

Volunteer Income Tax Assistance  
&  
Tax Counseling for the Elderly



Quick Reference Guide  
Arizona Income Tax Returns  
2017

**Arizona Department of Revenue  
1600 West Monroe Street  
Phoenix, AZ 85007**

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# Mailing Addresses

## Federal Individual Income Tax Return If you live in Arizona...

and you are filing a Form ...	and you <u>ARE NOT</u> ENCLOSING A PAYMENT, then use this address ...	and you <u>ARE</u> ENCLOSING A PAYMENT, then use this address ...
<b>1040</b>	Department of the Treasury Internal Revenue Service Fresno, CA 93888-0002	Internal Revenue Service P.O. Box 7704 San Francisco, CA 94120-7704
<b>1040A</b>	Department of the Treasury Internal Revenue Service Fresno, CA 93888-0015	Internal Revenue Service P.O. Box 7704 San Francisco, CA 94120-7704
<b>1040EZ</b>	Department of the Treasury Internal Revenue Service Fresno, CA 93888-0014	Internal Revenue Service P.O. Box 7704 San Francisco, CA 94120-7704
<b>1040V</b>	N/A	Internal Revenue Service P.O. Box 7704 San Francisco, CA 94120-7704

## Arizona Individual Income Tax Return

### Plain Paper Returns

Expecting a Refund or Paying No Tax	Return Mailed With Payment
Arizona Department of Revenue P.O. Box 52138 Phoenix, AZ 85072-2138	Arizona Department of Revenue P.O. Box 52016 Phoenix, AZ 85072-2016

### Bar Coded Returns

Expecting a Refund or Paying No Tax	Return Mailed With Payment
Arizona Department of Revenue P.O. Box 29205 Phoenix, AZ 85038-9205	Arizona Department of Revenue P.O. Box 29204 Phoenix, AZ 85038-9204

# Tax Help and Walk-In Services

## TELEPHONE

### Individual and Corporate Income Tax:

Phoenix .....(602) 255-3381  
Toll-free from area codes 520 and 928 .....(800) 352-4090

## FORM ORDERS

Options to order forms via FAX or by telephone have been discontinued. All Arizona tax forms, including fillable and barcode, are available on our website, [www.azdor.gov](http://www.azdor.gov).

Arizona Tax Booklet X contains all tax forms and instructions. This is available to download for free on our website, <http://www.azdor.gov/Forms.aspx>.

## WALK-IN SERVICES

We have three office locations. Hours of operation are Monday through Friday, 8 a.m. – 5 p.m. Arizona tax forms are available at all locations.

Taxpayer assistance is available to customers at our Phoenix and Tucson locations. However, our Mesa location is limited to providing service for licensing of businesses and making payments. Taxpayers who require assistance with a billing they received or other tax related issues should be referred to the Phoenix or Tucson location.

### Phoenix

1600 West Monroe  
Phoenix AZ 85007

### Mesa

1840 S Mesa Dr., Building # 1352  
Mesa AZ 85210

### Tucson

400 West Congress  
Tucson AZ 85701

WEBSITES: [www.azdor.gov](http://www.azdor.gov)  
[www.AZTaxes.gov](http://www.AZTaxes.gov)

# Items of Interest for 2017

## **Due Date for Calendar Year Filers**

Because April 15, 2018 falls on a Sunday and District of Columbia Emancipation Day will be observed on Monday, April 16, 2018, you have until Tuesday, April 17, 2018, to file your income tax return.

## **2017 Individual Income Tax Brackets Adjusted for Inflation**

For 2017, the individual income tax brackets have been adjusted for inflation.

## **2017 Arizona Standard Deduction**

For 2017, the Arizona standard deduction was indexed for inflation. For a single taxpayer or a married taxpayer filing a separate return, the amount is \$5,183. For a head of household or a married couple filing a joint return, the amount is \$10,336.

## **Subtraction for Arizona Bonus Depreciation**

For assets placed in service in taxable years beginning from and after December 31, 2016, the allowable subtraction for Arizona's bonus depreciation is the full amount 100% of the amount of federal bonus depreciation pursuant to Internal Revenue Code § 168(k).

## **New voluntary contribution checkoff box for spaying and neutering of animals**

Beginning 2017, a taxpayer who files Form 140, 140A, 140NR, or 140PY may designate an amount as a voluntary contribution to the Spaying and Neutering of Animals Fund. Donations made will be provided to qualifying entities who will help reduce the pet overpopulation by sterilizing, at minimal or no cost, dogs and cats in this state, including those impounded and sterilized.

## **Credit for Contributions to Private School Tuition Organizations (Arizona Form 323)**

The allowable current year's credit for contributions to private school tuition organizations was adjusted for inflation purposes. For 2017, the maximum current year's credit is:

- \$546 for single or head of household
- \$1,092 for married filing joint

## **Credit for Contributions Made to Certified School Tuition Organization (Arizona Form 348)**

The allowable current year's credit for contributions to a certified school tuition organization was adjusted for inflation purposes. For 2017, the maximum current year's credit is:

- \$543 for single or head of household
- \$1,085 for married filing joint

## **Arizona Form 203 - Request for Injured Spouse Protection from Application of Joint Overpayment Against Spouse's Delinquencies and Debts**

For tax years beginning from and after December 31, 2016, under Arizona Revised Statute § 42-2203, Arizona law allows a taxpayer (the injured spouse) to apply directly to the department for protection of the injured spouse's share of any Arizona income tax overpayment or refund from setoff for the following:

- Past due state taxes

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

- Child support
- Spousal maintenance; or
- Other obligations of the taxpayer's spouse ordered by a court or owed to an agency of this state

If the department grants relief, the amount of the injured spouse's protective share is determined by each spouse's percentage of the total amount of income taxes withheld from wages and estimated tax payments.

You must complete and include Form 203 with your Arizona joint income tax return, when filed. Be sure to check box 4a on your income tax return (Forms 140, 140A, 140EZ, 140NR, 140PY, or 140X.) Place the completed Form 203 on top of your tax return. If you do not complete and include Form 203 with your income tax return, your share of the overpayment may be applied to past due liabilities.

# Arizona Conformity for 2017...

As a rule, the starting point for your Arizona return is your federal adjusted gross income. To take itemized deductions, you must start with the amount shown on the federal Schedule A. This is the case for 2017, except for changes Congress made to the federal tax code during 2017 and the following apply.

1. The changes affect how you figure your federal adjusted gross income.

## **AND/OR**

2. The changes affect how you figure your itemized deductions.

When federal changes are made, Arizona legislature must adopt those changes if the Arizona starting points are to be kept the same. The legislature will address this issue when it is in session during 2018. We must publish these forms before this issue will be addressed by the legislature. When we went to print, Arizona had not yet adopted any federal tax law changes made after January 1, 2017.

**What does this mean to you? It means that if any of the federal law changes made in 2017 apply to your 2017 return, you can opt to file your 2017 return using one of the following methods:**

1. You can wait and file your 2017 return after this issue has been addressed.
  - To do this, you may need to ask for a filing extension. You must pay 90% of the tax due by the due date of the return before any extension.
2. You can file your 2017 return assuming that the federal law changes will be adopted. The 2017 tax forms make this assumption.

## **If you opt for method 2, one of the following will apply:**

- If Arizona adopts those changes, you do not have to do anything more.
  - If Arizona does not adopt all those changes, you may need to amend your 2017 Arizona return. Your amended return will have to show the difference between the Arizona law and the federal law. If this happens, we will post more details on our Conformity to IRC webpage. To view this page, go to <http://www.azdor.gov> and click on Legal Research on the left side; then click on Conformity to IRC. Generally, no penalties or interest will be assessed on these amended returns, if you follow the Department's instructions and pay any tax due when you file your original 2017 return and you file and pay the required amended return by the extended due date of your 2018 return.
3. You can file your 2017 return assuming that we will not adopt the federal law changes. If you opt for this method, you will have to do the following:
    - You will have to research all of the federal changes made after January 1, 2017.
    - You will have to figure out if any of those changes apply to you.
    - You will have figure out how to make adjustments for those changes on your return.

**If you opt for method 3, one of the following will apply.**

- If Arizona does not adopt those changes, you do not have to do anything more.
- If Arizona adopts those changes, you may need to amend your 2017 Arizona return. Your amended return will have to show the difference between what you reported and what you should have reported. If this happens, we will post more details on our Conformity to IRC webpage. To view this page, go to <http://www.azdor.gov> and click on Legal Research on the left side; then click on Conformity to IRC.

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## **Taxation of Native Americans**

### **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

### **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.

The department has issued a ruling on the tax treatment of spouses of American Indians. This ruling is ITR 96-4.

**Certain wages of American Indians are reported on Arizona Form 140, page 1, line 31.**

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## **Arizona Income Tax Ruling ITR 96-4**

As a Native American, you must file an Arizona Income Tax return if you meet the Arizona filing requirements unless **all** of the following apply to you:

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

Any income derived from non-reservation sources by a Native American is subject to the Arizona state income tax.

Arizona will not impose tax on a Native American's income derived from reservation sources if the Indian lives on the reservation and the Native American is an affiliated member of the tribe for whose benefit that reservation was established.



Income of a non-affiliated Indian or a non-Indian derived from reservation or non-reservation sources while working and living on or off a reservation is subject to tax in the same manner as all other Arizona residents.

Income of a non-Indian spouse or a non-affiliated Indian spouse of an affiliated Native American is subject to the Arizona state income tax.

Generally, for a married couple comprised of an affiliated Native American and a non-Indian or non-affiliated Indian, Arizona community property laws are to be applied as follows:

- a. If the couple files a joint Arizona income tax return, to the extent included in Arizona gross income, the following income shall be subtracted in determining Arizona adjusted gross income:
  - (1) The income earned by the affiliated Native American from the reservation sources while living on the reservation.And
  - (2) One-half of the non-Indian spouse's or non-affiliated Indian spouse's community income earned from reservation sources while living on the reservation.
- b. If the couple chooses to file married filing separate returns, to the extent included in each spouse's respective Arizona gross income, the following shall be subtracted in determining Arizona adjusted gross income:
  - (1) For the affiliated Native American, the amount of reservation source income he or she earned while living and working on the reservation plus the amount of reservation source community income earned by his or her spouse while living on the reservation.
  - (2) For the non-affiliated Indian or non-Indian, the amount of reservation source community income earned by the affiliated Native American spouse while living on the reservation.
- c. Full deductions and dependent exemptions are allowed based on the Income Tax Code.

