar year return after October 15, 2024, 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 2023 calendar year return by April 15, 2024, your return will not be late. You may also use certain private delivery services designated by the Internal Revenue Service (IRS) to meet the "timely mailing as timely filed" rule. For more information, see "*Mailing Your Return*" at the end of these instructions.

Late Filing Penalty

If you file late, we will charge you a late filing penalty. This penalty is 4½% (.045) of the tax required to be shown on the return for each month or fraction of a month the return is late. This penalty cannot exceed 25% (.25) of the tax found to be remaining due.

Late Payment Penalty

If you pay your tax late, we will charge you a late payment penalty. This penalty is ½ of 1% (.005) of the amount shown as tax for each month or fraction of a month for which the failure continues. We charge this penalty from the original due date of the return until the date you pay the tax. This penalty cannot exceed a total of 10% (.10) of the unpaid tax.

Extension Underpayment Penalty

If you file your return under an extension, you must pay 90% (.90) of the tax shown on your return by the return's original due date. If you do not pay this amount, we will charge you a penalty. This penalty is ½ of 1% (.005) of the tax not paid for each 30-day period or a fraction of a 30-day period. We charge this penalty from the original due date of the return until the date you pay the tax. This penalty cannot exceed 25% (.25) of the unpaid tax. If we charge you the extension underpayment penalty, we will not charge you the late payment penalty under Arizona Revised Statutes (A.R.S.) § 42-1125(D).

NOTE: *If you are subject to two or more of the above penalties, the total cannot exceed 25%.*

Interest

We charge interest on any tax not paid by the due date. We will charge you interest even if you have an extension. If you have an extension, we will charge you interest from the original due date until the date you pay the tax. The Arizona interest rate is the same as the federal rate.

When Should You Amend a Return?

If you need to make changes to your return after you have filed, **do not** file a new return using Form 140NR. You must file Arizona Form 140X, *Individual Amended Income Tax Return*. File your amended return after your original return has processed. Generally, you have four years to amend a return to claim a refund.

If you amend your federal return for any year, you must also file an Arizona Form 140X for that year.

If the IRS makes a change to your federal taxable income for any year, you must report that change to Arizona. You must file Form 140X within 90 days of the final determination of the IRS. You may use one of the following two options to report this change.

Option 1

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

Option 2

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

1. Request that the department recompute your tax.
2. Indicate if you agree or disagree with the federal notice.

If you do not agree with the federal notice, you must also include any documents that show why you do not agree. If you choose Option 2, mail the federal notice and any other documents to

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

Do You Need to Make Arizona Estimated Payments in 2024?

You must make Arizona estimated income tax payments during 2024 if:

Your filing status is:	**AND** your Arizona gross income for 2023 was greater than:	**AND** your Arizona gross income for 2024 is greater than:
Single	$ 75,000	$ 75,000
Married filing joint	$150,000	$150,000
Married filing separate	$ 75,000	$ 75,000
Head of Household	$ 75,000	$ 75,000

If you met the income threshold for 2023, you must make estimated payments during 2024 unless you are sure you will not meet the threshold for 2024. As a nonresident, your Arizona gross income is that part of your federal adjusted gross income derived from Arizona sources. Your Arizona gross income is on line 26 of the 2023 Form 140NR.

Use the worksheet for Arizona Form 140ES to figure how much your payments should be. For more information about making estimated payments, see the department's publication, Pub. 012, *Arizona Individual Estimated Income Tax Payments.*

What if You Make Your Estimated Payments Late?

We will charge you a penalty if you are late or if you fail to make any required payments. See Arizona Form 221.

Can You Make Estimated Payments Even if You Do Not Have To?

If you do not have to make Arizona estimated income tax payments, you may still choose to make them. For details, see Arizona Form 140ES.

Line-by-Line Instructions

Tips for Preparing Your Return

- You must complete your federal return before you can start your Arizona return.
- Make sure that you enter your Social Security Number (SSN) on your return.
- Complete your return using black ink.
- You must round dollar amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down. Do not enter cents.
- If you are mailing your return, see the last page of these instructions for the assembly order.
- Make sure you include your daytime telephone number.
- If filing a fiscal year return, fill in the period covered.

Entering Your Name, Address and SSN

Lines 1, 2, and 3

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

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

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

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

Make sure that you enter your SSN on your return. Make sure that all SSNs are clear and correct. You may be subject to a penalty if you fail to include your SSN. It will take longer to process your return if SSNs are missing, incorrect, or unclear.

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

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

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

Foreign Addresses

If you have a foreign address, enter the information in the following order: city, province or state, and country. Follow the country's practice for entering the postal code. Do not abbreviate the country name.

Last Names Used in Last 4 Prior Years

If the last name that you or your spouse are using on this return is not the same as the last name you or your spouse used on returns filed in the last 4 years, enter any other last name(s) that you or your spouse used when filing your return during that period.

Identification Numbers for Paid Preparers

If you pay someone else to prepare your return, that person must also include an identification number where requested.
A paid preparer may use any of the following:

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

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

Determining Your Filing Status

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

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

If you qualify as married for federal purposes, you qualify as married for Arizona purposes and must file using the status of either married filing joint or married filing separate.

If you are single you must file as single or if qualified you may file as head of household (see the instructions for box 5).

Box 4 - Married Filing Joint Return

If you are married and filing a joint return, check box 4.

You may file a joint return if you were married as of December 31, 2023. 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 2023 and you did not remarry in 2023. See page 2 of these instructions for details.

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

NOTE: *For help on filing a joint return with your full-year resident spouse, see the department's ruling, ITR 14-1,* Filing a Joint Tax Return When a Resident Spouse is Married to a Part-Year Resident or Nonresident.

Box 4a - Injured Spouse Protection of Joint Overpayment

Check box 4a ***only*** if you and your spouse are filing a joint return and you or your spouse qualify as an injured spouse and are requesting protection from application of any joint overpayment against the other spouse's delinquencies or debts for back child support, court fees, and fees to counties, cities or educational institutions. **The taxpayer (spouse) requesting injured spouse protection must have Arizona income with taxes withheld and reported on their own Form W-2 or Form 1099.**

NOTE: *You cannot use Form 203 to request protection from offset for past-due federal taxes. You must contact the IRS.*

You **must** complete Arizona Form 203, *Request for Injured Spouse Protection from Application of Joint Overpayment Against Spouse's Delinquencies and Debts,* and include that form with your tax return when filed. Place the completed form on top of your income tax return. For more information, see the instructions for Form 203.

Box 5 - Head of Household Return

If you are filing as a head of household, check box 5. Enter the name of the qualifying child or dependent in the space provided. You may file as head of household on your Arizona return **only** if **one** of the following applies:

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

Box 6 - Married Filing Separate Return

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

If you were married as of December 31, 2023, you may choose to file a separate return. You may file a separate return, even if you and your spouse filed a joint federal return.

Arizona is a community property state. If you file a separate return, you must figure how much income to report using community property laws. If one spouse is a resident and the other spouse is not, special rules apply when filing a separate return.

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

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

Box 7 - Single Return

If you are filing as single, check box 7.

Use this filing status if you were single on December 31, 2023. 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, 2023, you did not remarry in 2023, and you do not qualify to file as a qualifying widow or widower with dependent children on your federal return.

NOTE: *If you got divorced during the year, see the department's ruling, ITR 14-2,* Reporting Income, Deductions, Exemptions, and Withholding for Divorced Individuals for the Year of Divorce*; and publication, Pub. 200,* Income Tax Issues Affecting Married and Divorced Taxpayers.

Exemptions - Boxes 8 and 9

Enter the number of exemptions you are claiming in boxes 8 and 9. **Do not put a check mark or "X"**. You may lose the exemption if you put a checkmark or "X" in these boxes.

Box 8 - Age 65 or Over

NOTE: *If a taxpayer's 65th birthday was January 1, 2024 (born 1/1/59), that person is considered to be age 65 at the end of 2023 for federal income tax purposes and likewise for Arizona income tax purposes.*

- If you are single or filing as head of household, enter "1" in box 8 if you were 65 or older in 2023 and not claimed as a dependent by another taxpayer.
- If you are married filing a joint return, enter "1" in box 8 if you were 65 or older and not claimed as a dependent by another taxpayer or your spouse was 65 or older in 2023 and not claimed as a dependent by another taxpayer. Enter "2" in box 8 if both you and your spouse were 65 or older in 2023 and neither of you are claimed as a dependent by another taxpayer.
- If you are married and filing a separate return, enter "1" in box 8 if you were 65 or older and not claimed by another taxpayer. You cannot take an exemption for your spouse. Your spouse, if 65 or older and not claimed by another taxpayer, may take this exemption on his/her own separate return.

Box 9 - Blind

If you or your spouse were partially blind as of December 31, 2023, you must get a statement certified by your eye doctor or registered optometrist that either:

- You cannot see better than 20/200 in your better eye with glasses or contact lenses, or
- Your field of vision is 20 degrees or less.

If your eye condition is not likely to improve beyond the conditions listed above, you can get a statement certified by your eye doctor or registered optometrist to that effect instead. You must keep the statement for your records.

- If you are single or filing as head of household, enter "1" in box 9 if you are totally or partially blind.
- If you are married filing a joint return, enter "1" in box 9 if you **or** your spouse is totally or partially blind. Enter "2" in box 9 if both you **and** your spouse are totally or partially blind.
- If you are married and filing a separate return, you may take an exemption for yourself if you are totally or partially blind. You may only claim an exemption for your spouse if your spouse (1) is totally or partially blind, (2) has no Arizona adjusted gross income for calendar year, and (3) is not the dependent of another taxpayer.

  Enter "1" in box 9 if you are totally or partially blind **or** your spouse is totally or partially blind **and** your spouse meets the above criteria.

  Enter "2" in box 9 if you are totally or partially blind and your spouse is totally or partially blind and your spouse meets the above criteria, and your spouse meets the above criteria.

Dependents - Boxes 10a and 10b

Boxes 10a and 10b

Boxes 10a and 10b identify the *number* of your qualifying dependents that are either under the age of 17 (box 10a) or age 17 and over (box 10b). This information is used to compute the allowable Dependent Tax Credit. Include only those dependents in box 10a or 10b that you are using to compute the allowable Dependent Tax Credit on line 59.

Lines 10c through 10f

You must complete the dependent information section (lines 10c through 10f on page 1 (and Part 1 on page 4, if more space is needed), for each person counted in either box 10a or 10b. **Be sure to check the box on page 1 indicating you are completing page 4.**

You may claim only those individuals that qualify as your dependent for federal purposes. For each qualifying individual, enter the following information:

a) first and last name;
b) SSN;
c) relationship to taxpayer;
d) the number of months this person lived in your home;

   Temporary absences: Your child or dependent is considered to have lived with you during periods of time when temporarily absent due to special circumstances such as: illness, education, business, or vacation. Your child is also considered to have lived with you during any required hospital stay following birth, as long as the child would have lived with you during that time but for the hospitalization.
e) - check box 1 (for box 10a) if this person is under the age of 17 or
   - check box 2 (for box 10b) if this person is age 17 or over; *and*
f) check the box if you did not claim this person on your federal return due to educational credits.

