

2024 Arizona Fiduciary Income Tax Return

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

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

Tax forms, instructions, and other tax information

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

Income Tax Procedures and Rulings

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website 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.

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** For free *e-file* requirements, go to our website at www.azdor.gov.

NOTE: You can *e-file* Form 141AZ **only** if you *e-file* federal Form 1041 or Form 1041-QFT. If you mail your federal Form 1041 or Form 1041-QFT, you **must** also mail Form 141AZ to the address on the form.

If you are filing an amended Form 141AZ and are **not** filing an amended federal Form 1041 or Form 1041-QFT, you **must** mail the amended Form 141AZ to the address on the form.

General Information

All taxpayers: 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.

NOTE: The 2024 tax table for estates and trusts is available on the department's website at: azdor.gov/forms/fiduciary-forms.

Estates

An Arizona resident estate is the estate of a decedent who was a resident of Arizona at the time of death. The starting point for the Arizona income tax computation for a resident estate is the estate's federal taxable income.

A nonresident estate is an estate that is not a resident estate. The starting point for a nonresident estate is that portion of the estate's federal taxable income derived from Arizona sources.

Trusts

An Arizona resident trust is a trust of which the fiduciary is a resident of Arizona. If the trust has more than one fiduciary, the trust is a resident trust if at least one of the fiduciaries is a resident of Arizona. If a corporate fiduciary engaged in interstate trust administration is the sole fiduciary of a trust, or is a co-fiduciary with a nonresident, the trust is a resident trust only if the corporate fiduciary conducts the administration of the trust in Arizona. The starting point for the Arizona income tax computation for a resident trust is the trust's federal taxable income.

A nonresident trust is a trust that is not a resident trust. The starting point for a nonresident trust is that portion of the trust's federal taxable income derived from Arizona sources.

Payment of tax by Electronic Funds Transfer (EFT)

NOTE: For tax year 2024, fiduciaries are not able to make EFT payments using AZTaxes.gov. or ACH Credit for Form 141 AZ: If the electronic return is filed through a third-party software vendor, any tax liability shown on the Form 141 AZ can be remitted by using direct debit through the vendor's software.

For Form 141AZ EXT: If the electronic extension is filed through a third-party software vendor, any tax extension payment on the Form 141AZ EXT can be remitted by using direct debit through the vendor's software.

A Fiduciary is required to pay the estate or trust tax liability by electronic funds transfer (EFT) if the estate or trust owes \$500 or more for any taxable year beginning from and after December 31, 2020.

The fiduciary may apply to the director for an annual waiver from the electronic payment requirement. The application must be received by December 31 of each year. The director may grant the waiver if any of the following applies.

- The fiduciary has no computer.
- The fiduciary has no internet access.
- Any other circumstance considered to be worthy by the director exists, including:
 - The fiduciary has a sustained record of timely payments; and,
 - No delinquent tax account with the department.

To request a waiver, submit Form 292, *Electronic Filing and Payment Waiver Application*, to the department. Form 292 is available at azdor.gov/forms/other-forms.

If the fiduciary is granted a waiver from the electronic payment requirement, the fiduciary may remit the tax liability by mailing a payment separately for taxes due, completing Form 141AZ V, and mailing the voucher form with the tax payment to the address shown on voucher form.

If the Estate or Trust is making an extension payment (Form 141AZ EXT) or an estimated tax payment (Form 141AZ ES), those payments must be mailed to the department.

NOTE: *A corporation, including Estates and Trusts, who are required to pay by EFT but who fail to do so is subject to a penalty of 5% of the amount of the payment not made by EFT. See A.R.S. § 42-1125(O).*

For additional information on electronic funds transfer, refer to A.R.S. § 42-1129 and the related Arizona Administrative Code rules (A.A.C. R15-10-301 through R15-10-307) for detailed information.

Who Must File

The fiduciary, or fiduciaries, must file a return for an estate or trust if:

1. The estate or trust has any Arizona taxable income for the tax year.
2. The estate or trust's gross income for the tax year is \$5,000 or more, regardless of the amount of the Arizona taxable income.

This also applies to bankruptcy estates.

Electronic Filing of Arizona Fiduciary Income Tax Returns

NOTE: *You can only electronically file Form 141AZ if you electronically filed Form 1041 or 1041-QFT. If you were not required to electronically file the federal return and mailed the return to the IRS, you must also mail your Arizona return to the department at the address shown on Form 141AZ.*

Fiduciary income tax returns shall be filed electronically for taxable years beginning from and after December 31, 2019. Any fiduciary who is required to file its tax return electronically may apply to the director for an annual waiver from the electronic filing requirement. The waiver may be granted if any of the following apply.

- The taxpayer has no computer.
- The taxpayer has no internet access; or
- Any other circumstance considered to be worthy by the director.

Waivers are granted on an annual basis and expire at the end of the requested tax year. Waivers must be renewed each calendar year. If a waiver is not renewed, you will be subject to statutory electronic filing and payment requirements at the expiration of your waiver.

To request a waiver, submit Form 292, *Electronic Filing and Payment Waiver Application*, to the department. Form 292 is available at azdor.gov/forms/other-forms/electronic-filing-and-payment-waiver-application.

A waiver is not required if the estate or trust income tax return cannot be electronically filed for reasons beyond the fiduciary's control, including situations in which the fiduciary was instructed by either the Internal Revenue Service or the Arizona Department of Revenue to file by paper.

Contact the department at azefile@azdor.gov if you need assistance in electronically submitting your Arizona Fiduciary income tax return.

Fiduciary Filing Return on Arizona Form 140

Every fiduciary, except a receiver appointed by authority of law in possession of part only of the property of an individual, shall make a return for any of the following taxpayers for whom the fiduciary acts:

- Every individual who is required to file an individual income tax return under section 43-301.
- Every decedent, for the year in which death occurred and for prior years, if returns for such years should have been filed but have not been filed by the decedent, under such rules as the department may prescribe.

Any fiduciary required to make a return for an individual is subject to the provisions of this title that apply to individuals.

For individual filing purposes, gross income is gross income as defined under the Internal Revenue Code (IRC) less income included in gross income that is excluded from Arizona taxation.

For Example: *A taxpayer died on June 29, 2024. The decedent had wages of \$9,700 and interest income of \$920 received through the date of death. The personal representative files a final Arizona Form 140 for the period January 1, 2024, through June 29, 2024. The personal representative notes on the Form 140 that the taxpayer is deceased as of June 29, 2024. The personal representative reports the wage and interest income of \$10,620 on the Form 140. The personal representative reports all income that the estate receives from June 30, 2024, forward on the Form 141AZ.*

A fiduciary who has charge of the income of an individual must file a return of income on Form 140 if that individual's income meets the filing requirements. Such fiduciaries include guardians of minors and guardians or committees of legally incompetent persons. Where several fiduciaries exist, a return filed by one of two or more joint fiduciaries is sufficient.

NOTE: *The fiduciary must file a final return for an estate when the fiduciary is requesting a tax certificate required by the probate court. In this case, the fiduciary must file a final return regardless of the estate's income. See instructions for requesting a certificate on page 4.*

Filing for a Charitable Remainder Trust

Charitable remainder trusts should file on Form 141AZ. The fiduciary should indicate that the return is for a charitable remainder trust by checking the appropriate box on line 6.

The trustee should not enter any numerical figures on the face of the return. Go directly to the signature line. The trustee should not complete a Form 141AZ Schedule K-1 or Schedule K-1(NR) for any of its beneficiaries.

Split-Interest Trust Return (Federal Form 5227)

A Fiduciary who files Federal Form 5227 for a Split-Interest Trust to report the financial activities of a split-interest trust, must also complete Arizona Form 141AZ and check the box on page 1 of Form 141AZ indicating the return is for a Charitable Remainder Trust. If the Fiduciary is required to file federal Form 5227 and submits this form electronically, Arizona Form 141AZ may also be electronically filed.

