



## This booklet contains:

- Individual Tax Forms
- Corporation, Partnership, and Exempt Organization Tax Forms



### CAUTION

The federal amounts that you use on your Arizona return may not be the same as the federal amounts from your federal tax return.

Each year the Arizona State Legislature considers if they will adopt changes made to the federal tax law during the prior year. **These forms assume the Legislature will adopt all federal law changes made after January 1, 2022. If you use the**

**amounts from your 2022 federal tax return to complete your Arizona return and the Legislature does not adopt the 2022 federal changes, you may have to amend your return at a later date for any difference between Arizona and federal law.** For more details, visit [www.azdor.gov](http://www.azdor.gov) and click on the link for 2022 conformity.

# QUICK AND EASY ACCESS TO TAX HELP AND FORMS



## PERSONAL COMPUTER

Access all the information you need online at [www.azdor.gov](http://www.azdor.gov), including:

- Forms and Instructions
- Publications
- Tax Rulings and Procedures
- Other General Tax Information

## Did You Know?

When you use tax software all the hard work is done for you! The software:

- Calculates Tax
- Does the Math
- Selects Forms and Schedules
- Makes Complex Returns Simple
- Checks for Errors Before You File
- E-Files the IRS and AZ Returns at the same time
- Gives Proof of E-Filing
- Free E-File available for those who qualify

**Before using paper, E-File and select the Direct Deposit option for a faster refund!**



## PHONE

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

## WALK-IN SERVICE

You may get forms and information at our Phoenix and Tucson offices. To continue to protect the health and safety of our customers ADOR's in-person lobby services are by appointment only.



Visit [azdor.gov](http://azdor.gov) for taxpayer support services that may be accessed by phone or computer.

We have offices at the following locations:

### Phoenix

1600 West Monroe Street  
Phoenix, AZ 85007

### Tucson

400 West Congress Street  
Tucson, AZ 85701

### Forms Only:

#### Mesa

55 North Center Street  
Mesa, AZ 85201

*Reasonable accommodations for any person with a disability can be made.*

## Notice

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 2022, except for changes Congress made to the federal tax code during 2022 if either of the following apply:

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

**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 2023. 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 enacted after January 1, 2022.

**What does this mean to you? It means that if any of the federal law changes made in 2022 apply to your 2022 return, you can opt to file your 2022 return using one of the following methods:**

1. *You can wait and file your 2022 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 2022 return assuming that the federal law changes will be adopted.* The 2022 tax forms make this assumption.

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

- If Arizona adopts the federal changes, you do not have to do anything more.
- If Arizona does not adopt all those changes, you may need to amend your 2022 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 webpage at <https://azdor.gov/legal/conformity-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 2022 return and you file and pay the required amended return by the extended due date of your 2023 return.

3. *You can file your 2022 return assuming that we will not adopt the federal law changes.* If you opt for this method, you will have to do all of the following.

- You will have to research all of the federal changes made after January 1, 2022.
- 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 2022 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 webpage at <https://azdor.gov/legal/conformity-irc>.

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## Due date for Calendar Year Filers

Your 2022 individual income tax return is due by midnight on April 15, 2023. **Because April 15, 2023 falls on a weekend, and April 17, 2023 falls on a federal holiday, you have until Tuesday, April 18, 2023 to timely file your 2022 tax return.** If you file under a valid extension, your extended due date to file your income tax return is October 15, 2023. **Because October 15, 2023 falls on a weekend, you have until Monday, October 16, 2023 to timely file your 2022 tax return.**

## 2022 Changes to Income Tax Forms

Due to modifications to the 2022 Forms 140, 140NR and 140PY certain additions and subtractions (adjustments to Arizona Gross Income) have been moved from pages 1 and 2 to pages 5 (additions) and page 6 (subtractions).

## 2022 Individual Filing Threshold

The filing threshold used to determine if a taxpayer must file an Arizona individual income tax return was adjusted for inflation.

The filing threshold is based on a taxpayer's filing status and federal gross income excluding certain income that Arizona does not tax. A taxpayer must file if they are:

- Single and gross income is more than \$12,950;
- Married filing joint and gross income is more than \$25,900;
- Married filing separate and gross income is more than \$12,950; and
- Head of Household and gross income is more than \$19,400.

For more information and income that is excluded, see the table, *Arizona Filing Requirements*, provided on page 1 of the instructions for the income tax form you are filing

## 2022 Arizona Standard Deduction Amounts Adjusted

The 2022 Arizona standard deduction amounts are:

- \$12,950 for a single taxpayer or a married taxpayer filing a separate return;
- \$25,900 for a married couple filing a joint return; and
- \$19,400 for individuals filing a head of household return.

## Change to Standard Deduction Increase for Charitable Contributions Computation

For taxpayers who do not itemized deductions on their 2022 Arizona income tax return and elect to take the standard deduction, the allowable Standard Deduction Increase was modified. For tax year 2022, the allowable portion of your charitable contributions used to compute your Standard Deduction Increased was increased from 25% to 27% of the qualified charitable contributions made during the tax year. Taxpayers must complete page 3 of their personal income tax form to claim the Standard

Deduction Increase. (Arizona Form 140, Form 140PY or Form 140NR)

## 2022 Individual Income Tax Rates

For 2022, Tax Tables X & Y were adjusted for inflation. Taxpayers with taxable income more than \$50,000 must use Tax Tables X and Y to compute their tax liability. Part-year residents and nonresidents must also use Tax Tables X and Y to compute their 2022 tax liability regardless of their taxable income.

The 2022 Optional Tax Table (for Arizona resident taxpayers with taxable income less than \$50,000) was also adjusted for inflation. To determine your tax liability, see the Optional Tax Table.

## 2022 Arizona Small Business Income (SBI) Tax

The tax rate applicable to small business taxable income reported on Forms 140-SBI, 140PY-SBI or Form 140NR-SBI was reduced from 3.5% in 2021 to 3.0% for 2022.

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

The allowable current year credit for contributions to private school tuition organizations was adjusted for inflation purposes. For 2022, the maximum current year credit is:

- \$623 for single or head of household taxpayers;
- \$1,245 for married taxpayers filing a joint return; and
- \$623 for married taxpayers filing a separate return.

## Credit for Contributions Made to Certified School Tuition Organizations (Form 348)

The allowable current year credit for contributions to a certified school tuition organization was adjusted for inflation purposes. For 2022, the maximum current year credit is:

- \$620 for single and head of household taxpayers;
- \$1,238 for married taxpayers filing a joint return; and
- \$620 for married taxpayers filing a separate return.

## Repealed Individual Tax Credits

Beginning with tax year 2022, the following income tax credits have been repealed. Taxpayers who claimed either of these credits and established unused carryover amounts from prior tax years, may still claim the carryover amounts for the remaining 5-year carryover period allowed by the credit.

- Pollution Control Credit (Form 315)
- Employment by a Healthy Forest Enterprise Credit (Form 332)

## New Individual Tax Credits

### Affordable Housing Tax Credit (Form 354)

Beginning with tax year 2022, Arizona allows an individual taxpayer to claim a nonrefundable tax credit for projects in

this state that qualify for the federal low-income housing tax credit under section 42 of the Internal Revenue Code (IRC) that are placed in service from and after June 30, 2022 in an amount equal to at least fifty-percent (50%) of the amount of the federal credit allowed in each taxable during the federal credit. Arizona Revised Statute § 43-1074

The tax credit may claimed on either the individual's personal income tax return (Form 140, 140NR or 140PY) or the Small Business Income tax return, if filing. (Form 140-SBI, 140NR-SBI or 140PY-SBI)

For more information, see Credit Form 354 and instructions.

## **Pass-Through Entity (PTE) Tax (Credit Form 355)**

Beginning with tax year 2022, Arizona allows an individual partner or an individual shareholder of a partnership/S Corporation a nonrefundable tax credit for the taxes paid by the PTE on the individual's behalf for their share of the income distributed to the partner/shareholder. If the allowable credit exceeds the taxes otherwise due on the claimants income, or if the there are no taxes due, the amount of the claim not used to offset taxes may be carried for not more than five consecutive taxable years as a credit against subsequent years' income tax liability. Arizona Revised Statute § 43-1077

For more information, see Credit Form 355, *Credit for Entity-Level Tax*, and instructions.

An individual taxpayer who claims the allowable PTE tax credit, must also adjust their Arizona gross income by adding the amount of the tax payment made by the PTE for which the tax credit is claimed.

A taxpayer who is claiming this credit on their personal income tax return, the add-back adjustment is reported on page 5, "Other Additions to Arizona Gross Income" and included in the total amount reported on the income tax return. Arizona Revised Statute § 43-1021.

*Please print or type.*

For calendar year decedent was due a refund: 2022 OR  Fiscal year ending: MONTH YEAR 66

1 Decedent's Name (last, first, middle initial)		2 Date of Death	3 Decedent's Social Security Number
4 Name of Person Claiming Refund (last, first, middle initial)		Daytime Phone (with area code) <u>94</u>	5 Claimant's Social Security Number or ITIN
6 Home Address of Person Claiming Refund - number and street, rural route		Apt. No.	<b>REVENUE USE ONLY. DO NOT MARK IN THIS AREA.</b> <u>88</u>
7 City, Town or Post Office		State ZIP Code	
8 Claimant's Relationship to Decedent			
<b>Part 1</b> Check the box that applies to you. Check only one box. Be sure to complete Part 3 below.		<u>81</u> PM	<u>80</u> RCVD

- 9a  Surviving spouse claiming a refund based on a joint return.
- 9b  Court-appointed or certified personal representative.  
Include a court certificate (issued after death) showing your appointment.
- 9c  Person other than 9a or 9b claiming refund for the decedent's estate.  
See instructions and complete Part 2 below.

**Part 2** Complete Part 2 only if you checked box 9c in Part 1.

	YES	NO
10a Did the decedent leave a will? .....	10a <input type="checkbox"/>	<input type="checkbox"/>
10b Has a personal representative been appointed for the estate of the decedent? .....	10b <input type="checkbox"/>	<input type="checkbox"/>
10c If you answered "No" on line 10b, will one be appointed? .....	10c <input type="checkbox"/>	<input type="checkbox"/>
If you answered "Yes" to 10b or 10c, and you are <b>not</b> the personal representative (or executor of the decedent's will) do not file this form. The personal representative or executor must file for the refund.		
11 As the person claiming the refund for the decedent's estate, will you pay out the refund according to the laws of the state where the decedent was a legal resident?.....	11 <input type="checkbox"/>	<input type="checkbox"/>
If you answered "No" on line 11, a refund cannot be made until you submit a court certificate showing your appointment as personal representative or until you submit other evidence that you are entitled under state law to receive the refund.		

**Part 3**

I request a refund of taxes overpaid by, or on behalf of, the decedent. Under penalties of perjury, I declare that the statements made on this form have been examined by me and to the best of my knowledge, they are true, correct and complete.

→ \_\_\_\_\_ Date \_\_\_\_\_  
Signature of Person Claiming Refund

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# 2022 Claim for Refund on Behalf of Deceased Taxpayer

# Arizona Form 131

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

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

## Tax forms, instructions, and other tax information

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

## Income Tax Procedures and Rulings

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website select *Reports, Statistics and Legal Research* from the main menu, then click on *Legal Research* and select a *Document Type* and *Category* from the drop down menus.

## Publications

To view or print the department's publications, go to our website select *Reports, Statistics and Legal Research* from the main menu then click on *Publications* in the left hand column.

## Purpose of Form 131

Use Arizona Form 131 to claim a refund on behalf of a deceased taxpayer for Forms 140, 140A, 140EZ, 140NR, 140PY or 140X.

**NOTE:** *If you are filing a Small Business Income Tax return, Use Form 131-SBI to claim a refund on behalf of a deceased taxpayer for Forms 140-SBI, 140NR-SBI, 140PY-SBI or 140X-SBI.*

## Who Must File

If you (the claimant) are claiming a refund on behalf of a deceased taxpayer, you must file Form 131. However, if the refund is issued in the name of the decedent, it may be cashed with the endorsement of the court appointed executor or the administrator of the estate.

## Lines 1 through 8

Enter all of the information requested on lines 1 through 8. Be sure to enter the claimant's daytime phone number in box 94 and claimant's social security number or individual taxpayer identification number (ITIN) on line 5.

## Foreign Address

If the person claiming the refund on behalf of the decedent has a foreign address, enter the information in the following order: city, province or state, and country.

Follow the country's practice for entering the postal code. Do not abbreviate the country name.

## Part 1

### Line 9a - Surviving Spouse

Check the box on line 9a if you are the surviving spouse who is claiming a refund on a joint income tax return you are filing with your deceased spouse.

If you filed your return without Form 131 and you received a joint refund check that you cannot cash, you can return that check with Form 131 to us. We will issue a new check in your name and mail that new check to you.

If you are returning a previously issued check, mail Form 131 along with the check issued in both your name and your deceased spouse's name to:

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

### Line 9b - Court Appointed or Certified Personal Representative

Check the box on line 9b only if you are the decedent's court-appointed personal representative claiming a refund for the decedent. You must include a copy of the court certificate showing your appointment.

For the purposes of this form, a personal representative is the executor or administrator of the decedent's estate as appointed or certified by the court. A copy of the decedent's will is not sufficient to show that you are the personal representative.

### Line 9c - Other

Check the box on line 9c if you are not the surviving spouse claiming a refund based on a joint return and there is no court appointed personal representative. You must also complete Part 2. If you check the box on line 9c, you must have proof of death.

The proof of death is a copy of one of the following:

- the death certificate; or
- the formal notification from the appropriate government office (for example, Department of Defense) informing the next of kin of the decedent's death.

Do not include the proof of death with Form 131. Instead, keep it for your records and provide it if requested.

**EXAMPLE:** *Your father died on August 25. You are his sole survivor. Your father did not have a will and the court did not appoint a personal representative for his estate. Your father is entitled to a \$300 refund. To get the refund, you must complete and include Form 131 with your father's final return. You should check the box on line 9c, answer all of the questions in Part 2, and sign your name in Part 3. You must also keep a copy of the death certificate or other proof of death for your records.*

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**Part 2**

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If you checked the box on line 9c, you must complete lines 10a through 11.

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**Part 3**

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Make sure you sign and date Form 131 in Part 3.

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**How to File Form 131**

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Place the completed Form 131 on **top of the income tax** return that would have been filed if the decedent had lived.



DO NOT STAPLE ANY ITEMS TO THE RETURN.

82F Check box 82F if filing under extension OR FISCAL YEAR BEGINNING MM, DD, DD 20, 22 AND ENDING MM, DD, DD 20, YY. 66F

1 Your First Name and Middle Initial Last Name Enter your SSN(s) Your Social Security Number

1 Spouse's First Name and Middle Initial (if box 4 or 6 checked) Last Name Spouse's Social Security No.

2 Current Home Address - number and street, rural route Apt. No. Daytime Phone (with area code) 94

3 City, Town or Post Office State ZIP Code Last Names Used in Last Four Prior Year(s) (if different) 97

FILING STATUS: 4 Married filing joint return 4a Injured Spouse Protection of Joint Overpayment 5 Head of household... 6 Married filing separate return... 7 Single. EXEMPTIONS: 8 Age 65 or over... 9 Blind... 10a Dependents: Under age of 17. 10b Dependents: Age 17 and over. 11a Qualifying parents and grandparents. 88 REVENUE USE ONLY. DO NOT MARK IN THIS AREA. 81 PM 80 RCVD

(Box 10a and 10b): Dependent Information. See instructions. For more space, check the box and complete page 4, Part 1.

Table with 6 columns: (a) FIRST AND LAST NAME, (b) SOCIAL SECURITY NO., (c) RELATIONSHIP, (d) NO. OF MONTHS LIVED IN YOUR HOME IN 2022, (e) IF AGE 65 OR OVER, (f) IF DIED IN 2022. Rows 10c, 10d, 10e.

(Box 11a): Qualifying parents and grandparents. See instructions. For more space, check the box and complete page 4, Part 2.

Table with 6 columns: (a) FIRST AND LAST NAME, (b) SOCIAL SECURITY NO., (c) RELATIONSHIP, (d) NO. OF MONTHS LIVED IN YOUR HOME IN 2022, (e) IF AGE 65 OR OVER, (f) IF DIED IN 2022. Rows 11b, 11c.

Main tax calculation table with columns for line number, description, and amount. Rows 12-35 including Federal adjusted gross income, Small Business Income, Modified federal adjusted gross income, Non-Arizona municipal interest, Partnership Income adjustment, Total federal depreciation, Other Additions to Income, Subtotal, Total net capital gain or (loss), Recalculated Arizona depreciation, Partnership Income adjustment, Interest on U.S. obligations, Exclusion for federal, Arizona state or local government pensions, Exclusion for benefits, annuities and pensions for retired/retainer pay, U.S. Social Security or Railroad Retirement Act benefits, Certain wages of American Indians, Pay received for active service, Net operating loss adjustment, Contributions to 529 College Savings Plans and ABLA accounts, Subtract lines 24 through 34c from line 19.

Place any required federal and AZ schedules or other documents after Form 140.

Your Name (as shown on page 1) \_\_\_\_\_ Your Social Security Number \_\_\_\_\_

Exemptions	36	Other Subtractions from Income. Complete <i>Other Subtraction from Arizona Gross Income</i> schedule on page 6.....	36		00				
	37	Subtract line 36 from line 35. Enter the difference .....	37		00				
	38	Age 65 or over: Multiply the number in box 8 by \$2,100.....	38		00				
	39	Blind: Multiply the number in box 9 by \$1,500 .....	39		00				
	40	Other Exemptions. See instructions.....40E <input type="text"/> Multiply the number in box 40E by \$2,300.....	40		00				
	41	Qualifying parents and grandparents: Multiply the number in box 11a by \$10,000.....	41		00				
Balance of Tax	42	<b>Arizona adjusted gross income:</b> Subtract lines 38 through 41 from line 37. If less than zero, enter "0".....	42		00				
	43	<b>Deductions: Check box and enter amount.</b> See instructions ..... 43I <input type="checkbox"/> ITEMIZED...43S <input type="checkbox"/> STANDARD	43		00				
	44	If you checked box 43S and claim charitable contributions, check 44C <input type="checkbox"/> Complete page 3. See instructions.....	44		00				
	45	Arizona taxable income: Subtract lines 43 and 44 from line 42. If less than zero, enter "0".....	45		00				
	46	Compute the tax using amount on line 45 and Tax Tables X and Y or Optional Tax Tables.....	46		00				
	47	Tax from recapture of credits from Arizona Form 301, Part 2, line 32 .....	47		00				
	48	Subtotal of tax: Add lines 46 and 47. Enter the total .....	48		00				
	49	Dependent Tax Credit. See instructions .....	49		00				
	50	Family income tax credit (from the worksheet - see instructions) .....	50		00				
	51	Nonrefundable Credits from Arizona Form 301, Part 2, line 64.....	51		00				
Total Payments and Refundable Credits	52	<b>Balance of tax:</b> Subtract lines 49, 50 and 51 from line 48. If the sum of lines 49, 50 and 51 is greater than line 48, enter "0" .....	52		00				
	53	2022 AZ income tax withheld.....	53		00				
	54	2022 AZ estimated tax payments..54a <input type="text"/> 00 Claim of Right 54b <input type="text"/> 00 Add 54a and 54b..	54c		00				
	55	2022 AZ extension payment (Form 204) .....	55		00				
	56	Increased Excise Tax Credit (from the worksheet - see instructions) .....	56		00				
	57	Property Tax Credit from Arizona Form 140PTC.....	57		00				
	58	<b>Other refundable credits:</b> Check the box(es) and enter the total amount.....581 <input type="checkbox"/> 308-1 582 <input type="checkbox"/> 349	58		00				
	59	<b>Total payments and refundable credits:</b> Add lines 53 through 58. Enter the total.....	59		00				
Tax Due or Overpayment	60	<b>TAX DUE:</b> If line 52 is larger than line 59, subtract line 59 from line 52. Enter amount of tax due. Skip lines 61, 62 and 63.....	60		00				
	61	<b>OVERPAYMENT:</b> If line 59 is larger than line 52, subtract line 52 from line 59. Enter amount of overpayment.....	61		00				
	62	Amount of line 61 to be applied to 2023 estimated tax.....	62		00				
	63	<b>Balance of overpayment:</b> Subtract line 62 from line 61. Enter the difference .....	63		00				
Voluntary Gifts	64 - 74 Voluntary Gifts to:								
		Solutions Teams Assigned to Schools.....	64	<input type="text"/> 00	Arizona Wildlife.....	65	<input type="text"/> 00		
	Child Abuse Prevention .....	66	<input type="text"/> 00	Domestic Violence Services.....	67	<input type="text"/> 00	Political Gift.....	68	<input type="text"/> 00
	Neighbors Helping Neighbors..	69	<input type="text"/> 00	Special Olympics.....	70	<input type="text"/> 00	Veterans' Donations Fund.....	71	<input type="text"/> 00
	I Didn't Pay Enough Fund.....	72	<input type="text"/> 00	Sustainable State Parks and Road Fund.....	73	<input type="text"/> 00	Spay/Neuter of Animals..	74	<input type="text"/> 00
	75	Political Party (if amount is entered on line 68 - check only one): 751 <input type="checkbox"/> Democratic 752 <input type="checkbox"/> Libertarian 753 <input type="checkbox"/> Republican							
	76	Estimated payment penalty .....	76					00	
	77	771 <input type="checkbox"/> Annualized/Other 772 <input type="checkbox"/> Farmer or Fisherman 773 <input type="checkbox"/> Form 221 included							
Penalty	78	Add lines 64 through 74 and 76; enter the total.....	78					00	
	79	<b>REFUND:</b> Subtract line 78 from line 63. If less than zero, enter amount owed on line 80 .....	79					00	
Refund or Amount Owed	<b>Direct Deposit of Refund: Check box 79A</b> if your deposit will be ultimately placed in a <b>foreign account</b> ; see instructions. 79A <input type="checkbox"/>								
	<input checked="" type="checkbox"/> 98	C <input type="checkbox"/> Checking or S <input type="checkbox"/> Savings	ROUTING NUMBER	<input type="text"/>	ACCOUNT NUMBER	<input type="text"/>			
	80	<b>AMOUNT OWED:</b> Add lines 60 and 78. Make check payable to Arizona Department of Revenue; write your SSN on payment; and include with your return .....	80					00	

Under penalties of perjury, I declare that I have read this return and any documents with it, and to the best of my knowledge and belief, they are true, correct and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

**PLEASE SIGN HERE**

YOUR SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_ OCCUPATION \_\_\_\_\_

SPOUSE'S SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_ SPOUSE'S OCCUPATION \_\_\_\_\_

PAID PREPARER'S SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_ FIRM'S NAME (PREPARER'S IF SELF-EMPLOYED) \_\_\_\_\_

PAID PREPARER'S STREET ADDRESS \_\_\_\_\_ PAID PREPARER'S TIN \_\_\_\_\_

PAID PREPARER'S CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP CODE \_\_\_\_\_ PAID PREPARER'S PHONE NUMBER \_\_\_\_\_

If you are sending a payment with this return, mail to Arizona Department of Revenue, PO Box 52016, Phoenix, AZ 85072-2016. Include the payment with Form 140. If you are expecting a refund or owe no tax, or owe tax but are not sending a payment, mail to Arizona Department of Revenue, PO Box 52138, Phoenix, AZ 85072-2138.

## 2022 Form 140 - Standard Deduction Increase for Charitable Contributions

**You must complete this worksheet if you are taking an increased standard deduction for charitable contributions. Include the completed worksheet with your tax return, when filed. If you do not include the completed worksheet, your standard deduction will not be increased.**

Taxpayers electing to take the Standard Deduction on their Arizona tax return may *increase* the standard deduction amount by 27% (.27) of the total amount of the taxpayer's charitable deductions that would have been allowed if the taxpayer elected to claim itemized deductions on the Arizona tax return.

Charitable contributions (lines 1C, 2C, and 3C) are those gifts allowed on federal 1040 Schedule A (Gifts to Charity) that you would have claimed had you elected to take itemized deductions on your federal return.

**NOTE 1:** You must reduce your contribution amount by the total charitable contributions you made during January 1, 2022 through December 31, 2022 for which you are claiming an Arizona tax credit under Arizona law for the current tax year return or claimed on the prior tax year return. Enter this amount on 5C.

**NOTE 2:** If you itemized deductions on your federal return (1040 Schedule A) and were required to adjust the amount of your allowable contributions on your federal 1040 Schedule A for the amount claimed as a tax credit on your Arizona income tax return, include the amount of the federal contribution adjustment to line 1C and enter the amount of the Arizona tax credit on line 5C.

Complete the worksheet to determine your allowable increased standard deduction for charitable contributions.

<b>1C</b>	2022 Gifts by cash or check.....	<b>1C</b>		00
<b>2C</b>	2022 Other than by cash or check.....	<b>2C</b>		00
<b>3C</b>	Carryover from prior year.....	<b>3C</b>		00
<b>4C</b>	Add lines 1C through 3C and enter the total.....	<b>4C</b>		00
<b>5C</b>	Total charitable contributions made in 2022 for which you are claiming a credit under Arizona law for the current (2022) or prior (2021) tax year.....	<b>5C</b>		00
<b>6C</b>	Subtract line 5C from line 4C and enter the difference. If less than zero, enter "0".....	<b>6C</b>		00
<b>7C</b>	Multiply line 6C by 27% (.27) and enter the result.....	<b>7C</b>		00

- Enter the amount shown on line 7C on page 2, line 44.
- Be sure to check box **43S** for Standard Deduction on line 43.
- Check box **44C** for charitable contributions on line 44. If you do not check this box, you may be denied the increased standard deduction.

## 2022 Form 140 Dependent and Other Exemption Information

**Include page 4 with your return if:**

- You are listing additional dependents (for box 10a and 10b) from page 1.
- You are listing additional qualifying parents and grandparents (for box 11a) from page 1.
  - You are claiming *Other Exemptions* on page 2, line 40.

**Part 1: Dependents (Box 10a and 10b) continued from page 1**

Information used to compute your allowable **Dependent Tax Credit** on page 2, line 49.

**NOTE:** If you have more than three qualifying dependents, you **must** complete Part 1 and the worksheet in the instructions to compute your Dependent Tax Credit on line 49.

	(a) FIRST AND LAST NAME (Do not list yourself or spouse.)	(b) SOCIAL SECURITY NO.	(c) RELATIONSHIP	(d) NO. OF MONTHS LIVED IN YOUR HOME IN 2022	(e) ✓ Dependent Age included in:		(f) ✓ IF YOU DID NOT CLAIM THIS PERSON ON YOUR FEDERAL RETURN DUE TO EDUCATIONAL CREDITS
					1 (Box 10a)	2 (Box 10b)	
10f					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10g					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10h					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10i					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10j					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10k					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10l					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10m					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10n					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10o					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10p					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Part 2: Qualifying parents and grandparents (Box 11a) continued from page 1**

Additional qualifying parents and grandparents information used to compute your allowable exemption on page 2, line 41.

	(a) FIRST AND LAST NAME (Do not list yourself or spouse.)	(b) SOCIAL SECURITY NO.	(c) RELATIONSHIP	(d) NO. OF MONTHS LIVED IN YOUR HOME IN 2022	(e) ✓ IF AGE 65 OR OVER	(f) ✓ IF DIED IN 2022
11d					<input type="checkbox"/>	<input type="checkbox"/>
11e					<input type="checkbox"/>	<input type="checkbox"/>
11f					<input type="checkbox"/>	<input type="checkbox"/>
11g					<input type="checkbox"/>	<input type="checkbox"/>
11h					<input type="checkbox"/>	<input type="checkbox"/>
11i					<input type="checkbox"/>	<input type="checkbox"/>

**Part 3: Other Exemptions**

Information used to compute your allowable **Other Exemptions** on page 2, line 40.

	(a) FIRST AND LAST NAME (Do not list yourself or spouse.)	(b) SOCIAL SECURITY NO.	(c) ✓ AGE 65 OR OVER (see instructions)		(d) ✓ STILLBORN CHILD IN 2022
			C1	C2	
1			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Enter the total number of individuals listed in Part 3 in box 40E on page 2, line 40.**

## 2022 Form 140 - Other Additions to Arizona Gross Income

Complete and include this schedule with your tax return **only** if you are making any adjustments **increasing** your Arizona Gross Income.

**Note: If you are making any adjustments reducing your Arizona Gross Income complete page 6.**

### **Other Additions to Arizona Gross Income** - Line 18 (see instructions for more information)

<b>A</b>	Married Persons Filing Separate Returns.....	<b>A</b>	00
<b>B</b>	Arizona Form 141AZ Schedule K-1 - Fiduciary Adjustment.....	<b>B</b>	00
<b>C</b>	Ordinary Income Portion of Lump-Sum Distributions Excluded on Your Federal Return.....	<b>C</b>	00
<b>D</b>	Items Previously Deducted for Arizona Purposes.....	<b>D</b>	00
<b>E</b>	Claim of Right Adjustment for Amounts Repaid in 2022.....	<b>E</b>	00
<b>F(a)</b>	Claim of Right Adjustment for Amounts Repaid in Prior Taxable years.....	<b>F(a)</b>	00
<b>F(b)</b>	Adjustment for Net Operating Loss due to Claim of Right.....	<b>F(b)</b>	00
<b>G(a)</b>	Addition for Expenses Due to Claiming Credit 312. See instructions.....	<b>G(a)</b>	00
<b>G(b)</b>	Addition to S Corporation Income for Expenses Due to Claiming Pass-Through Credit on Form 312. See instructions.....	<b>G(b)</b>	00
<b>H(a)</b>	Adjusted Basis in Property for Which You Have Claimed a Credit for Investment in Qualified Small Businesses (Form 338) that was sold or otherwise disposed of during the tax year. See instructions....	<b>H(a)</b>	00
<b>H(b)</b>	Adjusted Basis in Property for Which You Have Claimed a Credit for Agricultural Pollution Control Equipment (Form 325) that was sold or otherwise disposed of during the tax year. See instructions.....	<b>H(b)</b>	00
<b>H(c)</b>	Adjusted Basis in Property for Which You Claimed a Credit for Pollution Control Equipment (Form 315) Before Taxable Year 2022 that was sold or otherwise disposed of during the tax year. See instructions.	<b>H(c)</b>	00
<b>I</b>	Nonqualified Withdrawals from 529 College Savings Plans.....	<b>I</b>	00
<b>J</b>	Sole Proprietorship Loss of an <b>Arizona Nonprofit Medical Marijuana Dispensary</b> Included in Federal Adjusted Gross Income. Sole Proprietorship loss of an Arizona dual licensee that has <b>not elected</b> to operate on a for profit-basis must also add back the portion of their loss that is from the medical marijuana portion of the business that is included in their federal adjusted gross income.....	<b>J</b>	00
<b>K</b>	Federal Net Operating Loss (NOL) Carryforward from Non-Arizona Sources Accrued While a Nonresident...	<b>K</b>	00
<b>L</b>	Federal Capital Loss Carryforward Deduction Incurred from Non-Arizona Sources Prior to Arizona Residency.....	<b>L</b>	00
<b>M</b>	Americans with Disabilities Act - Access Expenditures.....	<b>M</b>	00
<b>N</b>	Amortization or Depreciation for Child Care Facility before 1990.....	<b>N</b>	00
<b>O</b>	Net Capital Loss Derived From the Exchange of One Kind of Legal Tender for Another Kind of Legal Tender: See instructions.....	<b>O</b>	00
<b>P</b>	Entity-level Income Tax Payment. See instructions.....	<b>P</b>	00
<b>Q</b>	Other Adjustments Related to Tax Credits. See instructions.....	<b>Q</b>	00
<b>R</b>	Other Adjustments. See instructions.....	<b>R</b>	00
<b>S</b>	<b>Total Other Additions:</b> Add all amounts and enter the total here and on page 1, line 18.....	<b>S</b>	00

## 2022 Form 140 - Other Subtractions from Arizona Gross Income

Complete and include this schedule with your tax return **only** if you are making any adjustments **decreasing** your Arizona Gross Income.

**Note:** If you are making any adjustments **increasing** your Arizona Gross Income complete page 5.

### Other Subtractions from Arizona Gross Income - Line 36 (see instructions for more information)

<b>A</b>	Married Persons Filing Separate Returns.....	<b>A</b>		00
<b>B</b>	Arizona Form 141AZ Schedule K-1 - Fiduciary Adjustment.....	<b>B</b>		00
<b>C</b>	Federally Taxable Arizona Municipal Interest as Evidenced by Bonds.....	<b>C</b>		00
<b>D</b>	Adoption Expense.....	<b>D</b>		00
<b>E</b>	Qualified Wood Stove, Wood Fireplace or Gas-Fired Fireplace.....	<b>E</b>		00
<b>F</b>	Claim of Right Adjustment for Amounts Repaid in Prior Taxable Years.....	<b>F</b>		00
<b>G</b>	Certain Expenses Not Allowed for Federal Purposes (due to claiming federal tax credits).....	<b>G</b>		00
<b>H</b>	Qualified State Tuition Distributions.....	<b>H</b>		00
<b>I</b>	Installment Sale Income from Another State Taxed by the Other State In a Prior Taxable Year.....	<b>I</b>		00
<b>J</b>	Agricultural Crops Given to Arizona Charitable Organizations.....	<b>J</b>		00
<b>K</b>	Basis Adjustment for Property Sold or Otherwise Disposed of During the Taxable Year.....	<b>K</b>		00
<b>L</b>	Sole Proprietorship Income of an <b>Arizona Nonprofit Medical Marijuana Dispensary</b> Included in Federal Adjusted Gross Income. In addition, Sole Proprietorship income of an Arizona dual licensee that has <b>not elected</b> to operate on a for-profit basis may subtract the portion of their federal taxable income that is from the medical marijuana portion of the business.....	<b>L</b>		00
<b>M</b>	Long-Term Care Insurance Premiums.....	<b>M</b>		00
<b>N</b>	Americans with Disabilities Act – Access Expenditures.....	<b>N</b>		00
<b>O</b>	Exploration Expenses Deferred before January 1, 1990.....	<b>O</b>		00
<b>P</b>	Sole Proprietorship of an Arizona Marijuana Establishment, Marijuana Testing Facilities and dual licensees that operate on a for-profit basis: enter the total amount of ordinary and necessary expenses related to the sales of recreational use products reported on Schedule DFE (line 16). An LLC that has elected to be treated as a disregarded entity for federal purposes, and also elected to operate on a for-profit basis may subtract the total amount of ordinary and necessary expenses related to the sales of recreational use products reported on Schedule DFE (line 16).....	<b>P</b>		00
<b>Q</b>	S Corporation shareholders of an Arizona Marijuana Establishment, Marijuana Testing Facilities and dual licensees that operate on a for-profit basis: enter the amount of your pro-rata share of ordinary and necessary expenses related to the sales of recreational use products as shown on your 120S Schedule K-1, line 7.....	<b>Q</b>		00
<b>R</b>	Net Capital Gain Derived From the Exchange of One Kind of Legal Tender for Another Kind of Legal Tender: See instructions.....	<b>R</b>		00
<b>S</b>	Other Adjustments - see instructions.....	<b>S</b>		00
<b>T</b>	<b>Total Other Subtractions:</b> Add all amounts and enter the total here and on page 2, line 36.....	<b>T</b>		00

## 2022 Resident Personal Income Tax Return

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

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

**Tax forms, instructions, and other tax information**

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

**Income Tax Procedures and Rulings**

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website select *Reports, Statistics and Legal Research* from the main menu then click on *Legal Research* and select a *Document Type* and *Category* from the drop down menus.

**Publications**

To view or print the department's publications, go to our website and click on *Reports, Statistics and Legal Research* from the main menu and then click on *Publications* in the left hand column.

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Visit our website at [www.azdor.gov](http://www.azdor.gov) for a listing of approved *e-file* providers and on-line filing sources.

\*\* For free *e-file* requirements, check out our website at [www.azdor.gov](http://www.azdor.gov).

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

**Who Must Use Form 140?**

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

You **must** use Form 140 rather than Form 140A or Form 140EZ to file for 2022 if any of the following apply to you:

- Your Arizona **taxable income** is \$50,000 or more, regardless of filing status.
- You are making adjustments to income.
- You itemize deductions.

*(Continued on next column.)*

- 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.

**Do You Have to File?**

<b>Arizona Filing Requirements</b> These rules apply to all Arizona taxpayers.	
You must file if you are:	<b>and</b> your gross income is more than:
● Single	\$12,950
● Married filing joint	\$25,900
● Married filing separate	\$12,950
● Head of Household	\$19,400
If you are an Arizona resident, you must report income from <b>all</b> sources including <b>out-of-state</b> 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 that Arizona law does not tax. Income that 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, tier 1 or tier 2 railroad retirement benefits, railroad disability benefits reported on federal forms RRB-1099 and RRB-1099-R, railroad unemployment benefits and railroad sickness payments paid by the Railroad Retirement Board;</li> <li>● pay received for active service as a member of the Reserves, National Guard or the U.S. Armed Forces; or</li> <li>● benefits, annuities and pensions as retired or retainer pay of the uniformed services of the United States.</li> </ul>	

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Determining Residency Status

If you are not sure if you are an Arizona resident for state income tax purposes, we may be able to help. For more information, see the department's procedure, ITP 92-1, *Procedure For Determining Residency Status*.

## Residents

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

## Part-Year Residents

If you are a part-year resident, you must file Arizona Form 140PY, *Part-Year Resident Personal Income Tax Return*. You are a part-year resident if you did **either** of the following during 2022:

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

## Nonresidents

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

## What if a Taxpayer Died?

If a taxpayer died before filing a return for 2022, the taxpayer's spouse or personal representative may have to file and sign a return for that taxpayer. A personal representative can be an executor, administrator, or anyone who is in charge of the deceased taxpayer's property.

If the deceased taxpayer did not have to file a return but had tax withheld, a return must be filed to get a refund.

The person who files the return should use the form the taxpayer would have used. The person who files the return should print the word "deceased" after the decedent's name and enter the date of death after the decedent's name.

If your spouse died in 2022 and you did not remarry in 2022 or if your spouse died in 2023 before filing a return for 2022, you may file a joint return. If your spouse died in 2022, the joint return should show your spouse's 2022 income before death and your income for all of 2022. If your spouse died in 2023, before filing the 2022 return, the joint return should show all of your income and all of your spouse's income for 2022. Print "Filing as surviving spouse" in the area where you sign the return. If someone else is the personal representative, he or she must also sign the return.

## Are Any Other Returns Required?

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

## Claiming a Refund for a Deceased Taxpayer

If you are claiming a refund for a deceased taxpayer, you **must** complete Arizona Form 131, *Claim for Refund on Behalf of Deceased Taxpayer*.



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

## What are the Filing Dates and Penalties?

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

### When Should You File?

Your 2022 calendar year tax return is due no later than midnight, April 15, 2023. File your return as soon as you can after January 1, 2023, but no later than April 15, 2023. **Because April 15, 2023 falls on a weekend, and April 17<sup>th</sup> falls on a federal holiday, you have until Tuesday, April 18, 2023 to timely file your 2022 tax return.**

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

### What if You Cannot File on Time?

You may request an automatic 6-month extension if you know you will not be able to file on time. If you request an extension to file your 2022 calendar year tax return, your due date is October 15, 2023. **Because October 15, 2023 falls on a weekend, you have until Monday, October 16, 2023 to timely file your 2022 tax return.**

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

### To get a filing extension, you can either

- Apply for a state extension (Arizona Form 204). To apply for a state extension, file Form 204 by April 18, 2023. See Form 204 for details. You do not have to include a copy of the extension with your return when you file, but make sure that you check box **82F** (above your name) on page 1 of the return. If you must make a payment, use Arizona Form 204, or visit [www.AZTaxes.gov](http://www.AZTaxes.gov) to make an electronic payment.
- Use your federal extension (federal Form 4868). File your Arizona return by the same due date. You do not have to include a copy of your federal extension with your return, but make sure that you check box **82F** (above your name) on page 1 of the return.

### When Should You File if You Are a Nonresident Alien?

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

## What if You File or Pay Late?

If you file or pay late, we will charge you interest and penalties on the amount you owe. If the U.S. Post Office postmarks your 2022 calendar year return by April 18, 2023 your return will not be late. You may also use certain private delivery services designated by the Internal Revenue Service (IRS) to meet the “timely mailing as timely filed” rule. For more information, see “*Mailing Your Return*” at the end of these instructions.

### Late Filing Penalty

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

### Late Payment Penalty

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

### Extension Underpayment Penalty

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

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

### Interest

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

## When Should You Amend a Return?

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

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

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

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

**Option 1**

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

**Option 2**

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

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

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

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

**Do You Need to Make Arizona Estimated Payments in 2023?**

You must make Arizona estimated income tax payments during 2023 if:		
Your filing status is:	<b>AND</b> your Arizona gross income for 2022 was greater than:	<b>AND</b> your Arizona gross income for 2023 is greater than:
Single	\$75,000	\$75,000
Married filing joint	\$150,000	\$150,000
Married filing separate	\$ 75,000	\$ 75,000
Head of Household	\$ 75,000	\$ 75,000

If you met the income threshold for 2022, you must make estimated payments during 2023 unless you are sure you will not meet the threshold for 2023. As a full year resident, your Arizona gross income is your federal adjusted gross income. Your Arizona gross income is on line 12 of the 2022 Form 140.

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

**What if You Make Your Estimated Payments Late?**

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

**Can You Make Estimated Payments Even if You Do Not Have To?**

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

**Line-by-Line Instructions**

**Tips for Preparing Your Return**

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

**DO YOU HAVE A COMPLICATED RETURN?**

**E-file makes filing a complex return simple!**

**For a list of approved software visit [www.azdor.gov](http://www.azdor.gov)**

E-file software offers:

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

**Entering Your Name, Address, and SSN**

**Lines 1, 2, and 3**

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

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

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

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

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

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

### Foreign Addresses

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

### Last Names Used in Last 4 Prior Years

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

### Identification Numbers for Paid Preparers

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

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

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

## Determining Your Filing Status

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

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

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

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

### Box 4 - Married Filing Joint Return

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

You may file a joint return if you were married as of December 31, 2022. It does not matter whether or not you were living with your spouse. You may file a joint return, even if you and your spouse filed separate federal returns.

You may file a joint return if your spouse died during 2022 and you did not remarry in 2022. See page 2 of these instructions for details.

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

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

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

If filing a joint return with your part-year resident spouse, you must file a joint return using Arizona Form 140PY. See Form 140PY instructions. For more information on filing a joint tax return with your part-year resident or nonresident spouse, see the department's ruling, ITR 14-1, *Filing a Joint Tax Return When a Resident Spouse is Married to a Part-Year Resident or Nonresident*.

### Box 4a - Injured Spouse Protection of Joint Overpayment

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

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

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

### Box 5 - Head of Household Return

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

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

### Box 6 - Married Filing Separate Return

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

If you were married as of December 31, 2022, you may choose to file a separate return. You may file a separate return, even if you and your spouse filed a joint federal return.

Arizona is a community property state. If you file a separate return, you must figure out 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 more information, see the department's rulings, ITR 93-18, *Income Reporting Requirements for Married Arizona Residents Who File Separate Arizona Individual Income Tax Returns*; and ITR 93-19, *Deductions, Exemptions, and Credits for Married Taxpayers Who File Separate Arizona Individual Income Tax Returns*.

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

If one spouse is a resident and the other spouse is not, other special rules may apply when filing a separate return. See the department's ruling, ITR 93-20, *Income Reporting Requirements of Resident and Nonresident Spouses Who File Separate Arizona Individual Income Tax Returns*; and see the department's publication, Pub. 200, *Income Tax Issues Affecting Married and Divorced Taxpayers*.

### Box 7 - Single Return

If you are filing as single, check box 7.

Use this filing status if you were single on December 31, 2022. 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, 2022, and you did not remarry in 2022, and you do not qualify to file as a qualifying widow or widower with dependent children on your federal return.

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

## Exemptions - Boxes 8, 9, and 11a

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

### Box 8 - Age 65 or Over

**NOTE:** *If a taxpayer's 65<sup>th</sup> birthday was January 1, 2023 (born 1/1/1958), that person is considered to be age 65 at the end of 2022 for federal income tax purposes and likewise for Arizona income tax purposes.*

- If you are single or filing as head of household, enter "1" in box 8 if you were 65 or older in 2022 and not claimed as a dependent by another taxpayer.
- If you are married filing a joint return, enter "1" in box 8 if you were 65 or older and not claimed as a dependent by another taxpayer or your spouse was 65 or older in 2022 and not claimed as a dependent by another taxpayer.

Enter "2" in box 8 if both you and your spouse were 65 or older in 2022 and neither of you are claimed as a dependent by another taxpayer.

- If you are married and filing a separate return, enter "1" in box 8 if you were 65 or older and not claimed by another taxpayer. You cannot take an exemption for your spouse. Your spouse, if 65 or older and not claimed by another taxpayer, may take this exemption on their own separate return.

### Box 9 - Blind

If you or your spouse were partially blind as of December 31, 2022, you must get a statement certified by your eye doctor or registered optometrist that either:

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

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

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

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

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

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

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

### Box 11a - Qualifying Parents and Grandparents

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

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

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

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

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

1. The parent, grandparent, or great-grandparent was 65 years old or older during 2022.
2. The parent, grandparent, or great-grandparent lived in your principal residence for the entire taxable year.

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

**Lines 11b and 11c**

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

- a) first and last name;
- b) social security number;
- c) relationship to taxpayer;
- d) the number of months this person lived in your home;
- e) check this box if the person is age 65 or over;
- f) check this box if the person died in 2022.

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

**Dependents - Boxes 10a and 10b**

**Boxes 10a and 10b**

Boxes 10a and 10b identify the *number* of your qualifying dependents that are either under the age of 17 (box 10a) or age 17 and over (box 10b). This information is used to compute the allowable Dependent Tax Credit. Include only those dependents in box 10a or 10b that you are using to compute the allowable Dependent Tax Credit claimed on line 49.

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

**Lines 10c through 10e**

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

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

- a) first and last name;
  - b) social security number;
  - c) relationship to taxpayer;
  - d) the number of months this person lived in your home;
- Temporary absences:** Your child or dependent is considered to have lived with you during periods of time when temporarily absent due to special circumstances such as: illness, education, business, or vacation. Your child is also considered to have lived with you during any required hospital stay following birth, as long as the child would have lived with you during that time but for the hospitalization.
- e) - check box 1 (for box 10a) if this person is under the age of 17 or  
- check box 2 (for box 10b) if this person is age 17 or over;  
*and*
  - f) check the box if you did not claim this person on your federal return due to educational credits.

**NOTE:** *If you did not claim a dependent who is a student on your federal return in order to allow the student to claim a federal education credit on the student's federal return, you may still claim the dependent on your Arizona return.*

*For more information, see the department's ruling, ITR 05-2, Will Arizona Allow a Dependent Exemption When a Taxpayer Does Not Claim Federal Exemption in Order to Claim the Education Credit?*

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

## Totaling Your Income

### Line 12 - Federal Adjusted Gross Income

You must complete your federal return before you enter an amount on line 12. You must complete a 2022 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.*

If the amount on line 12 is more than \$75,000 (\$150,000 if filing a joint return), you may need to make estimated payments. See "Do You Need to Make Estimated Payments in 2023?" on page 4.

### Arizona Small Business Income Tax Return

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

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

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

### How do I elect to report Small Business Income on Arizona Form 140-SBI?

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

**NOTE:** *You must include Form 140-SBI with your Form 140, when filed. If you do not include Form 140-SBI with your Form 140, processing of your return may be delayed or your subtraction on line 13 may be denied. See the Mailing instructions for the correct address when mailing both Form 140 and Form 140-SBI.*

## Modified Federal Adjusted Gross Income

### Line 13 - Small Business Income

If you elect to report your small business income on Arizona Form 140-SBI, check the box on line 13 and enter the amount of small business income reported on Form 140-SBI, line 10.

### Line 14 – Modified Federal Adjusted Gross Income

Subtract line 13 from line 12.

## Additions to Income

### NOTE:

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

### Line 15 - Non-Arizona Municipal Interest

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

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, keep a schedule listing the payors and the amount received from each payor for your records. You should also keep 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 16 - Partnership Income Adjustment

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

Complete line 16 if you received an Arizona Form 165 Schedule K-1 and line 3 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 16.

**NOTE:** *If the difference reported on line 3 of your Form 165 Schedule K-1 is a negative number, enter the difference on 27.*

### Line 17 - Total Federal Depreciation

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

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 26. To figure out how much you should subtract, see the instructions for line 26.

**Line 18 - Other Additions to Arizona Gross Income****NOTE:**

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

Use line 18 if any of the following special circumstances apply.

**NOTE:** If you are reporting any adjustment on line 18 complete the schedule on page 5 of your tax return, Other Additions to Arizona Gross Income, and include it with your return.

If you are not reporting any adjustment on line 18, do **not** include page 5 with your return.

You may either add (on line 18) or subtract (on line 36) items A and B, depending on your situation.

**A. Married Persons Filing Separate Returns**

If you file a separate Arizona return, you must report the following income on that return:

- one-half of the community income from all sources, and
- all of your separate income.

If you and your spouse file a joint federal return but separate Arizona returns, you must make sure that each separate return reflects the correct income. If you begin your Arizona return with only the income that you earned during the year, you will have to adjust this income.

If you file separate federal returns, each of your federal returns should already reflect the correct income. Since your separate Arizona returns will begin with the federal adjusted gross income, you will not have to adjust your income.

If you adjust your income, keep a schedule for your records of how you figured your adjustment. For more information, see the department’s publication, Pub. 200, *Income Tax Issues Affecting Married and Divorced Taxpayers*.

**B. Fiduciary Adjustment**

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

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

Line 3 of Form 141AZ Schedule K-1 shows your share of the fiduciary adjustment from the estate or trust. If the amount reported on line 3 of your Form 141AZ Schedule K-1 is a positive number, include that amount on line 18.

**NOTE:** If the amount reported on line 3 of your Form 141AZ Schedule K-1 is a negative number, include that amount as an Other Subtraction on line 36.

**C. Ordinary Income Portion of Lump-Sum Distributions Excluded on Your Federal Return**

Make this adjustment if you use federal averaging for lump-sum distributions from your pension or profit-sharing plan. Arizona law does not provide for averaging. Enter the amount of the distribution that you treated as ordinary income on your federal return. If you choose to treat the capital gain portion of the distribution as ordinary income, you must also include that amount.

For more information, see the department’s ruling, ITR 93-5, *Arizona's Income Tax Treatment of the Capital Gain Portion of a Lump Sum Distribution from a Qualified Retirement Plan*.

**D. Items Previously Deducted for Arizona Purposes**

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

**E. Claim of Right Adjustment for Amounts Repaid in 2022**

**NOTE:** For items E, Fa and Fb; taxpayers that made the election to file an Arizona Small Business Income Tax Return in 2022, if the income required to be paid back under the claim of right is the type of income that would be included in lines 4 through 9 of the 140-SBI return if the income were reported in 2022, the adjustment should be made in the 140-SBI return. All other claim of right adjustments should be made on the regular 140 return.

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

- During 2022, you were required to repay amounts held under a claim of right.
- The amount required to be repaid during 2022 was more than \$3,000.
- You took a deduction for the amount repaid on your 2022 federal income tax return.

If the above apply, include the amount deducted on your federal income tax return. For more information on the Arizona claim of right provisions, see the department’s procedure, ITP 16-1, *Procedure for Individuals Who Restore Substantial Amounts Held under a Claim of Right*.

**F(a) - Claim of Right Adjustment for Amounts Repaid in Prior Taxable Years**

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

- During a year prior to 2022, you were required to repay amounts held under a claim of right.
- You computed your tax for that prior year under Arizona's claim of right provisions.
- A net operating loss or capital loss was established due to the repayment made in the prior year.
- You are entitled to take that net operating loss or capital loss carryover into account when computing your 2022 Arizona taxable income.
- The amount of the loss carryover included in your federal income is more than the amount allowed to be taken into account for Arizona purposes.

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

**F(b) - Adjustment for Net Operating Loss due to Claim of Right**

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

**G(a). Addition Due to Claiming the Agricultural Water Conservation System (Credit 312)**

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

**G(b). Addition to S Corporation Income Due to Claiming Pass-through Credit for Agricultural Water Conservation System (Credit 312)**

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

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

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

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

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

If you claim a credit on Form 338 for an investment in a qualified small business, you must adjust your basis in the investment by the amount of the credit claimed. You must report this difference in basis on the Arizona return that you file for the taxable year in which you sell or otherwise dispose of the investment. If you sold or otherwise disposed of the investment during the 2022 taxable year, include the amount by which the adjusted basis computed under the IRC with respect to that property exceeds the adjusted basis of the property computed under A.R.S. § 43-1074.02.

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

If you claim a credit for an agricultural pollution control equipment (Form 325), you must adjust your basis on the Arizona return that you file for the taxable year in which you sell or otherwise dispose of the equipment. If you sold or

otherwise disposed of the investment during the 2022 taxable year, include the amount by which the adjusted basis computed under the IRC with respect to that property exceeds the adjusted basis of the property computed under A.R.S. § 43-1081.01.

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

If you claimed a credit for pollution control equipment (Form 315) *before tax year 2022*, you must adjust your basis on the Arizona return that you file for the taxable year in which you sell or otherwise dispose of the equipment. If you sold or otherwise disposed of the investment during the 2022 taxable year, include the amount by which the adjusted basis computed under the IRC with respect to that property exceeds the adjusted basis of the property computed under A.R.S. § 43-1081.

**I. Nonqualified Withdrawals from 529 College Savings Plans**

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

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

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

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

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

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

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

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

If you are registered as an Arizona sole proprietorship with the Arizona Department of Health Services to operate in this state as a nonprofit medical marijuana dispensary, you are required



to add the amount of the loss from the dispensary that is included in the computation of your federal adjusted gross income. Include the amount of the loss.

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

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

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

#### **K. Federal Net Operating Loss (NOL) Carryforward from Non-Arizona Sources Accrued While a Nonresident**

An individual cannot include a federal NOL carryforward deduction incurred from non-Arizona sources while the taxpayer was an Arizona nonresident in the Arizona taxable income of a return filed for a taxable year in which the taxpayer is an Arizona resident.

The taxpayer must make an addition to Arizona gross income on the full-year Arizona resident return for the amount of the NOL carryforward deduction included in the taxpayer's federal adjusted gross income. For more information, see the department's ruling, ITR 13-5, *Can a Net Operating Loss Incurred as a Non-Resident Be Used to Offset Income in a Year in Which the Taxpayer Is A Resident?*

**NOTE:** *For a non-Arizona source loss incurred while the taxpayer was an Arizona nonresident, the taxpayer would not be allowed to amend a prior year resident Arizona income tax return to claim the NOL carry back deduction.*

#### **L. Federal Capital Loss Carryforward Deduction Incurred from Non-Arizona Sources Prior to Arizona Residency**

**NOTE:** *This addition is not related to small business income and should not be reported on Form 140-SBI. Make this addition on Form 140.*

An individual cannot include a capital loss carryforward deduction, incurred from non-Arizona sources while the taxpayer was an Arizona nonresident, in the Arizona taxable income of a return filed for a taxable year in which the taxpayer is an Arizona resident. Therefore, a capital loss incurred from non-Arizona sources while the taxpayer was an Arizona nonresident cannot be carried forward to a taxpayer's Arizona resident return when the loss carryover is reflected in the taxpayer's federal adjusted gross income.

The taxpayer must make an addition to Arizona gross income on the full-year Arizona resident return for the amount of such capital loss carryforward deduction included in the computation of the taxpayer's federal adjusted gross income.

For more information, see the department's ruling, ITR 13-6, *Can a Capital Loss Incurred as a Non-Resident Be Used to Offset Income in a Year in Which the Taxpayer Is A Resident?*

#### **M. Americans with Disabilities Act - Access Expenditures**

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

If a subtraction is taken on line 36, *Other Subtractions from Income* (Item N), for the full amount of eligible business access expenditures paid or incurred during the taxable year to comply with the Americans with Disabilities Act of 1990 or A.R.S Title 41, chapter 9, article 8; you must make an addition to Arizona gross income for any amount that is included in the computation of federal adjusted gross income for the current year, plus any federally amortized amounts.

#### **N. Amortization or Depreciation for Child Care Facility**

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

#### **O. Net Capital (Loss) from Exchange of One Kind of Legal Tender for another Kind of Legal Tender**

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

To determine if you are required to make this addition to income, you must net **all** gains and (losses) from all exchanges of one kind of legal tender for another kind of legal tender, including amounts shown on Form 165 Schedule K-1, Form 120S Schedule K-1, and Form 141AZ Schedule K-1.

Enter the amount of any net capital (loss) included in Arizona gross income for the taxable year that is derived from the exchange of one kind of legal tender for another kind of legal tender.

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

For the purposes of this paragraph:

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

#### **P. Entity-Level Income Tax Payment**

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

If you are claiming the income tax credit on Form 355, *Credit for Entity-Level Income Tax Paid on Your Behalf from a Partnership and/or an S Corporation*, you must add the amount deducted by the partnership and/or S Corporation for the amount of Arizona income tax paid on your behalf in 2022.

Enter the total amount of tax paid shown on:

- Arizona Form 165, Schedule K-1, Part 5, lines 10 and 11.
- Arizona Form 120S, Schedule K-1, Part 5, lines 9 and 10.

**NOTE:** Enter the tax amount **actually paid** by the Partnership or S Corporation **in 2022**. Tax amounts paid in 2023 for tax year 2022 will be added-back on your 2023 tax return. These payments include any 4<sup>th</sup> QTR estimated taxes paid in January 2023 and any 2023 tax payments made with the Entity's tax return on your behalf.

#### Q. Other Adjustments Related to Tax Credits

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

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

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

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

#### R. Other Adjustments

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

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

#### S. Total Other Additions to Arizona Gross Income

Add all amounts from page 5, and enter the total on line 18.

#### Line 19 - Subtotal

Add lines 14 through 18 and enter the total.

### Subtractions from Income

#### NOTE:

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

You may only subtract those items for which statutory authority exists. You cannot take a subtraction without such authority.

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

If you have any questions concerning subtractions from income, call one of the numbers listed on page 1 of these instructions.

#### Lines 20 through 24 - Net Capital Gain or (Loss)

**NOTE:** For lines 20-24; if you elected to file the Arizona Small Business Income Tax Return, only claim the subtraction on this return if the net capital gain to which the subtraction relates was not moved to the Arizona Small Business Income Tax Return.

If you have net capital gains or (losses) not related to small business income, enter those amounts on Form 140, lines 20-24.

If you are not filing a small business income tax return, include all net capital gains or (losses) on Form 140, lines 20-24.

**NOTE:** If you enter an amount on line 20, you must complete lines 21 and 22. If you are taking a subtraction on line 24 for any net long-term capital gain from assets acquired after December 31, 2011, you must also complete line 23. If you do not complete lines 20 through 23, you cannot take the subtraction on line 24.

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.

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

**NOTE:** If you do not have any net capital gain or (loss) to report, enter zero, "0" on lines 20-22.

#### Line 20 - 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 your federal return. This amount should be included in your federal adjusted gross income.

**Line 21 - Total Net Short-Term Capital Gain or (Loss)**

Enter the total amount of net short-term capital gain or (loss) reported on federal Schedule D. This amount should be included 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 21.*

**Line 22 - Total Net Long-Term Capital Gain or (Loss)**

Enter the total amount of net long-term capital gain or (loss) reported on federal Schedule D. This amount should be included in your federal adjusted gross income.

If your net long-term capital gain (loss) is limited to an amount reported on Form 1099-DIV and you were not required to complete federal Schedule D, enter the amount shown on Form 1099-DIV on line 22.

**Line 23 - Net Long-Term Capital Gain from Assets Acquired After December 31, 2011**

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

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

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

If you did not complete the worksheet and you have no net long-term capital gain from assets acquired after December 31, 2011, enter zero, "0".

**Line 24 - Net Long-Term Capital Gain Subtraction From Income for Assets Acquired After December 31, 2011.**

Multiply the amount on line 23 by 25% and enter the result.

**CAUTION:** *If you take a subtraction for the net capital gain derived from investment in a qualified business (on line 25) or the net capital gain from the exchange of one kind of legal tender for another kind of legal tender (on page 6, item "R"), that includes any long-term capital gain from an investment made after December 31, 2011, you **cannot include** that portion in your computation of the allowable subtraction on line 24 for any net long-term capital gain from assets acquired after December 31, 2011, and included in federal adjusted gross income. For more information, see the worksheet on page 31.*

**1099-DIV:** If you received Form 1099-DIV issued from a fund Administrator and the 1099-DIV included long-term capital gains from the sale of assets within the fund (for example a mutual fund) for the current tax year and the form did not include the acquisition date of each asset sold within the fund, you cannot verify that the long-term capital gain was from an asset acquired by the Fund was after December 31, 2011, for the purpose of the allowable subtraction on line 23. In this case,

you may want to contact the Fund Administrator and request to obtain the acquisition date of each asset sold within the fund. If the Administrator does not provide you with the specific date(s), then those assets cannot be included on line 23.

**1099-B:** If you received Form 1099-B showing a capital gain or (loss) from the sale of your portion of a fund (for example a mutual fund), Form 1099-B would generally include your purchase date of the fund including acquisition dates of assets included in your portion of the fund when reporting short-term or long-term capital gains or (losses). In this case, you would know the specific date the asset was acquired and those assets may be included on line 23.

**Line 25 - Net Capital Gain from Investment in an Arizona Qualified Small Business**

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

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

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

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

On line 25, enter the amount of the allowable subtraction.

**Line 26 - Recalculated Arizona Depreciation**

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

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

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

**For assets placed in service during taxable years beginning from and after December 31, 2012 through**

**December 31, 2013**, the amount of the subtraction for these assets depends on the method used to compute the depreciation for these assets.

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

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

**For assets placed in service in taxable years beginning from and after December 31, 2016**, enter the total amount of depreciation allowable pursuant to IRC § 167(a) for the taxable year, calculated as if the bonus depreciation had been the full amount (100%) of federal bonus depreciation pursuant to IRC § 168(k).

Add all of the amounts together and enter the total on line 26.

**Line 27 – Partnership Income Adjustment**

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

Use this adjustment if you received an Arizona Form 165 Schedule K-1, line 3 that 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 27. **Do not include a minus sign or use parentheses.**

**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 16.*

**Line 28 - Interest on U.S. Obligations**

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

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 Fannie Mae (FNMA) or Ginnie Mae (GNMA) bonds since this interest is taxable by Arizona. For details, see the department's ruling, ITR 06-1, Obligations of the United States Government, Federal Agencies, and United States Territories.*

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

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

**Line 29a - Exclusion for U.S. Government, Arizona State or Local Government Pensions**

If you received 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.

**NOTE:** *Do not enter any subtraction for pension income received from retired or retainer pay of the Uniformed Services. The allowable subtraction for this pension type is entered on line 29b.*

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

- the United States Government Service Retirement and Disability Fund;
- the United States Foreign Service Retirement and Disability System;
- any other retirement system or plan established by federal law;

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

- the Arizona State Retirement System;
- the Arizona State Retirement Plan;
- the Corrections Officer Retirement Plan;
- the Public Safety Personnel Retirement System;
- the Elected Officials' Retirement Plan;
- a retirement plan established for employees of a county, city, or town in Arizona; and
- 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 29b – Exclusion for Retired or Retainer Pay of the Uniformed Services of the United States**

If you received benefits, annuities and pensions as retired or retainer pay of the uniformed services of the United States, you may subtract 100% of the amount you received. If you are married and filing a joint return and both you and your spouse each received such income, each spouse may subtract 100% of the amount received.

**Line 30 - U.S. Social Security Benefits or Railroad Retirement Benefits**

Arizona does not tax the following:

- Social security benefits received under Title II of the Social Security Act.
- Railroad retirement benefits received from the Railroad Retirement Board under the Railroad Retirement Act, tier 1 or tier 2 railroad retirement benefits, railroad disability benefits reported on federal forms RRB-1099 and RRB-1099-R, railroad unemployment benefits and railroad sickness payments paid by the Railroad Retirement Board. For more information, see the department's ruling, ITR 16-1, *Railroad Retirement Benefits, Railroad Disability Benefits, Railroad Unemployment Benefits and Railroad Sickness Payments*.

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 on line 30.

**Line 31 - Certain Wages of American Indians**

Enrolled members of American Indian tribes may subtract wages earned while living and working on their tribe's reservation. The federal government must recognize these tribes. For more information, see the department's ruling, ITR 96-4, *Income Taxation of Indians and Spouses*.

**Line 32 - Pay Received for Active Service as a Member of the Reserves, National Guard or the U.S. Armed Forces**

Members of the U.S. armed forces may subtract pay received for active duty military service. Enter the amount of that income included in your federal adjusted gross income.

Members of the reserves or the National Guard may subtract pay received for active service as a reservist or as a National Guard member. This includes pay received for weekend or two-week training periods. Enter the amount of that income included in your federal adjusted gross income.

**Military Technician (dual status)**

You may **not** subtract any income you received for full-time civil service employment as a "military technician (dual status)." Compensation received by a "military technician (dual status)" for federal civil service employment for the National Guard or for the United States Reserves, is not income received for active service as a National Guard member or a Reserve

member even though the employee may be required to wear a military uniform while at work.

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

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

**Line 33 - Net Operating Loss Adjustment**

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

Arizona did not adopt the special federal net operating loss rules for losses incurred during 2008 or 2009. For Arizona purposes, you must deduct a net operating loss as if the loss was computed under IRC §172 in effect prior to the enactment of those special rules. If you made an election to deduct your 2008 or 2009 federal net operating loss under IRC § 172(b)(1)(H), you may have to enter an amount here. Figure how much of the net operating loss carry forward would have been allowed as a deduction on your 2022 federal income tax return, if the election described in IRC § 172(b)(1)(H) had not been made in the year of the loss. Enter the amount that exceeds the actual net operating loss carry forward that was deducted in arriving at federal adjusted gross income.

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

**Line 34 (Box 34a) - Contributions to 529 College Savings Plans**

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

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

**For example:** Jorge and Kate are married and have two children. During 2022, Jorge and Kate contributed \$5,000 to a 529 plan for Child 1 and \$5,000 to a 529 plan for Child 2. Even though Jorge and Kate contributed a total of \$10,000 during 2022, they may subtract only \$8,000 on their 2022 joint tax return. You may take a subtraction for the following:

- A contribution that you made during 2022 to a plan that existed before 2022.
- A contribution that you made during 2022 to a plan established in another state.
- A contribution that you made in 2022 to any 529 college savings plan. This could be a plan established for a child, grandchild, niece, nephew, or any other person for whom a plan has been established.

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

#### **Line 34 (Box 34b) - Contributions to 529A (ABLE Accounts)**

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

If you contribute more than \$2,000 per beneficiary (\$4,000 if married) during the year, your total subtraction is still limited to \$2,000 per beneficiary (\$4,000 if married). See example under Line 34a.

#### **Line 34c**

Add the amounts in boxes 34a and 34b and enter the total on line 34c.

#### **Line 35**

Subtract lines 24 through 34c from line 19. Enter the difference.

#### **Line 36 - Other Subtractions from Arizona Gross Income**

**NOTE:** *If you are electing to report your small business income on Form 140-SBI and if any of the following “other subtractions” are directly related to the small business income, report that subtraction on Form 140-SBI. If the subtraction is not directly related to small business income, report the subtraction on Form 140.*

*If you are not filing Form 140-SBI, take that subtraction on Form 140.*

**NOTE:** *If you are reporting adjustments on line 36, complete the schedule on page 6 of your tax return, Other Subtractions from Arizona Gross Income, and include it with your return.*

*If are not reporting adjustment on line 36, do not include page 6 with your return.*

Use line 36 if any of the following special circumstances apply. **Do not include on line 36 any amounts already excluded in the computation of your federal adjusted gross income.**

#### **A. Married Persons Filing Separate Returns**

If you file a separate Arizona return, you must report the following income on that return:

- one-half of the community income from all sources, and
- all of your separate income.

If you and your spouse file a joint federal return but separate Arizona returns, you must make sure that each separate return reflects the correct income. If you begin your Arizona return with only the income that you earned during the year, you will have to adjust this income.

If you file separate federal returns, each of your federal returns should already reflect the correct income. Since your separate Arizona returns will begin with the federal adjusted gross income, you will not have to adjust your income.

If you adjust your income, keep a schedule for your records of how you figured your adjustment. For more information, see the department’s publication, Pub. 200, *Income Tax Issues Affecting Married and Divorced Taxpayers*.

#### **B. Arizona Form 141AZ Schedule K-1 - Fiduciary Adjustment**

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

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

Line 3 of Form 141AZ Schedule K-1 shows your share of the fiduciary adjustment from the estate or trust. If the amount reported on line 3 of your Arizona Form 141AZ Schedule K-1 is a negative number, include that amount as an *Other Subtraction* on line 36.

**NOTE:** *If the amount reported on line 3 of your Arizona Form 141AZ Schedule K-1 is a positive number, enter that amount as an Other Addition on line 18.*

#### **C. Federally Taxable Arizona Municipal Interest as Evidenced by Bonds**

Include the amount of any interest income received on obligations of the State of Arizona, or any political subdivisions of Arizona, as evidenced by bonds, that is included in your Arizona gross income. Do not enter any Arizona municipal interest that is exempt from federal taxation and *not* included in your federal adjusted gross income. For more information, see the department’s ruling, ITR 15-1, *Arizona Municipal Interest that is Included in Federal Adjusted Gross Income*.