NOTE: *If you did not claim a dependent who is 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 dependent on your Arizona return.*

For more information, see the department's ruling, ITR 05-2, Will Arizona Allow a Dependent Exemption When a Taxpayer Does Not Claim Federal Exemption in Order to Claim the Education Credit?

You may lose the dependent tax credit if you do not furnish this information. Enter the total number of dependents in box 10a and 10b.

Reporting Your Residency Status

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

Box 11 - Nonresident

Check box 11 if you were not an Arizona resident during 2023, and were not on active military duty in Arizona.

Box 12 - Nonresident Active Military

Check box 12 if you were a nonresident on active duty military assignment in Arizona during 2023.

Box 13 - Composite Return

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

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

IMPORTANT – SPECIAL INSTRUCTIONS FOR COMPOSITE RETURNS: *Go to page 32 to complete a composite nonresident personal income tax return.*

Determining Arizona Income

Line 14 - Spouse of Active Duty Military Member

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

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

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

FEDERAL Column

Enter the actual amounts shown on your 2023 federal income tax return in the FEDERAL column. Complete lines 15 through 25. Line 25 should equal the federal adjusted gross income shown on your 2023 federal Form 1040 or Form 1040NR.

ARIZONA Column

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

NOTE: *If you are filing a joint return with your full year resident spouse, you must enter your Arizona source income in the ARIZONA column and your spouse must enter all income from all sources in the ARIZONA column. For details, see the department's ruling, ITR 14-1,* Filing a Joint Tax Return When a Resident Spouse is Married to a Part-Year Resident or Nonresident.

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

As a nonresident, your Arizona gross income may include some of these losses. You may consider only those passive losses that arose from Arizona sources. Your 2023 Arizona gross income can include only Arizona source losses you used on your 2023 federal return.

Lines 15 through 24 – Arizona column

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

Line 15 - Wages, Salaries, Tips, etc.

Enter all amounts received for services performed in Arizona.

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

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

NOTE: Active Duty Military Members - *Do not include active duty military pay unless the active duty military member is an Arizona resident filing a joint return with his or her Arizona nonresident spouse on Form 140NR. If you are an Arizona resident active duty military member including military pay on line 15 in the "ARIZONA" column, also include that amount in the amount entered as an "Other Subtraction From Income" on page 2, line 45.*

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

Line 16 - Interest

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

Line 17 - Dividends

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

Line 18 - Arizona Income Tax Refunds

Enter the amount of Arizona income tax refunds received in 2023 that you included in your federal adjusted gross income.

Line 19 - Business Income or (Loss)

Enter income or (loss) from Arizona businesses.

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

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

Line 20 - Gains or (Losses)

Enter gains or (losses) on sales of Arizona sourced property. Enter the total Arizona sourced net capital gain or (loss) used to determine the amount reported on the *Capital Gain or (Loss)* line on page 1 of your federal return. This amount should be reported in your federal adjusted gross income.

NOTE: *If you reported the maximum allowable net capital (loss) for the current taxable year on your federal return, enter the total amount of Arizona sourced loss used to compute the net capital loss claimed on your federal return.*

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

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

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

Line 21 - Rents, etc.

Enter the following income on line 21:

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

Line 22 - Other Income Reported on Your Federal Return

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

Line 23 - Total Income

Add lines 15 through 22 and enter the total.

Line 24 - Other Federal Adjustments

On line 24, include any other federal adjustments included in your federal adjusted gross income that are attributable to the Arizona source income reported on your 2023 Arizona nonresident return.

Line 25 - Federal Adjusted Gross Income

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

Line 26 - Arizona Gross Income

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

Line 27 - Arizona Income Ratio

Divide line 26 by line 25 and enter the result on line 27. You must round your answer to **three** decimal places. **Do not enter more than 1.000.** Do not include the percent sign (%) with the amount entered on line 27.

This is your Arizona income ratio of your total income.

Examples:		
Arizona Gross Income from line 26	Federal Adjusted Gross Income from line 25	Arizona income ratio
$ 17,516	$ 32,000	17,516/32,000 = .547375 enter on line 27: [ ] [.] [5] [4] [7]
$ 25,650	$ 92,100	25,650/92,100 = .278501 enter on line 27: [ ] [.] [2] [7] [9]
$ 10,000	$ 9,000	10,000/9,000 = 1.11111 enter on line 27: [1] [.] [0] [0] [0]

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

Arizona Small Business Tax Return

Individuals may elect to report their small business income on Arizona Form 140NR-SBI, Small Business Income, for the small business income amount included in their federal adjusted gross income.

An individual's small business income is reported on federal Schedules B, C, D, E, F and Form 4797 (for amounts not included on Schedule D). For more information, see Form 140NR-SBI and instructions.

Additional information and guidance can be found in the department's Publication 712, *Summary of Arizona Small Business Income and Taxation*.

How do I elect to report small business income on Arizona Form 140NR-SBI?

Taxpayers make the election by simply completing Form 140NR-SBI reporting their small business income **and including the completed form with their Form 140NR tax return, when filed.**

NOTE: *You must include Form 140NR-SBI with your Form 140NR, when filed. If you do not include Form 140NR-SBI with your Form 140NR, processing of your return may be delayed or your subtraction on line 28 may be denied. See the Mailing instructions for the correct address when mailing both Form 140NR and Form 140NR-SBI.*

Modified Arizona Gross Income

Line 28 - Small Business Income

If you elect to report your small business income on Arizona Form 140NR-SBI, check the box on line 28 and enter the amount of small business income reported on Form 140NR-SBI, line 10.

If you are not making this election, enter "0" on line 28.

NOTE: *If you are filing a "zero" SBI return to claim any overpayment from estimated/extension payments made for the SBI tax return, check the box and enter "zero" on line 13. Be sure to file both returns together by the due date (including extension). See Form 140NR-SBI form instructions for completing a "zero" tax return.*

Line 29 – Modified Federal Adjusted Gross Income

Subtract line 28 from line 26.

Additions to Income

NOTE:

- *If you are electing to report your Arizona sourced small business income on Form 140NR-SBI and if any of the following additions are* ***directly related to the small business income****, report that addition on Form 140NR-SBI. If the addition is* ***not*** *directly related to small business income, make the addition on Form 140NR.*
- *If you are not filing Form 140NR-SBI, make that addition on Form 140NR.*

As a nonresident, include only those additions listed below that are related to Arizona source income reported on Form 140NR.

Line 30 - Total Depreciation Included in Arizona Gross Income

If you are making the small business election and this addition is directly related to small business income reported on Form 140NR-SBI, do not report the addition on Form 140NR, enter the addition on Form 140NR-SBI.

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

Line 31 - Partnership Income Adjustment (Positive)

If you are making the small business election and this addition is directly related to small business income reported on Form 140NR-SBI, do not report the addition on Form 140NR, enter the addition on Form 140NR-SBI.

Depending on your situation, you may either add (line 31) or subtract (line 41) this amount.

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

If the difference reported on line 17, column (c) of your Arizona Form 165 Schedule K-1(NR) is a positive number, enter that portion of the difference that is allocable to partnership income taxable by Arizona as an addition on line 31.

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

Line 32 - Other Additions to Arizona Gross Income

Use line 32 if any of the special circumstances below apply.

NOTE: *If you are reporting any adjustment on line 32, complete the schedule on page 5 of your tax return,* Other Additions to Arizona Gross Income*, and include it with your return. If you are not reporting any adjustment on line 32, do not include page 5 with your return.*

A. Fiduciary Adjustment - Form 141AZ Schedule K-1(NR)

If you are making the small business election and this addition is directly related to small business income reported on Form 140NR-SBI, do not report the addition on Form 140NR, enter the addition on Form 140NR-SBI.

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

Depending on your situation, you may either add (line 32) or subtract (line 45) this amount.

If the amount reported on line 5 of your Arizona Form 141AZ, Schedule K-1(NR) is a positive number, include that amount as an addition on line 32.

NOTE: *If the amount reported on line 5 of your Arizona Form 141AZ Schedule K-1(NR) is a negative number, include that amount as a "Subtraction from Income" on line 45.*

B. Items Previously Deducted for Arizona Purposes

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

C. Claim of Right Adjustment for Amounts Repaid in 2023

NOTE: *For items C and D; taxpayers that made the election to file an Arizona Small Business Income Tax Return in 2023, if the income required to be paid back under the claim of right is the type of income that would be included in lines 4 through 9 of the 140NR-SBI return if the income were reported in 2023, the adjustment should be made in the 140NR-SBI return. All other claim of right adjustments should be made on the regular 140NR return.*

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

1. During 2023, you were required to repay amounts held under a claim of right.
2. The amount required to be repaid was subject to Arizona income tax in the year included in income.
3. The amount required to be repaid during 2023 was more than $3,000.
4. You took a deduction for the amount repaid on your 2023 federal income tax return.
5. The deduction taken on your federal income tax return is reflected in your Arizona taxable income.

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

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

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

1. During a year prior to 2023, you were required to repay income held under a claim of right.
2. You computed your tax for that prior year under Arizona's claim of right provisions.
3. A net operating loss or capital loss was established due to the repayment made in the prior year.
4. You are entitled to take that net operating loss or capital loss carryover into account when computing your 2023 Arizona taxable income.
5. The amount of the loss carryover included in your Arizona gross income is more than the amount allowed to be taken into account for Arizona purposes.

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

E. Adjustment for Net Operating Loss due to Claim of Right

You must add-back the adjustment for any net operating loss previously claimed that is related to the amount of your claim of right reported.

F(a) Addition Due to Claiming the Agricultural Water Conservation System (Credit 312)

If you are making the small business election and this addition is directly related to small business income reported on Form 140-SBI, do not report the addition on Form 140, enter the addition on Form 140-SBI.

You must make an addition to income for the amount of expenses disallowed by reason of claiming the credit. See the instructions for completing Credit Form 312.

F(b). Addition to S Corporation Income Due to Claiming Pass-Through Credit for Agricultural Water Conservation system (Credit 312)

If you are making the small business election and this addition is directly related to small business income reported on Form 140NR-SBI, do not report the addition on Form 140NR, enter the addition on Form 140NR-SBI.

Shareholders of an S corporation who claim a credit passed through from an S corporation must make an addition to their 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 (Form 312-S, line 1). Shareholders must include an amount on this line when claiming the Agricultural Water Conservation System Credit (Form 312). See the instructions for completing Credit Form 312.

G(a). Adjusted Basis in Property for Which You Have Claimed a Credit for Investment in Qualified Small Businesses (Credit 338)

If you are making the small business election and this addition is directly related to small business income reported on Form 140NR-SBI, do not report the addition on Form 140NR, enter the addition on Form 140NR-SBI.

The amount by which the adjusted basis computed under the internal revenue code with respect to property for which a credit was claimed (Credit 338) and that is sold or otherwise disposed of during the taxable year exceeds the adjusted basis of the property computed under section 43-1074.02 (Credit 338).

G(b). Adjusted Basis in Property for Which You Previously Claimed a credit for Pollution Control Equipment (Credit 315)

If you are making the small business election and this addition is directly related to small business income reported on Form 140NR-SBI, do not report the addition on Form 140NR, enter the addition on Form 140NR-SBI.