If the Fiduciary is required to file federal Form 1041 and submits this form electronically, Arizona Form 141AZ may also be electronically filed. If the Fiduciary is not required to file federal Form 1041 and mailed Form 5227 to the IRS, Form 141AZ cannot be electronically filed and must be mailed to the department.

Grantor Trusts

Grantor trusts file only an information return since the income reverts to the grantor. The grantor reports this income on the individual income tax return (Arizona Form 140). The fiduciary should indicate that the return is for a grantor trust by checking the appropriate box on line 6. Do not enter any numerical figures on the face of the return. Go directly to the signature line.

Qualified Subchapter S Trusts (QSST)

A QSST that is treated as a grantor trust for federal purposes will be treated the same for Arizona purposes.

Qualified Funeral Trusts (QFT)

The trustee of a trust that has elected and qualified under federal law to be taxed as a qualified funeral trust files federal Form 1041-QFT. For Arizona purposes, the trustee should file using Form 141AZ.

If the trustee files a single, composite Form 1041-QFT for some or all of the QFTs of which he or she is a trustee, the trustee may also file a single, composite Form 141AZ. The trustee would check the appropriate boxes on line 6.

NOTE: *The trustee may e-file a composite Form 141AZ only if the trustee also e-files the federal Form 1041-QFT.*

The trustee is required to include a statement with the composite Form 141AZ that includes the following information for each QFT (or separate interest treated as a separate QFT):

- The name and owner or the beneficiary. If you list the name of the owner and the trust has more than one

beneficiary, you must separate the trust into shares held by the separate beneficiaries;

- The type and gross amount of each type of income earned by the QFT for the tax year. For capital gains, identify separately the amount of (a) net short-term capital gain, (b) net long-term capital gain breaking out the amount of long-term gain for assets (1) acquired after December 31, 2011 and (2) before January 1, 2012;
- The type and amount of each Arizona deduction and, if claimed, each beneficiary's share of credit *for taxes paid to other state or country* allocable to the QFT;
- The tax and payments made for each QFT; and
- The termination date for each QFT that was terminated during the year.

Where Should You Mail the Original or Amended Return?

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

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

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

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

When Should You File Form 141AZ?

Your 2024 calendar year tax return is due no later than midnight, April 15, 2025. You must file a return made on a fiscal year basis by the 15th day of the fourth month following the close of the fiscal year. Your original filing date must be the same for Arizona as it is for federal purposes.

You may request an extension if you know you will not be able to file on time. An extension does not extend the time to pay the income tax. Failure to pay at least 90% (.90) of the tax due by the original due date will result in a penalty.

NOTE: *Arizona will grant a 5½-month extension. For more information, see the department's ruling, FTR 17-1, Extension for Estates and Trusts Filing.*

Arizona charges interest on any unpaid tax. The extension underpayment penalty is ½ of 1% (.005) of the tax not paid for each 30-day period or fraction of a 30-day period. The extension underpayment penalty cannot exceed 25% of the unpaid tax.

To Get a Filing Extension, You Can Either

1. Apply for a state extension (Form 141AZ EXT). To apply for an automatic 5½-month state extension, file Form 141AZ EXT by April 15, 2025. See Form 141AZ EXT 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 extension box **82E** (above the estate or trust

name) on page 1 of the return. If you must make a payment, use Form 141AZ EXT.

2. Use your federal extension. File your Arizona return by the same due date. You do not have to include a copy of the extension with your return, but make sure that you check extension box **82E** (above the estate or trust name) on page 1 of the return.

A **Qualified Funeral Trust** using a federal extension (Form 7004) to file its federal Form 1041-QFT will be allowed the same extension period (6-months) to file Form 141AZ. For calendar year filers, the return due date will be October 15, 2025.

Does an Estate or Trust Have to Make Estimated Payments?

An estate or trust does not have to make estimated payments. An estate or trust may elect to make Arizona estimated tax payments on Form 141AZ ES.

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 2024 calendar 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.

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% 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% of the unpaid tax.

Extension Underpayment Penalty

If you file your return under an extension, you must pay 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% 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.

Amended Returns

If you are filing an amended Form 141AZ, check the amended return box on line 6. Complete the entire return, correct the appropriate line(s) with the new information, and recompute your tax liability.

All taxpayers amending their Form 141AZ must on a separate schedule, explain the reason(s) for the amendment(s) and identify the line(s) and amount(s) being changed on the amended return. In addition, any taxpayer amending their Form 141AZ due to changes in a corresponding federal form must also include a copy of the federal form with this return.

NOTE: *You must plainly mark an amended return "Amended" by checking the appropriate box on line 6. The period covered by this return must be the same accounting period as covered by the original return. If you are amending a prior year return, use Form 141AZ for that taxable year.*

Copy of Will or Trust Instrument

Upon the department's request, the fiduciary must submit a copy of the will or trust instrument when the estate or trust's gross income is \$5,000 or more. The fiduciary must swear that the will or trust instrument is a true and complete copy.

Reporting Payments Made by Estate or Trust

An estate or trust that paid salaries or wages may have to report those payments to the department.

Request for Certificate of Payment of Taxes

IMPORTANT: *Make requests for this income tax certificate separately. Do not include requests for the income tax certificate with Form 141AZ. The department can issue certificates only if required by the probate court.*

Mail requests to

Attention: Fiduciary Unit
Arizona Department of Revenue
Box B-06
1600 West Monroe
Phoenix, AZ 85007-2650

If an estate is in probate, the probate court may require a certificate from the department that shows no income tax is due. The probate court may require this before approving the fiduciary's final account. Arizona law requires a certificate only when **all** of the following apply.

1. The estate is subject to probate.
2. The value of the assets of the estate at the decedent's date of death exceeds \$20,000.
3. The estate has a beneficiary that is not an Arizona resident.

In order for the department to issue a certificate, **all** of the following must be met.

1. The fiduciary has filed Arizona Form 210 - *Notice of Assumption of Duties in a Fiduciary Capacity*.
2. A return was filed by, or on behalf of, the decedent and for the estate for each taxable year in which the respective incomes of the decedent or estate exceeded the requirements for filing returns.
3. A final Arizona fiduciary return is filed when the certificate is requested. This return must be filed regardless of the gross or net income for the year. If there is no income, submit a return with "0" on all lines.

If filing a final return and you are **sending a payment** with this return, mail the return to

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

If filing a final return and **you are expecting a refund, or owe no tax, or owe tax but are not sending a payment**, mail the return to

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

4. The request must contain a statement regarding the status of returns filed by, or on behalf of, the decedent, or for the estate for the four taxable years immediately preceding the date of the request. The fiduciary must make the statement under declaration of perjury. The statement must indicate the following:
 - The years for which returns were filed; and
 - The years for which the gross and Arizona taxable incomes were less than the amount necessary to require the filing of returns.

If you have any questions, call us at (602) 716-7809.

Additional Arizona Returns or Forms You May Have to File

- Arizona Forms 140, 140PY, or 140NR to report a decedent's income for the period to the date of death.
- Arizona Form 210 - Notice of Assumption of Duties in a Fiduciary Capacity. This form is filed for all estates.
- Form 141AZ EXT - Application for Filing Extension for Fiduciary Returns Only
- Form 141AZ ES - Estate or Trust Estimated Tax Payment

Line-by-Line Instructions

Period Covered

The accounting period for the return must be the same for Arizona as it is for federal purposes. If the period is for a fiscal year, it cannot exceed a 12-month period. A fiscal year period cannot end on the last day of December. If filing for a fiscal year, enter the beginning and ending dates.

For each return filed in the future, you must keep the same accounting period unless you receive written permission from the department to change it.

Lines 1 through 4

Enter the name of the estate or trust. Enter the name, title, address, and ZIP Code of the fiduciary. Enter the employer identification number (EIN) of the estate or the trust.

