

2024 Part-Year Resident Personal Income Tax Return

Arizona Form 140PY

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

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

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

Are You Subject to Tax in Arizona?

As a part-year resident, you are subject to tax on **all** of the following:

1. Any income you earned in 2024 while an Arizona resident. This includes any interest or dividends received from sources outside Arizona.
2. Any income you earned from an Arizona source in 2024 before moving to (or after leaving) the state.

NOTE: If you also have Arizona source income and deductions for the portion of the year you were an Arizona nonresident, file Arizona Form 140PY for the entire taxable year.

Do You Have to File?

Arizona Filing Requirements	
These rules apply to all Arizona taxpayers.	
You must file if you are:	and your gross income is at least:
● Single	\$ 14,600
● Married filing joint	\$ 29,200
● Married filing separate	\$ 14,600
● Head of Household	\$ 21,900

If you are a part-year resident, you must report all income for the part of the year you were an Arizona resident, plus any income from Arizona sources for the part of the year you were an Arizona nonresident.

To see if you have to file, figure your gross income the same as you would figure your gross income for federal income tax purposes. Then you should exclude income that Arizona law does not tax. Income that Arizona law does not tax includes:

- interest from U.S. Government obligations;
- social security retirement benefits received under Title II of the Social Security Act;
- benefits received under the Railroad Retirement Act, tier 1 or tier 2 railroad retirement benefits, railroad disability benefits reported on federal forms RRB-1099 and RRB-1099-R, railroad unemployment benefits and railroad sickness payments paid by the Railroad Retirement Board;
- pay received for active service as a member of the Reserves, National Guard, or the U.S. Armed Forces; or
- benefits, annuities and pensions as retired or retainer pay of the uniformed services of the United States. **If you are the surviving spouse of a deceased military veteran, and are receiving payments from the uniformed services of the United States, you may exclude 100% of the payments you received.**

If you are not required to file an Arizona income tax return, but qualify to claim the credit for Arizona's increased excise taxes, do not file this form. You may complete and file Arizona Form 140ET to claim the credit.

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

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

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

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

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

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

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

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

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

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

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

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

If you were an Arizona resident when you entered the service, you remain an Arizona resident, no matter where you are stationed, until you establish a new domicile.

As an Arizona part-year resident, you must report all of your income for the portion of the year you were an Arizona resident, no matter where you are stationed. You must include your military pay, but using Form 140PY, you may subtract all pay received for active duty military service to the extent it is included in your Arizona gross income.

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

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

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

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

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

Determining Residency Status

If you are not sure if you are an Arizona resident for state income tax purposes, we may be able to help. For more

information on determining residency status, see the department's procedure, ITP 92-1, *Procedure For Determining Residency Status*.

Residents

You are a resident of Arizona if your domicile is in Arizona. Domicile is the place where you have your permanent home. It is where you intend to return if you are living or working temporarily in another state or country. If you leave Arizona for a temporary period, you are still an Arizona resident while gone. A resident is subject to Arizona tax on all income no matter where the resident earns the income. If you are a full year resident, you must file Arizona Form 140, 140A, or 140EZ.

Part-Year Residents

If you are a part-year resident, you must file Arizona Form 140PY, *Part-Year Resident Personal Income Tax Return*. You are a part-year resident if you did **either** of the following during 2024:

- You moved into Arizona with the intent of becoming a resident.
- You moved out of Arizona with the intent of giving up your Arizona residency.

Nonresidents

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

What if a Taxpayer Died?

If a taxpayer died before filing a return for 2024, the taxpayer's spouse or personal representative may have to file and sign a return for that taxpayer. A personal representative can be an executor, administrator, or anyone who is in charge of the deceased taxpayer's property.

If the deceased taxpayer did not have to file a return but had tax withheld, a return must be filed to get a refund. The person who files the return should use the form the taxpayer would have used. The person who files the return should print the word "deceased" after the decedent's name. Also enter the date of death after the decedent's name.

If your spouse died in 2024 and you did not remarry in 2024 or if your spouse died in 2025 before filing a return for 2024, you may file a joint return. If your spouse died in 2024, the joint return should show your spouse's 2024 income before death and your income for all of 2024. If your spouse died in 2025, before filing the 2024 return, the joint return should show all of your income and all of your spouse's income for 2024. **Print "Filing as surviving spouse" in the area where you sign the return.** If someone else is the personal representative, he or she must also sign the return.

Are Any Other Returns Required?

You may also have to file a fiduciary income tax return (Form 141AZ). For details about filing a fiduciary income tax return, call the department at (602) 255-3381.

Claiming a Refund for a Deceased Taxpayer

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

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

What Are the Filing Dates and Penalties?

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

When Should You File?

Your 2024 calendar year tax return is due no later than midnight, April 15, 2025. File your return as soon as you can after January 1, 2025, but no later than April 15, 2025 **to timely file your 2024 tax return.**

If you are a fiscal year filer, your return is due on the 15th day of the fourth month following the close of your fiscal year.

What if You Cannot File on Time?

You may request an extension if you know you will not be able to file on time. If you request an extension to file your 2024 calendar year tax return, your due date is October 15, 2025 **to timely file your 2024 tax return.**

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

To get a filing extension, you can either

- *Apply for a state extension* (Arizona Form 204). To apply for a state extension, file Form 204 by April 15, 2025. See Form 204 for details. You do not have to include a copy of the extension with your return when you file, but make sure that you check box **82F** (above your name) on page 1 of the return. If you must make a payment, use Arizona Form 204, or visit www.AZTaxes.gov to make an electronic payment.
- *Use your federal extension* (federal Form 4868). File your Arizona return by the same due date. You do not have to include a copy of your federal extension with your return, but make sure that you check box **82F** (above your name) on page 1 of the return.

When Should You File if You Are a Nonresident Alien?

As a Nonresident Alien, do not file Form 140 or Form 140PY. Use Form 140NR, Nonresident Personal Income Tax Return, to report your Arizona sourced income. File Form 140NR-SBI if you elect to report your Arizona sourced small business income on the Small Business Income Tax Return. See the instructions for Form 140NR for your filing due dates.

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 year return by April 15, 2025, your return will not be late. You may also use certain private delivery services designated by the Internal Revenue Service (IRS) to meet the “timely mailing as timely filed” rule. For more information, see “*Mailing Your Return*” at the end of these instructions.

Late Filing Penalty

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

Late Payment Penalty

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

Extension Underpayment Penalty

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

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

Interest

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

When Should You Amend a Return?

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

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

If the IRS makes a change to your federal taxable income for any year, you must report that change to Arizona. You must

file Form 140X within 90 days of the final determination of the IRS. You may use one of the following two options to report this change.

Option 1

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

Option 2

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

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

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

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

Do You Need to Make Arizona Estimated Payments in 2025?

You must make Arizona estimated income tax payments during 2025 if:		
	AND	AND
Your filing status is:	your Arizona gross income for 2024 was greater than:	your Arizona gross income for 2024 is greater than:
Single	\$ 75,000	\$ 75,000
Married filing joint	\$150,000	\$150,000
Married filing separate	\$ 75,000	\$ 75,000
Head of Household	\$ 75,000	\$ 75,000

If you met the income threshold for 2024, you must make estimated payments during 2024, unless you are sure you will not meet the threshold for 2024. As a part-year resident, your Arizona gross income is that part of your federal adjusted gross income that you must report to Arizona. Your Arizona gross income is on line 26 of the 2024 Form 140PY.

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

What if You Make Your Estimated Payments Late?

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

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

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

Line-by-Line Instructions

Tips for Preparing Your Return

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

Entering Your Name, Address, and SSN

DO YOU HAVE A COMPLICATED RETURN?

E-file makes filing a complex return simple!

For a list of approved software visit www.azdor.gov

E-file software offers:

- easy step-by-step instructions
- error detection before filing
- Easy form selection
- Maximum deductions

Lines 1, 2, and 3 -

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

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

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

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

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

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

Foreign Addresses

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

Last Name(s) Used in Last 4 Prior Years

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

Identification Numbers for Paid Preparers

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

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

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

Determining Your Filing Status

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

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

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

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

Box 4 - Married Filing Joint Return

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

You may file a joint return if you were married as of December 31, 2024. It does not matter whether or not you were living with your spouse. You may file a joint return, even if you and your spouse filed separate federal returns.

You may file a joint return if your spouse died during 2024 and you did not remarry in 2024. See page 2 of these instructions for details.

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

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

Box 4a - Injured Spouse Protection of Joint Overpayment

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

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

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

Box 5 - Head of Household Return

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

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

Box 6 - Married Filing Separate Return

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

If you were married as of December 31, 2024, you may choose to file a separate return. You may file a separate return, even if you and your spouse filed a joint federal return.

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

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

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

Box 7 - Single Return

If you are filing as single, check box 7.

Use this filing status if you were single on December 31, 2024. You are single if any of the following apply to you:

- You have never been married.
- You are legally separated under a decree of divorce or of separate maintenance.
- You were widowed before January 1, 2024, and you did not remarry in 2024, and you do not qualify to file as a qualifying widow or widower with dependent children on your federal return.

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

Exemptions - Boxes 8, 9, and 11a

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

Box 8 - Age 65 or Over

NOTE: *If a taxpayer’s 65th birthday was January 1, 2025 (born 1/1/1960), that person is considered to be age 65 at the end of 2024 for federal income tax purposes and likewise for Arizona income tax purposes.*

- If you are single or filing as head of household, enter "1" in box 8 if you were 65 or older in 2024 and not claimed as a dependent by another taxpayer.
- If you are married filing a joint return, enter "1" in box 8 if you were 65 or older and not claimed as a dependent by another taxpayer or your spouse was 65 or older in 2024 and not claimed as a dependent by another taxpayer. Enter "2" in box 8 if both you and your spouse were 65 or older in 2024 and neither of you are claimed as a dependent by another taxpayer.
- If you are married and filing a separate return, enter "1" in box 8 if you were 65 or older and not claimed by another taxpayer. You cannot take an exemption for your spouse. Your spouse, if 65 or older and not claimed by another taxpayer, may take this exemption on their own separate return.