If you claimed a credit for pollution control equipment (Form 315) *before tax year 2022*, you must adjust your basis on the Arizona return that you file for the taxable year in which you sell or otherwise dispose of the equipment. If you sold or otherwise disposed of the investment during the 2023 taxable year, include 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. § 43-1081

G(c). Adjusted Basis in Property for Which You Have Claimed an Agricultural Pollution Control Equipment (Credit 325)

If you are making the small business election and this addition is directly related to small business income reported on Form 140-SBI, do not report the addition on Form 140, enter the addition on Form 140-SBI.

The amount by which the adjusted basis computed under the internal revenue code with respect to property that is agricultural pollution control equipment for which a credit (Credit 325) was taken *before taxable year 2022* and that is sold or otherwise disposed of during 2023 exceeds the adjusted basis of the property for agricultural pollution control equipment computed under section 43-1081.01 (Credit 325).

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

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.*

If you are making the small business election and this addition is directly related to small business income reported on Form 140NR-SBI, do not report the addition on Form 140NR, enter the addition on Form 140NR-SBI.

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.

In addition, a sole proprietorship of an Arizona dual licensee that has **not elected to operate on a for-profit basis** may subtract the portion of income included in federal adjusted gross income that is from the medical marijuana portion of the business.

NOTE: *A dual licensee that elects to operate on a for-profit basis does not qualify for a subtraction for the medical marijuana portion of their business.*

I. Americans with Disabilities Act Access Expenditures

If you are making the small business election and this addition is directly related to small business income reported on Form 140NR-SBI, do not report the addition on Form 140NR, enter the addition on Form 140NR-SBI.

If a subtraction is taken on line 45, *Other Subtractions from Income*, for the full amount of eligible access expenditures paid or incurred during the taxable year for Arizona properties to comply with the requirements of the Americans with Disabilities Act of 1990 or A.R.S. Title 41, chapter 9, article 8, any amount of eligible access expenditures that is recognized under the IRC, including any amount that is amortized

according to federal amortization schedules, and that is included in computing taxable income for the current taxable year must be added to Arizona gross income. (A.R.S. § 43-1021)

J. Amortization or Depreciation for a Childcare Facility

You elected to amortize cost of a childcare facility under Arizona law in effect before 1990, and you are still deducting amortization or depreciation for that facility on your federal income tax return.

K. Net Capital (Loss) from the Exchange of One Kind of Legal Tender for Another Kind of Legal Tender

If you are making the small business election and this addition is directly related to small business income reported on Form 140NR-SBI, do not report the addition on Form 140NR, enter the addition on Form 140NR-SBI.

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

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

NOTE: *If the amount from all sources results in a **net capital gain** from the exchange of one kind of tender for another kind of tender, enter that amount on page 6, "M".*

For the purposes of this paragraph:

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

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

L. Entity-Level Income Tax Payment

If you are making the small business election and this addition is directly related to small business income reported on Form 140NR-SBI, do not report the addition on Form 140NR, enter the addition on Form 140NR-SBI.

If you are claiming the income tax credit on Form 355, *Credit for Entity-Level Income Tax Paid on Your Behalf from a Partnership and/or an S Corporation*, you must add the amount deducted by the partnership and/or S Corporation for the amount of Arizona income tax paid on your behalf in 2023.

Enter the total amount of tax paid shown on:

- Arizona Form 165, Schedule K-1(NR), Part 6, lines 22 and 23.
- Arizona Form 120S, Schedule K-1(NR), Part 6, lines 22 and 23.

NOTE: *Enter the tax amount actually paid by the Partnership or S Corporation in 2023. Tax amounts paid in 2024 for tax year 2023 will be added-back on your 2024 tax return. These payments include any 4th QTR estimated taxes paid in January 2024 and any 2024 tax payments made with the Entity's tax return on your behalf.*

M. Credit for Motion Picture Production Costs

If you are making the small business election and this addition is directly related to small business income reported on Form 140NR-SBI, do not report the addition on Form 140NR, enter the addition on Form 140NR-SBI.

If you are claiming a credit on Form 334, *Credit for Motion Picture Production Costs*, you must make an adjustment (addition) to your Arizona gross income for the amount of any motion picture production costs that was deducted pursuant to the Internal Revenue Code (IRC) for which a tax credit is claimed on Form 334.

If you received a pass-through credit from a partnership, LLC or S Corporation, you must also add-back your pro-rated expenses shown on your Form 334-P, Line 4b and/or Form 334-S, line 4b, provided by the pass-through entity.

N. Other Adjustments Related to Tax Credits

If you are making the small business election and this addition is directly related to small business income reported on Form 140NR-SBI, do not report the addition on Form 140NR, enter the addition on Form 140NR-SBI.

You may also need to make an addition if you claimed certain tax credits.

- If you claimed the Agricultural Pollution Control Equipment Credit (Form 325) *before tax year 2022*, you must make an addition to income for the amount by which the depreciation or amortization computed under the internal revenue code with respect to property for which a credit was taken on Credit Form 325 that exceeds the amount of depreciation or amortization computed pursuant to internal revenue code on the Arizona adjusted bases of the property computed under section 43-1081.01.
- If you previously claimed the Pollution Control Equipment Credit (Form 315) *before tax year 2022*, you must make an addition to income for the amount by which the depreciation or amortization computed under the internal revenue code with respect to property for which a credit was taken on Credit Form 315 that exceeds the amount of depreciation or amortization computed pursuant to internal revenue code on the Arizona adjusted bases of the property computed under section 43-1081.

If you have more than one adjustment related to tax credits, add the amounts together and enter the total.

O. Other Adjustments

If you are making the small business election, do not make the addition here, make it on the 140NR-SBI tax return.

Other adjustments may be necessary. For example, you must add-back expenses related to income that Arizona does not tax. If you have more than one Other Adjustment, add the amounts together and enter the total.

P. Total Other Additions to Arizona Gross Income

Add all amounts from page 5 and enter the total on line 32.

Line 33 - Subtotal

Add lines 29, 30, 31 and 32. Enter the total on line 33.

Subtractions from Income

NOTE:

- *If you are electing to report your Arizona sourced small business income on Form 140NR-SBI and if any of the following subtractions are* ***directly related to the small business income****, report that subtraction on Form 140NR-SBI. If the subtraction is* ***not*** *directly related to small business income, make the subtraction on Form 140NR.*
- *If you are not filing Form 140NR-SBI, make that subtraction on Form 140NR.*

As a nonresident, include only those subtractions listed below that are related to Arizona source income reported on Form 140NR.

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

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

Lines 34 through 38 - Net Capital Gain or (Loss)

NOTE: For lines 34-38; *if you elected to file the Arizona Small Business Income Tax Return, only claim the subtraction on this return if the net capital gain to which the subtraction relates was not moved to the Arizona Small Business Income Tax Return.*

If you have net capital gains or (losses) not related to small business income, enter those amounts on Form 140NR, lines 34-38.

If you are not filing a small business income tax return, include all allowable net capital gains or (losses) on Form 140NR, lines 34-38.

If you enter an amount on line 34, you must also complete lines 35 and 36. If you do not complete these lines, you cannot take the subtraction on line 38.

NOTE: *If you do not have any net capital gain or (loss) to report, enter "0" on lines 34-37.*

As a nonresident, you may take the allowable subtraction for **only** those qualified net long-term capital gains that are from ***Arizona sources***. You may subtract 25% (.25) of any qualifying net long-term capital gain included in your federal adjusted gross income that is derived from an investment in an asset acquired after December 31, 2011.

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

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

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

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

Enter the amount of total *Arizona sourced* net short-term capital gain reported on line 35.

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 35.*

Line 36 - Total Arizona Sourced Net Long-Term Capital Gain or (Loss)

Enter the amount of total *Arizona sourced* net long-term capital gain or (loss) included in line 34.

NOTE: *If your long-term net capital gain or (loss) was limited to an amount shown on federal Form 1099-DIV and you were not required to complete Schedule D, enter the amount shown on your Form 1099-DIV from Arizona sources on line 35.*

Line 37 – Arizona Sourced Net Long-Term Capital Gain from Assets Acquired After December 31, 2011

Enter the Arizona sourced net long-term capital gain from assets acquired after December 31, 2011.

If you did not complete the worksheet at the end of these instructions and you have no net long-term capital gains from assets acquired after December 31, 2011, enter "0". If you completed the worksheet, enter the amount from the worksheet, line 7.

Only include net long-term capital gains on this line if it can be verified that the asset was acquired after December 31, 2011. For purposes of this line, an asset acquired by gift or inheritance is considered acquired on the date it was acquired by the gift-giver or the deceased individual.

Line 38 – Arizona Sourced Net Long-Term Capital Gain Subtraction from Income for Assets Acquired After December 31, 2011

Multiply the amount on line 37 by 25% (.25) and enter the result.

NOTE: *If you take a subtraction on line 39 that includes any long-term capital gain from an investment in qualified small business made* ***after*** *December 31, 2011, you* ***cannot include*** *that portion of the net capital gain in your computation of the allowable subtraction on line 38 for any net long-term capital gain from assets acquired after December 31, 2011 and included in federal adjusted gross income.*

1099-DIV: If you received Form 1099-DIV issued from a fund Administrator and the 1099-DIV included long-term capital gains from the sale of assets within the fund (for example a mutual fund) for the current tax year and the form did not include the acquisition date of each asset sold within the fund, you cannot verify that the long-term capital gain was from an asset acquired by the Fund was after December 31, 2011, for the purpose of the allowable subtraction on line 38. In this case, you may want to contact the Fund Administrator and request to obtain the acquisition date of each asset sold within the fund. If the Administrator does not provide you with the specific date(s), then those assets cannot be included on line 37.

1099-B: If you received Form 1099-B showing a capital gain or (loss) from the sale of your portion of a fund (for example a mutual fund), Form 1099-B would generally include your purchase date of the fund including acquisition dates of assets included in your portion of the fund when reporting short-term or long-term capital gains or (losses). In this case, you would know the specific date the asset was acquired and those assets may be included on line 37.

Line 39 - Net Capital Gain from Investment in a Qualified Small Business

If you are making the small business election and this subtraction is directly related to small business income reported on Form 140NR-SBI, do not report the subtraction on Form 140NR, enter the subtraction on Form 140NR-SBI tax return.

To take the subtraction for a net capital gain from investment in an Arizona qualified small business, you must net all gains and (losses) from investments in Arizona qualified small businesses including amounts shown on Forms 165 Schedule K-1, 120S Schedule K-1, and/or 141AZ, Schedule K-1.

You may subtract the amount of any **net** capital gain included in federal adjusted gross income for the taxable year derived from investment in a qualified small business as determined by the Arizona Commerce Authority (ACA) pursuant to A.R.S. § 41-1518.

To qualify for this subtraction, your investment in the qualified small business must have been made *after* the ACA certified the company as a qualified small business and *before* the company's certification expiration date. An investment made prior to certification or after the expiration of certification does not qualify for this subtraction.

See the ACA's website, *Small Business Incentives: Angel Investment*, for a list of certified businesses and their certification dates.

On line 39, enter the amount of the allowable subtraction.

Line 40 - Recalculated Arizona Depreciation

If you are making the small business election and this subtraction is directly related to small business income reported on Form 140NR-SBI, do not report the subtraction on Form 140NR, enter the subtraction on Form 140NR-SBI.

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

NOTE: *For more information and examples of how to calculate Arizona bonus depreciation, see the department's procedure, ITP 16-2,* Procedure for Individuals who Claim Federal and/or Arizona Bonus Depreciation.