**D. Adoption Expenses**

You may take this subtraction only in the year the final adoption order is granted. Include the lesser of the total of the following adoption expenses or \$3,000. When figuring your subtraction, you may include expenses incurred in prior years.

The following expenses are qualified adoption expenses:

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

If you are married and filing separately, you may take the entire subtraction or you may divide the subtraction with your spouse. However, the total subtraction taken by both you and your spouse cannot exceed \$3,000.

**E. Qualified Wood Stove, Wood Fireplace, or Gas-Fired Fireplace**

You may take a subtraction for converting an existing fireplace to one of the following:

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

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

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

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

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

**NOTE:** For taxpayers that made the election to file an Arizona Small Business Income Tax Return in 2022, if the income required to be paid back under the claim of right is the type of income that would be included in lines 4 through 9 of the 140-SBI return, the adjustment should be made in the 140-SBI return. All other claim of right adjustments should be made on the regular 140 return.

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

- During a year prior to 2022 you were required to repay amounts held under a claim of right.
- You computed your tax for that prior year under Arizona's claim of right provisions.
- A net operating loss or capital loss was established due to the repayment made in the prior year.

- You are entitled to take that net operating loss or capital loss carryover into account when computing your 2022 Arizona taxable income.
- The amount of the loss carryover allowed to be taken into account for Arizona purposes is more than the amount included in your federal income.

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

**G. Certain Expenses Not Allowed for Federal Purposes (due to claiming federal tax credits)**

*If you are making the small business election, do not take the subtraction here, take it on the 140-SBI tax return.*

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

- the Federal Work Opportunity Credit;
- the Empowerment Zone Employment Credit;
- the credit for employer-paid social security taxes on employee cash tips; and
- the Indian Employment Credit.

If you received any of the above federal tax credits for 2022, include the portion of wages or salaries you paid or incurred during the taxable year equal to the amount of those federal tax credits you received.

**H. Qualified State Tuition Program Distributions**

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

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

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

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

- The income from the sale is subject to Arizona income tax in 2022.
- You paid income tax to another state on that income in a **prior** tax year.

Include the amount of such income that you included in your Arizona gross income for 2022.

Do not include any amount that is subject to tax by both Arizona and another state in 2022. In this case, you may be eligible for a tax credit. See Arizona Form 309 for details.

**J. Agricultural Crops Given to Arizona Charitable Organizations**

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

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

Arizona law allows a subtraction for qualified crop gifts made during 2022 to one or more charitable organizations. To take this subtraction, **all** of the following must apply:

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

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

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

#### **K. Basis Adjustment for Property Sold or Otherwise Disposed of During the Taxable Year**

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

For property that is sold or otherwise disposed of during the taxable year by a taxpayer who has complied with the requirement to add back all depreciation for that property on tax returns for all taxable years beginning from and after December 31, 1999, include the amount of depreciation that has been allowed pursuant to IRC § 167(a) to the extent that the amount has not already reduced Arizona taxable income in the current or prior years. (Note: The practical effect of this is to allow a subtraction for the difference in basis for any asset for which bonus depreciation has been claimed on the federal return.)

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

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

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

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

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

income that is from the medical marijuana portion of the business.

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

#### **M. Long-Term Care Insurance Premiums**

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

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

An individual who claims itemized deductions may **not** take this subtraction.

#### **N. Americans with Disabilities Act - Access Expenditures**

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

A subtraction is allowed for eligible business access expenditures paid or incurred during the taxable year to comply with the requirements of the Americans with Disabilities Act of 1990 or A.R.S. Title 41, chapter 9, article 8 by retrofitting developed real property that was originally placed in service at least ten years before the current taxable year. (A.R.S. §§ 43-1022 and 43-1024)

"Eligible business access expenditures" include reasonable and necessary amounts paid or incurred to do any of the following:

- Remove any barriers that prevent a business from being accessible to or usable by individuals with disabilities.
- Provide qualified interpreters or other methods of making audio materials available to hearing-impaired individuals.
- Provide qualified readers, taped texts, and other effective methods of making visually delivered materials available to individuals with visual impairments.
- Acquire or modify equipment or devices for individuals with disabilities.
- Provide other similar services, modifications, materials, or equipment.

**NOTE:** *A taxpayer who has been cited for noncompliance with the Americans with Disabilities Act of 1990 or A.R.S. Title 41, chapter 9, article 8 by either federal or state enforcement officials is ineligible for a subtraction under this section for any expenditure required to cure the cited violation.*

#### **O. Exploration Expenses Deferred before January 1, 1990**

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

Call one of the numbers on page 1 of these instructions if you deferred exploration expenses determined under IRC § 617 in a



taxable year ending before January 1, 1990 and you have not previously taken a subtraction for those expenses.

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

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

*A sole proprietorship or disregarded LLC (dual licensee) that takes the allowable subtraction for the income of an Arizona Nonprofit Medical Marijuana Dispensary (NMMD) under item "L", cannot take this allowable subtraction.*

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

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

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

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

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

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

**R. Net Capital Gain from Exchange of One Kind of Legal Tender for Another Kind of Legal Tender**

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

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

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

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

For the purposes of this subtraction:

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

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

**S. Other Adjustments**

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

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

**T. Total Other Subtractions from Arizona Gross Income**

Add all amounts from page 6, and enter the total on line 36.

**Line 37**

Subtract line 36 from line 35 and enter the difference.

**Exemptions - Lines 38 through 41**

**Line 38 - Age 65 or Over**

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

**Line 39 - Blind**

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

**Line 40 - Other Exemptions**

**NOTE:** If you take an "Other Exemption" for an individual on line 40, you cannot take an exemption for this individual as a qualifying parent/grandparent on line 41; or claim this individual for the dependent tax credit on line 49. In this case, do not include this individual as a dependent in Box 10b.

You must complete page 4, Part 3 to compute your allowable *Other Exemptions* on line 40. Be sure to enter the number of individuals listed in Part 3 in the box, 40E, on line 40.

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

- A person who is age 65 or over (related to you or not) if either of the following applies:
  1. In 2022, 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 2022, you paid more than \$800 for either Arizona home health care or other medical costs for the person.

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

**NOTE:** *If a taxpayer's 65<sup>th</sup> birthday was January 1, 2023 (born 1/1/1958), that person would be considered to be age 65 at the end of 2022 for federal income tax purposes and likewise for Arizona income tax purposes.*

- A stillborn child if the following apply:
  1. The stillbirth occurred during 2022.
  2. You received a certificate of birth resulting in stillbirth from the Arizona Department of Health Services.
  3. The child would have otherwise been a member of your household.

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

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

*If you check both box C1 and box C2 for the same individual, you are limited to only **one** exemption of \$2,300 for that individual.*
- d) Check this box if claiming an exemptions for a stillborn child.

Enter the total **number** of exemptions in box **40E** on line 40. **You may lose the exemption if you do not furnish this information.**

Multiply the number in box **40E** by \$2,300 and enter the result.

**Line 41 - Qualifying Parents and Grandparents**

**NOTE:** *If you take an exemption for an individual as a qualifying parent/grandparent on line 41 you cannot take an "Other Exemption" for the same individual on line 40, or claim this individual for the dependent tax credit on line 49. In this case, do not include this individual as a dependent in Box 10b.*

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

**Line 42 - Arizona Adjusted Gross Income**

Subtract lines 38 through 41 from line 37. If less than zero, enter "0".

**Figuring Your Tax**

**Line 43 - Itemized Deductions or Standardized Deductions**

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

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

**Your Itemized Deductions**

**If you itemize your deductions, check box 43I.**

You may itemize deductions on your Arizona return even if you take a standard deduction on your federal return. For the most part, you 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 your completed federal Form 1040 Schedule A.

See Arizona Form 140 Schedule A, *Itemized Deduction Adjustments*, to figure if you have to make any adjustments.

To figure your itemized deductions, you must complete a federal Form 1040 Schedule A. Then, if required, complete Arizona Form 140, Schedule A, *Itemized Deduction Adjustments*.

If you 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. You must include a copy of the completed federal Schedule A with your tax return.

**Your Standard Deduction**

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

If your filing status is:	Your standard deduction is:
• Single	\$12,950
• Married filing joint	\$25,900
• Married filing separate	\$12,950
• Head of Household	\$19,400

**Line 44 - Increased Standard Deduction for Charitable Contributions**

A taxpayer may increase the allowable standard deduction amount equal to 27% (.27) of the total amount of a taxpayer's charitable contributions that would have been allowed if the taxpayer elected to claim itemized deductions.

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

Be sure to check box **44C** on line 44. If you do not check this box **and** include a completed page 3 with your tax return, you may be denied the increased standard deduction.

**Line 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 Tables X and Y or the Optional Tax Tables.

**Line 46 - Tax Amount**

Enter the tax from either Tax Tables X & Y or the Optional Tax Tables. If your taxable income is \$50,000 or less, you may use the Optional Tax Table or Tax Tables X and Y. If your taxable income is \$50,000 or more, you must use Tax Tables X and Y.

**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 32.

**Line 48 - Subtotal of Tax**

Add lines 46 and 47 and enter the total.

**Line 49 - Dependent Tax Credit**

**NOTE:** *If you claim an individual for the dependent tax credit on line 49 you cannot take an exemption for the same individual as a qualifying parent/grandparent on line 41 or as an "Other Exemption" on line 40.*

Taxpayers may claim a nonrefundable Dependent Tax Credit for certain qualifying dependents.

For the purpose of the dependent tax credit, "dependent" means an individual that qualifies as a dependent for federal purposes.

The tax credit is equal to:

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

The allowable credit is reduced for single, head of household, and married taxpayers filing separate returns whose federal adjusted gross income (page 1, line 12) is more than \$200,000; and for married taxpayers filing a joint return whose federal adjusted gross income is more than \$400,000.

**Complete the following tables to compute your allowable Dependent Tax Credit.**

<b>Table I</b>			
(a)	(b)	(c) Credit amount	(d) Multiply column (b) by column (c)
1. Enter number of dependents from page 1, box 10a....		\$ 100	\$ .00
2. Enter number of dependents from page 1, box 10b....		\$ 25	\$ .00
3. Credit amount before adjustment. Add lines 1 and 2. Enter total in column (d).			\$ .00

**All taxpayers go to Table II.**

<b>Table II</b>		
If your filing status is single, married filing separate, or head of household; is your federal adjusted gross income on page 1, line 12, more than \$200,000?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
If your filing status is married filing joint, is your federal adjusted gross income on page 1, line 12, more than \$400,000?	Yes <input type="checkbox"/>	No <input type="checkbox"/>

- If you answered "No", you are not required to reduce the amount of credit computed in Table I.  
Enter the amount From Table I, line 3 on page 2, line 49.
- If you answered "Yes", you are required to reduce the amount of credit computed in Table I.

**Complete Table III or Table IV.**

<b>Table III</b> 2022 Adjusted Dependent Tax Credit For filing status: single, married filing separate, or head of household	
1. Enter your federal adjusted gross income from page 1, line 12.....	\$ .00
2. Federal adjusted gross income limit.....	\$ 200,000.00
3. Subtract line 2 from line 1. Enter the difference..... <i>If the difference is greater than \$19,000, STOP. You cannot claim the dependent tax credit.</i>	\$ .00
4. Enter amount from Table I, line 3, column (d) .....	\$ .00
5. Based on the amount on line 3, enter the number from <b>Table V</b> . For example: if line 3 is \$1,500, enter <b>.90</b> .....	
6. Multiply line 4 by line 5. Enter the result. Also, enter the result on page 2, line 49.....	\$ .00

<b>Table IV</b> 2022 Adjusted Dependent Tax Credit For filing status: married filing joint	
1. Enter your federal adjusted gross income from page 1, line 12.....	\$ .00
2. Federal adjusted gross income limit.....	\$ 400,000.00
3. Subtract line 2 from line 1. Enter the difference..... <i>If the difference is greater than \$19,000, STOP. You cannot claim the dependent tax credit.</i>	\$ .00
4. Enter amount from Table I, line 3 column (d).....	\$ .00
5. Based on the amount on line 3, enter the number from <b>Table V</b> . For example: if line 3 is \$1,500, enter <b>.90</b> .....	
6. Multiply line 4 by line 5. Enter the result. Also, enter the result on page 2, line 49.....	\$ .00

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

**Line 50 - Family Income Tax Credit**

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

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

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

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

**Step 1**

Worksheet I		
1. Enter the amount from Form 140, line 42...	\$	
2. Enter the amount from Form 140, line 38.	\$	
3. Enter the amount from Form 140, line 39.	\$	
4. Enter the amount from Form 140, line 40.	\$	
5. Enter the amount from Form 140, line 41.	\$	
6. Add the amounts on lines 2 through 5.	\$	
7. If you elected to report your small business income on Form 140-SBI, enter the amount from Form 140, line 13.....	\$	
8. Add lines 1, 6 and 7.....	\$	

**Step 2**

Look at the following tables. Find your filing status.

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

**Step 3**

- Look at column (a) and find the number of dependents you are claiming on Form 140, page 1, boxes 10a and 10b, and

claiming as a qualified parent/grandparent in box 11a, provided that person(s) qualifies as a dependent for federal purposes.

- Find the maximum income [in column (b)] for the number of dependents you are claiming.
- Compare that income [the amount in column (b)] with the income listed in Step 1 on Worksheet I, line 8.

If the amount entered in Step 1 on Worksheet I, line 8, is equal to or less than the maximum income allowed for the number of dependents you are claiming on Form 140, page 1, boxes 10a and 10b, you qualify to claim this credit. To figure your credit, complete Step 4.

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

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

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

**Step 4**

If you qualify to claim the credit, complete Worksheet II.

<b>Worksheet II</b>	
<b>Complete Steps 1 through 3 before you complete Worksheet II</b>	
1. Enter the number of dependents you entered on Form 140, page 1, boxes 10a and 10b, and claiming as a qualified parent/grandparent in box 11a, provided that person(s) qualifies as a dependent for federal purposes.	
2. If you checked filing status 4, enter the number 2 here. If you checked filing status 5, 6, or 7, enter the number 1 here.	
3. Add lines 1 and 2. Enter the total.	
4. Multiply the amount on line 3 by \$40. Enter the result.	\$
5. If you checked filing status 4 or 5, enter \$240 here. If your checked filing status 6 or 7, enter \$120 here.	\$
6. Enter the lesser of line 4 or line 5. Also, enter this amount on Form 140, line 50.	\$

**Line 51 - Nonrefundable Credits - Arizona Form 301**

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

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

Complete line 51 if you claim any of the following credits on Form 140. Also make sure that you complete and include Form 301 and the appropriate credit form or forms with your return.

**Military Reuse Zone Credit** The military reuse zone credit expired. All credits that were properly established can be carried forward for the respective five year carry forward period. Use Form 306 to figure this credit.

**Credit for Increased Research Activities - Individuals** You may qualify for this credit if you incurred qualified research expenses for research conducted in Arizona. Use Form 308-I to figure this credit. Be sure to include **only** the nonrefundable portion on Form 140, line 51.

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

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

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

**Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets** The credit for solar hot water heater plumbing stub outs and electric vehicle recharge outlets has expired. All credits that were properly established can be carried forward for the respective five year carry forward period. Use Form 319 to figure this credit.

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

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

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

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

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

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

**Credit for Business Contributions by an S Corporation to School Tuition Organizations - Individual** S corporations that make qualifying contributions of \$5,000 or more may pass-through the credit to its individual shareholders on a *pro rata* basis. See Form 335-I for more information.

**Credit for Solar Energy Devices - Commercial and Industrial Applications** The credit for installed solar energy devices for commercial, industrial, or other nonresidential applications located in Arizona has expired. All credits that were properly established can be carried forward for the respective five year carry forward period. Use Form 336 to figure this credit.

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

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

**Credit for Business Contributions by an S Corporation to School Tuition Organizations for Displaced Students or Students with Disabilities – Individual**

S corporations that make qualifying contributions of \$5,000 or more may pass-through the credit to its individual shareholders on a *pro rata* basis. See Form 341-I for more information.

**Renewable Energy Production Tax Credit** You may qualify for this credit if you produced electricity using a qualified energy resource. Use Form 343 to figure this credit.

**Credit for New Employment** You may qualify for this credit if your business had a net increase in qualified employment positions. Use Form 345 to figure this credit.

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

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

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

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

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

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

**TOTAL CREDITS:** Compute your credit(s) on the appropriate form(s). Complete Arizona Form 301 and enter the amount from Form 301, Part 2, line 64, on Form 140, line 51. The total amount of credits on line 51 cannot reduce your tax below zero. These credits are nonrefundable credits.

Include Form 301 and completed tax credit forms, along with any supporting documents, with your return.

**Line 52 - Balance of Tax**

Subtract lines 49, 50, and 51 from line 48. Enter the difference. If the sum of lines 49, 50, and 51 is greater than line 48, enter "0".

**Totaling Payments and Refundable Credits****Line 53 - 2022 Arizona Income Tax Withheld**

Enter the Arizona income tax withheld shown on Form(s) W-2 from your employer(s). Also enter the Arizona income tax withheld shown on your Form(s) 1099-R (distributions from pensions, annuities, etc.). Do not include any income tax withheld for another state. Include Form(s) W-2 and/or 1099-R after the last page of your return only if the form shows Arizona income tax withholding.

**NOTE:** *You should receive your Form(s) W-2 no later than January 31. If you did not receive a Form W-2 or you think your Form W-2 is wrong, contact your employer.*

**Line 54 (Boxes a, b, and line 54c) - 2022 Arizona Estimated Tax Payments Including Amount Applied from Your 2021 Return and Arizona Claim of Right**

Use this line if you did any of the following;

- made 2022 estimated income tax payments to Arizona; or
- applied any of your refund from your 2021 Arizona tax return to 2022 estimated taxes for Arizona; or recomputed a prior year's tax under Arizona's Claim of Right provisions.

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

**Box 54a:** Enter the total amount of *estimated taxes* paid and/or applied to your 2022 taxes.

**NOTE:** *If you are married and made joint Arizona estimated tax payments for 2022, but are filing separate 2022 Arizona income tax returns, see the department's ruling, ITR 02-3, Allocating Joint Estimated Payments to Separate Returns.*

**Box 54b:** If you completed an *Arizona Claim of Right-Individual tax* form, enter the amount from line 8.

If you completed more than one claim of right form for the current taxable year, add all amounts on line 8 and enter the total in box 54b.

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

**Line 54c:** Add the amounts in box 54a and box 54b. Enter the total on line 54c.

**Line 55 - 2022 Arizona Extension Payment (Form 204)**

Use this line to report the payment you sent with your 2022 extension request (Arizona Form 204) or the electronic extension payment you made using [www.AZTaxes.gov](http://www.AZTaxes.gov).

**Line 56 - Increased Excise Tax Credit**

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

- You **must** have a SSN that is valid for employment.
- You meet the income threshold for your filing status.
  - If you are married filing a joint return, or a head of household, you may claim this credit if the amount on Form 140, page 1, line 12 is \$25,000 or less.
  - If you are single or married filing a separate return, you may claim this credit if the amount on Form 140, page 1, line 12 is \$12,500 or less.
- You are not claimed as a dependent by any other taxpayer.
- You were not sentenced for at least 60 days of 2022 to a county, state, or federal prison.

**NOTE:** *If you are filing a joint return with your spouse and your spouse was sentenced for at least 60 days during 2022 to a county, state or federal prison, you may claim the Excise Tax Credit if you otherwise qualify to claim the credit, but you cannot claim the credit for your spouse. If your spouse has a valid SSN, but you do not, neither of you can claim this credit.*

For more information on how incarceration affects this credit, see the department’s publication, Pub. 709, *Excise Tax Credit - How Does Incarceration Affect Eligibility?*

If you are filing a joint return with your spouse, you may also claim this credit for your spouse if your spouse has either a valid SSN or an ITIN.

If you also claim a credit for qualifying children, your qualifying children **must** have either a valid SSN or an ITIN. To figure your credit, complete the following worksheet.

*Do not complete the following worksheet if you are claiming the property tax credit on Arizona Form 140PTC. Use Form 140PTC to figure both the credit for increased excise taxes and the property tax credit.*

*If you are claiming both the credit for increased excise taxes and the property tax credit, enter the increased excise tax credit from Form 140PTC, page 1, line 17, on line 56; and enter the property tax credit from Form 140PTC, page 1, line 15 on line 57.*

<b>Credit for Increased Excise Taxes Worksheet</b>	
If you checked filing status 4 or 5, is the amount on Form 140, line 12 \$25,000 or less?	Check One Yes      No
If you checked filing status 6 or 7, is the amount on Form 140, line 12 \$12,500 or less?	<input type="checkbox"/> <input type="checkbox"/>
<b>If you checked no, STOP. You do not qualify for this credit. If you checked yes, complete the worksheet. Worksheet continues on the next column.</b>	

<b>Credit for Increased Excise Taxes Worksheet</b>	
1. Enter the number of dependents you entered on Form 140, page 1, boxes 10a and 10b, and claiming as a qualified parent/grandparent in box 11a, provided that person(s) qualifies as a dependent for federal purposes. Exclude any dependent that is not an Arizona resident.	
2. If you checked filing status 4, enter the number 2 here. If you checked filing status 5, 6, or 7, enter the number 1 here.	
3. Add lines 1 and 2. Enter the total.	
4. Multiply the amount on line 3 by \$25. Enter the result.	\$
5. Maximum credit.	\$100.00
6. Enter the smaller of line 4 or line 5 here and also enter on Form 140, line 56.	\$

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

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

**Line 57 - Property Tax Credit**

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

- You were either 65 or older in 2022 or, if under age 65, you were receiving SSI Title 16 income from the Social Security Administration.

**NOTE:** *Supplemental Security Income (SSI) Title 16 income is not the normal Social Security disability.*

- You were an Arizona resident for the full year in 2022.
- You paid property tax on your Arizona home in 2022. 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 18, 2023. You cannot claim this credit on an amended return if you file the amended return after the due date of your return.*

**Line 58 - Other Refundable Credits**

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

- Credit for Increased Research Activities - Individuals (Form 308-I)
- Credit for Qualified Facilities (Form 349)

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

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

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

You must include a copy of your “Certificate of Qualification” from the Arizona Commerce Authority (ACA), Form 301, and Form 308-I with your return to claim this credit.

If you are claiming a refund of the increased research activities credit from Form 308-I, enter the amount from Form 308-I, Part 7, line 38.

**Credit for Qualified Facilities (Form 349)**

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

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

If you are claiming more than one of the refundable tax credits, check the appropriate boxes and add the amounts from the credit forms together and enter the total on line 58. You may use the table to figure the amount to enter on line 58.

2022 - Refundable Credit Worksheet	
1. Enter the refundable credit from Form 308-I, Part 7, line 38.	
2. Enter the refundable credit from Form 349, Part 8, line 20.	
3. Add the amounts on lines 1 and 2. Enter the total here and on line 58.	

**Line 59 - Total Payments and Refundable Credits**

Add lines 53 through 58 and enter the total.

**Figuring Your Tax Due or Overpayment**

**Line 60 - Tax Due**

If line 52 is larger than line 59, subtract line 59 from line 52 and enter the amount of tax due. Skip lines 61, 62, and 63.

**Line 61 - Overpayment**

If line 59 is larger than line 52, subtract line 52 from line 59 and enter the difference. Complete lines 62 and 63.

**Line 62 - Amount of Line 61 to be Applied to 2023 Estimated Tax**

If you want all or part of your overpayment applied to next year’s estimated taxes, enter that amount on line 62.

**NOTE:** If you apply any of the amount shown on line 61 to 2023, you cannot use that amount to pay any tax that is later found to be due for 2022. You also may not claim a refund for that amount until you file your 2023 return.

**Line 63 - Balance of Overpayment**

Subtract line 62 from line 61 to determine your overpayment balance before voluntary gifts and any estimated payment penalty.

**Making Voluntary Gifts**

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

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

**Line 64 - Solutions Teams Assigned to Schools Fund**

You may give some or all of your refund to the Solutions Teams Assigned to Schools Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 80. Enter the amount you want to donate on line 64.

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

**Line 65 - Arizona Wildlife Fund**

You may give some or all of your refund to the Arizona Wildlife Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 80. Enter the amount you want to donate on line 65.

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

**Line 66 - Child Abuse Prevention Fund**

You may give some or all of your refund to the Arizona Child Abuse Prevention Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 80. Enter the amount you want to donate on line 66.

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

**Line 67 - Domestic Violence Services Fund**

You may give some or all of your refund to the Domestic Violence Services Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 80. Enter the amount you want to donate on line 67.

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



**Line 68 - Political Gift**

You may give some or all of your refund to a political party. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 80. Enter the amount you want to donate on line 68. If you donate to a political party, complete line 75.

Gifts go to one of the following political parties:

- Democratic
- Libertarian
- Republican

**Line 69 - Neighbors Helping Neighbors Fund**

You may give some or all of your refund to the Neighbors Helping Neighbors Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 80. Enter the amount you want to donate on line 69.

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

**Line 70 - Special Olympics Fund**

You may give some or all of your refund to the Special Olympics Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 80. Enter the amount you want to donate on line 70.

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

**Line 71 - Veterans' Donations Fund**

You must have made Arizona estimated income tax payments during 2022 if:		
Your filing status is:	<b>AND</b> Your Arizona gross income for 2021 was greater than:	<b>AND</b> Your Arizona gross income for 2022 was greater than:
• Single	\$75,000	\$75,000
• Married filing joint	\$150,000	\$150,000
• Married filing separate	\$75,000	\$75,000
• Head of Household	\$75,000	\$75,000

You may give some or all of your refund to the Veterans' Donations Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 80. Enter the amount you want to donate on line 71.

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

**Line 72 - I Didn't Pay Enough Fund**

You may give some or all of your refund to the I Didn't Pay Enough Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 80. Enter the amount you want to donate on line 72.

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

**Line 73 - Sustainable State Parks and Roads Fund**

You may give some or all of your refund to the Sustainable State Parks and Roads Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 80. Enter the amount you want to donate on line 73.

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

**Line 74 - Spaying and Neutering of Animals Fund**

You may give some or all of your refund to the Spaying and Neutering of Animals Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 80. Enter the amount you want to donate on line 74.

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

**Line 75 - Political Party**

If you entered an amount on line 68, check the box for the political party to which you wish to give. Select only one party. If you do not select a political party, the department will return the amount on line 68.

**Line 76 - Estimated Payment Penalty**

**NOTE:** Do not complete Arizona Form 221, Underpayment of Estimated Tax by Individuals, if the amount on Form 140, line 53 is more than the amount on Form 140, line 52.

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

Complete and include Form 221 to determine if any penalty is due. Enter the total penalty from Form 221.

**If you report as a farmer or fisherman for federal purposes,** you were not required to make estimated payments during 2022 if the following apply:

- *You are a calendar year filer.* You file your Arizona return by March 1, 2023. You pay in full the amount stated on your return as owed.
- *You are a fiscal year filer.* You file your Arizona return by the first day of the third month after the end of your fiscal year. You pay in full the amount stated on your return as owed.

**If the above applies, check Box 772 on line 77 and do not complete Form 221.**

**Line 77 - Box 771 through 773**

**Box 771:** check if any of the following applies to you:

1. You checked the box on line 1 of Form 221.
2. You completed the annualized income worksheet on Form 221.

3. You elected to be treated as a nonresident alien on your federal income tax return. You made three estimated payment installments. Your first installment equaled 50% of the total of all of your required installments.

**Box 772:** check if you are an individual who for federal purposes reports as a farmer or fisherman.

**Box 773:** check if you completed and are including Form 221.

**Line 78**

Add lines 64 through 74 and 76. Enter the total.

**Figuring Your Refund or Amount Owed**

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

**Line 79 - Refund**

Subtract line 78 from line 63. Enter your refund on line 79 and skip line 80. If less than zero "0" enter amount owed on line 80.

If you owe money to any Arizona state agency, court, county, incorporated city or town, and certain federal agencies, your refund may go to pay some of that debt. If so, the department will let you know by letter.

**Tax Tip:** *If you change your address before you get your refund, let the department know. Complete Form 822. This form is available at: [azdor.gov/forms/other-forms](http://azdor.gov/forms/other-forms).*

**Direct Deposit of Refund**

Complete the direct deposit line if you want us to directly deposit the amount shown on line 79 into your account at a bank or other financial institution (such as a mutual fund, brokerage firm, or credit union) instead of sending you a check.

**NOTE:** *Check the box on line 79A if the direct deposit will ultimately be placed in a foreign account. If you check box 79A, do not enter your routing or account numbers. If this box is checked, we will not direct deposit your refund. We will mail you a check instead.*

**Why use Direct Deposit?**

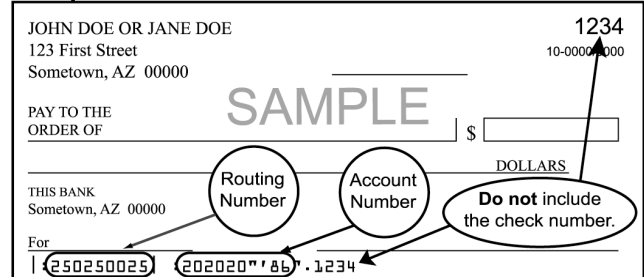
- You will get your refund fast - even faster if you e-file!
- Payment is more secure - there is no check to get lost.
- It is more convenient - no trip to the bank to deposit your check.
- It saves tax dollars. A refund by direct deposit costs less to process than a check.

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

**Routing Number MAKE SURE YOU ENTER THE CORRECT ROUTING NUMBER**

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

**Sample Check**



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

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

**Account Number**

**MAKE SURE YOU ENTER THE CORRECT ACCOUNT NUMBER.**

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

**Line 80 - Amount Owed**

Add lines 60 and 78. Enter the amount you owe on line 80. If you are making voluntary gifts on lines 64 through 74 in excess of your overpayment, enter the difference on line 80. You may pay the amount owed only with a check or money order, electronic check, direct debit through your software vendor or credit card.

**Check or money order**

**NOTE:** *Include your check or money order with your return. Please do not send cash.*

Make your check payable to Arizona Department of Revenue. Write your SSN, Form 140 and tax year on the front of your check or money order. The department cannot accept checks or money orders in foreign currency. You must make payment in U.S. dollars. It may take 2-3 weeks for your payment to process.

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

**Electronic payment from your checking or savings account**

You can make an electronic payment from your checking or savings account to pay your balance due for 2022. There is no

fee to use this method. To make an electronic payment, go to [www.AZTaxes.gov](http://www.AZTaxes.gov) and click on the “Make a Payment” link.

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

The “E-Check” option in the “Payment Method” drop-down box will debit the amount from the checking or savings account that you specify. If you make an electronic payment from your checking or savings account, you will receive a confirmation number. **Please keep this confirmation number as proof of payment.**

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

### Credit card payment

You can pay with your American Express, Discover, Visa, or MasterCard. 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.**

### Installment payments

If you cannot pay the full amount shown on line 80 when you file, you may request to make monthly installment payments. All payment arrangements for individual income tax can be made online at [www.AZTaxes.gov](http://www.AZTaxes.gov), please select the “*Request A Payment Plan*” option under the Individual Income section. If you cannot pay the full amount shown on line 80, you will be charged interest and may be charged a late payment penalty on the tax not paid by April 18, 2023. To limit the interest and penalty charges pay as much of the tax as possible when you file your return.

### Sign Your Return

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

### Instructions Before Mailing

- **Do not staple your return. Do not staple any documents, schedules, or payment to your return.**
- Make sure your **NAME** and **SSN** are on the return.
- Be sure you enter your daytime telephone number in the space provided on the front of your return.
- Check to make sure that your math is correct. A math error can cause delays in processing your return.

- Make sure you filled in all required boxes.
- If you requested a filing extension, make sure that you check box **82F** (above your name) on page 1 of the return.
- Sign your return and have your spouse sign, if filing jointly.
- Write your SSN and tax year on the front of your check or money order. Include your payment with your return.
- Do **not** include correspondence with your return.

### Mailing Your Return

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

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

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

### Where Should I Mail my return?

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

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

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

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

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

- After applying the overpayment, if there is a net tax due and you are sending a payment mail both returns to  
Arizona Department of Revenue  
PO Box 52016  
Phoenix, AZ 85072-2016
- After applying the overpayment, if there is a net refund mail both returns to  
Arizona Department of Revenue  
PO Box 52138  
Phoenix, AZ 85072-2138

## Make Sure You Put Enough Postage on the Envelope

The U.S. Post Office or United States mail service must postmark your return or extension request by midnight April 18, 2023.

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

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

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

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

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

You may also use certain private delivery services designated by the IRS to meet the "timely mailing as timely filed" rule.

For more information, see the department's ruling, GTR 16-1, *Timely Filing of Income or Withholding Tax Returns Through the United States Mail*.

## How long to keep your return

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

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

In some cases, the limitation period is longer than four years. The period is six years from when you file a return if you under report the income shown on that return by more than 25% (.25). The department can bring an action at any time if a return is false or fraudulent, or if you do not file a return. To find out more about what records you should keep, get federal Publication 552.

## Where's My Refund?

You can check on your refund by visiting [www.azdor.gov](http://www.azdor.gov) or [www.AZTaxes.gov](http://www.AZTaxes.gov) and clicking on "Where's my refund?" or you may call one of the numbers listed on page 1 of these instructions. Before you call, be sure to have a copy of your 2022 tax return on hand. You will need to know your SSN, your filing status, and your 5-digit ZIP Code.

## Contacting the Department

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

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

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

2022 Original return       2022 Amended return

**IMPORTANT**

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

- If you cannot determine the acquisition date of an asset, including mutual funds, the long-term capital gain from that asset does not qualify for the allowable subtraction. For the purpose of the allowable subtraction, these assets are considered to have been acquired before January 1, 2012.
- An asset acquired by gift or inheritance is considered acquired on the date it was acquired by gift-giver or the deceased individual.
- If you receive Form(s) 165 Schedule K-1 from a partnership, 120S Schedule K-1 from an S Corporation, or 141AZ Schedule K-1 from an estate or trust, be sure to include those qualifying net long-term capital gain amounts in your computation.

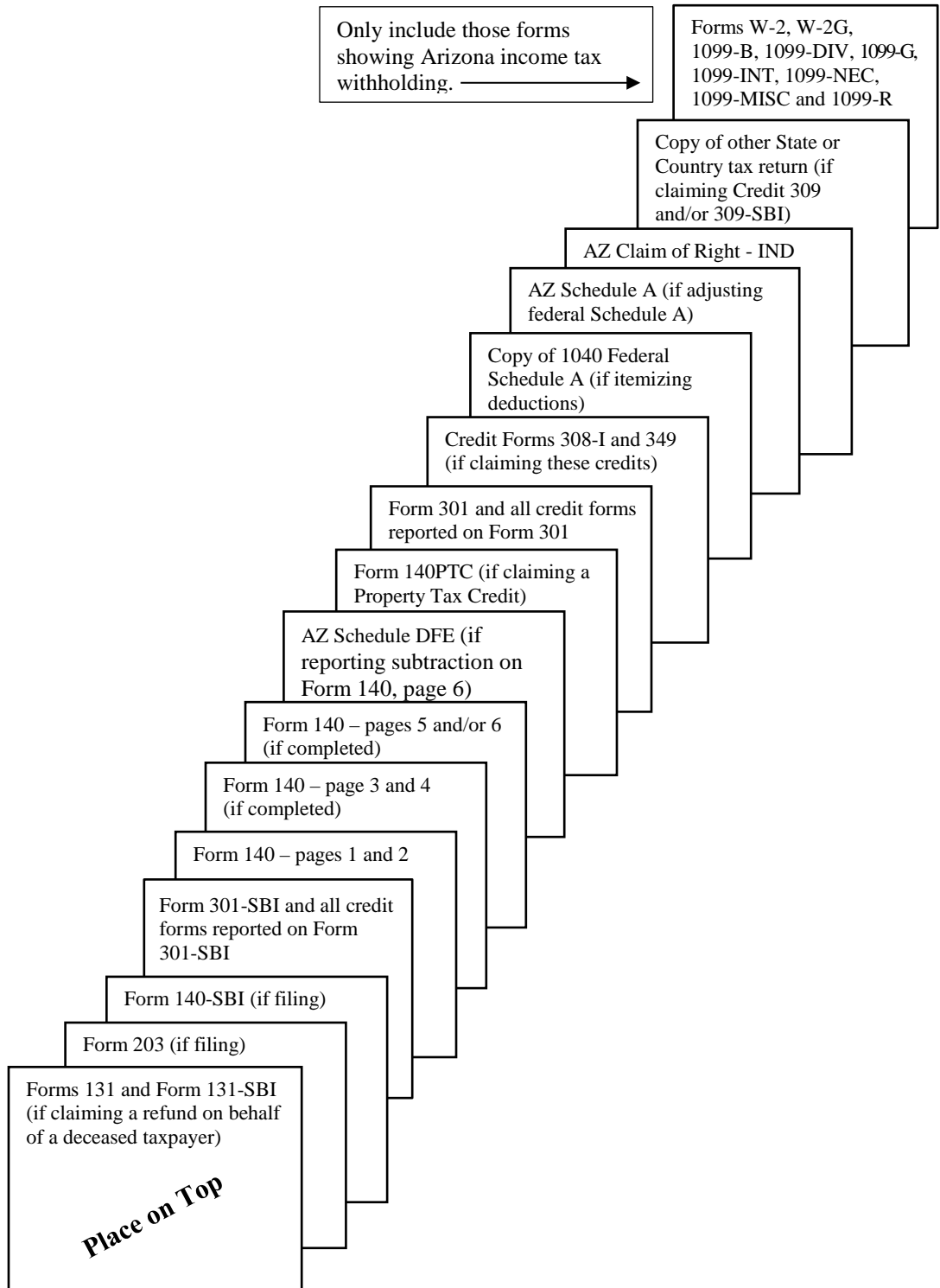
**Do not include any short-term capital gains or (losses) in this worksheet.**

1.	Enter the total net long-term capital gain or (loss) from assets acquired after December 31, 2011 and included in federal adjusted gross income.....			00
2.	Enter the amount of net long-term capital ( <b>loss</b> ) derived from the exchange of one kind of legal tender for another kind of legal tender from assets acquired after December 31, 2011, and included on the schedule, "Other Additions to Arizona Gross Income", on Form 140, page 5, item "O" .....		00	
3.	Enter the amount of net long-term capital <b>gain</b> derived from investment in qualified small business from assets acquired after December 31, 2011 and included in the subtraction on Arizona Form 140, line 25.....		00	
4.	Enter the amount of net long-term capital <b>gain</b> derived from the exchange of one kind of legal tender for another kind of legal tender from assets acquired after December 31, 2011, and included on the schedule, "Other Subtractions from Arizona Gross Income", on Form 140, page 6, item "R" .....		00	
5.	(Line 1 + line 2) minus (line 3 + line 4). Enter the difference.....			00

- If the amount on line 5 is positive, you have a net long-term capital gain from assets acquired *after* December 31, 2011. Enter the amount on Form 140, line 23.
- If the amount on line 5 is zero or negative, you do not qualify to take the allowable subtraction. Enter "0" on Form 140, line 23.

**2022 Form 140 Assembly Order (form sequence)  
For returns *mailed* to the Department**

*To avoid processing delays, place the returns in the following order (starting with Forms 131 and 131-SBI)*



**Include with your return.**

Your Name as shown on Form 140	Your Social Security Number
Spouse's Name as shown on Form 140 (if filing joint)	Spouse's Social Security Number

To itemize on your Arizona return, you must first complete a federal Schedule A even if you did not itemize on your federal return. Use Form 140 Schedule A to adjust the amount shown on the federal Schedule A. Complete Form 140 Schedule A **only if you are making changes** to the amount shown on the federal Schedule A. See instructions for details.

**Adjustment to Medical and Dental Expenses**

1 Medical and dental expenses.....	<b>1</b>		00	
2 Medical expenses allowed to be taken as a federal itemized deduction.....	<b>2</b>		00	
3 If line 1 is the same as or more than line 2, subtract line 2 from line 1; otherwise, go to line 4.....	<b>3</b>		00	
4 If line 2 is more than line 1, subtract line 1 from line 2.....	<b>4</b>		00	

**Adjustment to Interest Deduction**

5 If you received a federal credit for interest paid on mortgage credit certificates (from federal Form 8396), enter the amount of mortgage interest you paid for 2022 that is equal to the amount of your 2022 federal credit.....	<b>5</b>		00	
---	----------	--	----	--

**Adjustments to Charitable Contributions**

6 Amount of charitable contributions for which you are claiming a credit under Arizona law.....	<b>6</b>		00	
---	----------	--	----	--

**Adjustment to State Income Taxes**

7 Amount of state income taxes deducted on the federal Schedule A that are for contributions to a charity for which an Arizona credit was received. If your tax deductions were limited on your federal Schedule A complete the worksheet on page 2 to determine the adjustment on this line.....	<b>7</b>		00	
---	----------	--	----	--

**Other Adjustments**

8 Amount allowed as a federal itemized deduction that relates to income not subject to Arizona tax.....	<b>8</b>		00	
---	----------	--	----	--

**Adjusted Itemized Deductions**

9 Add the amounts on lines 3 and 5.....	<b>9</b>		00	
10 Add the amounts on lines 4, 6, 7, and 8.....	<b>10</b>		00	
11 Total federal itemized deductions allowed to be taken on federal return.....	<b>11</b>		00	
12 Enter the amount from line 9 above.....	<b>12</b>		00	
13 Add lines 11 and 12.....	<b>13</b>		00	
14 Enter the amount from line 10 above.....	<b>14</b>		00	
15 Arizona itemized deductions: Subtract line 14 from line 13. Enter the difference here. Also, enter the amount on Form 140, page 2, line 43. If less than zero, enter "0".....	<b>15</b>		00	



**You must include a copy of federal Form 1040, Schedule A with your return if you itemize your deductions.**

## 2022 Form 140 Schedule A Adjustment to State Income Taxes

**Arizona Revised Statutes § 43-1042 was amended to require taxpayers to reduce the amount of itemized deductions for amounts used to claim an Arizona credit even if the amount was deducted on the federal return as state income taxes paid rather than as charitable contributions.**

If you claimed income taxes on your federal 1040 Schedule A, complete the following worksheet to determine the amount of your adjustment to enter on page 1, line 7.

<b>1A</b>	Total state income taxes on the federal Schedule A before applying the federal limitations.....	<b>1A</b>	00
<b>2A</b>	Amount included in the line 1A for which you claimed an Arizona credit.....	<b>2A</b>	00
<b>3A</b>	Subtract line 2A from line 1A. Enter the difference.....	<b>3A</b>	00
<b>4A</b>	Limit from federal Schedule A. Enter \$10,000 (\$5,000 if married filing separate)..	<b>4A</b>	00
<b>5A</b>	Enter the smaller of line 3A or 4A.....	<b>5A</b>	00
<b>6A</b>	Enter total state income taxes claimed on federal Schedule A (after limitation).....	<b>6A</b>	00
<b>7A</b>	Subtract line 5A from line 6A. This is the amount of your Arizona adjustment. Enter the amount on page 1, line 7.....	<b>7A</b>	00



# 2022 Form 140 Schedule A Itemized Deduction Adjustments

## For Full-Year Residents Only

Before you complete Arizona Form 140 Schedule A, you must complete a federal Form 1040 Schedule A even if you do not itemize deductions on your 2022 federal return. You may itemize your deductions on your Arizona return even if you do not itemize on your federal return. For the most part, you can deduct those items that are allowable itemized deductions under the Internal Revenue Code (IRC).

Use Form 140 Schedule A, *Itemized Deduction Adjustments*, to adjust the amount shown on the federal Schedule A. Complete Form 140 Schedule A **only** if you are making changes to the amount shown on the federal Schedule A. You must include the federal Form 1040 Schedule A with this form.

## General Instructions

Arizona is a community property state. If you are married filing a separate return and claiming itemized deductions, see the department's ruling, ITR 93-19, *Deductions, Exemptions, and Credits for Married Taxpayers who file Separate Returns*, for more information claiming itemized deductions.

When married taxpayers file separate Arizona income tax returns, both filers must either claim the standard deduction or itemize deductions. One spouse may not claim a standard deduction when the other spouse itemizes deductions. If this situation does occur, the standard deduction will be disallowed, regardless of which return may have been filed first.

The treatment of itemized deductions by spouses who file separate returns depends on whether the deductible expenses were paid with community funds or with separate funds. If the expenses were paid with community funds, the deduction is divided equally between each spouse. Expenses paid with separate funds are deductible by the spouse who paid the expenses. Under no circumstances may more than 100 percent of the allowable deductions be claimed.

**NOTE:** *If you or your spouse claim 100% of the allowable itemized deductions, the other spouse must enter "0" on Form 140, line 43, and that spouse cannot claim an adjustment for either itemized deductions or the standard deduction.*

**You must complete Form 140 Schedule A only if any of the following items apply to you:**

1. You are deducting medical and dental expenses.
2. You are claiming a federal credit (from federal Form 8396) for interest paid on mortgage credit certificates.
3. Your deductions claimed on the federal Schedule A include expenses related to income not subject to Arizona tax.
4. You are claiming an Arizona credit for any amount allowed as a charitable contribution or a state income tax deduction.

If any of those items (1 through 4) apply to you, complete federal Form 1040 Schedule A, and then complete Form 140 Schedule A as instructed.

**Do not complete Form 140 Schedule A if those items do not apply to you.**

If you do not have to complete Form 140 Schedule A, enter the amount from federal Form 1040 Schedule A on Arizona Form 140, page 2, line 43.

## Line-by-Line Instructions

### Lines 1 through 4 - Medical and Dental Expenses

*Skip lines 1 through 4 if you are **not** deducting medical and dental expenses.*

In most cases, the deduction allowed on the Arizona return will be larger than the deduction allowed on the federal return. On your Arizona return, you do not have to reduce your medical expenses by a percentage of your federal adjusted gross income.

In most cases, you may deduct more medical expenses on your Arizona return than you can deduct on your federal return. Complete lines 1 through 4 to deduct those expenses that were not allowed on federal return due to limitations.

#### Line 1

Enter the total of your medical and dental expenses. Do not include any expenses that were paid by insurance or other sources. Do not include the following amounts you paid through an employer-sponsored health insurance plan (cafeteria plan) unless your employer included the amounts in Box 1 of your Form W-2.

- Insurance premiums you paid through the plan.
- Other medical and dental expenses paid by the plan.

If you are self-employed, do not include any amount that you paid for health insurance that you deducted in computing your federal adjusted gross income.

For details about what types of expenses you may deduct, see federal Form 1040 Schedule A.

#### Lines 2 through 4

Complete lines 2 through 4 as instructed on the form.

#### Line 5 - Interest Paid on Mortgage Credit Certificates

*Skip line 5 if you are **not** claiming a federal credit for interest paid on mortgage credit certificates on your federal return.*

If you claimed this credit on your federal return (using federal Form 8396), you may deduct the amount of mortgage interest you paid in 2022 that is equal to the amount of that credit. Enter the amount of that interest on line 5.

#### Line 6 - Adjustments to Charitable Contributions

*Skip line 6a if you are **not** claiming an Arizona tax credit for any amount allowed as a charitable contribution.*

You cannot claim both a deduction and a credit for the same charitable contributions. Enter the amount of charitable contributions for which you are claiming a credit.

For Example:		
If you claimed a credit on AZ Form:	For:	
321	Contributions to Qualifying Charitable Organizations	You must make an entry on line 6 if you deducted the amount contributed as an itemized deduction on federal Form 1040 Schedule A.
322	Contributions Made or Fees Paid to Public Schools	
323	Contributions to Private School Tuition Organization	
331	Donation of School Site	
335-I	Contributions made by an S Corporation to a School Tuition Organizations - Individual	
340	Donations to the Military Family Relief Fund	
341-I	Contributions made by an S Corporation to a School Tuition Organization for Displaced Students or Students with Disabilities - Individual	
348	Contributions to Certified School Tuition Organizations - Individual	
352	Contributions to Qualifying Foster Care Charitable Organizations	

**Line 8 - Other Adjustments**

You may not deduct any expense that relates to income not subject to Arizona tax. You must complete line 7 if your federal Schedule A includes such expenses. Such expenses include:

1. Interest or other related expenses incurred to purchase or carry U.S. obligations, when the income is not subject to Arizona tax.
2. State taxes paid to other states for prior years if you were not an Arizona resident for that prior year.
3. Employee business expenses that relate to income not subject to Arizona tax.

This list is not complete. There may be other items included in your federal Schedule A that you cannot deduct on the Arizona return.

Enter the amount of expenses deductible on federal Schedule A that are allocable to income that is not subject to Arizona income tax.

**Lines 9 through 14 - Adjusted Itemized Deductions**

Complete lines 9 through 14 as instructed on the form.

**Line 15 – Arizona Itemized Deductions**

Subtract line 14 from line 13 and enter the difference. If less than zero, enter “0”. Also, enter the amount on Form 140, page 2, line 43.

**NOTE:** *The amount entered on line 15 cannot be a negative number. Entering a negative number on Form 140, line 43 may delay the processing of your return.*

If you claimed a credit on your 2021 return for a contribution that you made during 2022 (see Arizona Forms 321, 322, 323, 348, and 352), you must exclude this deduction on your 2022 return, even though you claimed the credit on your 2021 return.

If you are claiming a credit on your 2022 return for a contribution made during 2023 (see Arizona Forms 321, 322, 323, 348, and 352), you must you must exclude this deduction on your 2023 return, even though you are claiming the credit on your 2022 return.

**Line 7 – Adjustment to State Income Taxes**

Arizona Revised Statutes § 43-1042 was amended to require taxpayers to reduce the amount of itemized deductions for amounts used to claim an Arizona credit, even if the amount was deducted on the federal return as taxes paid rather than as charitable contributions.

Did you claim sales taxes rather than income taxes on your federal Schedule A?

- If yes, **stop**. No adjustment is necessary. Go to line 8.
- If no, complete the worksheet on page 2 of Form 140 Schedule A to determine the amount of your adjustment to enter on line 7.

DO NOT STAPLE ANY ITEMS TO THE RETURN.

STOP! If your Arizona taxable income is \$50,000 or more, you must use Arizona Form 140.

82F Check box 82F if filing under extension

Your First Name and Middle Initial Last Name Enter your SSN(s) Your Social Security Number

Spouse's First Name and Middle Initial (if box 4 or 6 checked) Last Name Spouse's Social Security No.

Current Home Address - number and street, rural route Apt. No. Daytime Phone (with area code)

City, Town or Post Office State ZIP Code Last Names Used in Last Four Prior Year(s) (if different)

FILING STATUS: 4 Married filing joint return 4a Injured Spouse Protection of Joint Overpayment 5 Head of household... EXEMPTIONS: 8 Age 65 or over... 9 Blind... 10a Dependents: Under age of 17... 10b Dependents: Age 17 and over... 11a Qualifying parents and grandparents

Dependents table with columns: (a) FIRST AND LAST NAME, (b) SOCIAL SECURITY NO., (c) RELATIONSHIP, (d) NO. OF MONTHS LIVED IN YOUR HOME IN 2022, (e) Dependent Age included in, (f) if you did not claim this person on your federal return due to educational credits

Qualifying Parents and Grandparents table with columns: (a) FIRST AND LAST NAME, (b) SOCIAL SECURITY NO., (c) RELATIONSHIP, (d) NO. OF MONTHS LIVED IN YOUR HOME IN 2022, (e) if age 65 or over, (f) if died in 2022

Summary table with rows 12-30: 12 Federal adjusted gross income, 13 Age 65 or over, 14 Blind, 15 Other Exemptions, 16 Qualifying parents and grandparents, 17 Arizona adjusted gross income, 18 Standard deduction, 19 Arizona taxable income, 20 Amount of tax from Optional Tax Tables, 21 Dependent Tax Credit, 22 Family income tax credit, 23 Balance of tax, 24 Arizona income tax withheld, 25 2022 Arizona extension payment, 26 Increased Excise Tax Credit, 27 Property Tax Credit, 28 Total payments and refundable credits, 29 TAX DUE, 30 OVERPAYMENT

Handwritten signature

PLEASE BE SURE TO SIGN ON PAGE 2 OF THIS RETURN.

Continued on page 2

Place any required federal and AZ schedules or other documents after Form 140A.

Your Name (as shown on page 1)	Your Social Security Number
--------------------------------	-----------------------------

Voluntary Gifts

<b>31</b> Enter the amount from page 1, line 29 Tax Due; or line 30 Overpayment.....	<b>31</b>	00
<b>32 - 42 Voluntary Gifts to:</b>		
Solutions Teams Assigned to Schools.....	<b>32</b>	00
Arizona Wildlife.....	<b>33</b>	00
Child Abuse Prevention .....	<b>34</b>	00
Domestic Violence Services.....	<b>35</b>	00
Political Gift.....	<b>36</b>	00
Neighbors Helping Neighbors..	<b>37</b>	00
Special Olympics.....	<b>38</b>	00
Veterans' Donations Fund	<b>39</b>	00
I Didn't Pay Enough Fund.....	<b>40</b>	00
Sustainable State Parks and Road Fund.....	<b>41</b>	00
Spay/Neuter of Animals..	<b>42</b>	00

Refund or Amount Owed

**43** Political Party (if amount is entered on line 36 - check only one box):  
 431  Democratic    432  Libertarian    433  Republican

**44** Total voluntary gifts: Add lines 32 through 42..... **44** 00

**45 REFUND:** If line 31 is an overpayment, subtract line 44 from line 31. If less than zero, enter amount owed on line 46..... **45** 00  
**Direct Deposit of Refund:** **Check box 45A** if your deposit will be ultimately placed in a **foreign account**; see instructions. **45A**

<b>98</b>	C <input type="checkbox"/> Checking or	ROUTING NUMBER	ACCOUNT NUMBER	
	S <input type="checkbox"/> Savings			

**46 AMOUNT OWED:** If line 31 is a tax due, add lines 31 and 44. Make check payable to Arizona Department of Revenue; write your SSN on payment, and include with your return..... **46** 00

PLEASE SIGN HERE

Under penalties of perjury, I declare that I have read this return and any documents with it, and to the best of my knowledge and belief, they are true, correct and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

→ YOUR SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_ OCCUPATION \_\_\_\_\_

→ SPOUSE'S SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_ SPOUSE'S OCCUPATION \_\_\_\_\_

PAID PREPARER'S SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_ FIRM'S NAME (PREPARER'S IF SELF-EMPLOYED) \_\_\_\_\_

PAID PREPARER'S STREET ADDRESS \_\_\_\_\_ PAID PREPARER'S TIN \_\_\_\_\_

PAID PREPARER'S CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP CODE \_\_\_\_\_ ( ) \_\_\_\_\_ PAID PREPARER'S PHONE NUMBER \_\_\_\_\_

- If you are sending a payment with this return, mail to Arizona Department of Revenue, PO Box 52016, Phoenix, AZ 85072-2016. Include the payment with your return.
- If you are expecting a refund or owe no tax, or owe tax but are not sending a payment, mail to Arizona Department of Revenue, PO Box 52138, Phoenix, AZ 85072-2138.

Your Name (as shown on page 1)	Your Social Security Number
--------------------------------	-----------------------------

## 2022 Form 140A Dependent and Other Exemptions Information

**Include page 3 with your return if:**

- You are listing additional dependents (for box 10a and 10b) from page 1.
- You are listing additional qualifying parents and grandparents (for box 11a) from page 1.
  - You are claiming Other Exemptions on page 1, line 15.

### Part 1: Dependents (Box 10a and 10b) continued from page 1

Information used to compute your allowable **Dependent Tax Credit** on page 1, line 21.

**NOTE:** If you have more than three qualifying dependents, you **must** complete Part 1 *and* the worksheet in the instructions to compute your the Dependent Tax Credit on line 21.

	(a) FIRST AND LAST NAME (Do not list yourself or spouse.)	(b) SOCIAL SECURITY NO.	(c) RELATIONSHIP	(d) NO. OF MONTHS LIVED IN YOUR HOME IN 2022	(e) ✓ Dependent Age included in:		(f) ✓ IF YOU DID NOT CLAIM THIS PERSON ON YOUR FEDERAL RETURN DUE TO EDUCATIONAL CREDITS
					1 (Box 10a)	2 (Box 10b)	
10f					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10g					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10h					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10i					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10j					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10k					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10l					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10m					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10n					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10o					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10p					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### Part 2: Qualifying parents and grandparents (Box 11a) continued from page 1

Additional qualifying parents and grandparents information used to compute your allowable exemption on page 1, line 16.

	(a) FIRST AND LAST NAME (Do not list yourself or spouse.)	(b) SOCIAL SECURITY NO.	(c) RELATIONSHIP	(d) NO. OF MONTHS LIVED IN YOUR HOME IN 2022	(e) ✓ IF AGE 65 OR OVER	(f) ✓ IF DIED IN 2022
11e					<input type="checkbox"/>	<input type="checkbox"/>
11f					<input type="checkbox"/>	<input type="checkbox"/>
11g					<input type="checkbox"/>	<input type="checkbox"/>
11h					<input type="checkbox"/>	<input type="checkbox"/>
11i					<input type="checkbox"/>	<input type="checkbox"/>
11j					<input type="checkbox"/>	<input type="checkbox"/>

### Part 3: Other Exemptions

Information used to compute your allowable **Other Exemptions** on page 1, line 15.

	(a) FIRST AND LAST NAME (Do not list yourself or spouse.)	(b) SOCIAL SECURITY NO.	(c) ✓ AGE 65 OR OVER (see instructions)		(d) ✓ STILLBORN CHILD IN 2022
			C1	C2	
1			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Enter the total number of individuals listed in Part 3 in box 15E on page 1, line 15.**

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## 2022 Resident Personal Income Tax Return (Short Form)

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

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

**Tax forms, instructions, and other tax information**

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

**Income Tax Procedures and Rulings**

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website select *Reports, Statistics, and Legal Research* from the main menu then click on *Legal Research* and select a *Document Type* and *Category* from the drop down menus.

**Publications**

To view or print the department's publications, go to our website and click on *Reports, Statistics and Legal Research* from the main menu then click on *Publications* in the left-hand column.

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No more paper, math errors, or mailing delays if you *e-file!* Get your refund quicker with direct deposit option.

*E-file* today, pay by April 18, 2023, to avoid penalties and interest.

*E-file* through an authorized IRS/DOR *e-file* provider or by using your personal computer and the Internet.

Visit our website at [www.azdor.gov](http://www.azdor.gov) for a listing of approved *e-file* providers and on-line filing sources.

\*\* For free *e-file* requirements, go to our website at [www.azdor.gov](http://www.azdor.gov).

**AVOID PROCESSING DELAYS: Are you mailing your Arizona income tax return?** *If you are mailing your return to the department, see page 14 for assembly order (form sequence) information.*

**Who Can Use Form 140A?**

You can use Form 140A to file for 2022 if **all** of the following apply to you:

- You (and your spouse if married filing a joint return) are both full year residents of Arizona.
- Your Arizona **taxable income** is less than \$50,000, regardless of your filing status.
- You are a calendar year filer.
- You are **not** making any adjustments to income.
- You do **not** itemize deductions.

- The **only** tax credits you will claim are:
  - the Family Income Tax credit;
  - the Dependent Tax credit;
  - the Property Tax credit; or
  - the Credit for Increased Excise Taxes.
- You are **not** claiming estimated tax payments.

**NOTE:** *You may subtract all of your active duty military pay included in your federal adjusted gross income, but you cannot do this on Form 140A. To take this subtraction, you must file your 2022 return using Arizona Form 140. For more information, see Form 140 instructions.*

**Do You Have to File?**

<b>Arizona Filing Requirements</b>	
<b>These rules apply to all Arizona taxpayers.</b>	
You must file if you are:	and your gross income is more than:
● Single	\$12,950
● Married filing joint	\$25,900
● Married filing separate	\$12,950
● Head of Household	\$19,400

If you are an Arizona resident, you must report income from **all** sources, including **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 that Arizona law does not tax. Income Arizona law does not tax includes:

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

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

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

You must file if you meet the Arizona filing requirements unless **all** of 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.

Enrolled members of American Indian tribes that must file a return may subtract wages earned while living and working on their tribe's reservation. **If you are eligible to subtract these wages, you must file Arizona Form 140.** In this case, do not file Form 140A. For more information, see the department's ruling, ITR 96-4, *Income Taxation of Indians and Spouses*.

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

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

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

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

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

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

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

If you are an Arizona resident and you have to file an Arizona return, you should file using Form 140. If you were an Arizona resident when you entered the service, you remain an Arizona resident, no matter where you are stationed, until you establish a new domicile.

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

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

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

For more information, see the department's publication, Pub 704, *Taxpayers in the Military*.

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## **Determining Residency Status**

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If you are not sure if you are an Arizona resident for state income tax purposes, we may be able to help. See the department's procedure, ITP 92-1, *Procedure for Determining Residency*.

## **Residents**

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

### **Part-Year Residents**

If you are a part-year resident, you must file Arizona Form 140PY, *Part-Year Resident Personal Income Tax Return*.

You are a part-year resident if you did either of the following during 2022:

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

**NOTE:** *If you are a part-year resident and married filing a joint return with your nonresident spouse, you must file Arizona Form 140NR, Nonresident Personal Income Tax Return.*

### **Nonresidents**

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

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## **What if a Taxpayer Died?**

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If a taxpayer died before filing a return for 2022 the taxpayer's spouse or personal representative may have to file and sign a return for that taxpayer. A personal representative can be an executor, administrator, or anyone who is in charge of the deceased taxpayer's property.

If the deceased taxpayer did not have to file a return but had tax withheld, a return must be filed to get a refund.

The person who files the return should use the form the taxpayer would have used. The person who files the return should print the word "deceased" after the decedent's name. Also, enter the date of death after the decedent's name.

If your spouse died in 2022, and you did not remarry in 2022 or if your spouse died in 2023 before filing a return for 2022, you may file a joint return. If your spouse died in 2022, the joint return should show your spouse's 2022 income before death and your income for all of 2022. If your spouse died in 2023, before filing the 2022 return, the joint return should show all of your income and all of your spouse's income for 2022. Print "Filing as surviving spouse" in the area where you sign the return. If someone else is the personal representative, he or she must also sign the return.

### **Are Any Other Returns Required?**

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

### **Claiming a Refund for a Deceased Taxpayer**

If you are claiming a refund for a deceased taxpayer, you **must** complete Arizona Form 131, *Claim for Refund on*



*Behalf of Deceased Taxpayer.* Place the completed Form 131 on top of the front of the return.

## What Are the Filing Dates and Penalties?

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

### When Should You File?

Your 2022 calendar year tax return is due no later than midnight, April 15, 2023. File your return as soon as you can after January 1, 2023, but no later than April 15, 2023. **Because April 15, 2023 falls on a weekend and April 17, 2023 falls on a federal holiday, you have until Tuesday, April 18, 2023 to timely file your 2022 tax return.**

### What if You Cannot File on Time?

You may request an automatic 6-month extension if you know you will not be able to file on time. If you request an extension to file your 2022 calendar year tax return, your due date is October 15, 2023. **Because October 15, 2023 falls on a weekend, you have until Monday, October 16, 2023 to timely file your 2022 tax return.**

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

### To get a filing extension, you can either

- *Apply for a state extension.* To apply for a state extension, file Arizona Form 204 by April 18, 2023. See Form 204 for details. You do not have to include a copy of the extension with your return when you file, but make sure that you check box **82F** (above your name) on page 1 of the return. If you must make a payment, use Arizona Form 204, or visit [www.AZTaxes.gov](http://www.AZTaxes.gov) to make an electronic payment.
- *Use your federal extension (federal Form 4868).* File your Arizona return by the same due date. You do not have to include a copy of your federal extension with your return, but make sure that you check box **82F** (above your name) on page 1 of the return.

### When Should You File if You Are a Nonresident Alien?

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

### What if You File or Pay Late?

If you file or pay late, we will charge you interest and penalties on the amount you owe. If the U.S. Post Office postmarks your 2022 calendar year return by April 18, 2023, your return will not be late. You may also use certain private

delivery services designated by the Internal Revenue Service (IRS) to meet the “timely mailing as timely filed” rule. For more information, see “*Mailing Your Return*” at the end of these instructions.

### Late Filing Penalty

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

### Late Payment Penalty

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

### Extension Underpayment Penalty

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

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

### Interest

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

### When Should You Amend a Return?

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

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

If the IRS makes a change to your federal taxable income for any year, you must report that change to Arizona. You must file Form 140X within 90 days of the final determination of the IRS. You may use one of the following two options to report this change.

**Option 1**

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

**Option 2**

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

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

If you do not agree with the federal notice, you must also include any documents that show why you do not agree.

If you choose Option 2, mail the federal notice and any other documents to:

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

**Line-by-Line Instructions****Tips for Preparing Your Return**

- Make sure that you write your Social Security Number (SSN) on your return.
- Complete your return using black ink.
- You **must** round dollar amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar; if less than 50 cents, round down. Do not enter cents.
- If you are mailing your return, see page 14 for assembly order.
- You must complete your federal return before you can start your Arizona return.
- Make sure you include your daytime telephone number.

**Entering Your Name, Address, and SSN****Lines 1, 2, and 3**

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

If you are married filing separately, enter your name and SSN on the first line 1. Enter your spouse's name and SSN on the second line 1. If you are a nonresident of the United States or a resident alien who does not have an SSN, use the individual taxpayer identification number (ITIN) the IRS issued to you.

**NOTE:** *Make sure your SSN is correct. If you are filing a joint return, also make sure you list your SSNs in the same order every year.*

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

Use your current home address. The department will mail your refund or correspond with you at that address. For a deceased taxpayer, see page 2 of these instructions.

**Foreign Addresses**

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

**Last Name(s) Used in Last 4 Prior Years**

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

**Identification Numbers for Paid Preparers**

If you pay someone else to prepare your return, that person must also include an identification number where requested.

A paid preparer may use any of the following:

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

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

**Determining Your Filing Status**

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

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

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

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

**Box 4 - Married Filing Joint Return**

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

You may file a joint return if you were married as of December 31, 2022. It does not matter whether or not you were living with your spouse. You may file a joint return, even if you and your spouse filed separate federal returns.

You may file a joint return if your spouse died during 2022 and you did not remarry in 2022. See page 2 of these instructions for details.

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

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

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

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

**NOTE:** For more information, see the department's ruling, *ITR 14-1, Filing a Joint Tax Return When a Resident Spouse is Married to a Part-Year Resident or Nonresident.*

### Box 4a - Injured Spouse Protection of Joint Overpayment

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

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

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

### Box 5 - Head of Household Return

If you are filing as a head of household, check box 5. Enter the name of the qualifying child or dependent in the space provided.

You may file as head of household on your Arizona return, only if one of the following applies:

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

### Box 6 - Married Filing Separate Return

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

If you were married as of December 31, 2022, you may choose to file a separate return. You may file a separate return, even if you and your spouse filed a joint federal return.

Arizona is a community property state. If you file a separate return, you must figure how much income to report using community property laws. 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 more information, see the department's ruling, *ITR 93-18, Income Reporting Requirements for Married Arizona Residents Who File Separate Arizona Individual Income Tax Returns*, and *ITR 93-19, Deductions, Exemptions, and Credits for Married Taxpayers Who File Separate Arizona Individual Income Tax Returns*.

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

If one spouse is a resident and the other spouse is not, other special rules may apply when filing a separate return. For more information, see the department's ruling, *ITR 93-20, Income Reporting Requirements of Resident and Nonresident Spouses Who File Separate Arizona Individual Income Tax Returns*; and publication, Pub. 200, *Income Tax Issues Affecting Married and Divorced Taxpayers*.

### Box 7 - Single Return

If you are filing as single, check box 7.

Use this filing status if you were single on December 31, 2022. 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, 2022, and you did not remarry in 2022, 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 *Individual Income Tax 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, for help completing your return.*

## Exemptions - Boxes 8, 9, and 11a

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

### Box 8 - Age 65 or Over

**NOTE:** If a taxpayer's 65<sup>th</sup> birthday was January 1, 2023 (born 1/1/1958), that person is considered to be age 65 at the end of 2022 for federal income tax purposes and likewise for Arizona income tax purposes.

- If you are single or filing as head of household, enter "1" in box 8 if you were 65 or older in 2022 and not claimed as a dependent by another taxpayer.
- If you are married filing a joint return, enter "1" in box 8 if you were 65 or older and not claimed as a dependent by another taxpayer or your spouse was 65 or older in 2022 and not claimed as a dependent by another taxpayer.

Enter "2" in box 8 if both you and your spouse were 65 or older in 2022 and neither of you are claimed as a dependent by another taxpayer.

- If you are married and filing a separate return, enter "1" in box 8 if you were 65 or older and not claimed by another taxpayer. You cannot take an exemption for your spouse. Your spouse, if 65 or older and not claimed by another taxpayer, may take this exemption on his/her own separate return.