Box 9 - Blind

If you or your spouse were partially blind as of December 31, 2024, you must get a statement certified by your eye doctor or registered optometrist that either:

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

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

- If you are single or filing as head of household, enter "1" in box 9 if you are totally or partially blind.
- If you are married filing a joint return, enter "1" in box 9 if you **or** your spouse is totally or partially blind.

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

- If you are married and filing a separate return, you may take an exemption for yourself if you are totally or partially blind. You may only claim an exemption for your spouse if your spouse is (1) totally or partially blind, (2) has no Arizona adjusted gross income for calendar year, and (3) is not a dependent of another taxpayer.

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

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

Box 11a - Qualifying Parents and Grandparents

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

You must complete the qualifying parent and grandparent section (lines 11b and 11c) on page 1 (and Part 2 on page 4, if more space is needed) before you can total your exemptions for qualifying parents and grandparents. **Be sure to check the box on page 1 indicating you are completing page 4.**

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

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

You may claim this exemption if **all** of the following apply (1-4):

1. The parent, grandparent, or great-grandparent was 65 years old or older during 2024.
2. The parent, grandparent, or great-grandparent lived in your principal residence for the entire taxable year.

If your parent or grandparent died during the taxable year, this requirement will still be met if he or she lived with you for the entire part of the year in which he or she was alive. Temporary absences by the parent or grandparent for

special circumstances, such as a hospice, hospital stay or care in a facility, count as time lived in the taxpayer’s principle residence.

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

To help you determine if you paid more than one-half of your parent or grandparent’s support during the taxable year, it is recommended that you review the department’s procedure, ITP 14-1, *Procedure for Determining Support for Purposes of the Parents and Grandparents Exemption Allowed under A.R.S. § 43-1023(C)* and complete the worksheet. Keep the worksheet for your records.

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

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

For more information regarding what the term “activities of daily living” means when determining an Arizona resident taxpayer’s eligibility for this exemption, see the department’s ruling, ITR 14-3, *“Activities of Daily Living” for the Purpose of the Exemption Allowed Under A.R.S. § 43-1023(C)*.

To help you determine if your parent or grandparent required assistance with activities of daily living to meet this requirement, it is recommended that you review the department’s procedure, ITP 14-2, *Procedure for Determining Whether a Parent or Grandparent Requires Assistance with Activities of Daily Living for Purposes of the Exemption Allowed under A.R.S. § 43-1023(C)* and complete the checklist. Keep the checklist for your records.

Lines 11b and 11c

For each qualifying parent and grandparent, enter the following information:

- a) first and last name;
- b) SSN;
- c) relationship to taxpayer;
- d) the number of months this person lived in your home;
- e) check this box if the person is age 65 or over;
- f) check this box if the person died in 2024.

You may lose the exemption for qualifying parents or grandparents if you do not furnish this information. Enter the total number of qualifying parents/grandparents in box 11a.

Dependents – Boxes 10a and 10b

Boxes 10a and 10b

Boxes 10a and 10b identify the *number* of your qualifying dependents that are either under the age of 17 (box 10a) or age 17 and over (box 10b). This information is used to compute the

allowable Dependent Tax Credit. Include only those dependents in box 10a or 10b that you are using to compute the allowable Dependent Tax Credit on line 59.

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

Lines 10c and 10d

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

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

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

Temporary absences: Your child or dependent is considered to have lived with you during periods of time when temporarily absent due to special circumstances such as illness, education, business, or vacation. Your child is also considered to have lived with you during any required hospital stay following birth, as long as the child would have lived with you during that time but for the hospitalization.

- e) - check box 1 (for box 10a) if this person is under the age of 17; or
- check box 2 (for box 10b) if this person is age 17 or over; *and*
- f) check the box if you did not claim this person on your federal return due to educational credits.

NOTE: *If you did not claim a dependent who is a student on your federal return in order to allow the student to claim a federal education credit on the student’s federal return, you may still claim the dependent on your Arizona return. For more information, see the department’s ruling, ITR 05-2, Will Arizona Allow a Dependent Exemption When a Taxpayer Does Not Claim Federal Exemption in Order to Claim the Education Credit?*

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

Reporting Your Residency Status

Check the appropriate box.

Box 12 - Part-Year Resident Other than Active Military

Check box 12 if you were an Arizona resident for part of 2024 and were not an active duty military member.

Box 13 - Part-Year Resident Active Military

Check box 13 if you were an active duty military member who either began or gave up Arizona residency during 2024.

Line 14 - Dates of Arizona Residency

If you became an Arizona resident during 2024, enter the date that you became an Arizona resident. If you gave up your Arizona residency during 2024, do both of the following:

1. Enter the date you became an Arizona resident.
2. Enter the date you gave up your Arizona residency.

Enter the name of the other state(s) of residency in the space provided or the name of the foreign country, if applicable.

Determining Arizona Income

Use lines 15 through 26 to determine what portion of your total income is taxable by Arizona.

You must complete your federal return before completing your Arizona return. You must complete a 2024 federal return to determine your federal adjusted gross income, even if not filing a federal return.

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

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

FEDERAL Column

Enter the actual amounts shown on your 2024 federal income tax return in the FEDERAL column. Complete lines 15 through 25. Line 25 should equal the federal adjusted gross income shown on your 2024 federal Form 1040 or Form 1040NR.

ARIZONA Column

Enter that portion of your federal income received while you were an Arizona resident in the ARIZONA column. For example, if you became an Arizona resident on June 30, enter all income you received from that day to December 31, 2024.

NOTE: If you also have Arizona source income for the portion of the taxable year you were an Arizona nonresident, also include that source income on the appropriate line in the ARIZONA column.

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

As a part-year resident, your Arizona gross income may include some of these losses. For the part of the year you were an Arizona resident, you may consider any passive losses that arose while an Arizona resident. For the part of the year you were an Arizona nonresident, you may consider only those passive losses that arose from Arizona sources. Your 2024 Arizona gross income can include only losses you used on your 2024 federal return.

The following instructions apply to the ARIZONA column.

Line 15 - Wages, Salaries, Tips, etc.

Enter all amounts received while an Arizona resident. Also enter all amounts received from Arizona employment during the part of the year you were an Arizona nonresident.

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

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

NOTE: Do not include active duty military pay for the part of the year you were a nonresident.

Line 16 - Interest

Enter all amounts received while an Arizona resident.

You must also enter any interest income derived from Arizona sources during the part of the year you were an Arizona nonresident. Interest income from Arizona sources is interest income that has acquired an Arizona business situs.

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

Be sure you add the amount you received while an Arizona resident from non-Arizona municipal bonds to your income on line 30, *Other Additions to Income*.

Line 17 - Dividends

Enter all amounts received while an Arizona resident.

You must also enter any dividends derived from Arizona sources during the part of the year you were an Arizona nonresident. Dividend income from Arizona sources is dividend income that has acquired an Arizona business situs.

Line 18 - Arizona Income Tax Refunds

Enter the amount of Arizona income tax refunds received in 2024 that you included in your federal adjusted gross income.

Line 19 - Business Income or (Loss)

Enter any business or farm income or (loss) incurred while you were an Arizona resident. Also enter income or (loss) derived from Arizona businesses during the part of the year you were an Arizona nonresident.

For the period while a nonresident, income earned by a nonresident who is a sole owner of a qualifying out-of-state business, from performing qualified disaster recovery work

during a disaster period, is exempt from Arizona income tax. Exclude this income from line 19 in the Arizona column.

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

Line 20 - Gains or (Losses)

Only enter those gains or (losses) used to determine the amount reported on the Capital Gain or (Loss) line on page 1 of your federal return. **This amount should be reported in your federal adjusted gross income.**

In the Arizona column, enter the amount of net gain or (loss) on line 20 *only* from the following:

- Any gain or (loss) on property sold while an Arizona resident if you included the amount as income on your 2024 federal return.
- Any gain or (loss) on sales of Arizona property (Arizona sources) during the part of the year you were an Arizona nonresident.

NOTE: *If you reported the maximum allowable net capital (loss) for the current taxable year on your federal return, enter the total amount of net capital loss from all property sold while a resident and net capital loss from all property sourced to Arizona during the part of the year you were an Arizona nonresident used to compute the allowable net capital loss claimed on your federal return.*

For example: A single taxpayer has a \$3,000 capital gain from property sold in State XYZ of which \$1,000 was earned while an Arizona resident and \$2,000 was earned during the period while a nonresident.

Taxpayer also had a (\$7,000) capital (loss) from Arizona property sold during the period while a resident in Arizona resulting in a (\$4,000) net federal capital loss. [$\$3,000 \text{ gain} - (\$7,000 \text{ loss}) = (\$4,000 \text{ net loss})$]

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

- For the current tax year: the part-year resident taxpayer would enter the loss actually used (\$5,000), for Arizona purposes, on line 20 of the Arizona column. [$(\$7000 \text{ loss less } \$1,000 \text{ loss carryforward} + \$1,000 \text{ gain earned while a resident}) = \$5,000 \text{ loss}$].
- Assuming taxpayer has no other gains or (losses) from non-Arizona sources, the taxpayer would enter the remaining Arizona sourced capital loss (\$1,000) on line 20, of the Arizona column in the year the carryforward amount is used for federal purposes

Line 21 - Rents, etc.

Enter income received from rents, royalties, partnerships, estates, trusts, small business corporations, etc., while an Arizona resident.

Also enter rents or royalties earned on Arizona properties during the part of the year you were an Arizona nonresident. Enter any income or (loss) derived from Arizona sources from partnerships, small business corporations, etc., during the part of the year you were an Arizona nonresident.

Line 22 - Other Income Reported on Your Federal Return

Enter other income shown on your federal return that you received while an Arizona resident. Other income may include alimony that is included in your computation of your federal taxable income, pensions, social security, unemployment, and lottery and gambling winnings. Include a schedule listing these other items. Also enter any other income derived from Arizona sources during the part of the year you were an Arizona nonresident.