NOTE: For a Grantor Trust, enter the Social Security Number of the grantor, if not deceased.

Foreign Addresses

If the estate, trust or fiduciary has 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.

Lines 5a through 5d – Check Box (only one)

If you are filing this return for a:	check box
resident estate	5a
nonresident estate	5b
resident trust	5c
nonresident trust	5d

Line 6

- Boxes 1, 2, and 3: Check the box(es) to identify the return type.
- Boxes A through H: Check **only** one box to identify the entity type.

NOTE: If you check Box H (Qualified Funeral Trust – Composite Return), be sure to enter the number of QFTs participating in the composite return.

Line 7 - Federal Taxable Income of Fiduciary

An Arizona resident estate or trust should enter the federal taxable income shown on page 1 of the federal fiduciary return, Form 1041 (or Form 1041-QFT).

A nonresident estate or trust must complete Form 141AZ, Schedule A, before entering an amount on line 7. For a nonresident estate or trust, the fiduciary should enter the amount from Form 141AZ; Schedule A, line A6 on line 7.

NOTE: Before completing the rest of page 1 of Form 141AZ, complete Schedules A, B, C, D, and E, as necessary.

Schedule A - Nonresident Estate or Trust Source Income Schedule

Use Schedule A to compute the federal taxable income of the **nonresident** estate or trust from Arizona sources. All nonresident estates and nonresident trusts must complete Schedule A.

Resident estates and resident trusts skip Schedule A.

Federal Column

Enter all items of income and deductions that correspond to those items listed on the federal fiduciary return.

Line A5 should equal the federal taxable income reported on the federal fiduciary return.

Arizona Column

Enter that part of each item of income and deductions reported in the federal column that is derived from Arizona sources. Intangible income will not be considered to be from Arizona

sources except where it is part of a business, trade, or occupation carried on in Arizona.

Schedule B - Fiduciary Adjustment

Fiduciary adjustment increasing federal taxable income

Use Schedule B, lines B1 through B4, to figure the amount of fiduciary adjustment that increases federal taxable income.

Line B1 - Positive Arizona Fiduciary Adjustment From Another Estate or Trust

Use this adjustment only if the estate or trust's Form 141AZ Schedule K-1, indicates a difference between federal and state distributable income. If the amount shown on the Form 141AZ Schedule K-1 is a positive number, enter that amount.

Line B2 - Non-Arizona Municipal Bond Interest

Arizona taxes interest received from non-Arizona municipal bonds. Enter the amount of this type of interest income that you did not include on the federal return.

You may exclude any expenses incurred to purchase or hold the bond(s). Reduce the interest income by the amount of expenses that you could not deduct on your federal return.

Line B3 - Other Additions to Federal Taxable Income

Enter any other additions, including those shown below, to federal taxable income. Include your own schedule.

A. Total Depreciation Included in Arizona Gross Income

Include the amount of depreciation deducted on the federal return that is included in Arizona gross income. If you make an entry here, also see the instructions for line B9, "Other Subtractions From Federal Taxable Income."

B. Net Operating Losses

Arizona does not have specific provisions for calculating the net operating loss of estates or trusts. Generally, the net operating loss deduction included in the federal taxable income is the amount allowable for Arizona purposes. There are, however, instances when the amount allowable for Arizona may be different.

You must adjust the net operating loss deduction included in the federal taxable income if the estate or trust has already deducted any amount of the net operating loss included in federal taxable income for Arizona purposes. Include on line B3, the amount of net operating loss included in federal taxable income that was previously deducted for Arizona purposes.

Usually, Arizona conforms to the federal net operating loss and the carryback provisions. Arizona, however, did not conform to the special federal net operating loss rules for 2008 and 2009. Under the special rules for 2008 and 2009, a taxpayer 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. If a taxpayer deducted a

federal net operating loss carryback under the federal American Recovery and Reinvestment Act of 2009 or the federal Worker, Homeownership, and Business Assistance Act of 2009, see the instructions for line B9, (K).

For information on deducting a net operating loss carryback in cases where a taxpayer did not make an election under IRC § 172(b)(1)(H), see the department's procedure, ITP 13-1, *Procedure for Individuals Deducting a Net Operating Loss Carryback*.

C. Annuity Income in Excess of Contributions

Make this adjustment if both of the following apply.

1. The estate or trust received annuity income and the first payment received from the annuity was before December 31, 1978.
2. The sum of the proceeds received from the annuity in all taxable years prior to and including the current tax year exceeds the total consideration premiums paid.

D. Excess of a Partner's Share of Partnership Taxable Income or Loss

Resident Estates and Trusts:

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

If the difference reported on line 3 of your Arizona Form 165 Schedule K-1 is a positive number, include that difference as an addition on line B3.

NOTE: *If the difference reported on line 3, of your Arizona Form 165 Schedule K-1 is a negative number, enter that difference as a subtraction on line B9.*

Amending Form 141AZ and Reporting Arizona Form 165PA K-1 Positive Adjustment

If the estate or trust received an Arizona Form 165PA Schedule K-1 include the positive adjustment amount reported on Form 165PA Schedule K-1, line 3, with the total amount of additions reported on line B3.

Nonresident Estates and Trusts

Make this adjustment if the Arizona Form 165 Schedule K-1(NR) shows a difference between federal and state distributable income.

If the difference reported on line 15, column (c), of your Arizona Form 165 Schedule K-1(NR) is a positive number, include that difference as an addition on line B3.

NOTE: *If the difference reported on line 15, column (c), of your Arizona Form 165 Schedule K-1(NR) is a negative number, enter that difference as a subtraction on line B9.*

Amending Form 141AZ and Reporting Arizona Form 165PA Schedule K-1(NR) Positive Adjustment

If the estate or trust received an Arizona Form 165PA Schedule K-1(NR) include the positive adjustment amount reported on Form 165PA Schedule K-1(NR), line 5, with the total amount of additions reported on line B3.

E. Claim of Right Adjustment for Amounts Repaid in 2024

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

1. During 2024, the estate or trust was 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 2024 was more than \$3,000.
4. The estate or trust took a deduction for the amount repaid on its 2024 federal income tax return.
5. The deduction taken on the estate or trust's federal income tax return is reflected in the Arizona taxable income.

If all of the above apply, include the amount deducted on the federal income tax return that is reflected in the Arizona taxable 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*.

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

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

1. During a year prior to 2024, the estate or trust was required to repay amounts held under a claim of right.
2. The estate or trust computed its 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. The estate or trust is entitled to take that net operating loss or capital loss carryover into account when computing its 2024 Arizona taxable income.
5. The amount of the loss carryover included in the estate or trust's federal 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 the federal income is more than the amount allowed for the taxable year under Arizona law.

G. Nonqualified Withdrawals from 529 College Savings Plans

Make this adjustment if both of the following apply.

1. The estate or trust received a nonqualified withdrawal from a 529-college savings plan.
2. The amount of withdrawal was not included in the federal taxable income.

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

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

- A qualified withdrawal. A qualified withdrawal is a withdrawal from an account to pay the qualified higher education expenses of the designated beneficiary of the account.

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

H. Estate Loss of an Arizona Nonprofit Medical Marijuana Dispensary (NMMD) included in Federal Adjusted Gross Income

If the NMMD was registered to an individual as a sole proprietorship and the NMMD becomes part of the individual's estate after the individual died, the estate is required to add the amount of the loss from the dispensary that is included in the computation of the estate's federal adjusted gross income. Include the amount of the loss on line B3.