### Box 9 - Blind

If you or your spouse were partially blind as of December 31, 2022, you must get a statement certified by your eye doctor or registered optometrist that either:

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

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

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

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

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

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

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

### Box 11a - Qualifying Parents and Grandparents

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

You must complete the qualifying parent and grandparent section (lines 11b through 11d) on page 1 (and Part 2 on page 3, if more space is needed) before you can total your exemptions for qualifying parents and grandparents. **Be sure to check the box on page 1 indicating you are completing page 3.**

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

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

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

1. The parent, grandparent, or great-grandparent was 65 years old or older during 2022.
2. The parent, grandparent, or great-grandparent lived in your principal residence for the entire taxable year.

If your parent or grandparent died during the taxable year, this requirement will still be met if he or she lived with you for the entire part of the year in which he or she was alive. Temporary absences by the parent or grandparent for special circumstances, such as a 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 procedure, ITP 14-1, *Procedure for Determining Support for Purposes of the Parents and Grandparents Exemption Allowed under A.R.S. § 43-1023(C)* and complete the worksheet. Keep the worksheet for your records.

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

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

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

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

### Lines 11b through 11d

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

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

- e) check this box if the person is age 65 or over; and  
 f) check this box if the person died in 2022.

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

## Dependents - Boxes 10a and 10b

### Boxes 10a and 10b

Boxes 10a and 10b identify the *number* of your qualifying dependents who are either under the age of 17 (box 10a) or age 17 and over (box 10b). This information is used to compute the allowable Dependent Tax Credit. Include only those dependents in box 10a or 10b that you are using to compute the allowable Dependent Tax credit claimed on line 21.

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

### Lines 10c through 10e

You must complete the dependent information section (lines 10c through 10e) on page 1 (and Part 1 on page 3, if more space is needed) for each person counted in either box 10a or 10b. **Be sure to check the box on page 1 indicating you are completing page 3.**

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

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

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

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

**NOTE:** *If you did not claim a dependent who is a student on your federal return in order to allow the student to claim a federal education credit on the student's federal return, you may still claim the dependent on your Arizona return.*

*For more information, see the department's ruling, ITR 05-2, Will Arizona Allow a Dependent Exemption When a Taxpayer Does Not Claim Federal Exemption in Order to Claim the Education Credit?*

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

## Totaling Your Income

### Line 12 - Federal Adjusted Gross Income

You must complete your federal return before you enter an amount on line 12. You must complete a 2022 federal return to figure your federal adjusted gross income. You must complete a federal return even if you do not have to file 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.*

## Exemptions – Lines 13 through 16

### Line 13 - Age 65 or Over

Multiply the number you entered in box 8 by \$2,100.

### Line 14 - Blind

Multiply the number you entered in box 9 by \$1,500.

### Line 15 - Other Exemptions

**NOTE:** *If you take an Other Exemption for an individual on line 15, you cannot take an exemption for this individual as a qualifying parent/grandparent on line 16 or claim this individual for the dependent tax credit on line 21. In this case, do not include this individual as a dependent in Box 10b.*

You must complete page 3, Part 3, to compute your allowable Other Exemptions on line 15. Be sure to enter the number of individuals listed in Part 3 in the box, 15E, on line 15.

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

- A person who is age 65 or over (related to you or not) that does not qualify as your dependent on your federal return, but one of the following applies:
  - In 2022, 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.
  - In 2022, you paid more than \$800 for either Arizona home health care or other medical costs for the person.

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

**Line 16 - Qualifying Parents and Grandparents**

**NOTE:** *If you take an exemption for an individual as a qualifying parent/grandparent on line 16 you cannot take an Other Exemption for the same individual on line 15 or claim this individual for the dependent tax credit on line 21. In this case, do not include this individual as a dependent in Box 10b.*

Multiply the number you entered in box 11a by \$10,000.

**Line 17 - Arizona Adjusted Gross Income**

Subtract lines 13, 14, 15, and 16 from line 12. If less than zero, enter "0".

**Figuring Your Tax**

**Line 18 - Standard Deduction**

If your filing status is:	Your standard deduction is:
• Single	\$12,950
• Married filing joint	\$25,900
• Married filing separate	\$12,950
• Head of Household	\$19,400

**Line 19 - Arizona Taxable Income**

Subtract line 18 from line 17 and enter the difference. If less than zero, enter "0". Use this amount to find your tax using the Optional Tax Tables.

**STOP!** *You must file a Form 140 if your Arizona taxable income is \$50,000 or more.*

**Line 20 - Tax Amount**

Enter the tax from the Optional Tax Tables.

**Line 21 – Dependent Tax Credit**

**NOTE:** *If you claim an individual for the dependent tax credit on line 21, you cannot take an exemption for the same individual as a qualifying parent/grandparent on line 16 or as an Other Exemption on line 15.*

Taxpayers may claim a nonrefundable Dependent Tax Credit for certain qualifying dependents.

For the purpose of the dependent tax credit, "dependent" means an individual that qualifies as a dependent for federal purposes.

The tax credit is equal to:

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

The allowable credit is reduced for single, head of household, and married taxpayers filing separate returns whose federal adjusted gross income (page 1, line 12) is more than \$200,000; and for married taxpayers filing a joint return whose federal adjusted gross income is more than \$400,000.

**Complete the following tables to compute your allowable Dependent Tax Credit.**

Table I			
(a)	(b)	(c) Credit amount	(d) Multiply column (b) by column (c)
1. Enter number of dependents from page 1, box 10a....		\$ 100	\$ .00
2. Enter number of dependents from page 1, box 10b....		\$ 25	\$ .00
3. Credit amount before adjustment. Add lines 1 and 2. Enter total in column (d).			\$ .00

**All taxpayers go to Table II.**

Table II		
If your filing status is single, married filing separate, or head of household; is your federal adjusted gross income on page 1, line 12 more than \$200,000?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
If your filing status is married filing joint, is your federal adjusted gross income on page 1, line 12 more than \$400,000?	Yes <input type="checkbox"/>	No <input type="checkbox"/>

- If you answered "No", you are not required to reduce the amount of credit computed in Table I. Enter the amount From Table I, line 3 on page 1, line 21.
- If you answered "Yes", you are required to reduce the amount of credit computed in Table I.

**Complete Table III or Table IV.**

Table III (continued on page 9) 2022 Adjusted Dependent Tax Credit For filing status: single, married filing separate, or head of household	
1. Enter your federal adjusted gross income from page 1, line 12.....	\$ .00
2. Federal adjusted gross income limit.....	\$ 200,000.00
3. Subtract line 2 from line 1. Enter the difference..... <i>If the difference is greater than \$19,000, STOP. You cannot claim the dependent tax credit.</i>	\$ .00
4. Enter amount from Table I, line 3, column (d).....	\$ .00
5. Based on the amount on line 3, enter the number from <b>Table V</b> . For example: if line 3 is \$1,500, enter <b>.90</b> .....	
6. Multiply line 4 by line 5. Enter the result. Also, enter the result on page 1, line 21.....	\$ .00

<b>Table IV</b> <b>2022 Adjusted Dependent Tax Credit</b> <b>For filing status: married filing joint</b>	
1. Enter your federal adjusted gross income from page 1, line 12.....	\$ .00
2. Federal adjusted gross income limit.....	\$ 400,000.00
3. Subtract line 2 from line 1. Enter the difference..... <i>If the difference is greater than \$19,000, STOP. You cannot claim the dependent tax credit.</i>	\$ .00
4. Enter amount from Table I, line 3, column (d).....	\$ .00
5. Based on the amount on line 3, enter the number from <b>Table V</b> . For example: if line 3 is \$1,500, enter <b>.90</b> .....	
6. Multiply line 4 by line 5. Enter the result. Also, enter the result on page 1, line 21.....	\$ .00

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

**Line 22 - Family Income Tax Credit**

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

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

You may take this credit if your income does not exceed the maximum income allowed for your filing status. You may qualify for this credit even if your parents can claim you as a dependent on their income tax return.

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

**Step 1**

Enter the amount from Form 140A, page 1, line 12.	\$
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**Step 2**

Look at the following tables. Find your filing status.

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

**Step 3**

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

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

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

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

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

**Step 4**

If you qualify to claim the credit, complete Worksheet II.

<b>Worksheet II</b> <b>You must complete Steps 1 through 3 before you complete this Worksheet.</b>	
1. Enter the number of dependents you entered on Form 140A, page 1, boxes 10a and 10b, and claiming as a qualified parent/grandparent in box 11a, provided that person(s) qualifies as a dependent for federal purposes.	
2. If you checked filing status 4, enter the number 2. If you checked filing status 5, 6, or 7, enter the number 1.	
3. Add lines 1 and 2. Enter the total.	
4. Multiply the number on line 3 by \$40. Enter the result.	\$ .00
5. If you checked filing status 4 or 5, enter \$240 here. If you checked filing status 6 or 7, enter \$120 here.	\$ .00
6. Enter the lesser of line 4 or line 5. Also, enter this amount on Form 140A, page 1, line 22.	\$ .00

**Line 23 - Balance of Tax**

Subtract lines 21 and 22 from line 20. Enter the difference. If less than zero, enter "0".

**Totaling Payments and Credits**

**Line 24 – 2022 Arizona Income Tax Withheld**

Enter the 2022 Arizona income tax withheld as shown on the Form(s) W-2 from your employer. Include the Form(s) W-2 after the last page of your return **only** if the form shows Arizona income tax withholding

**NOTE:** You should receive your Form(s) W-2 no later than January 31. If you did not receive a Form W-2 or you think your Form W-2 is wrong, contact your employer.

**Line 25 - 2022 Arizona Extension Payment (Form 204)**

Use this line to report the payment you sent with your 2022 extension request (Arizona Form 204) or the electronic extension payment you made using [www.AZTaxes.gov](http://www.AZTaxes.gov).

**Line 26 - Increased Excise Tax Credit**

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

- You must have an SSN that is valid for employment.
- You meet the income threshold for your filing status.
- If you are married filing a joint return or a head of household, you may claim this credit if the amount on Form 140A, line 12, is \$25,000 or less.
- If you are single or married filing a separate return, you may claim this credit if the amount on Form 140A, line 12, is \$12,500 or less.
- You are not claimed as a dependent by any other taxpayer.

- You were not sentenced for at least 60 days of 2022 to a county, state, or federal prison.

**NOTE:** If you are filing a joint return with your spouse and your spouse was sentenced for at least 60 days during 2022 to a county, state, or federal prison, you may claim the Excise Tax Credit if you otherwise qualify to claim the credit, but you cannot claim the credit for your spouse. If your spouse has a valid SSN, but you do not, neither you nor your spouse can claim this credit.

For complete information on how incarceration affects this credit, see the department’s publication, Pub. 709, *Excise Tax Credit - How Does Incarceration Affect Eligibility?*

If you are married filing a joint return, you may also claim a credit for your spouse if your spouse has either a valid SSN or an ITIN issued by the IRS.

If you also claim a credit for qualifying children, your qualifying children must have either a valid SSN or an ITIN issued by the IRS. To figure your credit, complete the following worksheet.

**NOTE:** Do not complete the following worksheet if you are claiming the property tax credit on Arizona Form 140PTC. Use Form 140PTC to figure both the credit for increased excise taxes and the property tax credit.

If you are claiming both the credit for increased excise taxes and the property tax credit, enter the increased excise tax credit from Form 140PTC, page 1, line 17, on line 26 and enter the property tax credit from Form 140PTC, page 1, line 15, on line 27.

<b>Credit for Increased Excise Taxes Worksheet</b>		
If you checked filing status 4 or 5, is the amount on Form 140A, line 12 \$25,000 or less?	Check one	
	Yes	No
If you checked filing status 6 or 7, is the amount on Form 140A, line 12 \$12,500 or less?		
If you checked no, <b>STOP</b> . You do not qualify for this credit. If you checked yes, complete the worksheet on page 11.		
1. Enter the number of dependents you entered on Form 140A, boxes 10a and 10b, and claiming as a qualified parent/grandparent in box 11a, provided that person(s) qualifies as a dependent for federal purposes. Exclude any dependent that is not an Arizona resident.		
2. If you checked filing status 4, enter the number 2 here. If you checked filing status 5, 6, or 7, enter the number 1 here.		
3. Add lines 1 and 2. Enter the total.....		
4. Multiply the amount on line 3 by \$25. Enter the result.....	\$	
5. Maximum credit.....	\$ 100	00
6. Enter the smaller of line 4 or line 5 here and also on Form 140A, page 1, line 26...	\$	00



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

### Line 27 - Property Tax Credit

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

1. You were either 65 or older in 2022 or, if under age 65, you were receiving Supplemental Security Income (SSI) Title 16 income from the Social Security Administration.

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

2. You were an Arizona resident for the full year in 2022.
3. You paid property tax on your Arizona home in 2022. You paid rent on taxable property for the entire year or you did a combination of both.
4. 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 Arizona 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 18, 2023. You cannot claim this credit on an amended return if you file the amended return after the due date of your return.*

## Figuring Your Tax Due or Overpayment

### Line 28 - Total Payments and Refundable Credits

Add lines 24 through 27 and enter the total.

### Line 29 - Tax Due

If line 23 is greater than line 28, you have tax due. Subtract line 28 from line 23 and enter the amount of tax due. Skip line 30.

### Line 30 - Overpayment

If line 28 is greater than line 23, subtract line 23 from line 28 and enter the overpayment.

### Line 31 -

Enter the amount of *Tax Due* from page 1, line 29 **or** the amount of *Overpayment* from line 30. The amount entered **cannot** be a negative amount.

## Making Voluntary Gifts

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

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

### Line 32 - Solutions Teams Assigned to Schools Fund

You may give some or all of your refund to the Solutions Teams Assigned to Schools Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 46. Enter the amount you want to donate on line 32.

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

### Line 33 - Arizona Wildlife Fund

You may give some or all of your refund to the Arizona Wildlife Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 46. Enter the amount you want to donate on line 33.

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

### Line 34 - Child Abuse Prevention Fund

You may give some or all of your refund to the Arizona Child Abuse Prevention Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 46. Enter the amount you want to donate on line 34.

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

### Line 35 - Domestic Violence Services Fund

You may give some or all of your refund to the Domestic Violence Services Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 46. Enter the amount you want to donate on line 35.

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

### Line 36 - Political Gift

You may give some or all of your refund to a political party. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 46. Enter the amount you want to donate on line 36.

If you donate to a political party, complete line 43. Gifts go to one of the following political parties:

- Democratic
- Libertarian
- Republican

### Line 37 - Neighbors Helping Neighbors Fund

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

return, include that amount on line 46. Enter the amount you want to donate on line 37.

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

**Line 38 - Special Olympics Fund**

You may give some or all of your refund to the Special Olympics Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 46. Enter the amount you want to donate on line 38.

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

**Line 39 - Veterans' Donations Fund**

You may give some or all of your refund to the Veterans' Donations Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 46. Enter the amount you want to donate on line 39.

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

**Line 40 - I Didn't Pay Enough Fund**

You may give some or all of your refund to the I Didn't Pay Enough Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 46. Enter the amount you want to donate on line 40.

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

**Line 41 - Sustainable State Parks and Roads Fund**

You may give some or all of your refund to the Sustainable State Parks and Roads Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 46. Enter the amount you want to donate on line 41.

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

**Line 42 - Spaying and Neutering of Animals Fund**

You may give some or all of your refund to the Spaying and Neutering of Animals Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 46. Enter the amount you want to donate on line 42.

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

**Line 43 - Political Party**

If line 36 has an amount entered, check the box for the political party to which you wish to give. You may select only one party. If you do not select a political party, the department will return the amount on line 36.

**Line 44 - Total Voluntary Gifts**

Add lines 32 through 42 and enter the total.

**Figuring Your Refund or Amount Owed**

**Line 45 - Refund**

If line 31 is an overpayment, subtract line 44 from line 31. Enter your refund on line 45 and skip line 46.

If less than zero, enter amount owed on line 46.

If you owe money to any Arizona state agency, court, county, incorporated city or town, and certain federal agencies, your refund may go to pay some of the debt. If so, the department will let you know by letter.

**TAX TIP:** *If you change your address before you get your refund, let the department know. Complete Form 822. This form is available at: [azdor.gov/forms/other-forms](http://azdor.gov/forms/other-forms).*

**Direct Deposit of Refund**

Complete the direct deposit line if you want us to directly deposit the amount shown on line 45 into your account at a bank or other financial institution (such as a mutual fund, brokerage firm, or credit union) instead of sending a check.

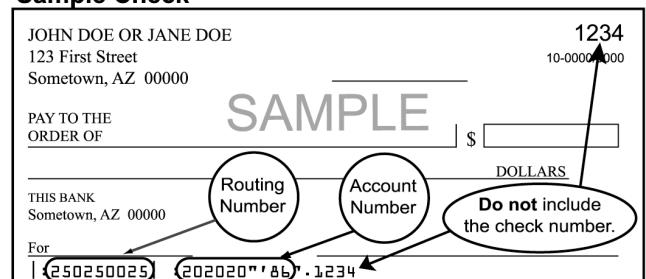
**NOTE:** *Check the box on line 45A if the direct deposit will ultimately be placed in a foreign account. If you check box 45A, do not enter your routing or account numbers. We will not direct deposit your refund. We will send you a check instead.*

**Why Use Direct Deposit?**

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

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

**Sample Check**



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

**Routing Number****MAKE SURE YOU ENTER THE CORRECT ROUTING NUMBER.**

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

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

**Account Number****MAKE SURE YOU ENTER THE CORRECT ACCOUNT NUMBER.**

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

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

**Line 46 - Amount Owed**

If line 31 shows a tax due, add lines 31 and 44. Enter the amount you owe on line 46. If you are making voluntary gifts on lines 32 through 42 in excess of your overpayment, enter the difference on line 46. You may pay only with a check, electronic check, money order, direct debit through your software vendor or credit card.

**Check or money order**

**NOTE:** *Include your check or money order with your return. Please do not send cash.*

Make your check payable to Arizona Department of Revenue. Write your SSN and tax year on the front of your check or money order. The department cannot accept checks or money orders in foreign currency. You must make payment in U.S. dollars. It may take 2-3 weeks for your payment to process.

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

**Electronic payment from your checking or savings account**

You can make an electronic payment from your checking or savings account to pay your balance due for 2022. There is no fee to use this method. To make an electronic payment, go to [www.AZTaxes.gov](http://www.AZTaxes.gov) and click on the "Make a Payment" link.

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

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

account that you specify. If you make an electronic payment from your checking or savings account, you will receive a confirmation number. **Please keep this confirmation number as proof of payment.**

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

**Credit card payment**

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

**Installment Payments**

If you cannot pay the full amount shown on line 46 when you file, you may request to make monthly installment payments. All payment arrangements for individual income tax can be made online at [www.AZTaxes.gov](http://www.AZTaxes.gov). Select the "Request A Payment Plan" option under the Individual Income section. If you cannot pay the full amount shown on line 46, you will be charged interest and may be charged a late payment penalty on the tax not paid by April 18, 2023. To limit the interest and penalty charges pay as much of the tax as possible when you file.

**Sign Your Return**

You must sign your return. If married filing a joint return, both you and your spouse must sign even if only one had income. Form 140A is not considered a valid return unless you sign it. If the return does not have the proper signatures, the department cannot send a refund check.

**Instructions Before Mailing**

- **DO NOT STAPLE YOUR RETURN.**
- **DO NOT STAPLE ANY SCHEDULE, FORM, OR PAYMENT TO YOUR RETURN.**
- Make sure your **NAME** is on the return.
- Make sure your **SSN** is on your return.
- Be sure you enter your daytime telephone number in the space provided on the front of your return.
- Check to make sure that your math is correct. A math error can cause delays in processing your return.
- Check the **boxes** to make sure you filled in all required boxes.
- If you requested a filing extension, make sure that you check box **82F** (above your name) on page 1 of the return.
- Sign your return and have your spouse sign, if filing jointly.

- Write your SSN and tax year on the front of your check. Include your check with your return.
- Do not send correspondence with your return.

## Mailing Your Return

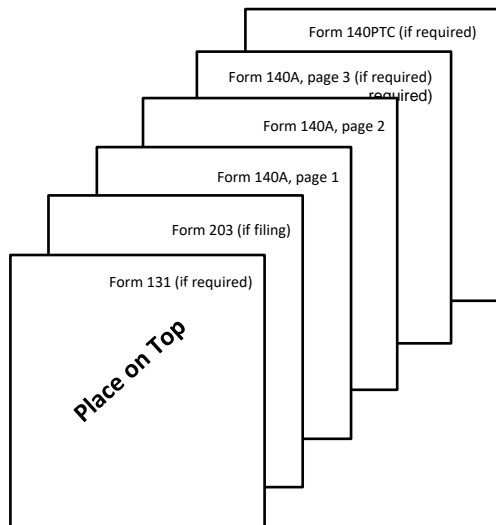
### TO AVOID PROCESSING DELAYS:

- Assemble your tax return in the order shown below.
- If mailing more than one tax return, please use separate envelopes for each return.

If you are mailing your return, be sure to include Form 140A, pages 1 and 2, and all other required forms. Make a copy of your return before mailing. Also make a copy of any forms and schedules that you are including with your return. Keep the copies for your records. Be sure that you mail the original and not a copy

Include Form(s) W-2, W-2G, 1099-B, 1099-DIV, 1099-G, 1099-INT, 1099-NEC, 1099-MISC and 1099-R, after the last page of your return **only** if the form shows Arizona income tax withholding.

If you are mailing your return, place the pages in the following order:



### Where Should I Mail My Return?

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

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

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

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

### Make Sure You put Enough Postage on the Envelope

The U.S. Post Office or United States mail service must postmark your return or extension request by midnight April 18, 2023.

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

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

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

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

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

You may also use certain private delivery services designated by the IRS to meet the "timely mailing as timely filed" rule.

**For more information, see the department's ruling, GTR 16-1, Timely Filing of Income or Withholding Tax Returns Through the United States Mail.**

### How Long to Keep Your Return

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

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

In some cases, the limitation period is longer than four years. The period is six years from when you file a return if you

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underreport the income shown on that return by more than 25% (.25). The department can bring an action at any time if a return is false or fraudulent, or you do not file a return. To find out more about what records you should keep, get federal Publication 552.

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### **Where is My Refund?**

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You can check on your refund by visiting [www.azdor.gov](http://www.azdor.gov) or [www.AZTaxes.gov](http://www.AZTaxes.gov) and clicking on “Where’s my refund?” or you may call one of the numbers listed on page 1 of these instructions. Before you call, be sure to have a copy of your 2022 tax return on hand. You will need to know your SSN, your filing status, and your 5-digit ZIP Code.

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### **Contacting the Department**

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Your tax information on file with the department is confidential. If you want the department to discuss your tax matters with someone other than yourself, you must authorize the department to release confidential information to that person. You may use Arizona Form 285 to authorize the department to release confidential information to your appointee. See Form 285 for details.

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DO NOT STAPLE ANY ITEMS TO THE RETURN.

Arizona Form 140EZ

Resident Personal Income Tax Return (EZ Form)

FOR CALENDAR YEAR 2022

1 Your First Name and Middle Initial Last Name Enter your SSN(s) Your Social Security Number
1 Spouse's First Name and Middle Initial (if box 4 is checked) Last Name Spouse's Social Security No.
2 Current Home Address - number and street, rural route Apt. No. Daytime Phone (with area code)
3 City, Town or Post Office State ZIP Code Last Names Used in Last Four Prior Year(s) (if different)

82F Check box 82F if filing under extension



You must use Arizona Form 140 if:

- Your Arizona taxable income on line 8 is \$50,000 or more.
You are claiming estimated payments.
You are taking a subtraction for:
- active duty military pay
- wages earned on Indian reservation(s)

REVENUE USE ONLY. DO NOT MARK IN THIS AREA.

88

81 PM

80 RCVD

FILING STATUS: Check one box.

- 4 Married filing joint return 4a Injured Spouse Protection of Joint Overpayment
5 Single

Table with 3 columns: Line number, Description, Amount. Lines 6-17 including Federal adjusted gross income, Standard deduction, Arizona taxable income, Balance of tax, Arizona income tax withheld, Total payments/credits, TAX DUE / AMOUNT OWED, OVERPAYMENT / REFUND.

98

- C Checking or
S Savings

ROUTING NUMBER

Routing number input field

ACCOUNT NUMBER

Account number input field

Under penalties of perjury, I declare that I have read this return and any documents with it, and to the best of my knowledge and belief, they are true, correct and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

PLEASE SIGN HERE

YOUR SIGNATURE DATE OCCUPATION

SPOUSE'S SIGNATURE DATE SPOUSE'S OCCUPATION

PAID PREPARER'S SIGNATURE DATE FIRM'S NAME (PREPARER'S IF SELF-EMPLOYED)

PAID PREPARER'S STREET ADDRESS PAID PREPARER'S TIN

PAID PREPARER'S CITY STATE ZIP CODE PAID PREPARER'S PHONE NUMBER

- If you are sending a payment with this return, mail to: Arizona Department of Revenue, PO Box 52016, Phoenix, AZ 85072-2016. Include the payment with Form 140EZ.
If you are expecting a refund or owe no tax, or owe tax but are not sending a payment, mail to: Arizona Department of Revenue, PO Box 52138, Phoenix, AZ 85072-2138.

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## 2022 Resident Personal Income Tax Return (EZ Form)

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

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

**Tax forms, instructions, and other tax information**

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

**Income Tax Procedures and Rulings**

These instructions may refer to the department's income tax procedures or rulings for more information. To view or print these, go to our website select *Report, Statistics and Legal Research* from the main menu then click on *Legal Research* and select a *Document Type* and *Category* from the drop down menus.

**Publications**

To view or print the department's publications, go to our website select *Reports, Statistics and Legal Research* from the main menu and then click on *Publications* in the left-hand side column.

***e-file* Leave the Paper Behind - e-file!**

- Quicker Refunds
- Accurate
- Proof of Acceptance
- Free \*\*

No more paper, math errors, or mailing delays if you *e-file*!

Get your refund quicker with direct deposit option.

*E-file* today, pay by April 18, 2023, to avoid penalties and interest.

*E-file* through an Authorized IRS/DOR *e-file* provider or by using your personal computer and the Internet.

Visit our website at [www.azdor.gov](http://www.azdor.gov) for a listing of approved *e-file* providers and on-line filing sources.

\*\* For free *e-file* requirements, go to our website.

**AVOID PROCESSING DELAYS: Are you mailing your Arizona income tax return? If you are mailing your return to the department, see page 8 for assembly order.**

**Who Can Use Form 140EZ?**

You can use Form 140EZ to file for 2022 if **all** of the following apply to you:

- 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 2022.
- You are not claiming the Dependent Tax Credit.
- You are not taking an exemption for a qualifying parent or grandparent.

- You are not making any adjustments to income.
- You do not itemize deductions.
- You are not increasing your allowable standard deduction for contributions to charitable organizations.
- 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 filing status.
- The **only** tax credits you are claiming are the:
  - Family Income Tax credit, and/or
  - Increased Excise Tax Credit

**If you qualify to claim the Arizona Property Tax Credit (Form 140PTC), you cannot claim this credit on Form 140EZ. If you are filing form 140EZ you cannot complete and mail a separate Form 140PTC to claim the property tax credit. To claim this credit, you must file using either Form 140 or 140A.**

**NOTE:** Do not use Form 140EZ if you are an active duty military member. You may subtract all of your active duty military pay included in your federal adjusted gross income, but you cannot do this on Form 140EZ. To take this subtraction, you must file your 2022 return using Arizona Form 140. For more information, see Form 140 instructions.

**Do You Have to File?**

<b>Arizona Filing Requirements</b>	
<b>These rules apply to all Arizona taxpayers</b>	
<b>You must file if you are:</b>	<b>and your gross income is more than:</b>
• Single	\$12,950
• Married filing joint	\$25,900
• Married filing separate	\$12,950
• Head of Household	\$19,400
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 the following:	
<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, tier 1 or tier 2 railroad retirement benefits, railroad disability benefits reported on federal forms RRB-1099 and RRB-1099-R, railroad unemployment benefits and railroad sickness payments paid by the Railroad Retirement Board;</li> <li>• pay received for service as a member of the Reserves, National Guard or the U.S. Armed Forces; or</li> <li>• benefits, annuities and pensions as retired or retainer pay of the uniformed services of the United States.</li> </ul>	

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

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

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

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

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

Enrolled members of American Indian tribes that must file a return may subtract wages earned while living and working on their tribe's reservation. **If you are eligible to subtract these wages, you must file Arizona Form 140.** In this case, do not file Form 140EZ.

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

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

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

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

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

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

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

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

If you are an Arizona resident and you have to file an Arizona return, you should file using Form 140. If you were an Arizona resident when you entered the service, you remain an Arizona resident, no matter where you are stationed, until you establish a new domicile.

As an Arizona resident, you must report all of your income, no matter where you are stationed. You must include your military pay, but using Form 140, you may subtract all pay

received for active duty military service; to the extent it is included in your federal adjusted gross income.

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

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

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

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## Determining Residency Status

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If you are not sure if you are an Arizona resident for state income tax purposes, we may be able to help. For help on determining residency status, see the department's procedure, ITP 92-1, *Procedure For Determining Residency Status*.

### Residents

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

### Part-Year Residents

If you are a part-year resident, you must file Arizona Form 140PY, *Part-Year Resident Personal Income Tax Return*. You are a part-year resident if you did either of the following during 2022:

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

**NOTE:** *If you are a part-year resident and married filing a joint return with your nonresident spouse, you must file Arizona Form 140NR, Nonresident Personal Income Tax Return.*

### Nonresidents

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

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## What if a Taxpayer Died?

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If a taxpayer died before filing a return for 2022, the taxpayer's spouse or personal representative may have to file and sign a return for that taxpayer. A personal representative can be an executor, administrator, or anyone who is in charge of the deceased taxpayer's property.

If the deceased taxpayer did not have to file a return but had tax withheld, a return must be filed to get a refund.

The person who files the return should use the form the taxpayer would have used. The person who files the return

should print the word "deceased" after the decedent's name in the address section of the form. Also enter the date of death after the decedent's name.

If your spouse died in 2022 and you did not remarry in 2022, or if your spouse died in 2023 before filing a return for 2022 you may file a joint return. If your spouse died in 2022, the joint return should show your spouse's 2022 income before death and your income for all of 2022. If your spouse died in 2023, before filing the 2022 return, the joint return should show all of your income and all of your spouse's income for 2022. Print "Filing as surviving spouse" in the area where you sign the return. If someone else is the personal representative, he or she must also sign the return.

#### Are Any Other Returns Required?

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

#### Claiming a Refund for a Deceased Taxpayer

If you are claiming a refund for a deceased taxpayer, you **must** complete Arizona Form 131, *Claim for Refund on Behalf of Deceased Taxpayer*. Place this form on top of the return.

### What Are the Filing Dates and Penalties?

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

#### When Should You File?

Your 2022 calendar year tax return is due no later than midnight, April 15, 2023. File your return as soon as you can after January 1, 2023, but no later than April 15, 2023. **Because April 15, 2023 falls on a weekend and April 17, 2023 falls on a federal holiday, you have until Tuesday, April 18, 2023 to timely file your 2022 tax return.** File your return as soon as you can after January 1, 2023, but no later than April 18, 2023.

#### What if You Cannot File on Time?

You may request an automatic 6-month extension if you know you will not be able to file on time. If you request an extension to file your 2022 calendar year tax return, your due date is October 15, 2023. **Because October 15, 2023 falls on a weekend, you have until Monday, October 16, 2023 to timely file your 2022 tax return.**

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

#### To get a filing extension, you can either:

1. *Apply for a state extension* (Arizona Form 204). To apply for a state extension, file Arizona Form 204 by April 18, 2023. See Form 204 for details. You do not have to include a copy of the extension with your return

when you file, but make sure that you check box **82F** on page 1 of the return. If you must make a payment, use Form 204, or visit [www.AZTaxes.gov](http://www.AZTaxes.gov) to make an electronic payment; or

2. *Use your federal extension* (federal Form 4868). File your Arizona return by the same due date. You do not have to include a copy of your federal extension with your return, but make sure that you check box **82F** on page 1 of the return.

### When Should You File if You Are a Nonresident Alien?

**If you are a Nonresident Alien, do not file Form 140EZ.**

**As a nonresident, you must use Form 140NR to file your Arizona sourced income. For more information, see Form 140NR and instructions.**

### What if You File or Pay Late?

If you file or pay late, we will charge you interest and penalties on the amount you owe. If the U.S. Post Office postmarks your 2022 calendar year return by April 18, 2023, your return will not be late. You may also use certain private delivery services designated by the IRS to meet the "timely mailing as timely filed" rule. For more information, see "Mailing Your Return" at the end of these instructions.

#### Late Filing Penalty

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

#### Late Payment Penalty

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

#### Extension Underpayment Penalty

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

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

#### Interest

We charge interest on any tax not paid by the due date. We will charge you interest even if you have an extension. If you have an extension, we will charge you interest from the

original due date until the date you pay the tax. The Arizona interest rate is the same as the federal rate.

## When Should You Amend a Return?

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

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

If the IRS makes a change to your federal taxable income for any year, you must report that change to Arizona. You must file Form 140X within 90 days of the final determination of the IRS. You may use one of the following two options to report this change.

### Option 1

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

### Option 2

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

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

If you do not agree with the federal notice, you must also include any documents that show why you do not agree.

If you choose Option 2, mail the federal notice and any other documents to

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

## Line-by-Line Instructions

### Tips for Preparing Your Return

- You must complete your federal return before you can start your Arizona return.
- Complete your return using black ink.
- You **must** round dollar amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar; if less than 50 cents, round down. Do not enter cents.
- Make sure you include your daytime telephone number.
- If you are mailing your return, see page 8 for assembly order.

### Entering Your Name, Address, and SSN

#### Lines 1, 2, and 3

Enter your name, address, and SSN in the space provided. If you are filing a joint return, enter your SSNs in the same order

as your names. *If your name appears first on the return, make sure your SSN is the first number listed.*

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

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

If you are a nonresident of the United States or a resident alien who does not have an SSN, use the individual taxpayer identification number (ITIN) the IRS issued to you.

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

### Foreign Addresses

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

### Last Name(s) Used in Prior Years

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

### Identification Numbers for Paid Preparers

If you pay someone else to prepare your return, that person must also include an identification number where requested.

A paid preparer may use any of the following:

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

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

## Your Filing Status

If you qualify as married for federal purposes, you qualify as married for Arizona purposes and must file using the status of either married filing joint or married filing separate. If you are married and filing a separate return, you cannot use Form 140EZ.

### Box 4 - Married Filing Joint Return

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

You may file a joint return if you were married as of December 31, 2022. It does not matter whether or not you were living with your spouse. You may file a joint return, even if you and your spouse filed separate federal returns. You may file a joint return if your spouse died during 2022 and you did not remarry in 2022. See page 2 of these instructions.

### Box 4a - Injured Spouse Protection of Joint Overpayment

Check box 4a *only* if you and your spouse are filing a joint return and you or your spouse qualify as an injured spouse and are requesting protection from application of any joint

overpayment against the other spouse’s delinquencies or debts for back child support, court fees, and fees to counties, cities or educational institutions. **The taxpayer (spouse) requesting injured spouse protection must have Arizona income with taxes withheld and reported on their own Form W-2 or Form 1099.**

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

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

**Box 5 - Single Return**

If you are filing as single, check box 5.

Use this filing status if you were single on December 31, 2022. 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, 2022, and you did not remarry in 2022, 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 and need help completing your return, 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.*

**Income**

**Line 6 - Federal Adjusted Gross Income**

You must complete your federal return before you enter an amount on line 6. You must complete a 2022 federal return to figure your federal adjusted gross income. You must complete a federal return even if you do not have to file 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.*

**Figuring Your Tax**

**Line 7 - Standard Deduction**

If your filing status is:	Your Standard deduction amount is:
Single	\$12,950
Married filing jointly	\$ 25,900


**Line 8 - Arizona Taxable Income**

Subtract line 7 from line 6 and enter the difference. If less than zero, enter “0”. Use this amount to find your tax using the *Optional Tax Tables*.

**Line 9 - Tax Amount**

Enter the tax from the *Optional Tax Tables*.

**Line 10 - Family Income Tax Credit**

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

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

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

If you are married filing a joint return with no dependents, you may take this credit if the amount on Form 140EZ, line 6, is \$20,000 or less.

If you are single with no dependents, you may take this credit if the amount on Form 140EZ, line 6 is \$10,000 or less. You may qualify for this credit even if your parents can claim you as a dependent on their income tax return. To figure your credit, complete the following worksheet.

Family Income Tax Credit Worksheet		
	Check one	
	Yes	No
If you checked filing status 4, is the amount on Form 140EZ, page 1, line 6 \$20,000 or less?		
If you checked filing status 5, is the amount on Form 140EZ, page 1, line 6, \$10,000 or less?		
<b>If you checked no, STOP.</b> You do not qualify for this credit.		
If you checked yes, complete the rest of this worksheet.		
If you checked filing status 4 (married filing jointly), enter \$80 here.	\$	
If you checked filing status 5 (single), enter \$40 here.		
Also, enter this amount on Form 140EZ, page 1, line 10.		

**Line 11 - Balance of Tax**

Subtract line 10 from line 9. If line 10 is more than line 9, enter zero, "0".

**Payments**

**Line 12 - 2022 Arizona Income Tax Withheld**

Enter the 2022 Arizona income tax withheld shown on the Form(s) W-2 from your employer. Include the Form(s) W-2 after the last page of your return.

**NOTE:** *You should receive your Form(s) W-2 no later than January 31. If you did not receive a Form W-2 or you think your Form W-2 is wrong, contact your employer.*

**Line 13 - 2022 Arizona Extension Payment (Form 204)**

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

**Line 14 - Increased Excise Tax Credit**

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

- You have a SSN that is valid for employment.
- You meet the income threshold for your filing status.
  - If you are married filing a joint return, you may take this credit if the amount on Form 140EZ, page 1, line 6 is \$25,000 or less.
  - If you are single, you may take this credit if the amount on Form 140EZ, page 1, line 6 is \$12,500 or less.
- You are not claimed as a dependent by any other taxpayer.
- You were not sentenced for at least 60 days of 2022 to a county, state, or federal prison.

**NOTE:** *If you are filing a joint return with your spouse, and your spouse was sentenced for at least 60 days during 2022 to a county, state or federal prison, you may claim the Excise Tax Credit if you otherwise qualify to claim the credit, but you cannot claim the credit for your spouse. If your spouse has a valid SSN, but you do not, neither you nor your spouse can claim this credit.*

For more information about how incarceration affects this credit, see the department's publication, Pub. 709, *Excise Tax Credit – How Does Incarceration Affect Eligibility*.

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

If you also claim a credit for qualifying children, you qualifying children must have either a valid SSN or an ITIN. To figure your credit, complete the following worksheet.

Credit for Increased Excise Taxes Worksheet		
	Check one	
	Yes	No
If you checked filing status 4, is the amount on Form 140EZ, page 1, line 6 \$25,000 or less?		
If you checked filing status 5, is the amount on Form 140EZ, page 1, line 6 \$12,500 or less?		
If you checked no, <b>STOP</b> . You do not qualify for this credit.		
If you checked yes, complete the rest of this worksheet.		
If you checked filing status 4 (married filing jointly), enter \$50 here. If you checked filing status 5 (single), enter \$25 here. Also enter this amount on Form 140EZ, page 1, line 14.		\$

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

**Line 15 – Total Payments/Credits**

Add lines 12 through 14. Enter the total.

**Tax Due or Overpayment**

**Line 16 - Tax Due/Amount Owed**

If line 11 is more than line 15, subtract line 15 from line 11 and enter the amount of tax due/amount owed. Skip line 17.

You may pay only with a check, electronic check, money order, direct debit through your software vendor or credit card.

**Check or money order**

**NOTE:** *Include your check or money order with your return. Do not send cash.*

Make your check payable to Arizona Department of Revenue. Write your SSN and tax year on the front of your check or money order. The department cannot accept checks or money orders in foreign currency. You must make payment in U.S. dollars.

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

**Electronic payment from your checking or savings account**

You can make an electronic payment from your checking or savings account to pay your balance due for 2022. There is no fee to use this method. To make an electronic payment, go to [www.AZTaxes.gov](http://www.AZTaxes.gov) and click on the "Make a Payment" link.

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

The “E-Check” option in the “Payment Method” drop-down box will debit the amount from the checking or savings account that you specify. If you make an electronic payment from your checking or savings account, you will receive a confirmation number. **Please keep this confirmation number as proof of payment.**

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

**Credit card payment**

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

**Installment Payments**

If you cannot pay the full amount shown on line 16 when you file, you may request to make monthly installment payments. All payment arrangements for Individual Income tax can be made online at [www.AZTaxes.gov](http://www.AZTaxes.gov). Select the “Request A Payment Plan” option under the Individual Income section.

If you cannot pay the full amount shown on line 16, you will be charged interest and may be charged a late payment penalty on the tax not paid by April 18, 2023. To limit the interest and penalty charges, pay as much of the tax as possible when you file.

**Line 17 –Overpayment/Refund**

If line 15 is more than line 11, subtract line 11 from line 15. If you owe money to any Arizona state agency, court, county, incorporated city or town, and certain federal agencies, your refund may go to pay some of the debt. If so, the department will let you know by letter.

**TAX TIP:** If you change your address before you get your refund, let the department know. Complete Form 822, available at: [azdor.gov/forms/other-forms](http://azdor.gov/forms/other-forms).

**Direct Deposit of Refund**

Complete the direct deposit line if you want us to directly deposit the amount shown on line 17 into your account at a bank or other financial institution (such as a mutual fund, brokerage firm or credit union) instead of sending you a check. Be sure to check the box if the direct deposit will ultimately be placed in a foreign account.

**NOTE:** Check the box on line 17A if the direct deposit will ultimately be placed in a foreign account. If you check box 17A, do not enter your routing or account numbers. If this box is checked, we will not direct deposit your refund. We will send you a check instead.

**Why Use Direct Deposit?**

<u>DIRECT DEPOSIT</u>	<u>DIRECT PAYMENT</u>
<b>FAST</b> -- e-file Refunds are fast*	<b>FAST</b> -- e-file and e-pay in a single step
<b>CONVENIENT</b> -- No extra trips to the bank	<b>CONVENIENT</b> -- You choose the payment date*
<b>SECURE</b> -- No lost or forged checks	<b>SECURE</b> -- Payment data is safeguarded along with other tax information
	*PAYMENT DATE CANNOT BE LATER THAN THE APRIL DEADLINE.

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

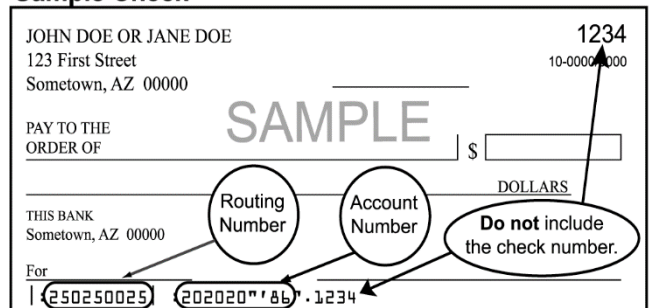
**NOTE:** We are not responsible for a lost refund if you enter the wrong account information. Check with your financial institution to get the correct routing and account numbers and to make sure your direct deposit will be accepted.

**Routing Number**

**MAKE SURE YOU ENTER THE CORRECT ROUTING NUMBER.**

The routing number must be nine digits. The first 2 digits must be 01 through 12 or 21 through 32. Otherwise, the direct deposit will be rejected and a check sent instead. On the following sample check, the routing number is 250250025.

**Sample Check**



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

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

**Account Number**

**MAKE SURE YOU ENTER THE CORRECT ACCOUNT NUMBER.**

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

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

**Sign Your Return**

You must sign your return. If married filing a joint return, both you and your spouse must sign, even if only one had income. Form 140EZ is not considered a valid return unless you sign it.

The department cannot send a refund check if you, and your spouse if married filing jointly, fail to sign the return.

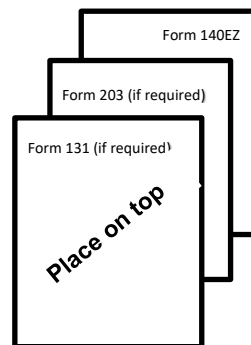
**Instructions Before Mailing**

- **DO NOT STAPLE YOUR RETURN OR ANY SCHEDULE, FORM OR PAYMENT TO YOUR RETURN.**
- Make sure your **NAME** and SSN is on the return.
- Be sure you enter your daytime telephone number in the space provided on the front of your return.
- Check to make sure that your math is correct. A math error can cause delays in processing your return.
- If you completed Form 203, be sure to check box 4a on page 1 of your return.
- Check the boxes to make sure you filled in all required boxes.
- If you requested a filing extension, make sure that you check box 82F on page 1 of the return.
- Sign your return and have your spouse sign, if filing jointly.
- Write your SSN and tax year on the front of your check.
- Do not send correspondence with your return.

**Mailing Your Return**

**TO AVOID PROCESSING DELAYS:**

- Assemble your tax return in the order shown on the next column.
- If mailing more than one return, please use a separate envelope for each return.
- If you are mailing your return, make a copy of your return before mailing. Also, make a copy of any forms you are including with your return. Keep the copies for your records. Be sure that you mail the original and not a copy.
- Include Form(s) W-2, W-2G, 1099-B, 1099-DIV, 1099-G, 1099-INT, 1099-NEC, 1099-MISC and 1099-R, after the last page of your return **only** if the form shows Arizona income tax withholding.



**Where Should I Mail My Return?**

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

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

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

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

**Make Sure You Put Enough Postage on the Envelope.**

The U.S. Post Office or United States mail service must postmark your return or extension request by midnight April 18, 2023.

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

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

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

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

1. The private meter postmark bears a date on or before the due date for filing; and
2. The return is received no later than the time it would ordinarily have been received from the same point of



origin by the same class of U.S. postage. If the return is received by the department within five business days of the private meter postmark date the department will consider this requirement satisfied.

You may also use certain private delivery services designated by the IRS to meet the “timely mailing as timely filed” rule.

For more information, see the department’s ruling, GTR 16-1, *Timely Filing of Income or Withholding Tax Returns Through the United States Mail*.

### **How Long to Keep Your Return**

You must keep your records as long as they may be needed for the administration of any provision of Arizona tax law. Generally, this means you must keep records that support items shown on your return until the period of limitations for that return runs out. The period of limitations is the period of time in which you can amend your return to claim a credit or refund or the department can assess additional tax. A period of limitations is the limited time after which no legal action can be brought. Usually, this is four years from the date the return was due or filed.

In some cases, the limitation period is longer than four years. The period is six years from when you file a return if you underreport the income shown on that return by more than 25% (.25). The department can bring an action at any time if a return is false or fraudulent, or you do not file a return. To find out more about what records you should keep, get federal Publication 552.

### **Where’s My Refund?**

You can check on your refund by visiting [www.azdor.gov](http://www.azdor.gov) or [AZTaxes.gov](http://AZTaxes.gov) and clicking on “Where’s my refund?” or you may call one of the numbers listed on page 1 of these instructions. Before you call, be sure to have a copy of your 2022 tax return on hand. You will need to know your SSN, your filing status, and your 5-digit ZIP Code.

### **Contacting the Department**

Your tax information on file with the department is confidential. If you want the department to discuss your tax matters with someone other than yourself, you must authorize the department to release confidential information to that person. You may use Arizona Form 285 to authorize the department to release confidential information to your appointee. See Form 285 for details.

**THIS PAGE INTENTIONALLY LEFT BLANK**

DO NOT STAPLE ANY ITEMS TO THE RETURN.

Arizona Form 140PY

Part-Year Resident Personal Income Tax Return

FOR CALENDAR YEAR 2022

82F Check box 82F if filing under extension OR FISCAL YEAR BEGINNING MM, DD, 20, 22 AND ENDING MM, DD, 20, YY. 66F

1 Your First Name and Middle Initial Last Name Enter your SSN(s) Your Social Security Number

1 Spouse's First Name and Middle Initial (if box 4 or 6 checked) Last Name Spouse's Social Security No.

2 Current Home Address - number and street, rural route Apt. No. Daytime Phone (with area code) 94

3 City, Town or Post Office State ZIP Code Last Names Used in Last Four Prior Year(s) (if different) 97

4 Married filing joint return 4a Injured Spouse Protection of Joint Overpayment REVENUE USE ONLY. DO NOT MARK IN THIS AREA. 88R
5 Head of household: Enter name of qualifying child or dependent on next line:
6 Married filing separate return: Enter spouse's name and Social Security Number above.
7 Single

EXEMPTIONS FILING STATUS
8 Age 65 or over (you and/or spouse) If completing lines 8, 9, and 11a, also complete lines 46, 47, and 49. For lines 10a and 10b, also complete line 59. 81P PM 80R RCVD
9 Blind (you and/or spouse)
10a Dependents: Under age of 17. 10b Dependents: Age 17 and over.
11a Qualifying parents and grandparents

12-13 Residency Status (check one): 12 Part-Year Resident Other than Active Military 13 Part-Year Resident Active Military

Table with 6 columns: (a) FIRST AND LAST NAME, (b) SOCIAL SECURITY NUMBER, (c) RELATIONSHIP, (d) NO. OF MONTHS LIVED IN YOUR HOME IN 2022, (e) Dependent Age included in: (Box 10a), (Box 10b), (f) if you did not claim this person on your federal return due to educational credits. Rows 10c, 10d.

Table with 6 columns: (a) FIRST AND LAST NAME, (b) SOCIAL SECURITY NO., (c) RELATIONSHIP, (d) NO. OF MONTHS LIVED IN YOUR HOME IN 2022, (e) IF AGE 65 OR OVER, (f) IF DIED IN 2022. Rows 11b, 11c.

14 Dates of Arizona residency: From MM, DD, YY, YY to MM, DD, YY, YY. List other state(s) of residency: 2022 FEDERAL Amount from Federal Return 2022 ARIZONA Amount Only

Table with 4 columns: Line number, Description, 2022 FEDERAL Amount from Federal Return, 2022 ARIZONA Amount Only. Rows 15-25.

Table with 4 columns: Line number, Description, 2022 FEDERAL Amount from Federal Return, 2022 ARIZONA Amount Only. Rows 26-32.

Table with 4 columns: Line number, Description, 2022 FEDERAL Amount from Federal Return, 2022 ARIZONA Amount Only. Rows 33-39.

Place any required federal and AZ schedules or other documents after Form 140PY.

Dependents

Arizona Income

Additions

Subtractions cont. on page 2

Your Name (as shown on page 1) \_\_\_\_\_ Your Social Security Number \_\_\_\_\_

Subtractions cont. from page 1	40	Recalculated Arizona depreciation.....	40		00				
	41	Contributions to: 41a 529 College Savings Plans <input type="text" value="00"/> 41b 529A (ABLE accounts) <input type="text" value="00"/> add 41a and 41b.....	41c		00				
	42	Interest on U.S. obligations such as U.S. savings bonds and treasury bills.....	42		00				
	43	U.S. Social Security or Railroad Retirement Act benefits included in your Arizona income .....	43		00				
	44	Other Subtractions from Income. Complete <i>Other Subtractions from Arizona Gross Income</i> schedule on page 6.....	44		00				
Exemptions	45	Subtract lines 40 through 44 from line 39. Enter the difference .....	45		00				
	46	Age 65 or over: Multiply the number in box 8 by \$2,100.....	46	<input type="text" value="00"/>	00				
	47	Blind: Multiply the number in box 9 by \$1,500 .....	47	<input type="text" value="00"/>	00				
	48	Other Exemptions. See instructions.....48E <input type="text"/> Multiply the number in box 48E by \$2,300.....	48	<input type="text" value="00"/>	00				
	49	Qualifying parents and grandparents: Multiply the number in box 11a by \$10,000.....	49	<input type="text" value="00"/>	00				
	50	Add lines 46 through 49. Enter the total.....	50	<input type="text" value="00"/>	00				
Balance of Tax	51	Multiply line 50 by the Arizona income ratio on line 27.....	51		00				
	52	<b>Arizona adjusted gross income:</b> Subtract line 51 from line 45. If less than zero, enter "0" .....	52		00				
	53	<b>Deductions: Check box and enter amount.</b> See instructions.....53I <input type="checkbox"/> <b>ITEMIZED</b> 53S <input type="checkbox"/> <b>STANDARD</b>	53		00				
	54	If you checked box 53S and claim charitable contributions check 54C <input type="checkbox"/> <b>Complete page 3.</b> See instructions.....	54		00				
	55	Arizona taxable income: Subtract lines 53 and 54 from line 52. If less than zero, enter "0".....	55		00				
	56	Compute the tax using amount from line 55 and Tax Tables X and Y.....	56		00				
	57	Tax from recapture of credits from Arizona Form 301, Part 2, line 32 .....	57		00				
	58	Subtotal of tax: Add lines 56 and 57. Enter the total .....	58		00				
	59	Dependent Tax Credit. See instructions.....	59		00				
	60	Family income tax credit (from the worksheet - see instructions) .....	60		00				
Total Payments and Refundable Credits	61	Nonrefundable credits from Arizona Form 301, Part 2, line 64.....	61		00				
	62	<b>Balance of tax:</b> Subtract lines 59, 60 and 61 from line 58. If the sum of lines 59, 60 and 61 is more than line 58, enter "0" .....	62		00				
	63	2022 AZ income tax withheld.....	63		00				
	64	2022 AZ estimated tax payments..64a <input type="text" value="00"/> Claim of Right 64b <input type="text" value="00"/> Add 64a and 64b..	64c		00				
	65	2022 AZ extension payment (Form 204) .....	65		00				
	66	Increased Excise Tax Credit (from the worksheet - see instructions) .....	66		00				
	67	Other refundable credits: Check the box(es) and enter the total amount.....671 <input type="checkbox"/> 308-I 672 <input type="checkbox"/> 349	67		00				
	68	<b>Total payments and refundable credits:</b> Add lines 63 through 67. Enter the total .....	68		00				
	69	<b>TAX DUE:</b> If line 62 is larger than line 68, subtract line 68 from line 62. Enter amount of tax due. Skip lines 70, 71 and 72.....	69		00				
	70	<b>OVERPAYMENT:</b> If line 68 is larger than line 62, subtract line 62 from line 68. Enter amount of overpayment.....	70		00				
Tax Due or Overpayment	71	Amount of line 70 to be applied to 2023 estimated tax.....	71		00				
	72	Balance of overpayment: Subtract line 71 from line 70. Enter the difference.....	72		00				
Voluntary Gifts	<b>73 - 83 Voluntary Gifts to:</b>								
		Solutions Teams Assigned to Schools.....	73	<input type="text" value="00"/>	Arizona Wildlife.....	74	<input type="text" value="00"/>		
	Child Abuse Prevention.....	75	<input type="text" value="00"/>	Domestic Violence Services.....	76	<input type="text" value="00"/>	Political Gift.....	77	<input type="text" value="00"/>
	Neighbors Helping Neighbors..	78	<input type="text" value="00"/>	Special Olympics.....	79	<input type="text" value="00"/>	Veterans' Donations Fund.....	80	<input type="text" value="00"/>
	I Didn't Pay Enough Fund.....	81	<input type="text" value="00"/>	Sustainable State Parks and Road Fund.....	82	<input type="text" value="00"/>	Spay/Neuter of Animals..	83	<input type="text" value="00"/>
	84	Political Party (if amount is entered on line 77- check only one): 841 <input type="checkbox"/> Democratic 842 <input type="checkbox"/> Libertarian 843 <input type="checkbox"/> Republican							
	85	Estimated payment penalty .....	85			00			
	86	861 <input type="checkbox"/> Annualized/Other 862 <input type="checkbox"/> Farmer or Fisherman 863 <input type="checkbox"/> Form 221 included							
Penalty	87	Add lines 73 through 83 and 85; enter the total.....	87		00				
	88	<b>REFUND:</b> Subtract line 87 from line 72. If less than zero, enter amount owed on line 89.....	88		00				
Refund or Amount Owed	<b>Direct Deposit of Refund: Check box 88A</b> if your deposit will be ultimately placed in a <b>foreign account</b> ; see instructions. 88A <input type="checkbox"/>								
	<input checked="" type="checkbox"/> C <input type="checkbox"/> Checking or <input type="checkbox"/> S <input type="checkbox"/> Savings	ROUTING NUMBER <input type="text"/>	ACCOUNT NUMBER <input type="text"/>						
	89	<b>AMOUNT OWED:</b> Add lines 69 and 87. Make check payable to Arizona Department of Revenue; write your SSN on payment.	89		00				

**PLEASE SIGN HERE**

Under penalties of perjury, I declare that I have read this return and any documents with it, and to the best of my knowledge and belief, they are true, correct and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

YOUR SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_ OCCUPATION \_\_\_\_\_

SPOUSE'S SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_ SPOUSE'S OCCUPATION \_\_\_\_\_

PAID PREPARER'S SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_ FIRM'S NAME (PREPARER'S IF SELF-EMPLOYED) \_\_\_\_\_

PAID PREPARER'S STREET ADDRESS \_\_\_\_\_ PAID PREPARER'S TIN \_\_\_\_\_

PAID PREPARER'S CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP CODE \_\_\_\_\_ ( ) \_\_\_\_\_ PAID PREPARER'S PHONE NUMBER \_\_\_\_\_

If you are sending a payment with this return, mail to Arizona Department of Revenue, PO Box 52016, Phoenix, AZ 85072-2016. Include your payment with return.  
 If you are expecting a refund or owe no tax, or owe tax but are not sending a payment, mail to Arizona Department of Revenue, PO Box 52138, Phoenix, AZ 85072-2138.

## 2022 Form 140PY - Standard Deduction Increase for Charitable Contributions

**You must complete this worksheet if you are taking an increased standard deduction for charitable contributions. Include the completed worksheet with your tax return, when filed. If you do not include the completed worksheet, your standard deduction will not be increased.**

Taxpayers electing to take the Standard Deduction may *increase* the standard deduction amount by 27% (.27) of the total amount of the taxpayer's charitable deductions that would have been allowed if the taxpayer elected to claim itemized deductions on the Arizona tax return.

Charitable contributions (lines 1C, 2C, and 3C) are those gifts allowed on federal Form 1040 Schedule A (Gifts to Charity) that you would have claimed had you elected to take itemized deductions on your federal return.

**NOTE 1:** As a part-year resident filing Arizona Form 140PY, you may only include those charitable contributions that are incurred and paid while an Arizona resident plus the amount of such gifts from Arizona sources incurred and paid during the part of the year while an Arizona nonresident.

**NOTE 2:** You must reduce your contribution amount by the total charitable contributions you made during January 1, 2022 through December 31, 2022 for which you are claiming an Arizona tax credit under Arizona law for the current tax year return or claimed on the prior tax year return. Enter this amount on line 5C.

**NOTE 3:** If you itemized deductions on your federal return (1040 Schedule A) and were required to adjust the amount of your allowable contributions on your federal 1040 Schedule A for the amount claimed as a tax credit on your Arizona income tax return, include the amount of the federal contribution adjustment to line 1C and enter the amount of the Arizona tax credit on line 5C.

Complete the worksheet to determine your allowable increased standard deduction for charitable contributions.

<b>1C</b>	2022 Gifts by cash or check.....	<b>1C</b>		00
<b>2C</b>	2022 Other than by cash or check.....	<b>2C</b>		00
<b>3C</b>	Carryover from prior year.....	<b>3C</b>		00
<b>4C</b>	Add lines 1C through 3C and enter the total.....	<b>4C</b>		00
<b>5C</b>	Total charitable contributions made in 2022 for which you are claiming a credit under Arizona law for the current (2022) or prior (2021) tax year.....	<b>5C</b>		00
<b>6C</b>	Subtract line 5C from line 4C and enter the difference. If less than zero, enter "0".....	<b>6C</b>		00
<b>7C</b>	Multiply line 6C by 27% (.27) and enter the result.....	<b>7C</b>		00

- Enter the amount shown on line 7C on page 2, line 54.
- Be sure to check box **53S** for Standard Deduction on line 53.
- Check box **54C** for charitable contributions on line 54. If you do not check this box, you may be denied the increased standard deduction.

## 2022 Form 140PY Dependent and Other Exemption Information

**Include page 4 with your return if:**

- You are listing additional dependents (for box 10a and 10b) from page 1.
- You are listing additional qualifying parents and grandparents (for box 11a) from page 1.
  - You are claiming *Other Exemptions* on page 2, line 48.

**Part 1: Dependents (Box 10a and 10b) continued from page 1**

Information used to compute your allowable **Dependent Tax Credit** on page 2, line 59.

**NOTE:** If you have more than three qualifying dependents, you **must** complete Part 1 and the worksheet in the instructions to compute your Dependent Tax Credit on line 59.

	(a) FIRST AND LAST NAME (Do not list yourself or spouse.)	(b) SOCIAL SECURITY NUMBER	(c) RELATIONSHIP	(d) NO. OF MONTHS LIVED IN YOUR HOME IN 2022	(e) ✓ Dependent Age included in:		(f) ✓ IF YOU DID NOT CLAIM THIS PERSON ON YOUR FEDERAL RETURN DUE TO EDUCATIONAL CREDITS
					1 (Box 10a)	2 (Box 10b)	
10e					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10f					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10g					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10h					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10i					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10j					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10k					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10l					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10m					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10n					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10o					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Part 2: Qualifying parents and grandparents (Box 11a) continued from page 1**

Additional qualifying parents and grandparents information used to compute your allowable exemption on page 2, line 49.

	(a) FIRST AND LAST NAME (Do not list yourself or spouse.)	(b) SOCIAL SECURITY NUMBER	(c) RELATIONSHIP	(d) NO. OF MONTHS LIVED IN YOUR HOME IN 2022	(e) ✓ IF AGE 65 OR OVER	(f) ✓ IF DIED IN 2022
11d					<input type="checkbox"/>	<input type="checkbox"/>
11e					<input type="checkbox"/>	<input type="checkbox"/>
11f					<input type="checkbox"/>	<input type="checkbox"/>
11g					<input type="checkbox"/>	<input type="checkbox"/>
11h					<input type="checkbox"/>	<input type="checkbox"/>
11i					<input type="checkbox"/>	<input type="checkbox"/>

**Part 3: Other Exemptions**

Information used to compute your allowable **Other Exemptions** on page 2, line 48.

	(a) FIRST AND LAST NAME (Do not list yourself or spouse.)	(b) SOCIAL SECURITY NUMBER	(c) ✓ AGE 65 OR OVER (see instructions)		(d) ✓ STILLBORN CHILD IN 2022
			C1	C2	
1			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Enter the total number of individuals listed in Part 3 in box 48E on page 2, line 48.**

## 2022 Form 140PY - Other Additions to Arizona Gross Income

Complete and include this schedule with your tax return **only** if you are making any adjustments **increasing** your Arizona Gross Income.

**Note:** If you are making any adjustments **reducing** your Arizona Gross Income complete page 6.

### **Other Additions to Arizona Gross Income - Line 31** (see instructions for more information)

<b>A</b>	Non-Arizona Municipal Interest.....	<b>A</b>		00
<b>B</b>	Ordinary Income Portion of Lump-Sum Distributions Excluded on Your Federal Return.....	<b>B</b>		00
<b>C</b>	Fiduciary Adjustment from Arizona Form 141AZ Schedule K-1 and/or Schedule K-1(NR).....	<b>C</b>		00
<b>D</b>	Partnership Income Adjustment.....	<b>D</b>		00
<b>E</b>	Items Previously Deducted for Arizona Purposes.....	<b>E</b>		00
<b>F</b>	Claim of Right Adjustment for Amounts Repaid in 2022.....	<b>F</b>		00
<b>G</b>	Claim of Right Adjustment for Amounts Repaid in Prior Years.....	<b>G</b>		00
<b>H(a)</b>	Addition for Expenses Due to Claiming Credit 312. See instructions.....	<b>H(a)</b>		00
<b>H(b)</b>	Addition to S Corporation Income for Expenses Due to Claiming Pass-Through Credit on Form 312. See instructions.....	<b>H(b)</b>		00
<b>I(a)</b>	Adjusted Basis in Property for Which You Have Claimed a Credit for Investment in Qualified Small Businesses (Form 338) that was sold or otherwise disposed of during the tax year. See instructions.....	<b>I(a)</b>		00
<b>I(b)</b>	Adjusted Basis in Property for Which You Have Claimed a Credit for Agricultural Pollution Control Equipment (Form 325) that was sold or otherwise disposed of during the tax year. See instructions.....	<b>I(b)</b>		00
<b>I(c)</b>	Adjusted Basis in Property for Which you Claimed a credit for Pollution Control Equipment (Form 315) Before Taxable Year 2022 that was sold or otherwise disposed of during the tax year. See instructions...	<b>I(c)</b>		00
<b>J</b>	Nonqualified Withdrawals from 529 College Savings Plans.....	<b>J</b>		00
<b>K</b>	Sole Proprietorship Loss of an <b>Arizona Nonprofit Medical Marijuana Dispensary</b> Included in Federal Adjusted Gross Income. Sole Proprietorship loss of an Arizona dual licensee that has <b>not elected</b> to operate on a for-profit basis must also add back the portion of their loss that is from the medical marijuana portion of the business that is included in their federal adjusted gross income.....	<b>K</b>		00
<b>L</b>	Americans with Disabilities Act - Access Expenditures.....	<b>L</b>		00
<b>M</b>	Amortization or Depreciation for Child Care Facility Before 1990.....	<b>M</b>		00
<b>N</b>	Net capital loss derived from exchange of legal tender. See instructions.....	<b>N</b>		00
<b>O</b>	Entity-Level Income Tax Payment. See instructions.....	<b>O</b>		00
<b>P</b>	Other Adjustments Related to Tax Credits. See instructions.....	<b>P</b>		00
<b>Q</b>	Other Adjustments. See instructions.....	<b>Q</b>		00
<b>R</b>	<b>Total Other Additions:</b> Add all amounts and enter the total here and on line 31.....	<b>R</b>		00

## 2022 Form 140PY - Other Subtractions from Arizona Gross Income

Complete and include this schedule with your tax return **only** if you are making any adjustments **decreasing** your Arizona Gross Income.

**Note: If you are making any adjustments increasing your Arizona Gross Income complete page 5.**

### Other Subtractions from Arizona Gross Income - Line 44 (see instructions for more information)

<b>A</b>	Exclusion for U.S. Government, Arizona State, or Local Government Pensions (up to \$2,500 per taxpayer).....	<b>A</b>	00
<b>B</b>	Exclusion for Benefits, Annuities, and Pensions Received as Retired or Retainer Pay of the Uniformed Service of the United States. You may subtract 100% of the amount received.....	<b>B</b>	00
<b>C</b>	Agricultural Crops Given to Arizona Charitable Organizations.....	<b>C</b>	00
<b>D</b>	Certain Wages of American Indians.....	<b>D</b>	00
<b>E</b>	Pay Received for Active Service as a Member of the Reserves, National Guard, or the U.S. Armed Forces...	<b>E</b>	00
<b>F</b>	Federally Taxable Arizona Municipal Interest as Evidenced by Bonds.....	<b>F</b>	00
<b>G</b>	Adoption Expense.....	<b>G</b>	00
<b>H</b>	Qualified Wood Stove, Wood Fireplace, or Gas Fired Fireplace.....	<b>H</b>	00
<b>I</b>	Claim of Right Adjustment for Amounts Repaid in Prior Tax Years.....	<b>I</b>	00
<b>J</b>	Certain Expenses Not Allowed for Federal Purposes.....	<b>J</b>	00
<b>K</b>	Qualified State Tuition Program Distributions.....	<b>K</b>	00
<b>L</b>	Installment Sale Income From Another State Taxed by the Other State in a Prior Taxable Year.....	<b>L</b>	00
<b>M</b>	Basis Adjustment for Property Sold or Otherwise Disposed of During the Taxable Year.....	<b>M</b>	00
<b>N</b>	Fiduciary Adjustment from Arizona Form 141AZ Schedule K-1 and/or Schedule K-1(NR).....	<b>N</b>	00
<b>O</b>	Partnership Income Adjustment.....	<b>O</b>	00
<b>P</b>	Net Operating Loss Adjustment.....	<b>P</b>	00
<b>Q</b>	Sole Proprietorship Income of an <b>Arizona Nonprofit Medical Marijuana Dispensary</b> Included in Federal Adjusted Gross Income. In addition, Sole Proprietorship income of an Arizona dual licensee that has <b>not elected</b> to operate on a for-profit basis may subtract the portion of their federal taxable income that is from the medical marijuana portion of the business. A dual licensee that elects to operate on a for-profit basis does not qualify for a subtraction for the medical marijuana portion of their business.....	<b>Q</b>	00
<b>R</b>	Long-Term Care Insurance Premiums.....	<b>R</b>	00
<b>S</b>	Americans with Disabilities Act - Access Expenditures.....	<b>S</b>	00
<b>T</b>	Exploration Expenses Deferred before January 1, 1990.....	<b>T</b>	00
<b>U</b>	Sole Proprietorship of an Arizona Marijuana Establishment, Marijuana Testing Facilities and dual licensees that operate on a for-profit basis: enter the total amount of ordinary and necessary expenses related to the sales of recreational use products reported on Schedule DFE (line 16). An LLC that has elected to be treated as a disregarded entity for federal purposes, and also elected to operate on a for-profit basis may subtract the total amount of ordinary and necessary expenses related to the sales of recreational use products reported on Schedule DFE (line 16).....	<b>U</b>	00
<b>V</b>	S corporation shareholders of an Arizona Marijuana Establishment, Marijuana Testing Facilities and dual licensees that operate on a for-profit basis: enter the amount of your pro-rata share of ordinary and necessary expenses related to the sales of recreational use products as shown on your 120S Schedule K-1, line 7 or K-1(NR), line 20.....	<b>V</b>	00
<b>W</b>	Net capital gain derived from exchange of legal tender: See instructions.....	<b>W</b>	00
<b>X</b>	Other Adjustments - see instructions.....	<b>X</b>	00
<b>Y</b>	<b>Total Other Subtractions:</b> Add all amounts and enter the total here and on line 44.....	<b>Y</b>	00



# 2022 Part-Year Resident Personal Income Tax Return

## Arizona Form 140PY

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

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

### Tax forms, instructions, and other tax information

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

### Income Tax Procedures and Rulings

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website select *Reports, Statistics and Legal Research* from the main menu then click on *Legal Research* and select a *Document Type* and *Category* from the drop down menus.