Net Operating Losses

Arizona does not have specific provisions for calculating the net operating loss of an individual. Generally, the amount of net operating loss deduction included in your federal adjusted gross income is the amount allowable for Arizona purposes. However, there are instances when the amount allowable for Arizona purposes may be different.

As a part-year resident, Arizona recognizes that portion of the federal net operating loss which is attributable to income taxed by Arizona as the Arizona net operating loss.

As a part-year resident, include in Arizona gross income the amount of federal net operating loss carry forward or carryback attributable to Arizona unless any of the following apply:

- The net operating loss attributable to Arizona included in your federal adjusted gross income has already been deducted for Arizona purposes.
- The net operating loss included in your federal adjusted gross income was incurred from non-Arizona sources while a nonresident.

Enter the amount of net operating loss deduction included in your federal adjusted gross income that was attributable to income taxed by Arizona. Do not include any amount of the loss that has already been deducted for Arizona purposes.

For information on deducting a net operating loss carryback in cases where you did not make an election under Internal Revenue Code (IRC) § 172(b)(1)(H), see the department’s procedure, ITP 13-1, *Procedure for Individuals Deducting a Net Operating Loss Carryback*. If you made an election under IRC § 172(b)(1)(H), see the instructions for line 44, “Other Subtractions From Income.”

Line 23 - Total Income

Add lines 15 through 22 and enter the total.

Line 24 - Other Federal Adjustments

If any of the following are included in adjustments shown on your federal return, make an entry on this line as explained:

- IRA: Enter the amount actually paid while an Arizona resident for your IRA and/or your spouse’s IRA,
- Student loan interest: Enter the amount you paid while an Arizona resident.
- Self-employed SEP, SIMPLE and qualified plans: Enter the amount actually paid while an Arizona resident.
- Self-employment tax: Enter that portion of the self-employment tax that relates to self-employment income reportable to Arizona.
- Self-employed health insurance: Enter that amount of self-employed health insurance that was actually paid while an Arizona resident.
- Penalty on early withdrawal of savings: Multiply the federal deduction by the ratio of your Arizona interest to your federal interest.
- Alimony: Enter the amount actually paid while an Arizona resident and included in your computation of federal taxable income.
- Moving expenses: Enter the amount of moving expenses included in your federal adjusted gross income that you accrued and paid during the part of the year you were an Arizona resident.

NOTE: Do not enter any amounts for items 1 through 8 above unless you deducted these items in computing your federal adjusted gross income.

If your federal return shows other adjustments to income, include your own schedule to show your calculation.

Line 25 - Federal Adjusted Gross Income

Subtract line 24 from line 23 in the FEDERAL column.

Line 26 - Arizona Gross Income

Subtract line 24 from line 23 in the ARIZONA column.

Arizona gross income is made up of the portion of the federal adjusted gross income earned by the taxpayer during the period of residency (regardless of source as long as taxable by Arizona) plus the Arizona source income earned during the portion of the year that the taxpayer was a non-resident.

Line 27 - Arizona Income Ratio

Divide line 26 by line 25, and enter the result on line 27. You must round your answer to **three** decimal places. This is your Arizona income ratio of your total income. **Do not enter more than 1.000.**

Do not include the percent sign (%) with the amount entered on line 27.

Examples							
Arizona Gross Income from line 26	Federal Adjusted Gross Income from line 25	Arizona income ratio					
\$ 17,516	\$ 32,000	$17,516/32,000 = .547375$ enter on line 28: <table border="1" style="display: inline-table; vertical-align: middle;"> <tr> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;">.</td> <td style="width: 20px; height: 20px;">5</td> <td style="width: 20px; height: 20px;">4</td> <td style="width: 20px; height: 20px;">7</td> </tr> </table>		.	5	4	7
	.	5	4	7			
\$ 25,650	\$ 92,100	$25,650/92,100 = .278501$ enter on line 28: <table border="1" style="display: inline-table; vertical-align: middle;"> <tr> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;">.</td> <td style="width: 20px; height: 20px;">2</td> <td style="width: 20px; height: 20px;">7</td> <td style="width: 20px; height: 20px;">9</td> </tr> </table>		.	2	7	9
	.	2	7	9			
\$ 10,000	\$ 9,000	$10,000/9,000 = 1.11111$ enter on line 28: <table border="1" style="display: inline-table; vertical-align: middle;"> <tr> <td style="width: 20px; height: 20px;">1</td> <td style="width: 20px; height: 20px;">.</td> <td style="width: 20px; height: 20px;">0</td> <td style="width: 20px; height: 20px;">0</td> <td style="width: 20px; height: 20px;">0</td> </tr> </table>	1	.	0	0	0
1	.	0	0	0			

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

Arizona Small Business Tax Return

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

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

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

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

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

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

Modified Arizona Gross Income

Line 28 - Small Business Income

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

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

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

Line 29 – Modified Federal Adjusted Gross Income

Subtract line 28 from line 26.

Additions to Income

NOTE:

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

As a part-year resident, include only those additions listed below that are from:

1. all sources during the period of residency; and
2. only those additions from Arizona sources during the period of non-residency.

Line 30 - Total Depreciation Included in Arizona Gross Income

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

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

Line 31 - Other Additions to Income

Use line 31 if any of the special circumstances below apply.

NOTE: If you are reporting any adjustment on line 31, complete page 5 of your tax return, Other Additions to Arizona Gross Income, and include it with your return. If are not reporting any adjustment on line 31, do not include page 5 with your return.

A. Non-Arizona Municipal Interest

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

Enter interest income earned from non-Arizona municipal bonds while an Arizona resident.

NOTE: You must reduce this addition by any interest or other related expenses incurred to purchase or carry the obligation. As a part-year resident, you must reduce the addition by the amount of those expenses attributable to income subject to Arizona tax. You may reduce the addition by those expenses that you could not deduct on your federal return.

B. Ordinary Income Portion of Lump Sum Distribution Excluded on Your Federal Return

Arizona law does not provide for averaging. Enter the amount of the distributions received while an Arizona resident and treated as ordinary income on your federal return. If you chose to treat the capital gain portion of the distributions as ordinary income, you must also include that amount on line 31. For more information, see the department’s ruling, ITR 93-5, *Arizona’s Income Tax Treatment of the Capital Gain Portion of a Lump Sum Distribution from a Qualified Retirement Plan*.

C. Fiduciary Adjustment - Form 141AZ Schedule K-1 and/or Schedule K-1(NR)

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

A fiduciary uses Arizona Form 141AZ Schedule K-1 and/or Schedule K-1(NR) to report to you your share of the fiduciary adjustment from the trust or estate. Line 3 of Form 141AZ Schedule K-1 or K-1(NR) shows your share of the fiduciary adjustment from the estate or trust. Depending on your situation, you may either add (line 31) or subtract (line 44) this amount.

If the amount reported on line 3 of your Form 141AZ Schedule K-1 or Schedule K-1(NR) is a positive number, enter that portion of line 3 that is allocable to estate or trust income taxable by Arizona as an addition on line 31.

NOTE: *If the amount on line 3 of your Form 141AZ Schedule K-1 or K-1(NR) is a negative number, enter that portion of line 3 that is allocable to estate or trust income taxable by Arizona as a subtraction on line 44.*

D. Partnership Income Adjustment (Positive)

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

Depending on your situation, you may either add (line 31) or subtract (line 44) this amount.

Use this adjustment if line 3 of your 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 portion of the difference that is allocable to partnership income taxable by Arizona as an addition on line 31.

NOTE: *If the difference reported on line 3 of your Arizona Form 165 Schedule K-1, is a negative number, include that portion of the difference that is allocable to partnership income taxable by Arizona as a subtraction on line 44.*

E. Items Previously Deducted for Arizona Purposes

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

F. Claim of Right Adjustment for Amounts Repaid in 2024

NOTE: *For items F and G; taxpayers that made the election to file an Arizona Small Business Income Tax Return in 2024, if the income required to be paid back under the claim of right is the type of income that would be included in lines 4 through 9 of the 140PY-SBI return if the income were reported in 2024, the adjustment should be made in the 140PY-SBI return. All other claim of right adjustments should be made on the regular 140PY return.*

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

1. During 2024, you were required to repay amounts held under a claim of right.
2. The amount required to be repaid was subject to Arizona income tax in the year included in income.
3. The amount required to be repaid during 2024 was more than \$3,000.
4. You took a deduction for the amount repaid on your 2024 federal income tax return.
5. The deduction taken on your federal income tax return is reflected in your Arizona taxable income.

If the above apply, include the amount deducted on your federal income tax return which is reflected in your Arizona taxable income.

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

G(a). Claim of Right Adjustment for Amounts Repaid in Prior Taxable Years

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

- During a year prior to 2024, you were required to repay income held under a claim of right.
- You computed your tax for that prior year under Arizona's claim of right provisions.
- A net operating loss or capital loss was established due to the repayment made in the prior year.
- You are entitled to take that net operating loss or capital loss carryover into account when computing your 2024 Arizona taxable income.
- The amount of the loss carryover included in your Arizona gross income is more than the amount allowed to be taken into account for Arizona purposes.

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

G(b). Adjustment for Net Operating Loss due to Claim of Right

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

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

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

If you claim a credit for an investment in a qualified small business on Form 338, you must adjust your basis in the investment by the amount of the credit claimed. You must report this difference in basis on the Arizona return that you file for the taxable year in which you sell or otherwise dispose of the investment. If you sold or otherwise disposed of the investment during the 2024 taxable year, include the amount by which the adjusted basis computed under the IRC with respect to that property exceeds the adjusted basis of the property computed under A.R.S. § 43-1074.02.

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

If you claim a credit for an agricultural pollution control equipment (Form 325), you must adjust your basis on the Arizona return that you file for the taxable year in which you sell or otherwise dispose of the equipment. If you sold or otherwise disposed of the investment during the 2024 taxable year, include the amount by which the adjusted basis computed under the IRC with respect to that property exceeds the adjusted basis of the property computed under A.R.S. § 43-1081.01.

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

If you claimed a credit for pollution control equipment (Form 315), you must adjust your basis on the Arizona return that you file for the taxable year in which you sell or otherwise dispose of the equipment. If you sold or otherwise disposed of the investment during the 2024 taxable year, include the amount by which the adjusted basis computed under the IRC with respect to that property exceeds the adjusted basis of the property computed under A.R.S. § 43-1081.