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

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

For assets placed in service in taxable years beginning from and after December 31, 2013 through December 31, 2015, enter the total amount of depreciation attributable to assets used in your Arizona business allowable pursuant to IRC § 167(a) for the taxable year calculated as if the bonus depreciation is 10% of the amount of federal bonus depreciation pursuant to IRC § 168(k).

For assets placed in service in taxable years beginning from and after December 31, 2015 through December 31, 2016, enter the total amount of depreciation attributable to assets used in your Arizona business allowable pursuant to IRC § 167(a) for the taxable year calculated as if the bonus depreciation is 55% of the amount of federal bonus depreciation pursuant to IRC § 168(k).

For assets placed in service in taxable years beginning from and after December 31, 2016, enter the total amount of depreciation attributable to assets used in your Arizona business allowable pursuant to IRC § 167(a) for the taxable year calculated as if the bonus depreciation is the full amount of federal bonus depreciation pursuant to IRC § 168(k).

Add all amounts together and enter the total on line 40.

Line 41 - Partnership Income Adjustment

If you are making the small business election and this subtraction is directly related to small business income reported on Form 140NR-SBI, do not report the subtraction on Form 140NR, enter the subtraction on Form 140NR-SBI.

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

If the difference reported on line 17, column (c) is a negative number, enter that portion of the difference that is allocable to partnership income taxable by Arizona as a subtraction on line 41. **Do not include a minus sign or use parentheses.**

NOTE: *If the difference reported on line 17, column (c) of your Arizona Form 165 Schedule K-1(NR), is a positive number, enter that portion of the difference that is allocable to partnership income taxable by Arizona as an addition on line 31.*

Line 42

Subtract lines 38 through 41 from line 33 and enter the difference.

Line 43 - Interest on U.S. Obligations

If you are making the small business election and this subtraction is directly related to small business income reported on Form 140NR-SBI, do not report the subtraction on Form 140NR, enter the subtraction on Form 140NR-SBI.

Enter the amount of interest income from U.S. Government obligations included as income on line 16 in the ARIZONA column. U.S. Government obligations include obligations such as savings bonds and treasury bills. You must reduce this subtraction by any interest or other related expenses incurred to purchase or carry the obligation. Reduce the subtraction only by the amount of such expenses included in your Arizona gross income.

Line 44 - Agricultural Crops Given to Arizona Charitable Organizations

If you are making the small business election and this subtraction is directly related to small business income reported on Form 140NR-SBI, do not report the subtraction on Form 140NR, enter the subtraction on Form 140NR-SBI.

Arizona law allows for a subtraction for qualified crop gifts made during 2023 to one or more charitable organizations. To take this subtraction, **all** of the following must apply:

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

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

The amount of subtraction cannot include any amount deducted pursuant to IRC § 170 with respect to crop contribution that exceeds the cost of producing the contributed crop. To determine if your crop gift qualifies for this subtraction, see the department's procedure, ITP 12-1, *Establishing an Income Tax Subtraction for Agricultural Crops Contributed to Charitable Organizations*.

Line 45 - Other Subtractions from Income

NOTE:

- *If you are electing to report your Arizona sourced small business income on Form 140NR-SBI and if any of the following subtractions are* ***directly related to the small business income****, report that subtraction on Form 140NR-SBI. If the subtraction is* ***not*** *directly related to small business income, make the subtraction on Form 140NR.*
- *If you are not filing Form 140NR-SBI, make that subtraction on Form 140NR.*

As a nonresident, include only those subtractions listed below that are related to Arizona source income reported on Form 140NR.

Use line 45 if any of the following special circumstances apply.

NOTE: *If you are reporting any adjustment on line 45, complete the schedule on page 6 of your tax return,* Other Subtractions from Arizona Gross Income*, and include it with your return. If you are not reporting any adjustment on line 45, do not include page 6 with your return.*

A. Certain Wages of American Indians

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

B. Qualified Wood Stove, Wood Fireplace, or Gas-Fired Fireplace

Arizona law provides a subtraction for converting an existing fireplace to one of the following:

- a qualified wood stove,
- a qualified wood fireplace, or
- a gas fired fireplace and non-optional equipment directly related to its operation.

You may subtract up to $500 of the costs incurred for converting an existing fireplace on your property ***located in Arizona.*** When you figure your subtraction, do not include taxes, interest, or other finance charges.

A qualified wood stove or a qualified wood fireplace is a residential wood heater that was manufactured on or after July 1, 1990, or sold at retail on or after July 1, 1992. The residential wood heater must also meet the U.S. Environmental Protection Agency's July 1990 particulate emissions standards.

A qualified gas fired fireplace is any device that burns natural or liquefied petroleum gas as its fuel through a burner system that is permanently installed in the fireplace. The conversion of an existing wood burning fireplace to noncombustible gas logs that are permanently installed in the fireplace also qualifies as a gas fired fireplace.

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

NOTE: *For taxpayers that made the election to file an Arizona Small Business Income Tax Return in 2023, if the income required to be paid back under the claim of right is the type of income that would be included in lines 4 through 9 of the 140NR-SBI return if the income were reported in 2023, the adjustment should be made in the 140NR-SBI return. All other claim of right adjustments should be made on the regular 140NR return.*

You must make an entry here if **all** (1-6) of the following apply:

1. During a year prior to 2023, you were required to repay income held under a claim of right.
2. The amount required to be repaid was subject to Arizona income tax in the year included in income.
3. You computed your tax for that prior year under Arizona's claim of right provisions.
4. A net operating loss or capital loss was established due to the repayment made in the prior year.
5. You are entitled to take that net operating loss or capital loss carryover into account when computing your 2023 Arizona taxable income.
6. The amount of the loss carryover allowed to be taken into account for Arizona purposes is more than the amount included in your Arizona gross income.

Include the amount by which the loss carryover allowed for the taxable year under Arizona law is more than the amount included in your Arizona gross income. For more information on the Arizona claim of right provisions, see the department's procedure, ITP 16-1, *Procedure for Individuals Who Restore Substantial Amounts Held Under a Claim of Right*.

D. Certain Expenses Not Allowed for Federal Purposes

If you are making the small business election and this subtraction is directly related to small business income reported on Form 140NR-SBI, do not report the subtraction on Form 140NR, enter the subtraction on Form 140NR-SBI.

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

- the Federal Work Opportunity Credit,
- the Empowerment Zone Employment Credit,
- the credit for employer-paid social security taxes on employee cash tips, and
- the Indian Employment Credit.

If you claimed any of the above federal tax credits for 2023, include the portion of wages or salaries attributable to Arizona source income that you paid or incurred during the taxable year that is equal to the amount of those federal tax credits you claimed.

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

If you are making the small business election and this subtraction is directly related to small business income reported on Form 140NR-SBI, do not report the subtraction on Form 140NR, enter the subtraction on Form 140NR-SBI.

For property used in an Arizona business that is sold or otherwise disposed of during the taxable year by a taxpayer who added back all depreciation for that property for all taxable years beginning from and after December 31, 1999, include the amount of depreciation that has been allowed pursuant to IRC § 167(a) to the extent that the amount has not already reduced Arizona taxable income in the current or prior years. (Note: The practical effect of this is to allow a subtraction for the difference in basis for any asset for which bonus depreciation has been claimed on the federal return.) You may make this adjustment only for property that was used in your Arizona business.

F. Fiduciary Adjustment

If you are making the small business election and this subtraction is directly related to small business income reported on Form 140NR-SBI, do not report the subtraction on Form 140NR, enter the subtraction on Form 140NR-SBI.

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

Depending on your situation, you may either add (line 32) or subtract (line 45) this amount.

If the amount on Form 141AZ Schedule K-1(NR), line 5 is a negative number, include that amount as a subtraction from income on line 45.

NOTE: *If the amount on Form 141AZ Schedule K-1(NR), line 5 is a positive number, include that amount as an "Other Additions to Income" on line 32.*

G. Net Operating Loss Adjustment

If you are making the small business election and this subtraction is directly related to small business income reported on Form 140NR-SBI, do not report the subtraction on Form 140NR, enter the subtraction on Form 140NR-SBI.

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

Arizona did not adopt the special federal net operating loss rules for losses incurred during 2008 or 2009. For Arizona purposes, you must deduct an Arizona source net operating loss as-if the loss was computed under IRC § 172 in effect prior to the enactment of those special rules. If you made an election to deduct your 2008 or 2009 federal net operating loss under IRC § 172(b)(1)(H), you may have to enter an amount here. Figure how much of the net operating loss carry forward would have been allowed as a deduction on your 2023 federal income tax return, if the election described in IRC § 172(b)(1)(H) had not been made in the year of the loss. Then figure how much of the carry forward computed under that method was derived from Arizona source losses. The amount you may take as a subtraction is the difference between the amount of Arizona source net operating loss carryover allowable as a deduction for federal purposes under the as-if calculation and the amount of the Arizona source net operating loss deduction actually taken

for federal purposes that you included in your Arizona gross income. On line 45, include the amount of allowable Arizona source loss carry forward deduction that exceeds the actual amount of Arizona source net operating loss carry forward deduction that was deducted in arriving at Arizona gross income.

NOTE: *As an Arizona nonresident, you may have had a loss from your prior year Arizona business operations. However, the loss cannot offset this year's income unless the as-if calculation results in an Arizona source net operating loss deduction for federal purposes. You can only take this subtraction if the as-if federal net operating loss deduction for 2023 includes Arizona source losses that have not been absorbed by non-Arizona income in any intervening years. You cannot subtract any amount of that net operating loss that has been absorbed by non-Arizona income in any intervening years. You also cannot take a subtraction for any amount that has already been deducted for Arizona purposes.*

H. Sole Proprietorship Income of an Arizona Nonprofit Medical Marijuana Dispensary Included in Federal Adjusted Gross Income

If you are making the small business election and this subtraction is directly related to small business income reported on Form 140NR-SBI, do not report the subtraction on Form 140NR, enter the subtraction on Form 140NR-SBI.

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.*

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.

In addition, a sole proprietorship of an Arizona dual licensee that **has not elected to operate on a for-profit basis** may subtract the portion of income included in federal adjusted gross income that is from the medical marijuana portion of the business.

NOTE: *A dual licensee that elects to operate on a for-profit basis does not qualify for a subtraction for the medical marijuana portion of their business.*

I. Americans with Disabilities Act Access Expenditures

If you are making the small business election and this subtraction is directly related to small business income reported on Form 140NR-SBI, do not report the subtraction on Form 140NR, enter the subtraction on Form 140NR-SBI.

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

"*Eligible business access expenditures*" include reasonable and necessary amounts paid or incurred to:

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

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

Include the amount of allowable expenses paid or incurred during the tax year.

J. Exploration Expenses Deferred Before January 1, 1990

If you are making the small business election and this subtraction is directly related to small business income reported on Form 140NR-SBI, do not report the subtraction on Form 140NR, enter the subtraction on Form 140NR-SBI.

Call one of the numbers listed on page 1 of these instructions if you deferred exploration expenses determined under IRC § 617 in a taxable year ending before January 1, 1990 and you have not previously taken a subtraction for those expenses.