For purposes of this ruling, an affiliated Indian includes any Indian who has been adopted into the tribe and who has attained full and unrestricted membership privileges in that tribe. In order for an adopted Indian to qualify for the income tax exemption, the Indian must provide acceptable proof of tribal membership.

# Federal Adjusted Gross Income

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

The following are examples of income to consider in determining whether a return must be filed.

## Included in Arizona Income:

Alimony	Dividends	Notary Fees
Annuities	Employee Bonuses	Partnership Income (Taxpayer's Share)
Awards	Estate & Trust Income	Pension
Back Pay	Farm Income	Prizes
Bonuses	Fees	Rent (Gross Rent)
Breach of Contract Damages	Gain from Sale of Property or Securities	Rewards
Business Income	Gambling Winnings	Royalties
Commissions	Hobby Income	Salaries
Compensation for Personal Services	Interest	Severance Pay
Debts Forgiven	I.R.A. Distributions	Supplemental Unemployment Benefits
Director's Fees	Jury Duty Fees	Tips & Gratuities
Disability Benefits (Employer Funded)	Military Pensions	Unemployment Compensation
		Wages

# Arizona Filing Requirements

## How do I Know if I Must File an Income Tax Return?

You must file an Arizona income tax return if:

- Your gross income is \$15,000 or more. Figure your gross income the same as you would figure your gross income for federal income tax purposes.
- Your Arizona adjusted gross income is \$11,000 or more if married filing a joint return.
- Your Arizona adjusted gross income is \$5,500 or more if single, head of household, or married filing a separate return.

Your Arizona adjusted gross income is your federal adjusted gross income modified by additions and subtractions allowed under Arizona law. If you are not sure if your Arizona adjusted gross income meets this limit, you may want to complete an Arizona income tax return.

## Do you have to file?

These rules apply to all Arizona taxpayers:		
You must file if you are:	AND your Arizona adjusted gross income is at least:	OR your gross income is at least:
• Single	\$ 5,500	\$15,000
• Married filing jointly	\$11,000	\$15,000
• Married filing separately	\$ 5,500	\$15,000
• Head of household	\$ 5,500	\$15,000
If you are an Arizona resident, you must report income from <b>all</b> sources. This includes out-of-state income.		
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 Arizona law does not tax.		
Income Arizona law does not tax includes:		
<ul style="list-style-type: none"> <li>• Interest from U.S. Government obligations</li> <li>• Social security retirement benefits received under Title II of the Social Security Act</li> <li>• Benefits received under the Railroad Retirement Act</li> <li>• Pay received for active service as a member of the Reserves, National Guard or the U.S. Armed Forces</li> </ul>		
You can find your Arizona adjusted gross income on page 2, line 42 of Arizona Form 140.		

**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.*

## How much income can you have and pay no taxes?

### EXAMPLES

You still have to file a return, but you pay no taxes, if your income is less than the levels shown in the chart below. **For purposes of this chart**, “income” means Arizona adjusted gross income plus the dependent exemption claimed (Form 140, page 2, line 42 plus the amount on Form 140, page 2, line 40; or Form 140A, page 1, line 17, plus the amount on Form 140A, page 1, line 15, or Form 140EZ, page 1, line 6). **To rely on this chart, you must claim the family income tax credit, if you qualify.**

FILING STATUS				
NUMBER OF DEPENDENTS	SINGLE	MARRIED FILING SEPARATE	UNMARRIED HEAD OF HOUSEHOLD	MARRIED FILING JOINT
0	\$ 8,882	\$ 8,882	N/A	\$ 17,735
1	(A) 10,000	10,727	20,000	20,000
2	11,952	13,027	20,135	23,600
3	14,252	15,327	23,800	27,300
4	16,552	17,627	25,200	(C) 31,000
5	18,852	19,927	(B) 26,575	31,000

	(A) single, \$10,000 income, one dependent	(B) unmarried head of household, \$26,575 income*, five dependents	(C) married filing joint, \$31,000 income*, four dependents
Income*	\$ 10,000	\$ 26,575	\$ 31,000
less: Dependent exemption	-2,300	-11,500	-9,200
Standard deduction	-5,183	-10,336	-10,336
Personal exemption	-2,150	-4,300	-6,450
Net taxable income	\$ 367	\$ 439	\$5,014
Tax (optional tax table)	\$ 10	\$ 11	\$ 130
less: Family tax credit	-80	-240	-240
<b>Tax owed</b>	\$ 0	\$ 0	\$ 0

\*For purposes of these examples, “income” means Arizona adjusted gross income plus the dependent exemption amount claimed.

# Determining Your Arizona 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.

## Married Filing a Joint Return

You may use this filing status if married as of December 31, 2017. It does not matter whether or not you were living with your spouse. You may elect to file a joint return, even if you and your spouse filed separate federal returns.

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.

You may use this filing status if your spouse died during 2017 and you did not remarry in 2017.

The Arizona Form 140 is for full year residents only. You may not file a joint Arizona income tax return on Form 140 if any of the following apply.

1. Your spouse is a nonresident alien (citizen of and living in another country).
2. Your spouse is a resident of another state.
3. Your spouse is a part-year Arizona resident.

If filing a joint return with your nonresident spouse, you may file a joint return using Form 140NR. See Form 140NR instructions.

If filing a joint return with your part-year resident spouse, you may file a joint return using Form 140PY. See Form 140PY instructions.

For details on filing a joint return with your part-year resident or nonresident spouse, see Arizona Department of Revenue Income Tax Ruling *ITR 95-2*.

## Head of Household

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
- You qualify to file as a qualifying widow or widower on your federal return

## Married Filing Separately

You may use this filing status if married as of December 31, 2017 and you elect to file a separate Arizona return. You may elect to file a separate return, even if you and your spouse filed a joint federal return.

If you are filing a separate return, check the line 6 box and enter your spouse's name in the space provided. Also enter your spouse's SSN in the space provided.

Arizona is a community property state. If you file a separate return, you must figure how much income to report using community property laws. Under these laws, a separate return must reflect one-half of the community income from all sources plus any separate income.

When you file separate returns, you must account for community deductions and credits on the same basis as community income. Both you and your spouse must either itemize or not itemize. If one of you itemizes, you both must itemize. If one of you takes a standard deduction, you both must take a standard deduction. One of you may not claim a standard deduction while the other itemizes.

If you and your spouse support a dependent child from community income, either you or your spouse may claim the dependent. Both of you cannot claim the same dependent on both returns.

For details on how to file a separate Arizona income tax return, see Arizona Department of Revenue Income Tax Rulings *ITR 93-18 and ITR 93-19*.

**NOTE:** *If you can treat community income as separate income on your federal return, you may also treat that community income as separate on your Arizona return. See Arizona Department of Revenue Ruling ITR 93-22 for more information.*

If you are filing a separate return and your spouse is not a resident of Arizona, other special rules may apply. For more details, see Arizona Department of Revenue Income Tax Ruling, *ITR 93-20*.

## Single

Use this filing status if you were single on December 31, 2017. 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, 2017, and you did not remarry in 2017, 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.

# Which Form Should I Use?

There are seven 2017 tax forms for individuals:

- Form 140
- Form 140EZ
- Form 140PY
- Form 140PTC
- Form 140A
- Form 140NR
- Form 140ET

## Form 140

You (and your spouse if married filing a joint return) may file Form 140 only if you are full-year residents of Arizona.

You must use Form 140 rather than Form 140A or Form 140EZ to file if any of the following apply to you.

- Your Arizona taxable income is \$50,000 or more, regardless of your filing status
- You received active duty military pay as a member of the U.S. Armed Forces
- You received pay for active service as a Reservist or a National Guard member
- You are making adjustments to income
- You itemize deductions
- You claim tax credits other than the family income tax credit, the credit for increased excise taxes, or the property tax credit
- You are claiming estimated payments

## Form 140A

You (and your spouse if married filing a joint return) are full year residents of Arizona.

Your Arizona taxable income is less than \$50,000, regardless of your filing status.

You are not making any adjustments to income.

You do not itemize deductions.

You are not claiming estimated tax payments.

The only tax credits you can claim are:

- the property tax credit
- the credit for increased excise taxes

## Form 140EZ

You are single, or if married, you and your spouse are filing a joint return.

You (and your spouse if married filing a joint return) are full year residents of Arizona.

You (and your spouse if married filing a joint return) were under age 65 and not blind at the end of 2017.

You are not claiming any dependents.

You are not claiming an exemption for a qualifying parent or grandparent.

You are not making any adjustments to income.

You do not itemize deductions.

You are not making voluntary gifts through means of a refund check-off.

Your Arizona taxable income is less than \$50,000, regardless of your status.

The only tax credits you are claiming are:

- the family income tax credit
- the credit for increased excise taxes

## Form 140NR

You are subject to Arizona income tax on all income derived from Arizona sources. If you are in this state for a temporary or transitory purpose or did not live in Arizona but received income from sources within Arizona during 2017, you are subject to Arizona tax. Income from Arizona sources includes wages, rental income, business income, the sale of Arizona real estate, interest and dividends having a taxable or business situs in this state, or any other income from an Arizona source.

## Form 140PY

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

1. Any income you earned in 2017, 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 2017 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.*

## Form 140ET

**NOTE:** Beginning January 1, 2015, you (the taxpayer) **must** have a social security number (SSN) that is valid for employment. If you also claim a credit for your spouse and/or qualifying children, your spouse and qualifying children **must** each have a valid SSN or individual taxpayer identification number (ITIN) issued by the Internal Revenue Service.

Use Form 140ET to claim a credit for increased excise taxes paid due to the education funding tax increase.

File Form 140ET **only** if you meet the following:

- You are not required to file an income tax return and you do not qualify for the property tax credit on Arizona Form 140PTC
- You were an Arizona resident during 2017
- You are not claimed as a dependent by any other taxpayer



- You were not sentenced for at least 60 days of 2017 to a county, state, or federal prison
- Your federal adjusted gross income is:
  - \$25,000 or less if you are married filing a joint claim
  - \$25,000 or less if you are filing as head of household
  - \$12,500 or less if single, or
  - \$12,500 or less if married filing a separate claim

Your federal adjusted gross income is income that you must report on your federal income tax return less adjustments to income allowed on the federal income tax return. If you are not sure if your federal adjusted gross income meets the limit, you may want to complete a federal income tax return.

If you meet **all** of 1 through 5 above, you may claim a credit for increased excises taxes paid. Complete Form 140ET to figure your credit.