H(d). Addition Due to Claiming the Agricultural Water Conservation System (Credit 312)

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

H(e). Addition to S Corporation Income Due to Claiming the Pass-Through Credit for Agricultural Water Conservation System (Credit 312)

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

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

An S corporation that passes the following credits through to its shareholders must notify each shareholder of his or her pro rata share of the adjustment (Form 312-S, line 1). You must include an amount on this line when claiming the. Agricultural Water Conservation System Credit (Form 312).

I. Nonqualified Withdrawals from 529 College Savings Plans

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

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

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

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

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

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

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

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

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

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

K. Americans with Disabilities Act - Access Expenditures

If a subtraction is taken on line 44, *Other Subtractions from Income*, for the full amount of eligible access expenditures paid or incurred during the taxable year for Arizona properties to comply with the requirements of the Americans with Disabilities Act of 1990 or A.R.S. Title 41, chapter 9, article 8, any amount of eligible access expenditures that is recognized under the 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.

L. Amortization or Depreciation for Child Care Facility

You may need to make an addition for depreciation or amortization if you elected to amortize the cost of a child care facility under Arizona law in effect before 1990 and you are still deducting amortization or depreciation for that facility on your federal income tax return.

M. - Net Capital (Loss) from the Exchange of one kind of Legal Tender for Another kind of Legal Tender

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

NOTE: *If you elected to file the Arizona Small Business Income Tax Return, only claim the addition on this return if the net capital loss to which the addition relates was not moved to the Arizona Small Business Income Tax Return.*

To determine if you are required to make this addition to income, you must net **all** gains and (losses) from all exchanges of 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 from Arizona sources and included in Arizona gross income for the taxable year that is derived from the exchange of one kind of legal tender for another kind of legal tender.

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

For the purposes of this paragraph:

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

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

N. Entity-Level Income Tax Payment

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

If you are claiming the income tax credit on Form 355, *Credit for Entity-Level Income Tax Paid on Your Behalf from a Partnership and/or an S Corporation*, you must add the amount deducted by the partnership and/or S Corporation for the amount of Arizona income tax paid on your behalf in 2024.

Enter the total amount of tax paid shown on:

- Arizona Form 165, Schedule K-1, Part 7, lines 12 to 15.
- Arizona Form 120S, Schedule K-1, Part 5, lines 9 to 12.

NOTE: *Enter the tax amount actually paid by the Partnership or S Corporation in 2024. Tax amounts paid in 2025 for tax year 2024 will be added-back on your 2025 tax return. These payments include any 4th QTR estimated taxes paid in January 2025 and any 2025 tax payments made with the Entity's tax return on your behalf.*

O. Credit for Motion Picture Production Costs

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

If you are claiming a credit on Form 334, *Credit for Motion Picture Production Costs*, you must make an adjustment (addition) to your Arizona gross income for the amount of any

motion picture production costs that was deducted pursuant to the Internal Revenue Code (IRC) for which a tax credit is claimed on Form 334.

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

P. Other Adjustments Related to Tax Credits

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

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

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

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

Q. Other Adjustments

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

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

R. Total Other Additions to Arizona Gross Income

Add all amounts from page 5 and enter the total on line 31.

Line 32 - Subtotal

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

Subtractions from Income

NOTE:

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

As a part-year resident, include only those subtractions listed below that are from:

1. all sources during the period of residency; and
2. only those additions from Arizona sources during the period of non-residency.

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 on page 1.

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

Lines 33 through 37 - Net Capital Gain or (Loss)

NOTE: For lines 33-37; if you elected to file the Arizona Small Business Income Tax Return, only claim the subtraction on this return if the net capital gain to which the subtraction relates was not moved to the Arizona Small Business Income Tax Return.

If you have net capital gains or (losses) not related to small business income, enter those amounts on Form 140PY, lines 33-37.

If you are not filing a small business income tax return, include all allowable net capital gains or (losses) on Form 140PY, lines 33-37.

If you enter an amount on line 33, you must complete lines 34 and 35. If you do not complete lines 35 and 36, you cannot take the subtraction on line 37.

NOTE:

If you do not have any net capital gain or (loss) to report, enter zero, "0", on lines 33-36.

As a part-year resident, you may take the allowable subtraction on line 37 for:

- all qualified net long-term capital gains from federal Schedule D, **included in your federal adjusted gross income** while a resident; and
- **only** those qualified net long-term capital gains from federal Schedule D, **included in your federal adjusted gross income** from Arizona sources while a nonresident.

You may subtract 25% (.25) of qualifying Arizona net long-term capital gain **included in your federal adjusted gross income** that is derived from an investment in an asset acquired after

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

Line 33 - Total Arizona Net Capital Gain or (Loss)

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

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

Enter the amount included on line 33

NOTE: If you are not required to report dividend distributions and/or short-term capital gains from mutual funds on federal Form Schedule D, do not include the short-term capital gain distributed by the mutual fund on line 34.

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

Enter the amount included on line 33.

If your net long-term capital gain (loss) is limited to an amount reported on Form 1099-DIV and you were not required to complete federal Schedule D, enter the amount shown on Form 1099-DIV on line 35.

Line 36 - Net Long-Term Capital Gain from Assets Acquired After December 31, 2011

Enter the amount included in line 35 from assets acquired after December 31, 2011.

NOTE: Only include net long-term capital gains 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 have been acquired before January 1, 2012.

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

If you completed the worksheet, *Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired after December 31, 2011*, at the end of these instructions, enter the amount from line 5 of the worksheet.

If you did not complete the worksheet and you do not have any net long-term capital gains from assets acquired after December 31, 2011, enter zero, "0."

Line 37 - Net Long-Term Capital Gain Subtraction From Income for Assets Acquired After December 31, 2011.

Multiply the amount on line 36 by 25% and enter the result.

CAUTION: If you take a subtraction on line 38 that includes any long-term capital gain from an investment made in a qualified small business **after** December 31, 2011, you **cannot include** that portion in your computation of the allowable subtraction on line 37 for any net long-term capital gain from assets acquired after December 31, 2011, and included in federal adjusted gross income.

NOTE:

1099-DIV: If you received Form 1099-DIV issued from a fund Administrator and the 1099-DIV included long-term capital gains from the sale of assets within the fund (for example a mutual fund) for the current tax year and the form did not include the acquisition date of each asset sold within the fund, you cannot verify that the long-term capital gain was from an asset acquired by the Fund was after December 31, 2011, for the purpose of the allowable subtraction on line 37. In this case, you may want to contact the Fund Administrator and request to obtain the acquisition date of each asset sold within the fund. If the Administrator does not provide you with the specific date(s), then those assets cannot be included on line 36.

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

Line 38 - Net Capital Gain from Investment in a Qualified Small Business

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

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

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

To qualify for this subtraction, your investment in the qualified small business must have been made after the ACA certified the company as a qualified small business and before the company's certification expiration date. An investment made prior to certification or after the expiration of certification does not qualify for this subtraction. See the ACA's website, *Small Business Incentives: Angel Investment*, for a list of certified businesses and their certification dates.

On line 38, enter the amount of the allowable subtraction.

Line 39 -

Subtract lines 37 and 38 from line 32. Enter the difference.

Line 40 - Recalculated Arizona depreciation

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

As a part-year resident, you may take the allowable subtraction that is from the following:

- depreciation related **only** to income sourced to Arizona during the period that you were an Arizona nonresident; and
- depreciation related to all income during the period that you were an Arizona resident.

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

For assets placed in service during taxable year beginning from and after December 31, 2012, through December 31, 2013, enter the amount of the subtraction depends on the method you used to compute the depreciation for these assets. Enter the amount that is attributable to income taxable by Arizona.

NOTE: For more information, see the department's individual income tax procedure, ITP 16-2, Procedure for Individuals who Claim Federal and/or Arizona Bonus Depreciation.

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

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

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

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

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

Line 41 (Box 41a) - Contributions to 529 College Savings Plans

You may subtract amounts you contributed directly to 529 college savings plans during the taxable year on behalf of the designated beneficiary to the extent that contributions were not deducted in computing federal adjusted gross income. You may subtract the amount you contributed during the year up to a total of \$2,000 per beneficiary (\$4,000 for a married couple filing a joint return.) If you are married filing separate returns, either

you or your spouse may take the subtraction, or you may divide it between you, but the total subtraction taken by both of you cannot be more than \$4,000 per beneficiary.

If you contribute more than \$2,000 per beneficiary (\$4,000 if married) during the year, your total subtraction is limited to \$2,000 per beneficiary (\$4,000 if married).

For example: Jorge and Kate are married and have two children. During 2024, Jorge and Kate contributed \$5,000 to a 529 plan for Child 1 and \$5,000 to a 529 plan for Child 2. Even though Jorge and Kate contributed a total of \$10,000 during 2024, they may subtract only \$8,000 on their 2024 joint tax return.

You may take a subtraction for the following:

- A contribution that you made during 2024 to a plan that existed before 2024.
- A contribution that you made during 2024 to a plan established in another state.
- A contribution that you made in 2024 to any 529 college savings plan. This could be a plan established for a child, grandchild, niece, nephew, or any other person for whom a plan has been established.

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

Line 41 (Box 41b) - Contributions to 529A (ABLE Accounts)

You may subtract amounts you contributed directly to a 529A, *Achieving a Better Life Experience Account (ABLE)*, during the taxable year on behalf of the designated beneficiary to the extent that contributions were not deducted in computing federal adjusted gross income. You may subtract the amount you contributed during the year up to a total of \$2,000 per beneficiary (\$4,000 for a married couple filing a joint return.) If you are married filing separate returns, either you or your spouse may take the subtraction, or you may divide it between you, but the total subtraction taken by both of you cannot be more than \$4,000 per beneficiary.

If you contribute more than \$2,000 per beneficiary (\$4,000 if married) during the year, your total subtraction is still limited to \$2,000 per beneficiary (\$4,000 if married). See example under Line 41a.