I. Americans with Disabilities Act Access Expenditures

If a subtraction is taken on Schedule B, line B9, for the full amount of eligible access expenditures paid or incurred during the taxable year to comply with the requirements of the Americans with Disabilities Act of 1990 or Title 41, Chapter 9, Article 8, any amount of eligible access expenditures that is recognized under the internal revenue code, 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. Entity-Level Income Tax

If the estate or trust is claiming the income tax credit on Form 141AZ (line 19), *Credit for Entity-Level Income Tax*, the fiduciary must add the portion of the tax deducted by the partnership and/or S Corporation and included in the partnership or S Corporation income distributed to the fiduciary. This amount will include both the Arizona tax paid at the entity level due to making the PTE election as well as other state taxes paid at the entity level for making an election comparable to the Arizona's PTE election.

Enter the total amount of tax paid shown on:

- Arizona Form 165, Schedule K-1, Part 7, lines 12 through 15, multiplied by the percentage of the partnership income that was not distributed to the beneficiaries.
- Arizona Form 165, Schedule K-1(NR), Part 8, lines 24 through 27, multiplied by the percentage of the partnership income that was not distributed to the beneficiaries.
- Arizona Form 120S, Schedule K-1, Part 5, lines 9 through 12, multiplied by the percentage of the S Corporation income that was not distributed to the beneficiaries.
- Arizona Form 120S, Schedule K-1(NR), Part 6, lines 22 through 25, multiplied by the percentage of the S Corporation income that was not distributed to the beneficiaries.

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

NOTE: Do not subtract interest earned on Fannie Mae (FNMA) or Ginnie Mae (GNMA) bonds since this interest is taxable by Arizona. For details, see the department's ruling, ITR 06-1, Obligations of the United States Government, Federal Agencies, and United States Territories.

K. Other Adjustments

Other special adjustments may be necessary. You may need to make an addition for depreciation or amortization. Call one of the numbers listed on page 1 of these instructions if any of the following apply.

1. You sold or disposed of property that was held for the production of income and your basis was computed under the Arizona Income Tax Act of 1954.
2. You elected to amortize the basis of a pollution control device or the cost of a childcare facility under Arizona law in effect before 1990. You are still deducting amortization or depreciation for that device or facility on your federal income tax return.

Line B4 - Total Adjustments Increasing Federal Taxable Income

Add lines B1 through B3. Enter the total.

Lines B5 through B10 - Fiduciary Adjustment Decreasing Federal Taxable Income

Use Schedule B, lines B5 through B10, to figure the amount of fiduciary adjustment that decreases federal taxable income.

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 cannot subtract any amount that is allocable to income excluded from Arizona taxable income.

Enter the following other subtractions from federal taxable income. Include your own schedule.

Line B5 - Negative Arizona Fiduciary Adjustment From Another Estate or Trust

Use this adjustment only if the Form 141AZ Schedule K-1, indicates a difference between federal and state distributable income. If the amount shown on the Form 141AZ Schedule K-1 is a negative number, enter that amount here.

Line B6 - Interest Received on U.S. Obligations

Enter the amount of interest income from U.S. Government obligations included on page 1, line 7. U.S. Government obligations include obligations such as U.S. savings bonds and treasury bills. You cannot deduct any interest or other related expenses incurred to purchase or carry the obligations. If such expenses are included in Arizona gross income, you must reduce the subtraction by such expenses. Reduce the subtraction only by the amount of such expenses included in your Arizona gross income.

Do not subtract any amount received from a qualified pension plan that invests in U.S. Government obligations. Do not subtract any amount received from an IRA that invests in U.S. Government obligations. These amounts are not interest income.

For more information, see the department's rulings, ITR 96-2, *Pension Plan Distributions Derived from Investment in U.S. Government Obligations*; and ITR 96-3, *Distributions Comprised of Income Earned by the IRA*.

Line B7 - Refunds From Other States

Enter any state income tax refunds received from states other than Arizona. Enter an amount only to the extent it is included on page 1, line 7, of Form 141AZ.

Line B8 - Reserved

Do not enter an amount on line B8.

Line B9 - Other Subtractions from Federal Taxable Income

Enter any other subtractions, including those shown below, to federal taxable income. Include your own schedule.

A. Exclusion for U.S. Government, Arizona State, or Local Government Pensions

This subtraction does not apply to nonresident estates or trusts.

If the estate or trust received pension income from any of the sources listed below, subtract the amount received or \$2,500, whichever is less. Only include amounts which the estate or trust reported as income on the federal return.

Public Pensions From the Following Sources Qualify for This Subtraction:

- The United States Government Service Retirement and Disability Fund;
- The United States Foreign Service Retirement and Disability System;
- Retired or retainer pay of the uniformed services of the United States; and
- Any other retirement system or plan established by federal law.

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

- The Arizona State Retirement System;
- The Arizona State Retirement Plan;
- The Corrections Officer Retirement Plan;
- The Public Safety Personnel Retirement Plan;
- The Elected Officials' Retirement Plan;
- A retirement plan established for employees of a county, city, or town in Arizona;

- An optional retirement program established by the Arizona Board of Regents under Arizona Revised Statutes; and
- An optional retirement program established by an Arizona community college district.

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

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

Arizona allows 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 for converting an existing fireplace on property located in Arizona to a qualified wood stove, qualified wood fireplace, or gas fired fireplace.

C. 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 2024, the estate or trust was required to repay amounts held under a claim of right.
2. The estate or trust computed its tax for that prior year under Arizona's claim of right provisions.
3. A net operating loss or capital loss that was established due to the repayment made in the prior year.
4. The estate or trust is entitled to take that net operating loss or capital loss carryover into account when computing its 2024 Arizona taxable income.
5. The amount of the loss carryover allowed to be taken into account for Arizona purposes is more than the amount included in your federal income.

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

D. Certain Expenses Not Allowed For Federal Purposes

The estate or trust may subtract some expenses that it cannot deduct on its federal return when the estate or trust claims 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 the estate or trust claimed any of these federal tax credits for 2024, include the portion of wages or salaries it paid or incurred during the taxable year equal to the amount of those federal tax credits it received.

A nonresident estate or trust should include the amount of wages or salaries that it paid or incurred during the taxable year that is related to the income sourced to Arizona.

The subtraction is equal to the amount of the federal credits it received.

E. Agricultural Crops Given to Charitable Organizations

Arizona allows a subtraction for qualified crop gifts made during 2024 to one or more charitable organizations. To take this subtraction, **all** of the following must apply.

- The estate or trust must be engaged in the business of farming or processing agricultural crops.
- The crop must be grown in Arizona.
- The gift must be made to a charitable organization located in Arizona.
- The charitable organization must be exempt from Arizona income tax.

The subtraction is the greater of the wholesale market price or the most recent sale price for the crop given. The amount of the subtraction cannot include any amount deducted under IRC § 170 with respect to the crop contribution that exceeds the cost of producing the contributed crop.

To determine if the estate or trust's 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*.

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

This subtraction does not apply to nonresident estates or trusts.

The estate or trust may subtract any income from an installment sale that has been properly subjected to income tax in another state in a prior tax year. Include the amount of such income included in Arizona gross income in the current taxable year.

A nonresident estate or trust should include such payments only to the extent included in Arizona taxable income.

G. Recalculated Arizona Depreciation Resident Estate or Trust

For assets placed in service in taxable years beginning before December 31, 2012, include the total amount of depreciation allowable pursuant to IRC § 167(a) for the taxable year calculated as if the taxpayer 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, include the amount of the subtraction for these assets depends on the method you used to compute the depreciation for these assets.

NOTE: *For more information, 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 from and after December 31, 2013, through December 31, 2015, include the total amount of depreciation allowable pursuant to IRC § 167(a) for the taxable year calculated as if the bonus depreciation is 10% of the amount of federal bonus depreciation pursuant to IRC § 168(k).

For assets placed in service in taxable years beginning from and after December 31, 2015, through December 31, 2016, include the total amount of depreciation 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, include the total amount of depreciation attributable to assets used in an Arizona business allowable pursuant to IRC § 167(a) for the taxable year computed 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 B9.