**NOTE:** *The credit cannot exceed \$100 per household. Do not file form 140ET if someone else in your household has already claimed \$100 of the credit. If someone else in your household has filed Form 140ET claiming less than \$100, you may file Form 140ET. The total of all credit claims filed from your household cannot be more than \$100.*

## Form 140PTC

File Form 140PTC only if you meet the following.

1. You were a resident of Arizona for the entire year.  
(From January 1, 2017, to December 31, 2017)
2. You were either 65 or older by December 31, 2017, or you received SSI Title 16 payments during 2017. (You must meet only one of these requirements.)
3. Your total household income was less than \$3,751 if you lived alone. If others lived with you, your total household income was less than \$5,501.
4. You paid property taxes or rent on your main home in Arizona during 2017. You may also have paid both property taxes and rent for the entire year of 2017. If you only paid rent during 2017, you must have rented for the entire year. You also meet this requirement if one of the following applies.
  - You were a resident of a nursing home in Arizona. The nursing home was subject to and paid property taxes. You used your social security or other personal funds to pay the nursing home.
  - You were a shareholder of a cooperative corporation in Arizona. The unit that you lived in was your main home during 2017.
  - You were a member of a condominium association in Arizona. Your unit was your main home during 2017.

If you meet **all** of 1 through 4 above, you may claim a refund of Arizona property taxes. Complete Form 140PTC to figure your credit.

**NOTE:** *If you must file an Arizona tax return (Form 140 or Form 140A); attach the completed Form 140PTC to your return.*

*If you do not have to file an Arizona income tax return, complete only the Form 140PTC.*

### **What You Must Attach When You File the AZ 140PTC**

When you file a 140PTC claim, you must attach certain documents to your claim. If you do not attach the required documents to your PTC claim, the department will disallow your claim. To determine what you must attach, look at the following list:

#### **Title 16 Supplemental Security Income (SSI) Recipient**

When you file your 140PTC claim, **you must attach** a statement from the Social Security Administration.

Attach this statement to the back of your claim. This statement must show all of the following:

1. Your name and address
2. Your social security number
3. The payments you received or are due to receive are Title 16 SSI payments
4. The period for which you received or are due to receive Title 16 SSI payments
5. The date the Social Security Administration issued the statement

#### **Homeowner**

When you file your 140PTC claim, **you must attach** a copy of a statement showing your property taxes that you **paid in 2017**. Attach this statement to the back of your claim. This statement may be one of the following:

1. A copy of your property tax statement from your mortgage company.
2. A tax bill stamped "Paid" by your county treasurer.
3. Your property tax bill with copies of both the fronts and backs of your cancelled checks that were cashed in 2017.

#### **Renter**

When you file your 140PTC claim, **you must attach** a completed Form 201. Attach this statement to the back of your claim. You must get the Form 201 from your landlord. You must fill out lines 13 through 15 unless they contain the correct, preprinted information. Your landlord must complete and sign the Form 201. The Arizona Form 201 provides your proof of property taxes paid from your rent.

If you own a mobile home but rent the space, complete the Form 140PTC as a renter. Attach a completed Form 201 **and** a statement showing your property taxes you paid in 2017. See the "homeowner" instructions to find out what kind of property tax statement you should attach.

## Dependents - Box 10, Forms 140, 140A, 140NR, 140PY

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

You must complete the Dependent Section on page 1 (and page 3, if required) of your return before you can total your dependent exemptions.

You may claim only the following as dependent.

- A person that qualifies as your dependent on your federal return.

**NOTE:** *If you do not claim a dependent exemption for 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 exemption on your Arizona return. For more information, see Arizona Individual Income Tax Ruling ITR 05-02.*

- A person who is age 65 or over (related to you or not) and does not qualify as your dependent on your federal return, but one of the following applies:
  1. In 2017, 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 2017, you paid more than \$800 for either Arizona home health care or other medical costs for the person.
- A stillborn child if the following apply:
  1. The stillbirth occurred during 2017.
  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.

## Qualifying Parents and Grandparents

### Box 11, Forms 140, 140A, 140NR, 140PY

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

- Your parent or your grandparent. This can be your grandparent, great grandparent, etc.
- If married filing a joint return, your spouse's parent or grandparent, etc.

You may claim this exemption if **all** of the following apply:

1. The parent, grandparent or great-grandparent was 65 years old or older during 2017.
2. The parent or 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 hospital stay or care in a hospice 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 income tax 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. Activities of daily living 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.

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

## Completing the Dependent Section

If you need additional lines to list all of your dependents, including qualifying parents and grandparents, complete page 3, Dependent Information – Continuation Sheet, and include this page with your return. Be sure to check the box indicating you are completing page 3. Do **not** include page 3 with your return if you do not use it.

<b>If your number of dependents is:</b>	<b>Your dependent exemption is:</b>
1	\$2,300
2	\$4,600
3	\$6,900
4	\$9,200
5	\$11,500
6	\$13,800

# Totaling Your Income

**NOTE:** All line references below relate to the Arizona Form 140.

## Line 12 – Federal Adjusted Gross Income

You must complete your federal return before you enter an amount on line 12. You must complete a 2017 federal return to determine your federal adjusted gross income, even if you are not filing a federal return.

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

**NOTE:** *Be sure to use your federal adjusted gross income and not your federal taxable income.*

## Additions to Income (Form 140 Only):

### Line 13 – Non-Arizona municipal interest

Enter the amount of interest income from non-Arizona municipal bonds that you did not include as income on your federal return.

You may exclude any expenses incurred to purchase or carry the obligation. Reduce the interest income by the amount of those expenses that you could not deduct on your federal return.

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.

### Line 14 – Partnership Income adjustment (Positive)

Complete line 14 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 Form 165 Schedule K-1, is a positive number, enter that difference as an addition on line 14.

**NOTE:** If the difference reported on line 3, of your Form 165 Schedule K-1, is a negative number, enter that difference on line 25.

### Line 15 – Total federal depreciation

Enter the total amount of depreciation deducted on your federal return. If you make an entry here, you should also take a subtraction on line 24.

### Line 16 – Other additions to income

- A. Married persons filing separate returns
- B. Fiduciary adjustment
- C. Ordinary income portion of lump-sum distributions excluded on your federal return
- D. Items previously deducted for Arizona purposes

- E. Claim of right adjustment for amounts repaid in 2017
- F. Claim of right adjustment for amounts repaid in prior taxable years
- G. Addition to S Corporation income due to credits claimed
- H. Solar hot water heating plumbing stub out and electric vehicle recharge outlet expenses
- I. Wage expense for employers of TANF recipients
- J. Adjusted basis in property for which you have claimed a Credit for Investment in Qualified Small Businesses
- K. Nonqualified withdrawals from 529 College Savings Plans
- L. Original Issue Discount (OID) or Reacquisition of Debt Instrument
- M. Arizona Long-Term Health Care Savings Accounts (AZLTHSA) withdrawals
- N. Sole proprietorship loss of an Arizona nonprofit medical marijuana dispensary included in Federal Adjusted Gross Income
- O. Federal net operating loss (NOL) carryforward from non-Arizona sources accrued while a non-resident
- P. Federal capital loss carryforward deduction incurred from non-Arizona sources prior to Arizona residency.
- Q. Other Adjustments

Line 17 – **Subtotal** (add lines 12 through 16)

### **Subtractions from Income (Form 140 Only):**

Lines 18 through 22 – Net Long-Term Capital Gain (or loss).

**NOTE:** *If you enter an amount on line 18, you must complete lines 19 and 20. If you are taking a subtraction on line 22 for any net long-term capital gain from assets acquired after December 31, 2011, you must also complete line 21. If you do not complete lines 18 through 21, you cannot take the subtraction.*

You may subtract 25% (.25) of any 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 on page 29 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 18 – Total net capital gain or (loss)

If you reported a net capital gain or (loss) on your federal income tax return, enter the total net capital gain or (loss) 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.

Line 19 – Total net short-term capital gain or (loss)

Enter the total amount of net short-term capital gain or (loss) reported on the *Capital Gain or (Loss)* line on page 1 of your federal return. This amount should be reported in your federal adjusted gross income.

**NOTE:** *If you 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 19.*

Line 20 – Total net long-term capital gain or (loss)

Enter the amount from the worksheet, line 14, column (a).

Line 21 – Net long-term capital gain from assets acquired *after* December 31, 2011

Enter the amount from the worksheet, line 14, column (c).

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

Line 22 – Net long-term capital gain subtraction from income for assets acquired after December 31, 2011

Multiply the amount on line 21 by 25% and enter the result.

Line 23 – Net capital gain derived from investment in qualified small business

Line 24 – Recalculated Arizona depreciation

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

Line 25 – Partnership Income Adjustment (Negative)

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, enter that difference on line 25. Do not include a minus sign or use parenthesis.

**NOTE:** If the difference reported on line 3, of your Arizona Form 165 Schedule K-1, is a positive number, enter that difference as an addition on line 14.

Line 26 – Reserved.

Line 27 – Interest on U.S. Obligations

Enter the amount of interest income from U.S. Government obligations included as income on your federal return. U.S. Government obligations include obligations such as 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 FNMA or GNMA bonds since this interest is taxable by Arizona. For details, see the department's Income Tax Ruling, ITR 06-1.*

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 details, see the department's Income Tax Rulings *ITR 96-2* and *ITR 96-3*.

Line 28 – 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. If both you and your spouse receive such pension income, each spouse may subtract the amount received or \$2,500, whichever is less.

**Public pensions from the following sources qualify for this subtraction.**

- The United States Government Service Retirement and Disability Fund
- The United States Foreign Service Retirement and Disability System
- Retired or retainer pay of the uniformed services of the United States
- 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, and an optional retirement program established by an Arizona community college district

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

Line 29 – Arizona Lottery Winnings

You may subtract up to \$5,000 of winnings received in 2017 for Arizona lottery prizes.

If you subtract Arizona lottery winnings here, you may have to adjust the amount of gambling losses claimed as an itemized deduction. See instructions for Form 140; Schedule A, Itemized Deduction Adjustments.



Line 30 – U.S. Social Security Benefits or Railroad Retirement Benefits

Arizona does not tax social security benefits received under Title II of the Social Security Act. Arizona does not tax railroad retirement benefits received from the Railroad Retirement Board under the Railroad Retirement Act. If you included such social security or railroad retirement benefits as income on your federal return, use line 30 to subtract this income.

**NOTE:** Enter only the taxable amount (the amount that was subject to federal income tax). Do not include any amount that was not subject to federal income tax.

See the department's Income Tax Ruling, ITR 96-1, for more information about railroad retirement benefits.