K. <u>Sole Proprietorship</u> – Marijuana Establishment and Testing Facilities and Dual Licensees that Elect to Operate on a for-profit basis

If you are making the small business election and this subtraction is directly related to small business income reported on Form 140NR-SBI, do not report the subtraction on Form 140NR, enter the subtraction on Form 140NR-SBI.

*A Sole Proprietorship or disregarded LLC (dual licensee) that takes the allowable subtraction for the income of an **Arizona Nonprofit Medical Marijuana Dispensary** (NMMD) under item "H", cannot take this allowable subtraction".*

Enter the total amount of ordinary and necessary expenses related to the sales of recreational use products reported on Arizona Schedule DFE, *Disallowed Federal Expense Schedule for Marijuana Establishments*, line 16.

Include this schedule (after page 6) with your tax return, when filed.

Do not include Cost of Goods Sold or any other expenses already allowed to be deducted on your federal return in the total amount of expenses reported on this line.

NOTE: *Sole Proprietors and disregarded LLCs must contact the Arizona Department of Health Services (ADHS) to make the election to operate on a for-profit basis.*

L. S corporation Shareholders – Marijuana Establishment, Testing Facilities and Dual Licensees that Elected to Operate on a For-profit Basis

If you are making the small business election and this subtraction is directly related to small business income reported on Form 140NR-SBI, do not report the subtraction on Form 140NR, enter the subtraction on Form 140NR-SBI. **Enter the amount of your pro-rata share of ordinary and necessary expenses related to the sales of recreational use products shown on your 120S Schedule K-1(NR), line 20. Do not include Cost of Goods Sold in the total amount of expenses reported on this line.**

M. Net Capital Gain from the Exchange of One Kind of Legal Tender for Another Kind of Legal Tender

If you are making the small business election and this subtraction is directly related to small business income reported on Form 140NR-SBI, do not report the subtraction on Form 140NR, enter the subtraction on Form 140NR-SBI.

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

Enter the amount of any net capital gain *from Arizona sources* included in Arizona gross income for the taxable year that is derived from the exchange of one kind of legal tender for another kind of legal tender.

NOTE: *If the amount from all sources results in a* ***net capital (loss)*** *from the exchange of one kind of tender for another kind of tender, enter that amount on page 5, "K".*

For the purposes of this paragraph:

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

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

N. Virtual Currency and Non-Fungible Tokens

If you are making the small business election and this subtraction is directly related to small business income reported on Form 140-SBI, do not take the subtraction on Form 140, enter the subtraction on Form 140-SBI.

To the extent not already excluded from Arizona gross income under the internal revenue code, the value of virtual currency and non-fungible tokens the taxpayer received pursuant to an airdrop at the time of the airdrop. This paragraph may not be interpreted as providing a subtraction for any appreciation in value that occurs from holding the virtual currency after the initial receipt of the airdrop.

For the purpose of this subtraction, A.R.S. § 43-1028 defines the following:

- **Airdrop** as the receipt of virtual currency through a means of distribution of virtual currency to the distributed ledger addresses of multiple taxpayers.
- **Non-fungible tokens (NFT)** as a non-fungible cryptographic asset on a blockchain that possesses unique identifiers or other metadata that distinguishes the asset from another token or asset in a manner that makes the asset irreplaceable and non-exchangeable for a similar token or asset.
- **Virtual currency** as a digital representation of value that functions as a medium of exchange, a unit of account and a store of value other than a representation of the U.S. dollar or a foreign currency.
- **Foreign currency** as the coin and paper money of a country other than the United States that is designated as legal tender, circulates and is customarily used and accepted as a medium of exchange in the country of issuance.

O. Gas Fees or Non-Fungible Token Basis

If you are making the small business election and this subtraction is directly related to small business income reported on Form 140-SBI, do not take the subtraction on Form 140, enter the subtraction on Form 140-SBI.

The amount allowed as a subtraction by section 43-1028 for gas fees not already included in the taxpayer's virtual currency or non-fungible token basis.

For the purpose of this subtraction, A.R.S. § 43-1028 defines the following:

- Gas Fees as a fee paid to the operator of a virtual network for the use of the network to facilitate the purchase, sale or exchange of virtual currency or an NFT.

P. Other Adjustments

If you are making the small business election and this subtraction is directly related to small business income reported on Form 140NR-SBI, do not report the subtraction on Form 140NR, enter the subtraction on Form 140NR-SBI.

Other adjustments may be necessary. If an allowable adjustment is not listed above, enter that amount on this line. If you have more than one *Other Adjustment*, add the amounts together and enter the total.

Q. Total Other Subtractions from Arizona Gross Income

Add all amounts on page 6 and enter the total on page 2, line 45.

Line 46

Subtract lines 43, 44 and 45 from line 42.

Exemptions – Lines 47 through 49

Line 47 - Age 65 or Over

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

Line 48 - Blind

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

Line 49 - Other Exemptions

NOTE: *If you take an Other Exemption for an individual on line 49, you cannot claim this individual for the dependent tax credit on line 59. In this case do not include this person in Box 10b.*

You must complete page 4, Part 2 to compute your allowable Other Exemptions, on line 49. Be sure to enter the number of individuals listed in Part 2 in the box, **49E, on line 49**.

You may take an exemption in the amount of $2,300 for each of the following individuals:

- A person who is age 65 or over (related to you or not) if either of the following applies:
  1. In 2023, 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 2023, you paid more than $800 for either Arizona home health care or other medical costs for the person.

  *If both 1 and 2 apply to the same person, you are limited to only **one** exemption of $2,300 for that person.*

  NOTE: *If a taxpayer's 65th birthday was January 1, 2024 (born 1/1/1959), that person would be considered to be age 65 at the end of 2023 for federal income tax purposes and likewise for Arizona income tax purposes.*
- A stillborn child if the following apply:
  1. The stillbirth occurred during 2023.
  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.

Enter the following in columns (a) through (d):

a) The individual's first and last 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 individual's social security number. If you are claiming an exemption for a stillborn child, enter the certificate number from the certificate of birth resulting in stillbirth.

c) For those individuals age 65 or over:
- Check box C1 if 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 during the taxable year;
- Check box C2 if you paid more than $800 for either Arizona home health care or other medical costs for the person during the taxable year.

If you check both box C1 and box C2 for the same individual, you are limited to only one exemption of $2,300 for that individual.

d) Check this box if claiming an exemption for a stillborn child.

Enter the total **number** of exemptions in box **49E** on line 49.

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

Multiply the number in box **49E** by $2,300 and enter the result.

Line 50 - Total Exemptions

Add lines 47, 48, and 49 and enter the total.

Line 51 - Prorated Exemptions

Multiply the amount on line 50 by your Arizona income ratio from line 27 and enter the result.

For Active Duty Military Personnel Only: *If you were on active duty in Arizona during 2023 but you were a resident of another state, you must prorate these exemptions.*

Line 52 - Arizona Adjusted Gross Income

Subtract line 51 from line 46. If less than zero, enter "0".

Figuring Your Tax

Line 53 – Itemized Deductions 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.

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

Your Itemized Deductions

You may itemize deductions on your Arizona return even if you take a standard deduction on your federal return.

The itemized deductions allowed for Arizona purposes are those itemized deductions that are allowable under the IRC.

As an Arizona nonresident, you must prorate these deductions by the income ratio which your Arizona gross income is of your federal adjusted gross income.

To determine your Arizona itemized deductions, complete a federal Form 1040 Schedule A, then complete the Arizona Form 140NR Schedule A(NR). **If you itemize deductions, check box 53I.**

NOTE: *If you itemize, you must include a copy of your federal Schedule A and your Arizona Schedule A(NR) with your Arizona return.*

Your Standard Deduction

CAUTION: *You must prorate the standard deduction.*

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

This will, in effect, prorate the standard deduction between income taxable to Arizona and income not taxable to Arizona and allow only that portion of the deduction allocable to income taxable to Arizona. **If you take the standard deduction, check box 53S and complete the following worksheet.**

Standard Deduction Chart	
If your filing status is:	Your standard deduction prior to prorating is:
• Single	$13,850
• Married filing joint	$27,700
• Married filing separate	$13,850
• Head of Household	$20,800

NOTE: *A surviving spouse shall be considered as married at the close of the taxable year if his or her spouse died during the taxable year and the taxpayer would have been considered married at the date of the death of such spouse. If you and your deceased spouse would have filed a joint tax return for tax year 2023, enter $27,700 on line 1 in the worksheet below. If you and deceased spouse would have filed separate tax returns for tax year 2023, enter $13,850 on line 1 in the worksheet below.*

Standard Deduction Worksheet	
1. Amount from the standard deduction chart. Enter the amount shown for your filing status.	$ .00
2. Enter your Arizona income ratio from Form 140NR, page 1, line 27.	.
3. Multiply line 1 by the ratio on line 2. Enter the result here and on Form 140NR, page 2, line 53.	$ .00

Line 54 - Increased Standard Deduction for Charitable Contributions

A taxpayer may increase the allowable standard deduction amount equal to 31% (.31) of the total amount of a taxpayer's charitable contributions that would have been allowed if the taxpayer elected to claim itemized deductions.

To claim the increased standard deduction, you must complete Form 140NR, page 3 and include the completed page with your tax return, when filed.

Be sure to check box **54C** on line 54. If you do not check this box ***and*** include a completed page 3 with your tax return, you may be denied the increased standard deduction.

Line 55 - Arizona Taxable Income

Subtract lines 53 and 54 from line 52 and enter the difference. If less than zero, enter zero "0." Use this amount to calculate your tax.

Line 56 - Tax Amount

Multiply line 55 by 2.5% (.025).

Line 57 - Tax from Recapture of Credits from Arizona Form 301

Enter the amount of tax due from recapture of credits from Arizona Form 301, Part 2, line 31.

Line 58 - Subtotal of Tax

Add lines 56 and 57 and enter the total.

Line 59 - Dependent Tax Credit

NOTE: *If you claim an individual for the dependent tax credit on line 59, you cannot take an exemption for the same individual as an Other Exemption on line 49.*

For taxable years beginning from and after December 31, 2018, taxpayers may claim a nonrefundable Dependent Tax Credit for certain qualifying dependents.

For the purpose of the dependent tax credit, "dependent" means an individual that qualifies as a dependent for federal purposes. The tax credit is equal to:

- $100 for each qualifying dependent who is under 17 years of age at the end of the taxable year.
- $25 for each qualifying dependent who is at least 17 years of age at the end of the taxable year.

Nonresidents are required to apportion their Dependent Tax Credit by the Arizona income tax ratio computed on page 1, line 27.

The allowable credit is reduced for single, head of household, and married taxpayers filing separate returns whose federal adjusted gross income (page 1, line 25) is more than $200,000; and for married taxpayers filing a joint return whose federal adjusted gross income is more than $400,000.

Complete the following tables to compute your credit.

Table I			
(a)	(b)	(c) Credit amount	(d) Multiply column (b) by column (c)
1. Enter number of dependents from page 1, box 10a….		$ 100	$ .00
2. Enter number of dependents from page 1, box 10b….		$ 25	$ .00
3. Credit amount before adjustment. Add lines 1 and 2. Enter total in column (d).			$ .00
4. Enter your Arizona income ratio from page 1, line 27…….			.
5. Multiply line 3 by the ratio on line 4. Enter the result here.			$ .00

All taxpayers go to Table II.