### Publications

To view or print the department's publications, go to our website and click on *Reports, Statistics and Legal Research* from the main menu then click on Publications in the left-hand side column.

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*E-file* through an Authorized IRS/DOR *e-file* provider or by using your personal computer and the Internet.

Visit our website at [www.azdor.gov](http://www.azdor.gov) for a listing of approved *e-file* providers and on-line filing sources.

\*\* For free *e-file* requirements, check out our website at [www.azdor.gov](http://www.azdor.gov).

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

### Are You Subject to Tax in Arizona?

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

1. Any income you earned in 2022 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 2022 before moving to (or after leaving) the state.

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

### Do You Have to File?

Arizona Filing Requirements	
These rules apply to all Arizona taxpayers.	
You must file if you are:	and your gross income is at least:
● Single	\$12,950
● Married filing joint	\$25,900
● Married filing separate	\$12,950
● Head of Household	\$19,400

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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## **Determining Residency Status**

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

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

### **Residents**

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

### **Part-Year Residents**

If you are a part-year resident, you must file Arizona Form 140PY, *Part-Year Resident Personal Income Tax Return*. You are a part-year resident if you did **either** of the following during 2022:

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

### **Nonresidents**

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

### **What if a Taxpayer Died?**

If a taxpayer died before filing a return for 2022, the taxpayer's spouse or personal representative may have to file and sign a return for that taxpayer. A personal representative can be an executor, administrator, or anyone who is in charge of the deceased taxpayer's property.

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

If your spouse died in 2022 and you did not remarry in 2022 or if your spouse died in 2023 before filing a return for 2022, you may file a joint return. If your spouse died in 2022, the joint return should show your spouse's 2022 income before death and your income for all of 2022. If your spouse died in 2023, before filing the 2022 return, the joint return should show all of your income and all of your spouse's income for 2022. Print "Filing as surviving spouse" in the area where you sign the return. If someone else is the personal representative, he or she must also sign the return.

### **Are Any Other Returns Required?**

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

## Claiming a Refund for a Deceased Taxpayer

If you are claiming a refund for a deceased taxpayer, you **must** complete Arizona Form 131, *Claim for Refund on Behalf of Deceased Taxpayer*.

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

## What Are the Filing Dates and Penalties?

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

### When Should You File?

Your 2022 calendar year tax return is due no later than midnight, April 15, 2023. File your return as soon as you can after January 1, 2023, but no later than April 15, 2023. **Because April 15, 2023 falls on a weekend, and April 17, 2023 falls on a federal holiday, you have until Tuesday, April 18, 2023 to timely file your 2022 tax return.**

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

### What if You Cannot File on Time?

You may request an extension if you know you will not be able to file on time. If you request an extension to file your 2022 calendar year tax return, your due date is October 15, 2023. **Because October 15, 2023 falls on a weekend, you have until Monday, October 16, 2023 to timely file your 2022 tax return.**

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

### To get a filing extension, you can either

- *Apply for a state extension* (Arizona Form 204). To apply for a state extension, file Form 204 by April 18, 2023. See Form 204 for details. You do not have to include a copy of the extension with your return when you file, but make sure that you check box **82F** (above your name) on page 1 of the return. If you must make a payment, use Arizona Form 204, or visit [www.AZTaxes.gov](http://www.AZTaxes.gov) to make an electronic payment.
- *Use your federal extension* (federal Form 4868). File your Arizona return by the same due date. You do not have to include a copy of your federal extension with your return, but make sure that you check box 82F (above your name) on page 1 of the return.

### When Should You File if You Are a Nonresident Alien?

As a Nonresident Alien, do not file Form 140 or Form 140PY. Use Form 140NR, Nonresident Personal Income Tax Return, to report your Arizona sourced income. File Form 140NR-SBI if you elect to report your Arizona sourced small business income

on the Small Business Income Tax Return. See the instructions for Form 140NR for your filing due dates.

## What if you File or Pay Late?

If you file or pay late, we will charge you interest and penalties on the amount you owe. If the U.S. Post Office postmarks your 2022 calendar year return by April 18, 2023, your return will not be late. You may also use certain private delivery services designated by the Internal Revenue Service (IRS) to meet the “timely mailing as timely filed” rule. For more information, see “*Mailing Your Return*” at the end of these instructions.

### Late Filing Penalty

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

### Late Payment Penalty

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

### Extension Underpayment Penalty

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

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

### Interest

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

## When Should You Amend a Return?

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

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

If the IRS makes a change to your federal taxable income for any year, you must report that change to Arizona. You must file Form 140X within 90 days of the final determination of the IRS. You may use one of the following two options to report this change.

**Option 1**

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

**Option 2**

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

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

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

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

**Do You Need to Make Arizona Estimated Payments in 2023?**

You must make Arizona estimated income tax payments during 2023 if:		
Your filing status is:	<b>AND</b> your Arizona gross income for 2022 was greater than:	<b>AND</b> your Arizona gross income for 2023 is greater than:
Single	\$ 75,000	\$ 75,000
Married filing joint	\$150,000	\$150,000
Married filing separate	\$ 75,000	\$ 75,000
Head of Household	\$ 75,000	\$ 75,000

If you met the income threshold for 2022, you must make estimated payments during 2023, unless you are sure you will not meet the threshold for 2023. As a part-year resident, your Arizona gross income is that part of your federal adjusted gross income that you must report to Arizona. Your Arizona gross income is on line 26 of the 2022 Form 140PY.

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

**What if You Make Your Estimated Payments Late?**

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

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

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

**Line-by-Line Instructions**

**Tips for Preparing Your Return**

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

**Entering Your Name, Address, and SSN**

**DO YOU HAVE A COMPLICATED RETURN?**

**E-file makes filing a complex return simple!**

**For a list of approved software visit [www.azdor.gov](http://www.azdor.gov)**

E-file software offers:

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

**Lines 1, 2, and 3 -**

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

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

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

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

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

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

### Foreign Addresses

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

### Last Name(s) Used in Last 4 Prior Years

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

### Identification Numbers for Paid Preparers

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

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

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

## Determining Your Filing Status

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

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

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

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

### Box 4 - Married Filing Joint Return

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

You may file a joint return if you were married as of December 31, 2022. It does not matter whether or not you were living with your spouse. You may file a joint return, even if you and your spouse filed separate federal returns.

You may file a joint return if your spouse died during 2022 and you did not remarry in 2022. See page 2 of these instructions for details.

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

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

### Box 4a - Injured Spouse Protection of Joint Overpayment

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

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

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

### Box 5 - Head of Household Return

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

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

### Box 6 - Married Filing Separate Return

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

If you were married as of December 31, 2022, you may choose to file a separate return. You may file a separate return, even if you and your spouse filed a joint federal return.

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

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

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

**Box 7 - Single Return**

If you are filing as single, check box 7.

Use this filing status if you were single on December 31, 2022. 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, 2022, and you did not remarry in 2022, and you do not qualify to file as a qualifying widow or widower with dependent children on your federal return.

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

**Exemptions - Boxes 8, 9, and 11a**

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

**Box 8 - Age 65 or Over**

**NOTE:** *If a taxpayer's 65<sup>th</sup> birthday was January 1, 2023 (born 1/1/1958), that person is considered to be age 65 at the end of 2022 for federal income tax purposes and likewise for Arizona income tax purposes.*

- If you are single or filing as head of household, enter "1" in box 8 if you were 65 or older in 2022 and not claimed as a dependent by another taxpayer.
- If you are married filing a joint return, enter "1" in box 8 if you were 65 or older and not claimed as a dependent by another taxpayer or your spouse was 65 or older in 2022 and not claimed as a dependent by another taxpayer. Enter "2" in box 8 if both you and your spouse were 65 or older in 2022 and neither of you are claimed as a dependent by another taxpayer.
- If you are married and filing a separate return, enter "1" in box 8 if you were 65 or older and not claimed by another taxpayer. You cannot take an exemption for your spouse. Your spouse, if 65 or older and not claimed by another taxpayer, may take this exemption on their own separate return.

**Box 9 - Blind**

If you or your spouse were partially blind as of December 31, 2022, you must get a statement certified by your eye doctor or registered optometrist that either:

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

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

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

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

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

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

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

**Box 11a - Qualifying Parents and Grandparents**

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

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

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

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

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

1. The parent, grandparent, or great-grandparent was 65 years old or older during 2022.
2. The parent, grandparent, or great-grandparent lived in your principal residence for the entire taxable year.

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

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

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

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

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

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

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

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

**Lines 11b and 11c**

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

- a) first and last name;
- b) SSN;
- c) relationship to taxpayer;
- d) the number of months this person lived in your home;
- e) check this box if the person is age 65 or over;
- f) check this box if the person died in 2022.

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

**Dependents – Boxes 10a and 10b**

**Boxes 10a and 10b**

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

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

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

**Lines 10c and 10d**

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

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

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

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

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

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

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

**Reporting Your Residency Status**

Check the appropriate box.

**Box 12 - Part-Year Resident Other than Active Military**

Check box 12 if you were an Arizona resident for part of 2022 and were not an active duty military member.

**Box 13 - Part-Year Resident Active Military**

Check box 13 if you were an active duty military member who either began or gave up Arizona residency during 2022.

**Line 14 - Dates of Arizona Residency**

If you became an Arizona resident during 2022, enter the date that you became an Arizona resident. If you gave up your Arizona residency during 2022, do both of the following:

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

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

**Determining Arizona Income**

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

You must complete your federal return before completing your Arizona return. You must complete a 2022 federal return to determine your federal adjusted gross income, even if not filing a federal return.

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

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

**FEDERAL Column**

Enter the actual amounts shown on your 2022 federal income tax return in the FEDERAL column. Complete lines 15 through 25. Line 25 should equal the federal adjusted gross income shown on your 2022 federal Form 1040 or Form 1040NR.

**ARIZONA Column**

Enter that portion of your federal income received while you were an Arizona resident in the ARIZONA column. For example, if you became an Arizona resident on June 30, enter all income you received from that day to December 31, 2022.

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

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

As a part-year resident, your Arizona gross income may include some of these losses. For the part of the year you were an Arizona resident, you may consider any passive losses that arose while an Arizona resident. For the part of the year you were an Arizona nonresident, you may consider only those passive losses that arose from Arizona sources. Your 2022 Arizona gross income can include only losses you used on your 2022 federal return.

The following instructions apply to the ARIZONA column.

**Line 15 - Wages, Salaries, Tips, etc.**

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

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

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

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

**Line 16 - Interest**

Enter all amounts received while an Arizona resident.

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

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

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

**Line 17 - Dividends**

Enter all amounts received while an Arizona resident.

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

**Line 18 - Arizona Income Tax Refunds**

Enter the amount of Arizona income tax refunds received in 2022 that you included in your federal adjusted gross income.

**Line 19 - Business Income or (Loss)**

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

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



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

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

**Line 20 - Gains or (Losses)**

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

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

- Any gain or (loss) on property sold while an Arizona resident if you included the amount as income on your 2022 federal return.
- Any gain or (loss) on sales of Arizona property (Arizona sources) during the part of the year you were an Arizona nonresident.

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

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

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

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

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

**Line 21 - Rents, etc.**

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

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

**Line 22 - Other Income Reported on Your Federal Return**

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

**Net Operating Losses**

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

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

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

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

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

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

**Line 23 - Total Income**

Add lines 15 through 22 and enter the total.

**Line 24 - Other Federal Adjustments**

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

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

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

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

**Line 25 - Federal Adjusted Gross Income**

Subtract line 24 from line 23 in the FEDERAL column.

**Line 26 - Arizona Gross Income**

Subtract line 24 from line 23 in the ARIZONA column.

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

**Line 27 - Arizona Income Ratio**

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

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

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

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

**Arizona Small Business Tax Return**

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

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

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

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

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

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

**Modified Arizona Gross Income**

**Line 28 - Small Business Income**

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

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

**Line 29 – Modified Federal Adjusted Gross Income**

Subtract line 28 from line 26.

**Additions to Income**

**NOTE:**

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

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

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

**Line 30 - Total Depreciation Included in Arizona Gross Income**

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

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

**Line 31 - Other Additions to Income**

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

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

**A. Non-Arizona Municipal Interest**

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

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

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

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

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

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

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

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

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

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

**D. Partnership Income Adjustment (Positive)**

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

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

Use this adjustment if line 3 of your Arizona Form 165 Schedule K-1 shows a difference between federal and state distributable income.

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

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

**E. Items Previously Deducted for Arizona Purposes**

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

**F. Claim of Right Adjustment for Amounts Repaid in 2022**

**NOTE:** *For items F and G; taxpayers that made the election to file an Arizona Small Business Income Tax Return in 2022, if the income required to be paid back under the claim of right is the type of income that would be included in lines 4 through 9 of the 140PY-SBI return if the income were reported in 2022, the adjustment should be made in the 140PY-SBI return. All other claim of right adjustments should be made on the regular 140PY return.*

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

1. During 2022, you were required to repay amounts held under a claim of right.
2. The amount required to be repaid was subject to Arizona income tax in the year included in income.
3. The amount required to be repaid during 2022 was more than \$3,000.
4. You took a deduction for the amount repaid on your 2022 federal income tax return.
5. The deduction taken on your federal income tax return is reflected in your Arizona taxable income.

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

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

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

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

- During a year prior to 2022, you were required to repay income held under a claim of right.
- You computed your tax for that prior year under Arizona's claim of right provisions.
- A net operating loss or capital loss was established due to the repayment made in the prior year.
- You are entitled to take that net operating loss or capital loss carryover into account when computing your 2022 Arizona taxable income.
- The amount of the loss carryover included in your Arizona gross income is more than the amount allowed to be taken into account for Arizona purposes.

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

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

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

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

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

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

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

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

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

If you claim a credit for an investment in a qualified small business on Form 338, you must adjust your basis in the investment by the amount of the credit claimed. You must report this difference in basis on the Arizona return that you file for the taxable year in which you sell or otherwise dispose of the investment. If you sold or otherwise disposed of the investment during the 2022 taxable year, include the amount by

which the adjusted basis computed under the IRC with respect to that property exceeds the adjusted basis of the property computed under A.R.S. § 43-1074.02.

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

If you claim a credit for an agricultural pollution control equipment (Form 325), you must adjust your basis on the Arizona return that you file for the taxable year in which you sell or otherwise dispose of the equipment. If you sold or otherwise disposed of the investment during the 2022 taxable year, include the amount by which the adjusted basis computed under the IRC with respect to that property exceeds the adjusted basis of the property computed under A.R.S. § 43-1081.01.

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

If you claimed a credit for pollution control equipment (Form 315) before tax year 2022, you must adjust your basis on the Arizona return that you file for the taxable year in which you sell or otherwise dispose of the equipment. If you sold or otherwise disposed of the investment during the 2022 taxable year, include the amount by which the adjusted basis computed under the IRC with respect to that property exceeds the adjusted basis of the property computed under A.R.S. § 43-1081.

**J. Nonqualified Withdrawals from 529 College Savings Plans**

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

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

The amount that you must add is the amount withdrawn, but no more than the difference between the amount of contributions subtracted in prior years and the amount added in any prior years. A nonqualified withdrawal is a withdrawal other than any of the following:

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

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

*If you are making the small business election and this addition is directly related to small business income reported on*

*Form 140PY-SBI, do not report the addition on Form 140PY, enter the addition on Form 140PY-SBI.*

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

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

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

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

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

**L. Americans with Disabilities Act - Access Expenditures**

If a subtraction is taken on line 44, *Other Subtractions from Income*, for the full amount of eligible access expenditures paid or incurred during the taxable year for Arizona properties to comply with the requirements of the Americans with Disabilities Act of 1990 or A.R.S. Title 41, chapter 9, article 8, any amount of eligible access expenditures that is recognized under the internal revenue code, including any amount that is amortized according to federal amortization schedules, and that is included in computing taxable income for the current taxable year must be added to Arizona gross income.

**M. Amortization or Depreciation for Child Care Facility**

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

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

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

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

To determine if you are required to make this addition to income, you must net **all** gains and (losses) from all exchanges of kind of legal tender for another kind of legal tender including amounts shown on Form 165 Schedule K-1, Form 120S Schedule K-1, and Form 141AZ, Schedule K-1.

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

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

For the purposes of this paragraph:

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

**O. Entity-Level Income Tax Payment**

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

If you are claiming the income tax credit on Form 355, *Credit for Entity-Level Income Tax Paid on Your Behalf from a Partnership and/or an S Corporation*, you must add the amount deducted by the partnership and/or S Corporation for the amount of Arizona income tax paid on your behalf in 2022.

Enter the total amount of tax paid shown on:

- Arizona Form 165, Schedule K-1, Part 5, lines 10 and 11.
- Arizona Form 120S, Schedule K-1, Part 5, lines 9 and 10.

**NOTE:** *Enter the tax amount actually paid by the Partnership or S Corporation in 2022. Tax amounts paid in 2023 for tax year 2022 will be added-back on your 2023 tax return. These payments include any 4th QTR estimated taxes paid in January 2023 and any 2023 tax payments made with the Entity's tax return on your behalf.*

**P. Other Adjustments Related to Tax Credits**

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

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

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

Credit Form 315 that exceeds the amount of depreciation or amortization computed pursuant to internal revenue code on the Arizona adjusted bases of the property.

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

**Q. Other Adjustments**

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

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

**R. Total Other Additions to Arizona Gross Income**

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

**Line 32 - Subtotal**

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

**Subtractions from Income**

**NOTE:**

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

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

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

You may only subtract those items for which statutory authority exists. Without such authority, you cannot take a subtraction. If you have any questions concerning subtractions from income, call one of the numbers on page 1.

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

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

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

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

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

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

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

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

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

You may subtract 25% (.25) of qualifying Arizona net long-term capital gain **included in your federal adjusted gross income** that is derived from an investment in an asset acquired after December 31, 2011. Use the worksheet at the end of these instructions, *Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired after December 31, 2011*, to determine the allowable subtraction. Keep the worksheet for your records.

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

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

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

Enter the amount included on line 33

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

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

Enter the amount included on line 33.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Line 39 -**

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

**Line 40 - Recalculated Arizona depreciation**

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

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

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

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

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

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

**For assets placed in service during the taxable years beginning from and after December 31, 2013 through December 31, 2015**, enter the total amount of depreciation allowable pursuant to IRC § 167(a) for the taxable year, calculated as if the bonus depreciation is 10% of the amount of

federal depreciation pursuant to IRC § 168(k). Enter the amount that is attributable to income taxable by Arizona.

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

**For assets placed in service in taxable years beginning from and after December 31, 2016**, enter the total amount of depreciation allowable pursuant to IRC § 167(a) for the taxable year, calculated as if the bonus depreciation is the full amount of the federal bonus depreciation pursuant to IRC § 168(k).

Add all of the amounts together and enter the total on line 40.

**NOTE:** *For more information and examples of how to calculate Arizona bonus depreciation, see the department’s procedure, ITP 16-2, Procedure for Individuals who Claim Federal and/or Arizona Bonus Depreciation.*

**Line 41 (Box 41a) - Contributions to 529 College Savings Plans**

You may subtract amounts you contributed directly to 529 college savings plans during the taxable year on behalf of the designated beneficiary to the extent that contributions were not deducted in computing federal adjusted gross income. You may subtract the amount you contributed during the year up to a total of \$2,000 per beneficiary (\$4,000 for a married couple filing a joint return.) If you are married filing separate returns, either you or your spouse may take the subtraction, or you may divide it between you, but the total subtraction taken by both of you cannot be more than \$4,000 per beneficiary.

If you contribute more than \$2,000 per beneficiary (\$4,000 if married) during the year, your total subtraction is limited to \$2,000 per beneficiary (\$4,000 if married).

**For example:** Jorge and Kate are married and have two children. During 2022, Jorge and Kate contributed \$5,000 to a 529 plan for Child 1 and \$5,000 to a 529 plan for Child 2. Even though Jorge and Kate contributed a total of \$10,000 during 2022, they may subtract only \$8,000 on their 2022 joint tax return.

You may take a subtraction for the following:

- A contribution that you made during 2022 to a plan that existed before 2022.
- A contribution that you made during 2022 to a plan established in another state.
- A contribution that you made in 2022 to any 529 college savings plan. This could be a plan established for a child, grandchild, niece, nephew, or any other person for whom a plan has been established.

You cannot take a subtraction for an amount transferred from one college savings plan to a different college savings plan (a rollover).



**Line 41 (Box 41b) - Contributions to 529A (ABLE Accounts)**

You may subtract amounts you contributed directly to a 529A, *Achieving a Better Life Experience Account (ABLE)*, during the taxable year on behalf of the designated beneficiary to the extent that contributions were not deducted in computing federal adjusted gross income. You may subtract the amount you contributed during the year up to a total of \$2,000 per beneficiary (\$4,000 for a married couple filing a joint return.) If you are married filing separate returns, either you or your spouse may take the subtraction, or you may divide it between you, but the total subtraction taken by both of you cannot be more than \$4,000 per beneficiary.

If you contribute more than \$2,000 per beneficiary (\$4,000 if married) during the year, your total subtraction is still limited to \$2,000 per beneficiary (\$4,000 if married). See example under Line 41a.

**Line 41c**

Add the amounts in boxes 41a and 41b and enter the total in box 41c.

**Line 42 - Interest on U.S. Obligations**

*If you are making the small business election and this subtraction is directly related to small business income reported on Form 140PY-SBI, do not report the subtraction on Form 140PY, enter the subtraction on Form 140PY-SBI.*

Enter the amount of interest income from U.S. Government obligations included on line 16 in the ARIZONA column.

U.S. Government obligations include obligations such as U.S. savings bonds and treasury bills.

You cannot deduct any interest or other related expenses incurred to purchase or carry the obligations. If such expenses are included in your Arizona gross income, you must reduce the subtraction by such expenses.

If you are itemizing deductions on your Arizona return, you must exclude such expenses from the amount deducted.

**NOTE:** Do not subtract interest earned on Fannie Mae (FNMA) or Ginnie Mae (GNMA) bonds since this interest is taxable by Arizona. For details, see the department's ruling, ITR 06-1, Obligations of the United States Government, Federal Agencies, and United States Territories.

Do not subtract any amount received from a qualified pension plan that invests in U.S. Government obligations. Do not subtract any amount received from an IRA that invests in U.S. Government obligations. These amounts are not interest income.

For more information, see the department's rulings, ITR 96-2, *Pension Plan Distributions Derived from Investment in U.S. Government Obligation*; and ITR 96-3, *Distributions Comprised of Income Earned by the IRA*.

**Line 43 - U.S. Social Security Benefits or Railroad Retirement Benefits**

Arizona does not tax the following:

- Social security benefits received under Title II of the Social Security Act.
- Railroad retirement benefits received from the Railroad Retirement Board under the Railroad Retirement Act. If you included such social security or railroad retirement benefits on your federal return as income and also included this amount in the ARIZONA column on line 22, subtract this income on line 43.

Subtract only the amount you reported as income on your federal return and included on line 22 in the ARIZONA column.

For more information about railroad retirement benefits, see the department's ruling, ITR 16-1, *Railroad Retirement Benefits, Railroad Disability Benefits, Railroad Unemployment Benefits and Railroad Sickness Payments*.

**Line 44 - Other Subtractions from Income**

**NOTE:**

- *If you are electing to report your Arizona sourced small business income on Form 140PY-SBI and if any of the following subtractions are **directly related to the small business income**, report that subtraction on Form 140PY-SBI. If the subtraction is **not** directly related to small business income, make the subtraction on Form 140PY.*
- *If you are not filing Form 140PY-SBI, make that subtraction on Form 140PY.*

As a part-year resident, include only those subtractions listed below that are from:

1. all sources during the period of residency; and
2. only those additions from Arizona sources during the period of non-residency.

Use line 44 if any of the special circumstances below apply.

**NOTE:** *If you are reporting any adjustment on line 44, complete page 6 of your tax return, Other Subtractions from Arizona Gross Income, and include it with your return. If are not reporting any adjustment on line 44, do not include page 6 with your return.*

**A. Exclusion for U.S. Government, Arizona State, or Local Government Pensions**

If you receive pension income from any of the sources listed below, subtract the amount you received or \$2,500, whichever is less. Include only the amount you reported as income on your federal return and included on line 22 in the ARIZONA column. If both you and your spouse receive such pension income, each spouse may subtract the amount received or \$2,500, whichever is less.

**NOTE:** *Do not enter any subtraction for pension income received from retired or retainer pay of the Uniformed Services. The allowable subtraction for this pension type is entered on line B.*

**Public pensions from the following sources qualify for this subtraction:**

- the United States Government Service Retirement and Disability Fund
- the United States Foreign Service Retirement and Disability System
- any other retirement system or plan established by federal law

**NOTE:** *This applies only to those retirement plans authorized and enacted into the U.S. Code. This does not apply to a retirement plan that is only regulated by federal law (i.e., plans which must meet certain federal criteria to be qualified plans).*

- the Arizona State Retirement System
- the Arizona State Retirement Plan
- the Corrections Officer Retirement Plan
- the Public Safety Personnel Retirement System
- the Elected Officials' Retirement Plan
- a retirement plan established for employees of a county, city, or town in Arizona
- an optional retirement program established by the Arizona Board of Regents under Arizona Revised Statutes
- an optional retirement plan established by an Arizona community college district

**NOTE:** *Public retirement pensions from states other than Arizona do not qualify for this subtraction.*

**B. Exclusion for Benefits, Annuities, and Pensions Received as Retired or Retainer Pay of the Uniformed Services of the United States**

If you received benefits, annuities and pensions as retired or retainer pay of the uniformed services of the United States, you may subtract 100% of the amount received. Include only the amount you reported as income on your federal return and included on line 22 in the ARIZONA column. If both you and your spouse received such pension income, each spouse may subtract 100% of the amount received.

**C. Agricultural Crops Given to Arizona Charitable Organizations**

*If you are making the small business election and this subtraction is directly related to small business income reported on Form 140PY-SBI, do not report the subtraction on Form 140PY, enter the subtraction on Form 140PY-SBI.*

Arizona law allows a subtraction for qualified crop gifts made during 2022 to one or more charitable organizations. To take this subtraction, all of the following must apply:

- You must be engaged in the business of farming or processing agricultural crops.
- The crop must be grown in Arizona.
- You made your gift to a charitable organization located in Arizona that is exempt from Arizona income tax.

The subtraction is the greater of the wholesale market price or the most recent sale price for the given crop. The amount of the subtraction cannot include any amount deducted pursuant to

IRC § 170 with respect to the crop contribution that exceeds the cost of producing the contributed crop.

To determine if your crop contribution qualifies for this subtraction, see the department's procedure, ITP 12-1, *Establishing an Income Tax Subtraction for Agricultural Crops Contributed to Charitable Organizations.*

**D. Certain Wages of American Indians**

Enrolled members of American Indian tribes may subtract wages earned while living and working on their tribe's reservation. You can subtract only those amounts that you included on line 15, ARIZONA column. The federal government must recognize these tribes. For more information, see the department's ruling, ITR 96-4, *Income Taxation of Indians and Spouses.*

**E. Pay Received for Active Service as a Member of the Reserves, National Guard, or the U.S. Armed Forces**

If you are a member of the reserves or the National Guard, you may subtract pay received for active service as a reservist or as a National Guard member, including pay received for weekend or two-week training periods. You may subtract the amount of pay received for active service as a reservist or as a National Guard member that you had to include in your Arizona gross income. Include only that amount of pay reported on your 2022 federal return that you also included on line 15 in the ARIZONA column.

Members of the U.S. armed forces may subtract pay received for active duty military service, including pay for serving in a combat zone or an area given the treatment of a combat zone. If you are a member of the U.S. armed forces, you may subtract the amount of pay received for active duty military service that you had to include in your Arizona gross income. Enter only that amount of pay reported on your 2022 federal return that you also included on line 15 in the ARIZONA column.

**Military Technician (dual status)**

You may not subtract any income you received for full-time civil service employment as a "military technician (dual status)." Compensation received by a "military technician (dual status)" for federal civil service employment for the National Guard or for the United States Reserves is not income received for active service as a National Guard member for a Reserve member, even though the employee may be required to wear a military uniform while at work.

For more information, see the department's ruling, ITR 12-2, Compensation Received by a National Guard member or a member of the United States Reserves.

**NOTE:** *You may not subtract pay received for active duty service as a member of the U.S. Public Health Service or NOAA. For more information, see the department's ruling, ITR 10-1, Does the subtraction, for armed forces personnel, under A.R.S. § 43-1022 apply to Arizona residents who are active duty service members of the commissioned corps of the United States Public Health Service or the National Oceanic and Atmospheric Administration?*

**F. Federally Taxable Arizona Municipal Interest as Evidenced by Bonds**

Include the amount of any interest income received on obligations of the State of Arizona or any political subdivisions of Arizona, as evidenced by bonds and if included in your Arizona gross income. Include only that amount of Arizona municipal interest income that you included on line 16 in the ARIZONA column.

Do not include any Arizona municipal interest that is exempt from federal taxation and not included in your federal adjusted gross income. For more information, see the department's ruling, ITR 15-1, *Arizona Municipal Interest that is Included in Federal Adjusted Gross Income*.

**G. Adoption Expenses**

You may take this subtraction only in the year the final adoption order is granted.

Include the lesser of the total of the following adoption expenses or \$3,000.

When figuring your subtraction, you may include expenses incurred in prior years.

The following expenses are qualified adoption expenses:

- nonreimbursed medical and hospital costs,
- adoption counseling,
- legal and agency fees, and
- other nonrecurring costs of adoption.

If filing separately, you may take the entire subtraction, or you may divide the subtraction with your spouse. However, the total subtraction taken by both you and your spouse cannot exceed \$3,000.

**H. Qualified Wood Stove, Wood Fireplace, or Gas Fired Fireplace**

Arizona law provides a subtraction for converting an existing fireplace to one of the following:

- a qualified wood stove,
- a qualified wood fireplace, or
- a gas fired fireplace and non-optional equipment directly related to its operation.

You may subtract up to \$500 of the costs incurred for converting an existing fireplace on your property located in Arizona. When you figure your subtraction, do not include taxes, interest, or other finance charges.

A qualified wood stove or a qualified wood fireplace is a residential wood heater that was manufactured on or after July 1, 1990 or sold at retail on or after July 1, 1992. The residential wood heater must also meet the U.S. Environmental Protection Agency's July 1990 particulate emissions standards.

A qualified gas fired fireplace is any device that burns natural or liquefied petroleum gas as its fuel through a burner system that is permanently installed in the fireplace. The conversion of an existing wood burning fireplace to noncombustible gas logs that are permanently installed in the fireplace also qualifies as a gas fired fireplace.

**I. Claim of Right Adjustment for Amounts Repaid in Prior Taxable Years**

*If you are making the small business election and this subtraction is directly related to small business income reported on Form 140PY-SBI, do not report the subtraction on Form 140PY, enter the subtraction on Form 140PY-SBI.*

You must make an entry here if **all** of the following apply:

1. During a year prior to 2022 you were required to repay income held under a claim of right.
2. The amount required to be repaid was subject to Arizona income tax in the year included in income.
3. You computed your tax for that prior year under Arizona's claim of right provisions.
4. A net operating loss or capital loss was established due to the repayment made in the prior year.
5. You are entitled to take that net operating loss or capital loss carryover into account when computing your 2022 Arizona taxable income.
6. The amount of the loss carryover allowed to be taken into account for Arizona purposes is more than the amount included in your Arizona gross income.

Include the amount by which the loss carryover allowed for the taxable year under Arizona law is more than the amount included in your Arizona gross income.

**J. Certain Expenses Not Allowed for Federal Purposes**

You may subtract some expenses that you cannot deduct on your federal return when you claim certain federal tax credits. These federal tax credits include the following:

- the federal work opportunity credit,
- the empowerment zone employment credit,
- the credit for employer-paid social security taxes on employee cash tips, and
- the Indian employment credit.

If you received any of the above federal tax credits for 2022, enter the portion of wages or salaries attributable to income subject to Arizona tax that you paid or incurred during the taxable year that is equal to the amount of those federal tax credits you received.

**K. Qualified State Tuition Program Distributions**

If you are a beneficiary of a qualified state tuition program, you may subtract some of the amount distributed from the program for qualified education expenses. Include the amount of the distribution included in your federal adjusted gross income that you included as income in the ARIZONA column. A qualified state tuition program is a program that meets the requirements of IRC § 529.

**L. Installment Sale Income From Another State Taxed by the Other State in a Prior Taxable Year**

You may subtract income from an installment sale if both of the following apply:

1. The income from the sale is subject to Arizona income tax.
2. You paid income tax to another state on that income in a prior tax year.

Include the amount of such income that you included in your Arizona gross income for 2022.

Do not include any amount that is subject to tax by both Arizona and another state in 2022. In this case, you may be eligible for a tax credit. See Arizona Form 309 for details.

**M. Basis Adjustment for Property Sold or Otherwise Disposed of During the Taxable Year**

*If you are making the small business election and this subtraction is directly related to small business income reported on Form 140PY-SBI, do not report the subtraction on Form 140PY, enter the subtraction on Form 140PY-SBI.*

With respect to property that is sold or otherwise disposed of during the taxable year by a taxpayer who has complied with the requirement to add back all depreciation attributable to income taxable by Arizona with respect to that property on tax returns for all taxable years beginning from and after December 31, 1999, enter the amount of depreciation that has been allowed pursuant to IRC § 167(a) attributable to income taxable by Arizona to the extent that the amount has not already reduced Arizona taxable income in the current or prior years.

(Note: The practical effect of this is to allow a subtraction for the difference in basis for any asset for which bonus depreciation has been claimed on the federal return.)

A part-year resident may subtract only that amount that is attributable to income subject to Arizona tax.

**N. Fiduciary Adjustment**

*If you are making the small business election and this subtraction is directly related to small business income reported on Form 140PY-SBI, do not report the subtraction on Form 140PY, enter the subtraction on Form 140PY-SBI.*

A fiduciary uses Form 141AZ Schedule K-1 to report to you your share of the fiduciary adjustment from the trust or estate. Line 3 of Form 141AZ Schedule K-1 shows your share of the fiduciary adjustment from the estate or trust.

Depending on your situation, you may either add (line 30) or subtract (line 44) this amount. If the amount reported on line 3 of your Form 141AZ Schedule K-1 is a negative number, include that portion of Form 141AZ Schedule K-1, line 3 that is allocable to estate or trust income taxable by Arizona as a subtraction on line 44.

**NOTE:** *If the amount reported on line 3 of your Form 141AZ, Schedule K-1 is a positive number, include that portion of line 3 that is allocable to estate or trust income taxable by Arizona as an Other Additions to Income on line 31.*

**O. Partnership Income Adjustment (Negative)**

*If you are making the small business election and this subtraction is directly related to small business income reported on Form 140PY-SBI, do not report the subtraction on Form 140PY, enter the subtraction on Form 140PY-SBI.*

Depending on your situation, you may either add (line 31) or subtract (line 44) this amount.

Use this adjustment if line 3, of your Arizona Form 165 Schedule K-1 shows a difference between federal and state

distributable income. If the difference reported on line 3 of your Arizona Form 165 Schedule K-1 is a negative number, include that portion of the difference that is allocable to partnership income taxable by Arizona as a subtraction on line 44. **Do not include a minus sign or parentheses.**

**NOTE:** *If the difference reported on line 3, of your Arizona Form 165 Schedule K-1, is a positive number, include that portion of the difference that is allocable to partnership income taxable by Arizona as an addition on line 31.*

**P. Net Operating Loss Adjustment**

*If you are making the small business election and this subtraction is directly related to small business income reported on Form 140PY-SBI, do not report the subtraction on Form 140PY, enter the subtraction on Form 140PY-SBI.*

**NOTE:** *This subtraction applies to only those individuals who made an election under the special federal net operating loss rules for 2008 and 2009. Under the special rules for 2008 and 2009, you could have elected to carry the net operating loss back for 3, 4, or 5 year, instead of the normal 2 years. This election would have been allowed under IRC § 172(b)(1)(H) as amended by the American Recovery and Reinvestment Act of 2009 or the Worker, Homeownership, and Business Assistance Act of 2009.*

Arizona did not adopt the special federal net operating loss rules for losses incurred during 2008 or 2009. For Arizona purposes, you must deduct an Arizona source net operating loss as if the loss was computed under IRC § 172 in effect prior to the enactment of those special rules. If you made an election to deduct your 2008 or 2009 federal net operating loss under IRC § 172(b)(1)(H), you may have to enter an amount here. Figure how much of the net operating loss carry forward would have been allowed as a deduction on your 2022 federal income tax return, if the election described in IRC § 172(b)(1)(H) had not been made in the year of the loss. Then, figure how much of the carry forward computed under that method is attributable to income taxed by Arizona. The amount you may take as a subtraction is the difference between the Arizona amount and the amount actually taken for federal purposes that you included in your Arizona gross income. On line 44, include the amount of carry forward deduction allowable on your Arizona return that exceeds the actual amount of net operating loss carry forward deduction that was deducted in arriving at Arizona gross income.

**Q. Sole Proprietorship Income of an Arizona Nonprofit Medical Marijuana Dispensary Included in Federal Adjusted Gross Income**

*If you are making the small business election and this subtraction is directly related to small business income reported on Form 140PY-SBI, do not report the subtraction on Form 140PY, enter the subtraction on Form 140PY-SBI.*

**NOTE:** *If the Arizona nonprofit medical marijuana dispensary is registered with the Arizona Department of Health Services as anything other than a sole proprietorship, this subtraction does not apply.*

If you are registered as an Arizona sole proprietorship with the Arizona Department of Health Services to operate in this state as a nonprofit medical marijuana dispensary, you may subtract the amount of the income from the dispensary that is included in the computation of your federal adjusted gross income.

In addition, a sole proprietorship of an **Arizona dual licensee that has not elected to operate on a for-profit basis** may subtract the portion of income included in federal adjusted gross income that is from the medical marijuana portion of the business.

**NOTE:** A dual licensee that elects to operate on a for-profit basis does not qualify for a subtraction for the medical marijuana portion of their business.

**R. Long-Term Care Insurance Premiums**

You may subtract the amount of premium costs for long-term care insurance for qualified long-term care services. Qualified long-term care services are necessary diagnostic, preventive, therapeutic, curing, treating, mitigating, rehabilitative services, and maintenance and personal care services.

You may take this subtraction only if you are *not* claiming itemized deductions for the taxable year. An individual who claims itemized deductions may *not* take this subtraction.

You may only subtract the amount of premiums paid during the period you were an Arizona resident. Do not include the costs of any premiums paid during the period you were a nonresident. Include the allowable subtraction on line 44.

Do not include any amounts already excluded in the computation of your federal adjusted gross income on line 25.

**S. Americans with Disabilities Act - Access Expenditures**

*If you are making the small business election and this subtraction is directly related to small business income reported on Form 140PY-SBI, do not report the subtraction on Form 140PY, enter the subtraction on Form 140PY-SBI.*

A subtraction is allowed for eligible business access expenditures paid or incurred during the taxable year to comply with the requirements of the Americans with Disabilities Act of 1990 or A.R.S. Title 41, chapter 9, article 8 by retrofitting developed real property that was originally placed in service at least ten years before the current taxable year. (A.R.S. §§ 43-1022 and 43-1024)

“Eligible business access expenditures” include reasonable and necessary amounts paid or incurred to do any of the following:

- Remove any barriers that prevent a business from being accessible to or usable by individuals with disabilities.
- Provide qualified interpreters or other methods of making audio materials available to hearing-impaired individuals.
- Provide qualified readers, taped texts, and other effective methods of making visually delivered materials available to individuals with visual impairments.
- Acquire or modify equipment or devices for individuals with disabilities.
- Provide other similar services, modifications, materials, or equipment.

**NOTE:** A taxpayer who has been cited for noncompliance with the Americans with Disabilities Act of 1990 or A.R.S. Title 41, chapter 9, article 8 by either federal or state enforcement officials is ineligible for a subtraction under this section for any expenditure required to cure the cited violation.

**T. Exploration Expenses Deferred before January 1, 1990**

*If you are making the small business election and this subtraction is directly related to small business income reported on Form 140PY-SBI, do not report the subtraction on Form 140PY, enter the subtraction on Form 140PY-SBI.*

Another special adjustment may be necessary. Call one of the numbers listed on page 1 if you deferred exploration expenses determined under IRC § 617 in a taxable year ending before January 1, 1990 and you have not previously taken a subtraction for those expenses.

**U. Sole Proprietorship – Marijuana Establishment, Testing Facilities and Dual Licensees that Elected to Operate on a For-profit Basis**

*If you are making the small business election and this subtraction is directly related to small business income reported on Form 140PY-SBI, do not report the subtraction on Form 140PY, enter the subtraction on Form 140PY-SBI.*

*A Sole Proprietorship or disregarded LLC (dual licensee) that takes the allowable subtraction for the income of an Arizona Nonprofit Medical Marijuana Dispensary (NMMD) under item “Q”, cannot take this allowable subtraction”.*

Enter the total amount of ordinary and necessary expenses related to the sales of recreational use products reported on Arizona Schedule DFE, *Disallowed Federal Expense Schedule for Marijuana Establishments*, line 16. **Include this schedule (after page 6) with your tax return, when filed.**

Do not include Cost of Goods Sold or any other expenses already allowed to be deducted on your federal return in the total amount of expenses reported on this line.

**NOTE:** Sole Proprietors and disregarded LLCs must contact the Arizona Department of Health Services (ADHS) to make the election to operate on a for-profit basis.

**V. S Corporation Shareholders - Marijuana Establishment, Testing Facilities and Dual Licensees that Elected to Operate on a For-profit Basis**

*If you are making the small business election and this subtraction is directly related to small business income reported on Form 140PY-SBI, do not report the subtraction on Form 140PY, enter the subtraction on Form 140PY-SBI.*

Enter the amount of your pro-rata share of ordinary and necessary expenses related to the sales of recreational use products s shown on your 120S Schedule K-1, line 7 or K-1(NR), line 20.

**W. Net Capital Gain from the Exchange of One Kind of Legal Tender for Another Kind of Legal Tender**

*If you are making the small business election and this subtraction is directly related to small business income reported on*

Form 140PY-SBI, do not report the subtraction on Form 140PY, enter the subtraction on Form 140PY-SBI.

To take this subtraction, you must net **all** gains and (losses) from all exchanges of one kind of legal tender for another kind of legal tender including amounts shown on Forms 165 Schedule K-1 or K-1(NR), 120S Schedule K-1 or K-1(NR), and/or 141AZ, Schedule K-1 or K-1(NR).

Enter the amount of any net capital gain from Arizona sources and included in Arizona gross income for the taxable year that is derived from the exchange of one kind of legal tender for another kind of legal tender.

**NOTE:** If the amount from all sources results in a **net capital (loss)** from the exchange of one kind of tender for another kind of tender, enter that amount on page 5. "N".

For the purposes of this paragraph:

(a) "Legal tender" means a medium of exchange, including specie that is authorized by the United States Constitution or Congress for the payment of debts, public charges, taxes, and dues.

(b) "Specie" means coins having precious metal content.

**X. Other Adjustments**

Other adjustments may be necessary. If an allowable adjustment is not listed above, enter that amount on this line. If you have more than one Other Adjustment, add the amounts together and enter the total.

**Y. Total Other Subtractions from Arizona Gross Income**

Add all amounts from page 6 and enter the total on line 44.

**Line 45**

Subtract lines 40 through 44 from line 39.

**Exemptions – Lines 46 through 49**

**Line 46 - Age 65 or Over**

Multiply the number in box 8 on the front of your return by \$2,100 and enter the result.

**Line 47 - Blind**

Multiply the number in box 9 on the front of your return by \$1,500 and enter the result.

**Line 48 – Other Exemptions**

**NOTE:** If you take an Other Exemption for an individual on line 48, you cannot take an exemption for this individual as a qualifying parent/grandparent on line 49 or claim this individual for the dependent tax credit on line 59. In this case, do not include this individual as a dependent in Box 10b.

You must complete page 4, Part 3 to compute your allowable Other Exemptions, on line 48. Be sure to enter the number of individuals listed in Part 3 in the box, **48E, on line 48.**

You may take an exemption in the amount of \$2,300 for each of the following individuals.

- A person who is age 65 or over (related to you or not) if either of the following applies:

1. In 2022, 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 2022, you paid more than \$800 for either Arizona home health care or other medical costs for the person.

*If both 1 and 2 apply to the same person, you are limited to only **one** exemption of \$2,300 for this individual.*

**NOTE:** If a taxpayer’s 65th birthday was January 1, 2023 (born 1/1/1958), that person would be considered to be age 65 at the end of 2022 for federal income tax purposes and likewise for Arizona income tax purposes.

- A stillborn child if the following apply:
  1. The stillbirth occurred during 2022.
  2. You received a certificate of birth resulting in stillbirth from the Arizona Department of Health Services.
  3. The child would have otherwise been a member of your household.

Enter the following in columns (a) through (d):

- a) The individual’s first and last name. If you are claiming an exemption for a stillborn child and the child was not named, enter “stillborn child” in place of a name.
- b) The individual’s SSN. If you are claiming an exemption for a stillborn child, enter the certificate number from the certificate of birth resulting in stillbirth.
- c) For those individuals age 65 or over:
  - Check box C1 if you paid more than one-fourth of the cost of keeping this person in an Arizona nursing care institution, an Arizona residential care institution, or an Arizona assisted living facility. Your cost must be more than \$800 during the taxable year;
  - Check box C2 if you paid more than \$800 for either Arizona home health care or other medical costs for the person during the taxable year.

*If you check both box C1 and box C2, you are limited to only **one** exemption of \$2,300 for this individual.*
- (d) Check this box if claiming an exemptions for a stillborn child.

Enter the total number of exemptions in box **48E** on line 48. **You may lose the exemption if you do not furnish this information.**

Multiply the number in box **48E** by \$2,300 and enter the result.

**Line 49 - Qualifying Parents and Grandparents**

**NOTE:** If you take an exemption for an individual as a qualifying parent/grandparent on line 49, you cannot take an Other Exemption for the same individual on line 48 or claim this individual for the dependent tax credit on line 59. In this case, do not include this individual as a dependent in Box 10b.

Multiply the number in box 11a on the front of your return by \$10,000 and enter the result.

**Line 50 - Total Exemptions**

Add lines 46 through 49 and enter the total.

**Line 51 - Prorated Exemptions**

Multiply the amount on line 50 by the Arizona income ratio from line 27 and enter the result.

**NOTE: Active Duty Military Personnel Only** - *If you were an active duty military member who either began or gave up Arizona residency during 2022, do not prorate these exemptions. You are allowed 100 % deductions for the age 65, the blind, Other Exemptions, and qualifying parent and grandparent exemptions. Enter the total amount from line 50 on line 51.*

**Line 52 - Arizona Adjusted Gross Income**

Subtract line 51 from line 45. If less than zero, enter "0".

**Figuring Your Arizona Tax**

**Line 53 - Itemized Deductions or Standard Deductions**

You must decide whether to take the standard deduction or to itemize your deductions. Your Arizona income tax will be less if you take the larger of your standard deduction or your itemized deductions.



When you *e-file*, the software completes the math for you.

**Your Itemized Deductions**

**If you itemize deductions, check box 53L.**

You may itemize deductions on your Arizona return even if you do not itemize deductions on your federal return.

The itemized deductions allowed for Arizona purposes are, with some exceptions, those itemized deductions that are allowable under the IRC.

A part-year resident who has no Arizona source income during the part of the year while an Arizona nonresident can deduct **all** of the following:

1. Those expenses incurred and paid during the part of the year while an Arizona resident.
2. Arizona source itemized deductions incurred and paid during the period of non-residency.

Complete Arizona Form 140PY Schedule A(PY) to determine your Arizona itemized deductions.

A part-year resident who also had Arizona source income during the part of the year while an Arizona nonresident can deduct all of the following:

1. Those expenses incurred and paid during the part of the year while an Arizona resident.
2. Arizona source itemized deductions incurred and paid during the period of non-residency.

3. A portion of all other itemized deductions paid during the period of non-residency.

Complete Form 140PY Schedule A(PYN) to determine your Arizona itemized deductions. Form 140PY Schedule A(PYN) is not included in your booklet.

You may get this form by visiting our website at [www.azdor.gov](http://www.azdor.gov).

To determine your Arizona itemized deductions, complete a federal Form 1040 Schedule A then complete the Form 140PY Schedule A(PY) or A(PYN).

**NOTE:** *If you itemize, you must include a copy of your federal Schedule A with your Arizona return.*

For more information on itemized deductions allowed to a part-year Arizona resident, see the department’s ruling, ITR 94-10, *Part-Year Resident Deductions*.

**Your Standard Deduction**

**Tax Tip:** *The standard deduction is not prorated.*

If you take the standard deduction, check box 53S.

If your filing status is:	Your standard deduction is:
• Single	\$12,950
• Married filing joint	\$25,900
• Married filing separate	\$12,950
• Head of Household	\$19,400

**Line 54 - Increased Standard Deduction for Charitable Contributions**

A taxpayer may increase the allowable standard deduction amount equal to 27% (.27) of the total amount of a taxpayer’s charitable contributions that would have been allowed if the taxpayer elected to claim itemized deductions.

To claim the increased standard deduction, you must complete Form 140PY, page 3 and include the completed page with your tax return, when filed.

Be sure to check box **54C** on line 54. If you do not check this box **and** include a completed page 3 with your tax return, you may be denied the increased standard deduction.

**Line 55 - Arizona Taxable Income**

Subtract lines 53 and 54 from line 52 and enter the difference. If less than zero, enter zero "0." Use this amount to calculate your tax using Tax Tables X and Y.

**Line 56 - Tax Amount**

Enter the tax from Tax Tables X and Y.

**Line 57 - Tax from Recapture of Credits from Arizona Form 301**

Enter the amount of tax due from recapture of credits from Form 301, Part 2, line 32.

**Line 58 - Subtotal of Tax**

Add lines 56 and 57. Enter the total.

**Line 59 - Dependent Tax Credit**

**NOTE:** *If you claim an individual for the dependent tax credit on line 59, you cannot take an exemption for the same individual as a qualifying parent/grandparent on line 49 or as an Other Exemption on line 48.*

For taxable years beginning from and after December 31, 2018, taxpayers may claim a nonrefundable Dependent Tax Credit for certain qualifying dependents. For the purpose of the dependent tax credit, “dependent” means an individual that qualifies as a dependent for federal purposes.

The tax credit is equal to:

- \$100 for each qualifying dependent who is under 17 years of age at the end of the taxable year.
- \$25 for each qualifying dependent who is at least 17 years of age at the end of the taxable year.

Part-year residents are required to apportion their Dependent Tax Credit by the Arizona income tax ratio computed on page 1, line 27.

**NOTE: Active Duty Military Personnel Only -** *If you were an active duty military member, who either began or gave up Arizona residency during 2022, you are not required to prorate this tax credit. Enter 1.000 in Table I, line 4.*

The allowable credit is reduced for single, head of household, and married taxpayers filing separate returns whose federal adjusted gross income (page 1, line 25) is more than \$200,000; and for married taxpayers filing a joint return whose federal adjusted gross income is more than \$400,000.

**Complete the following tables to compute your credit.**

Table I			
(a)	(b)	(c) Credit amount	(d) Multiply column (b) by column (c)
1. Enter number of dependents from page 1, box 10a....		\$ 100	\$ .00
2. Enter number of dependents from page 1, box 10b....		\$ 25	\$ .00
3. Credit amount before adjustment. Add lines 1 and 2. Enter total in column d.			\$ .00
4. Enter your Arizona income ratio from page 1, line 27.....			
5. Multiply line 3 by the ratio on line 4. Enter the result here.....			\$ .00

**All taxpayers go to Table II.**

Table II (Continued on next column)	
If your filing status is single, married filing separate, or head of household, is your federal adjusted gross income on page 1, line 25, more than \$200,000?	Yes <input type="checkbox"/> No <input type="checkbox"/>

If your filing status is married filing joint, is your federal adjusted gross income on page 1, line 25, more than \$400,000?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
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- If you answered “No”, you are not required to reduce the amount of credit computed in Table I. Enter the amount from Table I, line 5 on Form 140PY, page 2, line 59.
- If you answered “Yes”, you are required to reduce the amount of credit computed in Table I.

**Complete Table III or Table IV.**

Table III 2022 Adjusted Dependent Tax Credit For filing status: single, married filing separate, or head of household	
1. Enter your federal adjusted gross income from page 1, line 25.....	\$ .00
2. Federal adjusted gross income limit.....	\$ 200,000.00
3. Subtract line 2 from line 1. Enter the difference..... <i>If the difference is greater than \$19,000, STOP. You cannot claim the dependent tax credit.</i>	\$ .00
4. Enter amount from Table I, line 5, column (d).....	\$ .00
5. Based on the amount on line 3, enter the number from Table V. For example: if line 3 is \$1,500, enter <b>.90</b> .....	
6. Multiply line 4 by line 5. Enter the result. Also, enter the amount on page 2, line 59.....	\$ .00

Table IV 2022 Adjusted Dependent Tax Credit For filing status: married filing joint	
1. Enter your federal adjusted gross income from page 1, line 25.....	\$ .00
2. Federal adjusted gross income limit.....	\$ 400,000.00
3. Subtract line 2 from line 1. Enter the difference..... <i>If the difference is greater than \$19,000, STOP. You cannot claim the dependent tax credit.</i>	\$ .00
4. Enter amount from Table I, line 5, column (d).....	\$ .00
5. Based on the amount on line 3, enter the number from Table V. For example: if line 3 is \$1,500, enter <b>.90</b> .....	
6. Multiply line 4 by line 5. Enter the result. Also, enter the amount on page 2, line 59.....	\$ .00

Use Table V, to determine number to enter on line 5, in Table III or Table IV.



Table V			
If the amount on line 3 from Table III or Table IV is:	Enter on line 5	If the amount on line 3 from Table III or Table IV is:	Enter on line 5
\$ 1 – 1,000	.95	\$ 10,001 – 11,000	.45
\$ 1,001 – 2,000	.90	\$ 11,001 – 12,000	.40
\$ 2,001 – 3,000	.85	\$ 12,001 – 13,000	.35
\$ 3,001 – 4,000	.80	\$ 13,001 – 14,000	.30
\$ 4,001 – 5,000	.75	\$ 14,001 – 15,000	.25
\$ 5,001 – 6,000	.70	\$ 15,001 – 16,000	.20
\$ 6,001 – 7,000	.65	\$ 16,001 – 17,000	.15
\$ 7,001 – 8,000	.60	\$ 17,001 – 18,000	.10
\$ 8,001 – 9,000	.55	\$ 18,001 – 19,000	.05
\$ 9,001 – 10,000	.50	\$ 19,001 and over	.00

**Line 60 - Family Income Tax Credit**



*E-file* software will let you know if you are eligible and will figure the credit for you.

You may claim this credit if your income does not exceed the maximum income allowed for your filing status.

- Complete Steps 1, 2, and 3 to see if you qualify.
- If you qualify, complete Worksheet II in Step 4.

**Step 1**

Complete Worksheet I.

Worksheet I	
1. Enter the amount from line 52.....	\$
2. Enter the amount from line 51.....	\$
3. If you elected to report your small business income on Form 140PY-SBI, enter the amount from Form 140PY, line 28.....	
4. Add lines 1, 2 and 3. Enter the total.	\$

Table I Married Filing a Joint Return	
Column (a)	Column (b)
Number of dependents you are claiming on Form 140PY, page 1, boxes 10a and 10, and claiming as a qualified parent/grandparent in box 11a, provided that person(s) qualifies as a dependent for federal purposes.	Maximum Income
• 0 or 1	\$20,000
• 2	\$23,600
• 3	\$27,300
• 4 or more	\$31,000

**Step 2**

Look at the following tables. Find your filing status.

- Use Table I if married filing a joint return.
- Use Table II if head of household.

- Use Table III if single or married filing a separate return.

**Step 3**

- Look at column (a) labeled "number of dependents" and find the number of dependents you are claiming (Form 140PY, page 1, boxes 10a and 10b, and claiming as a qualified parent/grandparent in box 11a, provided that person(s) qualifies as a dependent for federal purposes.
- Find the maximum income [amount in column (b)] for the number of dependents you are claiming.
- Compare that income [the amount in column (b)] with the income listed in Step 1 on Worksheet I, line 4.

If the amount entered in Step 1 on Worksheet I, line 4, is equal to or less than the maximum income allowed for the number of dependents you are claiming on Form 140PY, page 1, boxes 10a and 10b, you qualify to take this credit. To figure your credit, complete Step 4.

Table II Head of Household	
Column (a)	Column (b)
Number of dependents you are claiming on Form 140PY, page 1, boxes 10a and 10b, and claiming as a qualified parent/grandparent in box 11a, provided that person(s) qualifies as a dependent for federal purposes.	Maximum Income
• 0 or 1	\$20,000
• 2	\$20,135
• 3	\$23,800
• 4	\$25,200
• 5 or more	\$26,575

Table III Single or Married Filing a Separate Return	
Column (a)	Column (b)
Number of dependents you are claiming on Form 140PY, page 1, boxes 10a and 10b, and claiming as a qualified parent/grandparent in box 11a, provided that person(s) qualifies as a dependent for federal purposes.	Maximum Income
0 or more	\$10,000

**Step 4**

If you qualify to take the credit, complete Worksheet II on the next page.

<b>Worksheet II</b>	
<b>You must complete Steps 1 through 3 before you complete Worksheet II.</b>	
1. Enter the number of dependents you entered on Form 140PY, page 1, boxes 10a and 10b, and claiming as a qualified parent/grandparent in box 11a, provided that person(s) qualifies as a dependent for federal purposes.	
2. If you checked filing status 4, <b>enter</b> the number 2. If you checked filing status 5, 6, or 7, <b>enter</b> the number 1.	
3. Add lines 1 and 2. Enter the total.	
4. Multiply the number on line 3 by \$40. Enter the result.	\$ .00
5. If you checked filing status 4 or 5, enter \$240 here. If you checked filing status 6 or 7, enter \$120 here.	\$ .00
6. Family income tax credit. Enter the lesser of line 4 or line 5. Enter amount on Form 140PY, page 2, line 60.	\$ .00
<b>NOTE:</b> <i>The family income tax credit will only reduce your tax and cannot be refunded.</i>	

**Line 61 - Nonrefundable Credits from Arizona Form 301**

**NOTE:** *If you elect to report small business income on Form 140PY-SBI, certain nonrefundable credits must be claimed on the small business tax return. In this case, you must complete Form 301-SBI to claim those credit(s). See the specific credit form and instructions for which credits must be claimed on the small business tax return.*

**Exception:** Credit Form 309 is used to claim a tax credit on Form 140PY for taxes paid to other states or country on income not reported on Form 140PY-SBI. Credit Form 309-SBI is used to claim a tax credit for taxes paid on small business income to another state or county. *See Form 309-SBI and instructions for more information.*

Complete line 61 if you claim any of the following credits on Form 140PY. Complete and include Form 301 and the appropriate credit form or forms with your return.

**Military Reuse Zone Credit** The military reuse zone credit expired. All credits that were properly established can be carried forward for the respective five year carry forward period. Use Form 306 to figure this credit.

**Credit for Increased Research Activities - Individuals** You may qualify for this credit if you incurred qualified research expenses for research conducted in Arizona. Use Form 308-I to figure this credit. Be sure to include only the nonrefundable portion on Form 140PY, line 61.

**Credit for Taxes Paid to Another State or Country** You may qualify for this credit if you paid tax to Arizona and another state or country on the same income. Use Form 309 to figure this credit.

**Credit for Solar Energy Devices** You may qualify for this credit if you installed a solar energy device in your residence located in Arizona. Use Form 310 to figure this credit.

**Agricultural Water Conservation System Credit** You may qualify for this credit if you incurred expenses to purchase and install an agricultural water conservation system in Arizona. Use Form 312 to figure this credit.

**Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets** The credit for solar hot water heater plumbing stub outs and electric vehicle recharge outlets has expired. All credits that were property established can be carried forward for the respective five year carry forward period. Use Form 319 to figure this credit.

**Credit for Contributions to Qualifying Charitable Organizations** You may qualify for this credit if you made contributions to certain qualifying charitable organizations. Use Form 321 to figure this credit.

**Credit for Contributions Made or Fees Paid to Public Schools** You may qualify for this credit if you made contributions or paid certain fees to public schools in Arizona. Use Form 322 to figure this credit.

**Credit for Contributions to Private School Tuition Organizations** You may qualify for this credit if you made contributions to a school tuition organization that provides scholarships or grants to qualified schools. Use Form 323 to figure this credit.

**Agricultural Pollution Control Equipment Credit** You may qualify for this credit if you are involved in commercial agriculture and incurred expenses to purchase tangible personal property that is primarily used in your trade or business to control or prevent pollution. Use Form 325 to figure this credit.

**Credit for Donation of School Site** You may qualify for this credit if you donated real property and improvements to a school district or a charter school for use as a school or as a site for the construction of a school. Use Form 331 to figure this credit.

**Credit for Employing National Guard Members** You may qualify for this credit if you are an employer who has an employee that is a member of the Arizona National Guard if the employee is placed on active duty. Use Form 333 to figure this credit.

**Credit for Business Contributions by an S Corporation to School Tuition Organizations - Individual**

S corporations that make qualifying contributions of \$5,000 or more may pass-through the credit to their individual shareholders on a pro rata basis. See Form 335-I for more information.

**Credit for Solar Energy Devices - Commercial or Industrial Applications** This credit is available to taxpayers that installed solar energy devices for commercial, industrial, or

other nonresidential applications in Arizona. Use Form 336 to figure this credit.

**Credit for Investment in Qualified Small Businesses**

You may qualify for this credit if you made an investment in a qualified small business. Use Form 338 to figure this credit.

**Credit for Donations to the Military Family Relief Fund**

You may qualify for this credit if you made a cash contribution to the Arizona Military Family Relief Fund during the taxable year. Use Form 340 to figure this credit.

**Credit for Business Contributions by an S Corporation to School Tuition Organizations for Displaced Students or Students with Disabilities - Individual**

S corporations that make qualifying contributions of \$5,000 or more may pass-through the credit to their individual shareholders on a pro rata basis. See Form 341-I for more information.

**Renewable Energy Production Tax Credit** You may qualify for this credit if you produced electricity using renewable energy resources. Use Form 343 to figure this credit.

**Credit for New Employment** For taxable years beginning from and after June 30, 2011, you may qualify for this credit if your business had a net increase in qualified employment positions. Use Form 345 to figure this credit.

**Additional Credit for Increased Research Activities for Basic Research Payments**

You may qualify for this credit for qualified basic research payments for research conducted in Arizona. Approval by the Department of Revenue is required prior to claiming this credit. Use Form 346 to figure this credit.

**Credit for Contributions to Certified School Tuition Organizations (for the amounts that exceed the allowable credit on Arizona Form 323)**

You may qualify for this credit if you made contributions to school tuition organization(s) that exceed the allowable credit amount on Form 323. Use Form 348 to figure this credit.

**Credit for Renewable Energy Investment & Productions for Self-Consumption by International Operations Centers**

You may qualify for this tax credit if you invested in new renewable energy facilities that produce energy for self-consumption using renewable energy resources if the power will be used primarily for an international operations center. Use Form 351 to figure this credit.

**Credit for Contributions to Qualifying Foster Care Charitable Organizations**

You may qualify for this credit if you made contributions to certain qualifying foster care charitable organizations. Use Form 352 to figure this credit.

**Healthy Forest Production Tax Credit** You may qualify for this tax credit if you meet all of the qualifications or receive a pass-through credit from a partnership or S Corporation. All credits that were properly established can be carried forward for the respective five year carry forward period. Use Form 353 to figure this credit.

**Affordable Housing Tax Credit** You may qualify for this tax credit if you meet all of the qualifications or receive a

pass-through credit from a partnership or S Corporation. All credits that were properly established can be carried forward for the respective five year carry forward period. Use Form 354 to figure this credit.

**Credit for Entity-Level Income Tax** You may qualify for this tax credit if you meet all of the qualifications or receive a pass-through credit from a partnership or S Corporation. All credits that were properly established can be carried forward for the respective five year carry forward period. Use Form 355 to figure this credit.

**TOTAL CREDITS** Compute your credit on the appropriate form. Complete Form 301 and enter the amount from Form 301, Part 2, line 64. The amount on Form 140PY, line 61 cannot reduce your tax below zero, "0". These credits are not refundable credits.

Include Form 301 along with any supporting documents with your return.

**Line 62 - Balance of Tax**

Subtract lines 59, 60, and 61 from line 58. If the sum of lines 59, 60, and 61 is more than line 58, enter zero "0."

**Totaling Payments and Refundable Credits**

**Line 63 - 2022 Arizona Income Tax Withheld**

Enter the Arizona income tax withheld as shown on Form(s) W-2 from your employer(s). Also enter the Arizona income tax withheld shown on your Form(s) 1099-R (distributions from pensions, annuities, etc.). Include Form(s) W-2 and 1099 after the last page of your return only if these forms show Arizona income tax withholding. Do **not** include income taxes withheld by any other state.

**Line 64 - (Boxes a, b and c) - 2022 Arizona Estimated Tax Payments Including Amount Applied from Your 2021 Return; and Arizona Claim of Right**

Use this line if you did any of the following:

- made estimated income tax payments to Arizona for tax year 2022;
- applied any of your refund from your 2021 Arizona tax return to 2022 estimated taxes for Arizona; or
- recomputed a prior year's tax under Arizona's Claim of Right provisions.

You **must** also complete and include the *Arizona Claim of Right - Individual* form(s) with your income tax return. If you fail to complete and include the form(s), the amount of your claim may be denied. The form is available on the department's website at [www.azdor.gov](http://www.azdor.gov).

**Box 64a:** Enter the total amount of estimated taxes paid and/or applied to your 2022 taxes.

**NOTE:** *If you are married and made joint Arizona estimated payment for 2022, but are filing separate 2022 Arizona income tax returns, see the department's ruling ITR 02-3, Allocating Joint Estimated Payments to Separate Returns.*

**Box 64b:** Enter the amount from your *Arizona Claim of Right - Individual* form, line 8.

If you completed more than one Claim of Right form for the current taxable year, add all amounts on line 8 and enter the total in box 64b.

**NOTE:** For more information on Arizona's claim of right provisions, see the department's procedure, ITP 16-1, Procedure for Individuals Who Restore Substantial Amounts Held Under a Claim of Right.

**Line 64c:** Add the amounts in box 64a and box 64b and enter the total on line 64c.

**Line 65 - 2022 Arizona Extension Payment (Form 204)**

Use this line to report the payment you sent with your extension request or the electronic extension payment you made using [www.AZTaxes.gov](http://www.AZTaxes.gov).

**Line 66 - Increased Excise Tax Credit**

You may claim this credit if you meet all of the following:

- You must have a SSN that is valid for employment.
- You meet the income threshold for your filing status.
- If you are married filing a joint return, or a head of household, you may take this credit if the amount on Form 140PY, page 1, line 25 is \$25,000 or less.
- If you are single or married filing a separate return, you may claim this credit if the amount on Form 140PY, page 1, line 25 is \$12,500 or less.
- You are not claimed as a dependent by any other taxpayer.
- **You were not sentenced for at least 60 days of 2022 to a county, state, or federal prison.**

If you are married filing a joint return, you may also claim a credit for your spouse. Your spouse must have either a valid SSN or an ITIN.

**NOTE:** If you are filing a joint return with your spouse and your spouse was sentenced for at least 60 days during 2022 to a county, state or federal prison, you may claim the Excise Tax Credit if you otherwise qualify to claim the credit, but you cannot claim the credit for your spouse. If your spouse has a valid SSN, but you do not, neither you nor your spouse can claim this credit.

For more information about how incarceration affects this credit, see the department's publication, Pub. 709, *Excise Tax Credit – How Does Incarceration Affect Eligibility*. If you also claim a credit for your qualifying children, your qualifying children must have either a valid SSN or an ITIN.

To figure your credit, complete the following worksheet.