Line 31 – Certain wages of American Indians

Line 32 – Pay received for active service as a member of the Reserves, National Guard or the U.S. Armed Forces

Line 33 – Net operating loss adjustment

Line 34 – Contributions to 529 College Savings Plans

Line 35 – Other Subtractions from Income:

- A. Fiduciary adjustment
- B. Federally taxable Arizona municipal interest as evidenced by bonds
- C. Adoption expenses
- D. Qualified wood stove, wood fireplace, or gas fired fireplace
- E. Claim of right adjustment for amounts repaid in prior taxable years
- F. Certain expenses not allowed for federal purposes
- G. Qualified state tuition program distributions
- H. Subtraction for World War II victims
- I. Installment sale Income from another state taxed by the other state in a prior taxable year
- J. Agricultural crops given to Arizona charities
- K. Basis adjustment for property sold or otherwise disposed of during the taxable year
- L. Previously Deferred Discharge of Indebtedness (DOI) income adjustment
- M. Original Issue Discount (OID) on reacquisition of business debt instrument
- N. Sole proprietorship income of an Arizona nonprofit medical marijuana dispensary included in federal adjusted gross income
- O. Long-term care insurance premiums
- P. Long-term health care savings accounts
- Q. Other Adjustments

Line 36 – Subtract lines 22 – 35 from line 17. Enter the difference.

Line 37 – Enter the amount from page 1, line 36

Line 38 – Age 65 or over

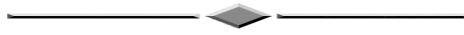
Line 39 – Blind

Line 40 – Dependents

Line 41- Qualifying parents and grandparents

Line 42 – Arizona Adjusted Gross Income

Subtract lines 38 through 41 from line 37 and enter the difference.



## Figuring Your Tax

### Standard Deductions

If you take the standard deduction, check box 43S.

If your filing status is:	Your standard deduction is:
Single	\$5,183
Married filing separately	\$5,183
Married filing jointly	\$10,336
Head of household	\$10,336

### Itemized Deductions

If you itemize your deductions, check box 43I.

A taxpayer may claim itemized deductions on an Arizona return even if they take a standard deduction on their federal return. For the most part, they may claim those deductions allowable as itemized deductions under the IRC. In some cases, the amount allowed for some deductions may not be the same as the amount allowable for federal purposes.

You may have to adjust the amounts shown on the completed federal Form 1040, Schedule A. See Form 140 Schedule A, Itemized Deduction Adjustments to figure if any adjustments have to be made.

To figure the itemized deductions, complete a federal Form 1040, Schedule A. Then, if required, complete Form 140, Schedule A, Itemized Deduction Adjustments. If they do not have to complete Form 140, Schedule A, Itemized Deduction Adjustments, enter the amount from federal Form 1040, Schedule A, on Form 140, line 43.

**NOTE:** If the taxpayer itemizes, you must attach a copy of the completed federal Schedule A to your Arizona return. If itemizing, check box 43I.

### Line 44 – Personal Exemptions

The amount you may claim as a personal exemption depends on your filing status. If married, the amount you may claim as a personal exemption also depends on whether you or your spouse claim dependents. You may use the following chart below

to figure your personal exemption. If married, you may also use Arizona Form 202, *Personal Exemption Allocation*, to figure out your personal exemption.

<b>If you checked Filing Status:</b>	<b>Enter:</b>
Single (Box 7 Forms 140 & 140A, Box 5 Form 140 EZ)	\$2,150
Married filing a joint return (Box 4 Forms 140,140A & 140EZ) and claiming no dependents (Box 10 Forms 140 & 140A)	\$4,300
Married filing a joint return (Box 4 Forms 140,140A) and claiming at least one dependent	\$6,450
Head of Household and you are <b>not</b> married (Box 5 Forms 140 & 140A)	\$4,300
Head of Household and you <b>are</b> a married person who qualifies to file as head of household (Box 5 Forms 140 & 140A)	\$3,225, or complete Form 202 <i>Personal Exemption Allocation Election</i> .
Married filing separately (Box 6 Forms 140 & 140A) with neither spouse claiming any dependents	\$2,150, or complete Form 202 <i>Personal Exemption Allocation Election</i> .
Married filing separately (Box 6 Forms 140,140A) with one spouse claiming at least one dependent	\$3,225, or complete Form 202 <i>Personal Exemption Allocation Election</i> .

**Line 45 – Arizona Taxable Income**

Subtract lines 43 and 44 from line 42 and enter the difference. If less than zero, enter “0”. Use this amount to calculate your tax using Tax Table X or Y or the Optional Tax Tables.

**Line 46 – Tax Amount**

Enter the tax from either Tax Table X or Y or the Optional Tax Tables. If your income is less than \$50,000, use the Optional Tax Table.

**Line 47 – Tax from Recapture of Credits from Arizona Form 301**

Enter the amount of tax due from recapture of the credits from Arizona Form 301, Part 2, line 40.

**Line 48 – Subtotal of tax**

Add lines 46 and 47 and enter the total

**Line 49 – Family income tax**

Taxpayers may claim this credit if income does not exceed the maximum income allowed for each filing status. See the worksheet in the instructions for more information.

**NOTE:** The family income tax credit will only reduce the tax and cannot be refunded.

Line 50 – Nonrefundable credits from Arizona Form 301.

Complete line 50 if the taxpayer claims any of the nonrefundable credits. Also make sure to include the completed Arizona Form 301 and the appropriate credit form or forms with the return.

Line 51 – Balance of Tax

Subtract lines 49 and 50 from line 48. Enter the difference. If the sum of lines 49 and 50 is more than line 48, enter “0”.

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## Totaling Payments and Refundable Credits

Line 52 – Arizona income tax withheld

Enter the Arizona income tax withheld shown on the Form(s) W-2 from your employer. Also enter the Arizona income tax withheld shown on Form(s) 1099-R. Do not include any income tax withheld for another state.

Line 53 (boxes a, b and c) – 2017 Arizona Estimated Tax Payments including Amount Applied from Your 2016 Return; and Arizona Claim of Right

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](http://www.azdor.gov).

Use this line if any of the following applies:

- Made estimated income tax payments to Arizona for 2017
- Applied any of your refund from your 2016 Arizona tax return to 2017 estimated taxes for Arizona; or
- Re-computed a prior year’s tax under Arizona’s Claim of Right provisions

Line 54 – 2017 Arizona extension payment (Arizona Form 204)

Use this line to report the payment you sent with the extension request or the electronic extension payment made on [www.AZTaxes.gov](http://www.AZTaxes.gov)

Line 55 – Increased Excise Tax Credit

A taxpayer may take this credit if all of the following applies: **must** have a SSN that is valid for employment, meet the income threshold for the appropriate filing status; not claimed as a dependent by any other taxpayer; not sentenced for at least 60 days of 2017 to a county, state, or federal prison.

Line 56 – Property Tax Credit from Form 10PTC

You may claim the property tax credit if you meet all the following:

- You were either 65 or older in 2017 or, if under age 65, you were receiving SSI Title 16 income from the Social Security Administration.

**NOTE:** SSI Title 16 income is not the normal Social Security disability.

- You were an Arizona resident for the full year in 2017.
- You paid property tax on your Arizona home in 2017. You paid rent on taxable property for the entire year or you did a combination of both.

- If you lived alone, your total household income was under \$3,751. If you lived with others, the total household income was under \$5,501. To see what income is included in household income, see the Form 140PTC instructions.

Complete Form 140PTC to figure your credit. Enter the amount from Form 140PTC, page 1, line 15. Include Form 140PTC with your return.

**TAX TIP:** To claim a property tax credit, you must file your claim or extension request by April 17, 2018. You cannot claim this credit on an amended return if you file the amended return after the due date of your return.

#### Line 57 – Other refundable credits

Enter the total of refundable credits claimed from any of the following: Form 308-I, Credit for Increased Research Activities – Individuals; Form 342, Credit for Renewable Energy Industry; Form 349, Credit for Qualified Facilities

#### Line 58 – Total Payments and Refundable Credits

Add lines 52 through 57 and enter the total.

**NOTE:** Arizona's Claim of Right amount is now reported on line 53. See line 53 for instructions.

#### Figuring Your Tax Due or Overpayment

##### Line 59 – Tax Due

If line 51 is more than line 58, you have tax due. Subtract line 58 from line 51 and enter the amount of tax due. Skip lines 60, 61 and 62.

##### Line 60 – Overpayment

If line 58 is more than line 51, subtract line 51 from line 58 and enter the difference. Complete lines 61 and 62.

##### Line 61 – Amount of Line 60 to Apply to Your 2018 Estimated Tax

If you want all or part of your refund applied to next year's estimated taxes, enter that amount on line 61.

**NOTE:** If you apply any of the amount shown on line 60 to 2018, you cannot use that amount to pay any tax that is later found to be due for 2017. You also may not claim a refund for that amount until you file your 2018 return.

##### Line 62 – Balance of Overpayment

Subtract line 61 from line 60 to determine your overpayment balance before voluntary gifts and any estimated payment penalty and/or Arizona Long-Term Health Care Savings Account (AZLTHSA) withdrawal penalty.

#### Making Voluntary Gifts

You can make voluntary gifts to each of the funds shown on the return. 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.

# Common Tax Credits

## Line 47 (Form 140) – Tax from recapture of credits from Arizona Form 301, Part 2, line 40

Make sure that you attach the Arizona Form 301 and the appropriate credit form(s).



## Arizona Form 301

### Nonrefundable Individual Tax Credits and Recapture

Taxpayers need to complete page 2 of the Form 301 to show what credit amount they will be taking for tax year 2017.

Taxpayers do not have to file Form 301 when the only credits being claimed are any of the following:

- ✓ Family Income Tax Credit
- ✓ Property Tax Credit (Arizona Form 140PTC)
- ✓ Excise Tax Credit
- ✓ The refundable portion of the Increased Research Activities Credit (Arizona Form 308-I)
- ✓ The Renewable Energy Industry Credit (Arizona Form 342); and/or
- ✓ The Credit for Qualified Facilities (Arizona Form 349)



## Arizona Form 309

### Credit for Taxes Paid to Another State or Country

Taxpayers may qualify for this credit if they paid tax to Arizona and another state or country on the same income.

If claiming a credit for more than one state or country, make a separate computation for each state or country.

For more information, see Arizona Department of Revenue Income Tax Procedure ITP 08-1. To obtain a copy of this procedure, visit our web site at [www.azdor.gov](http://www.azdor.gov), or call one of the customer service numbers listed on page 4.