Table II		
If your filing status is single, married filing separate, or head of household: is your federal adjusted gross income on page 1, line 25, more than $200,000?	Yes ☐	No ☐
If your filing status is married filing joint: is your federal adjusted gross income on page 1, line 25, more than $400,000?	Yes ☐	No ☐

- If you answered "No", you are not required to reduce the amount of credit computed in Table I.

  Enter the amount from Table I, line 5 on page 2, line 59.
- If you answered "Yes", you are required to reduce the amount of credit computed in Table I.

Complete Table III *or* Table IV.

Table III 2023 Adjusted Dependent Tax Credit For filing status: single, married filing separate, or head of household	
1. Enter your federal adjusted gross income from page 1, line 25…….	$ .00
2. Federal adjusted gross income limit…...	$ 200,000.00
3. Subtract line 2 from line 1. Enter the difference…… ***If the difference is greater than $19,000, STOP. You cannot claim the dependent tax credit.***	$ .00
4. Enter amount from Table I, line 5, column (d)…….....	$ .00
5. Based on the amount on line 3, enter the number from **Table V**. For example: if line 3 is $1,500, enter **.90**.....	
6. Multiply line 4 by line 5. Enter the result. Also, enter the amount on page 2, line 59…….	$ .00

Table IV 2023 Adjusted Dependent Tax Credit For filing status: married filing joint	
1. Enter your federal adjusted gross income from page 1, line 25……	$ .00
2. Federal adjusted gross income limit…...	$ 400,000.00
3. Subtract line 2 from line 1. Enter the difference…… ***If the difference is greater than $19,000, STOP. You cannot claim the dependent tax credit.***	$ .00
4. Enter amount from Table I, line 5, column (d)……	$ .00
5. Based on the amount on line 3, enter the number from **Table V**. For example: if line 3 is $1,500, enter **.90**.....	
6. Multiply line 4 by line 5. Enter the result. Also, enter the amount on page 2, line 59…….	$ .00

Use **Table V** to determine the percentage to enter on line 5, of **Table III** *or* **Table IV.**

Table V			
If the amount on line 3 from Table III or Table IV is:	Enter on line 5	If the amount on line 3 from Table III or Table IV is:	Enter on line 5
$ 1 – 1,000	.95	$ 10,001 – 11,000	.45
$ 1,001 – 2,000	.90	$ 11,001 – 12,000	.40
$ 2,001 – 3,000	.85	$ 12,001 – 13,000	.35
$ 3,001 – 4,000	.80	$ 13,001 – 14,000	.30
$ 4,001 – 5,000	.75	$ 14,001 – 15,000	.25
$ 5,001 – 6,000	.70	$ 15,001 – 16,000	.20
$ 6,001 – 7,000	.65	$ 16,001 – 17,000	.15
$ 7,001 – 8,000	.60	$ 17,001 – 18,000	.10
$ 8,001 – 9,000	.55	$ 18,001 – 19,000	.05
$ 9,001 – 10,000	.50	$ 19,001 and over	.00

Line 60 - Nonrefundable Credits from Arizona Form 301

NOTE: *If you elect to report small business income on Form 140NR-SBI, certain nonrefundable credits must be claimed on the small business tax return. In this case, you must complete Form 301-SBI to claim those credit(s). See the specific credit form and instructions for which credits must be claimed on the small business tax return.*

Exception*: Credit Form 309 is used to claim a tax credit on Form 140NR for taxes paid to other states or country on income not reported on Form 140NR-SBI. Credit Form 309-SBI is used to claim a tax credit for taxes paid on small business income to another state or county. See Form 309-SBI and instructions for more information.*

Complete line 60 if you claim any of the following credits. Also, make sure that you include Arizona Form 301 and the appropriate credit form or forms with your return.

Credit for Increased Research Activities - Individuals You may qualify for this credit if you incurred qualified research expenses for research conducted in Arizona. Use Form 308-I to figure this credit. Be sure to include **only** the nonrefundable portion on Form 140NR, line 60.

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

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

Pollution Control Credit This credit was repealed for individual taxpayers for tax years beginning from and after December 31, 2021. All credits that were properly established can be carried forward for the respective five year carry forward period. Use Form 315 to figure this credit.

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

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

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

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

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

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

Credit for Business Contributions by an S Corporation to School Tuition Organizations - Individual S Corporations that make qualifying contributions of $5,000 or more may pass-through the credit to its individual shareholders on a *pro rata* basis. See Form 335-I for more information.

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

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

Credit for Donations to the Military Family Relief Fund You may qualify for this credit if you made a cash contribution to the Arizona Military Family Relief Fund during the taxable year. Use Form 340 to figure this credit.

Credit for Business Contributions by an S Corporation to School Tuition Organizations for Displaced Students or Students with Disabilities – Individual

S Corporations that make qualifying contributions of $5,000 or more may pass-through the credit to its individual shareholders on a *pro rata* basis. See Form 341-I for more information.

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

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

Additional Credit for Increased Research Activities for Basic Research Payments You may qualify for this credit for qualified basic research payments for research conducted in Arizona. Approval by the Department of Revenue is required prior to claiming this credit. Use Form 346 to figure this credit.

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

Credit for Contributions to Qualifying Foster Care Charitable Organizations You may qualify for this credit if you made contributions to qualifying foster care charitable organizations. Use Form 352 to figure this credit.

Healthy Forest Production Tax Credit You may qualify for this tax credit if you meet all of the qualifications or receive a pass-through credit from a partnership or S Corporation. All credits that were properly established can be carried forward for the respective five year carry forward period. Use Form 353 to figure this credit.

Affordable Housing Tax Credit You may qualify for this tax credit if you meet all of the qualifications or receive a pass-through credit from a partnership or S Corporation. All credits that were properly established can be carried forward for the respective five year carry forward period. Use Form 354 to figure this credit.

Credit for Entity-Level Income Tax You may qualify for this tax credit if you meet all of the qualifications or receive a pass-through credit from a partnership or S Corporation. All credits that were properly established can be carried forward for the respective five year carry forward period. Use Form 355 to figure this credit.

TOTAL CREDITS: Compute your credit on the appropriate form. Then complete Arizona Form 301 and enter the amount from Form 301, Part 2, line 62. The amount on line 60 cannot reduce your tax below zero. These credits are not refundable credits.

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

Line 61 - Balance of Tax

Subtract line 59 and 60 from line 58. Enter the difference. If the sum of lines 59 and 60 is more than line 58, enter, “0”.

Totaling Payments and Refundable Credits

Line 62 - 2023 Arizona Income Tax Withheld

Enter the 2023 Arizona income tax withheld as shown on Form(s) W-2 from your employer. **Do not include income taxes withheld by any other state.** Include the Form(s) W-2 with your return.

Line 63 (Boxes a, b, and c) – 2023 Arizona Estimated Tax Payments Including Amount Applied from 2022 Return; and Arizona Claim of Right

Use this line if you did one of the following:

- made estimated income tax payments to Arizona for 2023;
- applied any of your refund from your 2022 Arizona return to 2023 estimated taxes for Arizona; or
- recomputed a prior year's tax under Arizona's Claim of Right provisions.

  You **must** also complete and include the *Arizona Claim of Right - Individual* form(s) with your income tax return. If you fail to complete and include the form(s), the amount of your claim may be denied. The form is available on the department's website.

Box 63a: Enter the total amount of estimated taxes paid and/or applied to your 2023 taxes.

NOTE: *If you are married and made joint Arizona estimated payments for 2023, but are filing separate 2023 Arizona income tax returns, see the department's ruling ITR 02-3,* Allocating Joint Estimated Payments to Separate Returns.

Box 63b: Enter the amount from your Arizona *Claim of Right - Individual* form, line 8.

If you completed more than one Claim of Right form for the current taxable year, add all amounts on line 8 and enter the total in box 63b.

NOTE: *For more information on Arizona's Claim of Right provisions, see the department's procedure,* ITP 16-1*, Procedure for Individuals Who Restore Substantial Amounts Held Under a Claim of Right.*

Line 63c: Add the amounts in box 63a and box 63b and enter the total on line 63c.

Line 64 - 2023 Arizona Extension Payment (Arizona Form 204)

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

Line 65 - Other Refundable Credits

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

- Credit for Increased Research Activities - Individuals, (Form 308-I)
- Credit for Motion Picture Production Costs (Form 334)
- Credit for Qualified Facilities (Form 349)

If you enter an amount on this line, be sure you check the box or boxes to show which credit(s) you are claiming. Also, be sure to include the credit form(s) with your return.

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

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

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

If you are claiming a refund of the increased research activities credit from Form 308-I, enter the amount from Form 308-I, Part 5, line 32.

Credit for Motion Picture Production Costs (Arizona Form 334)

You may qualify for the refundable credit for the motion picture production costs if the credit exceeds your taxable income.

Pre-approval and post-approval are required through the ACA to qualify for this credit. For more information about this credit and to determine whether you may claim a refund of this credit, see Arizona Form 334.

If you are claiming a refund from Form 334, enter the amount from Form 334, Part 1, line 6.

Credit for Qualified Facilities (Arizona Form 349)

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

You must include a copy of your "Certificate of Qualification" from the ACA and Form 349 with your tax return to claim this credit. If you are claiming a refund of the qualified facilities credit from Form 349, enter the amount from Form 349, Part 8, line 20.

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

2023 - Refundable Credit Worksheet	
1. Enter the refundable credit from Form 308-I, Part 7, line 38.	
2 Enter the refundable credit from Form 334, Part 1, line 6.	
3. Enter the refundable credit from Form 349, Part 8, line 20.	
4. Add the amounts on lines 1, 2 and 3. Enter the total here and on line 65.	

Line 66 - Total Payments and Refundable Credits

Line 66 is the total payments and refundable credits claimed. Add lines 62 through 65 and enter the total.

Figuring Your Tax Due or Overpayment

Line 67 - Tax Due

If line 61 is more than line 66, you have tax due. Subtract line 66 from line 61 and enter the amount of tax due. Skip lines 68, 69, and 70.

Line 68 - Overpayment

If line 66 is more than line 61, you have an overpayment. Subtract line 61 from line 66 and enter the difference. Complete lines 69 and 70.

Line 69 - Amount of Line 68 to Apply to 2024 Estimated Tax

If you want all or part of your overpayment applied to next year's Arizona estimated taxes, enter that amount on line 69.

NOTE: *If you apply any of the amount shown on line 69 to 2024, you cannot use that amount to pay any tax that is later found to be due for 2024. You also may not claim a refund for that amount until you file your 2024 return.*

Line 70 - Balance of Overpayment

Subtract line 69 from line 68 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 71 - 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 87. Enter the amount you want to donate on line 71.

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 72 - 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 87. Enter the amount you want to donate on line 72.

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

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

Line 74 - Domestic Violence Services Fund

You may give some or all of your refund to the Domestic Violence Services Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 87. Enter the amount you want to donate on line 74.

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

Line 75 - 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 87. Enter the amount you want to donate on line 75. If you donated to a political party, complete line 82. Gifts go to one of the following political parties:

- Democratic
- Libertarian
- Republican

Line 76 - 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 87. Enter the amount you want to donate on line 76.

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

Line 77 - 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 87. Enter the amount you want to donate on line 77.

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

Line 78 - 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 87. Enter the amount you want to donate on line 78.