Nonresident Estate or Trust

For assets placed in service in taxable years beginning before December 31, 2012, include the total amount of depreciation attributable to assets used in an Arizona business allowable pursuant to IRC § 167(a) for the taxable year calculated as if the taxpayer 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, include the amount of the subtraction for these assets depends on the method you used to compute the depreciation for these assets. Enter the total amount of depreciation attributable to assets used in an Arizona business.

NOTE: For more information, 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 from and after December 31, 2013, through December 31, 2015, include the total amount of depreciation attributable to assets used in an 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, include the total amount of depreciation attributable to assets used in an 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, include the total amount of depreciation attributable to assets used in an Arizona business allowable pursuant to IRC § 167(a) for the taxable year computed 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 B9.

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

With respect to property that is sold or otherwise disposed of during the taxable year by a taxpayer who has complied with

the requirement to add back all depreciation with respect to that property on tax returns for all taxable years beginning from and after December 31, 1999, include the amount of depreciation that was 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.) A nonresident estate or trust may make this adjustment for only property that was used in an Arizona business.

I. Federal Estate Taxes Paid by an Estate

An estate may subtract the amount of federal estate tax paid by the estate in the current taxable year. Include the amount of federal estate taxes paid in 2024.

J. Net Operating Loss Adjustment

This subtraction applies to only those estates or trusts that made an election under the special federal net operating loss rules for 2008 and 2009. Under these federal rules for 2008 and 2009, an estate or trust 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, estates or trusts must deduct a net operating loss as if the loss was computed under IRC § 172 in effect prior to the enactment of those special rules.

Resident Estate or Trust

If the estate or trust made an election to deduct a 2008 or 2009 federal net operating loss under IRC § 172(b)(1)(H), the estate or trust 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 the estate or trust's 2024 federal income tax return, if the election described in IRC § 172(b)(1)(H) had not been made in the year of the loss. On line B9, include the amount that exceeds the actual net operating loss carry forward that was deducted in arriving at federal taxable income.

Nonresident Estate or Trust

Figure how much of the net operating loss carry forward would have been allowed as a deduction on the estate or trust's 2024 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 the estate or trust 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 the estate or trust included in its Arizona gross income. On line B9, 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 estate or trust, the estate or trust may have had a loss from 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. The estate or trust can only take this subtraction if the as if federal net operating loss deduction for 2024 includes Arizona source losses that have not been absorbed by non-Arizona income in any intervening years. The estate or trust cannot subtract any amount of that net operating loss that has been absorbed by non-Arizona income in any intervening years. The estate or trust also cannot take a subtraction for any amount that has already been deducted for Arizona purposes.*

K. Estate Income of an Arizona Nonprofit Medical Marijuana Dispensary (NMMD) included in Federal Adjusted Gross Income

If the NMMD was registered to an individual as a sole proprietorship and the NMMD becomes part of the individual's estate after the individual died, the estate may subtract the amount of the income from the dispensary that is included in the computation of the estate's federal adjusted gross income. Include the amount of the income on line B9.

Income from an Arizona Nonprofit Medical Marijuana Dispensary (NMMD) and dual licensees that have not made the election to operate on a for-profit basis may subtract the income portion that is taxed at the trust or estate level.

L. Estates and Trusts: Marijuana Establishments and Dual Licensees That Elected to Operate on a For-Profit Basis

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.

Do not include Cost of Goods Sold in the total amount of expenses reported on this line. Include the amount of the expense on line B9.

This adjustment either is passed through to beneficiaries as part of the fiduciary adjustment or stays at the trust or estate level to the extent income is not distributed.

NOTE: A Trust or Estate must contact the Arizona Department of Health Services (ADHS) to make the election to operate on a for-profit basis.

M. Excess of a Partner's Share of Partnership Taxable Income or Loss

Resident Estate or Trust

Make this adjustment if the Arizona Form 165, Schedule K-1 shows a difference between federal and state distributable income. If the difference reported on line 3, of your Arizona Form 165 Schedule K-1 is a negative number, include that difference as a subtraction on line B9.

NOTE: *If the difference reported on line 3, of your Arizona Form 165 Schedule K-1 is a positive number, enter that difference as an addition on line B3.*

Amending Form 141AZ and Reporting Arizona Form 165PA Schedule K-1 Negative Adjustment

If the estate or trust received an Arizona Form 165PA Schedule K-1 include the negative adjustment amount reported on Form 165PA Schedule K-1, line 3; with the total amount of subtractions reported on line B9.

Nonresident Estate or Trust

Make this adjustment if the Arizona Form 165, Schedule K-1(NR) shows a difference between federal and state distributable income.

If the difference reported on line 15, column (c), of your Arizona Form 165 Schedule K-1(NR) is a negative number, include that difference as a subtraction on line B9.

NOTE: *If the difference reported on line 15, column (c), of your Arizona Form 165 Schedule K-1(NR) is a positive number, enter that difference as an addition on line on B3.*

Amending Form 141AZ and Reporting Arizona Form 165PA Schedule K-1(NR) Negative Adjustment

If the estate or trust received an Arizona Form 165PA Schedule K-1(NR) include the negative adjustment amount reported on Form 165PA Schedule K-1(NR), line 5, with the total amount of subtractions reported on line B9.

N. Americans with Disabilities Act Access Expenditures

A subtraction is allowed for eligible business access expenditures paid or incurred during the taxable year 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 do the following.

- 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 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.*

On line B9, include the amount of allowable expenses paid or incurred during the tax year.

O. Virtual Currency and Non-Fungible Tokens

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.

P. Gas Fees or Non-Fungible Token Basis

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.

Q. Other Adjustments

Other special adjustments may be necessary. Call one of the numbers listed on page 1 of these instructions if any of the following apply:

- You sold or disposed of property that was held for the production of income and your basis was computed under the Arizona Income Tax Act of 1954.
- You deferred exploration expenses determined under IRC § 617 in a taxable year ending before January 1, 1990, and you have not previously taken a subtraction for those expenses.

Line B10 - Total Adjustments Decreasing Federal Taxable Income

Add lines B5 through B9. Enter the total.

Line B11 - Net Fiduciary Adjustment

Subtract the amount on line B10 from the amount on line B4 and enter the difference. Also, enter the difference on Form 141AZ, line 8.

Schedule C - Fiduciary Adjustment Allocation

Use Schedule C to determine the allocation of the shares of the Arizona fiduciary adjustment. This adjustment is divided among the beneficiaries and the fiduciary in proportion to their share of the federal distributable net income. If there is no federal distributable net income, each beneficiary's share of the adjustment is in proportion to each share of the estate or trust income distributed. Any balance of the adjustment not allocated to the beneficiaries is allocable to the fiduciary.

Lines C1 through C10 -

In column (a), enter the name of each beneficiary. In column (b), enter each beneficiary's share of the federal distributable net income. In column (c), enter the percentage of the estate or trust to be distributed to each beneficiary in accordance with the documents or laws controlling distribution of the estate or trust. If the estate or trust has more than 10 beneficiaries, complete an additional schedule. The schedule should show the same information required on lines C1 through C10.

Line C11

Add the amounts on lines C1 through C10 in column (b). Add the percent on lines C1 through C10 in column (c). If the fiduciary completed an additional schedule because there are more than 10 beneficiaries, include the amounts from the additional schedule on line C11.

Line C12

In column (b), enter the fiduciary's share of the federal distributable net income. In column (c), enter the percentage of the fiduciary's share of federal distributable net income computed in accordance with the documents or laws controlling distribution of the estate or trust.

Lines C13 through C16

Complete lines C13 through C16 as instructed on the form.

Schedule D - Federal Distributable Net Income From Arizona Sources

Use Schedule D to determine the net estate or trust income reportable to Arizona by **nonresident beneficiaries**. Use the information in Schedule D to complete Form 141AZ Schedule K-1(NR) for nonresident beneficiaries.