**NOTE:** *You must notify the department immediately if the other state or country credits or refunds taxes for which you have received an Arizona credit. In this case, you must file an amended return.*

Complete this form only if the following is met:

1. Taxpayer is filing a 2017 Arizona income tax return.
2. Taxpayer paid a **net** income tax to another qualified state or country for 2017.
  - If they are claiming a credit for taxes paid to another state, payroll taxes withheld from income do not constitute a net income tax. Having tax withheld

from your pay by Arizona and another state does not by itself qualify you for this credit. They must file a net income tax return to the other state.

- If they are claiming a credit for taxes paid to another country, a net income tax paid to another country includes those taxes that qualify for a credit under Internal Revenue Code Sections 901 and 903.

**NOTE:** To claim a credit for taxes paid to a foreign country, you must complete Arizona Form 309. You must complete Form 309 even if you did not have to complete federal Form 1116 to claim a credit on your federal return.

### You may not claim this credit for the following.

1. Income taxes paid to any city or county.
2. Interest or penalties paid to another state or country.

**Note:** If you file an amended return after you claim this credit, be sure to recalculate the credit if required.

You cannot apply this credit against interest or penalties payable to Arizona.

**Note:** You may use this credit only in the year incurred. You cannot carry the credit forward to the next year. You also cannot carry the credit back to a prior year.

### Application of Credit

Claim this credit if the income was subject to tax in both Arizona and the other state or country in the same year.

### Arizona Resident

Arizona residents are allowed a credit against Arizona income taxes for net income taxes imposed by and paid to another state or country if the following apply.

1. The income taxed in Arizona is derived from sources within another state or country. This income is subject to a net tax in the other state or country regardless of your residence.
2. The other state or country does not allow Arizona residents a credit for taxes imposed on income subject to tax in both Arizona and the other state or country.

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

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

**\*Minnesota** sources the sale of certain partnership interests to Minnesota. Minnesota allows an Arizona resident a credit for taxes paid to Minnesota for the sale of a partnership interest that is subject to Minnesota Tax. As an Arizona resident, you cannot claim this credit for taxes paid to Minnesota on the sale of a partnership interest that is sourced to Minnesota.

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

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

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

## **Nonresident**

A credit against Arizona income taxes is allowed for Arizona nonresidents who are not allowed a credit by their state or country of residence for taxes paid to Arizona if either:

1. The other state or country does not tax Arizona residents on income derived from sources within the other state or country.
2. The other state or country allows Arizona residents credit for taxes paid on income subject to tax by the other state or country and Arizona.

Arizona nonresidents who file resident returns with the following states qualify for the credit: California, Indiana, Oregon and Virginia.

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

## **Part-Year Residents**

For that part of the year the taxpayer was a resident of Arizona, follow the instructions for residents.

For that part of the year the taxpayer was an Arizona nonresident, follow the instructions for nonresidents.

## **Dual Resident**

The taxpayer may be eligible to claim the credit if they were a full-year Arizona resident filing Arizona Form 140 and you are also considered to be a resident of another state under the laws of that other state. Figure your credit for taxes paid to Arizona and that other state on the same income that is taxable by both Arizona and the other state, but only on income that would be sourced to the other state if you had to report that income as a nonresident.

The taxpayer may claim the credit as a dual resident if you meet the following.

1. Filing a 2017 full-year Arizona resident income tax return.
2. Considered to be a resident of another state under the laws of that other state.
3. Paid a **net** income tax to that other state.

An Arizona resident who is also considered to be a resident of another state under the laws of that state is allowed a credit against Arizona income taxes for net income taxes imposed by and paid to that other state if the following apply.

1. The other state taxes the income of the Arizona resident and does not allow the Arizona resident a credit for taxes imposed on income subject to tax in both Arizona and the other state.
2. The credit is allowed only for taxes imposed on income that would have been sourced to the other state if the Arizona resident had filed as a nonresident to the other state.



**If the taxpayer is an Arizona full-year resident and also considered to be a resident of another state under the laws of the other state, complete the *Schedule of Income Allocation*, on page 2 of Form 309 before you complete page 1 of Form 309.**

## **Required Attachments**

If the taxpayer is claiming a credit for taxes paid to another state, you must attach a copy of the tax return filed to the other state.

If the taxpayer claimed a credit for taxes paid to a foreign country, attach the following information to the Arizona income tax return.

1. A copy of the tax return filed to the foreign country. If they are claiming a credit for taxes paid to a foreign country for amounts withheld at the source, and not required to file a return with that country, attach documentation showing the amount of tax imposed and paid.
2. If the tax is paid in a foreign currency, a statement substantiating the conversion rate on the date of payment. Identify your authority for your conversion rate.

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# **Arizona Form 310**

## **Credit for Solar Energy Devices**

**Note:** Taxpayers **must** also complete Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture, and include Forms 301 and 310 with your tax return to claim this credit.

Arizona law provides a solar energy credit for an individual who installs a solar energy device in his or her residence located in Arizona.

The solar energy credit for buying and installing a solar energy device is 25% of the cost, including installation, or \$1,000, whichever is less. If you install another device in a later year, the cumulative credit cannot exceed \$1,000 for the same residence.

**Note:** A taxpayer may claim a credit of up to \$1,000 for a second personal home. A taxpayer that claims a credit for both a primary home and a second home is limited to a maximum credit of \$1,000 in the taxable year. To claim a credit for a second home you must complete a second form and add the two amounts together to claim on your return.

If the allowable tax credit is more than your tax or if you have no tax, you may carry the unused credit forward for up to the next 5 consecutive years.

To be eligible for this credit, you must be an Arizona resident who is not a dependent of another taxpayer. A solar energy device is a system or series of mechanisms which collect and transfer solar generated energy and which are designed primarily to:

- Provide heating
- Provide cooling
- Produce electrical power
- Produce mechanical power
- Provide solar daylighting; or

□ Provide any combination of the above by means of collecting and transferring solar generated energy into such uses either by active or passive means, including wind generator systems that produce electricity

Solar energy systems may also have the capability of storing solar energy for future use. Passive systems must clearly be designed as a solar energy device, such as a trombe wall, and not merely as a part of a normal structure, such as a window.

Only a system or device, which performs one or more of these functions, qualifies for the credit. An individual component of a system does not qualify for the credit by itself.

**The following devices, when used for residential purposes, qualify for the credit:**

- Solar domestic water heating systems - collectors, storage tanks, heat exchangers, and piping, valves, wiring, etc., directly related to the solar system.
- Solar swimming pool and spa heating systems - collectors, heat exchangers, piping, valves, wiring, etc., directly related to the solar system.
- Solar photovoltaic systems - collectors, batteries, inverters, solar system related wiring, and including solar photovoltaic systems for recreational vehicles used as a residence. End-use appliances (even if they are 12 vdc) are excluded unless they are manufactured specifically for photovoltaic systems applications.
- Solar photovoltaic phones, street lighting, etc. - collectors, batteries, inverters, and solar system related wiring. Phone, lights, etc., are excluded unless they are manufactured specifically for photovoltaic applications.
- Passive solar building systems - trombe wall components, thermal mass, and components specifically designed for energy gains. Dual pane windows, low-e, and other window coatings, etc., are excluded.
- Solar day lighting systems - those devices and systems specifically designed to capture and redirect visible solar energy while controlling the infrared energy (conventional skylights are specifically excluded).
- Wind generators - windmill, structure, generator, batteries, controls, wiring, and other components directly related to the wind generator. End-use appliances are excluded.
- Wind-powered pumps - windmill, structure, pump, pipes, and other components directly related to the wind pump.

The person who sells you your solar energy device must furnish you with a certificate stating that the solar energy device complies with Arizona's solar energy device requirements. If you designed and installed the system yourself, you will not receive such a statement, but your solar energy device must meet the required criteria.

For more information on the solar energy credit and the Arizona solar energy device requirements, see the department's brochure, Pub 543, *Solar Energy Credit*.

**The following DO NOT qualify for the credit:**

- Conventional plumbing components - water softeners, drinking water systems, etc., even if they are provided (free or otherwise) as part of the system.
- Conventional controls - load controllers, programmable thermostats, etc., even if they are provided (free or otherwise) as part of the system.

- Conventional heating/cooling systems - air conditioners, heat pumps, evaporative coolers, furnaces, regardless of efficiency.
- Conventional windows and window treatments - dual pane, low-e, shade screens, reflective and dark coatings, awnings, interior shades, drapes, and blinds.
- Conventional skylights.
- Appliances (all voltages) - refrigerators, lights, fans, TVs, etc., unless they are manufactured specifically for photovoltaic systems.
- Fans - ceiling, window, attic, interior, etc., unless they are manufactured specifically for photovoltaic applications.
- Paint - ceramic, reflective roof coatings.
- Insulation (includes "outsulation") and radiant barrier.
- Weather stripping, caulking.
- Misting systems.
- Vegetation - shade trees, shrubs, grass.
- Solar energy cars.
- A solar hot water heater plumbing stub out that was installed by the builder of a house or dwelling unit before title was conveyed to the taxpayer. You may be able to take this credit on Arizona Form 319. For details, see Form 319.

**NOTE:** *If you claim a credit, you cannot take a depreciation deduction for the solar energy device for which the credit is claimed. If such depreciation deduction is included in your federal adjusted gross income, you must add that amount to your Arizona gross income. You must make this addition for each period in which you deduct depreciation for federal purposes.*

## Arizona Form 320

### Credit for Employment of TANF Recipients

Arizona law provides a nonrefundable credit for employers that employ recipients of Temporary Assistance for Needy Families (TANF). TANF is assistance granted under Section 403 of Title IV of the Social Security Act, as it exists after August 21, 1996.

The credit for employing TANF recipients is equal to:

1. One-fourth of the taxable wages paid to each qualified employee in the first year or partial year of employment, not to exceed \$500 per net new employee.
2. One-third of the taxable wages paid to each previously qualified employee in the second year of continuous employment, not to exceed \$1,000 per net new employee.
3. One-half of the taxable wages paid to each previously qualified employee in the third year of continuous employment, not to exceed \$1,500 per net new employee.

You cannot take a deduction for the same wages for which you claim a credit. For more information, see the instructions under "*Other Additions to Income*" for the income tax return you will file.

You cannot claim this credit for any position that is *eligible* for any other Arizona employment credit based on wages paid.

If the allowable credit exceeds your income tax liability, you may carry over any unused amount for up to five consecutive taxable years.

This credit is available to individuals, corporations, and S corporations. A partnership may pass the credit through to its partners. An S corporation may pass the credit through to its shareholders.