<b>Credit for Increased Excise Taxes Worksheet</b>		
If you checked filing status 4 or 5, is the amount on Form 140PY, line 25 \$25,000 or less?	Check one	
If you checked filing status 6 or 7, is the amount on Form 140PY, line 25 \$12,500 or less?	Yes	No
<p><b>If you checked no, STOP. You do not qualify for this credit. If you checked yes, complete the rest of this worksheet.</b></p>		

**Credit for Increased Excise Taxes Worksheet**

1. Enter the number of dependents you entered on Form 140PY, page 1, boxes 10a and 10b, and claiming as a qualified parent/grandparent in box 11a, provided that person(s) qualifies as a dependent for federal purposes. Exclude any dependent that is not an Arizona resident.	
2. If you checked filing status 4, enter the number 2 here. If you checked filing status 5, 6, or 7, enter the number 1.	
3. Add lines 1 and 2. Enter the total.....	
4. Multiply the number on line 3 by \$25. Enter the result.....	\$ .00
5. Maximum Credit	\$ 100.00
6. Enter the smaller of line 4 or line 5 here and also on Form 140PY, page 2, line 66.	\$ .00

**NOTE:** The credit cannot exceed \$100 per household. Do not claim this credit if someone else in your household has already claimed \$100 of the credit. If someone else in your household has claimed less than \$100, you may claim the credit as long as all credit claims filed from your household do not exceed \$100.

For more information about this credit, see the department's publication, Pub. 709.

**Line 67- Other Refundable Credits**

Enter the total of refundable credits you are claiming from any of the following:

- Form 308-I – *Credit for Increased Research Activities - Individuals*
- Form 349 – *Credit for Qualified Facilities*

If you enter an amount on this line, be sure you check the box or boxes to show which credits you are claiming. Include the credit form(s) with your return when you file.

**Credit for Increased Research Activities - Individuals (Arizona Form 308-I)**

A portion of this credit may be refundable. You may qualify for the refundable increased research activities credit if you incurred qualified research expenses for research conducted in Arizona. For more information about this credit and whether you may claim a refund of this credit, see Form 308-I.

You must include a copy of your "Certificate of Qualification" from the Arizona Commerce Authority (ACA), Form 301 and Form 308-I with your return to claim this credit. If you are claiming a refund of the increased research activities credit from Form 308-I, enter the amount from Form 308-I, Part 7, line 38 on line 67.

**Credit for Qualified Facilities (Arizona Form 349)**

You may qualify for the refundable qualified facilities credit if you expanded or located a qualified facility in Arizona. This credit is refundable in five equal installments. Pre-approval and post-approval are required through the ACA. For more information about this credit, see Form 349.

You must include a copy of your “Certificate of Qualification” from the ACA and Form 349 with your tax return to claim this credit. If you are claiming a refund of the qualified facilities credit from Form 349, enter the amount from Form 349, Part 8, line 20, on line 67.

If you are claiming more than one of the refundable tax credits, add the amounts from the credit forms together and enter the total on line 67. You may use the following table to figure the amount to enter on line 67.

2022 - Refundable Credit Worksheet	
1. Enter the refundable credit from Form 308-I, Part 7, line 38.....	
2. Enter the refundable credit from Form 349, Part 8, line 20.....	
3. Add the amounts on lines 1 and 2. Enter the total here and on line 67.	

**Line 68 - Total Payments and Refundable Credits**

Line 68 is the total payments and refundable credits claimed. Add lines 63 through 67. Enter the total.

**Figuring Your Tax Due or Overpayment**

**Line 69 - Tax Due**

If line 62 is larger than line 68, you have tax due. Subtract line 68 from line 62. Skip lines 70, 71, and 72.

**Line 70 - Overpayment**

If line 68 is larger than line 62, subtract line 62 from line 68. Enter the overpayment. Complete lines 71 and 72.

**Line 71 - Amount of Line 70 to Apply to 2023 Estimated Tax**

If you want all or part of your refund applied to next year's Arizona estimated taxes, enter that amount on line 71.

**NOTE:** *If you apply any of the amount shown on line 70 to 2023, you cannot use that amount to pay any tax that is later found to be due for 2022. You also may not claim a refund for that amount until you file your 2023 return.*

**Line 72 - Balance of Overpayment**

Subtract line 71 from line 70 to determine your overpayment balance before voluntary gifts and estimated payment penalty.

**Making Voluntary Gifts**

You can make voluntary gifts to each of the funds shown below. A gift will reduce your refund or increase the amount due with your return.

**NOTE:** *If you make a gift, you cannot change the amount of that gift later on an amended return.*

**Line 73 - Solutions Teams Assigned to Schools Fund**

You may give some or all of your refund to the Solutions Teams Assigned to Schools Fund. You may also give more than your entire refund. If you send in additional money with your return,

include that amount on line 89. Enter the amount you want to donate on line 73.

Gifts go to the Arizona Assistance for Education Fund. The Arizona Board of Education will distribute money to the Arizona Department of Education to fund solutions teams assigned to schools.

**Line 74 - Arizona Wildlife Fund**

You may give some or all of your refund to the Arizona Wildlife Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 89. Enter the amount you want to donate on line 74.

Your gift to the Arizona Wildlife Fund helps protect wildlife in the state. Many species like bald eagles, Apache trout, and black-footed ferrets benefit from your gifts to this fund. Gifts are also used to improve areas for watching wildlife statewide.

**Line 75 - Child Abuse Prevention Fund**

You may give some or all of your refund to the Arizona Child Abuse Prevention Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 89. Enter the amount you want to donate on line 75.

Gifts go to the Arizona Child Abuse Prevention Fund. This fund provides financial aid to community agencies for child abuse prevention programs.

**Line 76 - Domestic Violence Services Fund**

You may give some or all of your refund to the Domestic Violence Services Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 89. Enter the amount you want to donate on line 76.

Gifts go to the Domestic Violence Services Fund. This fund provides financial aid to shelters for victims of domestic violence.

**Line 77 - Political Gift**

You may give some or all of your refund to a political party. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 89. Enter the amount you want to donate on line 77.

If you donate to a political party, complete line 84.

Gifts go to one of the following political parties:

- Democratic
- Libertarian
- Republican

**Line 78 - Neighbors Helping Neighbors Fund**

You may give some or all of your refund to the Neighbors Helping Neighbors Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 89. Enter the amount you want to donate on line 78.

Gifts go to the Neighbors Helping Neighbors Fund. This fund provides eligible recipients with emergency aid in paying utility bills, conserving energy, and weatherization.

**Line 79 - Special Olympics Fund**

You may give some or all of your refund to the Special Olympics Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 89. Enter the amount you want to donate on line 79.

Gifts go to the Special Olympics Fund. This fund helps provide programs of the Arizona Special Olympics.

**Line 80 - Veterans' Donations Fund**

You may give some or all of your refund to the Veterans' Donations Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 89. Enter the amount you want to donate on line 80.

Gifts go to the Veterans' Donations Fund, which may be used for veterans in Arizona.

**Line 81 - I Didn't Pay Enough Fund**

You may give some or all of your refund to the I Didn't Pay Enough Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 89. Enter the amount you want to donate on line 81.

Gifts that you make to the I Didn't Pay Enough Fund will aid the state by going to the Arizona general fund.

**Line 82 - Sustainable State Parks and Roads Fund**

You may give some or all of your refund to the Sustainable State Parks and Roads Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 89. Enter the amount you want to donate on line 82.

Gifts that you make to the Sustainable State Parks and Roads Fund will aid the state to operate, maintain, and make capital improvements to buildings, roads, parking lots, highway entrances and any related structure used to operate state parks.

**Line 83 - Spaying and Neutering of Animals Fund**

You may give some or all of your refund to the Spaying and Neutering of Animals Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 89. Enter the amount you want to donate on line 83.

Gifts that you make to the Spaying and Neutering of Animals Fund will help to reduce pet overpopulation by sterilizing, at minimal or no cost, dogs and cats in this state, including those that are impounded and sterilized.

**Line 84 - Political Party**

If you entered an amount on line 77, check the box for the political party to which you wish to give. Select only one party. If you do not select a political party, the department will return the amount on line 77.

**Line 85 - Estimated Payment Penalty**

Do **not** complete Arizona Form 221, Underpayment of Estimated Tax by Individuals, if the amount on Form 140PY,

line 64 is more than the amount on Form 140PY, line 62. Skip line 85.

You must have made Arizona estimated income tax payments during 2022 if:		
Your filing status is:	<b>AND</b> Your Arizona gross income for 2021 was greater than:	<b>AND</b> Your Arizona gross income for 2022 is greater than:
Single	\$75,000	\$75,000
Married filing Joint	\$150,000	\$150,000
Married filing separate	\$75,000	\$75,000
Head of Household	\$75,000	\$75,000

If you report as a farmer or fisherman for federal purposes, you were not required to make estimated payments during 2022 if either of the following apply:

1. *You are a calendar year filer.* You file your Arizona return by March 1, 2023. You pay in full the amount stated on your return as owed.
2. *You are a fiscal year filer.* You file your Arizona return by the first day of the third month after the end of your fiscal year. You pay in full the amount stated on your return as owed.

**If the above applies, check box 862 on line 86 and do not complete Form 221.**

An individual who fails to make the required estimated payments is subject to penalty on any estimated tax payment that is late or underpaid.

Complete and include Form 221, *Underpayment of Estimated Tax by Individuals*, to determine if any penalty is due. Enter the total penalty from Form 221.

**Line 86 - Box 861 through Box 863**

**Box 861:** check if any of the following applies to you:

- You checked the box on line 1 of Form 221.
- You completed the annualized income worksheet on Form 221.
- You elected to be treated as a nonresident alien on your federal income tax return. You made three estimated payment installments. Your first installment equaled 50% of the total of all of your required installments.

**Box 862:** check if you are an individual who for federal purposes reports as a farmer or fisherman.

**Box 863:** check if you completed and are including Arizona Form 221.

**Line 87**

Add lines 73 through 83 and line 85 and enter the total.

**Figuring Your Refund or Amount Owed**



You can get your refund quicker when you *e-file and use direct deposit.*

**Line 88 - Refund**

Subtract line 87 from line 72. Enter your refund on line 88 and skip line 89. If you owe money to any Arizona state agency, court, county, incorporated city or town and certain federal agencies, your refund may go to pay some of the debt. If so, the department will let you know by letter.

**TAX TIP:** *If you change your address before you get your refund, let the department know. Complete Form 822, available at: [azdor.gov/forms/other-forms](http://azdor.gov/forms/other-forms).*

**Direct Deposit of Refund**

Complete the direct deposit line if you want us to directly deposit the amount shown on line 88 into your account at a bank or other financial institution (such as a mutual fund, brokerage firm or credit union) instead of sending you a check.

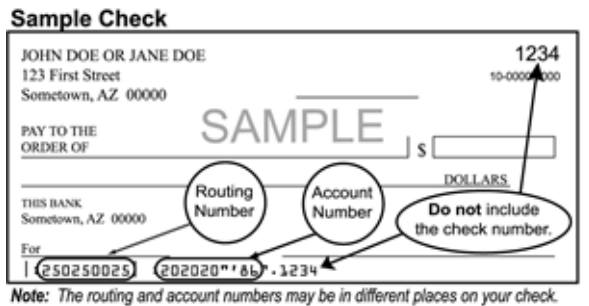
**NOTE:** *Check the box on line 88A if the direct deposit will ultimately be placed in a foreign account. If you check box 88A, do not enter your routing or account numbers. If this box is checked, we will not direct deposit your refund. We will mail you a check instead.*

**Why Use Direct Deposit?**

- You will get your refund fast - even faster if you e-file!
- Payment is more secure - there is no check to get lost.
- It is more convenient - no trip to the bank.
- It saves tax dollars - a refund by direct deposit costs less to process than a check.

**NOTE:** *We are not responsible for a lost refund if you enter the wrong account information. Check with your financial institution to get the correct routing and account numbers and to make sure your direct deposit will be accepted.*

**Routing Number**



Make sure you enter the correct routing number. The routing number must be nine digits. The first 2 digits must be 01 through 12 or 21 through 32. Otherwise, the direct deposit will be rejected and a check will be mailed instead. On the sample check above, the routing number is 250250025.

Your check may state that it is payable through a financial institution different from the one at which you have your checking account. If so, do not use the routing number on that check. Instead, contact your financial institution for the correct routing number to enter here.

**Account Number**

**MAKE SURE YOU ENTER THE CORRECT ACCOUNT NUMBER.**

The account number can be up to 17 characters (both numbers and letters). DO NOT include hyphens, spaces or special symbols. Enter the number from left to right and leave any unused boxes blank.

On the sample check, the account number is 20202086. Be sure not to include the check number.

**NOTE:** *If the direct deposit is rejected, a check will be mailed instead.*

**Line 89 - Amount Owed**

Add lines 69 and 87. Enter the amount you owe on line 89. If you are making voluntary gifts on lines 73 through 83 in excess of your overpayment, enter the difference on line 89.

You may pay only with a check, electronic check, money order, direct debit through your software vendor or credit card. If you want to make a cash payment, please visit one of our offices.

**Check or money order**

**NOTE:** *Include your check with your return. Please do not send cash.*

Make your check payable to Arizona Department of Revenue. Write your SSN, Form 140PY and tax year on the front of your check or money order. It may take 2-3 weeks for your payment to process.

The department cannot accept checks or money orders in foreign currency. You must make payment in U.S. dollars.

The Department of Revenue may charge you \$50 for a check returned unpaid by your financial institution.

**Electronic payment from your checking or savings account**

You can make an electronic payment from your checking or savings account to pay your balance due for 2022. There is no fee to use this method. To make an electronic payment, go to [www.AZTaxes.gov](http://www.AZTaxes.gov) and click on the "Make a Payment" link.

Be sure to enter the correct routing number and account number for your checking or savings account. You will be charged a \$50 non-sufficient funds (NSF) fee if you provide an incorrect routing number or an incorrect account number. Check with your financial institution to get the correct routing and account numbers.

The "E-Check" option in the "Payment Method" drop-down box will debit the amount from the checking or savings account that you specify.

If you make an electronic payment from your checking or savings account, you will receive a confirmation number. **Please keep this confirmation number as proof of payment.**

**NOTE:** You may not make an electronic payment from your checking or savings account if the payment will ultimately be coming from a foreign account. In this case, you must pay by check or money order.

### Credit card payment

You can pay with your Discover, MasterCard, Visa, or American Express credit card. Go to [www.AZTaxes.gov](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.**

### Installment Payments

If you cannot pay the full amount shown on line 89 when you file, you may request to make monthly installment payments. All payment arrangements for individual income tax can be made online at [www.AZTaxes.gov](http://www.AZTaxes.gov), please select the "Request A Payment Plan" option under the Individual Income section. If you cannot pay the full amount shown on line 89, you will be charged interest and may be charged a late payment penalty on the tax not paid by April 18, 2023. To limit the interest and penalty charges, pay as much of the tax as possible when you file.

### Sign Your Return

You must sign your return. If married filing a joint return, both you and your spouse must sign even if only one had income. Form 140PY is not considered a valid return unless you sign it. The department cannot send a refund check without proper signatures on the return.

### Instructions Before Mailing

- **DO NOT STAPLE YOUR RETURN. DO NOT STAPLE ANY SCHEDULES, DOCUMENTS OR PAYMENT TO YOUR RETURN.**
- Make sure your SSN is on your return.
- Be sure you enter your daytime telephone number in the space provided on the front of your return.
- Check to make sure that your math is correct. A math error can cause delays in processing your return.
- Check the **boxes** to make sure you filled in all required boxes.
- If you requested a filing extension, make sure that you check box 82F (above your name) on page 1 of the return.
- Sign your return and have your spouse sign, if filing jointly.
- Write your SSN and tax year on the front of your check or money order. Include your payment with your return.
- Do **not** include correspondence with your return.

### Mailing Your Return

Place pages in the order shown on the last page of these instructions.

**NOTE:** If you are filing Arizona Form 140PY-SBI, **DO NOT MAIL THIS RETURN SEPARATELY.** You must include this return with your Form 140PY in the same envelope.

- If you are mailing your return, be sure to include Form 140PY, page 1 and page 2, and all other required forms.
- Include Form(s) W-2, W-2G, 1099-B, 1099-DIV, 1099-G, 1099-INT, 1099-NEC, 1099-MISC and 1099-R, after the last page of your return **only** if the form shows Arizona income tax withholding.
- If you are mailing your return, make a copy before mailing. Also make a copy of any forms and schedules that you are including in with your return. Keep the copies for your records. Be sure that you mail the original and not a copy.
- If mailing more than one tax return, please use separate envelopes for each return.

### Where Should I Mail My Return?

If you are **not filing Form 140PY-SBI** and are **including a payment with your Form 140PY return**, mail the return to

Arizona Department of Revenue  
PO Box 52016  
Phoenix, AZ 85072-2016

If you are **expecting a refund, or owe no tax, or owe tax but are not including a payment**, mail the return to

Arizona Department of Revenue  
PO Box 52138  
Phoenix, AZ 85072-2138

If you **are filing Form 140PY and Form 140PY-SBI**, the department will apply any overpayment from one return to the tax liability shown on the other return.

- After applying the overpayment, if there is a net tax due and you are sending a payment mail both returns to  
Arizona Department of Revenue  
PO Box 52016  
Phoenix, AZ 85072-2016
- After applying the overpayment, if there is a net refund mail both returns to  
Arizona Department of Revenue  
PO Box 52138  
Phoenix, AZ 85072-2138

### Make sure you put enough postage on the envelope

The U.S. Post Office or the United States mail service must postmark your return or extension request by midnight April 18, 2023.

The term "United States mail" includes any private delivery service designated by the United States Secretary of the



Treasury pursuant to IRC § 7502(f) and the term “postmark” includes any date recorded or marked by any such designated delivery service.

An income tax return that is mailed to the department is timely filed if it is delivered on or before its due date. Additionally, if the envelope or wrapper containing the return sent through the United States mail bears a postmark of the United States mail and that tax return is delivered to the department after its due date that return will be considered timely filed if all of the following apply:

1. The return was deposited in an official depository of the United States mail;
2. The date of the postmark is no later than the due date;
3. The return was properly addressed; and
4. The return had proper postage.

If the envelope or wrapper containing a return sent through the United States mail bears a private meter postmark made by other than the United States mail, the return is treated as timely filed if both of the following apply:

1. The private meter postmark bears a date on or before the due date for filing; and
2. The return is received no later than the time it would ordinarily have been received from the same point of origin by the same class of U.S. postage. If the return is received by the department within five business days of the private meter postmark date, the department will consider this requirement satisfied.

You may also use certain private delivery services designated by the IRS to meet the “timely mailing as timely filed” rule. For more information, see the department’s ruling, GTR 16-1, *Timely Filing of Income or Withholding Tax Returns Through the United States Mail*.

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## How Long to Keep Your Return

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You must keep your records as long as they may be needed for the administration of any provision of Arizona tax law. Generally, this means you must keep records that support items shown on your return until the period of limitations for that return runs out.

The period of limitations is the period of time in which you can amend your return to claim a credit or refund or the department can assess additional tax. A period of limitations is the limited time after which no legal action can be brought. Usually, this is four years from the date the return was due or filed.

In some cases, the limitation period is longer than four years. The period is six years from when you file a return if you underreport the income shown on that return by more than 25% (.25).

The department can bring an action at any time if a return is false or fraudulent, or you do not file a return. To find out more about what records you should keep, get federal Publication 552.

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## Where’s My Refund?

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You can check on your refund by visiting [www.AZTaxes.gov](http://www.AZTaxes.gov) and clicking on “Where’s my refund?” or you may call one of the numbers listed on page 1.

Before you call, be sure to have a copy of your 2022 tax return on hand. You will need to know your SSN, your filing status and your 5-digit ZIP Code.

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## Contacting the Department

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Your tax information on file with the department is confidential. If you want the department to discuss your tax matters with someone other than yourself, you must authorize the department to release confidential information to that person.

You may use Arizona Form 285 to authorize the department to release confidential information to your appointee. See Form 285 for details.

# 2022 Part-Year Resident Personal Income Tax Return

**Arizona Form  
140PY**

## Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired After December 31, 2011

2022 Original return       2022 Amended return

**IMPORTANT**

**As a part-year resident, you may include, in your computation, all net long-term capital gains from qualifying assets acquired during the period of residency, and only those net long-term capital gains from qualifying assets acquired from Arizona sources during the period of non-residency.**

**If you elected to file the Arizona Small Business Income Tax Return (Form 140-SBI), only claim the subtraction on this return if the net capital gain to which the subtraction relates was not moved to the Arizona Small Business Income Tax Return.**

- If you cannot determine the acquisition date of an asset, including mutual funds, the long-term capital gain from that asset does not qualify for the allowable subtraction. For the purpose of the allowable subtraction, these assets are considered to have been acquired before January 1, 2012.
- An asset acquired by gift or inheritance is considered acquired on the date it was acquired by gift-giver or the deceased individual.
- If you receive form(s) 165 Schedule K-1 or K-1(NR) from a partnership, 120S Schedule K-1 or K-1(NR) from an S corporation, or 141AZ Schedule K-1 from an estate or trust, be sure to include those qualifying net long-term capital gain amounts in your computation.

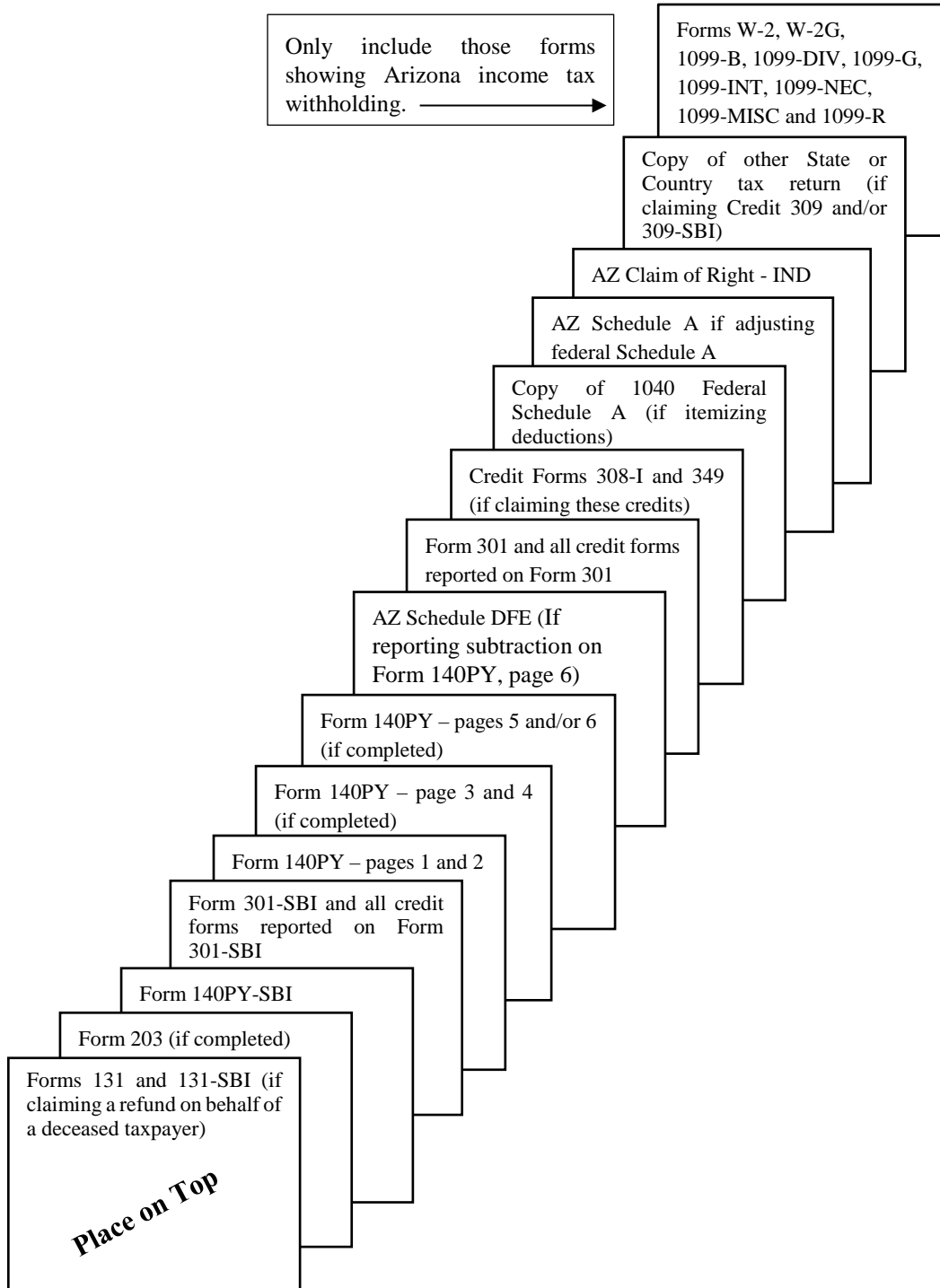
**Do not include any short-term capital gains or (losses) in this worksheet.**

1.	Enter the total net long-term capital gain or (loss) from assets acquired after December 31, 2011, and included in federal adjusted gross income.....		00
2.	Enter the amount of net long-term capital <b>(loss)</b> derived from the exchange of one kind of legal tender for another kind of legal tender from assets acquired after December 31, 2011, and included in the addition on Arizona Form 140PY, page 5, "N".....	00	
3.	Enter the amount of net long-term capital <b>gain</b> derived from investment in qualified small business from assets acquired after December 31, 2011, and included in the subtraction on Arizona Form 140PY, line 38.....	00	
4.	Enter the amount of net long-term capital <b>gain</b> derived from the exchange of one kind of legal tender for another kind of legal tender from assets acquired after December 31, 2011, and included in the subtraction on Arizona Form 140PY, page 6, "W".....	00	
5.	(Line 1 + line 2) minus (line 3 + line 4). Enter the difference.....		00

- If the amount on line 5 is positive, you have a net long-term capital gain from assets acquired *after* December 31, 2011. Enter the amount on Form 140PY, line 36.
- If the amount on line 5 is zero or negative, you do not qualify to take the allowable subtraction. Enter "0" on Form 140PY, line 36.

**2022 Form 140PY Assembly Order (form sequence)  
For returns *mailed* to the Department**

*To avoid processing delays, place the returns in the following order (starting with Forms 131 and 131-SBI)*



**THIS PAGE INTENTIONALLY LEFT BLANK**

**Include with your return.**

Your Name as shown on Form 140PY	Your Social Security Number
Spouse's Name as shown on Form 140PY (if filing joint)	Spouse's Social Security Number

**Medical and Dental Expenses • Taxes • Interest Expense • Gifts to Charity**

1	Medical and dental expenses incurred and paid while an Arizona resident plus the amount of such expenses from Arizona sources that you incurred and paid during the part of the year while an Arizona nonresident.....	1		00
2	Taxes allowable on federal Form 1040, Schedule A that you incurred and paid while an Arizona resident plus the amount of such taxes from Arizona sources that you incurred and paid during the part of the year while an Arizona nonresident.....	2		00
3	Interest expense. See instructions .....	3		00
4	If you received a federal credit, for interest paid on mortgage credit certificates (from federal Form 8396), enter the amount of mortgage interest you paid while an Arizona resident for 2022 that is equal to the amount of your 2022 federal credit.....	4		00
5	Gifts to charity allowable on federal Form 1040, Schedule A that you incurred and paid while an Arizona resident plus the amount of such gifts from Arizona sources that you incurred and paid during the part of the year while an Arizona nonresident.....	5		00

**Casualty and Theft Losses**

6	Casualty loss(es) allowable on federal Form 4684.....	6		00
7	Amount of loss on line 6 incurred while you were an Arizona resident plus the amount of loss from Arizona sources on line 6 that you incurred during the part of the year while an Arizona resident.....	7		00

**Other Expenses**

8	Other expenses allowable on federal Form 1040, Schedule A that you incurred and paid while an Arizona resident plus the amount of such expenses from Arizona sources that you incurred and paid during the part of the year while an Arizona nonresident.....	8		00
9	Add lines 1, 2, 3, 4, 5, 7 and 8. Enter the total. ....	9		00

**Adjustments: State Income Taxes and Charitable Contributions**

10	Amount of state income taxes deducted on the federal Schedule A that are for contributions to a charity for which an Arizona credit was received. If your tax deduction was limited on your federal Schedule A, complete the worksheet on page 2 to determine the adjustment on this line.....	10		00
11	Enter the amount of charitable contributions for which you are taking a credit under Arizona law.....	11		00
12	Arizona itemized deductions: Subtract lines 10 and 11 from line 9. Enter the difference. If less than zero, enter "0". Also, enter the amount on Form 140PY, line 53.....	12		00



**You must include a copy of federal Form 1040, Schedule A with your return if you itemize your deductions on your Arizona return.**

## 2022 Form 140PY Schedule A(PY) Adjustment to State Income Taxes

**Arizona Revised Statutes § 43-1042 was amended to require taxpayers to reduce the amount of itemized deductions for amounts used to claim an Arizona credit, even if the amount was deducted on the federal return as state income taxes paid rather than charitable contributions.**

<b>1A</b>	Total state income taxes on the federal Schedule A before applying the federal limitations.....	<b>1A</b>	00
<b>2A</b>	Amount included in the line 1A for which you claimed an Arizona credit.....	<b>2A</b>	00
<b>3A</b>	Subtract line 2A from line 1A. Enter the difference.....	<b>3A</b>	00
<b>4A</b>	Limit from federal Schedule A. Enter \$10,000 (\$5,000 if married filing separate)..	<b>4A</b>	00
<b>5A</b>	Enter the smaller of line 3A or 4A.....	<b>5A</b>	00
<b>6A</b>	Enter total state income taxes claimed on federal Schedule A (after limitation).....	<b>6A</b>	00
<b>7A</b>	Subtract line 5A from line 6A. This is the amount of your Arizona adjustment. Enter the amount on page 1, line 10.....	<b>7A</b>	00

# 2022 Form 140PY Schedule A(PY) Itemized Deductions

## For Part-Year Residents Only

Before you complete Arizona Form 140PY Schedule A(PY), you must complete a federal Form 1040 Schedule A even if you do not itemize deductions on your 2022 federal return.

You may itemize your deductions on your Arizona return even if you do not itemize deductions on your federal return. For the most part, you can deduct those items that are allowable itemized deductions under the Internal Revenue Code (IRC).

Even if you don't itemize deductions on your federal return, you must complete and include a copy of the federal Form 1040, Schedule A with this form.

A part-year resident who has no Arizona source income during the part of the year while an Arizona nonresident can deduct **all** of the following:

- Those expenses incurred and paid during the part of the year while an Arizona resident.
- Arizona source itemized deductions incurred and paid during the part of the year while a nonresident.

For more information, see the department's ruling, ITR 94-10, *Part-Year Resident Deductions*, at [www.azdor.gov](http://www.azdor.gov).

## General Instructions

Arizona is a community property state. If you are married filing a separate return and claiming itemized deductions, see the department's ruling, ITR 93-19, *Deductions, Exemptions, and Credits for Married Taxpayers who file Separate Returns*, for more information claiming itemized deductions.

When married taxpayers file separate Arizona income tax returns, both filers must either claim the standard deduction or itemize deductions. One spouse cannot claim a standard deduction when the other spouse itemizes deductions. If this situation does occur, the standard deduction will be disallowed, regardless of which return may have been filed first.

The treatment of itemized deductions by spouses who file separate returns depends on whether the deductible expenses were paid with community funds or with separate funds. If the expenses were paid with community funds, the deduction is divided equally between each spouse. Expenses paid with separate funds are deductible by the spouse who paid the expenses. Under no circumstances may more than 100 percent of the allowable deductions be claimed.

**NOTE:** *If you or your spouse claim 100% of the allowable itemized deductions, the other spouse must enter "0" on Form 140PY, line 53, and that spouse cannot claim an adjustment for either itemized deductions or the standard deduction.*

In some cases, the itemized deductions allowed on your Arizona return are not the same as those allowable under the IRC. The itemized deductions allowed on your Arizona return can differ from your federal return.

You **must** complete Schedule A(PY) if you are a part-year resident claiming itemized deductions and you did not have any Arizona source income during the part of the year when

you were a non-resident. If you are a part-year resident claiming itemized deductions who had Arizona source income during the part of the year when you were a non-resident, you must complete Schedule A(PYN) instead.

## Line-by-Line Instructions

### Line 1 - Medical and Dental Expenses

Enter the amount of medical and dental expenses incurred and paid while an Arizona resident. Also enter the amount of such expenses from Arizona sources that you incurred and paid during the part of the year that you were a nonresident.

The medical and dental expenses that you can deduct on your Arizona return are the same expenses that you can deduct on your federal return.

Be sure you reduce these expenses by any payments received from insurance or other sources. Do not include the following amounts you paid through an employer-sponsored health insurance plan (cafeteria plan) unless your employer included the amount(s) in Box 1 of your Form W-2:

- Insurance premiums you paid through the plan.
- Other medical and dental expenses paid by the plan.

If you are self-employed, do not include any amount that you paid for health insurance that you deducted in computing your federal adjusted gross income.

### Line 2 - Taxes

Enter the amount of taxes allowable on federal Form 1040 Schedule A that you incurred and paid while an Arizona resident. Also enter the amount of such taxes from Arizona sources that you incurred and paid during the part of the year while a nonresident.

Do not include any state taxes paid to other states for prior years if you were not an Arizona resident for that prior year.

### Line 3 - Interest Expense

Enter the amount of interest expense allowable on federal Form 1040 Schedule A that you incurred and paid while an Arizona resident. Also enter the amount of such interest from Arizona sources that you incurred and paid during the part of the year while a nonresident.

Do not enter any interest expense that you incurred to purchase or carry U.S. obligations, the income from which is exempt from Arizona income tax.

### Line 4 - Adjustment to Interest Deduction

If you received a federal credit for interest paid on mortgage credit certificates (from federal Form 8396), enter the amount of mortgage interest you paid for 2022 that is equal to the amount of your 2022 federal credit. **Include only that portion of such interest that you incurred and paid during the part of the year while an Arizona resident.**

### Line 5 - Gifts to Charity

Enter the amount of gifts to charity allowable on federal Form 1040 Schedule A that you incurred and paid while an Arizona resident.

Also enter the amount of such gifts from Arizona sources that you incurred and paid during the part of the year while a nonresident.

For Example:		
If you claimed a credit on Arizona Form:	For:	You cannot take a deduction on the Arizona Form 140PY Schedule A (PY) for the amount of that contribution.
321	Contributions to Qualifying Charitable Organizations	
322	Contributions Made or Fees Paid to Public Schools	
323	Contributions to Private School Tuition Organizations	
331	Donation of School Site	
335-I	Contributions made by an S Corporation to a School Tuition Organization - Individual	
340	Donation to the Military Family Relief Fund	
341-I	Contributions made by an S Corporation to a School Tuition Organization for Displaced Students or Students with Disabilities - Individual	
348	Contributions to Certified School Tuition Organizations - Individual	
352	Contributions to Qualifying Foster Care Charitable Organizations	

If you claimed a credit on your 2021 return for a contribution that you made during 2022 (see Arizona Forms 321, 322, 323, 348, and 352), you must exclude this deduction on your 2022 Arizona return, even though you claimed the credit on your 2021 Arizona return.

If you are claiming a credit on your 2022 return for a contribution made during 2023 (see Arizona Forms 321, 322, 323, 348, and 352), you must exclude this deduction on your 2023 return, even though you are claiming the credit on your 2022 return.

**Lines 6 and 7 - Casualty and Theft Losses**

**Line 6**

Enter the casualty loss(es) allowable on federal Form 4684.

**Line 7**

Enter the amount of casualty loss shown on line 6 that you incurred and paid while an Arizona resident. Also enter the amount of casualty loss shown on line 6 from Arizona sources that you incurred during the part of the year while a nonresident.

**Other Expenses Allowable on Federal Form 1040 Schedule A**

**Line 8**

Combine the following amounts and enter the total on line 8:

1. Other expenses that you incurred and paid while an Arizona resident; and
2. Other expenses from Arizona sources that you incurred and paid during the part of the year while a nonresident.

Other expenses may include, but are not limited to, the following:

- Casualty and theft losses of income-producing property reported on federal Forms 4684 or 4797.
- Impairment-related work expenses of a disabled person.

See the instructions for federal Form 1040 Schedule A for other types of expenses.

**Line 9 -**

Add lines 1, 2, 3, 4, 5, 7, and 8. Enter the total.

**Line 10 - Adjustment to State Income Taxes**

Arizona Revised Statutes § 43-1042 was amended to require taxpayers to reduce the amount of itemized deductions for amounts used to claim an Arizona credit, even if the amount was deducted on the federal return as taxes paid rather than charitable contributions.

Did you claim sales taxes rather than income taxes on your federal schedule A?

- If yes, *stop*. No adjustment is necessary. Go to line 11.
- If no, complete the worksheet on page 2 of Form 140PY Schedule A(PY) to determine the amount of your adjustment to enter on line 10.

**Line 11 - Adjustment to Charitable Contributions**

Enter the total amount of charitable contributions for which you are taking a credit under Arizona law.

**Line 12 - Arizona Itemized Deductions**

Subtract lines 10 and 11 from line 9. Enter the difference. If less than zero, enter "0". Also, enter the amount on Form 140PY, line 53.

**NOTE:** The amount entered on line 12 **cannot** be a negative number. Entering a negative number on Form 140PY, line 53 may delay the processing of your return.



*Include with your return.*

Your Name as shown on Form 140PY	Your Social Security Number
Spouse's Name as shown on Form 140PY (if filing joint)	Spouse's Social Security Number

**Part 1 Itemized Deductions for the Period of the Year While an Arizona Resident Plus Arizona Source Itemized Deductions for the Period While a Nonresident**

Medical and Dental Expenses • Taxes • Interest Expense • Gifts to Charity	
1 Medical and dental expenses incurred and paid while an Arizona resident plus the amount of such expenses from Arizona sources that you incurred and paid during the part of the year while an Arizona nonresident.....	1 00
2 Taxes allowable on federal Form 1040, Schedule A that you incurred and paid while an Arizona resident plus the amount of such taxes from Arizona sources that you incurred and paid during the part of the year while an Arizona nonresident.....	2 00
3 Interest expense. See instructions .....	3 00
4 If you received a federal credit for interest paid on mortgage credit certificates (from federal form 8396), enter the amount of mortgage interest you paid for 2022 that is equal to the amount of your 2022 federal credit.....	4 00
5 Gifts to charity allowable on federal Form 1040, Schedule A that you incurred and paid while an Arizona resident plus the amount of such gifts from Arizona sources that you incurred and paid during the part of the year while an Arizona nonresident.....	5 00

Casualty and Theft Losses	
6 Casualty loss(es) allowable on federal Form 4684.....	6 00
7 Amount of loss on line 6 incurred while you were an Arizona resident plus the amount of loss from Arizona sources on line 6 that you incurred during the part of the year while an Arizona resident.....	7 00

Other Expenses	
8 Other expenses allowable on federal Form 1040, Schedule A that you incurred and paid while an Arizona resident plus the amount of such expenses from Arizona sources that you incurred and paid during the part of the year while an Arizona nonresident.....	8 00
9 Add lines 1, 2, 3, 4, 5, 7 and 8. Enter the total.....	9 00

Adjustments: State Income Taxes and Charitable Contributions	
10 Amount of state income taxes deducted on the federal Schedule A that are for contributions to a charity for which an Arizona credit was received. If your tax deduction was limited on your federal Schedule A complete the worksheet on page 3 to determine the adjustment on this line.....	10 00
11 Enter the amount of charitable contributions for which you are taking a credit under Arizona law.....	11 00
12 Subtract lines 10 and 11 from line 9. Enter the difference. If less than zero, enter "0".....	12 00

Continued on page 2 →



**You must include a copy of federal Form 1040, Schedule A with your return if you itemize your deductions on your Arizona return.**

Your Name (as shown on page 1)	Your Social Security Number
--------------------------------	-----------------------------

**Part 2 Portion of Itemized Deductions Allowable for the Part of the Year While a Nonresident**

**Adjustment to Medical and Dental Expenses**

13 Medical and dental expenses.....	13		00	
14 Medical expenses allowed to be taken as a federal itemized deduction.....	14		00	
15 If line 13 is the same as or more than line 14, subtract line 14 from line 13. Otherwise, go to line 16.....	15			00
16 If line 14 is more than line 13, subtract line 13 from line 14 and enter the difference. ....	16			00

**Adjustment to Interest Deduction**

17 If you received a federal credit for interest paid on mortgage credit certificates (from federal Form 8396), enter the amount of mortgage interest you paid for 2022 that is equal to the amount of your 2022 federal credit .....	17			00
---	----	--	--	----

**Adjustment to Charitable Contributions**

18 Amount of charitable contributions for which you are taking a credit under Arizona law.....	18			00
--	----	--	--	----

**Adjustment to State Income Taxes**

19 Amount of state income taxes deducted on the federal Schedule A that are for contributions to a charity for which an Arizona credit was received. If your tax deduction was limited on your federal Schedule A, complete the worksheet on page 3 to determine the adjustment on this line.....	19			00
---	----	--	--	----

**Adjusted Itemized Deductions**

20 Add the amounts on lines 15 and 17 .....	20		00	
21 Add lines 16, 18 and 19.....	21		00	
22 Total itemized deductions allowed to be taken on federal return.....	22		00	
23 Enter the amount from line 20 above .....	23		00	
24 Add the amount on lines 22 and 23.....	24		00	
25 Enter the amount from line 21 above .....	25		00	
26 Subtract line 25 from line 24. If less than zero, enter "0".....	26		00	
27 Subtract line 25 from line 26 and enter the difference. If less than zero, enter "0".....	27		00	
28 Apportionment line. See instructions.....	28			
29 Multiply the ratio on line 28 by the amount on line 27. Enter the result.....	29		00	
30 Arizona itemized deductions: Add line 12 and line 29. Enter the total. Also, enter the total on Form 140PY, line 53.....	30			00

## 2022 Form 140PY Schedule A(PYN) Adjustment to State Income Taxes

Arizona Revised Statutes § 43-1042 was amended to require taxpayers to reduce the amount of itemized deductions for amounts used to claim an Arizona credit, even if the amount was deducted on the federal return as state income taxes paid rather than charitable contributions.

- Complete Table A to determine the amount to enter on *page 1, line 10*.
- Complete Table B to determine the amount to enter on *page 2, line 19*.

### Table A

1A	Total state income taxes on the federal Schedule A before applying the federal limitations.....	1A		00
2A	Amount included in the line 1A for which you claimed an Arizona credit.....	2A		00
3A	Subtract line 2A from line 1A. Enter the difference.....	3A		00
4A	Limit from federal Schedule A. Enter \$10,000 (\$5,000 if married filing separate)..	4A		00
5A	Enter the smaller of line 3A or 4A.....	5A		00
6A	Enter total state income taxes claimed on federal Schedule A (after limitation).....	6A		00
7A	Subtract line 5A from line 6A. This is the amount of your Arizona adjustment. Enter the amount on page 1, line 10.....	7A		00

### Table B

1B	Total state income taxes on the federal Schedule A before applying the federal limitations.....	1B		00
2B	Amount included in the line 1B for which you claimed an Arizona credit.....	2B		00
3B	Subtract line 2B from line 1B. Enter the difference.....	3B		00
4B	Limit from federal Schedule A. Enter \$10,000 (\$5,000 if married filing separate)..	4B		00
5B	Enter the smaller of line 3B or 4B.....	5B		00
6B	Enter total state income taxes claimed on federal Schedule A (after limitation).....	6B		00
7B	Subtract line 5B from line 6B. This is the amount of your Arizona adjustment. Enter the amount on page 2, line 19.....	7B		00

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## 2022 Form 140PY Schedule A(PYN) Itemized Deductions

### For Part-Year Residents Who Also Had Arizona Source Income During the Part of the Year While an Arizona Nonresident

Before you complete Arizona Form 140PY Schedule A(PYN), you must complete a federal Form 1040 Schedule A even if you do not itemize deductions on your 2022 federal return.

You may itemize your deductions on your Arizona return even if you do not itemize deductions on your federal return. For the most part, you can deduct those items that are allowable itemized deductions under the Internal Revenue Code (IRC).

Even if you don't itemize deductions on your federal return, you must complete and include a copy of the federal Form 1040 Schedule A with this form.

A part-year resident who also has Arizona source income during the part of the year while an Arizona nonresident can deduct **all** of the following:

- Those expenses incurred and paid during the part of the year while an Arizona resident.
- Arizona source itemized deductions incurred and paid during the part of the year while a nonresident.
- A portion of all other itemized deductions paid during the part of the year while a nonresident.

For more information, see the department's ruling, ITR 94-10, *Part-Year Resident Deductions*, at [www.azdor.gov](http://www.azdor.gov).

### General Instructions

Arizona is a community property state. If you are married filing a separate return and claiming itemized deductions, see the department's ruling, ITR 93-19, *Deductions, Exemptions, and Credits for Married Taxpayers who file Separate Returns*, for more information claiming itemized deductions.

When married taxpayers file separate Arizona income tax returns, both filers must either claim the standard deduction or itemize deductions. One spouse may not claim a standard deduction when the other spouse itemizes deductions. If this situation does occur, the standard deduction will be disallowed, regardless of which return may have been filed first.

The treatment of itemized deductions by spouses who file separate returns depends on whether the deductible expenses were paid with community funds or with separate funds. If the expenses were paid with community funds, the deduction is divided equally between each spouse. Expenses paid with separate funds are deductible by the spouse who paid the expenses. Under no circumstances may more than 100 percent of the allowable deductions be claimed.

**NOTE:** *If you or your spouse claim 100% of the allowable itemized deductions, the other spouse must enter "0" on Form 140PY, line 53, and that spouse cannot claim an adjustment for either itemized deductions or the standard deduction.*

In some cases, the itemized deductions allowed on your Arizona return are not the same as those allowable under

the IRC. The itemized deductions allowed on your Arizona return can differ from your federal return.

You must complete Schedule A(PYN) if you are a part-year resident claiming itemized deductions and you had any Arizona source income during the part of the year when you were a non-resident. If you are a part-year resident claiming itemized deductions who did not have Arizona source income during the part of the year when you were a non-resident, you must complete Schedule A(PY) instead.

### PART 1 - Itemized Deductions for the Period of the Year While an Arizona Resident Plus Arizona Source Itemized Deductions for the Period While a Nonresident

#### Line 1 - Medical and Dental Expenses

Enter the amount of medical and dental expenses incurred and paid while an Arizona resident. Also enter the amount of such expenses from Arizona sources that you incurred and paid during the part of the year that you were a nonresident.

The medical and dental expenses that you can deduct on your Arizona return are the same expenses that you can deduct on your federal return.

Be sure you reduce these expenses by any payments received from insurance or other sources. Do not include the following amounts you paid through an employer-sponsored health insurance plan (cafeteria plan) unless your employer included the amount(s) in Box 1 of your Form W-2:

- Insurance premiums you paid through the plan.
- Other medical and dental expenses paid by the plan.

If you are self-employed, do not include any amount that you paid for health insurance that you deducted in computing your federal adjusted gross income.

#### Line 2 - Taxes

Enter the amount of taxes allowable on federal Form 1040, Schedule A that you incurred and paid while an Arizona resident. Also enter the amount of such taxes from Arizona sources that you incurred and paid during the part of the year while a nonresident.

Do not include any state taxes paid to other states for prior years if you were not an Arizona resident for that prior year.

#### Line 3 - Interest Expense

Enter the amount of interest expense allowable on federal Form 1040, Schedule A that you incurred and paid while an Arizona resident. Also enter the amount of such interest from Arizona sources that you incurred and paid during the part of the year while a nonresident.

Do not enter any interest expense that you incurred to purchase or carry U.S. obligations, the income from which is exempt from Arizona income tax.

#### Line 4 - Adjustment to Interest Deduction

If you received a federal credit for interest paid on mortgage credit certificates (from federal Form 8396), you may deduct

some of the mortgage interest you paid for 2022 that you could not deduct for federal purposes. **Include that portion of such interest that you incurred and paid during the part of the year while an Arizona resident.**

**Line 5 - Gifts to Charity**

Enter the amount of gifts to charity allowable on federal Form 1040 Schedule A, that you incurred and paid while an Arizona resident. Also enter the amount of such gifts from Arizona sources that you incurred and paid during the part of the year while a nonresident.

For Example:		
If you claimed a credit on Arizona Form:	For:	You can not claim a deduction on the Arizona Form 140PY, Schedule A (PYN) for the amount of that contribution.
321	Contributions to Qualifying Charitable Organizations	
322	Contributions Made or Fees paid to Public Schools	
323	Contributions to Private School Tuition Organizations	
331	Donation of School Site	
335-I	Contributions made by an S Corporation to a School Tuition Organizations - Individual	
340	Donations to the Military Family Relief Fund	
341-I	Contributions made by an S Corporation to a School Tuition Organization for Displaced Students or Students with Disabilities - Individual	
348	Contributions to Certified School Tuition Organizations - Individual	
352	Contributions to Qualifying Foster Care Charitable Organizations	

If you claimed a credit on your 2021 return for a contribution that you made during 2022 (see Arizona Forms 321, 322, 323, 348, and 352), you must exclude this deduction on your 2022 Arizona return, even though you claimed the credit on your 2021 Arizona return.

If you are claiming a credit on your 2022 return for a contribution made during 2023 (see Arizona Forms 321, 322, 323, 348, and 352), you must exclude this deduction on your 2023 return, even though you are claiming the credit on your 2022 return.

**Lines 6 and 7 - Casualty and Theft Losses**

**Line 6**

Enter the casualty loss(es) allowable on federal Form 4684.

**Line 7**

Enter the amount of casualty loss shown on line 6 that you incurred and paid while an Arizona resident. Also enter the amount of casualty loss shown on line 6 from Arizona sources that you incurred during the part of the year while a nonresident.

**Other Expenses Allowable on Federal Form 1040 Schedule A**

**Line 8**

Combine the following amounts and enter the total on line 8:

1. Other expenses that you incurred and paid while an Arizona resident; and
2. Other expenses from Arizona sources that you incurred and paid during the part of the year while a nonresident.

Other expenses may include, but are not limited to:

- Casualty and theft losses of income-producing property reported on federal Forms 4684 or 4797.
- Impairment-related work expenses of a disabled person.

See the instructions for federal Form 1040 Schedule A for other types of expenses.

**Line 9 -**

Add lines 1, 2, 3, 4, 5, 7, and 8 and enter the total.

**Line 10 - Adjustment to State Income Taxes**

Arizona Revised Statute § 43-1042 was amended to require taxpayers to reduce the amount of itemized deductions for amounts used to claim an Arizona credit even if the amount was deducted on the federal return as taxes paid rather than charitable contributions.

Did you claim sales taxes rather than income taxes on your federal schedule A?

- If yes, **stop**. No adjustment is necessary. Go to line 11.
- If no, complete the worksheet (Table A) on page 3 of Form 140PY Schedule A(PYN) to determine the amount of your adjustment to enter on line 10.

**Line 11 – Adjustment to Charitable Contributions**

Enter the total amount of charitable contributions for which you are taking a credit under Arizona law.

**Line 12 -** Subtract lines 10 and 11 from line 9. If less than zero, enter "0".

**PART 2 - Portion of Itemized Deductions Allowable for the Part of the Year While a Nonresident**

**Adjustment to Medical and Dental Expenses**

**Line 13**

Enter the **total** of your medical and dental expenses after you reduce these expenses by any payments received from insurance or other sources. Do not include insurance premiums you paid through an employer-sponsored health

insurance plan (cafeteria plan) unless your employer included the premiums in Box 1 of your Form(s) W-2.

Also, do not include any other medical and dental expenses paid by the plan unless your employer included the amount paid in Box 1 of your Form(s) W-2.

If self-employed, do not include any amount paid for health insurance that you deducted in computing your federal adjusted gross income.

The medical and dental expenses for Arizona purposes are the same as for federal purposes.

**Line 14**

Enter the amount of medical and dental expenses allowed to be taken as a federal itemized deduction.

**Lines 15**

If line 13 is the same as or more than line 14, subtract line 14 from line 13 and enter the difference. Otherwise, go to line 16.

**Line 16**

If line 14 is more than line 13, subtract line 13 from 14 and enter the difference.

**Adjustment to Interest Deduction**

**Line 17**

If you received a federal credit for interest paid on mortgage credit certificates (from federal Form 8396) enter the amount of mortgage interest you paid for 2022 that is equal to the amount of your 2022 federal credit.

**Adjustment to Charitable Contributions**

**Line 18**

Enter the total amount of charitable contributions for which you are taking a credit under Arizona law.

For Example: (continued on next column)		
If you claimed a credit on Arizona Form:	For:	You must make an entry here if you deducted the amount contributed as an itemized deduction on federal Form 1040, Sch A.
321	Contributions to Qualifying Charitable Organizations	
322	Contributions Made or Fees Paid to Public Schools	
323	Contributions to Private School Tuition Organizations	
331	Donation of School Site	
335-I	Contributions made by an S Corporation to a School Tuition Organizations - Individual	
340	Donations to the Military Family Relief Fund	

341-I	Contributions made by an S Corporation to a School Tuition Organization for Displaced Students or Students with Disabilities - Individual	
348	Contributions to Certified School Tuition Organizations - Individual	
352	Contributions to Qualifying Foster Care Charitable Organizations	

If you claimed a tax credit on your 2021 return for a contribution that you made during 2022 (see Arizona Form 321, 322, 323, 348, and 352), you must exclude this deduction on your 2022 return, even though you claimed the credit on your 2021 return.

If you are claiming a tax credit on your 2022 return for contributions made during 2023 (see Arizona Forms 321, 322, 323, 348, and 352), you must exclude this deduction on your 2023 return, even though you are claiming the credit on your 2022 return.

**Line 19 - Adjustment to State Income Taxes**

Arizona Revised Statutes § 43-1042 was amended to require taxpayers to reduce the amount of itemized deductions for amounts used to claim an Arizona credit even if the amount was deducted on the federal return as taxes paid rather than charitable contributions.

Did you claim sales taxes rather than income taxes on your federal schedule A?

- If yes, *stop*. No adjustment is necessary. Go to line 20.
- If no, complete the worksheet (Table B) on page 3 of Form 140PY Schedule A(PYN) to determine the amount of your adjustment to enter on line 19.

**Adjusted Itemized Deductions**

**Lines 20 through 25**

Complete lines 20 through 25 as instructed on the form.

**Line 26**

Subtract line 25 from line 24 and enter the difference. If less than zero, enter "0".

**Line 27**

Subtract line 12 from line 26 and enter the difference. If less than zero, enter "0".

**Line 28**

Complete the worksheet on page 4 to determine what **income ratio** to enter on line 28.

Worksheet	
	Amount
1. Arizona source income	
a. _____	a. _____
b. _____	b. _____
c. _____	c. _____
d. _____	d. _____
2. Add the amounts on lines 1a through line 1d.	
3. Enter the amount from Form 140PY, page 1, line 25.	

4. Divide the amount on line 2 by the amount on line 3. Enter the percent in decimal form here and on Form 140PY Schedule A (PYN), line 28.

**You must round your answer to three decimal places.**

Do not enter more than 1.000

		.			
--	--	---	--	--	--

**Line 29**

Multiply the ratio on line 28 by the amount on line 27. Enter the result.

**Line 30 – Arizona Itemized Deductions**

Add line 12 and line 29 and enter the total. Also, enter the total on Form 140PY, page 2, line 53.

**NOTE:** *The amount entered on line 30 cannot be a negative number. Entering a negative number on Form 140PY, line 53 may delay the processing of your return*



DO NOT STAPLE ANY ITEMS TO THE RETURN.

82F Check box 82F if filing under extension OR FISCAL YEAR BEGINNING [M, M, D, D] 2, 0, 2, 2 AND ENDING [M, M, D, D] 2, 0, Y, Y. 66F

1 Your First Name and Middle Initial Last Name Enter your SSN(s) Your Social Security Number

1 Spouse's First Name and Middle Initial (if box 4 or 6 checked) Last Name Spouse's Social Security No.

2 Current Home Address - number and street, rural route Apt. No. Daytime Phone (with area code) 94

3 City, Town or Post Office State ZIP Code Last Names Used in Last Four Prior Year(s) (if different) 97

FILING STATUS: 4 Married filing joint return 4a Injured Spouse Protection of Joint Overpayment 5 Head of household 6 Married filing separate return 7 Single. EXEMPTIONS: 8 Age 65 or over 9 Blind 10a Dependents Under age of 17 10b Dependents Age 17 and over. REVENUE USE ONLY. DO NOT MARK IN THIS AREA. 88R 81P PM 80R RCVD

11-13 Residency Status (check one): 11 Nonresident 12 Nonresident Active Military 13 Composite Return (see instructions - page 29)

Table with 6 columns: (a) FIRST AND LAST NAME, (b) SOCIAL SECURITY NO., (c) RELATIONSHIP, (d) NO. OF MONTHS LIVED IN YOUR HOME IN 2022, (e) Dependent Age included in, (f) if you did not claim this person on your federal return due to educational credits. Rows 10c, 10d, 10e, 10f.

Table with 4 columns: Description, 2022 FEDERAL Amount from Federal Return, 2022 ARIZONA Source Amount Only. Rows 14-42 including Arizona income, additions, and subtractions.

Place any required federal and AZ schedules or other documents after Form 140NR.

Your Name (as shown on page 1) \_\_\_\_\_ Your Social Security Number \_\_\_\_\_

Subtractions cont. from page 1	43	Interest on U.S. obligations such as U.S. savings bonds and treasury bills.....	43		00			
	44	Agricultural crops contributed to Arizona charitable organizations.....	44		00			
	45	Other Subtractions from Income: Complete <i>Other Subtractions from Arizona Gross Income</i> schedule on page 6.....	45		00			
	46	Subtract lines 43, 44 and 45 from line 42. Enter the difference.....	46		00			
Exemptions	47	Age 65 or over: Multiply the number in box 8 by \$2,100.....	47		00			
	48	Blind: Multiply the number in box 9 by \$1,500.....	48		00			
	49	Other Exemptions: See instructions.....49E <input type="checkbox"/> Multiply the number in box 49E by \$2,300.....	49		00			
	50	Add lines 47, 48, and 49. Enter the total.....	50		00			
	51	Multiply line 50 by the Arizona ratio on line 27.....	51		00			
Balance of Tax	52	<b>Arizona adjusted gross income:</b> Subtract line 51 from line 46. If less than zero, enter "0".....	52		00			
	53	<b>Deductions: Check box and enter amount.</b> See instructions.....53I <input type="checkbox"/> ITEMIZED 53S <input type="checkbox"/> STANDARD	53		00			
	54	If you checked box 53S and claim charitable contributions, check 54C <input type="checkbox"/> Complete page 3. See instructions.....	54		00			
	55	Arizona taxable income: Subtract lines 53 and 54 from line 52. If less than zero, enter "0".....	55		00			
	56	Compute the tax using amount from line 55 and Tax Tables X and Y.....	56		00			
	57	Tax from recapture of credits from Arizona Form 301, Part 2, line 32.....	57		00			
	58	Subtotal of tax: Add lines 56 and 57. Enter the total.....	58		00			
	59	Dependent Tax Credit. See instructions.....	59		00			
	60	Nonrefundable credits from Arizona Form 301, Part 2, line 64.....	60		00			
	61	<b>Balance of tax:</b> Subtract lines 59 and 60 from line 58. If the sum of lines 59 and 60 is more than line 58, enter "0".....	61		00			
Total Payments and Refundable Credits	62	2022 AZ income tax withheld.....	62		00			
	63	2022 AZ estimated tax payments..63a <input type="text" value="00"/> Claim of Right 63b <input type="text" value="00"/> Add 63a and 63b.	63c		00			
	64	2022 AZ extension payment (Form 204).....	64		00			
	65	Other refundable credits: Check the box(es) and enter the total amount..... 65I <input type="checkbox"/> 308-I 65J <input type="checkbox"/> 349	65		00			
	66	<b>Total payments and refundable credits:</b> Add lines 62 through 65. Enter the total.....	66		00			
Tax Due or Overpayment	67	<b>TAX DUE:</b> If line 61 is larger than line 66, subtract line 66 from line 61. Enter amount of tax due. Skip lines 68, 69 and 70.....	67		00			
	68	<b>OVERPAYMENT:</b> If line 66 is larger than line 61, subtract line 61 from line 66. Enter amount of overpayment.....	68		00			
	69	Amount of line 68 to be applied to 2023 estimated tax.....	69		00			
	70	Balance of overpayment: Subtract line 69 from line 68. Enter the difference.....	70		00			
Voluntary Gifts	71 - 81 <b>Voluntary Gifts to:</b>							
		Solutions Teams Assigned to Schools.....	71		00			
		Arizona Wildlife.....	72		00			
	Child Abuse Prevention.....	73		00	Domestic Violence Services.....	74		00
	Neighbors Helping Neighbors..	76		00	Special Olympics.....	77		00
	I Didn't Pay Enough Fund.....	79		00	Sustainable State Parks and Road Fund.....	80		00
					Political Gift.....	75		00
					Veterans' Donations Fund.....	78		00
82	Political Party (if amount is entered on line 75 - check only one): 821 <input type="checkbox"/> Democratic 822 <input type="checkbox"/> Libertarian 823 <input type="checkbox"/> Republican							
Penalty	83	Estimated payment penalty.....	83		00			
	84	841 <input type="checkbox"/> Annualized/Other 842 <input type="checkbox"/> Farmer or Fisherman 843 <input type="checkbox"/> Form 221 included						
	85	Add lines 71 through 81 and 83. Enter the total.....	85		00			
Refund or Amount Owed	86	<b>REFUND:</b> Subtract line 85 from line 70. If less than zero, enter amount owed on line 87.....	86		00			
		<b>Direct Deposit of Refund: Check box 86A</b> if your deposit will be ultimately placed in a <b>foreign account</b> ; see instructions. 86A <input type="checkbox"/>						
		<input type="checkbox"/> C <input type="checkbox"/> Checking or <input type="checkbox"/> S <input type="checkbox"/> Savings						
87	<b>AMOUNT OWED:</b> Add lines 67 and 85. Make check payable to Arizona Department of Revenue; write your SSN, 140NR on payment.....	87		00				

Under penalties of perjury, I declare that I have read this return and any documents with it, and to the best of my knowledge and belief, they are true, correct and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

**PLEASE SIGN HERE**

YOUR SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_ OCCUPATION \_\_\_\_\_

SPOUSE'S SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_ SPOUSE'S OCCUPATION \_\_\_\_\_

PAID PREPARER'S SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_ FIRM'S NAME (PREPARER'S IF SELF-EMPLOYED) \_\_\_\_\_

PAID PREPARER'S STREET ADDRESS \_\_\_\_\_ PAID PREPARER'S TIN \_\_\_\_\_

PAID PREPARER'S CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP CODE \_\_\_\_\_ PAID PREPARER'S PHONE NUMBER \_\_\_\_\_

If you are sending a payment with this return, mail to Arizona Department of Revenue, PO Box 52016, Phoenix, AZ 85072-2016. Include the payment with Form 140NR. If you are expecting a refund or owe no tax, or owe tax but are not sending a payment, mail to Arizona Department of Revenue, PO Box 52138, Phoenix, AZ 85072-2138.

## 2022 Form 140NR - Standard Deduction Increase for Charitable Contributions

**You must complete this worksheet if you are taking an increased standard deduction for charitable contributions. Include the completed worksheet with your tax return, when filed. If you do not include the completed worksheet, your standard deduction will not be increased.**

Taxpayers electing to take the Standard Deduction may *increase* the standard deduction amount by 27% (.27) of the total amount of the taxpayer's charitable deductions that would have been allowed if the taxpayer elected to claim itemized deductions on the Arizona tax return.

Charitable contributions (lines 1C, 2C, and 3C) are those gifts allowed on federal Form 1040 Schedule A (Gifts to Charity) that you would have claimed had you elected to take itemized deductions on your federal return.

**NOTE 1:** As a nonresident filing Form 140NR, you are required to apportion your allowable increased standard deduction based on your Arizona income ratio computed on page 1, line 27.

**NOTE 2:** You must reduce your contribution amount by the total charitable contributions you made during January 1, 2022 through December 31, 2022 for which you are claiming an Arizona tax credit under Arizona law for the current tax year return or claimed on the prior tax year return. Enter this amount on line 5C.

**NOTE 3:** If you itemized deductions on your federal return (1040 Schedule A) and were required to adjust the amount of your allowable contributions on your federal 1040 Schedule A for the amount claimed as a tax credit on your Arizona income tax return, include the amount of the federal contribution adjustment to line 1C and enter the amount of the Arizona tax credit on line 5C.

Complete the worksheet to determine your allowable increased standard deduction for charitable contributions.

1C	2022 Gifts by cash or check.....	1C		00
2C	2022 Other than by cash or check.....	2C		00
3C	Carryover from prior year.....	3C		00
4C	Add lines 1C through 3C and enter the total.....	4C		00
5C	Total charitable contributions made in 2022 for which you are claiming a credit under Arizona law for the current (2022) or prior (2021) tax year.....	5C		00
6C	Subtract line 5C from line 4C and enter the difference. If less than zero, enter "0".....	6C		00
7C	Multiply line 6C by 27% (.27) and enter the result.....	7C		00
8C	Enter your Arizona income ratio from page 1, line 27.....	8C	.	
9C	Multiply line 7C by the ratio on line 8C and enter the result.....	9C		00

- Enter the amount shown on line 9C on page 2, line 54
- Be sure to check box **53S** for Standard Deduction on line 53.
- Check box **54C** for charitable contributions on line 54. If you do not check this box, you may be denied the increased standard deduction.

## 2022 Form 140NR Dependent and Other Exemption Information

### Include page 4 with your return if:

- You are listing additional dependents (for box 10a and 10b) from page 1.
  - You are claiming *Other Exemptions* on page 2, line 49.

### Part 1: Dependents (Box 10a and 10b) continued from page 1

Information used to compute your allowable **Dependent Tax Credit** on page 2, line 59.

**NOTE:** If you have more than three qualifying dependents, you **must** complete Part 1 and the worksheet in the instructions to compute your Dependent Tax Credit on line 59.

	(a) FIRST AND LAST NAME (Do not list yourself or spouse.)	(b) SOCIAL SECURITY NO.	(c) RELATIONSHIP	(d) NO. OF MONTHS LIVED IN YOUR HOME IN 2022	(e) ✓ Dependent Age included in:		(f) ✓ IF YOU DID NOT CLAIM THIS PERSON ON YOUR FEDERAL RETURN DUE TO EDUCATIONAL CREDITS
					1 (Box 10a)	2 (Box 10b)	
10g					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10h					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10i					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10j					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10k					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10l					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10m					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10n					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10o					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10p					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10q					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### Part 2: Other Exemptions

Information used to compute your allowable **Other Exemptions** on page 2, line 49.

	(a) FIRST AND LAST NAME (Do not list yourself or spouse.)	(b) SOCIAL SECURITY NO.	(c) ✓ AGE 65 OR OVER (see instructions)		(d) ✓ STILLBORN CHILD IN 2022
			C1	C2	
1			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Enter the total number of individuals listed in Part 2 in box 49E on page 2, line 49.

Your Name (as shown on page 1)

Your Social Security Number

## 2022 Form 140NR - Other Additions to Arizona Gross Income

Complete and include this schedule with your tax return **only** if you are making any adjustments **increasing** your Arizona Gross Income.

**Note:** If you are making any adjustments **reducing** your Arizona Gross Income complete page 6.

### **Other Additions to Arizona Gross Income - Line 32** (see instructions for more information)

<b>A</b>	Fiduciary Adjustment from Arizona Form 141AZ Schedule K-1(NR).....	<b>A</b>	00
<b>B</b>	Items Previously Deducted for Arizona Purposes.....	<b>B</b>	00
<b>C</b>	Claim of Right Adjustment for Amounts Repaid in 2022.....	<b>C</b>	00
<b>D</b>	Claim of Right Adjustment for Amounts Repaid in Prior Taxable Years.....	<b>D</b>	00
<b>E(a)</b>	Addition for Expenses Due to Claiming Credit 312. See instructions.....	<b>E(a)</b>	00
<b>E(b)</b>	Addition to S corporation Income Due to Claiming Pass-through Credit on Form 312. See instructions.....	<b>E(b)</b>	00
<b>F(a)</b>	Adjusted Basis in Property for Which You Have Claimed a Credit for Investment in Qualified Small Businesses (Form 338) that was sold or otherwise disposed of during the tax year. See instructions.....	<b>F(a)</b>	00
<b>F(b)</b>	Adjusted Basis in Property for Which You Have Claimed a Credit for Agricultural Pollution Control Equipment (Form 325) that was sold or otherwise disposed of during the tax year. See instructions.....	<b>F(b)</b>	00
<b>F(c)</b>	Adjusted Basis in Property for Which You Claimed a Credit for Pollution Control Equipment (Form 315) Before Taxable Year 2022 that was sold or otherwise disposed of during the tax year. See instructions...	<b>F(c)</b>	00
<b>G</b>	Sole Proprietorship Loss of an <b>Arizona Nonprofit Medical Marijuana Dispensary</b> Included in Federal Adjusted Gross Income. Sole Proprietorship loss of an Arizona dual licensee that has <b>not elected</b> to operate on a for-profit basis must also add back the portion of their loss that is from the medical marijuana portion of the business that is included in their federal adjusted gross income.....	<b>G</b>	00
<b>H</b>	Americans with Disabilities Act - Access Expenditures.....	<b>H</b>	00
<b>I</b>	Amortization or Depreciation for Childcare Facility Before 1990.....	<b>I</b>	00
<b>J</b>	Net capital (loss) derived from the exchange of legal tender: See instructions.....	<b>J</b>	00
<b>K</b>	Entity-Level Income Tax Payment. See instructions.....	<b>K</b>	00
<b>L</b>	Other Adjustments Related to Tax Credits. See instructions.....	<b>L</b>	00
<b>M</b>	Other Adjustments. See instructions.....	<b>M</b>	00
<b>N</b>	<b>Total Other Additions:</b> Add all amounts and enter the total here and on page 1, line 32.....	<b>N</b>	00

Your Name (as shown on page 1)

Your Social Security Number

## 2022 Form 140NR - Other Subtractions from Arizona Gross Income

Complete and include this schedule with your tax return **only** if you are making any adjustments **decreasing** your Arizona Gross Income.