The fiduciary should complete Schedule D only if the trust or estate has Arizona nonresident beneficiaries. If the trust or estate does not have any nonresident beneficiaries, the fiduciary should skip Schedule D.

Lines D1 through D9

In column (b), enter an amount for each item from which federal distributable net income is comprised. The total entered on line D9, column (b), should equal the federal distributable net income.

In column (c), enter that portion of federal distributable net income derived from Arizona sources. Such income includes Arizona rental and business income, and gains on the sale of Arizona property.

Schedule E - Questions

Answer the questions on lines E1 through E7.

Tax Computation – Page 1**Lines 7 - Federal Taxable Income**

- Resident estates or trusts enter federal taxable income from federal Form 1041.
- Nonresident estates or trusts enter the amount from Arizona Form 141AZ, Schedule A, line A6.

Line 8 - Net Fiduciary Adjustment

Enter the amount from Form 141AZ, Schedule B; line B11. If the difference is negative, **do not enter the amount in brackets.**

Line 9 - Net Fiduciary Adjustment Allocated to Beneficiaries

Enter the amount from Form 141AZ, Schedule C; line C15.

Line 10a - Net Fiduciary Adjustment (Positive) Allocated to Fiduciary

If the net fiduciary adjustment is positive, enter the amount from Form 141AZ, Schedule C; line C16 on line 10a.

Line 10b - Net Fiduciary Adjustment (Negative) Allocated to Fiduciary

If the net fiduciary adjustment is negative, enter the amount from Form 141AZ, Schedule C; line C16 on line 10b. Do not include a negative sign (-) or parenthesis.

Line 11 - Subtotal

If the net fiduciary adjustment is positive, add the amount on line 10a to line 7. If the net fiduciary adjustment is a negative number, subtract the amount on line 10b from line 7 Example:

If line 7 is \$500 and the net fiduciary adjustment on line 10a is *positive*, \$100, the amount to enter on line 11 is \$600 (\$500 plus \$100).

If line 7 is \$500 and the net fiduciary adjustment on line 10b is *negative*, \$100, the amount to enter on line 11 is \$400 (\$500 - \$100).

Line 12a - Electing Small Business Trust (ESBT) Income

Enter the federal taxable income of Electing Small Business Trusts (ESBT) from the IRC § 641(c) worksheet included with your federal Form 1041. Include a copy of the worksheet with the Arizona return.

A nonresident trust should enter the amount of ESBT income received from the S corporation that was derived from sources within Arizona.

Line 12b - Undistributed Net Capital (Loss) derived from Exchange of one Kind of Legal Tender for Another Kind of Legal Tender

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, Form 120S Schedule K-1, and Form 141AZ, Schedule K-1.

Enter the amount of any net capital (loss) 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 legal tender for another kind of legal tender, enter that amount on line 14b.*

For the purposes of this subtraction:

(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 13 -

Add lines 11, 12a, and 12b. Enter the total.

Line 14a - Undistributed Net Capital Gain derived from Investment in Qualified Small Business

The estate or trust may subtract the amount of any undistributed 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, the 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.

Line 14b - Undistributed Net Capital Gain derived from Exchange of one Kind of Legal Tender for Another Kind of Legal Tender

NOTE: *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 Form 165 Schedule K-1, Form 120S Schedule K-1, and Form 141AZ, Schedule K-1.*

Enter the amount of any net capital gain 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 legal tender for another kind of legal tender, enter that amount on line 12b.*

For the purposes of this subtraction:

(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.

CAUTION: *If any amount entered on line 14a or line 14b includes a long-term capital gain from an investment made after December 31, 2011, you cannot include that portion in your computation of the allowable subtraction for any net long-term capital gain from assets acquired after December 31, 2011, and included in federal adjusted gross income.*

Lines 15a through 15e - Net Capital Gain or (Loss) and Net Long-Term Capital Gain Subtraction for Assets Acquired After December 31, 2011.

The estate or trust may subtract a percentage of any net long-term capital gain included in the federal taxable income of a resident estate or trust (or the Arizona gross income of a nonresident estate or trust) that is derived from an investment in an asset acquired after December 31, 2011. For 2021, the percentage is 25% (.25).

The estate or trust must complete the worksheet at the end of these instructions, *Worksheet for Net Long-Term Capital Gains Subtraction for Assets Acquired after December 31, 2011*, to take the allowable subtraction.

NOTE: *If the estate or trust does not have any capital gain or (loss) to report, enter "0" on lines 15a through 15c.*

Line 15a - Total Net Capital Gain or (Loss)

Enter the total net capital gain or (loss) reported on Form 1041 Schedule D. This amount should be reported in federal taxable income.

Line 15b - Total Net Short-Term Capital Gain or (Loss)

Enter the total amount of net short-term capital gain or (loss) reported on Form 1041 Schedule D. This amount should be reported in federal taxable income.

Line 15c - Total Net Long-Term Capital Gain or (Loss)

Enter the total amount of net long-term capital gain or (loss) reported on Form 1041 Schedule D. This amount should be reported in federal taxable income.

If the estate or trust's net long-term capital gain (loss) is limited to an amount reported on Form 1099-DIV and the estate or trust was not required to complete federal 1041 Schedule D, enter the amount shown on Form 1099-DIV on line 15c.

Line 15d - Net Long-Term Capital Gain From Assets Acquired After December 31, 2011

Only include net long-term capital gain on this line if it can be verified that the asset was acquired after December 31, 2011. If the date of acquisition cannot be determined, the asset is considered to be acquired before January 1, 2012.

For purposes of this line, an asset acquired by gift or inheritance is considered acquired on the date that it was acquired by the gift-giver or deceased individual.

If you did not complete the worksheet at the end of these instructions and the estate or trust does not have a net long-term capital gain from assets acquired after December 31, 2011, enter "0".

If you completed the worksheet at the end of these instructions, enter the amount from line 5 of the worksheet.

Line 15e - Net Long-Term Capital Gain Subtraction from Income

Multiply the amount on line 15d by 25% (.25) and enter the result on line 15e.

Line 16 - Arizona Taxable Income

Subtract lines 14a, 14b, and 15e from line 13. Enter the difference. If less than zero, enter "0".

Line 17 - Tax Amount

Multiply line 16 by 2.5% and enter the result.

NOTE:

Line 18 - Credit for Taxes Paid to Another State or Country

If both Arizona and another state or country considers an estate or trust to be a resident, Arizona will allow the estate or trust a tax credit against the Arizona income tax liability for taxes paid to the other state or country.

As an Arizona resident estate or trust, nonresident estate or trust returns filed with the following states qualify for the credit:

Alabama, Arkansas, Colorado, Connecticut, Delaware, District of Columbia (see note below), Georgia, Hawaii, Idaho, Illinois, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Pennsylvania, Rhode Island, South Carolina, Utah, Vermont, West Virginia and Wisconsin.

Important: *As an Arizona resident, nonresident estate or trust returns filed with the following states DO NOT QUALIFY for the credit on the Arizona return:*

Alaska, California, Florida, Indiana, Nevada, New Hampshire, Oregon, South Dakota, Tennessee, Texas, Virginia, Washington and Wyoming.

You may be able to claim a credit for taxes paid to Arizona on the nonresident estate or trust return filed with any of those states listed above.

