

# 2024 Resident and Part-Year Resident Shareholder's Information Schedule

# Arizona Form 120S Schedule K-1

## Instructions for Resident and Part-Year Resident Shareholders

### Pass-Through Entity Election

#### Line A

If the S Corporation made the PTE election, the "Yes" box will be checked. If it did not make the PTE election, the "No" box will be checked.

#### Line B

If the S Corporation's records indicate you did NOT opt out of its PTE election, the "Yes" box will be checked. If the S Corporation's records indicate you DID opt out of its PTE election, the "No" box will be checked.

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

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

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

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

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

#### Line 1

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

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

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

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

#### Line 2

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

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

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

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

In addition:

- Only include net long-term gains if you can verify the asset was acquired after December 31, 2011.
- If you cannot verify the asset was acquired after December 31, 2011, treat it as a capital gain asset acquired before January 1, 2012.
- An asset acquired by gift or inheritance is considered acquired on the date it was acquired by the gift-giver or the deceased.

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

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

#### Line 3

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

#### Line 4

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

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

#### Line 5

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

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

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

- **Full-year resident shareholders**, use the amounts in column (c) of lines 3, 4, and 5, to figure the allowable subtraction on the Worksheet included in the instructions for Arizona Form 140.

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- **Part-year resident shareholders**, use the amounts in column (c) of lines 3, 4, and 5 that are included in your Arizona gross income to figure the allowable subtraction on the Worksheet included in the instructions for Arizona Form 140PY.
- **Resident estate or trust shareholders**, use the amounts in column (c) of lines 3, 4, and 5, to complete the Worksheet included in the instructions for Arizona Form 141AZ. If the resident estate or trust distributed the gain (loss) to the beneficiaries, the Worksheet will assist the estate or trust in completing the *Net Long-Term Capital Gain Subtraction – Information Schedule* on Arizona Form 141AZ, Schedule K-1, or Schedule K-1(NR) for each beneficiary.

## Part 4 – Marijuana Establishments Only Information Schedule

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

### Line 6

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

### Line 7

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

- If you **did not make the Small Business Income election** and are filing Arizona Form 140, enter this amount on page 6, line Q.
- If you **did not make the Small Business Income election** and are filing Arizona Form 140PY, enter this amount on page 6, line V.
- If you **made the Small Business Income election** and are filing Arizona Form 140-SBI, enter this amount on line 47.
- If you **made the Small Business Income election** and are filing Arizona Form 140PY-SBI, enter this amount on line 44.

## Part 5 – Shareholder's Portion of the S Corporation's Pass-Through Entity Tax Credit

If the S Corporation is making the election to pay tax at the entity level on its pass-through income **AND** you as the resident or part-year resident individual or estate and trust shareholder did not opt out of that election, Part 5 provides you with your *pro-rata* share of the pass-through credit.

### Line 8

Line 8 is your pro-rata share of the S Corporation's PTE Tax Credit.

*Individuals*, enter this amount on Credit Form 355, Part 1, line 2.

*Estates and trusts*, see the instructions for Form 141AZ, line 19 to claim this credit

### Line 9

Line 9 is your pro-rata share of the S Corporation's Arizona PTE Taxes paid in 2024 for taxable years prior to 2024.

*Individuals that did not make the Small Business Income election*, add this amount back on Form 140, page 5, line P, or Form 140PY, page 5, line O.

*Individuals that **made the Small Business Income election***, add this amount back on Form 140-SBI, line 25, or Form 140PY-SBI, line 25.

*Estates and trusts*, add this amount back on Form 141AZ, Schedule B, line B3

### Line 10

Line 10 is your pro-rata share of the S Corporation's Arizona PTE Taxes paid in 2024 for taxable year 2024.

*Individuals that did not make the Small Business Income election*, add this amount back on Form 140, page 5, line P, or Form 140PY, page 5, line O.

*Individuals that **made the Small Business Income election***, add this amount back on Form 140-SBI, line 25, or Form 140PY-SBI, line 25.

*Estates and trusts*, add this amount back on Form 141AZ, Schedule B, line B3

### Line 11

Line 11 is your pro-rata share of comparable PTE Taxes from other states paid in 2024 for taxable years prior to 2024.

*Individuals that did not make the Small Business Income election*, add this amount back on Form 140, page 5, line P, or Form 140PY, page 5, line O.

*Individuals that **made the Small Business Income election***, add this amount back on Form 140-SBI, line 25, or Form 140PY-SBI, line 25.

*Estates and trusts*, add this amount back on Form 141AZ, Schedule B, line B3.

### Line 12

Line 12 is your pro-rata share of comparable PTE Taxes from other states paid in 2024 for taxable year 2024.

*Individuals that did not make the Small Business Income election*, add this amount back on Form 140, page 5, line P, or Form 140PY, page 5, line O.

*Individuals that **made the Small Business Income election***, add this amount back on Form 140-SBI, line 25, or Form 140PY-SBI, line 25.

*Estates and trusts*, add this amount back on Form 141AZ, Schedule B, line B3.