Line 41c

Add the amounts in boxes 41a and 41b and enter the total in box 41c.

Line 42 - Interest on U.S. Obligations

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

Enter the amount of interest income from U.S. Government obligations included on line 16 in the ARIZONA column.

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 your Arizona gross income, you must reduce the subtraction by such expenses.

If you are itemizing deductions on your Arizona return, you must exclude such expenses from the amount deducted.

NOTE: Do not subtract interest earned on 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.

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 Obligation*; and ITR 96-3, *Distributions Comprised of Income Earned by the IRA*.

Line 43 - U.S. Social Security Benefits or Railroad Retirement Benefits

Arizona does not tax the following:

- Social security benefits received under Title II of the Social Security Act.
- Railroad retirement benefits received from the Railroad Retirement Board under the Railroad Retirement Act. If you included such social security or railroad retirement benefits on your federal return as income and also included this amount in the ARIZONA column on line 22, subtract this income on line 43.

Subtract only the amount you reported as income on your federal return and included on line 22 in the ARIZONA column.

For more information about railroad retirement benefits, see the department's ruling, ITR 16-1, *Railroad Retirement Benefits, Railroad Disability Benefits, Railroad Unemployment Benefits and Railroad Sickness Payments*.

Line 44 - Other Subtractions from Income

NOTE:

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

As a part-year resident, include only those subtractions listed below that are from:

1. all sources during the period of residency; and
2. only those additions from Arizona sources during the period of non-residency.

Use line 44 if any of the special circumstances below apply.

NOTE: *If you are reporting any adjustment on line 44, complete page 6 of your tax return, Other Subtractions from Arizona Gross Income, and include it with your return. If are not reporting any adjustment on line 44, do not include page 6 with your return.*

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

If you receive pension income from any of the sources listed below, subtract the amount you received or \$2,500, whichever is less. Include only the amount you reported as income on your federal return and included on line 22 in the ARIZONA column. If both you and your spouse receive such pension income, each spouse may subtract the amount received or \$2,500, whichever is less.

NOTE: *Do not enter any subtraction for pension income received from retired or retainer pay of the Uniformed Services. The allowable subtraction for this pension type is entered on line B.*

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
- any other retirement system or plan established by federal law

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

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

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

B. Exclusion for Benefits, Annuities, and Pensions Received as Retired or Retainer Pay of the Uniformed Services of the United States

If you received benefits, annuities and pensions as retired or retainer pay of the uniformed services of the United States, you may subtract 100% of the amount received. Include only the amount you reported as income on your federal return and included on line 22 in the ARIZONA column. If both you and your spouse received such pension income, each spouse may subtract 100% of the amount received.

C. Agricultural Crops Given to Arizona Charitable Organizations

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

Arizona law 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:

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

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

To determine if your crop contribution qualifies for this subtraction, see the department's procedure, ITP 12-1, *Establishing an Income Tax Subtraction for Agricultural Crops Contributed to Charitable Organizations.*

D. Certain Wages of American Indians

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

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

If you are a member of the reserves or the National Guard, you may subtract pay received for active service as a reservist or as a National Guard member, including pay received for weekend or two-week training periods. You may subtract the amount of pay received for active service as a reservist or as a National Guard member that you had to include in your Arizona gross income. Include only that amount of pay reported on your 2024 federal return that you also included on line 15 in the ARIZONA column.

Members of the U.S. armed forces may subtract pay received for active duty military service, including pay for serving in a combat zone or an area given the treatment of a combat zone. If you are a member of the U.S. armed forces, you may subtract the amount of pay received for active duty military service that you had to include in your Arizona gross income. Enter only that amount of pay reported on your 2024 federal return that you also included on line 15 in the ARIZONA column.

Military Technician (dual status)

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

For more information, see the department’s ruling, ITR 12-2, Compensation Received by a National Guard member or a member of the United States Reserves.

NOTE: You may not subtract pay received for active duty service as a member of the U.S. Public Health Service or NOAA. For more information, see the department’s ruling, ITR 10-1, Does the subtraction, for armed forces personnel, under A.R.S. § 43-1022 apply to Arizona residents who are active duty service members of the commissioned corps of the United States Public Health Service or the National Oceanic and Atmospheric Administration?

F. Federally Taxable Arizona Municipal Interest as Evidenced by Bonds

Include the amount of any interest income received on obligations of the State of Arizona or any political subdivisions of Arizona, as evidenced by bonds and if included in your Arizona gross income. Include only that amount of Arizona municipal interest income that you included on line 16 in the ARIZONA column.

Do not include any Arizona municipal interest that is exempt from federal taxation and not included in your federal adjusted gross income. For more information, see the department’s ruling, ITR 15-1, *Arizona Municipal Interest that is Included in Federal Adjusted Gross Income*.

G. Adoption Expenses

You may take this subtraction **only** in the year the final adoption order is granted. Include the lesser of the total of the following adoption expenses or \$ 40,000. When figuring your subtraction, you may include expenses incurred in prior years.

The following expenses are qualified adoption expenses:

- unreimbursed medical and hospital costs;
- adoption counseling;
- legal and agency fees; and
- other nonrecurring costs of adoption.

If filing separately, you may take the entire subtraction, or you may divide the subtraction with your spouse. However, the total subtraction taken by both you and your spouse cannot exceed \$ 40,000.

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

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

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

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

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

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

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

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

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

1. During a year prior to 2024 you were required to repay income held under a claim of right.
2. The amount required to be repaid was subject to Arizona income tax in the year included in income.
3. You computed your tax for that prior year under Arizona's claim of right provisions.
4. A net operating loss or capital loss was established due to the repayment made in the prior year.
5. You are entitled to take that net operating loss or capital loss carryover into account when computing your 2024 Arizona taxable income.
6. The amount of the loss carryover allowed to be taken into account for Arizona purposes is more than the amount included in your Arizona gross income.

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

J. Certain Expenses Not Allowed for Federal Purposes

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

- the federal work opportunity credit,
- the empowerment zone employment credit,

- the credit for employer-paid social security taxes on employee cash tips, and
- the Indian employment credit.

If you received any of the above federal tax credits for 2024, enter the portion of wages or salaries attributable to income subject to Arizona tax that you paid or incurred during the taxable year that is equal to the amount of those federal tax credits you received.

K. Qualified State Tuition Program Distributions

If you are a beneficiary of a qualified state tuition program, you may subtract some of the amount distributed from the program for qualified education expenses. Include the amount of the distribution included in your federal adjusted gross income that you included as income in the ARIZONA column. A qualified state tuition program is a program that meets the requirements of IRC § 529.

L. Installment Sale Income from Another State Taxed by the Other State in a Prior Taxable Year

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

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

Include the amount of such income that you included in your Arizona gross income for 2024.

Do not include any amount that is subject to tax by both Arizona and another state in 2024. In this case, you may be eligible for a tax credit. See Arizona Form 309 for details.

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

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

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 attributable to income taxable by Arizona with respect to that property on tax returns for all taxable years beginning from and after December 31, 1999, enter the amount of depreciation that has been allowed pursuant to IRC § 167(a) attributable to income taxable by Arizona 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 part-year resident may subtract only that amount that is attributable to income subject to Arizona tax.

N. Fiduciary Adjustment

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

A fiduciary uses Form 141AZ Schedule K-1 to report to you your share of the fiduciary adjustment from the trust or estate. Line 3 of Form 141AZ Schedule K-1 shows your share of the fiduciary adjustment from the estate or trust.

Depending on your situation, you may either add (line 30) or subtract (line 44) this amount. If the amount reported on line 3 of your Form 141AZ Schedule K-1 is a negative number, include that portion of Form 141AZ Schedule K-1, line 3 that is allocable to estate or trust income taxable by Arizona as a subtraction on line 44.

NOTE: *If the amount reported on line 3 of your Form 141AZ, Schedule K-1 is a positive number, include that portion of line 3 that is allocable to estate or trust income taxable by Arizona as an Other Additions to Income on line 31.*

O. Partnership Income Adjustment (Negative)

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

Depending on your situation, you may either add (line 31) or subtract (line 44) this amount.

Use this adjustment if line 3, of your 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 portion of the difference that is allocable to partnership income taxable by Arizona as a subtraction on line 44. **Do not include a minus sign or parentheses.**

NOTE: *If the difference reported on line 3, of your Arizona Form 165 Schedule K-1, is a positive number, include that portion of the difference that is allocable to partnership income taxable by Arizona as an addition on line 31.*

P. Net Operating Loss Adjustment

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

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

Arizona did not adopt the special federal net operating loss rules for losses incurred during 2008 or 2009. For Arizona purposes, you must deduct an Arizona source net operating loss as if the loss was computed under IRC § 172 in effect prior to the enactment of those special rules. If you made an election to deduct your 2008 or 2009 federal net operating loss under IRC § 172(b)(1)(H), you may have to enter an amount here. Figure how much of the net operating loss carry forward

would have been allowed as a deduction on your 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 is attributable to income taxed by Arizona. The amount you may take as a subtraction is the difference between the Arizona amount and the amount actually taken for federal purposes that you included in your Arizona gross income. On line 44, include the amount of carry forward deduction allowable on your Arizona return that exceeds the actual amount of net operating loss carry forward deduction that was deducted in arriving at Arizona gross income.

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

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

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

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

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

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

R. Long-Term Care Insurance Premiums

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

You may take this subtraction only if you are **not** claiming itemized deductions for the taxable year. An individual who claims itemized deductions may **not** take this subtraction.

You may only subtract the amount of premiums paid during the period you were an Arizona resident. Do not include the costs of any premiums paid during the period you were a nonresident. Include the allowable subtraction on line 44.

Do not include any amounts already excluded in the computation of your federal adjusted gross income on line 25.

S. Americans with Disabilities Act - Access Expenditures

If you are making the small business election and this subtraction is directly related to small business income

reported on Form 140PY-SBI, do not report the subtraction on Form 140PY, enter the subtraction on Form 140PY-SBI.