**Note:** If you are making any adjustments **increasing** your Arizona Gross Income complete page 5.

### **Other Subtractions From Arizona Gross Income - Line 45** (see instructions for more information)

<b>A</b>	Certain Wages of American Indians.....	<b>A</b>	00
<b>B</b>	Qualified Wood Stove, Wood Fireplace, or Gas-Fired Fireplace.....	<b>B</b>	00
<b>C</b>	Claim of Right Adjustment for Amounts Repaid in Prior Taxable Years.....	<b>C</b>	00
<b>D</b>	Certain Expenses Not Allowed for Federal Purposes (due to claiming federal tax credits).....	<b>D</b>	00
<b>E</b>	Basis Adjustment for Property Sold or Otherwise Disposed of During the Taxable Year.....	<b>E</b>	00
<b>F</b>	Fiduciary Adjustment from Arizona Form 141AZ Schedule K-1(NR).....	<b>F</b>	00
<b>G</b>	Net Operating Loss Adjustment.....	<b>G</b>	00
<b>H</b>	Sole Proprietorship Income of an <b>Arizona Nonprofit Medical Marijuana Dispensary</b> Included in Federal Adjusted Gross Income. In addition, Sole Proprietorship income of an Arizona dual licensee that has <b>not elected</b> to operate on a for-profit basis may subtract the portion of their federal taxable income that is from the medical marijuana portion of the business.....	<b>H</b>	00
<b>I</b>	Americans with Disabilities Act – Access Expenditures.....	<b>I</b>	00
<b>J</b>	Exploration Expenses Deferred Before January 1, 1990.....	<b>J</b>	00
<b>K</b>	Sole Proprietorship of an Arizona Marijuana Establishment, Marijuana Testing Facilities and dual licensees that operate on a for-profit basis: enter the total amount of ordinary and necessary expenses related to the sales of recreational use products reported on Schedule DFE (line 16). An LLC that has elected to be treated as a disregarded entity for federal purposes, and also elected to operate on a for-profit basis may subtract the total amount of ordinary and necessary expenses related to the sales of recreational use products reported on Schedule DFE (line 16).....	<b>K</b>	00
<b>L</b>	S corporation Shareholders of an Arizona Marijuana Establishment, Marijuana Testing Facilities and dual licensees that operate on a for-profit basis: enter the amount of your pro-rata share of ordinary and necessary expenses related to the sales of recreational use products as shown on your 120S Schedule K-1(NR), line 20.....	<b>L</b>	00
<b>M</b>	Net capital gain derived from the exchange of legal tender: See instructions.....	<b>M</b>	00
<b>N</b>	Other Adjustments - see instructions.....	<b>N</b>	00
<b>O</b>	<b>Total Other Subtractions:</b> Add all amounts and enter the total here and on page 2, line 45.....	<b>O</b>	00

**2022 Nonresident Personal Income Tax Return**

**For information or help, call one of the numbers listed:**

Phoenix (602) 255-3381  
From area codes 520 and 928, toll-free (800) 352-4090

**Tax forms, instructions, and other tax information**

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

**Income Tax Procedures and Rulings**

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website select *Reports, Statistics and Legal Research* from the main menu then click on *Legal Research* and select a *document* and *category* type from the drop down menus.

**Publications**

To view or print the department's publications, go to our website select *Reports, Statistics and Legal Research* from the main menu then click on *Publications* in the left-hand column.



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Visit our website at [www.azdor.gov](http://www.azdor.gov) for a listing of approved *e-file* providers and on-line filing sources.

\*\* For free *e-file* requirements, check out our website at [www.azdor.gov](http://www.azdor.gov).

**NOTE: FOR ALL COMPOSITE NONRESIDENT PERSONAL INCOME TAX RETURNS**

- *If this return is filed as a Nonresident Composite Personal Income Tax Return, check box 13 on page 1 of the return and see the instructions, beginning on page 29, for completing a composite return.*
- *A composite nonresident return cannot be e-filed. Partnerships and S corporations filing a composite return on behalf of its nonresident partners or nonresident shareholders must mail Form 140NR to the department.*

**AVOID PROCESSING DELAYS: Are you mailing your Arizona income tax return?** *If you are mailing your return to the department, see the last page of these instructions for assembly order (for sequence) information.*

**Are You Subject to Tax in Arizona?**

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 2022, you are subject to Arizona tax. You are subject to Arizona income tax on all income derived from Arizona sources. Income from Arizona sources includes the following:

- wages;
- rental income;
- business income;
- the sale of Arizona real estate;
- interest and dividends having a taxable or business situs, in this state; and
- any other income from an Arizona source.

**Do You Have to File?**

<b>Arizona Filing Requirements</b> These rules apply to all Arizona taxpayers.	
You must file if you are:	and your gross income is more than:
● Single	\$12,950
● Married filing joint	\$25,900
● Married filing separate	\$12,950
● Head of Household	\$19,400
<p>If you are a <b>nonresident</b>, you must report income derived <b>from Arizona sources</b>. To determine if you meet the gross income threshold amount above, multiply the amount by the percentage of your federal adjusted gross income that represents your Arizona gross income (income ratio shown on line 27 of Form 140NR).</p> <p>To see if you have to file, figure your gross income the same as you would figure your gross income for federal income tax purposes. Then you should exclude income that Arizona law does not tax. Income that Arizona law does not tax includes:</p> <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, tier 1 or tier 2 railroad retirement benefits, railroad disability benefits reported on federal forms RRB-1099 and RRB-1099-R, railroad unemployment benefits and railroad sickness payments paid by the Railroad Retirement Board;</li> <li>● pay received for active service as a member of the Reserves, National Guard, or the U.S. Armed Forces; or</li> <li>● benefits, annuities and pensions as retired or retainer pay of the uniformed services of the United States</li> </ul> <p>Income earned by a qualifying out-of-state employee from performing qualified disaster recovery work during a disaster period is exempt from Arizona income tax. For more information, see the instructions for line 15.</p>	

**NOTE:** *Even if you do not have to file, you must still file a return to get a refund of any Arizona income tax withheld.*

### Do You Have to File if You Are an American Indian?

You must file if you meet the Arizona filing requirements unless **all** the following apply to you:

- You are an enrolled member of an Indian tribe.
- You live on the reservation established for that tribe.
- You earned **all** of your income on that reservation.

For information on the Arizona tax treatment of American Indians, see the department's ruling, ITR 96-4, *Income Taxation of Indians and Spouses*.

### Do You Have to File if You Are The Spouse of an American Indian and You Are Not an Enrolled Indian?

You must file if you meet the Arizona filing requirements. For more information, see the department's ruling, ITR 96-4, *Income Taxation of Indians and Spouses*.

### Do You Have to File if You Are in the Military?

**NOTE:** *If you were an Arizona resident when you entered the service, you remain an Arizona resident, no matter where you are stationed, until you establish a new domicile. For more information, see the instructions under **Residency Status**.*

You must file if you meet the Arizona filing requirements unless **all** the following apply to you:

- You are an active duty member of the United States armed forces.
- Your only income for the taxable year is pay received for active duty military service.
- There was no Arizona tax withheld from your active duty military pay.

If Arizona tax was withheld from your active duty military pay, you must file an Arizona income tax return to claim any refund you may be due from that withholding.

You must also file an Arizona income tax return if you have any other income besides pay received for active duty military service.

If you are **not** an Arizona resident, but you are stationed in Arizona, the following applies to you:

- You are not subject to Arizona income tax on your military pay.
- You must report any other income you earn in Arizona. Use Form 140NR, *Nonresident Personal Income Tax Return*, to report this income.

To find out more, see the department's publication, Pub. 704, *Taxpayers in the Military*.

### If You Included Your Child's Unearned Income on Your Federal Return, Does Your Child Have To File An Arizona Return?

No. The child should not file an Arizona return. The parent must include that same income in their Arizona taxable income.

## Determining Residency Status

If you are not sure if you are an Arizona resident for state income tax purposes, we may be able to help. For more information, see the department's procedure, ITP 92-1, *Procedure For Determining Residency Status*.

### Residents

You are a resident of Arizona if your domicile is in Arizona. Domicile is the place where you have your permanent home. It is where you intend to return if you are living or working temporarily in another state or country. If you leave Arizona for a temporary period, you are still an Arizona resident while gone. A resident is subject to Arizona tax on all income no matter where the resident earns the income.

If you are a full year resident, you **must** file Arizona Form 140, Form 140A, or Form 140EZ.

### Part-Year Residents

If you are a part-year resident, you must file Arizona Form 140PY, *Part-Year Resident Personal Income Tax Return*. You are a part-year resident if you did **either** of the following during 2022:

- You moved into Arizona with the intent of becoming a resident.
- You moved out of Arizona with the intent of giving up your Arizona residency.

### Nonresidents

If you are a nonresident (including nonresident aliens), you must file Arizona Form 140NR, *Nonresident Personal Income Tax Return*.

### What if a Taxpayer Died?

If a taxpayer died before filing a return for 2022, the taxpayer's spouse or personal representative may have to file and sign a return for that taxpayer. A personal representative can be an executor, administrator, or anyone who is in charge of the deceased taxpayer's property.

If the deceased taxpayer did not have to file a return but had tax withheld, a return must be filed to get a refund.

The person who files the return should use the form the taxpayer would have used. The person who files the return should print the word "deceased" after the decedent's name. Also, enter the date of death after the decedent's name.

If your spouse died in 2022 and you did not remarry in 2022 or if your spouse died in 2023 before filing a return for 2022, you may file a joint return. If your spouse died in 2022, the joint return should show your spouse's 2022 income before death and your income for all of 2022. If your spouse died in 2023, before filing the 2022 return, the joint return should show all of your income and all of your spouse's income for 2022. Print "Filing as surviving spouse" in the area where you sign the return. If someone else is the personal representative, he or she must also sign the return.



## Are any Other Returns Required?

You may also have to file a fiduciary income tax return (Form 141AZ). For details about filing a fiduciary income tax return, call the department at (602) 255-3381.

## Claiming a Refund for a Deceased Taxpayer

If you are claiming a refund for a deceased taxpayer, you **must** complete Arizona Form 131, *Claim for Refund on Behalf of Deceased Taxpayer*.

If you are claiming a refund on Form 140NR-SBI for a deceased taxpayer, you must also complete Arizona Form 131-SBI, *Claim for Refund on Behalf of Deceased Taxpayer*. Place both forms on top, when mailing the returns.

## What are the Filing Dates and Penalties?

**NOTE:** *If the due date for an income tax or related payment falls on a weekend and/or legal holiday, the filing or payment is considered timely if filed or paid on the next business day and that business day is a day other than Saturday, Sunday or a legal holiday.*

### When Should You File?

Your 2022 calendar year tax return is due no later than midnight, April 15, 2023. File your return as soon as you can after January 1, 2023, but no later than April 15, 2023. **Because April 15, 2023 falls on a weekend, and April 17, 2023 falls on a federal holiday, you have until Tuesday, April 18, 2023 to timely file your 2022 tax return.**

If you are a fiscal year filer, your return is due on the 15th day of the fourth month following the close of your fiscal tax year.

### What if You Cannot File on Time?

You may request an extension if you know you will not be able to file on time. If you request an extension to file your 2022 calendar year tax return, your due date is October 15, 2023. **Because October 15, 2023 falls on a weekend, you have until Monday, October 16, 2023 to timely file your 2022 tax return.**

**NOTE:** *An extension does not extend the time to pay your income tax. See the instructions for Arizona Form 204.*

### To get a filing extension, you can either

- *Apply for a state extension* (Arizona Form 204). To apply for a state extension, file Form 204 by April 18, 2023. See Form 204 for details. You do not have to include a copy of the extension with your return when you file, but make sure that you check box **82F** (above your name) on page 1 of the return. If you must make a payment, use Arizona Form 204, or visit [www.AZTaxes.gov](http://www.AZTaxes.gov) to make an electronic payment.
- *Use your federal extension* (federal Form 4868). File your Arizona return by the same due date. You do not have to include a copy of your federal extension with your return, but make sure that you check box **82F** (above your name) on page 1 of the return.

## When Should You File if You Are a Nonresident Alien?

The due date for your Arizona return is not the same as the due date for your federal return. Your Arizona return is due by April 15, 2023, even though your federal return is due on June 15, 2023. **Because April 15, 2023 falls on a weekend, and April 17, 2023 falls on a federal holiday, you have until Tuesday, April 18, 2023 to timely file your 2022 tax return.** If you want to file your Arizona return after April 18, 2023, you must ask for a filing extension. You must file this request by April 18, 2023. Arizona will allow up to a 6-month extension. This will allow you to file your return by October 15, 2023. See Form 204 for extension filing details. **Because October 15, 2023 falls on a weekend, you have until Monday, October 16, 2023 to timely file your 2022 tax return. See Form 204 for extension filing details.**

If you have a federal 6-month extension, you can file your Arizona return under that extension. If you file using your federal extension, Arizona will also allow you an extra 6 months.

Because we will allow only 6 months, the due date for your Arizona return is not the same as the due date for your federal return. In this case, your Arizona return will be due by October 16, 2023, even though your federal return will not be due until December 15, 2023. If you file your 2022 Arizona calendar year return after October 16, 2023, your return will be late.

If you are a fiscal year filer, your return is due on the 15th day of the fourth month following the close of your fiscal year.

## What if You File or Pay late?

If you file or pay late, we will charge you interest and penalties on the amount you owe. If the U.S. Post Office postmarks your 2022 calendar year return by April 18, 2023, your return will not be late. You may also use certain private delivery services designated by the Internal Revenue Service (IRS) to meet the “timely mailing as timely filed” rule. For more information, see *“Mailing Your Return”* at the end of these instructions.

### Late Filing Penalty

If you file late, we will charge you a late filing penalty. This penalty is 4½% (.045) of the tax required to be shown on the return for each month or fraction of a month the return is late. This penalty cannot exceed 25% (.25) of the tax found to be remaining due.

### Late Payment Penalty

If you pay your tax late, we will charge you a late payment penalty. This penalty is ½ of 1% (.005) of the amount shown as tax for each month or fraction of a month for which the failure continues. We charge this penalty from the original due date of the return until the date you pay the tax. This penalty cannot exceed a total of 10% (.10) of the unpaid tax.

### Extension Underpayment Penalty

If you file your return under an extension, you must pay 90% (.90) of the tax shown on your return by the return's original due date. If you do not pay this amount, we will charge you a penalty. This penalty is ½ of 1% (.005) of the tax not paid for

each 30-day period or a fraction of a 30-day period. We charge this penalty from the original due date of the return until the date you pay the tax. This penalty cannot exceed 25% (.25) of the unpaid tax. If we charge you the extension underpayment penalty, we will not charge you the late payment penalty under Arizona Revised Statutes (A.R.S.) § 42-1125(D).

**NOTE:** *If you are subject to two or more of the above penalties, the total cannot exceed 25%.*

**Interest**

We charge interest on any tax not paid by the due date. We will charge you interest even if you have an extension. If you have an extension, we will charge you interest from the original due date until the date you pay the tax. The Arizona interest rate is the same as the federal rate.

**When Should You Amend a Return?**

If you need to make changes to your return after you have filed, **do not** file a new return using Form 140NR. You must file Arizona Form 140X, *Individual Amended Income Tax Return*. File your amended return after your original return has processed. Generally, you have four years to amend a return to claim a refund.

If you amend your federal return for any year, you must also file an Arizona Form 140X for that year.

If the IRS makes a change to your federal taxable income for any year, you must report that change to Arizona. You must file Form 140X within 90 days of the final determination of the IRS. You may use one of the following two options to report this change.

**Option 1**

You may file a Form 140X for that year. If you choose this option, you must amend and mail your Arizona return within 90 days of the final determination of the IRS. Include a complete copy of the federal notice with your Form 140X.

**Option 2**

You may file a copy of the final federal notice with the department within 90 days of the final determination of the IRS. If you choose this option, you must include a statement in which you must:

1. Request that the department recompute your tax.
2. Indicate if you agree or disagree with the federal notice.

If you do not agree with the federal notice, you must also include any documents that show why you do not agree. If you choose Option 2, mail the federal notice and any other documents to

Individual Income Audit  
 Arizona Department of Revenue  
 PO Box 29084  
 Phoenix, AZ 85038-9084

**Do You Need to Make Arizona Estimated Payments in 2023?**

You must make Arizona estimated income tax payments during 2023 if:		
Your filing status is:	<b>AND</b> your Arizona gross income for 2022 was greater than:	<b>AND</b> your Arizona gross income for 2023 is greater than:
Single	\$ 75,000	\$ 75,000
Married filing joint	\$150,000	\$150,000
Married filing separate	\$ 75,000	\$ 75,000
Head of Household	\$ 75,000	\$ 75,000

If you met the income threshold for 2022, you must make estimated payments during 2023 unless you are sure you will not meet the threshold for 2023. As a nonresident, your Arizona gross income is that part of your federal adjusted gross income derived from Arizona sources. Your Arizona gross income is on line 26 of the 2022 Form 140NR.

Use the worksheet for Arizona Form 140ES to figure how much your payments should be. For more information about making estimated payments, see the department’s publication, Pub. 012, *Arizona Individual Estimated Income Tax Payments*.

**What if You Make Your Estimated Payments Late?**

We will charge you a penalty if you are late or if you fail to make any required payments. See Arizona Form 221.

**Can You Make Estimated Payments Even if You Do Not Have To?**

If you do not have to make Arizona estimated income tax payments, you may still choose to make them. For details, see Arizona Form 140ES.

**Line-by-Line Instructions**

**Tips for Preparing Your Return**

- You must complete your federal return before you can start your Arizona return.
- Make sure that you enter your Social Security Number (SSN) on your return.
- Complete your return using black ink.
- You must round dollar amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down. Do not enter cents.
- If you are mailing your return, see the last page of these instructions for the assembly order.
- Make sure you include your daytime telephone number.
- If filing a fiscal year return, fill in the period covered.

## Entering Your Name, Address, and SSN

### Lines 1, 2, and 3

**NOTE:** Make sure that you enter your SSN on the appropriate line and your SSN is correct. If you are filing a joint return, also make sure that you enter your SSNs in the same order every year.

Enter your name, address, and SSN in the space provided. If you are filing a joint return, enter your SSNs in the same order as your first names. If your name appears first on the return, make sure your SSN is the first number listed.

If you are married filing separately, enter your name and SSN on the first line 1. Enter your spouse's name and SSN on the second line 1.

If you are a nonresident of the United States or a resident alien who does not have an SSN, use the individual taxpayer identification number (ITIN) the IRS issued to you.

Make sure that you enter your SSN on your return. Make sure that all SSNs are clear and correct. You may be subject to a penalty if you fail to include your SSN. It will take longer to process your return if SSNs are missing, incorrect, or unclear.

**NOTE:** If a partnership or S corporation files a composite return on behalf of its nonresident partners or shareholders, the entity filing the return should enter its EIN in place of the SSN. For example, if the entity's EIN is 98-7654321, the entity would enter its EIN as 987-65-4321.

Use your current home address. The department will mail your refund to or correspond with you at that address.

For a deceased taxpayer, see page 2 of these instructions.

### Foreign Addresses

If you have a foreign address, enter the information in the following order: city, province or state, and country. Follow the country's practice for entering the postal code. Do not abbreviate the country name.

### Last Names Used in Last 4 Prior Years

If the last name that you or your spouse are using on this return is not the same as the last name you or your spouse used on returns filed in the last 4 years, enter any other last name(s) that you or your spouse used when filing your return during that period.

### Identification Numbers for Paid Preparers

If you pay someone else to prepare your return, that person must also include an identification number where requested.

A paid preparer may use any of the following:

- his or her PTIN,
- his or her SSN, or
- the EIN for the business.

A paid preparer who fails to include the proper identification number may be subject to a penalty.

## Determining Your Filing Status

The filing status that you use on your Arizona return may be different from that used on your federal return.

Use this section to determine your filing status. Check the correct box (4 through 7) on the front of Form 140NR.

If you qualify as married for federal purposes, you qualify as married for Arizona purposes and must file using the status of either married filing joint or married filing separate.

If you are single you must file as single or if qualified you may file as head of household (see the instructions for box 5).

### Box 4 - Married Filing Joint Return

If you are married and filing a joint return, check box 4.

You may file a joint return if you were married as of December 31, 2022. It does not matter whether or not you were living with your spouse. You may file a joint return, even if you and your spouse filed separate federal returns.

You may file a joint return if your spouse died during 2022 and you did not remarry in 2022. See page 2 of these instructions for details.

If you are married to an Arizona full year resident, you may file a joint return with your Arizona resident spouse. If filing a joint return with your Arizona resident spouse, you must use Form 140NR.

**NOTE:** For help on filing a joint return with your full-year resident spouse, see the department's ruling, ITR 14-1, Filing a Joint Tax Return When a Resident Spouse is Married to a Part-Year Resident or Nonresident.

### Box 4a - Injured Spouse Protection of Joint Overpayment

Check box 4a **only** if you and your spouse are filing a joint return and you or your spouse qualify as an injured spouse and are requesting protection from application of any joint overpayment against the other spouse's delinquencies or debts for back child support, court fees, and fees to counties, cities or educational institutions. **The taxpayer (spouse) requesting injured spouse protection must have Arizona income with taxes withheld and reported on their own Form W-2 or Form 1099.**

**NOTE:** You cannot use Form 203 to request protection from offset for past-due federal taxes. You must contact the IRS.

You **must** complete Arizona Form 203, *Request for Injured Spouse Protection from Application of Joint Overpayment Against Spouse's Delinquencies and Debts*, and include that form with your tax return when filed. Place the completed form on top of your income tax return. For more information, see the instructions for Form 203.

### Box 5 - Head of Household Return

If you are filing as a head of household, check box 5. Enter the name of the qualifying child or dependent in the space provided. You may file as head of household on your Arizona return only if one of the following applies:

- You qualify to file as head of household on your federal return, or
- You qualify to file as a qualifying widow or widower on your federal return.

### Box 6 - Married Filing Separate Return

If you are filing a separate return, check box 6 and enter your spouse's name and SSN on the second line 1.

If you were married as of December 31, 2022, you may choose to file a separate return. You may file a separate return, even if you and your spouse filed a joint federal return.

Arizona is a community property state. If you file a separate return, you must figure how much income to report using community property laws. If one spouse is a resident and the other spouse is not, special rules apply when filing a separate return.

For more information on how to report income in this case, see the department's ruling, ITR 93-20, *Income Reporting Requirements of Resident and Nonresident Spouses Who File Separate Arizona Individual Income Tax Returns*; and the department's publication, Pub. 200, *Income Tax Issues Affecting Married and Divorced Taxpayers*.

**NOTE:** *In some cases, you may treat community income as separate income. For more information on when you may treat community income as separate income, see the department's ruling, ITR 93-22, When Community Income May Be Treated as Separate Income.*

### Box 7 - Single Return

If you are filing as single, check box 7.

Use this filing status if you were single on December 31, 2022. 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, 2022, you did not remarry in 2022, and you do not qualify to file as a qualifying widow or widower with dependent children on your federal return.

**NOTE:** *If you got divorced during the year, see the department's ruling, ITR 14-2, Reporting Income, Deductions, Exemptions, and Withholding for Divorced Individuals for the Year of Divorce; and publication, Pub. 200, Income Tax Issues Affecting Married and Divorced Taxpayers.*

### Exemptions - Boxes 8 and 9

Enter the number of exemptions you are claiming in boxes 8 and 9. **Do not put a check mark or "X"**. You may lose the exemption if you put a checkmark or "X" in these boxes.

#### Box 8 - Age 65 or Over

**NOTE:** *If a taxpayer's 65<sup>th</sup> birthday was January 1, 2023 (born 1/1/58), that person is considered to be age 65 at the end of 2022 for federal income tax purposes and likewise for Arizona income tax purposes.*

- If you are single or filing as head of household, enter "1" in box 8 if you were 65 or older in 2022 and not claimed as a dependent by another taxpayer.
- If you are married filing a joint return, enter "1" in box 8 if you were 65 or older and not claimed as a dependent by another taxpayer or your spouse was 65 or older in 2022 and not claimed as a dependent by another taxpayer. Enter "2" in box 8 if both you and your spouse were 65 or older in 2022 and neither of you are claimed as a dependent by another taxpayer.
- If you are married and filing a separate return, enter "1" in box 8 if you were 65 or older and not claimed by another taxpayer. You cannot take an exemption for your spouse. Your spouse, if 65 or older and not claimed by another taxpayer, may take this exemption on his/her own separate return.

### Box 9 - Blind

If you or your spouse were partially blind as of December 31, 2022, you must get a statement certified by your eye doctor or registered optometrist that either:

- You cannot see better than 20/200 in your better eye with glasses or contact lenses, or
- Your field of vision is 20 degrees or less.

If your eye condition is not likely to improve beyond the conditions listed above, you can get a statement certified by your eye doctor or registered optometrist to that effect instead. You must keep the statement for your records.

- If you are single or filing as head of household, enter "1" in box 9 if you are totally or partially blind.
- If you are married filing a joint return, enter "1" in box 9 if you **or** your spouse is totally or partially blind. Enter "2" in box 9 if both you **and** your spouse are totally or partially blind.
- If you are married and filing a separate return, you may take an exemption for yourself if you are totally or partially blind. You may only claim an exemption for your spouse if your spouse (1) is totally or partially blind, (2) has no Arizona adjusted gross income for calendar year, and (3) is not the dependent of another taxpayer.

Enter "1" in box 9 if you are totally or partially blind **or** your spouse is totally or partially blind **and** your spouse meets the above criteria.

Enter "2" in box 9 if you are totally or partially blind and your spouse is totally or partially blind and your spouse meets the above criteria, and your spouse meets the above criteria.

### Dependents - Boxes 10a and 10b

#### Boxes 10a and 10b

Boxes 10a and 10b identify the *number* of your qualifying dependents that are either under the age of 17 (box 10a) or age 17 and over (box 10b). This information is used to compute the allowable Dependent Tax Credit. Include only those

dependents in box 10a or 10b that you are using to compute the allowable Dependent Tax Credit on line 59.

### Lines 10c through 10f

You must complete the dependent information section (lines 10c through 10f on page 1 (and Part 1 on page 4, if more space is needed), for each person counted in either box 10a or 10b.

**Be sure to check the box on page 1 indicating you are completing page 4.**

You may claim only those individuals that qualify as your dependent for federal purposes. For each qualifying individual, enter the following information:

- first and last name;
- SSN;
- relationship to taxpayer;
- the number of months this person lived in your home;

**Temporary absences:** Your child or dependent is considered to have lived with you during periods of time when temporarily absent due to special circumstances such as: illness, education, business, or vacation. Your child is also considered to have lived with you during any required hospital stay following birth, as long as the child would have lived with you during that time but for the hospitalization.

- check box 1 (for box 10a) if this person is under the age of 17 or  
- check box 2 (for box 10b) if this person is age 17 or over;  
*and*
- check the box if you did not claim this person on your federal return due to educational credits.

**NOTE:** *If you did not claim a dependent who is a student on your federal return in order to allow the student to claim a federal education credit on the student's federal return, you may still claim the dependent on your Arizona return.*

*For more information, see the department's ruling, ITR 05-2, Will Arizona Allow a Dependent Exemption When a Taxpayer Does Not Claim Federal Exemption in Order to Claim the Education Credit?*

**You may lose the dependent tax credit if you do not furnish this information. Enter the total number of dependents in box 10a and 10b.**

## Reporting Your Residency Status

Check the appropriate box (11 through 13). Check only one box.

### Box 11 - Nonresident

Check box 11 if you were not an Arizona resident during 2022, and were not on active military duty in Arizona.

### Box 12 - Nonresident Active Military

Check box 12 if you were a nonresident on active duty military assignment in Arizona during 2022.

## Box 13 - Composite Return

Check box 13 if this is a composite return filed by a partnership on behalf of its nonresident partners or an S corporation on behalf of its nonresident shareholders.

For a list of qualifications and additional information on filing an Arizona composite nonresident income tax return, see the department's ruling, ITR 16-2, *Composite Individual Income Tax Returns*.

**IMPORTANT – SPECIAL INSTRUCTIONS FOR COMPOSITE RETURNS:** *Go to page 29 to complete a composite nonresident personal income tax return.*

## Determining Arizona Income

### Line 14 - Spouse of Active Duty Military Member

Check the box on line 14 if you are married and the spouse of an active duty military member, and you qualify for relief under the Military Spouses Residency Relief Act. For information about who qualifies for relief, see the department's publication, Pub. 705, *Spouses of Active Duty Military Members*.

**Use lines 15 through 27** to determine what portion of your total income is taxable by Arizona.

**NOTE:** *If you are unable to determine the proper line to use, please call one of the numbers listed on page 1.*

### FEDERAL Column

Enter the actual amounts shown on your 2022 federal income tax return in the FEDERAL column. Complete lines 15 through 25. Line 25 should equal the federal adjusted gross income shown on your 2022 federal Form 1040 or Form 1040NR.

### ARIZONA Column

Enter that portion of your federal income received from **Arizona sources** in the ARIZONA column. Such income includes wages earned in Arizona, Arizona rental and business income, and gains on the sale of Arizona property.

**NOTE:** *If you are filing a joint return with your full year resident spouse, you must enter your Arizona source income in the ARIZONA column and your spouse must enter all income from all sources in the ARIZONA column. For details, see the department's ruling, ITR 14-1, Filing a Joint Tax Return When a Resident Spouse is Married to a Part-Year Resident or Nonresident.*

The Tax Reform Act of 1986 limits the amount of losses that you may deduct from passive activities. A passive activity is one that involves the conduct of any trade or business in which the taxpayer does not materially participate.

As a nonresident, your Arizona gross income may include some of these losses. You may consider only those passive losses that arose from Arizona sources. Your 2022 Arizona gross income can include only Arizona source losses you used on your 2022 federal return.

**Lines 15 through 24 – Arizona column**

The following line-by-line instructions apply to the ARIZONA column.

**Line 15 - Wages, Salaries, Tips, etc.**

Enter all amounts received for services performed in Arizona.

Income earned by a qualifying out-of-state employee, from performing qualified disaster recovery work during a disaster period, is exempt from Arizona income tax. Exclude this income from line 15 in the Arizona column.

For the purpose of this exemption, a qualifying out-of-state employee is an Arizona nonresident individual who is temporarily in Arizona to solely perform qualified disaster recovery work during a disaster period. For more information, see the department's publication, Pub. 720.

**NOTE: Active Duty Military Members** - Do not include active duty military pay unless the active duty military member is an Arizona resident filing a joint return with his or her Arizona nonresident spouse on Form 140NR. If you are an Arizona resident active duty military member including military pay on line 15 in the "ARIZONA" column, also include that amount in the amount entered as an "Other Subtraction From Income" on page 2, line 45.

**NOTE: Spouses of Active Duty Military Members** If you are the spouse of an active duty military and you qualify for relief under the Military Spouses Residency Relief Act, do not enter any wages, salaries, or tips you earned during the taxable year for services performed in Arizona.

**Line 16 - Interest**

If you have an Arizona business, enter only interest (including U.S. Government interest) you earned on accounts pledged as collateral. Also, enter your distributive share of interest from a partnership doing business in Arizona or an S corporation doing business in Arizona. Do **not** include any other interest income, even if it was earned in Arizona banks.

**Line 17 - Dividends**

If you have an Arizona business, enter only those dividends earned on stocks pledged as collateral, including dividends from small business corporations. Also, enter your distributive share of dividend income from a partnership doing business in Arizona or an S corporation doing business in Arizona. Do **not** include any other dividend income.

**Line 18 - Arizona Income Tax Refunds**

Enter the amount of Arizona income tax refunds received in 2022 that you included in your federal adjusted gross income.

**Line 19 - Business Income or (Loss)**

Enter income or (loss) from Arizona businesses.

Income earned by a nonresident who is a sole owner of a qualifying out-of-state business from performing qualified disaster recovery work during a disaster period is exempt from Arizona income tax. Exclude this income from line 19 in the Arizona column.

For the purpose of this exemption, a qualifying out-of-state business is a business that is temporarily in Arizona to solely perform qualified disaster recovery work during a disaster period. For more information, see the department's publication, Pub. 720, *Disaster Recovery Tax Relief*.

**Line 20 - Gains or (Losses)**

Enter gains or (losses) on sales of Arizona sourced property. Enter the total Arizona sourced net capital gain or (loss) used to determine the amount reported on the *Capital Gain or (Loss)* line on page 1 of your federal return. This amount should be reported in your federal adjusted gross income.

**NOTE:** If you reported the maximum allowable net capital (loss) for the current taxable year on your federal return, enter the total amount of Arizona sourced loss used to compute the net capital loss claimed on your federal return.

*For example:* A single taxpayer has a \$3,000 capital gain from property in State XYZ and a (\$7,000) capital (loss) from property in Arizona resulting in a (\$4,000) net federal capital loss. [\$3,000 gain – (\$7,000 loss) = (\$4,000 net loss)]

Because the taxpayer is limited to claiming a loss in the amount of (\$3,000) on the federal tax return, the taxpayer must carryforward the remaining amount of the loss (\$1,000) for federal purposes. [(\$4,000 actual loss) – \$3,000 limit = (\$1,000 loss carryforward)]

- For the current tax year: the Arizona nonresident taxpayer would enter the loss actually used, (\$6,000), on line 20 of the Arizona column. [(\$7,000) – (\$1,000 carryforward) = (\$6,000)].
- In the year the carryforward amount is used for federal purposes, assuming the taxpayer has no other gains or (losses), the taxpayer would enter the remaining Arizona sourced capital loss (\$1,000) on line 20 of the Arizona column.

**Line 21 - Rents, etc.**

Enter the following income on line 21:

- Rent or royalty income earned on Arizona properties.
- Income from Form 141AZ Schedule K-1(NR), line 2 from estates or trusts.
- Income or (loss) from Schedule(s) K-1(NR) from Arizona partnerships (Arizona Form 165) or small business corporations (Arizona Form 120S).

**Line 22 - Other Income Reported on Your Federal Return**

Enter other income from sources within Arizona. Do not include pension income or social security taxed by the federal government. Include your own schedule with the tax return.

**Line 23 - Total Income**

Add lines 15 through 22 and enter the total.

**Line 24 - Other Federal Adjustments**

On line 24, include any other federal adjustments included in your federal adjusted gross income that are attributable to the Arizona source income reported on your 2022 Arizona nonresident return.

**Line 25 - Federal Adjusted Gross Income**

Subtract line 24 from line 23 in the **FEDERAL** column.

**Line 26 - Arizona Gross Income**

Subtract line 24 from line 23 in the **ARIZONA** column.

**Line 27 - Arizona Income Ratio**

Divide line 26 by line 25 and enter the result on line 27. You must round your answer to **three** decimal places. **Do not enter more than 1.000.** Do not include the percent sign (%) with the amount entered on line 27.

This is your Arizona income ratio of your total income.

Examples:		
Arizona Gross Income from line 26	Federal Adjusted Gross Income from line 25	Arizona income ratio
\$ 17,516	\$ 32,000	$17,516/32,000 = .547375$ enter on line 27: <input type="text"/> . <input type="text"/> 5 <input type="text"/> 4 <input type="text"/> 7
\$ 25,650	\$ 92,100	$25,650/92,100 = .278501$ enter on line 27: <input type="text"/> . <input type="text"/> 2 <input type="text"/> 7 <input type="text"/> 9
\$ 10,000	\$ 9,000	$10,000/9,000 = 1.11111$ enter on line 27: <input type="text"/> 1 <input type="text"/> . <input type="text"/> 0 <input type="text"/> 0 <input type="text"/> 0

- If Arizona gross income and federal adjusted gross income are both positive and Arizona’s gross income is greater than the federal adjusted gross income, enter 1.000 on line 27.
- If Arizona gross income is positive (greater than zero), and federal adjusted gross income is equal to or less than zero (negative), enter 1.000 on line 27.
- If Arizona gross income is equal to or less than zero (negative), and federal adjusted gross income is more than zero, enter 0.000 on line 27.
- If Arizona gross income and federal adjusted gross income are both zero, enter 1.000 on line 27.
- If Arizona gross income is zero, and federal adjusted gross income is negative, enter 0.000 on line 27.
- If Arizona gross income and federal adjusted gross income are both negative, divide the Arizona amount by the federal amount and enter the result on line 27. The result cannot be more than 1.000.

**Arizona Small Business Tax Return**

Individuals may elect to report their small business income on Arizona Form 140NR-SBI, Small Business Income, for the small business income amount included in their federal adjusted gross income.

An individual’s small business income is reported on federal Schedules B, C, D, E, F and Form 4797 (for amounts not

included on Schedule D). For more information, see Form 140NR-SBI and instructions.

Additional information and guidance can be found in the department’s Publication 712, *Summary of Arizona Small Business Income and Taxation*.

**How do I elect to report small business income on Arizona Form 140NR-SBI?**

Taxpayers make the election by simply completing Form 140NR-SBI reporting their small business income **and including the completed form with their Form 140NR tax return, when filed.**

**NOTE:** You must include Form 140NR-SBI with your Form 140NR, when filed. If you do not include Form 140NR-SBI with your Form 140NR, processing of your return may be delayed or your subtraction on line 28 may be denied. See the Mailing instructions for the correct address when mailing both Form 140NR and Form 140NR-SBI.

**Modified Arizona Gross Income**

**Line 28 - Small Business Income**

If you elect to report your small business income on Arizona Form 140NR-SBI, check the box on line 28 and enter the amount of small business income reported on Form 140NR-SBI, line 10.

If you are not making this election, enter “0” on line 28.

**Line 29 – Modified Federal Adjusted Gross Income**

Subtract line 28 from line 26.

**Additions to Income**

- NOTE:**
- If you are electing to report your Arizona sourced small business income on Form 140NR-SBI and if any of the following additions are **directly related to the small business income**, report that addition on Form 140NR-SBI. If the addition is **not** directly related to small business income, make the addition on Form 140NR.
  - If you are not filing Form 140NR-SBI, make that addition on Form 140NR.

As a nonresident, include only those additions listed below that are related to Arizona source income reported on Form 140NR.

**Line 30 - Total Depreciation Included in Arizona Gross Income**

If you are making the small business election and this addition is directly related to small business income reported on Form 140NR-SBI, do not report the addition on Form 140NR, enter the addition on Form 140NR-SBI.

Enter the amount of depreciation deducted on the federal return that is included in Arizona gross income. If you make an entry here, you should also take a subtraction on line 40 for allowable depreciation attributable to assets used in your Arizona business. See the instructions for line 40.

**Line 31 - Partnership Income Adjustment (Positive)**

If you are making the small business election and this addition is directly related to small business income reported on Form 140NR-SBI, do not report the addition on Form 140NR, enter the addition on Form 140NR-SBI.

Depending on your situation, you may either add (line 31) or subtract (line 41) this amount.

Use this adjustment if line 17, column (c) of your Arizona Form 165 Schedule K-1(NR), shows a difference between federal and state distributable income.

If the difference reported on line 17, column (c) of your Arizona Form 165 Schedule K-1(NR) is a positive number, enter that portion of the difference that is allocable to partnership income taxable by Arizona as an addition on line 31.

**NOTE:** If the difference reported on line 17, column (c) of your Arizona Form 165 Schedule K-1(NR) is a negative number, enter the portion of the difference that is allocable to partnership income taxable by Arizona as a subtraction on line 41.

**Line 32 - Other Additions to Arizona Gross Income**

Use line 32 if any of the special circumstances below apply.

**NOTE:** If you are reporting any adjustment on line 32, complete the schedule on page 5 of your tax return, Other Additions to Arizona Gross Income, and include it with your return. If you are not reporting any adjustment on line 32, do not include page 5 with your return.

**A. Fiduciary Adjustment - Form 141AZ Schedule K-1(NR)**

If you are making the small business election and this addition is directly related to small business income reported on Form 140NR-SBI, do not report the addition on Form 140NR, enter the addition on Form 140NR-SBI.

A fiduciary uses Form 141AZ Schedule K-1(NR) to report to you your share of the fiduciary adjustment from the trust or estate. Line 5 of Form 141AZ Schedule K-1(NR) shows your share of the fiduciary adjustment from the estate or trust.

Depending on your situation, you may either add (line 32) or subtract (line 45) this amount.

If the amount reported on line 5 of your Arizona Form 141AZ, Schedule K-1(NR) is a positive number, include that amount as an addition on line 32.

**NOTE:** If the amount reported on line 5 of your Arizona Form 141AZ Schedule K-1(NR) is a negative number, include that amount as a "Subtraction from Income" on line 45.

**B. Items Previously Deducted for Arizona Purposes**

Arizona statutes prohibit a taxpayer from deducting items more than once. If your Arizona taxable income includes items previously deducted for Arizona purposes, you must add back such amounts to your Arizona gross income.

**C. Claim of Right Adjustment for Amounts Repaid in 2022**

**NOTE:** For items C and D; taxpayers that made the election to file an Arizona Small Business Income Tax Return in 2022, if the income required to be paid back under the claim of right is the type of income that would be included in lines 4 through 9 of the 140NR-SBI return if the income were reported in 2022, the adjustment should be made in the 140NR-SBI return. All other claim of right adjustments should be made on the regular 140NR return.

You must make an entry here if **all** of the following apply:

1. During 2022, you were required to repay amounts held under a claim of right.
2. The amount required to be repaid was subject to Arizona income tax in the year included in income.
3. The amount required to be repaid during 2022 was more than \$3,000.
4. You took a deduction for the amount repaid on your 2022 federal income tax return.
5. The deduction taken on your federal income tax return is reflected in your Arizona taxable income.

If the above apply, include the amount deducted on your federal income tax return which is reflected in your Arizona taxable income. For more information see the department's procedure, ITP 16-1, *Procedure for Individuals Who Restore Substantial Amounts Held Under a Claim of Right*.

**D. Claim of Right Adjustment for Amounts Repaid in Prior Taxable Years**

You must make an entry here if **all** of the following apply:

1. During a year prior to 2022, you were required to repay income held under a claim of right.
2. You computed your tax for that prior year under Arizona's claim of right provisions.
3. A net operating loss or capital loss was established due to the repayment made in the prior year.
4. You are entitled to take that net operating loss or capital loss carryover into account when computing your 2022 Arizona taxable income.
5. The amount of the loss carryover included in your Arizona gross income is more than the amount allowed to be taken into account for Arizona purposes.

Include the amount by which the loss carryover included in your Arizona gross income is more than the amount allowed for the taxable year under Arizona law.

**E(a) Addition Due to Claiming the Agricultural Water Conservation System (Credit 312)**

You must make an addition to income for the amount of expenses disallowed by reason of claiming the credit. See the instructions for completing Credit Form 312.

**E(b). Addition to S Corporation Income Due to Claiming Pass-Through Credit for Agricultural Water Conservation system (Credit 312)**

If you are making the small business election and this addition is directly related to small business income



reported on Form 140NR-SBI, do not report the addition on Form 140NR, enter the addition on Form 140NR-SBI.

Shareholders of an S corporation who claim a credit passed through from an S corporation must make an addition to their income for the amount of expenses disallowed by reason of claiming the credit.

An S corporation that passes the following credits through to its shareholders must notify each shareholder of his or her pro rata share of the adjustment (Form 312-S, line 1). Shareholders must include an amount on this line when claiming the Agricultural Water Conservation System Credit (Form 312). See the instructions for completing Credit Form 312.

**F(a) Adjusted Basis in Property for Which You Have Claimed a Credit for Investment in Qualified Small Businesses (Credit 338)**

*If you are making the small business election and this addition is directly related to small business income reported on Form 140NR-SBI, do not report the addition on Form 140NR, enter the addition on Form 140NR-SBI.*

If you claim a credit for an investment in a qualified small business on Form 338, you must adjust your basis in the investment by the amount of the credit claimed. You must report this difference in basis on the Arizona return that you file for the taxable year in which you sell or otherwise dispose of the investment. If you sold or otherwise disposed of the investment during the 2022 taxable year, include the amount by which the adjusted basis computed under the Internal Revenue Code (IRC) with respect to that property exceeds the adjusted basis of the property computed under A.R.S. § 43-1074.02.

**F(b). Adjusted Basis in Property for Which You Have Claimed an Agricultural Pollution Control Equipment Credit 325)**

If you claim a credit for an agricultural pollution control credit (Form 325), you must adjust your basis on the Arizona return that you file for the taxable year in which you sell or otherwise dispose of the equipment. If you sold or otherwise disposed of the investment during the 2022 taxable year, include the amount by which the adjusted basis computed under the IRC with respect to that property exceeds the adjusted basis of the property computed under A.R.S. § 43-1081.01.

**F(c). Adjusted Basis in Property for Which You Previously Claimed a credit for Pollution Control Equipment Credit 315)**

If you claimed a credit for pollution control equipment (Form 315) before tax year 2022, you must adjust your basis on the Arizona return that you file for the taxable year in which you sell or otherwise dispose of the equipment. If you sold or otherwise disposed of the investment during the 2022 taxable year, include the amount by which the adjusted basis computed under the IRC with respect to that property exceeds the adjusted basis of the property computed under A.R.S. § 43-1081

**G. Sole Proprietorship Loss of an Arizona Nonprofit Medical Marijuana Dispensary Included in Federal Adjusted Gross Income**

**NOTE:** *If the Arizona nonprofit medical marijuana dispensary is registered with the Arizona Department of Health Services as anything other than a sole proprietorship, this subtraction does not apply.*

*If you are making the small business election and this addition is directly related to small business income reported on Form 140NR-SBI, do not report the addition on Form 140NR, enter the addition on Form 140NR-SBI.*

If you are registered as an Arizona sole proprietorship with the Arizona Department of Health Services to operate in this state as a nonprofit medical marijuana dispensary, you may subtract the amount of the income from the dispensary that is included in the computation of your federal adjusted gross income.

In addition, a sole proprietorship of an Arizona dual licensee that has **not elected to operate on a for-profit basis** may subtract the portion of income included in federal adjusted gross income that is from the medical marijuana portion of the business.

**NOTE:** *A dual licensee that elects to operate on a for-profit basis does not qualify for a subtraction for the medical marijuana portion of their business.*

**H. Americans with Disabilities Act Access Expenditures**

*If you are making the small business election and this addition is directly related to small business income reported on Form 140NR-SBI, do not report the addition on Form 140NR, enter the addition on Form 140NR-SBI.*

If a subtraction is taken on line 45, *Other Subtractions from Income*, for the full amount of eligible access expenditures paid or incurred during the taxable year for Arizona properties to comply with the requirements of the Americans with Disabilities Act of 1990 or A.R.S. Title 41, chapter 9, article 8, any amount of eligible access expenditures that is recognized under the IRC, including any amount that is amortized according to federal amortization schedules, and that is included in computing taxable income for the current taxable year must be added to Arizona gross income. (A.R.S. § 43-1021)

**I. Amortization or Depreciation for a Childcare Facility**

You elected to amortize cost of a childcare facility under Arizona law in effect before 1990, and you are still deducting amortization or depreciation for that facility on your federal income tax return.

**J. Net Capital (Loss) from the Exchange of One Kind of Legal Tender for Another Kind of Legal Tender**

*If you are making the small business election and this addition is directly related to small business income reported on Form 140NR-SBI, do not report the addition on Form 140NR, enter the addition on Form 140NR-SBI.*

To determine if you are required to make this addition to income, you must net **all** gains and (losses) from all exchanges of one kind of legal tender for another kind of legal tender including amounts shown on Form 165 Schedule K-1(NR), Form 120S Schedule K-1(NR), and Form 141AZ, Schedule K-1(NR).

For taxable years beginning from and after December 31, 2017, enter the amount of any net capital loss *from Arizona sources* and included in Arizona gross income for the taxable year that is derived from the exchange of one kind of legal tender for another kind of legal tender.

**NOTE:** *If the amount from all sources results in a net capital gain from the exchange of one kind of tender for another kind of tender, enter that amount on page 6, "M".*

For the purposes of this paragraph:

- (a) "Legal tender" means a medium of exchange, including specie that is authorized by the United States Constitution or Congress for the payment of debts, public charges, taxes and dues.
- (b) "Specie" means coins having precious metal content.

#### K. Entity-Level Income Tax Payment

If you are claiming the income tax credit on Form 355, *Credit for Entity-Level Income Tax Paid on Your Behalf from a Partnership and/or an S Corporation*, you must add the amount deducted by the partnership and/or S Corporation for the amount of Arizona income tax paid on your behalf in 2022.

Enter the total amount of tax paid shown on:

- Arizona Form 165, Schedule K-1(NR), Part 6, lines 22 and 23.
- Arizona Form 120S, Schedule K-1(NR), Part 6, lines 22 and 23.

**NOTE:** *Enter the tax amount actually paid by the Partnership or S Corporation in 2022. Tax amounts paid in 2023 for tax year 2022 will be added-back on your 2023 tax return. These payments include any 4<sup>th</sup> QTR estimated taxes paid in January 2023 and any 2023 tax payments made with the Entity's tax return on your behalf.*

#### L. Other Adjustments Related to Tax Credits

*If you are making the small business election and this addition is directly related to small business income reported on Form 140NR-SBI, do not report the addition on Form 140NR, enter the addition on Form 140NR-SBI.*

You may also need to make an addition if you claimed certain tax credits.

- If you claimed the Agricultural Pollution Control Equipment Credit (Form 325), you must make an addition to income for the amount by which the depreciation or amortization computed under the internal revenue code with respect to property for which a credit was taken on Credit Form 325 that exceeds the amount of depreciation or amortization computed pursuant to internal revenue code on the Arizona adjusted bases of the property.
- If you previously claimed the Pollution Control Equipment Credit (Form 315) *before tax year 2022*, you must make an addition to income for the amount by which the depreciation or amortization computed under the internal revenue code with respect to property for which a credit was taken on Credit Form 315 that exceeds the amount of depreciation or amortization computed pursuant to internal revenue code on the Arizona adjusted bases of the property.

If you have more than one adjustment related to tax credits, add the amounts together and enter the total.

#### M. Other Adjustments

*If you are making the small business election, do not make the addition here, make it on the 140NR-SBI tax return.*

Other adjustments may be necessary. For example, you must add-back expenses related to income that Arizona does not tax. If you have more than one Other Adjustment, add the amounts together and enter the total.

#### N. Total Other Additions to Arizona Gross Income

Add all amounts from page 5 and enter the total on line 32.

#### Line 33 - Subtotal

Add lines 29, 30, 31 and 32. Enter the total on line 33.

### Subtractions from Income

#### NOTE:

- *If you are electing to report your Arizona sourced small business income on Form 140NR-SBI and if any of the following subtractions are **directly related to the small business income**, report that subtraction on Form 140NR-SBI. If the subtraction is **not** directly related to small business income, make the subtraction on Form 140NR.*
- *If you are not filing Form 140NR-SBI, make that subtraction on Form 140NR.*

As a nonresident, include only those subtractions listed below that are related to Arizona source income reported on Form 140NR.

You may only subtract those items for which statutory authority exists. Without such authority, you cannot take a subtraction. If you have any questions concerning subtractions from income, call one of the numbers listed on page 1 of these instructions.

**NOTE:** *You may not subtract any amount which is allocable to income excluded from your Arizona income.*

#### Lines 34 through 38 - Net Capital Gain or (Loss)

**NOTE:** *For lines 34-38; if you elected to file the Arizona Small Business Income Tax Return, only claim the subtraction on this return if the net capital gain to which the subtraction relates was not moved to the Arizona Small Business Income Tax Return.*

If you have net capital gains or (losses) not related to small business income, enter those amounts on Form 140NR, lines 34-38.

If you are not filing a small business income tax return, include all allowable net capital gains or (losses) on Form 140NR, lines 34-38.

If you enter an amount on line 34, you must also complete lines 35 and 36. If you do not complete these lines, you cannot take the subtraction on line 38.

**NOTE:** *If you do not have any net capital gain or (loss) to report, enter "0" on lines 34-37.*

As a nonresident, you may take the allowable subtraction for **only** those qualified net long-term capital gains that are from **Arizona sources**. You may subtract 25% (.25) of any qualifying 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, *Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired after December 31, 2011*, at the end of these instructions to determine the allowable subtraction. Keep the worksheet for your records.

**Line 34 - Total Arizona Sourced Net Capital Gain or (Loss)**

Enter the amount shown on line 20 of the Arizona column.

**Line 35 - Total Arizona Sourced Net Short-Term Capital Gain or (Loss)**

Enter the amount of total *Arizona sourced* net short-term capital gain reported on line 35.

**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 35.*

**Line 36 - Total Arizona Sourced Net Long-Term Capital Gain or (Loss)**

Enter the amount of total *Arizona sourced* net long-term capital gain or (loss) included in line 34.

**NOTE:** *If your long-term net capital gain or (loss) was limited to an amount shown on federal Form 1099-DIV and you were not required to complete Schedule D, enter the amount shown on your Form 1099-DIV from Arizona sources on line 35.*

**Line 37 – Arizona Sourced Net Long-Term Capital Gain from Assets Acquired After December 31, 2011**

Enter the Arizona sourced net long-term capital gain from assets acquired after December 31, 2011.

If you did not complete the worksheet at the end of these instructions and you have no net long-term capital gains from assets acquired after December 31, 2011, enter “0”. If you completed the worksheet, enter the amount from the worksheet, line 7.

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 38 – Arizona Sourced Net Long-Term Capital Gain Subtraction from Income for Assets Acquired After December 31, 2011**

Multiply the amount on line 37 by 25% (.25) and enter the result.

**NOTE:** *If you take a subtraction on line 39 that includes any long-term capital gain from an investment in qualified small business made **after** December 31, 2011, you **cannot include** that portion of the net capital gain in your computation of the allowable subtraction on line 38 for any net long-term capital gain from assets acquired after December 31, 2011 and included in federal adjusted gross income.*

**1099-DIV:** If you received Form 1099-DIV issued from a fund Administrator and the 1099-DIV included long-term capital gains from the sale of assets within the fund (for example a mutual fund) for the current tax year and the form did not include the acquisition date of each asset sold within the fund, you cannot verify that the long-term capital gain was from an asset acquired by the Fund was after December 31, 2011, for the purpose of the allowable subtraction on line 38. In this case, you may want to contact the Fund Administrator and request to obtain the acquisition date of each asset sold within the fund. If the Administrator does not provide you with the specific date(s), then those assets cannot be included on line 37.

**1099-B:** If you received Form 1099-B showing a capital gain or (loss) from the sale of your portion of a fund (for example a mutual fund), Form 1099-B would generally include your purchase date of the fund including acquisition dates of assets included in your portion of the fund when reporting short-term or long-term capital gains or (losses). In this case, you would know the specific date the asset was acquired and those assets may be included on line 37.

**Line 39 - Net Capital Gain from Investment in a Qualified Small Business**

*If you are making the small business election and this subtraction is directly related to small business income reported on Form 140NR-SBI, do not report the subtraction on Form 140NR, enter the subtraction on Form 140NR-SBI tax return*

To take the subtraction for a net capital gain from investment in an Arizona qualified small business, you must net all gains and (losses) from investments in Arizona qualified small businesses including amounts shown on Forms 165 Schedule K-1, 120S Schedule K-1, and/or 141AZ, Schedule K-1.

You may subtract the amount of any **net** capital gain included in federal adjusted gross income for the taxable year derived from investment in a qualified small business as determined by the Arizona Commerce Authority (ACA) pursuant to A.R.S. § 41-1518.

To qualify for this subtraction, your investment in the qualified small business must have been made *after* the ACA certified the company as a qualified small business and *before* the company’s certification expiration date. An investment made prior to certification or after the expiration of certification does not qualify for this subtraction.

See the ACA’s website, *Small Business Incentives: Angel Investment*, for a list of certified businesses and their certification dates.

On line 39, enter the amount of the allowable subtraction.

**Line 40 - Recalculated Arizona Depreciation**

If you are making the small business election and this subtraction is directly related to small business income reported on Form 140NR-SBI, do not report the subtraction on Form 140NR, enter the subtraction on Form 140NR-SBI.

As a nonresident, you may take the allowable subtraction that is **only** related to income sourced to Arizona.

**NOTE:** For more information and examples of how to calculate Arizona bonus depreciation, see the department's procedure, ITP 16-2, Procedure for Individuals who Claim Federal and/or Arizona Bonus Depreciation.

**For assets placed in service in taxable years beginning before December 31, 2012,** enter the total amount of depreciation attributable to assets used in your Arizona business allowable pursuant to IRC § 167(a) for the taxable year calculated as if you had elected not to claim bonus depreciation for eligible properties for federal purposes.

**For assets placed in service during taxable years beginning from and after December 31, 2012 through December 31, 2013,** the amount of the subtraction depends on the method used to compute the depreciation for these assets.

**For assets placed in service in taxable years beginning from and after December 31, 2013 through December 31, 2015,** enter the total amount of depreciation attributable to assets used in your Arizona business allowable pursuant to IRC § 167(a) for the taxable year calculated as if the bonus depreciation is 10% of the amount of federal bonus depreciation pursuant to IRC § 168(k).

**For assets placed in service in taxable years beginning from and after December 31, 2015 through December 31, 2016,** enter the total amount of depreciation attributable to assets used in your Arizona business allowable pursuant to IRC § 167(a) for the taxable year calculated as if the bonus depreciation is 55% of the amount of federal bonus depreciation pursuant to IRC § 168(k).

**For assets placed in service in taxable years beginning from and after December 31, 2016,** enter the total amount of depreciation attributable to assets used in your Arizona business allowable pursuant to IRC § 167(a) for the taxable year calculated as if the bonus depreciation is the full amount of federal bonus depreciation pursuant to IRC § 168(k).

Add all amounts together and enter the total on line 40.

**Line 41 - Partnership Income Adjustment**

If you are making the small business election and this subtraction is directly related to small business income reported on Form 140NR-SBI, do not report the subtraction on Form 140NR, enter the subtraction on Form 140NR-SBI.

Use this adjustment if Form 165 Schedule K-1(NR), line 17, column (c) shows a difference between federal and state distributable income.

If the difference reported on line 17, column (c) is a negative number, enter that portion of the difference that is allocable to

partnership income taxable by Arizona as a subtraction on line 41. **Do not include a minus sign or use parentheses.**

**NOTE:** If the difference reported on line 17, column (c) of your Arizona Form 165 Schedule K-1(NR), is a positive number, enter that portion of the difference that is allocable to partnership income taxable by Arizona as an addition on line 31.

**Line 42**

Subtract lines 38 through 41 from line 33 and enter the difference.

**Line 43 - Interest on U.S. Obligations**

If you are making the small business election and this subtraction is directly related to small business income reported on Form 140NR-SBI, do not report the subtraction on Form 140NR, enter the subtraction on Form 140NR-SBI.

Enter the amount of interest income from U.S. Government obligations included as income on line 16 in the ARIZONA column. U.S. Government obligations include obligations such as savings bonds and treasury bills. You must reduce this subtraction by any interest or other related expenses incurred to purchase or carry the obligation. Reduce the subtraction only by the amount of such expenses included in your Arizona gross income.

**Line 44 - Agricultural Crops Given to Arizona Charitable Organizations**

If you are making the small business election and this subtraction is directly related to small business income reported on Form 140NR-SBI, do not report the subtraction on Form 140NR, enter the subtraction on Form 140NR-SBI.

Arizona law allows for a subtraction for qualified crop gifts made during 2022 to one or more charitable organizations. To take this subtraction, **all** of the following must apply:

1. You must be engaged in the business of farming or processing agricultural crops.
2. The crop must be grown in Arizona.
3. You made your gift to a charitable organization located in Arizona that is exempt from Arizona income tax.

The subtraction is the greater of the wholesale market price or the most recent sale price for the contributed crop.

The amount of subtraction cannot include any amount deducted pursuant to IRC § 170 with respect to crop contribution that exceeds the cost of producing the contributed crop. To determine if your crop gift qualifies for this subtraction, see the department's procedure, ITP 12-1, *Establishing an Income Tax Subtraction for Agricultural Crops Contributed to Charitable Organizations*.

**Line 45 - Other Subtractions from Income****NOTE:**

- If you are electing to report your Arizona sourced small business income on Form 140NR-SBI and if any of the following subtractions are **directly related to the small business income**, report that subtraction on Form 140NR-SBI. If the subtraction is **not** directly related to small business income, make the subtraction on Form 140NR.
- If you are not filing Form 140NR-SBI, make that subtraction on Form 140NR.

As a nonresident, include only those subtractions listed below that are related to Arizona source income reported on Form 140NR

Use line 45 if any of the following special circumstances apply.

**NOTE:** If you are reporting any adjustment on line 45, complete the schedule on page 6 of your tax return, Other Subtractions from Arizona Gross Income, and include it with your return. If you are not reporting any adjustment on line 45, do not include page 6 with your return.

**A. Certain Wages of American Indians**

Enrolled members of American Indian tribes may subtract wages earned while living and working on their tribe's reservation. You can subtract only those amounts that you included on line 15, ARIZONA column. The federal government must recognize these tribes. For more information, see the department's ruling, ITR 96-4, *Income Taxation of Indians and Spouses*.

**B. Qualified Wood Stove, Wood Fireplace, or Gas-Fired Fireplace**

Arizona law provides a subtraction for converting an existing fireplace to one of the following:

- a qualified wood stove,
- a qualified wood fireplace, or
- a gas fired fireplace and non-optional equipment directly related to its operation.

You may subtract up to \$500 of the costs incurred for converting an existing fireplace on your property **located in Arizona**. When you figure your subtraction, do not include taxes, interest, or other finance charges.

A qualified wood stove or a qualified wood fireplace is a residential wood heater that was manufactured on or after

July 1, 1990, or sold at retail on or after July 1, 1992. The residential wood heater must also meet the U.S. Environmental Protection Agency's July 1990 particulate emissions standards.

A qualified gas fired fireplace is any device that burns natural or liquefied petroleum gas as its fuel through a burner system that is permanently installed in the fireplace. The conversion of an existing wood burning fireplace to noncombustible gas logs that are permanently installed in the fireplace also qualifies as a gas fired fireplace.

**C. Claim of Right Adjustment for Amounts Repaid in Prior Taxable Years**

**NOTE:** For taxpayers that made the election to file an Arizona Small Business Income Tax Return in 2022, if the income required to be paid back under the claim of right is the type of income that would be included in lines 4 through 9 of the 140NR-SBI return if the income were reported in 2022, the adjustment should be made in the 140NR-SBI return. All other claim of right adjustments should be made on the regular 140NR return.

You must make an entry here if **all** of the following apply:

1. During a year prior to 2022, you were required to repay income held under a claim of right.
2. The amount required to be repaid was subject to Arizona income tax in the year included in income.
3. You computed your tax for that prior year under Arizona's claim of right provisions.
4. A net operating loss or capital loss was established due to the repayment made in the prior year.
5. You are entitled to take that net operating loss or capital loss carryover into account when computing your 2022 Arizona taxable income.
6. The amount of the loss carryover allowed to be taken into account for Arizona purposes is more than the amount included in your Arizona gross income.

Include the amount by which the loss carryover allowed for the taxable year under Arizona law is more than the amount included in your Arizona gross income. For more information on the Arizona claim of right provisions, see the department's procedure, ITP 16-1, *Procedure for Individuals Who Restore Substantial Amounts Held Under a Claim of Right*.

**D. Certain Expenses Not Allowed for Federal Purposes**

If you are making the small business election and this subtraction is directly related to small business income reported on Form 140NR-SBI, do not report the subtraction on Form 140NR, enter the subtraction on Form 140NR-SBI.

You may subtract some expenses that you cannot deduct on your federal return when you claim certain federal tax credits. These federal tax credits include the following:

- the Federal Work Opportunity Credit,
- the Empowerment Zone Employment Credit,
- the credit for employer-paid social security taxes on employee cash tips, and
- the Indian Employment Credit.

If you claimed any of the above federal tax credits for 2022, include the portion of wages or salaries attributable to Arizona source income that you paid or incurred during the taxable year that is equal to the amount of those federal tax credits you claimed.

**E. Basis Adjustment for Property Sold or Otherwise Disposed of During the Taxable Year**

If you are making the small business election and this subtraction is directly related to small business income

reported on Form 140NR-SBI, do not report the subtraction on Form 140NR, enter the subtraction on Form 140NR-SBI.

For property used in an Arizona business that is sold or otherwise disposed of during the taxable year by a taxpayer who added back all depreciation for that property for all taxable years beginning from and after December 31, 1999, include the amount of depreciation that has been allowed pursuant to IRC § 167(a) to the extent that the amount has not already reduced Arizona taxable income in the current or prior years. (Note: The practical effect of this is to allow a subtraction for the difference in basis for any asset for which bonus depreciation has been claimed on the federal return.) You may make this adjustment only for property that was used in your Arizona business.

#### F. Fiduciary Adjustment

If you are making the small business election and this subtraction is directly related to small business income reported on Form 140NR-SBI, do not report the subtraction on Form 140NR, enter the subtraction on Form 140NR-SBI.

A fiduciary uses Form 141AZ Schedule K-1(NR) to report to you your share of the fiduciary adjustment from the trust or estate. Line 5 of Form 141AZ Schedule K-1(NR) shows your share of the fiduciary adjustment from the estate or trust.

Depending on your situation, you may either add (line 32) or subtract (line 45) this amount.

If the amount on Form 141AZ Schedule K-1(NR), line 5 is a negative number, include that amount as a subtraction from income on line 45.

**NOTE:** If the amount on Form 141AZ Schedule K-1(NR), line 5 is a positive number, include that amount as an "Other Additions to Income" on line 32.

#### G. Net Operating Loss Adjustment

If you are making the small business election and this subtraction is directly related to small business income reported on Form 140NR-SBI, do not report the subtraction on Form 140NR, enter the subtraction on Form 140NR-SBI.

**NOTE:** This subtraction applies to only those individuals who made an election under the special federal net operating loss rules for 2008 and 2009. Under the special rules for 2008 and 2009, you could have elected to carry the net operating loss back for 3, 4, or 5 years instead of the normal 2 years. This election would have been allowed under IRC § 172(b)(1)(H) as amended by the American Recovery and Reinvestment Act of 2009 or the Worker, Homeownership, and Business Assistance Act of 2009.

Arizona did not adopt the special federal net operating loss rules for losses incurred during 2008 or 2009. For Arizona purposes, you must deduct an Arizona source net operating loss as-if the loss was computed under IRC § 172 in effect prior to the enactment of those special rules. If you made an election to deduct your 2008 or 2009 federal net operating loss under IRC § 172(b)(1)(H), you may have to enter an amount here. Figure how much of the net operating loss carry forward would have been allowed as a deduction on your 2022 federal income

tax return, if the election described in IRC § 172(b)(1)(H) had not been made in the year of the loss. Then figure how much of the carry forward computed under that method was derived from Arizona source losses. The amount you may take as a subtraction is the difference between the amount of Arizona source net operating loss carryover allowable as a deduction for federal purposes under the as-if calculation and the amount of the Arizona source net operating loss deduction actually taken for federal purposes that you included in your Arizona gross income. On line 45, include the amount of allowable Arizona source loss carry forward deduction that exceeds the actual amount of Arizona source net operating loss carry forward deduction that was deducted in arriving at Arizona gross income.

**NOTE:** As an Arizona nonresident, you may have had a loss from your prior year Arizona business operations. However, the loss cannot offset this year's income unless the as-if calculation results in an Arizona source net operating loss deduction for federal purposes. You can only take this subtraction if the as-if federal net operating loss deduction for 2022 includes Arizona source losses that have not been absorbed by non-Arizona income in any intervening years. You cannot subtract any amount of that net operating loss that has been absorbed by non-Arizona income in any intervening years. You also cannot take a subtraction for any amount that has already been deducted for Arizona purposes.

#### H. Sole Proprietorship Income of an Arizona Nonprofit Medical Marijuana Dispensary Included in Federal Adjusted Gross Income

If you are making the small business election and this subtraction is directly related to small business income reported on Form 140NR-SBI, do not report the subtraction on Form 140NR, enter the subtraction on Form 140NR-SBI.

**NOTE:** If the Arizona nonprofit medical marijuana dispensary is registered with the Arizona Department of Health Services as anything other than a sole proprietorship, this subtraction does not apply.

If you are registered as an Arizona sole proprietorship with the Arizona Department of Health Services to operate in this state as a nonprofit medical marijuana dispensary, you may subtract the amount of the income from the dispensary that is included in the computation of your federal adjusted gross income.

In addition, a sole proprietorship of an Arizona dual licensee that **has not elected to operate on a for-profit basis** may subtract the portion of income included in federal adjusted gross income that is from the medical marijuana portion of the business.