This credit is also available to an exempt organization that is subject to corporate income tax on unrelated business taxable income (UBTI). The credit must result from the activities that generate UBTI.

For more information on this credit, see the department's brochure, Pub 708, *Credit for Employment of Recipients of Temporary Assistance for Needy Families*.

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## Arizona Form 321

### Credit for Contributions to Qualifying Charitable Organizations (QCO)

**NOTE:** Taxpayers must also complete Arizona Form 301, *Nonrefundable Individual Income Tax Credits and Recapture*, and include Forms 301 and 321 with your tax return to claim this credit.

Arizona law provides a credit for cash contributions made to certain charities that provide assistance to residents of Arizona who either receive Temporary Assistance of Needy Families (TANF) benefits, are low income residents of Arizona, or are children who have a chronic illness or physical disability.

For taxable years beginning from and after December 31, 2015, Arizona law provides a separate credit, on Arizona Form 352, for cash contributions made to qualifying foster care charitable organizations.

**CAUTION:** A contribution to a qualifying foster care charitable organization does not qualify for, and cannot be included in, a credit claimed on Form 321 for cash contributions made to a qualifying charitable organization.

If you made cash contributions to a qualifying foster care charitable organization, you must complete Form 352 to claim a credit for those contributions. Do not use Form 321 to claim a credit for contributions made to qualifying foster care charitable organizations.

This credit is available only to individuals. Corporations may not claim this credit. A partnership may not pass the credit through to its partners. An S corporation may not pass the credit through to its shareholders.

Credit eligible contributions made to a qualifying charitable organization from January 1, 2018, to April 17, 2018, may be used as a tax credit on either your 2017 or 2018 Arizona income tax return.

If you claim this credit in 2017 for a donation made from January 1, 2018, to April 17, 2018, you must make an adjustment on your Arizona Form 140 Schedule A; or Form 140PY Schedule A(PY) or A(PYN); or Form 140NR Schedule A(NR), filed in 2018.

The maximum amount of credit that a taxpayer can establish for the current taxable year for these donations is \$400 for single taxpayers or heads of household. For married taxpayers filing a joint return, the maximum amount of credit that a taxpayer can establish

for the current taxable year is \$800. In most cases, for married taxpayers who file separate returns, each spouse may claim only one-half (1/2) of the total credit that would have been allowed on a joint return.

**NOTE:** The maximum amount of credit established for the current taxable year does not include any unused valid carryover amount(s) from prior taxable years. Because this is a nonrefundable credit, the total amount of available credit [current year plus any valid carryover amount(s)] that a taxpayer may use for the taxable year cannot be greater than the tax liability shown.

If the allowable tax credit is more than your tax or if you have no tax, you may carry the unused credit forward for up to the next five consecutive taxable years' income tax liability.

You cannot claim both a tax credit and an itemized deduction for the amount of contributions made to a qualifying charitable organization for which you are claiming a credit.

You may qualify for this credit if you make cash contributions to a qualified charity through an Umbrella Charitable Organization (UCO). An UCO is a charitable organization that collects donations on behalf of member charities and directs that donation as designated by the taxpayer to a qualifying charitable organization that is certified by the department. In this case, 100% of the donation to a specific qualifying charitable organization or to a specific fund of the UCO must be distributed to a qualifying charitable organization that is certified by the department.

The UCO will need to provide you with a receipt for your donation that specifies the qualifying charity or fund to whom the donation is designated and certifies that 100% of the donation will be distributed to the named charity. If a fund is designated then the receipt should certify that 100% of the fund is distributed to a qualifying charity that is certified by the department.

**NOTE:** You may be able to make contributions to these charities through your payroll withholding. Contact your employer and ask if they can withhold contributions for this credit from your pay.

For more information about this credit, see the department's publication, Pub 710, Credit for Contributions to Qualifying Charitable Organizations.

### **What is a Qualifying Charitable Organization?**

A qualifying charitable organization (charity) is a charity that is exempt from federal income tax under Internal Revenue Code (IRC) § 501(c)(3). A qualifying charity is also a charity that is a designated community action agency that receives

Community Services Block Grant Program money under the United States Code, Title 42, Section 9901. The charity must spend at least 50% of its budget on services to Arizona residents who receive Temporary Assistance for Needy Families benefits, who are low income Arizona residents, or who are chronically ill or physically disabled children.

For the purpose of this credit, qualifying services are services that meet the recipient's immediate basic needs. The services must be provided and used in Arizona. Services that meet these needs include cash assistance, medical care, childcare, food, clothing, shelter, job training, and job placement services.

## How Can I Tell if a Charity Qualifies?

In order to qualify, a charity must provide the Department with written certification that it meets the criteria necessary to be considered a qualifying charity. To see if a particular charity qualifies, visit the department's website and click on Tax Credits to see a list of the qualifying charities.



## Arizona Form 352

### Credit for Contributions to Qualifying Foster Care Charitable Organizations

**NOTE:** You must also complete Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture, and include Forms 301 and 352 with your tax return to claim this credit.

For taxable years beginning from and after December 31, 2015, Arizona law provides a separate credit for cash contributions made to qualifying foster care charitable organizations.

**CAUTION:** Contributions made after December 31, 2015, to a qualifying foster care charitable organization does not qualify for, and cannot be included in, a credit claimed on Arizona Form 321 for cash contributions made to a qualifying charitable organization.

If you made cash contributions to a non-foster care qualifying charitable organization, you must complete Arizona Form 321 to claim a credit for those contributions. Do not use Form 352 to claim a credit for contributions made to non-foster care charitable organizations.

This credit is available only to individuals. Corporations may not claim this credit. A partnership may not pass the credit through to its partners. An S corporation may not pass the credit through to its shareholders.

Credit eligible contributions made to a qualifying foster care charitable organization from January 1, 2018, through April 17, 2018, may be used as a tax credit on either your 2017 or 2018 Arizona income tax return.

If you claim this credit in 2017 for a donation made from January 1, 2018, through April 17, 2018, you must make an adjustment on your Arizona Form 140 Schedule A; or Form 140PY Schedule A(PY) or A(PYN); or Form 140NR Schedule A(NR), filed in 2018.

The maximum amount of credit that a taxpayer can establish for the current taxable year for these donations is \$500 for single taxpayers or heads of household. For married taxpayers filing a joint return, the maximum amount of credit that a taxpayer can establish for the current taxable year is \$1,000. In most cases, for married taxpayers who file separate returns, each spouse may claim only one-half (1/2) of the total credit that would have been allowed on a joint return.

**NOTE:** The maximum amount of credit established for the current taxable year does not include any unused valid carryover amount(s) from prior taxable years. Because this is a nonrefundable credit, the total amount of available credit [current year plus any valid carryover amount(s)] that a taxpayer may use for the taxable year cannot be greater than the tax liability shown.

If the allowable tax credit is more than your tax or if you have no tax, you may carry the unused credit forward for up to the next five consecutive taxable years' income tax liability.

You cannot claim both a tax credit and an itemized deduction for the amount of contributions made to a qualifying foster care charitable organization for which you are claiming a credit.

You may qualify for this credit if you make cash contributions to a qualified foster care charity through an Umbrella Charitable Organization (UCO). An UCO is a charitable organization that collects donations on behalf of member charities and directs that donation as designated by the taxpayer to a qualifying foster care charitable organization that is certified by the Department.

In this case, 100% of the donation to a specific qualifying foster care charitable organization or to a specific fund of the UCO must be distributed to a qualifying foster care charitable organization that is certified by the Department.

The UCO will need to provide you with a receipt for your donation that specifies the qualifying foster care charity or fund to whom the donation is designated and certifies that 100% of the donation will be distributed to the named charity. If a fund is designated then the receipt should certify that 100% of the fund is distributed to a qualifying foster care charitable organization that is certified by the Department.

**NOTE:** You may be able to make contributions to these charities through your payroll withholding. Contact your employer and ask if they can withhold contributions for this credit from your pay.

For more information about this credit, see the department's publication, Pub 710, Credit for Contributions to Qualifying Charitable Organizations.

### **What is a Qualifying Foster Care Charitable Organization?**

A qualifying foster care charitable organization is a qualifying charitable organization that each operating year provides services to at least two hundred qualified individuals in Arizona. The charity must spend at least 50% of its budget on services to qualified individuals in this state.

"Qualified Individual" means a child placed in a foster home or child welfare agency or a person who is under 21 years of age and who is participating in a transitional independent living program.

"Foster home" means a home maintained by any individual or individuals having the care or control of minor children, other than those related to each other by blood or marriage, or related to such individuals, or who are legal wards of such individuals.

**NOTE:** For more information on what is a qualifying charitable organization, see the instructions for Form 321.

### **How Can I Tell if a Charity Qualifies?**

In order to qualify, a foster care charity must provide the Department with written certification that it meets the criteria necessary to be considered a qualifying foster care charity.

To see if a particular charity qualifies, visit the department's website and click on Tax Credits to see a list of the qualifying foster care charities.

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# Arizona Form 322

## Credit for Contributions Made or Fees Paid to Public Schools

**NOTE:** Taxpayers must also complete Arizona Form 301, *Nonrefundable Individual Income Tax Credits and Recapture*, and include Forms 301 and 322 with your tax return to claim this credit.

Arizona law provides a credit for cash contributions made and certain fees paid to public schools in Arizona. "Public School" means a school that is part of a school district, a joint technical education district, or a charter school.

This credit is available **only** to individuals. Corporations may not claim this credit. A partnership may not pass the credit through to its partners. An S corporation may not pass the credit through to its shareholders.

The credit is equal to the amount contributed or the amount of fees paid. The maximum amount of credit that a taxpayer can establish for the current taxable year for contributions or fees paid is \$200 for single taxpayers or heads of household. For married taxpayers filing a joint return, the maximum amount of credit that can be established for the current taxable year is \$400. In most cases, for married taxpayers who file separate returns, each spouse may claim only one-half (1/2) of the credit that would have been allowed on a joint return.

**NOTE:** The maximum amount of credit established for the current taxable year does not include any unused valid carryover amount(s) from prior taxable years. Because this is a nonrefundable credit, the total amount of available credit [current year plus any valid carryover amount(s)] that a taxpayer may use for the taxable year cannot be greater than the tax liability shown.

If the allowable tax credit is more than your tax or if you have no tax, you may carry the unused credit forward for up to the next five consecutive taxable years' income tax liability.

Credit eligible contributions made or fees paid to a public school from January 1, 2018, to April 17, 2018, may be used as a tax credit on either your 2016 or 2017 Arizona income tax return.