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

Line 79 - 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 87. Enter the amount you want to donate on line 79.

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

Line 80 - 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 87. Enter the amount you want to donate on line 80.

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 81 – Spaying and Neutering of Animals Fund

You may give some or all of your refund to the Spaying and Neutering of Animals Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 87. Enter the amount you want to donate on line 81.

Gifts that you make to the Spaying and Neutering of Animals Fund will help to reduce pet overpopulation by sterilizing, at minimal or no cost, dogs and cats in this state, including those that are impounded and sterilized.

Line 82 - Political Party

If you entered an amount on line 75, 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 75.

Line 83 - Estimated Payment Penalty

You must have made Arizona estimated income tax payments during 2023 if:		
Your filing status is:	**AND** Your Arizona gross income for 2022 was greater than:	**AND** Your Arizona gross income for 2023 was greater than:
Single	$ 75,000	$ 75,000
Married filing Joint	$ 150,000	$ 150,000
Married filing Separate	$ 75,000	$ 75,000
Head of Household	$ 75,000	$ 75,000

NOTE: *Do not complete Arizona Form 221,* Underpayment of Estimated Tax by Individuals*, if the amount on Form 140NR, line 62 is more than the amount on Form 140NR, line 61.*

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

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

If you report as a farmer or fisherman for federal purposes, you were not required to make estimated payments during 2023 if the following apply:

1. *You are a calendar year filer*. You file your Arizona return by March 1, 2024. 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 842 on line 84 and do not complete Form 221.

Line 84 - Box 841 through Box 843

Box 841: 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 842: check if you are an individual who for federal purposes reports as a farmer or fisherman.

Box 843: check if you completed and are including Form 221.

Line 85

Add lines 71 through 81 and 83. Enter the total

Figuring Your Refund or Amount Owed

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

Line 86 - Refund

Subtract line 85 from line 70. Enter your refund on line 86 and skip line 87. If less than zero, enter amount owed on line 87.

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

TAX TIP: *If you change your address before you get your refund, let the department know. Complete Form 822. This form is available at: azdor.gov/forms. Select "Forms" on the home page and click on "See All Forms" then type 822 in the Search box.*

Direct Deposit of Refund

Complete the direct deposit line if you want us to directly deposit the amount shown on line 87 into your account at a bank or other financial institution (such as a mutual fund, brokerage firm, or credit union) instead of sending you a check.

NOTE: *Check the box on line 86A if the direct deposit will ultimately be placed in a foreign account. If you check box 86A, do not enter your routing or account numbers.*

If this box is checked, we will not direct deposit your refund. We will mail you a check instead.

Why Use Direct Deposit?

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

NOTE: *We are not responsible for a lost refund if you enter the wrong account information.*

Check with your financial institution to get the correct routing and account numbers and to make sure your direct deposit will be accepted.

Routing Number

MAKE SURE YOU ENTER THE CORRECT ROUTING NUMBER.

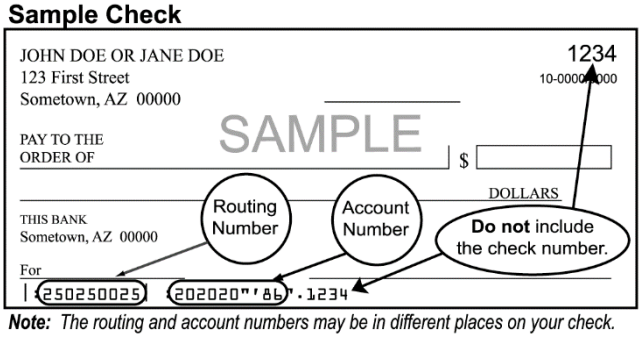
The routing number must be nine digits. The first 2 digits must be 01 through 12 or 21 through 32. Otherwise, the direct deposit will be rejected and a check will be mailed instead. On the sample check, the routing number is 250250025.

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

Account Number

MAKE SURE YOU ENTER THE CORRECT ACCOUNT NUMBER.

Sample Check



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

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

NOTE: *If the direct deposit is rejected, a check will be mailed instead*.

Line 87 - Amount Owed

Add lines 67 and 85. Enter the amount you owe on line 87. If you are making voluntary gifts on lines 71 through 81 in excess of your overpayment, enter the difference on line 87. You may pay only with a check, electronic check, money order, direct debit through your software vendor or credit card.

Check or money order

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

Make your check payable to Arizona Department of Revenue. Write your SSN, Form 140NR and tax year on the front of your check or money order. The department cannot accept checks or money orders in foreign currency. You must make payment in U.S. dollars. It may take 2-3 weeks for your payment to process.

The Department of Revenue may charge you $50 for a check returned unpaid by your financial institution.

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 2023. There is no fee to use this method. To make an electronic payment, go to www.AZTaxes.gov and click on the "Make a Payment" link.

Be sure to enter the correct routing number and account number for your checking or savings account. You will be charged a $50 NSF (non-sufficient funds) fee if you provide an incorrect routing number or an incorrect account number. Check with your financial institution to get the correct routing and account numbers.

The "E-Check" option in the "Payment Method" drop-down box will debit the amount from the checking or savings account that you specify. If you make an electronic payment from your checking or savings account, you will receive a confirmation number. **Please keep this confirmation number as proof of payment.**

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

Credit card payment

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

If you complete the credit card transaction, you will receive a confirmation number. **Please keep this confirmation number as proof of payment.**

Installment Payments

If you cannot pay the full amount shown on line 87 when you file, you may request to make monthly installment payments. All payment arrangements for individual income tax can be made online at www.AZTaxes.gov, please select the "*Request A Payment Plan*" option under the Individual Income section.

If you cannot pay the full amount shown on line 87, you will be charged interest and may be charged a late payment penalty on the tax not paid by April 15, 2024. To limit the interest and penalty charges pay as much of the tax as possible when you file your return.

Sign Your Return

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

Instructions Before Mailing

- **DO NOT *STAPLE* YOUR RETURN. DO NOT STAPLE ANY SCHEDULES, DOCUMENTS OR PAYMENT TO YOUR 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.
- Check the **boxes** to make sure you filled in all required boxes.
- If you requested a filing extension, make sure that you check box 82F (above your name) on page 1 of the return.
- Sign your return and have your spouse sign, if filing jointly.
- Write your SSN and tax year on the front of your check or money order. Include your payment with your return.
- Do **not** include correspondence with your return.

Mailing Your Return

Place pages in the order shown on the last page of these instructions.

NOTE: *If you are filing Arizona Form 140NR-SBI,* ***DO NOT MAIL THIS RETURN SEPARATELY.*** *Include this return with your Form 140NR in the same envelope.*

- If you are mailing your return, be sure to include Form 140NR, pages 1 and 2 any other required forms.
- Include Form(s) W-2, W-2G, 1099-B, 1099-DIV, 1099-G, 1099-INT, 1099-NEC, 1099-MISC and 1099-R, after the last page of your return ***only*** if the form shows Arizona income tax withholding.
- If you are mailing your return, make a copy before mailing. Also make a copy of any forms and schedules that you are including with your return. Keep the copies for your records. Be sure that you mail the original and not a copy.
- If mailing more than one tax year return, use a separate envelope for each return.

Where Should I Mail My Return?

If you are <u>not filing Form 140NR-SBI</u> and are **including a payment with your Form 140NR 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

If you <u>are filing Form 140NR *and* Form 140NR-SBI</u>, the department will apply any overpayment from one return to the tax liability shown on the other return.

- After applying the overpayment, if there is a net tax due and you are sending a payment mail both returns to

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

- After applying the overpayment, if there is a net refund mail both returns to

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

Make sure you put enough postage on the envelope

The U.S. Post Office or United States mail service must postmark your return or extension request by midnight April 15, 2024.

The term "United States mail" includes any private delivery service designated by the United States Secretary of the Treasury pursuant to IRC § 7502(f) and the term "postmark" includes any date recorded or marked by any such designated delivery service.

An income tax return that is mailed to the department is timely filed if it is delivered on or before its due date. Additionally, if the envelope or wrapper containing the return sent through the United States mail bears a postmark of the United States mail and that tax return is delivered to the department after its due date that return will be considered timely filed if **all** of the following apply:

1. The return was deposited in an official depository of the United States mail;
2. The date of the postmark is no later than the due date;
3. The return was properly addressed; and
4. The return had proper postage.

If the envelope or wrapper containing a return sent through the United States mail bears a private meter postmark made by other than the United States mail, the return is treated as timely filed if both of the following apply:

1. The private meter postmark bears a date on or before the due date for filing; and

2. The return is received no later than the time it would ordinarily have been received from the same point of origin by the same class of U.S. postage. If the return is received by the department within five business days of the private meter postmark date, the department will consider this requirement satisfied.

You may also use certain private delivery services designated by the IRS to meet the "timely mailing as timely filed" rule.

For more information, see the department's ruling, GTR 16-1, *Timely Filing of Income or Withholding Tax Returns Through the United States Mail.*

How Long to Keep Your Return

You must keep your records as long as they may be needed for the administration of any provision of Arizona tax law. Generally, this means you must keep records that support items shown on your return until the period of limitations for that return runs out.

The period of limitations is the period of time in which you can amend your return to claim a credit or refund or the department can assess additional tax. A period of limitations is the limited time after which no legal action can be brought. Usually, this is four years from the date the return was due or filed.

In some cases, the limitation period is longer than four years. The period is six years from when you file a return if you underreport the income shown on that return by more than 25%. The department can bring an action at any time if a return is false or fraudulent, or you do not file a return. To find out more about what records you should keep, see federal Publication 552.

Where's My Refund?

You can check on your refund by visiting www.azdor.gov or www.AZTaxes.gov and clicking on "*Where's my refund?*" or you may call one of the numbers listed on page 1 of these instructions. Before you call, be sure to have a copy of your 2023 tax return on hand. You will need to know your SSN, your filing status, and your 5-digit ZIP Code.

Contacting the Department

Your tax information on file with the department is confidential. If you want the department to discuss your tax matters with someone other than yourself, you must authorize the department to release confidential information to that person.

You may use Arizona Form 285 to authorize the department to release confidential information to your appointee. See Form 285 for details.

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

☐ 2023 Original return ☐ 2023 Amended return

IMPORTANT

If you elected to file the Arizona Small Business Income Tax Return (Form 140NR-SBI), only claim the subtraction on this return if the net capital gain to which the subtraction relates was not moved to the Arizona Small Business Income Tax Return.

As a nonresident, you may include in your computation only net long-term capital gains from qualifying assets acquired from Arizona sources.

- If you cannot determine the acquisition date of an asset, including mutual funds, the long-term capital gain from that asset does not qualify for the allowable subtraction. For the purpose of the allowable subtraction, these assets are considered to have been acquired before January 1, 2012.
- An asset acquired by gift or inheritance is considered acquired on the date if was acquired by gift-giver or the deceased individual.
- If you receive Form(s) 165 Schedule K-1 from a partnership, 120S Schedule K-1 from an S corporation, or 141AZ Schedule K-1 from an estate or trust, be sure to include those qualifying net long-term capital gain amounts in your computation.