The credit allowed on the Arizona fiduciary return is subject to the following conditions:

1. The credit is allowed only for the proportion of the taxes paid to the other state or country that the income taxable to Arizona and also subject to tax in the other state or country bears to the entire income on which the taxes paid to the other state or country are imposed.
2. The credit cannot exceed the proportion of the tax payable to Arizona that the income subject to tax in the other state or country and also taxable to Arizona bears to the entire income that is taxable to Arizona.
3. The credit is not allowed for taxes paid to the other state or country on income from sources within Arizona.
4. If the estate or trust received distributed income from a partnership and/or S Corporation, (the Entity) reported on Schedule K-1 or K-1(NR) and the Entity paid Entity-Level Income Tax on your pro-rata share of the distributed income:
 - (a) tax amount paid on your Arizona Form 141AZ income tax Form, line 17; and
 - (b) the estate or trusts pro-rata share of the tax paid by the Entity on your behalf. This tax amount is limited to the amount actually paid by the Entity or the amount of the other state's estate or trust's income tax had the Entity not elected to pay the tax at the entity level, whichever is less.
5. (a) The Arizona tax paid is determined as follows:
 - the tax amount paid on your Arizona Form 141AZ income tax Form, line 17; and
 - the estate or trusts pro-rata share of the tax paid by the Entity on your behalf of the estate or trust.

This amount cannot exceed the amount of the Arizona income tax that would have been paid by the estate or trust if the taxpayer had opted out of the payment ta at the entity level.
- (b) The tax paid by the other state is determined as follows:
 - The tax amount paid by the estate or trust on the other state's trust or estate income tax return; and
 - The estate or trust's pro-rata share of the tax paid by the Entity on behalf of the estate or trust.

- This tax amount cannot exceed the amount of the other state's income tax that would have been paid by the estate or trust if the taxpayer had opted out of paying tax on the entity level.

For tax year 2024, as an Arizona resident estate or trust, nonresident estate or trust returns filed with the following states qualify for the credit for the pass-through taxes paid to another state or country on behalf of the Arizona estate or trust.

Alabama, Arkansas, Colorado, Connecticut, District of Columbia, Georgia, Idaho, Illinois, Kansas, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri (beginning in 2024), New Jersey, New Mexico, New York, North Carolina, Ohio, Oklahoma, Rhode Island, South Carolina, Utah, and Wisconsin.

Important: *As an Arizona resident estate or trust, nonresidents estate or trust returns filed with the following states DO NOT QUALIFY for the PTE tax credit on the Arizona Form 141AZ:*

California, Oregon and Virginia.

You may be able to claim a credit for taxes paid to Arizona on the nonresident estate or trust return filed with any of those states listed above.

Nonresident Estate or Trust

An Arizona nonresident estate or trust who file resident estate or trust returns with the following states qualify for the credit.

- California, Indiana, Oregon, and Virginia

NOTE: *This list is subject to change at any time.*

What Other Information is Required?

If claiming this tax credit, the estate or trust must include the following items with the Form 141AZ:

1. a copy of the other state or country's income tax return; and
2. a schedule showing how the credit was calculated.

Line 19 - Credit for Entity-Level Income Tax

For taxable years beginning from and after December 31, 2021, a credit is allowed against the taxes imposed for a taxpayer who is a partner in a partnership or a shareholder of an s corporation that elects to pay the tax under section 43-1014.

The amount of the credit is the portion of the tax paid by the partnership or S Corporation under section 43-1014 that is attributable to the partner's or shareholder's share of income taxable in this state

The estate or trust and its non-corporate beneficiaries shall apportion the credit in the same proportion as their respective shares of the federal distributable net income of the estate or trust from the partnership or s corporation income. The non-corporate beneficiaries shall treat their share of the credit under this section as a credit under section 43-1077.

Enter the total tax credit amount shown on:

- Arizona Form 165, Schedule K-1, Part 5, line 9 multiplied by the percentage of the partnership income that was not distributed to the beneficiaries.
- Arizona Form 120S, Schedule K-1, Part 5, line 8 multiplied by the percentage of the S Corporation income that was not distributed to the beneficiaries.

NOTE: Any remaining PTE tax credit not used on Form 141AZ to off-set the current year's tax liability may be distributed to the estate or trust's **individual beneficiaries**. The fiduciary cannot distribute any remaining PTE tax credit to a beneficiary who is **not** an individual. The distributed tax credit amount is reported on the individual beneficiary's 141AZ Schedule K-1, Part 3; or Schedule K-1(NR), Part 4.

Line 20 - Balance of Tax

Subtract lines 18 and 19 from line 17 and enter the difference. If the sum of lines 18 and 19 is more than line 17, enter "0."

Payments

Line 21 (Boxes a, b and c) - Arizona Estimated Tax Payments; Arizona Claim of Right

Use this line if you did any of the following:

- made 2024 estimated tax payments to Arizona, or
- recomputed a prior year's tax under Arizona Claim of Right provisions. You must also complete and include the Arizona Claim of Right schedule with your income tax return. If you fail to complete and include the schedule, the amount of your claim may be denied. The schedule is available on the department's website at www.azdor.gov.

Box 21a: Enter the total amount of estimated taxes paid and/or applied to the estate or trust's 2024 taxes.

Box 21b: Enter the amount from your *Arizona Claim of Right* schedule, line 8.

If you completed more than one Claim of Right schedule for the current taxable year, add all amounts on line 8 and enter the total in box 21b.

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 21c: Add the amounts in box 21a and box 21b and enter the total on line 21c.

Line 22 - Payment With Extension

Enter the amount of payment made with an extension request on Form 141AZ EXT.

Line 23 - Arizona Income Tax Withheld

Use line 23 to claim a credit for any Arizona income tax withheld (and not repaid) by:

1. an employer on wages and salaries of a decedent received by the decedent's estate,
2. a payer of certain gambling winnings (e.g., state lottery winnings), or

3. a payer of distributions from pensions, annuities, retirement, or profit-sharing plans received by a decedent's estate or trust.

Include a copy of each Form W-2, Form W-2G, or Form 1099-R with the return.

Line 24 - Payment With Original Return (if amending)

Enter the payment sent with the original Form 141AZ return. Also, include any additional tax payments made after the return was filed.

Line 25 - Total Payments

Add lines 21c through 24. Enter the total.

Line 26 - Refund From Original Return (if amending)

Enter any refunds received from your original filing.

Line 27 - Balance of Payments

Subtract line 26 from line 25. Enter the difference.

Balance Due or Balance of Refund/Overpayment

Line 28 - Balance Due

If line 20 is greater than line 27, subtract line 27 from line 20. The estate or trust owes this amount. You may pay the balance due only with a check, money order, electronic check, or direct debit through your software vendor.

Check or money order

Include your check or money order with your return. Please do not send cash. Make the check payable to the Arizona Department of Revenue. Write the estate or trust's EIN and tax year on the front of the check or money order. The department cannot accept checks or money orders in foreign currency. You must make payment in U.S. dollars.

You can make an electronic payment from your checking or savings account to pay your balance due for 2024. The estate or trust can make a payment using the software used to prepare the tax return.

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 account and routing numbers.

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.

Line 29 - Refund Due

If line 27 is greater than line 20, subtract line 20 from line 27.

Line 30 - Amount of Line 29 to be Applied to 2024 Estimated Tax

If the estate or trust wants all or part of the refund applied to next year's Arizona estimated taxes, enter that amount.

Line 31 - Balance of Refund/Overpayment

Subtract line 30 from line 29. Enter the difference.

TAX TIP: *If the estate or trust's address changes before it receives its refund let the department, know. Complete Form 822. This form is available at azdor.gov/forms/other-forms.*

Direct Deposit of Refund

Complete the direct deposit line if you want us to directly deposit the amount shown on line 31 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 31A if the direct deposit will ultimately be placed in a foreign account. If you check box 31A, do not enter your routing or account numbers. If this box is checked, we will not direct deposit your refund. We will send you a check instead.*

Why use Direct Deposit?