You cannot claim both a tax credit and an itemized deduction for contributions made to a public school for which you are claiming a credit.

If you claim this credit in 2017 for contributions made from January 1, 2018, to April 17, 2018, you must make an adjustment on your Arizona Form 140 Schedule A; or Form 140PY Schedule A(PY) or A(PYN); or Form 140NR Schedule A(NR), filed in 2018.

You may be able to make credit eligible contributions to a public school through payroll withholding. Check with your employer to see if your employer has agreed to withhold contributions that qualify for this credit from your pay.

To qualify for the credit, you must make contributions or pay fees to a public school located in this state for the following activities or programs of the public school:

- Standardized testing for college credit or readiness offered by a widely recognized and accepted educational testing organization



- The career and technical education industry certification assessment
- Preparation courses and materials for standardized testing
- Cardiopulmonary resuscitation training
- Extracurricular activities, or
- Character education programs

"Standardized testing for college credit or readiness" includes the SAT, PSAT, ACT, advanced placement and international baccalaureate diploma tests and other similar tests.

"Widely recognized and accepted educational testing organization" means the college board, the ACT, the international baccalaureate and other organizations that are widely recognized and accepted by colleges and universities in the United States and that offer college credit and readiness examinations.

"Career and technical education industry certification assessment" means an assessment for career and technical preparation programs for pupils.

**NOTE:** Your contribution for the support of standardized testing fees, career and technical education industry certification assessments, preparation courses, or materials for standardized testing, must be made directly to the public school located in Arizona. Contributions made to any other organization will not qualify for this credit.

A character education program is a program defined in Arizona Revised Statutes (A.R.S.) § 15-719. Under this statute, each district may develop its own course of study for each grade. At a minimum, the character education program must include instruction in the definition and application of at least six of the following character traits: truthfulness, responsibility, compassion, diligence, sincerity, trustworthiness, respect, attentiveness, obedience, orderliness, forgiveness, and virtue.

Extracurricular activities are school-sponsored activities that may require enrolled students to pay a fee in order to participate. The activities must supplement the school's education program and may be educational or recreational.

Each school district will determine what activities are extracurricular activities for each public school located in that district. Extracurricular activities may include the following:

- Use of band uniforms
- Use of equipment or uniforms for varsity athletics
- Use of scientific laboratory equipment or materials, and
- In-state or out-of-state trips that are solely for competitive events

Extracurricular activities do not include any senior trips or events that are recreational, amusement or tourist activities.

You must make cash contributions or pay fees to a public school or charter school located in Arizona. The school must provide instruction in grades kindergarten through 12.

Contributions made or fees paid to any of the following do not qualify for this credit:

- A nongovernmental school
- A pre-school
- A community college
- A university, or
- A public school located outside of Arizona

Before claiming this credit, make sure the public school issues you a receipt for the contributions or qualifying fees you paid. The receipt should show all of the following:

- Name of the public school
- Name and number of the school district
- Name of the taxpayer
- Amount paid or contributed
- Date paid or contributed, and
- Description of the activity for which the contributions were made or the fees were paid

Please keep this receipt with your tax records. For more information on school tax credits, see the department's publication, Pub 707, School Tax Credits.

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## Arizona Form 323

### Credit for Contributions to Private School Tuition Organizations

**NOTE:** Taxpayers must also complete Arizona Form 301, *Nonrefundable Individual Income Tax Credits and Recapture*, and include Forms 301 and 323 with your tax return to claim this credit.

Arizona law provides a credit for contributions made to a private school tuition organization that provides scholarships or grants to qualified schools.

This credit is available only to individuals. Corporations may not claim this credit. A partnership may not pass the credit through to its partners. An S corporation may not pass the credit through to its shareholders.

The credit is equal to the amount contributed. For 2017, the maximum amount of credit that a taxpayer can establish for the current taxable year is \$546 for single taxpayers or heads of household. For married taxpayers that file a joint return, the maximum credit that can be established for the current taxable year is \$1,092. In most cases, for married taxpayers who file separate returns, each spouse may claim only one-half (1/2) of the credit that would have been allowed on a joint return.

**NOTE:** The maximum amount of credit established for the current taxable year does not include any unused valid carryover amount(s) from prior taxable years. Because this is a nonrefundable credit, the total amount of available credit [current year plus any valid carryover amount(s)] that a taxpayer may use for the taxable year cannot be greater than the tax liability shown.

The credit eligible contributions made to a school tuition organization from January 1, 2018, to April 17, 2018, may be used as a tax credit on either your 2017 or 2018 Arizona income tax return.

If the allowable tax credit is more than your tax or if you have no tax, you may carry the unused credit forward for up to the next 5 consecutive taxable years' income tax liability.

A private school tuition organization is an organization that meets all of the following:

- The organization is tax exempt under Section 501(c)(3) of the Internal Revenue Code (IRC).
- The organization allocates at least 90% of its annual revenue from contributions to educational scholarships or tuition grants.
- The organization makes its scholarships or grants available to students of more than one qualified school.

A "qualified school" means a preschool that offers services to students with disabilities, nongovernmental primary or a secondary school that is located in Arizona. The school cannot discriminate on the basis of race, color, handicap, familial status, or national origin and requires all teaching staff and personnel that have unsupervised contact with students to be fingerprinted. A "qualified school" does not include a charter school or programs operated by a charter school. The primary school must begin with kindergarten and the secondary school must end with grade 12.

In the case of a preschool that offers services to students with disabilities, a "student with disabilities" is a student who has any of the following conditions:

- Hearing impairment
- Visual impairment
- Developmental delay
- Preschool severe delay, or
- Speech and/or language impairment

**NOTE:** The Arizona Department of Revenue is required to certify school tuition organizations. The department maintains a list of currently certified school tuition organizations on its website at [www.azdor.gov](http://www.azdor.gov).

To qualify for the credit all contributions must be made to a certified school tuition organization. To determine if your contributions made in 2017 and/or 2018, qualify for this credit, you should verify that the school tuition organization you made a contribution to is certified. For a list of school tuition organizations certified to receive donations for the individual income tax credit, see the department's website.

Your donation to the school tuition organization will not qualify for the credit if you designate the donation for the direct benefit of your dependent.

**NOTE:** Your donation will also not qualify if you designate a student beneficiary as a condition of your contribution to the school tuition organization. Also, the tax credit is not allowed if you agree with another person to designate each other's contributions to the school tuition organization for the direct benefit of each other's dependent, a practice commonly known as swapping.

You cannot claim both a tax credit and an itemized deduction for the amount of contributions made to a private school tuition organization for which you are claiming a credit.

If you claim this credit in 2017 for a donation made from January 1, 2018, to April 17, 2018, you must make an adjustment on your Arizona Form 140 Schedule A; or Form 140PY Schedule A(PY) or A(PYN); or Form 140NR Schedule A(NR), filed in 2018.

Before claiming this credit, make sure the school tuition organization issues you a receipt for the contribution. The receipt should show all of the following:

- Name and address of the school tuition organization
- Name of the taxpayer
- Amount paid
- Date paid, and
- The tax year for which you will claim the contribution

Please keep this receipt with your tax records. For more information on school tax credits, see the department's publication, Pub 707, School Tax Credits.

**NOTE:** You may be able to make credit eligible contributions to a school tuition organization through payroll withholding. Check with your employer to see if your employer has agreed to withhold contributions that qualify for this credit from your pay.



## Arizona Form 348

### **Credit for Contributions to Certified School Tuition Organization** *(For contributions that exceed the maximum allowable credit on AZ Form 323)*

Arizona law provides an individual income tax credit for the voluntary cash contributions made to a certified school tuition organization in order to improve education by raising tuition scholarships for children in Arizona. This credit is available only to individuals. Corporations may not claim this credit. A partnership may not pass the credit through to its partners. An S corporation may not pass the credit through to its shareholders.

The credit is equal to the amount contributed after the maximum amount that can be claimed on Form 323 is contributed. The maximum credit for single taxpayers or heads of household is \$543. For married taxpayers that file a joint return, the maximum credit is \$1,085. In most cases, for married taxpayers who file separate returns, each spouse may claim only 1/2 of the credit that would have been allowed on a joint return.

**NOTE:** *The credit eligible contributions made to a certified school tuition organization from January 1, 2018 to April 17, 2018 may be used as a tax credit on either your 2017 or 2018 Arizona income tax return.*

If the allowable tax credit is more than your tax or if you have no tax, you may carry the unused credit forward for up to the next 5 consecutive taxable years' income tax liability.

A certified school tuition organization is an organization that meets **all** of the following.

- The organization is tax exempt under Section 501(c) (3) of the Internal Revenue Code.
- The organization allocates at least 90% of its annual revenue for educational scholarships or tuition grants.
- The organization makes its scholarships or grants available to students of more than one qualified school.

A “*qualified school*” means a preschool that offers services to students with disabilities, nongovernmental primary or a secondary school that is located in Arizona. The school cannot discriminate on the basis of race, color, handicap, familial status, or national origin and requires all teaching staff and personnel that have unsupervised contact with students to be fingerprinted. A “*qualified school*” does not include a charter school or programs operated by a charter school. The primary school must begin with kindergarten and the secondary school must end with grade 12.

In the case of a preschool that offers services to students with disabilities, a “*student with disabilities*” is a student who has any of the following conditions.

- Hearing impairment
- Visual impairment
- Developmental delay
- Preschool severe delay
- Speech and/or language impairment

**NOTE:** *The Arizona Department of Revenue is required to certify school tuition organizations. This list can be found at [www.azdor.gov](http://www.azdor.gov) under Tax Credits.*

To determine if your contributions made in 2017 and/or 2018 qualify for this credit, you should ask the organization if it meets all of the requirements. Your donation to the school tuition organization will not qualify for the credit if you designate the donation for the direct benefit of your dependent.

**NOTE:** *Your donation will also not qualify if you designate a student beneficiary as a condition of your contribution to the school tuition organization. Additionally, the tax credit is not allowed if you agree with another person to designate each other’s contributions to the school tuition organization for the direct benefit of each other’s dependent, a practice commonly known as swapping.*

You cannot claim both a tax credit and an itemized deduction for the amount of contributions made to a certified school tuition organization for which you are claiming a credit. If you claim this credit in 2017 for a donation made from January 1, 2018, to April 17, 2018, you must make an adjustment on your Arizona Form 140, Schedule A, *Itemized Deductions Adjustments*, filed in 2018.