Do not include any short-term capital gain or (loss) in this worksheet

1.	**Total Net Long-Term Capital Gain or (loss)** reported on federal Form 1040 and included in federal adjusted gross income……			$	00		
2.	Enter the amount included on Form 140NR, line 39, for net long-term capital **gain** derived from investment in qualified small business……	$	00				
3.	Enter the amount included on the schedule "Other Subtractions from Income", page 6, item "M", for net long-term capital **gain** derived from exchange of one kind of legal tender for another kind of legal tender……	$	00				
4.	Enter the amount included on the schedule "Other Additions to Income", page 5, item "K", for net long-term capital **loss** derived from exchange of one kind of legal tender for another kind of legal tender……	$	00				
5.	Line 1 minus (line 2 + line 3) plus line 4……			$	00		
6.	Net long-term capital gain or (loss) from assets acquired before 12/1/2012……					$	00
7.	Net long-term capital gain from assets acquired after 12/31/2011……					$	00

- If the amount on line 7 is positive, you have a net long-term capital gain from assets acquired ***after*** December 31, 2011. Enter the amount on Form 140NR, line 37.
- If the amount on line 7 is zero or negative, you do not qualify to take the allowable subtraction. Enter "0" on Form 140NR, line 37.

How to Complete a Composite Nonresident Personal Income Tax Return

Do You Qualify to File a Composite Nonresident Return?

For a list of qualifications and additional filing information, see the department's ruling, ITR 16-2, *Composite Individual Income Tax Returns.*

NOTE: *If a pass-through entity (PTE) elects to pay income tax at the entity-level on behalf of the individual partner or shareholder and that individual does not OPT OUT of the election, the PTE* ***cannot*** *include that individual partner or shareholder as a member of the nonresident composite return. In this case, the PTE must still meet the requirement to have a minimum of 10 members to file a nonresident composite return.*

If you are a partnership or an S corporation and qualify to file an Arizona composite return on behalf of your nonresident individual partners or nonresident individual shareholders, follow the instructions below to complete a composite nonresident personal income tax return on Form 140NR.

REMINDER: *As required by ITR 16-2, a comprehensive schedule for all members of the return must be included with the composite tax return, when filed. See ITR 16-2 (page 4, item #5) for a list of information the schedule must contain.*

The aggregate amounts of income and tax liability for all participating members are reported on page 2 of the return.

Entering Entity Name, Address, and Employer Identification Number

Lines 1, 2, and 3

Enter the entity's name, address and employer identification number (EIN). The entity filing the return should enter its EIN in place of the SSN. For example, if the entity's EIN is 98-7654321, the entity would enter its EIN as 987-65-4321.

Box 13 - Composite Return

Be sure to check box 13 on page 1 of the return.

Lines 14 through 54

Do ***not*** enter any information or amounts on lines 14 through 54. Go to line 55.

Line 55 - Arizona Taxable Income

Enter the aggregate taxable income for all members of the composite return.

Lines 56 through 60

Skip lines 56 through 60. Go to line 61

Line 61 - Balance of Tax

Multiply line 55 by 2.5% (.025). Enter the aggregate tax due for all members of the composite return.

Line 62 – 2023 AZ Income Tax Withheld

Do not enter an amount on line 62.

NOTE: *If any individual partner or shareholder had Arizona income tax withheld from Arizona sourced income, that individual must file his/her own nonresident tax return to report the amount of income tax withheld.*

In this case, the individual cannot be included in the composite return.

Line 63 (Box 63a) – 2023 AZ Estimated Tax Payment

NOTE: *If any individual partner or shareholder made an estimated tax payment, that individual must file his/her own nonresident tax return to claim that estimated tax payment.*

In this case, the individual cannot be included in the composite return.

Complete this line (box 63a) if **the filing entity** did any of the following:

- Made estimated income tax payments to Arizona for 2023.
- Applied any of the refund from the 2022 Arizona composite nonresident return to 2023 estimated taxes for Arizona.

Line 63c

Enter the amount from box 63a.

Line 64 - 2023 Extension Payment (Form 204)

Complete line 64 to report a payment the filing entity sent with an extension request or the electronic extension payment the entity made using www.AZTaxes.gov.

Line 65

Do ***not*** enter an amount on line 65. Go to line 66.

Line 66 - Total Payments

Add lines 63c and 64. Enter the total.

Line 67 - Tax Due

If line 61 is more than line 66, there is tax due. Subtract line 66 from line 61 and enter the amount of tax due. Skip lines 68 through 86. Enter this amount on line 87.

Line 68 - Overpayment

If line 66 is more than line 61, there is an overpayment. Subtract line 61 from line 66 and enter the difference. Complete lines 69 and 70.

Line 69 - Amount of Line 68 to Apply to 2024 Estimated Tax

If the entity wants all or part of its overpayment applied to next year's Arizona estimated taxes, enter that amount on line 69.

NOTE: *If the entity applies any of the amount shown on line 68 to the 2024 composite return, the entity cannot use that amount to pay any tax that is later found to be due for 2023. The entity also may not claim a refund for that amount until the entity files its 2024 return.*

Line 70 - Balance of Overpayment

Subtract line 69 from line 68 to determine the entity's overpayment. Enter this amount on line 86.

Lines 71 through 85

Skip lines 71 through 85. Go to line 86.

Figuring the Refund or Amount Owed

Line 86 - Refund

Enter the overpayment from line 70 and skip line 87.

Direct Deposit of Refund

Complete the direct deposit line if you want us to directly deposit the amount shown on line 86 into entity's 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 86A if the direct deposit will ultimately be placed in a foreign account. If you check box 86A, do not enter your routing or account numbers. If this box is checked, we will not direct deposit your refund. We will mail you a check instead.*

Why Use Direct Deposit?

- The entity will get its refund fast
- Payment is more secure - there is no check to get lost.
- It is more convenient - no trip to the bank to deposit the check.
- It saves tax dollars. A refund by direct deposit costs less to process than a check.

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

For more information completing the Direct Deposit information, see the instructions on pages 24 and 25.

Line 87 - Amount Owed

Enter the amount from line 67. You may pay only with a check, electronic check, money order, or credit card.

Check or money order

NOTE: *Include the entity's check or money order with the return. Please do not send cash.*

Make the check payable to Arizona Department of Revenue. Write the EIN, tax year, and "Composite 140NR Return" on the front of the check or money order. The department cannot accept checks or money orders in foreign currency. The entity must make payment in U.S. dollars. It may take 2-3 weeks for the payment to process. The Department of Revenue may charge the entity $50 for a check returned unpaid by your financial institution.

Electronic payment from your checking or savings account

The entity can make an electronic payment from the checking or savings account to pay the balance due for 2023. There is no fee to use this method. To make an electronic payment, go to www.AZTaxes.gov. Select the "Make a Payment" link.

Be sure to enter the correct routing number and account number for the checking or savings account. The entity will be charged a $50 NSF (non-sufficient funds) fee if it provides an incorrect routing number or an incorrect account number. Check with the entity's financial institution to get the correct routing and account numbers.

The "E-Check" option in the "Payment Method" drop-down box will debit the amount from the checking or savings account that you specify. If you make an electronic payment from your checking or savings account, you will receive a confirmation number. **Please keep this confirmation number as proof of payment.**

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

Credit card payment

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

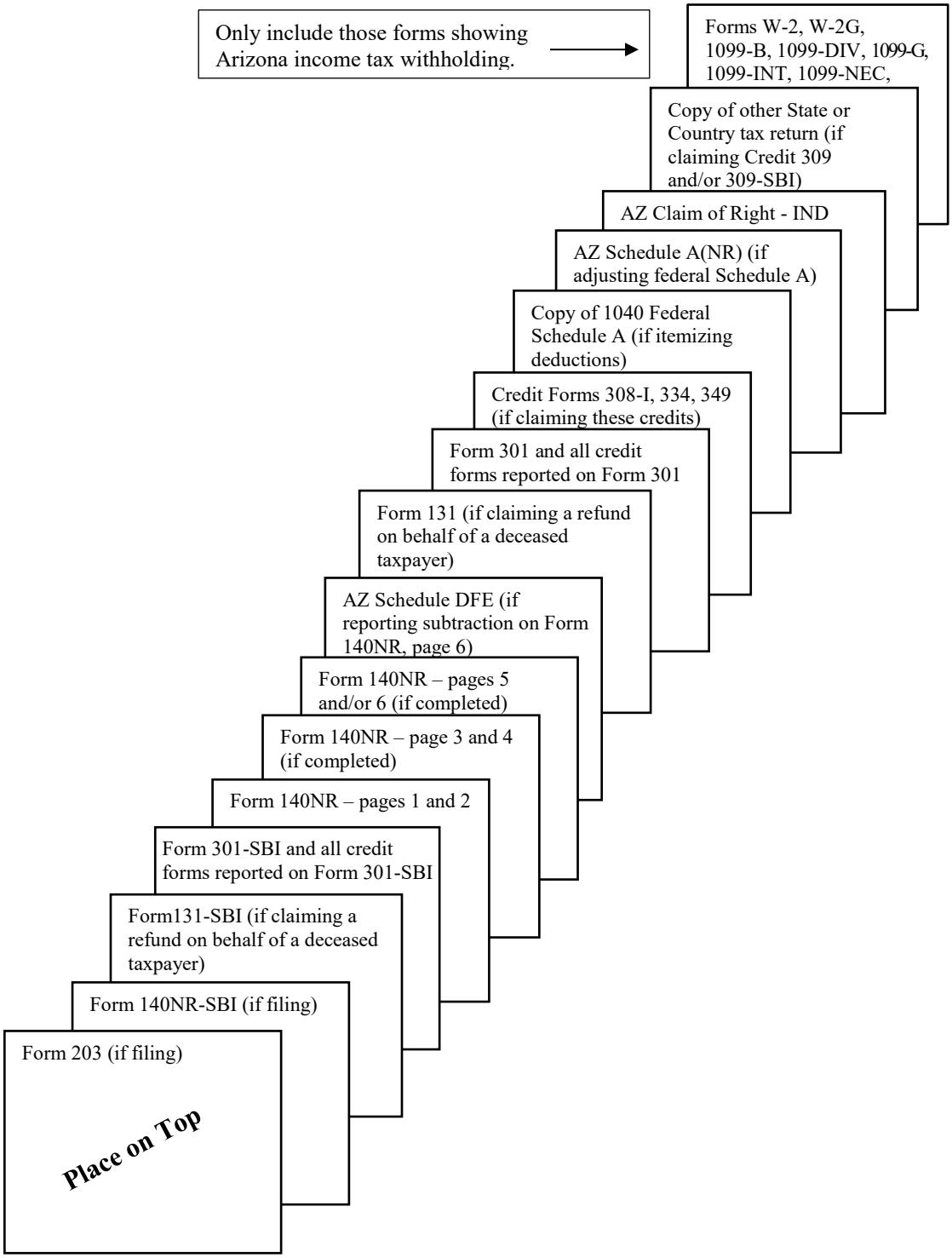
If you complete the credit card transaction, you will receive a confirmation number. **Please keep this confirmation number as proof of payment.**

Sign Your Return

The composite return must be signed by the partners or corporate officers authorized to sign the partnership return or S corporation income tax return.

Mailing the Return

A composite return cannot be filed electronically. All composite returns, both original and amended, must be mailed to the address on the form.

2023 Form 140NR Assembly Order (form sequence)
For returns *mailed* to the Department

To avoid processing delays, place the returns in the following order