

**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](http://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.

**General Instructions**

- **Individual taxpayers that did not make the Small Business Income election**, complete this credit form and Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture. Include both completed forms with your Individual Income Tax Return (Form 140, 140PY, 140NR, or 140X), when filed.
- **Individual taxpayers that made the Small Business Income election**, complete this credit form and Arizona Form 301-SBI, Nonrefundable Individual Tax Credits and Recapture for Form 140-SBI, 140PY-SBI, 140NR-SBI and 140X-SBI. Include both completed forms with your SBI Tax Return (Form 140-SBI, 140PY-SBI, 140NR-SBI, or 140X-SBI), when filed.

Arizona Revised Statute (A.R.S.) § 43-1014 provides for taxable years beginning from and after December 31, 2021 individual partners or shareholders of a business (including certain trusts and estates) may consent to be taxed at the entity level at a rate that is the same as the tax rate prescribed by A.R.S. § 43-1011. For tax year 2024, the tax rate is equal to 2.5% of the entire portion of its taxable income that is attributable to its resident partners or shareholders and the portion of its taxable income derived from sources within this state that is attributable to its nonresident partners or shareholders for that taxable year.

A partnership or S Corporation that intends to make the election shall notify all individual partners or shareholders and estates or trusts of the intent to make the election and that each partner or shareholder and estates or trusts has the right to opt out of the election.

The notice shall allow each partner or shareholder at least sixty days after receiving the notice to notify the partnership or S Corporation that the partner or shareholder is exercising the partner or shareholder's right to opt out of the election. If the partner or shareholder does not respond within the sixty-day period or waives the right to opt out, the partner or shareholder will be included in the election.

The partnership or S Corporation's election must be made on or before the due date or extended due date of the business's return under this title.

Individual partners or shareholders (including certain trusts and estates) who opt out or waive the right to opt out of the election, their portion of the taxable income attributable to a partner or shareholder who is an individual, estate or trust and waives the right to opt out of the election is not included in the entity-level tax.

**NOTE:** An Estate or Trust that consents to the partnership or S Corporation election to pay entity tax on behalf of the estate or trust is not required to complete and file Form 355 or Forms 301 or 301-SBI. See Form 141AZ and instructions for claiming this credit on the estate or trust income tax return.

**Line-by-Line Instructions**

Enter your name and Social Security Number (SSN) as shown on Arizona Forms 140, 140PY, 140NR or 140X,

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for an individual is the taxpayer's SSN or an Internal Revenue Service (IRS) individual taxpayer identification number (ITIN). Taxpayers that fail to include their identification number may be subject to a penalty.

**Part 1 - Current Year Credit Computation**

**NOTE:** If you received more than one Schedule K-1 or K-1(NR) reporting your apportioned amount of tax paid on your behalf by a partnership or an S Corporation, add all amounts together and enter the total amount on the appropriate line in Part 1. If you received more than one 141AZ Schedule K-1 or K-1(NR) reporting your distributed portion of the tax credit, add all amounts together and enter the total amount on Line 3.

**Line 1**

Enter your portion of the tax payment made by the Partnership showing on your 165 Schedule K-1, Part 7, line 11 or Schedule K-1(NR), Part 8, line 23.

**Line 2**

Enter your portion of the tax payment made by the S Corporation showing on your 120S Schedule K-1, Part 5, line 8 or Schedule K-1(NR), Part 6, line 21.

**Line 3**

Enter your distributed portion of the tax credit reported on Form 141AZ Schedule K-1, Part 5, line 12 or Schedule K-1(NR), Part 6, line 14.

**Line 4 - Total Entity-Level Income Taxes Paid**

Add lines 1, 2 and 3 and enter the total.

**Part 2 – Available Credit Carryover**

Lines 5 through 10

Complete Part 2 to determine your available carryover amount from tax year 2022 and 2023.

**Part 3 - Total Available Credit****Line 11 – Current Year’s Credit**

Enter the amount from Part 1, line 4.

- *If you did not make the Small Business Income election*, also enter this amount on Form 301, Part 1, line 24, column (a).
- *If you made the Small Business Income election*, also enter this amount on Form 301-SBI, Part 1, line 17, column (a).

**Line 12 - Available Carryover**

- Enter the amount from Part 2, line 10 *If you did not make the Small Business Income election*, do not enter an amount on Form 301, Part 1, line 24, column (b).
- *If you made the Small Business Income election*, do not enter an amount on Form 301-SBI, Part 1, line 17, column (b).

**Line 13 -Total Available Credit**

**Add lines 11 and 12. Enter the total.**

- *If you did not make the Small Business Income election*, also enter this amount on Form 301, Part 1, line 24, column (c).
- *If you made the Small Business Income election*, also enter this amount on Form 301-SBI, Part 1, line 17, column (c).