Before claiming this credit, make sure the school tuition organization issues you a receipt for the contributions. The receipt should show **all** of the following.

- The name and address of the school tuition organization
- The name of the taxpayer

- The amount paid
- The date paid

Please keep this receipt with your tax records.

**NOTE:** Taxpayers may be able to make credit eligible contributions to a school tuition organization through payroll withholding.

## Arizona Form 340

### Credit for Donations to the Military Family Relief Fund

For taxable years 2008 through 2018, Arizona law allows a credit for cash donations made to the Military Family Relief Fund. If your donation qualifies for the credit, your credit will be the smaller of 1 through 4 below.

1. The amount you donated to the fund during the taxable year.
2. If you are a single taxpayer or a head of household, \$200.
3. If you are married filing a joint return, \$400. If you are filing separate returns you each may claim only 1/2 of the credit that would have been allowed on a joint return (up to a maximum of \$200 each).
4. Your tax liability for the taxable year.

There is no carry forward for this credit. You must use this credit on the tax return filed for the taxable year for which you made your donation.

This credit is available only to individuals. Corporations may not claim this credit. A partnership may not pass the credit through to its partners. An S corporation may not pass the credit through to its shareholders.

You cannot claim both a tax credit and an itemized deduction for your donation.

Before you claim this credit, you must have received a receipt from the Arizona Department of Veterans' Services. Your receipt must show all of the following:

- Your full name
- Your address
- The last four digits of your SSN
- The amount you donated
- Your donation qualifies for the credit

### Military Family Relief Fund

The Arizona Department of Veterans' Services administers the Military Family Relief Fund. The fund helps service members and their families faced with unforeseen expenses when a loved one becomes a casualty of war. Your donations to the fund may qualify for this income tax credit. Donations to the fund will qualify for the credit if the total amount donated to the fund during the calendar year has not exceeded one million dollars.

Donations made to the fund once the total donations for the calendar year reach one million dollars will not qualify for the credit. The determination of whether a donation will qualify for the credit is made on a first come, first served basis.

The Arizona Department of Veterans' Services will provide you with a receipt that will let you know if your donation qualifies for the credit. The Arizona Department of Veterans' Services will also send a copy of that receipt to the Arizona Department of Revenue.

## Payment and Extension Information

**NOTE:** *The Department cannot accept checks or money orders in foreign currency. Payment must be made in U.S. dollars.*

### Payment by e-Check or Credit Card via [www.AZTaxes.gov](http://www.AZTaxes.gov)

This option is available to electronic and paper filers. Use e-check or credit card option to pay any of the following:

- Tax liability payment
- Extension payment \*
- Quarterly estimated tax payment \*\*

\*If you are filing under a federal extension, do not file AZ Form 204 (filing extension form) when using e-check or credit card option to make your Arizona extension payment. AZ Form 204 is only required when making extension payments by check or money order.

\*\*Do not file AZ Form 140ES (estimated tax payment form) when payment using e-check or credit card option. AZ Form 140ES only required when making estimated payment by check or money order.

### Electronic Payment from Checking or Savings Account

There is no fee to use this payment method. To make an electronic payment, go to [www.aztaxes.gov](http://www.aztaxes.gov) and click on the "Make a Payment" link. The "E-Check" option in the "Payment Method" drop-down box will debit the amount from the checking or savings account that you specify.

**Note:** A returned unpaid payment (electronic or paper) from your bank is subject to a \$25 fee.

### Credit Card Payment

You can pay with your Visa, MasterCard, Discover, or American Express credit card. Go to [www.AZTaxes.gov](http://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.

## E-File Your Arizona Filing Extension

Visit [www.azdor.gov](http://www.azdor.gov) and look for the E-Services tab at the top of the homepage and select "Individual". This page provides information about electronic filing and free filing options.

**Note:** If filing under a federal extension, do not submit AZ Form 204, be sure to **check box 82F** when preparing your Arizona tax return and file by the extended due date of October 15. To avoid an extension penalty, **90% of the tax due must be paid by April 15**. For fiscal year filers, your Arizona tax return is due the 15<sup>th</sup> day of the fourth month following the close of your fiscal year.



# Filing Tips to Avoid Delays

- Consider filing electronically, it's faster, it's easier, and refunds may be received in as little as five business days with direct deposit.
- Check your math for accuracy.
- Verify Social Security Numbers entered are accurate.
- Dependent information is incomplete.
- Illegible or hard to read hand-written data on tax return.
- Return is incomplete.
- Spills that mar the barcode, or other damage to the bar code.
- Incorrect routing number for the bank.
- Incorrect account number for the bank.
- Required documentation for the AZ Form 140PTC is not attached; W2, Proof of Property Tax Paid, Renter Certificate (Form 201), Supplemental Security Income (SSI) statement.
- If claiming both the Property Tax Credit and Excise Tax Credit, these credits must be claimed using only one form, the AZ Form 140PTC.
- Must file AZ extension if you cannot file 140PTC by April 15, or you will lose the credit.
- If someone needs to discuss tax matters about someone else's tax return, AZ Form 285 (POA) must be filed to authorize the appointee.
- The original return must complete processing before the amend tax return can be processed. Amended tax returns submitted between January 1 and April 15 can take a minimum of 12 weeks to complete processing.
- If you moved and the address is different than the address submitted on the return, please call us to have it changed.
- To claim a refund for a decedent, AZ Form 131 must be completed.
- A missing copy of the death certificate will cause the AZ Form 131 from processing timely if claiming a refund on behalf of a decedent.
- Social Security Income is not the same as Supplemental Security Income when determining if you qualify for the property tax credit for those who are not 65 years or older.
- If payment is sent separately, in addition to the identifying tax ID, it should also provide the tax type or form number (140, 140NR, 140EST, etc.) that the payment is intended for.
- Verify personal exemption amount is accurate for your filing status.
- Verify your standard deduction amount is accurate for your filing status.

- For Innocent Spouse Relief and Separation of Liability, AZ Form 200 must be completed.
- Verify correct payment is attached to the return. Often payments we received are intended for the IRS.
- Check or money order should have the identifying tax ID number of the “primary” taxpayer on the account written on it.
- If you are filing multiple tax years, send each tax return with corresponding payment in a separate envelope.
- Be sure to sign and date your tax return.
- Notify us of any address change, the Post Office will not forward a tax refund.
- Make a copy of your return before you file it.
- Make sure there is enough postage if mailing.

## **Have You Paid Your Use Tax? ... What's That?**

A use tax is levied on any person who uses, stores or consumes any tangible personal property upon which no tax has been collected by a retailer. The Arizona state use tax rate is 5.6%; some cities also impose a city use tax.

An Arizona purchaser is liable for use tax on goods purchased from an out-of-state vendor that did not collect the use tax. Internet sales are also subject to use tax. There is no exemption from use taxes on Internet purchases. The Internet Tax Freedom Act is a moratorium on any imposition of new taxes. The Arizona use tax law has been in effect since the 1950s.

Any purchase of a vehicle, aircraft, boat, or any other tangible personal item purchased from an out-of-state vendor is also subject to the use tax if no tax was paid. Items brought into the State of Arizona that were subject to U.S. Customs may also be liable for the use tax as well, minus your personal U.S. Customs exemption.

Basically, use taxes and transaction privilege taxes (often referred to as sales taxes) are complementary taxes. In effect, you must pay one or the other but never both. If you purchase an item from a mail order entity and that entity also has an Arizona location, then you may be liable for a transaction privilege tax instead of a use tax.

Use taxes were instituted to prevent unfair competition by out-of-state vendors in the Arizona market. The passing of a use tax law helped create a more suitable balance in this area.

So how does an individual report a use tax? Currently, you should calculate your purchase amount, multiply that amount by 5.6% and remit this total along with a cover letter that includes your name, address and taxpayer identification number to the Arizona Department of Revenue along with a copy of the original invoice. Failure to comply may result in penalties and interest.

If you have questions regarding use tax or how to report your use tax, please contact Taxpayer Information and Assistance by calling 602-255-3381.

Mail your cover letter, payment and copy of invoice to:

Arizona Department of Revenue  
PO Box 29085  
Phoenix, AZ 85038-9085

## Arizona Quality Review Checklist – Assistor

1. Name/address/SSN completed.
2. Filing status checked?
3. Number of exemptions entered?
4. Dependents listed in Part A (if applicable)?
5. Exemptions added?
6. Arizona adjusted gross income computed?
7. Deductions entered?
8. Tax from table correct (check filing status)?
9. Does taxpayer qualify for a tax credit?
10. Other taxes listed (if applicable)?
11. Payments listed and added:
  - a. Tax withheld.
  - b. Estimated taxes.
  - c. Amount paid with extension request.
12. Tax due or overpayment (refund) entered on correct line?
13. Taxpayer signed and dated (or given written instructions for spouse)?
14. Spouse died in 2017 - enter "filing as surviving spouse".
15. Taxpayer entered telephone numbers?
16. VITA/TCE acronym on bottom of return?
17. Schedules attached?
  - a. (Attach copy of federal; Form, 1040, Schedule A if itemizing deductions).
    - i. Did the taxpayer get a 100% deduction for medical and dental expenses?
18. W-2's and 1099-R's attached?
19. Form 199-IMA attached for Individual Medical Savings Account?
20. Form 140PTC eligible? The taxpayer must be **full-time resident** of Arizona.
21. Report completed for assistance provided?

# Arizona Individual Income Tax Forms at a Glance

140 PTC

	140	140 A	140 EZ	140 PY	140 NR	140 ET *	**
<b>Filing Status</b>							
Single	X	X	X	X	X	X	X
Married Filing Jointly	X	X	X	X	X	X	X
Married Filing Separately	X	X		X	X	X	X
Head of Household	X	X		X	X	X	X
<b>Arizona Taxable Income</b>							
\$0 - \$50,000	X	X	X	X	X	X	X
\$50,000 and above	X			X	X		
<b>Exemptions</b>							
Age 65 or Older	X	X		X	X		
Blind	X	X		X	X		
Dependents	X	X		X	X	X	
Qualifying Parents or Grandparents	X	X		X			
<b>Other Factors</b>							
Itemize Deductions	X			X	X		
Tax Credits	X			X	X		
Active Duty Pay US Armed Forces, National Guard or Reservists	X						

\* 140 ET is designed to be used by certain taxpayers that are not required to file an income tax return and you do not qualify for the property tax credit on Form 140PTC.

\*\* 140 PTC is used to claim the property tax credit. Eligible taxpayers can use this form as an attachment to a return, or separately to claim the credit if the taxpayer has no other requirement to file.