**NOTE:** A dual licensee that elects to operate on a for-profit basis does not qualify for a subtraction for the medical marijuana portion of their business.

#### I. Americans with Disabilities Act Access Expenditures

If you are making the small business election and this subtraction is directly related to small business income

reported on Form 140NR-SBI, do not report the subtraction on Form 140NR, enter the subtraction on Form 140NR-SBI.

A subtraction is allowed for eligible business access expenditures paid or incurred during the taxable year for Arizona properties to comply with the requirements of the Americans with Disabilities Act of 1990 or A.R.S. Title 41, chapter 9, article 8 by retrofitting developed real property that was originally placed in service at least ten years before the current taxable year. (A.R.S. §§ 43-1022 and 43-1024)

“Eligible business access expenditures” include reasonable and necessary amounts paid or incurred to:

- Remove any barriers that prevent a business from being accessible to or usable by individuals with disabilities.
- Provide qualified interpreters or other methods of making audio materials available to hearing-impaired individuals.
- Provide qualified readers, taped texts, and other effective methods of making visually delivered materials available to individuals with visual impairments.
- Acquire or modify equipment or devices for individuals with disabilities.
- Provide other similar services, modifications, materials, or equipment.

**NOTE:** A taxpayer who has been cited for noncompliance with the Americans with Disabilities Act of 1990 or A.R.S. Title 41, chapter 9, article 8 by either federal or state enforcement officials is ineligible for a subtraction under this section for any expenditure required to cure the cited violation.

Include the amount of allowable expenses paid or incurred during the tax year.

#### **J. Exploration Expenses Deferred Before January 1, 1990**

If you are making the small business election and this subtraction is directly related to small business income reported on Form 140NR-SBI, do not report the subtraction on Form 140NR, enter the subtraction on Form 140NR-SBI.

Call one of the numbers listed on page 1 of these instructions if you deferred exploration expenses determined under IRC § 617 in a taxable year ending before January 1, 1990 and you have not previously taken a subtraction for those expenses.

#### **K. Sole Proprietorship – Marijuana Establishment and Testing Facilities and Dual Licensees that Elect to Operate on a for-profit basis**

If you are making the small business election and this subtraction is directly related to small business income reported on Form 140NR-SBI, do not report the subtraction on Form 140NR, enter the subtraction on Form 140NR-SBI.

A Sole Proprietorship or disregarded LLC (dual licensee) that takes the allowable subtraction for the income of an **Arizona Nonprofit Medical Marijuana Dispensary (NMMD)** under item “H”, cannot take this allowable subtraction”.

Enter the total amount of ordinary and necessary expenses related to the sales of recreational use products reported on Arizona Schedule DFE, *Disallowed Federal Expense Schedule for Marijuana Establishments*, line 16.

**Include this schedule (after page 6) with your tax return, when filed.**

Do not include Cost of Goods Sold or any other expenses already allowed to be deducted on your federal return in the total amount of expenses reported on this line.

**NOTE:** Sole Proprietors and disregarded LLCs must contact the Arizona Department of Health Services (ADHS) to make the election to operate on a for-profit basis.

#### **L. S corporation Shareholders – Marijuana Establishment, Testing Facilities and Dual Licensees that Elected to Operate on a For-profit Basis**

If you are making the small business election and this subtraction is directly related to small business income reported on Form 140NR-SBI, do not report the subtraction on Form 140NR, enter the subtraction on Form 140NR-SBI.

Enter the amount of your pro-rata share of ordinary and necessary expenses related to the sales of recreational use products shown on your 120S Schedule K-1(NR), line 20.

Do not include Cost of Goods Sold in the total amount of expenses reported on this line.

#### **M. Net Capital Gain from the Exchange of One Kind of Legal Tender for Another Kind of Legal Tender**

If you are making the small business election and this subtraction is directly related to small business income reported on Form 140NR-SBI, do not report the subtraction on Form 140NR, enter the subtraction on Form 140NR-SBI.

To take this subtraction, you must net **all** gains and (losses) from all exchanges of one kind of legal tender for another kind of legal tender, including amounts shown on Forms 165 Schedule K-1(NR), 120S Schedule K-1(NR), and/or 141AZ Schedule K-1(NR).

Enter the amount of any net capital gain from Arizona sources included in Arizona gross income for the taxable year that is derived from the exchange of one kind of legal tender for another kind of legal tender.

**NOTE:** If the amount from all sources results in a **net capital (loss)** from the exchange of one kind of tender for another kind of tender, enter that amount on page 5, “J”.

For the purposes of this paragraph:

(a) "Legal tender" means a medium of exchange, including specie that is authorized by the United States Constitution or Congress for the payment of debts, public charges, taxes and dues.

(b) "Specie" means coins having precious metal content.

#### **N. Other Adjustments**

If you are making the small business election and this subtraction is directly related to small business income reported on Form 140NR-SBI, do not report the subtraction on Form 140NR, enter the subtraction on Form 140NR-SBI.

Other adjustments may be necessary. If an allowable adjustment is not listed above, enter that amount on this line. If you have more than one *Other Adjustment*, add the amounts together and enter the total.

**O. Total Other Subtractions from Arizona Gross Income**

Add all amounts on page 6 and enter the total on page 2, line 45.

**Line 46**

Subtract lines 43, 44 and 45 from line 42.

**Exemptions – Lines 47 through 49**

**Line 47 - Age 65 or Over**

Multiply the number in box 8 on the front of your return by \$2,100 and enter the result.

**Line 48 - Blind**

Multiply the number in box 9 on the front of your return by \$1,500 and enter the result.

**Line 49 - Other Exemptions**

**NOTE:** *If you take an Other Exemption for an individual on line 49, you cannot claim this individual for the dependent tax credit on line 59. In this case do not include this person in Box 10b.*

You must complete page 4, Part 2 to compute your allowable Other Exemptions, on line 49. Be sure to enter the number of individuals listed in Part 2 in the box, **49E, on line 49.**

You may take an exemption in the amount of \$2,300 for each of the following individuals:

- A person who is age 65 or over (related to you or not) if either of the following applies:
  1. In 2022, 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 2022, you paid more than \$800 for either Arizona home health care or other medical costs for the person.

*If both 1 and 2 apply to the same person, you are limited to only **one** exemption of \$2,300 for that person.*

**NOTE:** *If a taxpayer's 65th birthday was January 1, 2023 (born 1/1/1958), that person would be considered to be age 65 at the end of 2022 for federal income tax purposes and likewise for Arizona income tax purposes.*

- A stillborn child if the following apply:
  1. The stillbirth occurred during 2022.
  2. You received a certificate of birth resulting in stillbirth from the Arizona Department of Health Services.
  3. The child would have otherwise been a member of your household.

Enter the following in columns (a) through (d):

- a) The individual's first and last name. If you are claiming an exemption for a stillborn child and the

child was not named, enter "stillborn child" in place of a name.

- b) The individual's social security number. If you are claiming an exemption for a stillborn child, enter the certificate number from the certificate of birth resulting in stillbirth.
- c) For those individuals age 65 or over:
  - Check box C1 if you paid more than one-fourth of the cost of keeping this person in an Arizona nursing care institution, an Arizona residential care institution, or an Arizona assisted living facility. Your cost must be more than \$800 during the taxable year;
  - Check box C2 if you paid more than \$800 for either Arizona home health care or other medical costs for the person during the taxable year.

*If you check both box C1 and box C2 for the same individual, you are limited to only one exemption of \$2,300 for that individual.*
- (d) Check this box if claiming an exemptions for a stillborn child.

Enter the total **number** of exemptions in box **49E** on line 49.

**You may lose the exemption if you do not furnish this information.**

Multiply the number in box **49E** by \$2,300 and enter the result.

**Line 50 - Total Exemptions**

Add lines 47, 48, and 49 and enter the total.

**Line 51 - Prorated Exemptions**

Multiply the amount on line 50 by your Arizona income ratio from line 27 and enter the result.

**For Active Duty Military Personnel Only:** *If you were on active duty in Arizona during 2022 but you were a resident of another state, you must prorate these exemptions.*


**Line 52 - Arizona Adjusted Gross Income**

Subtract line 51 from line 46. If less than zero, enter "0".

**Figuring Your Tax**

**Line 53 – Itemized Deductions or Standard Deductions**

You must decide whether to take the standard deduction or to itemize your deductions. Your Arizona income tax will be less if you take the larger of your standard deduction or your itemized deductions.

 When you *e-file*, the software completes the math for you.

**Your Itemized Deductions**

You may itemize deductions on your Arizona return even if you take a standard deduction on your federal return.



The itemized deductions allowed for Arizona purposes are those itemized deductions that are allowable under the IRC.

As an Arizona nonresident, you must prorate these deductions by the income ratio which your Arizona gross income is of your federal adjusted gross income.

To determine your Arizona itemized deductions, complete a federal Form 1040 Schedule A, then complete the Arizona Form 140NR Schedule A(NR). **If you itemize deductions, check box 53I.**

**NOTE:** *If you itemize, you must include a copy of your federal Schedule A and your Arizona Schedule A(NR) with your Arizona return.*

**Your Standard Deduction**

**CAUTION:** *You must prorate the standard deduction.*

Nonresident individuals who claim the standard deduction must prorate the deduction by the income ratio for which the taxpayer’s Arizona gross income is of the taxpayer’s federal adjusted gross income.

This will, in effect, prorate the standard deduction between income taxable to Arizona and income not taxable to Arizona and allow only that portion of the deduction allocable to income taxable to Arizona. **If you take the standard deduction, check box 53S and complete the following worksheet.**

Standard Deduction Chart	
If your filing status is:	Your standard deduction prior to prorating is:
• Single	\$12,950
• Married filing joint	\$25,900
• Married filing separate	\$12,950
• Head of Household	\$19,400

Standard Deduction Worksheet						
1. Amount from the standard deduction chart. Enter the amount shown for your filing status.	\$ .00					
2. Enter your Arizona income ratio from Form 140NR, page 1, line 27.	<table border="1" style="display: inline-table;"> <tr> <td style="width: 20px;"> </td> <td style="width: 20px;">.</td> <td style="width: 20px;"> </td> <td style="width: 20px;"> </td> <td style="width: 20px;"> </td> </tr> </table>		.			
	.					
3. Multiply line 1 by the ratio on line 2. Enter the result here and on Form 140NR, page 2, line 53.	\$ .00					

**Line 54 - Increased Standard Deduction for Charitable Contributions**

A taxpayer may increase the allowable standard deduction amount equal to 27% (.27) of the total amount of a taxpayer’s charitable contributions that would have been allowed if the taxpayer elected to claim itemized deductions.

To claim the increased standard deduction, you must complete Form 140NR, page 3 and include the completed page with your tax return, when filed.

Be sure to check box 54C on line 54. If you do not check this box **and** include a completed page 3 with your tax return, you may be denied the increased standard deduction.

**Line 55 - Arizona Taxable Income**

Subtract lines 53 and 54 from line 52 and enter the difference. If less than zero, enter zero “0.” Use this amount to calculate your tax using Tax Table X or Y.

**Line 56 - Tax Amount**

Enter the tax from Tax Tables X and Y.

**Line 57 - Tax from Recapture of Credits from Arizona Form 301**

Enter the amount of tax due from recapture of credits from Arizona Form 301, Part 2, line 32.

**Line 58 - Subtotal of Tax**

Add lines 56 and 57 and enter the total.

**Line 59 - Dependent Tax Credit**

**NOTE:** *If you claim an individual for the dependent tax credit on line 59, you cannot take an exemption for the same individual as an Other Exemption on line 49.*

For taxable years beginning from and after December 31, 2018, taxpayers may claim a nonrefundable Dependent Tax Credit for certain qualifying dependents.

For the purpose of the dependent tax credit, “dependent” means an individual that qualifies as a dependent for federal purposes. The tax credit is equal to:

- \$100 for each qualifying dependent who is under 17 years of age at the end of the taxable year.
- \$25 for each qualifying dependent who is at least 17 years of age at the end of the taxable year.

Nonresidents are required to apportion their Dependent Tax Credit by the Arizona income tax ratio computed on page 1, line 27.

The allowable credit is reduced for single, head of household, and married taxpayers filing separate returns whose federal adjusted gross income (page 1, line 25) is more than \$200,000; and for married taxpayers filing a joint return whose federal adjusted gross income is more than \$400,000.

**Complete the following tables to compute your credit. (Table I continues on next page)**

Table I			
(a)	(b)	(c) Credit amount	(d) Multiply column (b) by column (c)
1. Enter number of dependents from page 1, box 10a....		\$ 100	\$ .00
2. Enter number of dependents from page 1, box 10b....		\$ 25	\$ .00

3. Credit amount before adjustment. Add lines 1 and 2. Enter total in column (d).	\$	.00
4. Enter your Arizona income ratio from page 1, line 27.....		
5. Multiply line 3 by the ratio on line 4. Enter the result here.	\$	.00

5. Based on the amount on line 3, enter the number from <b>Table V</b> . For example: if line 3 is \$1,500, enter <b>.90</b> .....	
6. Multiply line 4 by line 5. Enter the result. Also, enter the amount on page 2, line 59.....	\$ .00

**All taxpayers go to Table II.**

Table II	
If your filing status is single, married filing separate, or head of household: is your federal adjusted gross income on page 1, line 25, more than \$200,000?	Yes <input type="checkbox"/> No <input type="checkbox"/>
If your filing status is married filing joint: is your federal adjusted gross income on page 1, line 25, more than \$400,000?	Yes <input type="checkbox"/> No <input type="checkbox"/>

- If you answered “No”, you are not required to reduce the amount of credit computed in Table I. Enter the amount from Table I, line 5 on page 2, line 59.
- If you answered “Yes”, you are required to reduce the amount of credit computed in Table I.

**Complete Table III or Table IV.**

Table III 2022 Adjusted Dependent Tax Credit For filing status: single, married filing separate, or head of household	
1. Enter your federal adjusted gross income from page 1, line 25.....	\$ .00
2. Federal adjusted gross income limit.....	\$ 200,000.00
3. Subtract line 2 from line 1. Enter the difference..... <i>If the difference is greater than \$19,000, STOP. You cannot claim the dependent tax credit.</i>	\$ .00
4. Enter amount from Table I, line 5, column (d).....	\$ .00
5. Based on the amount on line 3, enter the number from <b>Table V</b> . For example: if line 3 is \$1,500, enter <b>.90</b> .....	
6. Multiply line 4 by line 5. Enter the result. Also, enter the amount on page 2, line 59.....	\$ .00

**(Table IV continues on next page)**

Table IV 2022 Adjusted Dependent Tax Credit For filing status: married filing joint	
1. Enter your federal adjusted gross income from page 1, line 25.....	\$ .00
2. Federal adjusted gross income limit.....	\$ 400,000.00
3. Subtract line 2 from line 1. Enter the difference..... <i>If the difference is greater than \$19,000, STOP. You cannot claim the dependent tax credit.</i>	\$ .00
4. Enter amount from Table I, line 5, column (d).....	\$ .00

Use **Table V** to determine the percentage to enter on line 5, of **Table III** or **Table IV**.

Table V			
If the amount on line 3 from Table III or Table IV is:	Enter on line 5	If the amount on line 3 from Table III or Table IV is:	Enter on line 5
\$ 1 – 1,000	.95	\$ 10,001 – 11,000	.45
\$ 1,001 – 2,000	.90	\$ 11,001 – 12,000	.40
\$ 2,001 – 3,000	.85	\$ 12,001 – 13,000	.35
\$ 3,001 – 4,000	.80	\$ 13,001 – 14,000	.30
\$ 4,001 – 5,000	.75	\$ 14,001 – 15,000	.25
\$ 5,001 – 6,000	.70	\$ 15,001 – 16,000	.20
\$ 6,001 – 7,000	.65	\$ 16,001 – 17,000	.15
\$ 7,001 – 8,000	.60	\$ 17,001 – 18,000	.10
\$ 8,001 – 9,000	.55	\$ 18,001 – 19,000	.05
\$ 9,001 – 10,000	.50	\$ 19,001 and over	.00

**Line 60 - Nonrefundable Credits from Arizona Form 301**

**NOTE:** *If you elect to report small business income on Form 140NR-SBI, certain nonrefundable credits must be claimed on the small business tax return. In this case, you must complete Form 301-SBI to claim those credit(s). See the specific credit form and instructions for which credits must be claimed on the small business tax return.*

**Exception:** *Credit Form 309 is used to claim a tax credit on Form 140NR for taxes paid to other states or country on income not reported on Form 140NR-SBI. Credit Form 309-SBI is used to claim a tax credit for taxes paid on small business income to another state or county. See Form 309-SBI and instructions for more information.*

Complete line 60 if you claim any of the following credits. Also, make sure that you include Arizona Form 301 and the appropriate credit form or forms with your return.

**Military Reuse Zone Credit** The military reuse zone credit expired. All credits for military reuse zones that were properly established can be carried forward for the respective five year carry forward period. See Form 306 for more information.

**Credit for Increased Research Activities - Individuals** You may qualify for this credit if you incurred qualified research expenses for research conducted in Arizona. Use Form 308-I to figure this credit. Be sure to include **only** the nonrefundable portion on Form 140NR, line 60.

**Credit for Taxes Paid to Another State or Country** You may qualify for this credit if you paid tax to Arizona and another state or country on the same income. Use Form 309 to figure this credit.

**Agricultural Water Conservation System Credit** You may qualify for this credit if you incurred expenses to purchase and install an agricultural water conservation system in Arizona. Use Form 312 to figure this credit.

**Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets** The credit for solar hot water heater plumbing stub outs and electric vehicle recharge outlets has expired. All credits that were properly established can be carried forward for the respective five year carry forward period. Use Form 319 to figure this credit.

**Credit for Contributions to Qualifying Charitable Organizations** You may qualify for this credit if you made contributions to qualifying charitable organizations. Use Form 321 to figure this credit.

**Credit for Contributions Made or Fees Paid to Public Schools** You may qualify for this credit if you paid certain fees to public schools in Arizona. Use Form 322 to figure this credit.

**Credit for Contributions to Private School Tuition Organizations** You may qualify for this credit if you made contributions to a school tuition organization that provides scholarships or grants to qualified schools. Use Form 323 to figure this credit.

**Agricultural Pollution Control Equipment Credit** You may qualify for this credit if you are involved in commercial agriculture and incurred expenses to purchase tangible personal property that is primarily used in your trade or business in Arizona to control or prevent pollution. Use Form 325 to figure this credit.

**Credit for Donation of School Site** You may qualify for this credit if you donated real property and improvements to a school district or a charter school for use as a school or as a site for the construction of a school. Use Form 331 to figure this credit.

**Credit for Employing National Guard Members** You may qualify for this credit if you are an employer who has an employee who is a member of the Arizona National Guard if the employee is placed on active duty. Use Form 333 to figure this credit.

**Credit for Business Contributions by an S Corporation to School Tuition Organizations - Individual** S Corporations that make qualifying contributions of \$5,000 or more may pass-through the credit to its individual shareholders on a *pro rata* basis. See Form 335-I for more information.

**Credit for Solar Energy Devices - Commercial or Industrial Applications** This credit is available to taxpayers that install solar energy devices for commercial, industrial, or other nonresidential applications in Arizona. Use Form 336 to figure this credit.

**Credit for Investment in Qualified Small Businesses** You may qualify for this credit if you made an investment in a qualified small business. Use Form 338 to figure this credit.

**Credit for Donations to the Military Family Relief Fund** You may qualify for this credit if you made a cash contribution

to the Arizona Military Family Relief Fund during the taxable year. Use Form 340 to figure this credit.

**Credit for Business Contributions by an S Corporation to School Tuition Organizations for Displaced Students or Students with Disabilities – Individual**

S Corporations that make qualifying contributions of \$5,000 or more may pass-through the credit to its individual shareholders on a *pro rata* basis. See Form 341-I for more information.

**Renewable Energy Production Tax Credit** You may qualify for this credit if you produced electricity using renewable energy resources. Use Form 343 to figure this credit.

**Credit for New Employment** For taxable years beginning from and after June 30, 2011, you may qualify for this credit if your business had a net increase in qualified employment positions. Use Form 345 to figure this credit.

**Additional Credit for Increased Research Activities for Basic Research Payments** You may qualify for this credit for qualified basic research payments for research conducted in Arizona. Approval by the Department of Revenue is required prior to claiming this credit. Use Form 346 to figure this credit.

**Credit for Contributions to Certified School Tuition Organizations (for the amounts that exceed the allowable credit on Arizona Form 323)** You may qualify for this credit if you made contributions to school tuition organization(s) that exceed the allowable credit amount on Form 323. Use Form 348 to figure this credit.

**Credit for Renewable Energy Investment & Productions for Self-Consumption by International Operations Centers** You may qualify for this tax credit if you made investment in new renewable energy facilities that produce energy for self-consumption using renewable energy resources if the power will be used primarily for an international operations center. Use Form 351 to figure this credit.

**Credit for Contributions to Qualifying Foster Care Charitable Organizations** You may qualify for this credit if you made contributions to qualifying foster care charitable organizations. Use Form 352 to figure this credit.

**Healthy Forest Production Tax Credit** You may qualify for this tax credit if you meet all of the qualifications or receive a pass-through credit from a partnership or S Corporation. All credits that were properly established can be carried forward for the respective five year carry forward period. Use Form 353 to figure this credit.

**Affordable Housing Tax Credit** You may qualify for this tax credit if you meet all of the qualifications or receive a pass-through credit from a partnership or S Corporation. All credits that were properly established can be carried forward for the respective five year carry forward period. Use Form 354 to figure this credit.

**Credit for Entity-Level Income Tax** You may qualify for this tax credit if you meet all of the qualifications or receive a pass-through credit from a partnership or S Corporation. All credits that were properly established can be carried forward for

the respective five year carry forward period. Use Form 355 to figure this credit.

**TOTAL CREDITS:** Compute your credit on the appropriate form. Then complete Arizona Form 301 and enter the amount from Form 301, Part 2, line 64. The amount on line 60 cannot reduce your tax below zero. These credits are not refundable credits.

Include the completed Form 301 along with any supporting documents with your return.

**Line 61 - Balance of Tax**

Subtract line 59 and 60 from line 58. Enter the difference. If the sum of lines 59 and 60 is more than line 58, enter, "0".

**Totaling Payments and Refundable Credits**

**Line 62 - 2022 Arizona Income Tax Withheld**

Enter the 2022 Arizona income tax withheld as shown on Form(s) W-2 from your employer. Do not include income taxes withheld by any other state. Include the Form(s) W-2 with your return.

**Line 63 (Boxes a, b, and c) – 2022 Arizona Estimated Tax Payments Including Amount Applied from 2021 Return; and Arizona Claim of Right**

Use this line if you did one of the following:

- made estimated income tax payments to Arizona for 2022;
- applied any of your refund from your 2021 Arizona return to 2022 estimated taxes for Arizona; or
- recomputed a prior year's tax under Arizona's Claim of Right provisions.

You **must** also complete and include the *Arizona Claim of Right - Individual* form(s) with your income tax return. If you fail to complete and include the form(s), the amount of your claim may be denied. The form is available on the department's website.

**Box 63a:** Enter the total amount of estimated taxes paid and/or applied to your 2022 taxes.

**NOTE:** *If you are married and made joint Arizona estimated payments for 2022, but are filing separate 2022 Arizona income tax returns, see the department's ruling ITR 02-3, Allocating Joint Estimated Payments to Separate Returns.*

**Box 63b:** Enter the amount from your *Arizona Claim of Right - Individual* form, line 8.

If you completed more than one Claim of Right form for the current taxable year, add all amounts on line 8 and enter the total in box 63b.

**NOTE:** *For more information on Arizona's Claim of Right provisions, see the department's procedure, ITP 16-1, Procedure for Individuals Who Restore Substantial Amounts Held Under a Claim of Right.*

**Line 63c:** Add the amounts in box 63a and box 63b and enter the total on line 63c.

**Line 64 - 2022 Arizona Extension Payment (Arizona Form 204)**

Use this line to report the payment you sent with your extension request or the electronic extension payment you made using [www.AZTaxes.gov](http://www.AZTaxes.gov).

**Line 65 - Other Refundable Credits**

Enter the total of refundable credits you are claiming from any of the following:

- Credit for Increased Research Activities - Individuals, (Form 308-I)
- Credit for Qualified Facilities (Form 349)

If you enter an amount on this line, be sure you check the box or boxes to show which credit(s) you are claiming. Also, be sure to include the credit form(s) with your return.

**Credit for Increased Research Activities - Individuals (Form 308-I)**

A portion of this credit may be refundable. You may qualify for the refundable increased research activities credit if you incurred qualified research expenses for research conducted in Arizona. For more information about this credit, and to see whether you may claim a refund of this credit, see Arizona Form 308-I.

You must include a copy of your "Certificate of Qualification" from the Arizona Commerce Authority (ACA), Form 301, and Form 308-I with your return to claim this credit.

If you are claiming a refund of the increased research activities credit from Form 308-I, enter the amount from Form 308-I, Part 5, line 32.

**Credit for Qualified Facilities (Form 349)**

You may qualify for the refundable qualified facilities credit if you expanded or located a qualified facility in Arizona. This credit is refundable in five equal installments. Pre-approval and post-approval are required through the ACA. For more information, see Arizona Form 349.

You must include a copy of your "Certificate of Qualification" from the ACA and Form 349 with your tax return to claim this credit. If you are claiming a refund of the qualified facilities credit from Form 349, enter the amount from Form 349, Part 8, line 20.

**If you are claiming more than one of the refundable tax credits,** check the appropriate boxes and add the amounts from the credit forms together and enter the total on line 65. You may use the following table to figure the amount to enter on line 65.

2022 - Refundable Credit Worksheet	
1. Enter the refundable credit from Form 308-I, Part 7, line 38.	
2. Enter the refundable credit from Form 349, Part 8, line 20.	
3. Add the amounts on lines 1 and 2. Enter the total here and on line 65.	

**Line 66 - Total Payments and Refundable Credits**

Line 66 is the total payments and refundable credits claimed. Add lines 62 through 65 and enter the total.

**Figuring Your Tax Due or Overpayment****Line 67 - Tax Due**

If line 61 is more than line 66, you have tax due. Subtract line 66 from line 61 and enter the amount of tax due. Skip lines 68, 69, and 70.

**Line 68 - Overpayment**

If line 66 is more than line 61, you have an overpayment. Subtract line 61 from line 66 and enter the difference. Complete lines 69 and 70.

**Line 69 - Amount of Line 68 to Apply to 2023 Estimated Tax**

If you want all or part of your overpayment applied to next year's Arizona estimated taxes, enter that amount on line 69.

**NOTE:** *If you apply any of the amount shown on line 69 to 2023, you cannot use that amount to pay any tax that is later found to be due for 2022. You also may not claim a refund for that amount until you file your 2023 return.*

**Line 70 - Balance of Overpayment**

Subtract line 69 from line 68 to determine your overpayment balance before voluntary gifts and any estimated payment penalty.

**Making Voluntary Gifts**

You can make voluntary gifts to each of the funds shown below. A gift will reduce your refund or increase the amount due with your return.

**NOTE:** *If you make a gift, you cannot change the amount of that gift later on an amended return.*

**Line 71 - Solutions Teams Assigned to Schools Fund**

You may give some or all of your refund to the Solutions Teams Assigned to Schools Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 87. Enter the amount you want to donate on line 71.

Gifts go to the Arizona Assistance for Education Fund. The Arizona Board of Education will distribute money to the Arizona Department of Education to fund solutions teams assigned to schools.

**Line 72 - Arizona Wildlife Fund**

You may give some or all of your refund to the Arizona Wildlife Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 87. Enter the amount you want to donate on line 72.

Your gift to the Arizona Wildlife Fund helps protect wildlife in the state. Many species like bald eagles, Apache trout, and black-footed ferrets benefit from your gifts to this fund. Gifts are also used to improve areas for watching wildlife statewide.

**Line 73 - Child Abuse Prevention Fund**

You may give some or all of your refund to the Arizona Child Abuse Prevention Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 87. Enter the amount you want to donate on line 73.

Gifts go to the Arizona Child Abuse Prevention Fund. This fund provides financial aid to community agencies for child abuse prevention programs.

**Line 74 - Domestic Violence Services Fund**

You may give some or all of your refund to the Domestic Violence Services Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 87. Enter the amount you want to donate on line 74.

Gifts go to the Domestic Violence Services Fund. This fund provides financial aid to shelters for victims of domestic violence.

**Line 75 - Political Gift**

You may give some or all of your refund to a political party. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 87. Enter the amount you want to donate on line 75. If you donated to a political party, complete line 82. Gifts go to one of the following political parties:

- Democratic
- Libertarian
- Republican

**Line 76 - Neighbors Helping Neighbors Fund**

You may give some or all of your refund to the Neighbors Helping Neighbors Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 87. Enter the amount you want to donate on line 76.

Gifts go to the Neighbors Helping Neighbors Fund. This fund provides eligible recipients with emergency aid in paying utility bills, conserving energy, and weatherization.

**Line 77 - Special Olympics Fund**

You may give some or all of your refund to the Special Olympics Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 87. Enter the amount you want to donate on line 77.

Gifts go to the Special Olympics Fund. This fund helps provide programs of the Arizona Special Olympics.

**Line 78 - Veterans' Donations Fund**

You may give some or all of your refund to the Veterans' Donations Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 87. Enter the amount you want to donate on line 78.

Gifts go to the Veterans' Donations Fund, which may be used for veterans in Arizona.

**Line 79 - I Didn't Pay Enough Fund**

You may give some or all of your refund to the I Didn't Pay Enough Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 87. Enter the amount you want to donate on line 79.

Gifts that you make to the I Didn't Pay Enough Fund will aid the state by going to the Arizona general fund.

**Line 80 - Sustainable State Parks and Roads Fund**

You may give some or all of your refund to the Sustainable State Parks and Roads Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 87. Enter the amount you want to donate on line 80.

Gifts that you make to the Sustainable State Parks and Roads Fund will aid the state to operate, maintain, and make capital improvements to buildings, roads, parking lots, highway entrances, and any related structure used to operate state parks.

**Line 81 - Spaying and Neutering of Animals Fund**

You may give some or all of your refund to the Spaying and Neutering of Animals Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 87. Enter the amount you want to donate on line 81.

Gifts that you make to the Spaying and Neutering of Animals Fund will help to reduce pet overpopulation by sterilizing, at minimal or no cost, dogs and cats in this state, including those that are impounded and sterilized.

**Line 82 - Political Party**

If you entered an amount on line 75, check the box for the political party to which you wish to give. Select only one party. If you do not select a political party, the department will return the amount on line 75.

**Line 83 - Estimated Payment Penalty**

You must have made Arizona estimated income tax payments during 2022 if:		
Your filing status is:	<b>AND</b> Your Arizona gross income for 2021 was greater than:	<b>AND</b> Your Arizona gross income for 2022 was greater than:
Single	\$ 75,000	\$ 75,000
Married filing Joint	\$150,000	\$150,000
Married filing Separate	\$ 75,000	\$ 75,000
Head of Household	\$ 75,000	\$ 75,000

**NOTE:** Do not complete Arizona Form 221, Underpayment of Estimated Tax by Individuals, if the amount on Form 140NR, line 62 is more than the amount on Form 140NR, line 61.

An individual who fails to make the required estimated payments is subject to penalty on any estimated tax payment that is late or underpaid.

Complete and include Form 221 to determine if any penalty is due. Enter the total penalty from Form 221.

**If you report as a farmer or fisherman for federal purposes,** you were not required to make estimated payments during 2022 if the following apply:

1. *You are a calendar year filer.* You file your Arizona return by March 1, 2023. You pay in full the amount stated on your return as owed.
2. *You are a fiscal year filer.* You file your Arizona return by the first day of the third month after the end of your fiscal year. You pay in full the amount stated on your return as owed.

**If the above applies, check box 842 on line 84 and do not complete Form 221.**

**Line 84 - Box 841 through Box 843**

**Box 841:** check if any of the following applies to you:

1. You checked the box on line 1 of Form 221.
2. You completed the annualized income worksheet on Form 221.
3. You elected to be treated as a nonresident alien on your federal income tax return. You made three estimated payment installments. Your first installment equaled 50% of the total of all of your required installments.

**Box 842:** check if you are an individual who for federal purposes reports as a farmer or fisherman.

**Box 843:** check if you completed and are including Form 221.

**Line 85**

Add lines 71 through 81 and 83. Enter the total

**Figuring Your Refund or Amount Owed**

**e-file** You can get your refund quicker when you *e-file* and use direct deposit.

**Line 86 - Refund**

Subtract line 85 from line 70. Enter your refund on line 86 and skip line 87. If less than zero, enter amount owed on line 87.

If you owe money to any Arizona state agency, court, county, incorporated city or town, and certain federal agencies, your refund may go to pay some of the debt. If so, the department will let you know by letter.

**TAX TIP:** If you change your address before you get your refund, let the department know. Complete Form 822. This form is available at: [azdor.gov/forms/other-forms](http://azdor.gov/forms/other-forms).

**Direct Deposit of Refund**

Complete the direct deposit line if you want us to directly deposit the amount shown on line 87 into your account at a bank or other financial institution (such as a mutual fund, brokerage firm, or credit union) instead of sending you a check.

**NOTE:** Check the box on line 86A if the direct deposit will ultimately be placed in a foreign account. If you check box 86A, do not enter your routing or account numbers.  
If this box is checked, we will not direct deposit your refund. We will mail you a check instead.

**Why Use Direct Deposit?**

- You will get your refund fast - even faster if you e-file!
- Payment is more secure
- There is no check to get lost.
- It is more convenient.
- No trip to the bank to deposit your check.
- It saves tax dollars. A refund by direct deposit costs less to process than a check.

**NOTE:** We are not responsible for a lost refund if you enter the wrong account information.  
Check with your financial institution to get the correct routing and account numbers and to make sure your direct deposit will be accepted.

**Routing Number**

**MAKE SURE YOU ENTER THE CORRECT ROUTING NUMBER.**

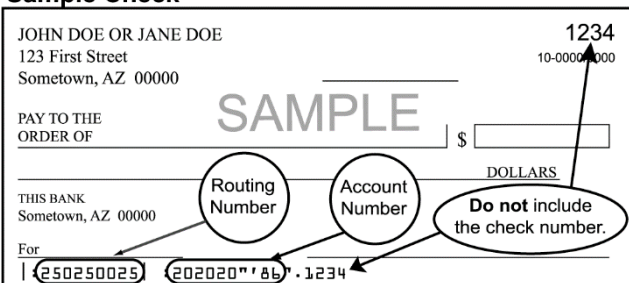
The routing number must be nine digits. The first 2 digits must be 01 through 12 or 21 through 32. Otherwise, the direct deposit will be rejected and a check will be mailed instead. On the sample check, the routing number is 250250025.

Your check may state that it is payable through a financial institution different from the one at which you have your checking account. If so, **do not** use the routing number on that check. Instead, contact your financial institution for the correct routing number to enter.

**Account Number**

**MAKE SURE YOU ENTER THE CORRECT ACCOUNT NUMBER.**

**Sample Check**



**Note:** The routing and account numbers may be in different places on your check.

The account number can be up to 17 characters (both numbers and letters). **DO NOT** include hyphens, spaces, or special symbols. Enter the number from left to right and leave any unused boxes blank. On the sample check, the account number is 20202086. Be sure **not** to include the check number.

**NOTE:** If the direct deposit is rejected, a check will be mailed instead.

**Line 87 - Amount Owed**

Add lines 67 and 85. Enter the amount you owe on line 87. If you are making voluntary gifts on lines 71 through 81 in excess of your overpayment, enter the difference on line 87. You may pay only with a check, electronic check, money order, direct debit through your software vendor or credit card.

**Check or money order**

**NOTE:** Include your check or money order with your return. Please do not send cash.

Make your check payable to Arizona Department of Revenue. Write your SSN, Form 140NR and tax year on the front of your check or money order. The department cannot accept checks or money orders in foreign currency. You must make payment in U.S. dollars. It may take 2-3 weeks for your payment to process.

The Department of Revenue may charge you \$50 for a check returned unpaid by your financial institution.

**Electronic payment from your checking or savings account**

You can make an electronic payment from your checking or savings account to pay your balance due for 2022. There is no fee to use this method. To make an electronic payment, go to [www.AZTaxes.gov](http://www.AZTaxes.gov) and click on the "Make a Payment" link.

Be sure to enter the correct routing number and account number for your checking or savings account. You will be charged a \$50 NSF (non-sufficient funds) fee if you provide an incorrect routing number or an incorrect account number. Check with your financial institution to get the correct routing and account numbers.

The "E-Check" option in the "Payment Method" drop-down box will debit the amount from the checking or savings account that you specify. If you make an electronic payment from your checking or savings account, you will receive a confirmation number. **Please keep this confirmation number as proof of payment.**

**NOTE:** You may not make an electronic payment from your checking or savings account if the payment will ultimately be coming from a foreign account. In this case, you must pay by check or money order.

**Credit card payment**

You can pay with your American Express, Discover, Visa, or MasterCard. 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.**

## Installment Payments

If you cannot pay the full amount shown on line 87 when you file, you may request to make monthly installment payments. All payment arrangements for individual income tax can be made online at [www.AZTaxes.gov](http://www.AZTaxes.gov), please select the “*Request A Payment Plan*” option under the Individual Income section.

If you cannot pay the full amount shown on line 87, you will be charged interest and may be charged a late payment penalty on the tax not paid by April 18, 2023. To limit the interest and penalty charges pay as much of the tax as possible when you file your return.

## Sign Your Return

You must sign your return. If married filing a joint return, both you and your spouse must sign even if only one had income. Form 140NR is not considered a valid return unless you sign it. The department cannot mail a refund check without proper signatures on the return.

## Instructions Before Mailing

- **DO NOT STAPLE YOUR RETURN. DO NOT STAPLE ANY SCHEDULES, DOCUMENTS OR PAYMENT TO YOUR RETURN.**
- Make sure your SSN is on your return.
- Be sure you enter your daytime telephone number in the space provided on the front of your return.
- Check to make sure that your math is correct. A math error can cause delays in processing your return.
- Check the **boxes** to make sure you filled in all required boxes.
- If you requested a filing extension, make sure that you check box 82F (above your name) on page 1 of the return.
- Sign your return and have your spouse sign, if filing jointly.
- Write your SSN and tax year on the front of your check or money order. Include your payment with your return.
- Do **not** include correspondence with your return.

## Mailing Your Return

Place pages in the order shown on the last page of these instructions.

**NOTE:** *If you are filing Arizona Form 140NR-SBI, DO NOT MAIL THIS RETURN SEPARATELY. Include this return with your Form 140NR in the same envelope.*

- If you are mailing your return, be sure to include Form 140NR, pages 1 and 2 any other required forms.
- Include Form(s) W-2, W-2G, 1099-B, 1099-DIV, 1099-G, 1099-INT, 1099-NEC, 1099-MISC and 1099-R, after the last page of your return **only** if the form shows Arizona income tax withholding.

If you are mailing your return, make a copy before mailing. Also make a copy of any forms and schedules that you are including with your return. Keep the copies for your records. Be sure that you mail the original and not a copy.

If mailing more than one tax return, use a separate envelope for each return.

## Where Should I Mail My Return?

If you are **not filing Form 140NR-SBI** and are **including a payment with your Form 140NR return**, mail the return to

Arizona Department of Revenue  
PO Box 52016  
Phoenix, AZ 85072-2016

If you are **expecting a refund, or owe no tax, or owe tax but are not including a payment**, mail the return to

Arizona Department of Revenue  
PO Box 52138  
Phoenix, AZ 85072-2138

If you **are filing Form 140NR and Form 140NR-SBI**, the department will apply any overpayment from one return to the tax liability shown on the other return.

- After applying the overpayment, if there is a net tax due and you are sending a payment mail both returns to

Arizona Department of Revenue  
PO Box 52016  
Phoenix, AZ 85072-2016

- After applying the overpayment, if there is a net refund mail both returns to

Arizona Department of Revenue  
PO Box 52138  
Phoenix, AZ 85072-2138

## Make sure you put enough postage on the envelope

The U.S. Post Office or United States mail service must postmark your return or extension request by midnight April 18, 2023.

The term "United States mail" includes any private delivery service designated by the United States Secretary of the Treasury pursuant to IRC § 7502(f) and the term "postmark" includes any date recorded or marked by any such designated delivery service.

An income tax return that is mailed to the department is timely filed if it is delivered on or before its due date. Additionally, if the envelope or wrapper containing the return sent through the United States mail bears a postmark of the United States mail and that tax return is delivered to the department after its due date that return will be considered timely filed if **all** of the following apply:

1. The return was deposited in an official depository of the United States mail;
2. The date of the postmark is no later than the due date;
3. The return was properly addressed; and
4. The return had proper postage.

If the envelope or wrapper containing a return sent through the United States mail bears a private meter postmark made by other than the United States mail, the return is treated as timely filed if both of the following apply:



1. The private meter postmark bears a date on or before the due date for filing; and
2. The return is received no later than the time it would ordinarily have been received from the same point of origin by the same class of U.S. postage. If the return is received by the department within five business days of the private meter postmark date, the department will consider this requirement satisfied.

You may also use certain private delivery services designated by the IRS to meet the “timely mailing as timely filed” rule.

For more information, see the department’s ruling, GTR 16-1, *Timely Filing of Income or Withholding Tax Returns Through the United States Mail*.

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## **How Long to Keep Your Return**

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You must keep your records as long as they may be needed for the administration of any provision of Arizona tax law. Generally, this means you must keep records that support items shown on your return until the period of limitations for that return runs out.

The period of limitations is the period of time in which you can amend your return to claim a credit or refund or the department can assess additional tax. A period of limitations is the limited time after which no legal action can be brought. Usually, this is four years from the date the return was due or filed.

In some cases, the limitation period is longer than four years. The period is six years from when you file a return if you underreport the income shown on that return by more than 25%. The department can bring an action at any time if a return is false or fraudulent, or you do not file a return. To find out more about what records you should keep, see federal Publication 552.

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## **Where’s My Refund?**

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You can check on your refund by visiting [www.azdor.gov](http://www.azdor.gov) or [www.AZTaxes.gov](http://www.AZTaxes.gov) and clicking on “Where’s my refund?” or you may call one of the numbers listed on page 1 of these instructions. Before you call, be sure to have a copy of your 2022 tax return on hand. You will need to know your SSN, your filing status, and your 5-digit ZIP Code.

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## **Contacting the Department**

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Your tax information on file with the department is confidential. If you want the department to discuss your tax matters with someone other than yourself, you must authorize the department to release confidential information to that person.

You may use Arizona Form 285 to authorize the department to release confidential information to your appointee. See Form 285 for details.

**Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired After December 31, 2011**

2022 Original return  2022 Amended return

**IMPORTANT**

**If you elected to file the Arizona Small Business Income Tax Return (Form 140NR-SBI), only claim the subtraction on this return if the net capital gain to which the subtraction relates was not moved to the Arizona Small Business Income Tax Return.**

**As a nonresident, you may include in your computation only net long-term capital gains from qualifying assets acquired from Arizona sources.**

- If you cannot determine the acquisition date of an asset, including mutual funds, the long-term capital gain from that asset does not qualify for the allowable subtraction. For the purpose of the allowable subtraction, these assets are considered to have been acquired before January 1, 2012.
- An asset acquired by gift or inheritance is considered acquired on the date it was acquired by gift-giver or the deceased individual.
- If you receive Form(s) 165 Schedule K-1 from a partnership, 120S Schedule K-1 from an S corporation, or 141AZ Schedule K-1 from an estate or trust, be sure to include those qualifying net long-term capital gain amounts in your computation.

**Do not include any short-term capital gain or (loss) in this worksheet**

1.	<b>Total Net Long-Term Capital Gain or (loss)</b> reported on federal Form 1040 and included in federal adjusted gross income.....	\$	00	
2.	Enter the amount included on Form 140NR, line 39, for net long-term capital <b>gain</b> derived from investment in qualified small business	\$	00	
3.	Enter the amount included on the schedule "Other Subtractions from Income", page 6, item "M", for net long-term capital <b>gain</b> derived from exchange of one kind of legal tender for another kind of legal tender.....	\$	00	
4.	Enter the amount included on the schedule "Other Additions to Income", page 5, item "J", for net long-term capital <b>loss</b> derived from exchange of one kind of legal tender for another kind of legal tender.....	\$	00	
5.	Line 1 minus (line 2 + line 3) plus line 4.....	\$	00	
6.	Net long-term capital gain or (loss) from assets acquired before 12/1/2012.....	\$	00	
7.	Net long-term capital gain from assets acquired after 12/31/2011.....	\$	00	

- If the amount on line 7 is positive, you have a net long-term capital gain from assets acquired *after* December 31, 2011. Enter the amount on Form 140NR, line 37.
- If the amount on line 7 is zero or negative, you do not qualify to take the allowable subtraction. Enter "0" on Form 140NR, line 37.

# How to Complete a Composite Nonresident Personal Income Tax Return

## Do You Qualify to File a Composite Nonresident Return?

For a list of qualifications and additional filing information, see the department's ruling, ITR 16-2, *Composite Individual Income Tax Returns*.

**NOTE:** *If a pass-through entity (PTE) elects to pay income tax at the entity-level on behalf of the individual partner or shareholder and that individual does not OPT OUT of the election, the PTE cannot include that individual partner or shareholder as a member of the nonresident composite return. In this case, the PTE must still meet the requirement to have a minimum of 10 members to file a nonresident composite return.*

If you are a partnership or an S corporation and qualify to file an Arizona composite return on behalf of your nonresident individual partners or nonresident individual shareholders, follow the instructions below to complete a composite nonresident personal income tax return on Form 140NR.

**REMINDER:** *As required by ITR 16-2, a comprehensive schedule for all members of the return must be included with the composite tax return, when filed. See ITR 16-2 (page 4, item #5) for a list of information the schedule must contain.*

*The aggregate amounts of income and tax liability for all participating members are reported on page 2 of the return.*

## Entering Entity Name, Address, and Employer Identification Number

### Lines 1, 2, and 3

Enter the entity's name, address and employer identification number (EIN). The entity filing the return should enter its EIN in place of the SSN. For example if the entity's EIN is 98-7654321, the entity would enter its EIN as 987-65-4321.

### Box 13 - Composite Return

Be sure to check box 13 on page 1 of the return.

### Lines 14 through 54

Do **not** enter any information or amounts on lines 14 through 54. Go to line 55.

### Line 55 - Arizona Taxable Income

Enter the aggregate taxable income for all members of the composite return.

### Lines 56 through 60

Skip lines 56 through 60. Go to line 61

### Line 61 - Balance of Tax

Using Tax Tables X and Y, enter the aggregate tax due for all members of the composite return.

## Line 62 – 2022 AZ Income Tax Withheld

Do not enter an amount on line 62.

**NOTE:** *If any individual partner or shareholder had Arizona income tax withheld from Arizona sourced income, that individual must file his/her own nonresident tax return to report the amount of income tax withheld.*

*In this case, the individual cannot be included in the composite return.*

## Line 63 (Box 63a) – 2022 AZ Estimated Tax Payment

**NOTE:** *If any individual partner or shareholder made an estimated tax payment, that individual must file his/her own nonresident tax return to claim that estimated tax payment.*

*In this case, the individual cannot be included in the composite return.*

Complete this line (box 63a) if **the filing entity** did any of the following:

- Made estimated income tax payments to Arizona for 2022.
- Applied any of the refund from the 2021 Arizona composite nonresident return to 2022 estimated taxes for Arizona.

### Line 63c

Enter the amount from box 63a.

## Line 64 - 2022 Extension Payment (Form 204)

Complete line 64 to report a payment the filing entity sent with an extension request or the electronic extension payment the entity made using [www.AZTaxes.gov](http://www.AZTaxes.gov).

### Line 65

Do **not** enter an amount on line 65. Go to line 66.

## Line 66 - Total Payments

Add lines 63c and 64. Enter the total.

### Line 67 - Tax Due

If line 61 is more than line 66, there is tax due. Subtract line 66 from line 61 and enter the amount of tax due. Skip lines 68 through 86. Enter this amount on line 87.

### Line 68 - Overpayment

If line 66 is more than line 61, there is an overpayment. Subtract line 61 from line 66 and enter the difference. Complete lines 69 and 70.

## Line 69 - Amount of Line 68 to Apply to 2023 Estimated Tax

If the entity wants all or part of its overpayment applied to next year's Arizona estimated taxes, enter that amount on line 69.

**NOTE:** *If the entity applies any of the amount shown on line 68 to the 2023 composite return, the entity cannot use that amount to pay any tax that is later found to be due for 2022. The entity also may not claim a refund for that amount until the entity files its 2023 return.*

### Line 70 - Balance of Overpayment

Subtract line 69 from line 68 to determine the entity's overpayment. Enter this amount on line 86.

### Lines 71 through 85

Skip lines 71 through 85. Go to line 86.

## Figuring the Refund or Amount Owed

### Line 86 - Refund

Enter the overpayment from line 70 and skip line 87.

### Direct Deposit of Refund

Complete the direct deposit line if you want us to directly deposit the amount shown on line 86 into entity's account at a bank or other financial institution (such as a mutual fund, brokerage firm, or credit union) instead of sending you a check.

**NOTE:** *Check the box on line 86A if the direct deposit will ultimately be placed in a foreign account. If you check box 86A, do not enter your routing or account numbers. If this box is checked, we will not direct deposit your refund. We will mail you a check instead.*

### Why Use Direct Deposit?

- The entity will get its refund fast
- Payment is more secure - there is no check to get lost.
- It is more convenient - no trip to the bank to deposit the check.
- It saves tax dollars. A refund by direct deposit costs less to process than a check.

**NOTE:** *We are not responsible for a lost refund if you enter the wrong account information. Check with your financial institution to get the correct routing and account numbers and to make sure your direct deposit will be accepted.*

For more information completing the Direct Deposit information, see the instructions on pages 24 and 25.

### Line 87 - Amount Owed

Enter the amount from line 67. You may pay only with a check, electronic check, money order, or credit card.

### Check or money order

**NOTE:** *Include the entity's check or money order with the return. Please do not send cash.*

Make the check payable to Arizona Department of Revenue. Write the EIN, tax year, and "Composite 140NR Return" on the front of the check or money order. The department cannot accept checks or money orders in foreign currency. The entity must make payment in U.S. dollars. It may take 2-3 weeks for the payment to process. The Department of Revenue may

charge the entity \$50 for a check returned unpaid by your financial institution.

### Electronic payment from your checking or savings account

The entity can make an electronic payment from the checking or savings account to pay the balance due for 2022. There is no fee to use this method. To make an electronic payment, go to [www.AZTaxes.gov](http://www.AZTaxes.gov). Select the "Make a Payment" link.

Be sure to enter the correct routing number and account number for the checking or savings account. The entity will be charged a \$50 NSF (non-sufficient funds) fee if it provides an incorrect routing number or an incorrect account number. Check with the entity's financial institution to get the correct routing and account numbers.

The "E-Check" option in the "Payment Method" drop-down box will debit the amount from the checking or savings account that you specify. If you make an electronic payment from your checking or savings account, you will receive a confirmation number. **Please keep this confirmation number as proof of payment.**

**NOTE:** *You may not make an electronic payment from your entity's checking or savings account if the payment will ultimately be coming from a foreign account. In this case, the entity must pay by check or money order.*

### Credit card payment

You can pay with an American Express, Discover, Visa, or MasterCard. 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.**

## Sign Your Return

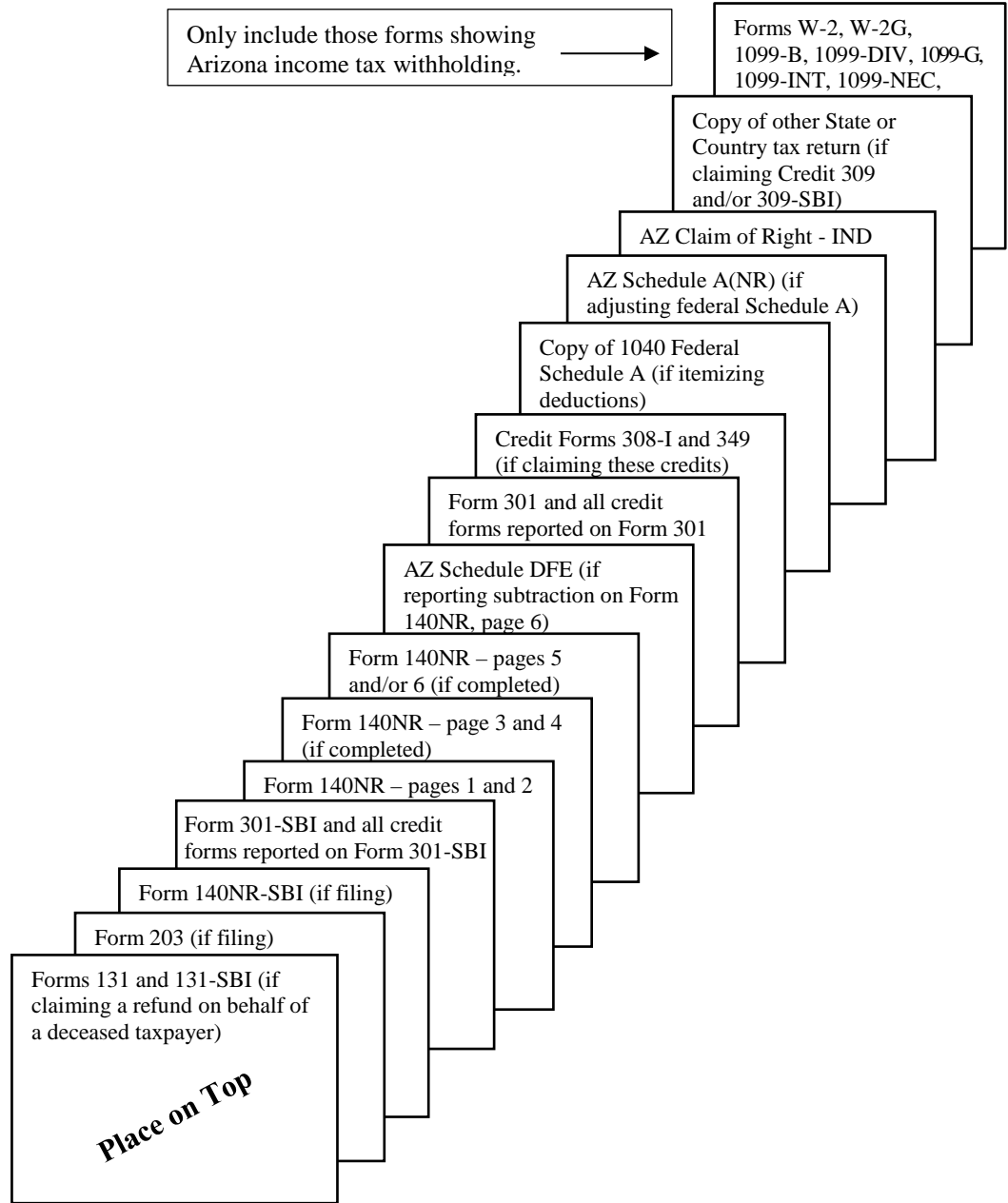
The composite return must be signed by the partners or corporate officers authorized to sign the partnership return or S corporation income tax return.

## Mailing the Return

***A composite return cannot be filed electronically. All composite returns, both original and amended, must be mailed to the address on the form.***

**2022 Form 140NR Assembly Order (form sequence)  
For returns *mailed to the Department***

*To avoid processing delays, place the returns in the following order (starting with Forms 131 and 131-SBI)*



**THIS PAGE INTENTIONALLY LEFT BLANK**

*Include with your return.*

Your Name as shown on Form 140NR	Your Social Security Number
Spouse's Name as shown on Form 140NR (if filing joint)	Spouse's Social Security Number

**Adjustment to Medical and Dental Expenses**

1 Medical and dental expenses.....	1		00
2 Medical expenses allowed to be taken as a federal itemized deduction.....	2		00
3 If line 1 is the same as or more than line 2, subtract line 2 from line 1; otherwise, go to line 4.....	3		00
4 If line 2 is more than line 1, subtract line 1 from line 2.....	4		00

**Adjustment to Interest Deduction**

5 If you received a federal credit for interest paid on mortgage credit certificates (from federal Form 8396), enter the amount of mortgage interest you paid for 2022 that is equal to the amount of your 2022 federal credit.....	5		00
---	---	--	----

**Adjustment to Charitable Contributions**

6 Amount of charitable contributions for which you are claiming a credit under Arizona law.....	6		00
---	---	--	----

**Adjustment to State Income Taxes**

7 Amount of state income taxes deducted on the federal Schedule A that are for contributions to a charity for which an Arizona credit was received. If your tax deductions were limited on your federal Schedule A, complete the worksheet on page 2 to determine the adjustment on line 7.....	7		00
---	---	--	----

**Itemized Deductions**

8 Add the amounts on lines 3 and 5.....	8		00
9 Add the amounts on lines 4, 6 and 7.....	9		00
10 Total federal itemized deductions allowed to be taken on federal return.....	10		00
11 Enter the amount from line 8 above.....	11		00
12 Add lines 10 and 11.....	12		00
13 Enter the amount from line 9 above.....	13		00
14 Adjusted itemized deductions: Subtract line 13 from line 12. If less than zero, enter "0".....	14		00
15 Enter your Arizona income ratio from Form 140NR, page 1, line 27.....	15		
16 Arizona itemized deductions: Multiply line 14 by the ratio on line 15. Enter the result here and on Form 140NR, page 2, line 53.....	16		00



**You must include a copy of federal Form 1040, Schedule A with your return if you itemize your deductions on your Arizona return.**

## 2022 Form 140NR Schedule A(NR) Adjustment to State Income Taxes

**Arizona Revised Statutes § 43-1042 was amended to require taxpayers to reduce the amount of itemized deductions for amounts used to claim an Arizona credit, even if the amount was deducted on the federal return as state income taxes paid rather than charitable contributions.**

<b>1A</b>	Total state income taxes on the federal Schedule A before applying the federal limitations.....	<b>1A</b>	00
<b>2A</b>	Amount included in the line 1A for which you claimed an Arizona credit.....	<b>2A</b>	00
<b>3A</b>	Subtract line 2A from line 1A. Enter the difference.....	<b>3A</b>	00
<b>4A</b>	Limit from federal Schedule A. Enter \$10,000 (\$5,000 if married filing separate)..	<b>4A</b>	00
<b>5A</b>	Enter the smaller of line 3A or 4A.....	<b>5A</b>	00
<b>6A</b>	Enter total state income taxes claimed on federal Schedule A (after limitation).....	<b>6A</b>	00
<b>7A</b>	Subtract line 5A from line 6A. This is the amount of your Arizona adjustment. Enter the amount on page 1, line 7.....	<b>7A</b>	00



# 2022 Form 140NR Schedule A(NR) Itemized Deductions

## For Nonresidents Only

You may itemize on your Arizona return, even if you do not itemize on your federal return. Before you complete this form, you must first complete federal Form 1040 Schedule A even if you do not itemize deductions on your 2022 federal return.

Even if you don't itemize deductions on your federal return, you must include a copy of the federal Form 1040 Schedule A with this form.

The itemized deductions allowed for Arizona purposes are those itemized deductions that are allowable under the Internal Revenue Code (IRC).

**As an Arizona nonresident, you must prorate** these deductions by the income ratio for which your Arizona gross income is to your federal adjusted gross income.

In some cases, the amount allowed for medical and dental expenses, mortgage interest, gambling losses, and charitable contributions may be different for Arizona purposes than for federal purposes.

## General Instructions

Arizona is a community property state. If you are married filing a separate return and claiming itemized deductions, see the department's Income Tax Ruling, ITR 93-19, *Deductions, Exemptions, and Credits for Married Taxpayers who file Separate Returns*, for more information claiming itemized deductions.

When married taxpayers file separate Arizona income tax returns, both filers must either claim the standard deduction or itemize deductions. One spouse may not claim a standard deduction when the other spouse itemizes deductions. If this situation does occur, the standard deduction will be disallowed regardless of which return may have been filed first.

The treatment of itemized deductions by spouses who file separate returns depends on whether the deductible expenses were paid with community funds or with separate funds. If the expenses were paid with community funds, the deduction is divided equally between each spouse. Expenses paid with separate funds are deductible by the spouse who paid the expenses. Under no circumstances may more than 100 percent of the allowable deductions be claimed.

**NOTE:** *If you or your spouse claim 100% of the allowable itemized deductions, the other spouse must enter "0" on Form 140NR, line 53 and that spouse cannot claim an adjustment for either itemized deductions or the standard deduction.*

**You must complete lines 1 through 7 if any of the following apply:**

- You are deducting medical and dental expenses.
- You are claiming a federal credit (from federal Form 8396) for interest paid on mortgage credit certificates.
- You are claiming an Arizona credit for a charitable contributions or a state income tax deduction.

If any of those items (1 through 4) apply, complete federal form 1040 Schedule A and then complete lines 1 through 15.

## Line-by-Line Instructions

### Lines 1 through 4 - Medical and Dental Expenses

*Skip lines 1 through 4 if you are **not** deducting medical and dental expenses.*

#### Line 1

Enter the total of your medical and dental expenses. Do not include any expenses that were paid by insurance or other sources.

Do not include the following amounts you paid through an employer-sponsored health insurance plan (cafeteria plan) unless your employer included the amount(s) in Box 1 of your Form W-2:

- Insurance premiums you paid through the plan.
- Other medical and dental expenses paid by the plan.

If you are self-employed, do not include any amount that you paid for health insurance that you deducted in computing your federal adjusted gross income.

#### Lines 2 through 4

Complete lines 2 through 4 as instructed on the form.

### Line 5 - Interest Paid on Mortgage Credit Certificates

*Skip line 5 if you are **not** claiming a federal credit for interest paid on mortgage credit certificates on your federal return.*

If you received a federal credit for interest paid on mortgage credit certificates (using federal Form 8396), you may deduct some of the mortgage interest you paid in 2022 that you could not deduct for federal purposes.

### Line 6 - Adjustment to Charitable Contributions

*Skip line 6 if you are **not** claiming a credit for any of your charitable contributions.*

You cannot claim both a deduction and a credit for the same charitable contributions. Enter the amount of charitable contributions for which you are claiming a credit.

For Example: (table continued on next page)		
If you claimed a credit on Arizona Form:	For:	You must make an entry on line 6 if you deducted the amount contributed as an itemized deduction on federal Form 1040 Schedule A.
321	Contributions to Qualifying Charitable Organizations	
322	Contributions Made or Fees Paid to Public School	
323	Contributions to Private School Tuition Organizations	
331	Donation of School Site	
335-I	Contributions made by an S Corporation to a School Tuition Organization - Individual	

If you claimed a credit on Arizona Form:	For:
340	Donations to the Military Family Relief Fund
341-I	Contributions made by an S Corporation to a School Tuition Organization for Displaced Students or Students with Disabilities - Individual
348	Contributions to Certified School Tuition Organizations - Individual
352	Contributions to Qualifying Foster Care Charitable Organizations

**Lines 8 through 13**

Complete lines 8 through 13 as instructed on the form.

**Line 14 - Adjusted Itemized Deductions**

Subtract line 13 from line 12. If less than zero, enter "0".

**Line 15 -**

Enter your Arizona income ratio from Form 140NR, page 1, line 27. Enter the ratio in decimal form.

**Line 16 - Arizona Itemized Deductions**

Multiply line 14 by the income ratio on line 15. Enter the result on line 16 and on Form 140NR, page 2, line 53.

**NOTE:** *The amount entered on line 16 cannot be a negative number. Entering a negative number on Form 140NR, line 53 may delay the processing of your return.*

If you claimed a credit on your 2021 return for a contribution that you made during 2022 (see Arizona Forms 321, 322, 323, 348, and 352), you must exclude this deduction on your 2022 return even though you claimed the credit on your 2021 return.

If you are claiming a credit on your 2022 return for a contribution made during 2023 (see Arizona Forms 321, 322, 323, 348, and 352), you must exclude this deduction on your 2023 return even though you are claiming the credit on your 2022 return.

**Line 7 - Adjustment to State Income Taxes**

Arizona Revised Statutes § 43-1042 was amended to require taxpayers to reduce the amount of itemized deductions for amounts used to claim an Arizona credit even if the amount was deducted on the federal return as taxes paid rather than charitable contributions.

Did you claim sales taxes rather than income taxes on your federal schedule A?

- If yes, **stop**. No adjustment is necessary. Go to line 8.
- If no, complete the worksheet on page 2 of Form 140NR Schedule A(NR) to determine the amount of your adjustment to enter on line 7.

DO NOT STAPLE ANY ITEMS TO THE FORM.

This estimated payment is for tax year ending December 31, 2023, or for tax year ending: M M D D 2 0 Y Y

Form fields for personal information: 1 Your First Name and Middle Initial, Last Name, Your Social Security Number; 1 Spouse's First Name and Middle Initial (if filing joint), Last Name, Spouse's Social Security No.; 2 Current Home Address - number and street, rural route, Apt. No., Daytime Phone (with area code); 2 City, Town or Post Office, State, ZIP Code; 3

Enter your SSN(s)

REVENUE USE ONLY. DO NOT MARK IN THIS AREA.

Check if this payment is on behalf of a Nonresident Composite return - 140NR

STOP DO NOT USE THIS FORM TO MAKE DELINQUENT INCOME TAX PAYMENTS. Use this form only for mailing estimated payments.

1 Payment: You must round your estimated payment to a whole dollar (no cents).

Enter the amount of payment enclosed \$ [ ] 00

81 PM 80 RCVD

2 Check only one box for the quarter for which this payment is made.

Do not select more than one quarter. You must submit a separate form for each quarter for which a payment is made.

Payment for calendar year filers are due as follows:

Form with 4 checkboxes for calendar year quarters: 1st Quarter (April 15, 2023), 2nd Quarter (June 15, 2023), 3rd Quarter (September 15, 2023), 4th Quarter (January 15, 2024).

Payment for fiscal year filers are due as follows:

Form with 4 checkboxes for fiscal year quarters: 1st Quarter (15th day of 4th month), 2nd Quarter (15th day of 6th month), 3rd Quarter (15th day of 9th month), 4th Quarter (15th day of 1st month).

If any of the due dates fall on a Saturday, Sunday, or legal holiday, you may make the required payment for that quarter by midnight on the next business day following that day.

If you are mailing this payment:

To ensure proper application of this payment, be sure that you: Complete and submit this form in its entirety. Do not cut this page in half. Make your check or money order payable to Arizona Department of Revenue. Write your SSN, "Tax Year 2023" and "140ES" on your payment. If payment is made on behalf of a Nonresident Composite return, write "Composite 140NR", "Tax Year 2023" and the entity's EIN on your payment. Include your payment with this form. Mail to Arizona Department of Revenue, PO Box 29085, Phoenix, AZ 85038-9085. Be sure to review your estimated income and adjust your payments as necessary during the year.

If you are making an electronic payment

You can make this estimated payment by eCheck or credit card! American Express ♦ Visa ♦ Discover Card ♦ MasterCard www.AZTaxes.gov Click on "Make a Payment" and select "140ES" as the Payment Type. Do not mail this form. We will apply this payment to your account.

# Worksheet for Computing Estimated Payments for Individuals

For use with Arizona Form 140ES

## Step 1 Estimated Arizona Taxable Income

1 Use the estimated tax worksheet attached to IRS Form 1040ES and enter here the amount shown as income on your federal worksheet ..... 1  00

## Step 2 Additions

Below are common items of income that are not taxable under the Internal Revenue Code but are taxable under Arizona Revised Statutes. Estimate amounts and enter in the spaces provided:

2 Non-Arizona municipal interest.....	2		00	
3 Ordinary income portion of lump-sum distributions (excluded on your federal return).....	3		00	
4 Other additions to income.....	4		00	
5 Total additions to income: Add lines 2 through 4.....	5			00
6 Add line 1 and line 5.....	6			00

## Step 3 Subtractions (See instructions for the amount to enter on line 7)

Below are common items (8 through 12) not subject to tax in Arizona but taxable under the Internal Revenue Code. Estimate amounts and enter in the spaces provided:

7 If you elect to report small business income on Form 140-SBI, enter the amount of small business income from Schedules B, C, D, E, F and 4797 related to small business income...	7		00	
8 Amounts received as annuities from certain federal, Arizona state, or local government retirement and disability funds (up to \$2,500) that are subject to federal tax.....	8		00	
9 Interest income on obligations of the United States (e.g. U.S. savings bonds, treasury bills, etc.) .....	9		00	
10 Benefits, annuities, and pensions for retired/retainer pay of the uniformed services that are subject to federal tax.....	10		00	
11 U.S. Social Security benefits or Railroad Retirement Act benefits included as income on federal return .....	11		00	
12 Other exempt income .....	12		00	
13 Total subtractions: Add lines 7 through 12.....	13			00
14 Subtract line 13 from line 6.....	14			00

## Step 4 Deductions and Exemptions

15 If you plan to itemize deductions, enter the estimated total of your deductions. If you do not plan to itemize deductions, see the instructions for the allowable 2022 standard deduction including the allowable increase for the charitable contributions .....	15		00	
16 Other Exemptions: Enter your allowable 2022 exemption amounts.....	16		00	
17 Total deductions and exemptions: Add line 15 and line 16.....	17			00
18 Subtract line 17 from line 14.....	18			00

## Step 5 Estimated Arizona Income Tax

19 Using Tax Table X or Y, use the amount on line 17 to calculate your Arizona estimated tax liability. Enter your estimated tax liability here .....	19		00	
20 Credits. (see instructions): Do not include income tax withholding on this line .....	20		00	
21 Subtract line 20 from line 19. Enter the difference. If line 20 is more than line 19, enter "0". • If line 21 is "0", STOP. Based on amounts entered on lines 1 through 20, you do not need to make 2023 estimated payments. • If there is an amount on line 21, complete lines 22 through 26 to calculate your required estimated tax payment(s).....	21		00	
22 Enter 90% (.90) of line 21.....	22		00	
23 Enter the preceding year's Arizona tax liability if you were required to file and did file a return for the preceding year, otherwise skip this line.....	23		00	
24 If you entered an amount on line 23, enter the smaller of line 22 or line 23. Otherwise, enter the amount from line 22 .....	24			00
25 Total Arizona income tax expected to be withheld (include all employment and pensions) .....	25			00
26 Subtract line 25 from line 24, and base estimated payments on this amount .....	26			00
27 If the first payment you are required to make is due April 18, 2023, enter 1/4 of line 26 (minus any 2022 overpayment that you are applying to this installment) here and on your 140ES.....	27			00

## 2023 Individual Estimated Income Tax Payment

**For information or help, call one of the numbers listed:**

Phoenix (602) 255-3381  
From area codes 520 and 928, toll-free (800) 352-4090

**Tax forms, instructions, and other tax information**

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

**Income Tax Procedures and Rulings**

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website select *Reports, Statistics and Legal Research* from the main menu then click on *Legal Research* and select a *Document Type* and *Category* from the drop down menus.