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 any of 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 A.R.S. Title 41, chapter 9, article 8 by either federal or state enforcement officials is ineligible for a subtraction under this section for any expenditure required to cure the cited violation.*

T. Exploration Expenses Deferred before January 1, 1990

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

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

U. Sole Proprietorship – Marijuana Establishment, Testing Facilities and Dual Licensees that Elected to Operate on a For-profit Basis

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

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

Enter the total amount of ordinary and necessary expenses related to the sales of recreational use products reported on Arizona Schedule DFE, *Disallowed Federal Expense Schedule for Marijuana Establishments*, line 16. **Include this schedule (after page 6) with your tax return, when filed.**

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

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

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

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

Enter the amount of your pro-rata share of ordinary and necessary expenses related to the sales of recreational use products shown on your 120S Schedule K-1, line 7.

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

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

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

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

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

For the purposes of this paragraph:

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

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

X(a) Virtual Currency and Non-Fungible Tokens

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

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

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

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

X(b) Gas Fees or Non-Fungible Token Basis

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

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

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

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

Y. Other Adjustments

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

Z. Total Other Subtractions from Arizona Gross Income

Add all amounts from page 6 and enter the total on line 44.

Line 45

Subtract lines 40 through 44 from line 39.

Exemptions – Lines 46 through 49

Line 46 - Age 65 or Over

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

Line 47 - Blind

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

Line 48 – Other Exemptions

NOTE: *If you take an Other Exemption for an individual on line 48, you cannot take an exemption for this individual as a qualifying parent/grandparent on line 49 or claim this individual for the dependent tax credit on line 59. In this case, do not include this individual as a dependent in Box 10b.*

You must complete page 4, Part 3 to compute your allowable Other Exemptions, on line 48. Be sure to enter the number of individuals listed in Part 3 in the box, **48E, on line 48.**

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

- A person who is age 65 or over (related to you or not) if either of the following applies:
 1. In 2024, you paid more than one-fourth of the cost of keeping this person in an Arizona nursing care institution, an Arizona residential care institution, or an Arizona assisted living facility. Your cost must be more than \$800.
 2. In 2024, you paid more than \$800 for either Arizona home health care or other medical costs for the person.

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

NOTE: *If a taxpayer’s 65th birthday was January 1, 2025 (born 1/1/1960), that person would be considered to be age 65 at the end of 2024 for federal income tax purposes and likewise for Arizona income tax purposes.*

- A stillborn child if the following apply:
 1. The stillbirth occurred during 2024.
 2. You received a certificate of birth resulting in stillbirth from the Arizona Department of Health Services.
 3. The child would have otherwise been a member of your household.

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

- a) The individual’s first and last name. If you are claiming an exemption for a stillborn child and the child was not named, enter “stillborn child” in place of a name.
- b) The individual’s SSN. If you are claiming an exemption for a stillborn child, enter the certificate number from the certificate of birth resulting in stillbirth.
- c) For those individuals age 65 or over:
 - Check box C1 if you paid more than one-fourth of the cost of keeping this person in an Arizona nursing care institution, an Arizona residential care institution, or an Arizona assisted living facility. Your cost must be more than \$800 during the taxable year;
 - Check box C2 if you paid more than \$800 for either Arizona home health care or other medical costs for the person during the taxable year.

*If you check both box C1 and box C2, you are limited to only **one** exemption of \$2,300 for this individual.*

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

Enter the total number of exemptions in box **48E** on line 48. **You may lose the exemption if you do not furnish this information.**

Multiply the number in box **48E** by \$2,300 and enter the result.

Line 49 - Qualifying Parents and Grandparents

NOTE: *If you take an exemption for an individual as a qualifying parent/grandparent on line 49, you cannot take an Other Exemption for the same individual on line 48 or claim this individual for the dependent tax credit on line 59. In this case, do not include this individual as a dependent in Box 10b.*

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

Line 50 - Total Exemptions

Add lines 46 through 49 and enter the total.

Line 51 - Prorated Exemptions

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

NOTE: Active Duty Military Personnel Only - *If you were an active duty military member who either began or gave up Arizona residency during 2024, do not prorate these exemptions. You are allowed 100 % deductions for the age 65, the blind, Other Exemptions, and qualifying parent and grandparent exemptions. Enter the total amount from line 50 on line 51.*

Line 52 - Arizona Adjusted Gross Income

Subtract line 51 from line 45. If less than zero, enter “0”.

Figuring Your Arizona Tax

Line 53 - Itemized Deductions or Standard Deductions

You must decide whether to take the standard deduction or to itemize your deductions. Your Arizona income tax will be less if you take the larger of your standard deduction or your itemized deductions.

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

Your Itemized Deductions

If you itemize deductions, check box 53I.

You may itemize deductions on your Arizona return even if you do not itemize deductions on your federal return.

The itemized deductions allowed for Arizona purposes are, with some exceptions, those itemized deductions that are allowable under the IRC.

A part-year resident who has no Arizona source income during the part of the year while an Arizona nonresident can deduct **all** of the following:

1. Those expenses incurred and paid during the part of the year while an Arizona resident.
2. Arizona source itemized deductions incurred and paid during the period of non-residency.

Complete Arizona Form 140PY Schedule A(PY) to determine your Arizona itemized deductions.

A part-year resident who also had Arizona source income during the part of the year while an Arizona nonresident can deduct all of the following:

1. Those expenses incurred and paid during the part of the year while an Arizona resident.
2. Arizona source itemized deductions incurred and paid during the period of non-residency.
3. A portion of all other itemized deductions paid during the period of non-residency.

Complete Form 140PY Schedule A(PYN) to determine your Arizona itemized deductions. Form 140PY Schedule A(PYN) is not included in your booklet.

You may get this form by visiting our website at www.azdor.gov.

To determine your Arizona itemized deductions, complete a federal Form 1040 Schedule A then complete the Form 140PY Schedule A(PY) or A(PYN).

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

For more information on itemized deductions allowed to a part-year Arizona resident, see the department’s ruling, ITR 94-10, *Part-Year Resident Deductions*.

Your Standard Deduction

Tax Tip: *The standard deduction is not prorated.*

If you take the standard deduction, check box 53S.

If your filing status is:	Your standard deduction is:
• Single	\$ 14,600
• Married filing joint	\$ 29,200
• Married filing separate	\$ 14,600
• Head of Household	\$ 21,900

NOTE: *A surviving spouse shall be considered as married at the close of the taxable year if his or her spouse died during the taxable year and the taxpayer would have been considered married at the date of the death of such spouse. If you and your deceased spouse would have filed a joint tax return for tax year 2024, enter \$29,200 on line 43. If you and deceased spouse would have filed separate tax returns for tax year 2024, enter \$14,600 on line 43.*

Line 54 - Increased Standard Deduction for Charitable Contributions

A taxpayer may increase the allowable standard deduction amount equal to 33% (.33) of the total amount of a taxpayer’s charitable contributions that would have been allowed if the taxpayer elected to claim itemized deductions.

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

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

Line 55 - Arizona Taxable Income

Subtract lines 53 and 54 from line 52 and enter the difference. If less than zero, enter zero “0.”

Line 56 - Tax Amount

Multiply line 55 by 2.5% (.025) and enter the result.

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

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

Line 58 - Subtotal of Tax

Add lines 56 and 57. Enter the total.

Line 59 - Dependent Tax Credit

NOTE: *If you claim an individual for the dependent tax credit on line 59, you cannot take an exemption for the same individual as a qualifying parent/grandparent on line 49 or as an Other Exemption on line 48.*

For taxable years beginning from and after December 31, 2018, taxpayers may claim a nonrefundable Dependent Tax Credit for certain qualifying dependents. For the purpose of the dependent tax credit, “dependent” means an individual that qualifies as a dependent for federal purposes.

The tax credit is equal to:

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

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

NOTE: Active Duty Military Personnel Only - *If you were an active duty military member, who either began or gave up Arizona residency during 2024, you are not required to prorate this tax credit. Enter 1.000 in Table 1, line 4.*

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

Complete the following tables to compute your credit.

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

All taxpayers go to Table II.

Table II		
If your filing status is single, married filing separate, or head of household, is your federal adjusted gross income on page 1, line 25, more than \$200,000?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
If your filing status is married filing joint, is your federal adjusted gross income on page 1, line 25, more than \$400,000?	Yes <input type="checkbox"/>	No <input type="checkbox"/>

- If you answered “No”, you are not required to reduce the amount of credit computed in Table I. Enter the amount from Table I, line 5 on Form 140PY, page 2, line 59.
- If you answered “Yes”, you are required to reduce the amount of credit computed in Table I.

Complete Table III or Table IV.


Table III 2024 Adjusted Dependent Tax Credit For filing status: single, married filing separate, or head of household	
1. Enter your federal adjusted gross income from page 1, line 25.....	\$.00
2. Federal adjusted gross income limit.....	\$ 200,000.00
3. Subtract line 2 from line 1. Enter the difference..... <i>If the difference is greater than \$19,000, STOP. You cannot claim the dependent tax credit.</i>	\$.00
4. Enter amount from Table I, line 5, column (d).....	\$.00
5. Based on the amount on line 3, enter the number from Table V. For example: if line 3 is \$1,500, enter .90	
6. Multiply line 4 by line 5. Enter the result. Also, enter the amount on page 2, line 59.....	\$.00

Table IV 2024 Adjusted Dependent Tax Credit For filing status: married filing joint	
1. Enter your federal adjusted gross income from page 1, line 25.....	\$.00
2. Federal adjusted gross income limit.....	\$ 400,000.00
3. Subtract line 2 from line 1. Enter the difference..... <i>If the difference is greater than \$19,000, STOP. You cannot claim the dependent tax credit.</i>	\$.00
4. Enter amount from Table I, line 5, column (d).....	\$.00
5. Based on the amount on line 3, enter the number from Table V. For example: if line 3 is \$1,500, enter .90	
6. Multiply line 4 by line 5. Enter the result. Also, enter the amount on page 2, line 59.....	\$.00

Use Table V, to determine number to enter on line 5, in Table III or Table IV.

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

Line 60 - Family Income Tax Credit

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

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

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

Step 1

Complete Worksheet I.