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

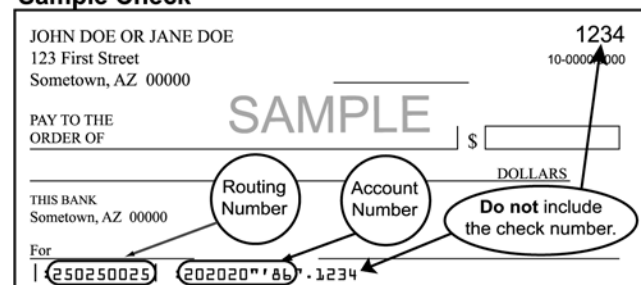
NOTE: *We are not responsible for a lost refund if you enter the wrong account information. Check with your financial institution to get the correct routing and account numbers and to make sure your direct deposit will be accepted.*

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 sent instead. On the following sample check, the routing number is 250250025.

Sample Check



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

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

Account Number

MAKE SURE YOU ENTER THE CORRECT ACCOUNT NUMBER.

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

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

Declaration

The individual or authorized officer of the organization receiving or having custody, control, or management of the income of the estate or trust must sign the declaration.

If two or more individuals act jointly as fiduciaries, any one of them may sign the declaration.

Filing Reminder to Fiduciary Filers

1. **Do not staple the return. Do not staple any document, schedule or payment to the return.**
2. Be sure to use the correct year's form to file the return. Also, be sure to clearly mark the period covered by the return.
3. Enter the correct EIN on the return.
4. If the estate or trust is ready to file but has not yet received an EIN, it may file the return. Let us know what the number is as soon as it is received.
Mail the correspondence to
Customer Care
Arizona Department of Revenue
PO Box 29086
Phoenix, AZ 85038-9086
5. Write the estate or trust's EIN and tax year on the front of all checks and correspondence. Include the check with the return.
6. Do **not** attach correspondence to the back of the return. Mail all correspondence separate from returns to
Customer Care
Arizona Department of Revenue
PO Box 29086
Phoenix, AZ 85038-9086
7. When filing returns that generate a refund due to any previous payments (i.e., amount paid with extension, amount paid as estimated payment, amount paid with original returns), it may speed up the refund process if a copy of the canceled check of the previous payment accompanies the return generating the refund.
8. If the estate or trust is a fiscal year filer (for periods not ending on December 31), use the Tax Table for the prior year. Example: If filing for April 1, 2022, to March 31, 2024, use the 2022 Tax Table. If this return is for a short taxable year, use the 2024 tax rate. Example: If filing for June 1, 2024, to November 30, 2024, use the 2024 tax rate (2.5%).

9. If the income is taxable but deductions bring the return to zero, make sure all necessary lines are filled in to support this declaration.
10. Grantor trusts file an information return using Form 141AZ showing no numerical figures for lines 7 through 30. Taxable income on a grantor trust reverts to the grantor. The grantor reports this income on the Arizona individual income tax return. The fiduciary should indicate that the return is for a grantor trust by checking the appropriate box on line 6.
11. When filing an amended Form 141AZ return, be sure the return is marked as an amended return. You must plainly mark an amended return "amended" by checking the appropriate box on line 6. If amending the 2024 return use the 2024 form. If amending a different tax year, use the Form 141AZ for that tax year.
12. File returns on time to avoid late filing and/or late payment penalties. Returns are due on the 15th day of the fourth (4th) month from the date the tax period ends.

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*.

Taxpayer Identification Numbers

All returns, statements, and other documents filed with the Arizona Department of Revenue require a taxpayer identification number (TIN). The TIN for a trust or an estate is its employer identification number. The TIN for a grantor trust is the grantor's SSN.

Taxpayers who fail to include the proper TIN may be subject to a penalty.

Please check the return to be sure that all required identification numbers are accurate and written clearly. Missing, incorrect, or unclear identification numbers may cause delays in processing the returns.

Paid Preparers Identification Number

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 business.

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

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

2024 Original return 2024 Amended return

IMPORTANT

- A fiduciary completes this worksheet to compute the allowable subtraction for **undistributed net long-term capital gain from assets acquired after December 31, 2011, and included in the estate or trust’s federal taxable income.**
- 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 it 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 gains or (losses) in this worksheet.

1.	Enter the total net long-term capital gain or (loss) from assets acquired after December 31, 2011, and included in federal taxable income.....			00
2.	Enter the amount of net long-term capital (loss) derived from the exchange of one kind of legal tender for another kind of legal tender from assets acquired after December 31, 2011, and included in the addition on Arizona Form 141AZ, line 12b.....		00	
3.	Enter the amount of net long-term capital gain derived from investment in qualified small business from assets acquired after December 31, 2011, and included in the subtraction on Arizona Form 141AZ, line 14a.....		00	
4.	Enter the amount of net long-term capital gain derived from the exchange of one kind of legal tender for another kind of legal tender from assets acquired after December 31, 2011, and included in the subtraction on Arizona Form 141AZ, line 14b.....		00	
5.	(Line 1 + line 2) minus (line 3 + line 4). Enter the result.....			00

- If the amount on line 5 is positive, you have a net long-term capital gain from assets acquired *after* December 31, 2011. Enter the amount on Form 141AZ, line 15d.
- If the amount on line 5 is zero or negative, you do not qualify to take the allowable subtraction. Enter “0” on Form 141AZ, line 15d.

Example of the Computation of Arizona Fiduciary Income Tax, Resident Beneficiary's Arizona Fiduciary Adjustment, and Nonresident Beneficiary's Arizona Source Income.

The federal Form 1041 for the Judy Jones estate showed the following items of income and deduction:

Interest Income	\$ 32,614
Dividends	4,800
Net Rent Income (AZ)	<u>16,832</u>
Total Income	<u>\$ 54,246</u>
Less: Fiduciary Fees	6,000
Accountant's Fees	<u>1,500</u>
Total Fees	<u>(7,500)</u>
Adjusted Total Income	<u>\$ 46,746</u>
Less: Income Distribution Deduction	34,189
Exemption	<u>600</u>
Total Deductions	<u>(\$ 34,789)</u>
Taxable Income	<u>\$ 11,957</u>

The estate also had \$2,476 in non-Arizona municipal bond interest during the taxable year. \$24,000 was distributed to Jane Jones, an Arizona resident and \$12,000 to June Jones, a nonresident of Arizona. The estate had \$8,700 in U.S. Government interest.

The shares of federal distributable net income (DNI) are as follows:

Jane Jones	\$ 24,000	48.76%
June Jones	12,000	24.38%
Judy Jones Estate	<u>13,222</u>	<u>26.86%</u>
Total	<u>\$ 49,222</u>	<u>100.00%</u>

The estate's Arizona taxable income is figured as follows:

Federal taxable income	\$ 11,957
Modifications increasing federal taxable income: Non-Arizona municipal bond interest	\$ 2,476
Modifications decreasing federal taxable income: U.S. Government Interest	<u>\$ 8,700</u>
Net Modifications	<u>\$(6,224)</u>

Allocated to the estate @ 26.86%	<u>\$ (1,672)</u>
Arizona taxable income	<u>\$ 10,285</u>

June Jones income reportable to Arizona is figured as follows:

Share of federal distributable net income	\$ 12,000
From Arizona sources @ 29.67%	<u>3,561</u>

Arizona source income is figured as follows:

Rental income (Arizona) \$16,832	
Total income \$56,722 (\$54,246 + \$2,476)	= 29.67%

This can be verified as follows:

June's share of income \$12,000

DNI \$49,222 (\$46,746 + \$2,476)	= 29.67%
Share of rental income \$16,832 X 24.38%	= \$4,104
Share of fees \$7,500 X 24.38% X 29.67% *	= <u>(543)</u>
Net Arizona income	<u>\$3,561</u>

* Share of fees allocated to rental income

Jane Jones share of the Arizona fiduciary adjustment is figured as follows:

Share of non-Arizona municipal bond interest \$ 2,476 x 48.76%	\$ 1,207
Share of U.S. Government Interest \$ 8,700 x 48.76%	<u>4,242</u>
Net modification	<u>\$(3,035)</u>