Worksheet I	
1. Enter the amount from line 52.....	\$
2. Enter the amount from line 51.....	\$
3. If you elected to report your small business income on Form 140PY-SBI, enter the amount from Form 140PY, line 28.....	
4. Add lines 1, 2 and 3. Enter the total.	\$

Table I Married Filing a Joint Return	
Column (a)	Column (b)
Number of dependents you are claiming on Form 140PY, page 1, boxes 10a and 10b, and claiming as a qualified parent/grandparent in box 11a, provided that person(s) qualifies as a dependent for federal purposes.	Maximum Income
• 0 or 1	\$20,000
• 2	\$23,600
• 3	\$27,300
• 4 or more	\$31,000

Step 2

Look at the following tables. Find your filing status.

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

Step 3

- Look at column (a) labeled "number of dependents" and find the number of dependents you are claiming (Form 140PY, page 1, boxes 10a and 10b, and claiming as a qualified parent/grandparent in box 11a, provided that person(s) qualifies as a dependent for federal purposes.
- Find the maximum income [amount in column (b)] for the number of dependents you are claiming.
- Compare that income [the amount in column (b)] with the income listed in Step 1 on Worksheet I, line 4.

If the amount entered in Step 1 on Worksheet I, line 4, is equal to or less than the maximum income allowed for the number of dependents you are claiming on Form 140PY, page 1, boxes 10a and 10b, you qualify to take this credit. To figure your credit, complete Step 4.

Table II Head of Household	
Column (a)	Column (b)
Number of dependents you are claiming on Form 140PY, page 1, boxes 10a and 10b, and claiming as a qualified parent/grandparent in box 11a, provided that person(s) qualifies as a dependent for federal purposes.	Maximum Income
• 0 or 1	\$20,000
• 2	\$20,135
• 3	\$23,800
• 4	\$25,200
• 5 or more	\$26,575

Table III Single or Married Filing a Separate Return	
Column (a)	Column (b)
Number of dependents you are claiming on Form 140PY, page 1, boxes 10a and 10b, and claiming as a qualified parent/grandparent in box 11a, provided that person(s) qualifies as a dependent for federal purposes.	Maximum Income
0 or more	\$10,000

Step 4

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

Worksheet II You must complete Steps 1 through 3 before you complete Worksheet II.	
1. Enter the number of dependents you entered on Form 140PY, page 1, boxes 10a and 10b, and claiming as a qualified parent/grandparent in box 11a, provided that person(s) qualifies as a dependent for federal purposes.	
2. If you checked filing status 4, enter the number 2. If you checked filing status 5, 6, or 7, enter the number 1.	
3. Add lines 1 and 2. Enter the total.	
4. Multiply the number on line 3 by \$40. Enter the result.	\$.00
5. If you checked filing status 4 or 5, enter \$240 here. If you checked filing status 6 or 7, enter \$120 here.	\$.00
6. Family income tax credit. Enter the lesser of line 4 or line 5. Enter amount on Form 140PY, page 2, line 60.	\$.00
NOTE: The family income tax credit will only reduce your tax and cannot be refunded.	

Line 61 - Nonrefundable Credits from Arizona Form 301

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

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

Complete line 61 if you claim any of the following credits on Form 140PY. Complete and include Form 301 and the appropriate credit form or forms with your return.

Credit for Increased Research Activities - Individuals You may qualify for this credit if you incurred qualified research expenses for research conducted in Arizona. Use Form 308-I to figure this credit. Be sure to include only the nonrefundable portion on Form 140PY, line 61.

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

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

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

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

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

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

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

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

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

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

Credit for Business Contributions by an S Corporation to School Tuition Organizations - Individual

S corporations that make qualifying contributions of \$5,000 or more may pass-through the credit to their individual shareholders on a pro rata basis. See Form 335-I for more information.

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

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

Credit for Business Contributions by an S Corporation to School Tuition Organizations for Displaced Students or Students with Disabilities - Individual S corporations that make qualifying contributions of \$5,000 or more may pass-through the credit to their individual shareholders on a pro rata basis. See Form 341-I for more information.

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

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

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

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

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

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

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

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

Total Credits Compute your credit on the appropriate form. Complete Form 301 and enter the amount from Form 301, Part 2, line 62. The amount on Form 140PY, line 61 cannot reduce your tax below zero, "0". These credits are not refundable credits.

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

Line 62 - Balance of Tax

Subtract lines 59, 60, and 61 from line 58. If the sum of lines 59, 60, and 61 is more than line 58, enter zero "0."

Totaling Payments and Refundable Credits

Line 63 - 2024 Arizona Income Tax Withheld

Enter the Arizona income tax withheld as shown on Form(s) W-2 from your employer(s). Also enter the Arizona income tax withheld shown on your Form(s) 1099-R (distributions from pensions, annuities, etc.). Include Form(s) W-2 and 1099 after the last page of your return only if these forms show Arizona income tax withholding. **Do not include income taxes withheld by any other state.**

Line 64 - (Boxes a, b and c) - 2024 Arizona Estimated Tax Payments Including Amount Applied from Your 2023 Return; and Arizona Claim of Right

Use this line if you did any of the following:

- made estimated income tax payments to Arizona for tax year 2024;
- applied any of your refund from your 2023 Arizona tax return to 2024 estimated taxes for Arizona; or
- recomputed a prior year's tax under Arizona's Claim of Right provisions.

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

Box 64a: Enter the total amount of estimated taxes paid and/or applied to your 2024 taxes.

NOTE: *If you are married and made joint Arizona estimated payment for 2024, but are filing separate 2024 Arizona income tax returns, see the department's ruling ITR 02-3, Allocating Joint Estimated Payments to Separate Returns.*

Box 64b: Enter the amount from your *Arizona Claim of Right - Individual* form, line 8.

If you completed more than one Claim of Right form for the current taxable year, add all amounts on line 8 and enter the total in box 64b.

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 64c: Add the amounts in box 64a and box 64b and enter the total on line 64c.

Line 65 - 2024 Arizona Extension Payment (Form 204)

Use this line to report the payment you sent with your 2024 extension request or the electronic extension payment you made using www.AZTaxes.gov.

Line 66 - Increased Excise Tax Credit

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

- You must have an SSN that is valid for employment.
- You meet the income threshold for your filing status.
- If you are married filing a joint return, or a head of household, you may take this credit if the amount on Form 140PY, page 1, line 25 is \$25,000 or less.
- If you are single or married filing a separate return, you may claim this credit if the amount on Form 140PY, page 1, line 25 is \$12,500 or less.
- You are not claimed as a dependent by any other taxpayer.
- You were not sentenced for at least 60 days of 2024 to a county, state, or federal prison.

If you are married filing a joint return, you may also claim a credit for your spouse. Your spouse must have either a valid SSN or an ITIN.

NOTE: *If you are filing a joint return with your spouse and your spouse was sentenced for at least 60 days during 2024 to a county, state or federal prison, you may claim the Excise Tax Credit if you otherwise qualify to claim the credit, but you cannot claim the credit for your spouse. If your spouse has a valid SSN, but you do not, neither you nor your spouse can claim this credit.*

For more information about how incarceration affects this credit, see the department’s publication, Pub. 709, *Excise Tax Credit – How Does Incarceration Affect Eligibility*. If you also claim a credit for your qualifying children, your qualifying children must have either a valid SSN or an ITIN.

To figure your credit, complete the following worksheet.

Credit for Increased Excise Taxes Worksheet		
If you checked filing status 4 or 5, is the amount on Form 140PY, line 25 \$25,000 or less? If you checked filing status 6 or 7, is the amount on Form 140PY, line 25 \$12,500 or less?	Check one	
	Yes	No
If you checked no, STOP. You do not qualify for this credit. If you checked yes, complete the rest of this worksheet.		
1. Enter the number of dependents you entered on Form 140PY, page 1, boxes 10a and 10b, and claiming as a qualified parent/grandparent in box 11a, provided that person(s) qualifies as a dependent for federal purposes. Exclude any dependent that is not an Arizona resident.		
2. If you checked filing status 4, enter the number 2 here. If you checked filing status 5, 6, or 7, enter the number 1.		
3. Add lines 1 and 2. Enter the total.....		
4. Multiply the number on line 3 by \$25. Enter the result.....	\$.00
5. Maximum Credit	\$	100.00
6. Enter the smaller of line 4 or line 5 here and also on Form 140PY, page 2, line 66.	\$.00

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

For more information about this credit, see the department’s publication, Pub. 709.

Line 67- Other Refundable Credits

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

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

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

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

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

You must include a copy of your “Certificate of Qualification” from the Arizona Commerce Authority (ACA), Form 301 and Form 308-I with your return to claim this credit. If you are claiming a refund of the increased research activities credit from Form 308-I, enter the amount from Form 308-I, Part 7, line 38 on line 67.

Credit for Motion Picture Production Costs (Arizona Form 334)

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

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

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

Credit for Qualified Facilities (Arizona Form 349)

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

You must include a copy of your “Certificate of Qualification” from the ACA and Form 349 with your tax return to claim this credit. If you are claiming a refund of the qualified facilities credit from Form 349, enter the amount from Form 349, Part 8, line 20, on line 67.

If you are claiming more than one of the refundable tax credits, add the amounts from the credit forms together and enter the total on line 67. You may use the following table to figure the amount to enter on line 67.

2024 - Refundable Credit Worksheet	
1. Enter the refundable credit from Form 308-I, Part 7, line 38.....	
2. Enter the refundable credit from Form 334, Part 1, line 6.	
3. Enter the refundable credit from Form 349, Part 8, line 20.....	
4. Add the amounts on lines 1, 2 and 3. Enter the total here and on line 67.	

Line 68 - Total Payments and Refundable Credits

Add lines 63 through 67. Enter the total.

Figuring Your Tax Due or Overpayment**Line 69 - Tax Due**

If line 62 is larger than line 68, you have tax due. Subtract line 68 from line 62. Skip lines 70, 71, and 72.

Line 70 - Overpayment

If line 68 is larger than line 62, subtract line 62 from line 68. Enter the overpayment. Complete lines 71 and 72.

Line 71 - Amount of Line 70 to Apply to 2025 Estimated Tax

If you want all or part of your refund applied to next year's Arizona estimated taxes, enter that amount on line 71.

NOTE: *If you apply any of the amount shown on line 70 to 2025, you cannot use that amount to pay any tax that is later found to be due for 2024. You also may not claim a refund for that amount until you file your 2025 return.*

Line 72 - Balance of Overpayment

Subtract line 71 from line 70 to determine your overpayment balance before voluntary gifts and estimated payment penalty.

Making Voluntary Gifts

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

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

Line 73 - Solutions Teams Assigned to Schools Fund

You may give some or all of your refund to the Solutions Teams Assigned to Schools Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 89. Enter the amount you want to donate on line 73.

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

Line 74 - Arizona Wildlife Fund

You may give some or all of your refund to the Arizona Wildlife Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 89. Enter the amount you want to donate on line 74.

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

Line 75 - Child Abuse Prevention Fund

You may give some or all of your refund to the Arizona Child Abuse Prevention Fund. You may also give more than your entire refund. If you send in additional money with your

return, include that amount on line 89. Enter the amount you want to donate on line 75.

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

Line 76 - Domestic Violence Services Fund

You may give some or all of your refund to the Domestic Violence Services Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 89. Enter the amount you want to donate on line 76.

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

Line 77 - Political Gift

You may give some or all of your refund to a political party. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 89. Enter the amount you want to donate on line 77.

If you donate to a political party, complete line 84.

Gifts go to one of the following political parties:

- Democratic
- Libertarian
- Republican

Line 78 - Neighbors Helping Neighbors Fund

You may give some or all of your refund to the Neighbors Helping Neighbors Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 89. Enter the amount you want to donate on line 78.

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

Line 79 - Special Olympics Fund

You may give some or all of your refund to the Special Olympics Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 89. Enter the amount you want to donate on line 79.

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

Line 80 - Veterans' Donations Fund

You may give some or all of your refund to the Veterans' Donations Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 89. Enter the amount you want to donate on line 80.

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

Line 81 - I Didn't Pay Enough Fund

You may give some or all of your refund to the I Didn't Pay Enough Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 89. Enter the amount you want to donate on line 81.

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

Line 82 - Sustainable State Parks and Roads Fund

You may give some or all of your refund to the Sustainable State Parks and Roads Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 89. Enter the amount you want to donate on line 82.

Gifts that you make to the Sustainable State Parks and Roads Fund will aid the state to operate, maintain, and make capital improvements to buildings, roads, parking lots, highway entrances and any related structure used to operate state parks.

Line 83 - Spaying and Neutering of Animals Fund

You may give some or all of your refund to the Spaying and Neutering of Animals Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 89. Enter the amount you want to donate on line 83.

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

Line 84 - Political Party

If you entered an amount on line 77, check the box for the political party to which you wish to give. Select only one party. If you do not select a political party, the department will return the amount on line 77.

Line 85 - Estimated Payment Penalty

Do **not** complete Arizona Form 221, Underpayment of Estimated Tax by Individuals, if the amount on Form 140PY, line 64 is more than the amount on Form 140PY, line 62. Skip line 85.

You must have made Arizona estimated income tax payments during 2024 if:		
Your filing status is:	AND Your Arizona gross income for 2023 was greater than:	AND Your Arizona gross income for 2024 is greater than:
Single	\$ 75,000	\$ 75,000
Married filing Joint	\$ 150,000	\$ 150,000
Married filing separate	\$ 75,000	\$ 75,000
Head of Household	\$ 75,000	\$ 75,000

If you report as a farmer or fisherman for federal purposes, you were not required to make estimated payments during 2024 if either of the following apply:

1. *You are a calendar year filer.* You file your Arizona return by March 1, 2025. You pay in full the amount stated on your return as owed.
2. *You are a fiscal year filer.* You file your Arizona return by the first day of the third month after the end of your fiscal year. You pay in full the amount stated on your return as owed.

If the above applies, check box 862 on line 86 and do not complete Form 221.

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

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

Line 86 - Box 861 through Box 863

Box 861: check if any of the following applies to you:

- You checked the box on line 1 of Form 221.
- You completed the annualized income worksheet on Form 221.
- You elected to be treated as a nonresident alien on your federal income tax return. You made three estimated payment installments. Your first installment equaled 50% of the total of all of your required installments.

Box 862: check if you are an individual who for federal purposes reports as a farmer or fisherman.

Box 863: check if you completed and are including Arizona Form 221.

Line 87

Add lines 73 through 83 and line 85 and enter the total.

Figuring Your Refund or Amount Owed



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

Line 88 - Refund

Subtract line 87 from line 72. Enter your refund on line 88 and skip line 89. If you owe money to any Arizona state agency, court, county, incorporated city or town and certain federal agencies, your refund may go to pay some of the debt. If so, the department will let you know by letter.

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

Direct Deposit of Refund

Complete the direct deposit line if you want us to directly deposit the amount shown on line 88 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 88A if the direct deposit will ultimately be placed in a foreign account. If you check box 88A, do not enter your routing or account numbers. If this box is checked, we will not direct deposit your refund. We will mail you a check instead.

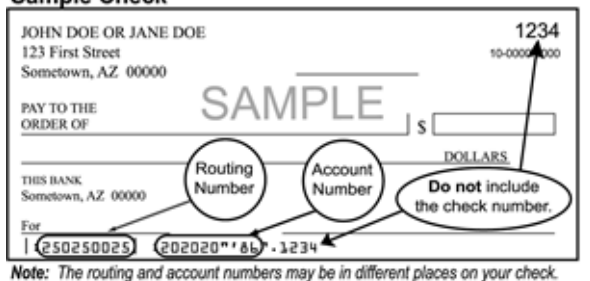
Why Use Direct Deposit?

- You will get your refund fast - even faster if you e-file!
- Payment is more secure - there is no check to get lost.
- It is more convenient - no trip to the bank.
- 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

Sample Check



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

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

Line 89 - Amount Owed

Add lines 69 and 87. Enter the amount you owe on line 89. If you are making voluntary gifts on lines 73 through 83 in excess of your overpayment, enter the difference on line 89.

You may pay only with a check, electronic check, money order, direct debit through your software vendor or credit card. If you want to make a cash payment, please visit one of our offices.

Check or money order

NOTE: Include your check with your return. Please do not send cash.

Make your check payable to Arizona Department of Revenue. Write your SSN, Form 140PY and tax year on the front of your check or money order. It may take 2-3 weeks for your payment to process.

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

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

Electronic payment from your checking or savings account

You can make an electronic payment from your checking or savings account to pay your balance due for 2024. There is no fee to use this method. To make an electronic payment, go to www.AZTaxes.gov and click on the "Make a Payment" link.

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

The "E-Check" option in the "Payment Method" drop-down box will debit the amount from the checking or savings account that you specify.

If you make an electronic payment from your checking or savings account, you will receive a confirmation number.

Please keep this confirmation number as proof of payment.

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

Credit card payment

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

The provider will tell you what the fee is during the transaction; you will have the option to continue or cancel the transaction. If you complete the credit card transaction, you will receive a confirmation number. **Please keep this confirmation number as proof of payment.**

Installment Payments

If you cannot pay the full amount shown on line 89 when you file, you may request to make monthly installment payments. All payment arrangements for individual income tax can be made online at www.AZTaxes.gov, please select the “*Request A Payment Plan*” option under the Individual Income section. If you cannot pay the full amount shown on line 89, you will be charged interest and may be charged a late payment penalty on the tax not paid by April 15, 2024. To limit the interest and penalty charges, pay as much of the tax as possible when you file.

Sign Your Return

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

Instructions Before Mailing

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

Mailing Your Return

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

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

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

Where Should I Mail My Return?

If you are **not filing Form 140PY-SBI** and are **including a payment with your Form 140PY return**, mail the return to

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

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

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

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

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

Arizona Department of Revenue
PO Box 52016
Phoenix, AZ 85072-2016
- After applying the overpayment, if there is a net refund mail both returns to:

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

Make sure you put enough postage on the envelope

The U.S. Post Office or the United States mail service must postmark your return or extension request by midnight April 15, 2025.

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

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

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

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

1. The private meter postmark bears a date on or before the due date for filing; and
2. The return is received no later than the time it would ordinarily have been received from the same point of origin by the same class of U.S. postage. If the return is received by the department within five business days of the private meter postmark date, the department will consider this requirement satisfied.

You may also use certain private delivery services designated by the IRS to meet the “timely mailing as timely filed” rule. For more information, see the department’s ruling, GTR 16-1, *Timely Filing of Income or Withholding Tax Returns Through the United States Mail*.

How Long to Keep Your Return

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

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

In some cases, the limitation period is longer than four years. The period is six years from when you file a return if you underreport the income shown on that return by more than 25% (.25).

The department can bring an action at any time if a return is false or fraudulent, or you do not file a return. To find out more about what records you should keep, get federal Publication 552.

Where’s My Refund?

You can check on your refund by visiting www.AZTaxes.gov and clicking on “Where’s my refund?” or you may call one of the numbers listed on page 1.

Before you call, be sure to have a copy of your 2024 tax return on hand. You will need to know your SSN, your filing status and your 5-digit ZIP Code.

Contacting the Department

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

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

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

2024 Original return 2024 Amended return

IMPORTANT

As a part-year resident, you may include, in your computation, all net long-term capital gains from qualifying assets acquired during the period of residency, and only those net long-term capital gains from qualifying assets acquired from Arizona sources during the period of non-residency.

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

- 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 or K-1(NR) from a partnership, 120S Schedule K-1 or K-1(NR) 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 adjusted gross 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 140PY, page 5, "N".....	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 140PY, line 38.....	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 140PY, page 6, "W".....	00	
5.	(Line 1 + line 2) minus (line 3 + line 4). Enter the difference.....		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 140PY, line 36.
- If the amount on line 5 is zero or negative, you do not qualify to take the allowable subtraction. Enter "0" on Form 140PY, line 36.

**2024 Form 140PY Assembly Order (form sequence)
For returns *mailed to the Department***

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