**Publications**

To view or print the department's publications, go to our website and click on *Reports, Statistics and Legal Research* from the main menu then click on *Publications* in the left-hand column.

### Who Should Use Form 140ES

All of the following taxpayers should use Arizona Form 140ES:

- an individual mailing a voluntary or mandatory estimated payment,
- a partnership mailing a voluntary estimated payment on behalf of its nonresident individual partners participating in the filing of a composite return, and
- an S corporation mailing a voluntary estimated payment on behalf of its nonresident individual shareholders participating in the filing of a composite return.

**NOTE:** *If you are making an estimated payment using [www.AZTaxes.gov](http://www.AZTaxes.gov), do **not** mail this form to the department. We will apply the payment to your account.*

### General Information

- Enter your name, Social Security Number (SSN), or individual taxpayer identification number (ITIN) issued by the Internal Revenue Service and your current address. If you are married making a joint estimated payment, enter your SSNs or ITINs in the same order as your first names and in the same order as they will be shown on your joint Arizona income tax return.
- If you have a **foreign address**, enter the information in the following order: city, province or state, and country. Follow the country's practice for entering the postal code. Do not abbreviate the country name.
- For partnership or S Corporation making a voluntary estimated income tax payment for its nonresident partners or for shareholders participating in the filing of a composite income tax return, enter its employer identification number (EIN) in the area designated for an individual's SSN.

**Also**, check the box on the form to indicate the payment is made on behalf of a nonresident composite return (Arizona Form 140NR).

- Complete Form 140ES using black ink.
- Once you make an estimated payment, you must file a tax return for that year in order to claim the estimated payment.
- You must round each estimated payment to whole dollars (no cents).
- Check only **one** box for the quarter for which this payment is made. Do not select more than one quarter. You must submit a separate form for each quarter for which a payment is made.
- Use Tax Table X or Y (in the 2022 tax instruction booklet) to help estimate this year's tax liability. Figure this tax on your total annual income.

### Required Payments

Arizona requires certain individuals to make estimated income tax payments.

You must make Arizona estimated income tax payments during 2023 if:

Your filing status is:	<b>AND</b> Your Arizona gross income for 2022 was greater than:	<b>AND</b> Your Arizona gross income for 2023 exceeds:
Single	\$75,000	\$75,000
Married filing Joint	\$150,000	\$150,000
Married filing single	\$75,000	\$75,000
Head of Household	\$75,000	\$75,000

If you met the income threshold for 2022, you must make estimated payments during 2023 unless you are sure you will not meet the threshold for 2023. For more information, see the department's publication, Pub. 012, *Arizona Individual Estimated Income Tax Payments*.

The department will charge you a penalty if you fail to make any required estimated payment. Use Arizona Form 221, *Underpayment of Estimated Tax by Individuals*, to figure the amount of this penalty.

The penalty is equal to the interest that would accrue on the underpayment. The penalty cannot be more than 10% of the underpayment.

#### What is Arizona Gross Income for the Purpose of Estimated Income Tax Payments?

If you are a **full-year resident**, your Arizona gross income is your federal adjusted gross income.

If you are a **part-year resident**, your Arizona gross income is that part of your federal adjusted gross income that you must report to Arizona.

If you are a **nonresident**, your Arizona gross income is that part of your federal adjusted gross income derived from Arizona sources.

**How Much Should My Estimated Payments Total?**

If you have to make estimated payments, your payments, when added to your Arizona withholding, must total either 90% of the tax due for 2023, or 100% of the tax due for 2022.

You can use your 2022 tax to figure the amount of payments that you must make during 2023 only if you were required to file and did file a 2022 Arizona income tax return.

**Worksheet for Computing Estimated Payments for Individuals**

Use the worksheet on page 2 of this form to calculate your required estimated tax payments. Follow the instructions on the worksheet to complete Steps 1 through 5.

For nonresident composite return payments, see the department’s ruling, ITR 16-2, *Composite Individual Income Tax Returns*, for amounts to enter on the worksheet.

**NOTE: Deductions (Line 15)** - *If you plan to itemize deductions for tax year 2023 enter the estimated total of your itemized deductions on line 15 of the worksheet. If you do not plan to itemize deductions, enter your total allowable 2022 standard deduction on line 15. To determine the allowable standard deduction amount for your filing status, see the instructions for your 2022 Arizona income tax form.*

**Other Exemptions (Line 16)** - *Enter the allowable 2022 Other Exemption amount. To determine the allowable Other Exemption amount for your filing status, see the instructions for your 2022 Arizona income tax form.*

**Credits (Line 20)** – *Enter the estimated amount of credits you will be claiming on your 2023 income tax return, including the Dependent Tax Credit. See the 2022 Form 140, Form 140NR, or Form 140PY and related instructions for the types of credits allowed. Do not include any income tax withholding on line 20.*

**When Should I Make My Estimated Payments?**

For the most part, you must make your payments in four equal installments.

**NOTE:** *If the due date falls on a Saturday, Sunday, or legal holiday, you may pay by midnight on the next business day following that day.*

Calendar year filers - estimated payment due dates:	
<b>Payment 1</b>	April 15, 2023. <i>Because April 15, 2023 falls on a federal holiday, you have until April 18, 2023 to make payment 1.</i>
<b>Payment 2</b>	June 15, 2023
<b>Payment 3</b>	September 15, 2023
<b>Payment 4</b>	January 15, 2024. <i>Because January 15, 2024 is a holiday, you have until Tuesday, January 16, 2024 to make payment 4.</i>

If you are a fiscal year filer, the payments are due on the 15th day of the fourth, sixth, and ninth months of the current fiscal year and the first month of the next fiscal year.

If any of the following applies (1 through 3), you do not have to make your payments in four equal installments.

1. **File and pay by February 1, 2024.** If you file your 2023 Arizona return by February 1, 2024 and pay in full the amount stated on the return as payable, you do not have to make the **fourth** estimated tax payment.

Fiscal year filers must file and pay by the last day of the month following the close of the fiscal year.

2. **Farmer or fisherman.** If you report as a farmer or fisherman for federal purposes, you only have to make one installment for a taxable year. The due date for this installment for a 2023 calendar year filer is January 16, 2024.

The due date for a fiscal year filer is the 15th day of the first month after the end of a fiscal year.

There is no requirement to make this payment if you file your 2023 Arizona return on or before March 1, 2024 and pay in full the amount stated on the return as payable.

Fiscal year filers must file and pay on or before the first day of the third month after the end of the fiscal year.

3. **Nonresident alien.** If you are an individual who elects to be treated as a nonresident alien on the federal income tax return, you may make three estimated payments.

The due dates for these installments are June 15, 2023, September 15, 2023, and January 16, 2024. The first installment must equal 50% of your total required payments.

**Voluntary Payments**

An individual who does not have to make 2023 Arizona estimated income tax payments may choose to make them. Taxpayers who make such an election may choose one of the following methods to make their payments.

**Method 1:** If you file federal estimated tax, you can file Form 140ES at the same time.

The amount that you remit with Form 140ES should be 10%, 15%, or 20% of the amount that you paid on the federal **Form 1040-ES**.

**Method 2:** You may file installments using Form 140ES.

If you are a calendar year filer making voluntary estimated payments, see the table under *When Should I Make My Estimated Payments?* for the due dates of these payments.

If you are a fiscal year filer making voluntary estimated payments, the payments are due on the 15th day of the fourth, sixth and ninth months of the current fiscal year, and the first month of the next fiscal year.

The sum of the amounts remitted should equal your estimated end-of-tax-year liability.

**Method 3:** You may file an *Individual Estimated Income Tax Payment*, Form 140ES, with a single, lump-sum payment before January 16, 2024.

The payment should reflect your estimated end-of-tax-year liability.

## Completing Lines 1 and 2

### Line 1

Enter the amount of your payment. Round your payment to the nearest whole dollar (no cents). Your payment is the amount you figured using the worksheet for computing estimated payments.

### Line 2

Check the box for the quarter for which this payment is made.

## Sending Your Payment

Individuals may make estimated payments by check, electronic check, money order, or credit card.

Partnerships or S corporations making estimated payments on behalf of nonresidents participating in the filing of a composite return **must** make those payments by check or money order.

### Check or money order

Make your check payable to Arizona Department of Revenue and include your SSN (or the partnership or S corporation's EIN) and tax year on the check.

If you are making a payment on behalf of a nonresident composite return, write "Composite 140NR" on the check.

Include your check with the completed Form 140ES and mail to:

Arizona Department of Revenue  
PO Box 29085  
Phoenix, AZ 85038-9085

The department cannot accept checks or money orders in foreign currency. You must make payment in U.S. dollars.

### Electronic payment from your checking or savings account

**NOTE:** You may not make an electronic payment from your checking or savings account if the payment will ultimately be coming from a foreign account. In this case, you must pay by check or money order.

You can pay your 2023 estimated tax with an electronic payment from your checking or savings account. There is no fee to use this 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. If you make an electronic payment from your checking or savings account, you will receive a confirmation number. **Please keep this confirmation number as proof of payment.**

**NOTE:** If you are paying by electronic check, **do not use Form 140ES.** We will apply your estimated tax payment to your account. You must claim the estimated payment on your original return when you file.

### Credit card payment

You can pay your 2023 estimated tax through a third-party service provider using your Visa, MasterCard, Discover, or American Express credit card. Go to [www.AZTaxes.gov](http://www.AZTaxes.gov), 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. If you complete the credit card transaction, you will receive a confirmation number. **Please keep this confirmation number as proof of payment.**

**NOTE:** If you are paying by credit card, **do not use Form 140ES.** We will apply your estimated tax payment to your account. You must claim the estimated payment on your original return when you file.

Record of Estimated Income Tax Payments		
	Date Made	Amount
1. Amount of 2022 overpayment applied to 2023 estimated tax		.00
2. Payment 1		.00
3. Payment 2		.00
4. Payment 3		.00
5. Payment 4		.00
<b>Total:</b>		.00

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DO NOT STAPLE ANY ITEMS TO THE CLAIM.

Arizona Form 140ET

Credit for Increased Excise Taxes

FOR CALENDAR YEAR 2022

82F [ ] Check box 82F if filing under extension

95 [ ] Check box 95 if amending credit for tax year 2022

Personal information fields: 1 Your First Name and Middle Initial, Last Name, Social Security Number; 1 Spouse's First Name and Middle Initial, Last Name, Social Security No.; 2 Current Home Address - number and street, rural route, Apt. No., Daytime Phone (with area code); 2 City, Town or Post Office, State, ZIP Code; 3 REVENUE USE ONLY. DO NOT MARK IN THIS AREA.

FILING STATUS (check the appropriate box):

- 4 [ ] Married filing joint claim
5 [ ] Head of household: Enter name of qualifying child or dependent on next line:
6 [ ] Married filing separate claim: Enter spouse's name and Social Security Number above.
7 [ ] Single

Note: If you are married and you qualify to claim this credit, you must file a married filing separate claim if your spouse was sentenced for at least 60 days during 2022 to a county, state or federal prison.

8 I have read "Who Can File Form 140ET" on page 2, and I certify that I qualify to claim this credit on this form..8 [ ] YES [ ] NO
Note: If you checked "No", STOP. DO NOT file Form 140ET.

9 List dependents (see instructions on page 3). If married filing a joint claim, you may list up to 2 dependents; all others may list up to 3.

Table with 3 columns: FIRST NAME, LAST NAME, SOCIAL SECURITY NUMBER OR ITIN. Rows 9A1, 9A2, 9A3.

10 Total number of dependents entered on lines 9A1 through 9A3 ..... 10
11 If you checked box 4, enter the number "2" here. If you checked box 5, 6, or 7, enter the number "1" here. 11
12 Add the amount on line 10 and line 11. Enter the total..... 12
13 Multiply the amount on line 12 by \$25. Enter the result..... 13
14 Enter the smaller of line 13 or \$100..... 14

Direct Deposit of Refund: Check box 14A if your deposit will be ultimately placed in a foreign account; see instructions. 14A [ ]

98 C [ ] Checking or S [ ] Savings. Includes fields for ROUTING NUMBER and ACCOUNT NUMBER.

If this is your first claim for 2022, STOP HERE, AND GO TO THE SIGNATURE BOX BELOW.
If this is an amended claim, complete lines 15 through 17, and check box 95 at the top of the form.

AMENDED
15 Enter the amount from line 5 of the worksheet on page 4 of the instructions ..... 15
16 Additional refund: If line 14 is larger than line 15, subtract line 15 from line 14 ..... 16
17 Amount to pay: If line 14 is less than line 15, subtract line 14 from line 15 ..... 17
Make check payable to Arizona Department of Revenue; write your SSN on payment, and include with Form 140ET.

PLEASE SIGN HERE

Under penalties of perjury, I declare that I have read this return and any documents with it, and to the best of my knowledge and belief, they are true, correct and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

YOUR SIGNATURE DATE OCCUPATION

SPOUSE'S SIGNATURE DATE SPOUSE'S OCCUPATION

PAID PREPARER'S SIGNATURE DATE FIRM'S NAME (PAID PREPARER'S, IF SELF-EMPLOYED)

PAID PREPARER'S STREET ADDRESS PAID PREPARER'S TIN

PAID PREPARER'S CITY STATE ZIP CODE PAID PREPARER'S PHONE NUMBER

**Who Can File Form 140ET?**

Even if you qualify to claim a credit for increased excise taxes, **do not file Form 140ET** if either of the following applies:

- You are filing a 2022 income tax return using Form 140, Form 140A, Form 140EZ, or Form 140PY. You may claim this credit on those tax forms. To figure your credit, complete the worksheet included in the instructions for those tax forms.
- You are filing Form 140PTC. You may claim the credit for increased excise taxes on Form 140PTC. To figure your credit, see the instructions for Form 140PTC, Part 2.

If you qualify to claim a credit for increased excise taxes, **file Form 140ET only if all** of the following are true.

- |  | TRUE                     | FALSE                    |
|--|--------------------------|--------------------------|
| (a) You have a Social Security Number (SSN) that is valid for employment .....   | <input type="checkbox"/> | <input type="checkbox"/> |
| (b) You are not required to file a 2022 income tax return <b>and</b> you do not qualify for the property tax credit on Form 140PTC for tax year 2022 ..... | <input type="checkbox"/> | <input type="checkbox"/> |
| (c) You were an Arizona resident during 2022.....  | <input type="checkbox"/> | <input type="checkbox"/> |
| (d) You are not claimed as a dependent by any other taxpayer for the tax year 2022 .....   | <input type="checkbox"/> | <input type="checkbox"/> |
| (e) You were not sentenced for at least 60 days of 2022 to a county, state, or federal prison  | <input type="checkbox"/> | <input type="checkbox"/> |
| (f) Your federal adjusted gross income is: .....   | <input type="checkbox"/> | <input type="checkbox"/> |
- \$12,500 or less if single
  - \$25,000 or less if you are married filing a joint claim
  - \$12,500 or less if married filing a separate claim
  - \$25,000 or less if you are filing as head of household

If **all** of the items (a) through (f) above are **true**, you may claim this credit using Form 140ET. Complete Form 140ET to figure your credit.

**Special Note:**

If your spouse was sentenced for at least 60 days during 2022 to a county, state or federal prison, the following applies:

1. Your spouse cannot take the credit.
2. You cannot file a joint claim with that spouse. You must file a married filing separate claim.
3. You cannot claim a credit for your spouse.
4. If your spouse has a valid SSN, but you do not, neither you nor your spouse can claim the credit.

For complete details about how incarceration affects this credit, see the department’s publication 709.

## 2022 Credit for Increased Excise Taxes

### For information or help, call one of the numbers listed:

Phoenix (602) 255-3381  
From area codes 520 and 928, toll-free (800) 352-4090

### Tax forms, instructions, and other tax information

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

### Income Tax Procedures and Rulings

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website select *Reports, Statistics and Legal Research* from the main menu then click on *Legal Research* and select a *Document Type* and *Category* from the drop down menus.

### Publications

To view or print the department's publications, go to our website and click on *Reports, Statistics and Legal Research* from the main menu then click on *Publications* in the left-hand column.

## Who Can Use Form 140ET?

**NOTE:** *You must have a Social Security Number (SSN) that is valid for employment to claim this credit.*

*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.*

Do **not** file Form 140ET if you are filing an income tax return using Arizona Form 140, Form 140A, Form 140EZ or Form 140PY. You may claim this credit on those forms by completing the worksheet in the instructions for those forms.

If you meet **all** of the following you may claim a credit for increased excise taxes paid using Form 140ET. Complete Form 140ET (pages 1 and 2) to figure your credit.

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 2022.
- You are not claimed as a dependent by any other taxpayer.
- You were not sentenced for at least 60 days of 2022 to a county, state, or federal prison. See the "Special Note" on page 2 of Form 140ET if you are married and filing a joint return with your spouse.

**NOTE:** *For complete information about how incarceration affects this credit, see the department's publication, Pub. 709, Excise Tax Credit – How Does Incarceration Affect Eligibility.*

- Your federal adjusted gross income is:
  - \$12,500 or less if single,
  - \$25,000 or less if you are married filing a joint claim,

- \$12,500 or less if married filing a separate claim, or
- \$25,000 or less if you are filing as head of household

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.

**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.*

### How do I Know if I Must File an Income Tax Return?

<b>Arizona Filing Requirements</b> These rules apply to all Arizona taxpayers.	
You must file if you are:	<b>and</b> your gross income is more than:
• Single	\$12,950
• Married filing joint	\$25,900
• Married filing separate	\$12,950
• Head of Household	\$19,400

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:

- interest from U.S. Government obligations;
- social security retirement benefits received under Title II of the Social Security Act;
- benefits received under the Railroad Retirement Act, tier 1 or tier 2 railroad retirement benefits, railroad disability benefits reported on federal forms RRB-1099 and RRB-1099-R, railroad unemployment benefits and railroad sickness payments paid by the Railroad Retirement Board;
- pay received for active service as a member of the Reserves, National Guard or the U.S. Armed Forces; or
- benefits, annuities and pensions as retired or retainer pay of the uniformed services of the United States..

### How do I Know if I Qualify for the Property Tax Credit?

You may claim the property tax credit using Arizona Form 140PTC if you meet **all** the following.

- You were either 65 or older in 2022 or, if under age 65, you were receiving Supplemental Security Income (SSI) Title 16 income from the Social Security Administration.

**NOTE:** *If a taxpayer's 65th birthday was January 1, 2023 (born 1/1/58), that person would be considered to be age 65 at the end of 2022 for federal income tax purposes and likewise for Arizona income tax purposes.*

- You were an Arizona resident for the full year in 2022.
- You paid property tax on your Arizona home in 2022.  
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 instructions for Form 140PTC.

**Do not file Form 140ET if you are filing Form 140PTC.** You may claim this credit on Form 140PTC.

### When Should I File Form 140ET?

Form 140ET is due by April 15, 2023. File your claim as soon as you can after January 1, 2023 but no later than April 15, 2023. **Because April 15, 2023 falls on a weekend, and April 17, 2023 is a federal holiday you have until Tuesday, April 18, 2023 to timely file your 2022 Form 140ET.**

You do not have to include a copy of the extension with this form when you file, but make sure that you check box **82F** on page 1 of the form.

### What if I Cannot File on Time?

You may request an automatic 6-month extension if you know you will not be able to file on time. If you request an extension to file your 2022 calendar year tax return, your due date is October 15, 2023. **Because October 15, 2023 falls on a weekend, you have until Monday, October 16, 2023 to timely file your 2022 Form 140ET.**

### To get a filing extension you can either:

- *Apply for a state extension* (Arizona Form 204). To apply for a state extension, file Form 204 by April 18, 2023. See Form 204 for details. You do not have to include a copy of the extension with your return when you file, but make sure that you check box **82F** on page 1 of the return. If you must make a payment, use Form 204, or visit [www.AZTaxes.gov](http://www.AZTaxes.gov) to make an electronic payment.
- *Use your federal extension* (federal Form 4868). File your Arizona return by the same due date. You do not have to include a copy of your federal extension with your return, but make sure that you check box **82F** on page 1 of the return.

### What if a Claimant Died?

If a claimant died before filing a claim for 2022, the taxpayer's spouse or personal representative may file and sign a Form 140ET for that person. A personal representative can be an executor, administrator, or anyone who is in charge of the deceased taxpayer's property.

Enter the word "deceased" after the decedent's name in the address section of the form. Also enter the date of death after the decedent's name.

You must also complete **Arizona Form 131, Claim for Refund on Behalf of Deceased Taxpayer**. Place this form on top of Form 140ET.

### How do I Amend a Claim?

For 2022, if you need to make changes to your claim once you have filed, you should file a corrected Form 140ET. Be sure to check box 95 at the top of the amended claim form.

### General Instructions

#### Taxpayer Identification Number

Make sure that you enter your SSN on your claim form. Make sure that all SSNs and ITINs are clear and correct.

You may be subject to a penalty if you fail to include your SSN. **It will take longer to process your claim form if SSNs and ITINs are missing, incorrect, or unclear.**

If you are filing a joint claim, enter your SSNs in the same order as your names. If your name appears first on Form 140ET, make sure your SSN is the first number listed.

#### Identification Numbers for Paid Preparers

If you pay someone else to prepare your claim form, that person must also include an identification number where asked. A paid preparer may use any of the following:

- his or her PTIN,
- his or her SSN, or
- the EIN for the business.

A paid preparer who fails to include the proper identification number may be subject to a penalty.

### Line-by-Line Instructions

#### Line 1

Type or print your name in black ink. Include your first name, middle initial and last name.

Enter your SSN in the space provided. If a joint claim, also enter your spouse's name and SSN or ITIN.

#### Line 2

Enter your current address. Include your house or building number and street or rural route. Include your apartment number if you live in an apartment. Include your mobile home lot number if you live in a mobile home.

#### Line 3

Enter the name of your city, town, or post office. Also include your state and ZIP code.

#### Boxes 4 through 7 - Filing Status

Use this section to determine your filing status. Check the correct box (4 through 7) on the Form 140ET.

#### Box 4 - Married Filing Joint Claim

You may file a joint claim if you were married as of December 31, 2022. You may also file a joint claim if your spouse died in 2022 and you did not remarry in 2022.

**Box 5 - Head of Household**

You may use the head of household status, only if one of the following applies:

- you qualify to file as head of household for federal income tax purposes; or
- you qualify to file as a qualifying widow or widower for federal income tax purposes.

For federal income tax purposes, you may be able to file as head of household if you meet **all** of the following requirements:

1. you are unmarried or considered unmarried on the last day of the year;
2. you paid more than half the cost of keeping up a home for the year; and
3. a qualifying person must live with you in the home for more than half the year (except for temporary absences, such as school).

To find out more about head of household or a qualifying widow or widower, see federal publication 501.

**Box 6 - Married Filing Separate Claim**

You may use this filing status if married as of December 31, 2022, and you elect to file a separate claim.

**NOTE:** *If you are married and you qualify to claim this credit, you **must** file a married filing separate claim if your spouse was sentenced for at least 60 days during 2022 to a county, state, or federal prison.*

If you are filing a separate claim, check box 6 and enter your spouse's name and SSN on the second box 1.

**Box 7 - Single**

File a single claim if you were single on December 31, 2022. 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; or
- you were widowed before January 1, 2022, and you did not remarry in 2022, and you do not qualify to file as a qualifying widow or widower with dependent children for federal income tax purposes.

**Line 8**

Read the information on page 2, under the heading "Who Can File Form 140ET?" and answer the question on page 1, line 8.

If you answered, "No", STOP! Do not file Form 140ET to claim this credit.

**Line 9 - Dependents**

You may claim this credit for dependents that are residents of Arizona. You cannot claim this credit for a dependent that is an Arizona nonresident. List only those people that qualify as your dependent for federal income tax purposes. **Do not list any dependent that is not an Arizona resident.**

On lines 9A1 through 9A3, enter each dependent's name and SSN or ITIN.

For federal income tax purposes, a dependent is either a qualifying child or a qualifying relative. A qualifying child or relative must be a U.S. citizen or resident alien, or a resident of Canada or Mexico. There is an exception for certain adopted children.

To claim a **qualifying child** as a dependent for federal purposes, you must meet the following five tests:

1. **Relationship test.** The child must be your son, daughter, stepchild, foster child, brother, sister, half brother, half sister, stepbrother, stepsister, or a descendant of any of them;
2. **Age test.** The child must be under age 19 at the end of the year and younger than you, or under age 24 at the end of 2022 if a full-time student (and younger than you), or any age if permanently and totally disabled;
3. **Domicile test.** The child must live with you for more than half of the year. Temporary absences for special circumstances, such as for school, vacation, medical care, military service, or detention in a juvenile facility count as time lived at home;
4. **Support test.** The child must not have provided over half of his or her own support during the year; and
5. **Joint Return Test.** If the child is married, the child is not filing a joint federal return for the year, unless that joint return is filed only as a claim for refund.

To claim a **qualifying relative** as a dependent for federal purposes, you must meet the following four tests:

1. **Relationship Test.** The person must be either your relative or have lived in your home as a member of your household all year. The person cannot be a qualifying child;
2. **Joint Return Test.** If the person is married, he or she cannot file a joint federal return. But the person can file a joint federal return if the return is filed only as a claim for refund;
3. **Income Test.** The person's gross income must be less than \$4,150; and
4. **Support Test.** You must have provided over half of the person's total support in 2022.

To learn more about who may be a dependent, see federal publication 501.

**Lines 10 through 14 -**

Complete lines 10 through 14 as instructed on the form.

**Direct Deposit of Refund**

Complete the direct deposit line if you want us to directly deposit the amount shown on line 14 into your account at a bank or other financial institution (such as a mutual fund, brokerage firm or credit union) instead of sending you a check.

**NOTE:** Check box 14A if the direct deposit will ultimately be placed in a foreign account. If you check box 14A, do not enter your routing or account numbers. If this box is checked, we will not direct deposit your refund. We will mail you a check instead.

**Why Use Direct Deposit?**

- You get your refund fast!
- Payment is more secure, there is no check to get lost.
- It is more convenient. No trip to the bank to deposit your check.
- It saves tax dollars. A refund by direct deposit costs less to process than a check.

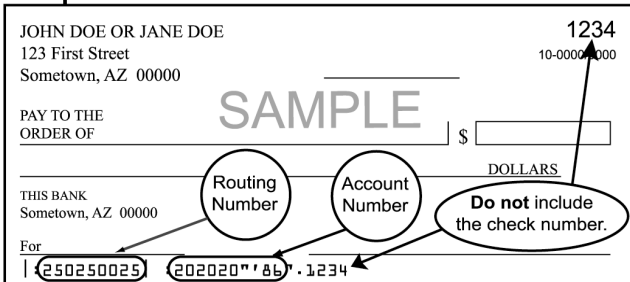
**NOTE:** We are not responsible for a lost refund if you enter the wrong account information. Check with your financial institution to get the correct routing and account numbers and to make sure your direct deposit will be accepted.

**Routing Number**

**MAKE SURE YOU ENTER THE CORRECT ROUTING NUMBER.**

The routing number must be nine digits. The first 2 digits must be 01 through 12 or 21 through 32. Otherwise, the direct deposit will be rejected and a check sent instead. On the following sample check, the routing number is 250250025.

**Sample Check**



**Note:** The routing and account numbers may be in different places on your check.

Your check may state that it is payable through a financial institution different from the one at which you have your checking account. If so, do not use the routing number on that check. Instead, contact your financial institution for the correct routing number to enter here.

**Account Number**

**MAKE SURE YOU ENTER THE CORRECT ACCOUNT NUMBER.**

The account number can be up to 17 characters (both numbers and letters). DO NOT include hyphens, spaces or special symbols. Enter the number from left to right and leave any unused boxes blank. On the sample check above, the account number is 20202086. Be sure **not** to include the check number.

**NOTE:** If the direct deposit is rejected, a check will be sent instead.

**Instructions for Amending**

Use this form to correct your credit if Form 140ET is the only form that you have filed.

If amending, check box 95 on the top of Form 140ET. Use the following lines to correct an already filed 2022 Form 140ET.

**Line 15 -**

Use the following worksheet to figure the amount to enter on this line.

1. Enter the total credit you received from your original 2022 Form 140ET.	\$
2. If this is not your first amended claim, enter any additional credit received from previously filed amended 2022 Form 140ET claims.	\$
3. Add lines 1 and 2. Enter the total.	\$
4. If this is not your first amended claim, enter any amount of credit you repaid with previously filed amended 2022 Form 140ET claims.	\$
5. Subtract line 4 from line 3. Enter the difference here and on Form 140ET, line 15.	\$

**Line 16 -**

If line 14 is larger than line 15, subtract line 15 from line 14. Enter the difference.

This is the amount of additional credit you will receive as a refund if you owe no other taxes.

**Line 17 -**

If line 14 is less than line 15, subtract line 14 from line 15. Enter the difference.

This is the amount of the credit that you must repay to the state.

- Make checks payable to: Arizona Department of Revenue.
- Write your SSN and tax year on the check.
- Include your check with Form 140ET.

The department cannot accept checks or money orders in foreign currency. You must make payment in U.S. dollars.

**Electronic payment from your checking or savings account**

You can make an electronic payment from your checking or savings account to pay your balance due for 2022. There is no fee to use this method. To make an electronic payment, go to [www.AZTaxes.gov](http://www.AZTaxes.gov) and click on the "Make a Payment" link.

Be sure to enter the correct routing number and account number for your checking or savings account. You will be charged a \$50 NSF (non-sufficient funds) fee if you provide an incorrect routing number or an incorrect account number. Check with your financial institution to get the correct account and routing numbers.

The “E-Check” option in the “Payment Method” drop-down box will debit the amount from the checking or savings account that you specify. If you make an electronic payment from your checking or savings account, you will receive a confirmation number. **Keep this confirmation number as proof of payment.**

**NOTE:** *You may not make an electronic payment from your checking or savings account if the payment will ultimately be coming from a foreign account. In this case, you must pay by check or money order.*

#### Credit card payment

You can pay with your 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.**

#### Instructions Before Mailing

- **DO NOT STAPLE YOUR RETURN. DO NOT STAPLE ANY DOCUMENTS, SCHEDULES OR PAYMENT TO YOUR RETURN.**
- Check to make sure that your math is correct.
- Sign your claim in the space provided on the bottom of the form.
- If amending a claim for a year before 2022, call one of the numbers listed on page 1 of these instructions.

#### Make sure You Put Enough Postage on the Envelope

The U.S. Post Office or United States mail service must postmark your return or extension request by midnight April 18, 2023.

The term "United States mail" includes any private delivery service designated by the United States Secretary of the Treasury pursuant to Internal Revenue Code § 7502(f) and the term “postmark” includes any date recorded or marked by any such designated delivery service.

An income tax return that is mailed to the department is timely filed if it is delivered on or before its due date. Additionally, if the envelope or wrapper containing the return sent through the United States mail bears a postmark of the United States mail and that tax return is delivered to the department after its due date that return will be considered timely filed if all of the following apply:

1. The return was deposited in an official depository of the United States mail;
2. The date of the postmark is no later than the due date;

3. The return was properly addressed; and
4. The return had proper postage.

If the envelope or wrapper containing a return sent through the United States mail bears a private meter postmark made by other than the United States mail, the return is treated as timely filed if both of the following apply:

1. The private meter postmark bears a date on or before the due date for filing; and
2. The return is received no later than the time it would ordinarily have been received from the same point of origin by the same class of U.S. postage. If the return is received by the department within five business days of the private meter postmark date the department will consider this requirement satisfied.

You may also use certain private delivery services designated by the IRS to meet the “timely mailing as timely filed” rule.

For more information, see the department’s ruling, GTR 16-1, *Timely Filing of Income, or Withholding Tax Returns Through the United States Mail*.

#### Where to Mail Form 140ET

Mail the completed Form 140ET to

Arizona Department of Revenue  
P.O. Box 52138  
Phoenix AZ 85072-2138

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DO NOT STAPLE ANY ITEMS TO THE CLAIM.

You must file this form or Arizona Form 204 by April 18, 2023.

82F [ ] Check box 82F if filing under extension

95 [ ] Check box 95 if amending claim for tax year 2022

Form fields for personal information: 1 Your First Name and Middle Initial, Last Name, Social Security Number; 1 Spouse's First Name and Middle Initial (if a joint claim), Last Name, Spouse's Social Security No.; 2 Current Home Address - number and street, rural route, Apt. No., Daytime Phone (with area code); 3 City, Town or Post Office, State, ZIP Code; 79 Your Date of Birth (required) MM|DD|YYYY

REVENUE USE ONLY. DO NOT MARK IN THIS AREA. 88

QUALIFICATIONS FOR CREDIT (Check the boxes that apply):

- 4 On December 31, 2022, were you renting or did you own? If you own a mobile home but rent the space, check "Rent"..... 4 [ ] Rent [ ] Own
5 Were you an Arizona resident for all of 2022? If "No", STOP. You do not qualify ..... 5 [ ] Yes [ ] No
6 Did you pay property taxes on your home, pay rent, or pay a combination of both in 2022? See instructions for qualifications. If "No", STOP. You do not qualify ..... 6 [ ] [ ]
7 Is this the only Property Tax Refund being claimed in your household? If "No", STOP. You do not qualify ..... 7 [ ] [ ]
8 Were you age 65 or older in 2022? Enter your birth date in box 79 above.... 8 [ ] [ ]
9 Did you receive Title 16, SSI payments in 2022? If "Yes", include proof. If you answered "No" to both 8 and 9, STOP. You do not qualify. .... 9 [ ] [ ]

81 PM 80 RCVD

INCOME

10 Total Household Income: Enter the amount from page 2, Part 1, line J, column 4 ..... 10 [ ] 00

CREDIT

- 11 a If you lived alone, enter the amount of credit from page 2, Part 1, Schedule 1, and check the box..... 11a [ ] Schedule 1
b If you lived with your spouse or one or more other persons, enter the amount of credit from page 2, Part 1, Schedule 2, and check the box..... 11b [ ] Schedule 2 11 [ ] 00
12 If you owned your property, enter property taxes actually paid during 2022. Include proof of property taxes paid during 2022 ..... 12 [ ] 00
13 If you rented, enter property taxes paid by your landlord on your portion of rents. Include Form 201 ..... 13 [ ] 00
14 Total property taxes paid in 2022. Add lines 12 and 13..... 14 [ ] 00
15 Amount of Property Tax Credit: Enter the smaller of line 11 or line 14..... 15 [ ] 00

16 If you have been claimed as a dependent on anyone else's tax return, complete the following:

Name Of Taxpayer Who Claimed You Social Security Number
Address:

If you are not claimed as a dependent on anyone else's tax return, turn the form over and complete Part 2. If someone else claims you as a dependent, skip lines 17 and 18, and complete line 19.

- 17 Credit for increased excise taxes from Form 140PTC, page 2, Part 2, line 6 ..... 17 [ ] 00
18 Enter the number from page 2, Part 2, line 2, here ..... 18 [ ]
19 Total Credit: Add lines 15 and 17, and enter the total. See the instructions if you have to file Arizona Form 140 or Form 140A ..... 19 [ ] 00

Direct Deposit of Refund: Check box 19A if your deposit will be ultimately placed in a foreign account; see instructions. 19A [ ]
98 C [ ] Checking or S [ ] Savings
ROUTING NUMBER ACCOUNT NUMBER

If this is your first claim for 2022, STOP HERE AND GO TO THE SIGNATURE BOX ON PAGE 2. If this is an amended claim, complete lines 20 through 22, and check box 95 at the top of the form.

AMENDED

- 20 Enter the amount from line 5 of the worksheet on page 6 of the instructions ..... 20 [ ] 00
21 Additional refund: If line 19 is larger than line 20, subtract line 20 from line 19 ..... 21 [ ] 00
22 Amount to pay: If line 19 is less than line 20, subtract line 19 from line 20. Make check payable to Arizona Department of Revenue; write your SSN on payment, and include your payment with Form 140PTC ..... 22 [ ] 00

Continued on page 2 ->

<b>Part 1 Schedule of Household Income</b>	(1) YOU	(2) YOUR SPOUSE	(3) OTHER PERSONS	(4) TOTAL (1+2+3)
<b>A</b> Salaries, wages, tips, etc., received in 2022.....	<b>A</b>			
<b>B</b> Dividend and interest income received in 2022 .....	<b>B</b>			
<b>C</b> Business and farm income.....	<b>C</b>			
<b>D</b> Gain or loss from sale or exchange of property .....	<b>D</b>			
<b>E</b> Pension and annuity income. Include Arizona state and local retirement benefits, civil service, and military retirement. Do not include social security or railroad retirement benefits .....	<b>E</b>			
<b>F</b> Rent and royalty income .....	<b>F</b>			
<b>G</b> S corporation, partnership, estate, and trust income .....	<b>G</b>			
<b>H</b> Alimony .....	<b>H</b>			
<b>I</b> Other Income: Specify source on separate sheet.....	<b>I</b>			
<b>J</b> Total household income: Add lines A through I in column (4). Enter here and on the front of this form, line 10 .....	<b>J</b>			

**Use the amount on line J, column 4, to compute your credit from the proper schedule below.**

2022 Schedule 1 If you live alone, use this Schedule.				2022 Schedule 2 If you live with your spouse or another person, use this Schedule.			
Household Income	Tax Credit	Household Income	Tax Credit	Household Income	Tax Credit	Household Income	Tax Credit
\$ 0 - 1,750	\$502	\$ 2,751 - 2,850	\$256	\$ 0 - 2,500	\$502	\$ 4,001 - 4,150	\$256
1,751 - 1,850	479	2,851 - 2,950	234	2,501 - 2,650	479	4,151 - 4,300	234
1,851 - 1,950	457	2,951 - 3,050	212	2,651 - 2,800	457	4,301 - 4,450	212
1,951 - 2,050	435	3,051 - 3,150	189	2,801 - 2,950	435	4,451 - 4,600	189
2,051 - 2,150	412	3,151 - 3,250	167	2,951 - 3,100	412	4,601 - 4,750	167
2,151 - 2,250	390	3,251 - 3,350	145	3,101 - 3,250	390	4,751 - 4,900	145
2,251 - 2,350	368	3,351 - 3,450	123	3,251 - 3,400	368	4,901 - 5,050	123
2,351 - 2,450	345	3,451 - 3,550	100	3,401 - 3,550	345	5,051 - 5,200	100
2,451 - 2,550	323	3,551 - 3,650	78	3,551 - 3,700	323	5,201 - 5,350	78
2,551 - 2,650	301	3,651 - 3,750	56	3,701 - 3,850	301	5,351 - 5,500	56
2,651 - 2,750	279	3,751 and up	0	3,851 - 4,000	279	5,501 and up	0

**Enter the amount of credit on the front of this form, line 11.**

**Part 2 Credit for Increased Excise Taxes**

Do not complete Part 2 if you completed line 16 on page 1 of Form 140PTC. Do not complete Part 2 if you were sentenced for at least 60 days of 2022 to a county, state, or federal prison. **Note:** If you are filing a joint Property Tax Credit claim with your spouse, and you are also claiming the Excise Tax Credit on Form 140PTC, you cannot claim the Excise Tax Credit for your spouse if your spouse was sentenced for at least 60 days during 2022 to a county, state or federal prison.

1 List dependents. See the instructions.

	(a) FIRST AND LAST NAME (Do not list yourself or spouse.)	(b) SOCIAL SECURITY NO.	(c) RELATIONSHIP	(d) NO. OF MONTHS LIVED IN YOUR HOME IN 2022
1a				
1b				
1c				

2 Enter total number of dependents listed on lines 1a through 1c. Also, enter this amount on Form 140PTC, page 1, line 18.....	<b>2</b>	
3 If you are married filing a joint claim, enter the number "2" here. Otherwise, enter the number "1" .....	<b>3</b>	
4 Add the amount on line 2 and line 3, and enter the total .....	<b>4</b>	
5 Multiply the amount on line 4 by \$25, and enter the result .....	<b>5</b>	00
6 Enter the smaller of line 5 or \$100. Also, enter this amount on Form 140PTC, page 1, line 17 .....	<b>6</b>	00

Under penalties of perjury, I declare that I have read this return and any documents with it, and to the best of my knowledge and belief, they are true, correct and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

**PLEASE SIGN HERE**

→ YOUR SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_ OCCUPATION \_\_\_\_\_

→ SPOUSE'S SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_ SPOUSE'S OCCUPATION \_\_\_\_\_

PAID PREPARER'S SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_ FIRM'S NAME (PREPARER'S IF SELF-EMPLOYED) \_\_\_\_\_

PAID PREPARER'S STREET ADDRESS \_\_\_\_\_ PAID PREPARER'S TIN \_\_\_\_\_

PAID PREPARER'S CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP CODE \_\_\_\_\_ PAID PREPARER'S PHONE NUMBER \_\_\_\_\_

**Mail to Arizona Department of Revenue, PO Box 52138, Phoenix, AZ 85072-2138**

## 2022 Property Tax Refund (Credit) Claim

**NOTICE:** *If you are age 70 or over and meet certain tests, you may be able to defer the payment of your property taxes on your home. You should contact your county assessor for details. If you defer your property taxes, you cannot claim the property tax credit for those taxes.*

**For information or help, call one of the numbers listed:**

Phoenix (602) 255-3381  
From area codes 520 and 928, toll-free (800) 352-4090

**Tax forms, instructions, and other tax information**

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

**Income Tax Procedures and Rulings**

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website select *Reports, Statistics and Legal Research* from the main menu then click on *Legal Research* and select a *Document Type* and *Category* from the drop down menus.

**Publications**

To view or print the department's publications, go to our website and click on *Reports, Statistics and Legal Research* from the main menu then click on *Publications* in the left-hand column.

### **Purpose of Form**

Use Arizona Form 140PTC to file an original claim for the property tax credit. If you are claiming the property tax credit, you may also use Form 140PTC to claim a credit for increased excise taxes.

### **Who Can Use Form 140PTC?**

File Form 140PTC only if you meet the following:

1. You were a resident of Arizona for the whole year (January 1, 2022, to December 31, 2022).
2. You were either 65 or older by December 31, 2022, **or** if you were under age 65, you were receiving Title 16 Supplemental Security Income (SSI) payments during 2022. (You must meet only one of these requirements.) **Even though you must meet only one of these requirements, the date of birth is required for every Form 140PTC. Enter your date of birth in Box 79.**

**NOTE:** *If a taxpayer's 65th birthday was January 1, 2023 (born 1/1/58), that person would be considered to be age 65 at the end of 2022 for federal income tax purposes and likewise for Arizona income tax purposes.*

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 2022. You may also have paid both property taxes and rent for the whole year of 2022. If you

only paid rent during 2022, you must have rented for the whole 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 2022.
- You were a member of a condominium association in Arizona. Your unit was your main home during 2022.
- You are **not** filing Form 140EZ. *You cannot claim the property tax credit on Form 140EZ. You cannot complete and mail a separate Form 140PTC to claim that credit, if filing form 140EZ. To claim this credit, you must file using either Form 140 or Form 140A.*

If you meet **all** of 1 through 4, you may claim a refund of Arizona property taxes. Complete Form 140PTC to figure your credit.

### **When Should I File Form 140PTC?**

Form 140PTC is due by April 15, 2023. File your claim as soon as you can after January 1, 2023 but no later than April 15, 2023. **Because April 15, 2023 falls on a weekend, and April 17, 2023 is a federal holiday, you have until Tuesday, April 18, 2023 to timely file your 2022 Form 140PTC. We will disallow your credit if you do not file by April 18, 2023 or by the extended due date.**

### **What if I Cannot File on Time?**

You may request an automatic 6-month extension if you know you will not be able to file on time. If you request an extension to file your 2022 calendar year tax return, your due date is October 15, 2023. **Because October 15, 2023 falls on a weekend, you have until Monday, October 16, 2023 to timely file your 2022 Form 140PTC.**

### **To get a filing extension you can either:**

- *Apply for a state extension* (Arizona Form 204). To apply for a state extension, file Form 204 by April 18, 2023. See Form 204 for details. You do not have to include a copy of the extension with your return when you file, but make sure that you check box **82F** on page 1 of the return. If you must make a payment, use Form 204, or visit [www.AZTaxes.gov](http://www.AZTaxes.gov) to make an electronic payment.
- *Use your federal extension* (federal Form 4868). File your Arizona return by the same due date. You do not have to include a copy of your federal extension with your return, but make sure that you check box **82F** on page 1 of the return.

## How do I Amend a Claim?

Do **not** file Form 140X to only amend your claim for a property tax refund.

If you need to make changes to your claim once you have filed, you should file a corrected Form 140PTC. Be sure to check box 95 at the top of the amended claim form.

## Can I e-file Form 140PTC?

An individual who is filing an individual income tax form (140 or 140A) and claims a property tax credit on that return is required to complete Form 140PTC and include it with their tax return. If the taxpayer e-files their tax return, Form 140PTC may also be e-filed along with the tax return.

A taxpayer who is not filing an individual income tax return but qualifies to claim the property tax credit must complete Form 140PTC and mail the completed form to the department.

The taxpayer **cannot** e-file the property tax credit form separately. For the mailing address, see *Where to Mail Form 140PTC* at the end of these instructions.

## What Must I Include When I File?

When you file a 140PTC claim, you must include certain documents with your claim. Include all required documents after page 2 of Form 140PTC. If you do not include the required documents with your PTC claim, the department will disallow your claim. To find out what you must include, look at the following list. Find the heading(s) that applies to you.

### Title 16 Supplemental Security Income (SSI) Recipient

**NOTE:** *This is not the normal social security disability. This is for people with limited incomes who are either blind, disabled, or over age 65.*

If you are under the age of 65 and qualify to claim this credit because you are receiving Title 16 (SSI) payments, **you must include** a statement from the Social Security Administration (SSA) with your claim. The SSI statement must show all of the following:

1. your name and address,
2. your Social Security Number (SSN),
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, and
5. the date the SSA issued the statement.

If you are age 65 or over, you do not need to include any documents from SSA when you file your claim. Be sure to enter your date of birth on page 1 under line 3, in box 79.

### Homeowner

When you file your PTC claim, **you must include** a copy of a statement showing your property taxes that you **paid in 2022**. Include this statement with your claim. This statement may be one of the following.

- A copy of your property tax statement from your mortgage company.
- A copy of your paid receipt from your county treasurer.
- Your property tax bill with copies of both the fronts and backs of your canceled checks that were cashed in 2022.

### Renter

When you file your PTC claim, **you must include** a completed Arizona Form 201, *Renter's Certificate of Property Taxes Paid*. Include this statement with your claim. You must get Form 201 from your landlord. You must fill out lines 13 through 15 unless they already contain the correct information. Your landlord must complete and sign the Form 201. 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. Include a completed Form 201 **and** a statement showing the property taxes you paid in 2022. See the "homeowner" instructions to find out what kind of property tax statement you should include.

### Nursing Home Resident

When you file your PTC claim, **you must include** a completed Arizona Form 201. Include Form 201 with your claim. You must get Form 201 from your nursing home administrator. Your nursing home administrator must complete and sign the Form 201. The nursing home will let you know how much of the amount paid to the nursing home is allocable to rent.

### Shareholder of a Cooperative Corporation

When you file your PTC claim, **you must include** a statement that shows your share of the assessed property taxes. Include this statement with your claim. You must get this statement from the cooperative corporation. You must also include one of the following:

- A copy of a statement from the mortgage company showing the corporation's total property tax.
- A copy of the corporation's tax bill stamped "paid."

### Member of a Condominium Association

When you file your PTC claim, **you must include** a statement that shows your share of the assessed property taxes. Include this statement with your claim.

You must get this statement from the condominium association. You must also include one of the following:

1. A copy of a statement from the mortgage company showing the association's total property tax.
2. A copy of the association's tax bill stamped "paid."

## What if a Claimant Died?

If a claimant died before filing a return for 2022, the taxpayer's spouse or personal representative may file and sign a Form 140PTC for that person.

Enter the word "deceased" after the decedent's name in the address section of the form. Also enter the date of death after the decedent's name.

### How do I Claim a Refund for a Deceased Claimant?

If you are claiming a refund, you must complete Arizona Form 131, *Claim for Refund on Behalf of Deceased Taxpayer*. Include this form with the PTC claim.

## General Instructions

### Taxpayer Identification Number

Make sure that you enter your SSN on your claim. Make sure that all SSNs are clear and correct. You may be subject to a penalty if you fail to include your SSN. It will take longer to process your return if SSNs are missing, incorrect, or unclear.

If you are filing a joint claim, enter your SSNs in the same order as your names. If your name appears first on Form 140PTC, make sure your SSN is the first number listed.

### ID Numbers for Paid Preparers

If you pay someone else to prepare your return, that person must also include an ID number where asked. A paid preparer may use any of the following:

- his or her PTIN,
- his or her SSN, or
- the EIN for the business.

A paid preparer who fails to include the proper numbers may be subject to a penalty.

## Line-by-Line Instructions

### Line 1

Enter your first name, middle initial, and last name. Enter your SSN in the space provided. If filing a joint claim, enter your spouse's name and SSN.

### Line 2

Enter your current address. Include your house or building number and street or rural route. Include your apartment number if you live in an apartment. Include your mobile home lot number if you live in a mobile home.

Make sure you include your daytime phone number.

### Line 3

Enter the name of your city, town, or post office. Also include your state and ZIP code.

### Box 79

**You must enter your date of birth in the space provided (Box 79).** If you do not provide your date of birth, your claim for the PTC may be denied.

### Line 4

Check the box marked "Rent" if one of the following applies:

- You were renting a home.
- You were renting an apartment.
- You were renting a mobile home lot.

- You were a nursing home resident.

Check the box marked "Own" if one of the following applies:

- You owned your home on December 31, 2022.
- You paid property tax during 2022.
- You were a member of a condominium association.
- You were a shareholder of a cooperative corporation.

### Line 5

To qualify for the property tax credit, you must have lived in Arizona for the whole year.

Check "Yes" if you were a resident of Arizona for the whole year (from January 1, 2022, to December 31, 2022).

### Line 6 -

Check "Yes" if one of the following applies:

- You **paid** property taxes on your main home in Arizona during 2022.
- You **paid** rent on your main home in Arizona for all of 2022.
- You **paid** both rent and property taxes on your main home in Arizona for all of 2022.
- You were a resident of a nursing home in Arizona. That 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 2022.
- You were a member of a condominium association in Arizona. Your unit was your main home during 2022.

### Line 7

Check "Yes" if this is the only PTC being claimed in your household.

**NOTE:** Arizona law allows only one 140PTC claimant per household per year. If someone else in your household has already filed a 140PTC claim for 2022, do not file this claim. If you have already filed a claim for 2022, do not file another Form 140PTC for 2022, unless you are amending your original claim for 2022.

To qualify for the tax credit, your answers to questions 5 through 7 must be "Yes."

### Line 8

Check "Yes" if you were 65 or older on December 31, 2022. **You must enter your date of birth under line 3, in box 79. If you do not enter your date of birth, your credit may be disallowed or processing may be delayed.**

**NOTE:** If a taxpayer's 65<sup>th</sup> birthday was January 1, 2023 (born 1/1/1958), that person is considered to be age 65 at the end of 2022 for federal income tax purposes and likewise for Arizona income tax purposes.

**Line 9**

Check "Yes" if you received Title 16 SSI payments in 2022.

**NOTE:** *This is not the normal social security disability. This is for people with limited incomes who are either blind, disabled, or over age 65.*

To qualify for the tax credit you must have answered "Yes" to either question 8 or 9.

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**Page 2, Part 1, Schedule of Household Income**


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**Turn the form over and complete the "Schedule of Household Income" under Part 1.**

You must list all income that you, your spouse, and any other member of your household received or earned in 2022. Anyone who lives in the same dwelling unit as you is a member of your household. Enter the total for each line in column (4).

You must figure the income for each household member. Household income is the total of each household member's income. Enter your income in column (1). If your spouse lived with you, enter your spouse's income in column (2). If you lived with another person, enter that person's income in column (3). If you lived with more than one other person, fill out a separate schedule for each person.

In the proper column list all income, except as noted below. **Do not** include income from the following:

- social security benefits,
- railroad retirement benefits,
- workers' compensation "Loss of Time" insurance payments,
- Arizona unemployment insurance payments,
- veteran's disability pensions,
- welfare payments, surplus food, or other relief provided by a governmental agency,
- gifts from non-governmental sources, and
- Arizona Form 140PTC refunds received last year.

To find out more about household income and adjusted gross income for this credit, see the department's ruling, ITR 12-1, *Defining Household Income for the Purpose of the Property Tax Credit*.

**Line A**

Enter the salaries, wages, tips, commissions, or bonuses etc., received by each member of the household in 2022.

**Line B**

Enter all dividend and interest income. Enter all amounts received by each member of the household in 2022. You must include interest income that Arizona does not tax. Interest income that you must enter here includes the following:

- interest income from federal obligations (U.S. government interest); and
- interest income from Arizona municipalities.

**Line C**

Enter all of the business and farm income. Enter all business and farm income for each member of the household. If you had a business or farm loss, see the department's ruling, ITR 12-1, *Defining Household Income for the Purpose of the Property Tax Credit*, for more information.

**Line D**

For each member of the household, combine gains and losses from the sale or exchange of property. If the result is a gain, enter the gain. If the result is a loss, enter the amount of the loss up to a maximum of (\$1,500).

When figuring household income, the maximum net loss of \$1,500 is applicable to *each* household member who had capital gains and losses during the year when the net result for that person resulted in a loss.

**Line E**

Enter the income that each member of the household received from pensions and annuities in 2022. You should **not** include income from the following sources:

- social security benefits,
- railroad retirement benefits, and
- veteran's disability pensions.

You must include income from **all** other pensions and annuities. Pension income that you must enter here includes the following:

- all retirement payments from the federal government, except those listed above,
- all retirement payments from the State of Arizona,
- all retirement payments from any local government (including police and school districts), and
- any IRA distributions.

**Line F**

Enter all rent and royalty income received by each member of the household in 2022.

**Line G**

Enter all S corporation, partnership, estate, and trust income received by each member of the household in 2022.

**Line H**

Enter all alimony received by each member of the household in 2022.

**Line I**

Enter any other income that each member of the household received in 2022. Include a schedule listing the source of the income for all amounts listed. If you enter an amount on line I and do **not** include a schedule detailing the amount(s) entered, your credit may be denied.

Some examples of income you should enter here are:

- strike benefits exempt from tax, and
- unemployment insurance payments from states other than Arizona.

**Line J**

Enter the total of column 4, lines A through I, on line J, column 4, and on the front page, line 10.

**Now return to the front of the form.**

**Line 11a**

If you lived alone, enter an "X" in box 11a "Schedule 1." Look at Schedule 1 under Part 1 on the back of the form.

Under "Household Income", find the amount you entered on line 10.

Find the amount shown next to your "Household Income" in the "Tax Credit" column. Enter that amount on line 11.

**Line 11b**

If you lived with your spouse or one or more other persons, enter an "X" in box 11b "Schedule 2." Look at Schedule 2 under Part 1 on the back of the form. Under "Household Income", find the amount you entered on line 10.

Find the amount shown next to your "Household Income" in the "Tax Credit" column. Enter that amount on line 11.

**Line 12 - Complete if You Own Your Home**

If you owned your home, enter the total amount of property taxes that you **actually** paid in 2022.

Do **not** include any amount paid for penalties or interest/fees.

If you pay your property taxes in two payments, use only those amounts actually paid in 2022. The following example will show you how to figure these amounts.

<b>Example:</b>	
John owns his own home. Every year, John pays his property taxes in two payments. John makes the first payment in October. John makes the second payment in March.	
To figure how much property tax John paid in 2022, John must look at taxes paid for both 2021 and 2022.	
John's 2021 property taxes were	\$600
John paid 1/2 of his 2021 property taxes on October 1, 2021	\$300
John paid the other 1/2 of his 2021 property taxes on March 1, 2022	\$300
John's 2022 property taxes were	\$700
John paid 1/2 of the 2022 taxes on October 1, 2022	\$350
John paid the other 1/2 of his 2022 property taxes on March 1, 2023	\$350
During 2022, John paid property taxes for both 2021 and 2022. John paid 2021 taxes of \$300 on March 1, 2022. John also paid 2022 taxes of \$350 on October 1, 2022. John would enter \$650 on line 13. This is the amount John <b>actually paid</b> in 2022.	

**Line 13 - Complete if You Rented During 2022**

If you rented during 2022, enter the amount from Arizona Form 201, Part 3, line 15.

**Line 14**

Add lines 12 and 13.

**Line 15 - Property Tax Credit**

Enter the smaller of line 11 or line 14.

**Line 16**

Complete line 16 if someone else claimed you as a dependent on his or her tax return. Enter the name, address, and SSN of the person who claimed you as a dependent.

**NOTE:** *If you complete line 16, do not complete lines 1 through 6 on Page 2, Part 2.*

**Line 17**

If you are **not** claimed as a dependent on anyone else's tax return, turn the form over and complete Part 2. If you are claimed as a dependent on someone else's tax return, enter zero "0" here.

**Page 2, Part 2, Credit for Increased Excise Taxes**

**Lines 1 through 6**

**NOTE:** *The credit on Part 2, line 6, cannot exceed \$100 per household. Do not claim this credit if someone else in your household has already claimed \$100 of the credit.*

*If someone else in your household has claimed less than \$100, you may claim the credit, if eligible, as long as all credit claims filed from your household do not exceed \$100.*

If you were sentenced for at least 60 days of 2022 to a county, state, or federal prison, you are not eligible to claim the credit for increased excise taxes for 2022. In this case, do not complete Part 2.

If you are filing a joint return with your spouse, and your spouse was sentenced for at least 60 days during 2022 to a county, state, or federal prison, you may claim the Excise Tax Credit if you otherwise qualify to claim the credit, but you cannot claim the credit for your spouse. If your spouse has a valid SSN, but you do not, neither you nor your spouse can claim this credit.

For complete information about how incarceration affects this credit, see the department's publication, Pub. 709.

If you are married and qualify to claim this credit, you may also claim a credit for your spouse. Your spouse must have either a SSN valid for employment or ITIN.

**Part 2, Line 1 - Dependents**

List your dependents. You may claim this credit for dependents that are residents of Arizona. You cannot claim this credit for a dependent that is not a resident of Arizona. List only those people that qualify as your dependent for federal income tax purposes. Do not list any dependent that is

not an Arizona resident. Enter the following on line(s) 1a through 1d:

1. the dependent's name,
2. the dependent's SSN or ITIN,
3. the dependent's relationship to you, and
4. the number of months the dependent lived in your home during 2022.

For federal income tax purposes, a dependent is either a qualifying child or a qualifying relative. A qualifying child or relative must be a U.S. citizen or resident alien, or a resident of Canada or Mexico. There is an exception for certain adopted children.

To claim a **qualifying child** as a dependent for federal purposes, you must meet the following five tests:

1. **Relationship test.** The child must be your son, daughter, stepchild, foster child, brother, sister, half brother, half sister, stepbrother, stepsister, or a descendant of any of them.
2. **Age test.** The child must be under age 19 at the end of the year and younger than you, or under age 24 at the end of 2022 if a full-time student (and younger than you), or any age if permanently and totally disabled.
3. **Domicile test.** The child must live with you for more than half of the year. Temporary absences for special circumstances, such as for school, vacation, medical care, military service, or detention in a juvenile facility count as time lived at home.
4. **Support test.** The child must not have provided over half of his or her own support during the year.
5. **Joint Return Test.** If the child is married, the child is not filing a joint federal return for the year, unless that joint return is filed only as a claim for refund.

To claim a **qualifying relative** as a dependent for federal purposes, you must meet the following four tests:

1. **Relationship Test.** The person must be either your relative or have lived in your home as a member of your household all year. The person cannot be a qualifying child.
2. **Joint Return Test.** If the person is married, he or she cannot file a joint federal return unless the return is filed only as a claim for refund and no tax liability would exist for either spouse if they had filed separate returns.
3. **Income Test.** The person's gross income must be less than \$4,150.
4. **Support Test.** You must have provided over half of the person's total support in 2022.

To learn more about who may be a dependent, see federal publication 501.

Complete Part 2, lines 2 through 6 as instructed on the form. Make sure you enter the amount on Part 2, line 6 on Form 140PTC, page 1, line 17.

## Now return to the front of the form.

### Line 18

Enter the number from page 2, Part 2, line 2 here.

### Line 19

Add the amounts on line 15 and line 17. Enter the total. This is your total credit. If you have to file an Arizona Form 140 enter the amount from Form 140PTC, page 1, line 15 on Form 140, page 2, line 57 and enter the amount from Form 140PTC, page 1, line 17 on Form 140, page 2, line 56.

If you have to file an Arizona Form 140A enter the amount from Form 140PTC, page 1, line 15 on Form 140A, page 1, line 27 and enter the amount from Form 140PTC, page 1, line 17 on Form 140A, page 1, line 26.

## Direct Deposit of Refund

Complete the direct deposit line if you want us to directly deposit the amount shown on line 19 into your account at a bank or other financial institution (such as a mutual fund, brokerage firm or credit union) instead of sending you a check.

**NOTE:** Check the box on line 19A if the direct deposit will ultimately be placed in a foreign account. If you check box 19A, do not enter your routing or account numbers.

If this box is checked, we will not direct deposit your refund. We will mail you a check instead.

### Why Use Direct Deposit?

- You get your refund fast!
- Payment is more secure, there is no check to get lost.
- It is more convenient. No trip to the bank to deposit your check.
- It saves tax dollars. A refund by direct deposit costs less to process than a check.

**NOTE:** We are not responsible for a lost refund if you enter the wrong account information. Check with your financial institution to get the correct routing and account numbers and to make sure your direct deposit will be accepted.

### Routing Number

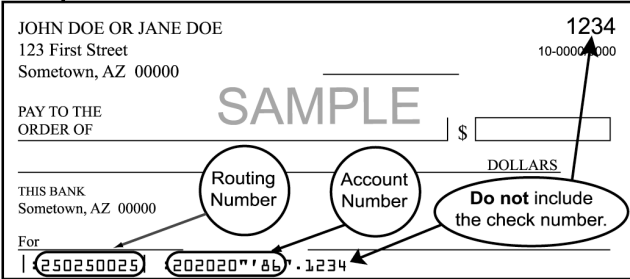
#### MAKE SURE YOU ENTER THE CORRECT ROUTING NUMBER.

The routing number must be nine digits. The first 2 digits must be 01 through 12 or 21 through 32. Otherwise, the direct deposit will be rejected and a check sent instead. On the sample check below, the routing number is 250250025.

Your check may state that it is payable through a financial institution different from the one at which you have your checking account. If so, **do not** use the routing number on that check. Instead, contact your financial institution for the correct routing number to enter here.



**Sample Check**



Note: The routing and account numbers may be in different places on your check.

**Account Number**

**MAKE SURE YOU ENTER THE CORRECT ACCOUNT NUMBER.**

The account number can be up to 17 characters (both numbers and letters). **DO NOT** include hyphens, spaces or special symbols. Enter the number from left to right and leave any unused boxes blank.

On the sample check above, the account number is 20202086. Be sure **not** to include the check number.

**Lines 20 through 22**

Skip lines 20, 21, and 22 if this is your original claim. Complete lines 20, 21, and 22 only if you are amending a 2022 Form 140PTC claim.

**Instructions for Amending**

Use this form to correct your credit if Form 140PTC is the only form that you have filed. If you filed Arizona Form 140 or Form 140A with your 140PTC claim, do not use this form to correct your credit. Instead, use Arizona Form 140X.

Use the following lines to correct an already filed 2022 Form 140PTC.

**Line 20**

Use the following worksheet to figure the amount to enter on this line.

1. Enter the total credit you received from your original 2022 Form 140PTC.	\$ .00
2. If this is not your first amended claim, enter any additional credit received from previously filed amended 2022 Form 140PTC claims.	\$ .00
3. Add lines 1 and 2. Enter the total.	\$ .00
4. If this is not your first amended claim, enter any amount of credit you repaid with previously filed amended 2022 Form 140PTC claims.	\$ .00
5. Subtract line 4 from line 3. Enter the result here and on Form 140PTC, line 20.	\$ .00

**Line 21**

If line 19 is larger than line 20, subtract line 20 from line 19. Enter the difference.

This is the amount of additional credit you will receive as a refund if you owe no other taxes.

**Line 22**

If line 19 is less than line 20, subtract line 19 from line 20. Enter the difference. This is the amount of the credit that you must repay to the state.

Make your check payable to Arizona Department of Revenue. Write your SSN and tax year on the check. Include your check with Form 140PTC.

The department cannot accept checks or money orders in foreign currency. You must make payment in U.S. dollars.

**Electronic payment from your checking or savings account**

You can make an electronic payment from your checking or savings account to pay your balance due for 2022. There is no fee to use this method. To make an electronic payment, go to [www.AZTaxes.gov](http://www.AZTaxes.gov) and click on the "Make a Payment" link.

Be sure to enter the correct routing number and account number for your checking or savings account. You will be charged a \$50 NSF (non-sufficient funds) fee if you provide an incorrect routing number or an incorrect account number. Check with your financial institution to get the correct account and routing numbers.

The "E-Check" option in the "Payment Method" drop-down box will debit the amount from the checking or savings account that you specify. If you make an electronic payment from your checking or savings account, you will receive a confirmation number. Please keep this confirmation number as proof of payment.

**NOTE:** You may not make an electronic payment from your checking or savings account if the payment will ultimately be coming from a foreign account. In this case, you must pay by check or money order.

**Credit card payment**

You can pay with your 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.**

**Instructions Before Filing**

**DO NOT STAPLE YOUR RETURN. DO NOT STAPLE ANY DOCUMENTS, SCHEDULES OR PAYMENT TO YOUR RETURN.**

Check to make sure that your math is correct. Make sure you have included all required documents. Sign your claim in the space provided on page 2 of the form.

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## **Where to Mail Form 140PTC**

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If you must file an Arizona income tax return (Form 140 or Form 140A), include the completed Form 140PTC with your return.

If you do not have to file an Arizona income tax return, complete only the Form 140PTC and mail to

Arizona Department of Revenue  
P O Box 52138  
Phoenix, AZ 85072-2138

## **Make sure you put enough postage on the envelope**

The U.S. Post Office or United States mail service must postmark your return or extension request by midnight April 18, 2023.

The term "United States mail" includes any private delivery service designated by the United States Secretary of the Treasury pursuant to Internal Revenue Code § 7502(f) and the term "postmark" includes any date recorded or marked by any such designated delivery service.

An income tax return that is mailed to the department is timely filed if it is delivered on or before its due date. Additionally, if the envelope or wrapper containing the return sent through the United States mail bears a postmark of the United States mail and that tax return is delivered to the department after its due date that return will be considered timely filed if all of the following apply:

1. The return was deposited in an official depository of the United States mail;
2. The date of the postmark is no later than the due date;
3. The return was properly addressed; and
4. The return had proper postage.

If the envelope or wrapper containing a return sent through the United States mail bears a private meter postmark made by other than the United States mail, the return is treated as timely filed if both of the following apply:

1. The private meter postmark bears a date on or before the due date for filing; and
2. The return is received no later than the time it would ordinarily have been received from the same point of origin by the same class of U.S. postage. If the return is received by the department within five business days of the private meter postmark date the department will consider this requirement satisfied.

You may also use certain private delivery services designated by the IRS to meet the "timely mailing as timely filed" rule.

For more information, see the department's ruling, GTR 16-1, *Timely Filing of Income or Withholding Tax Returns Through the United States Mail*.

DO NOT STAPLE ANY ITEMS TO THE RETURN.

OR FISCAL YEAR BEGINNING [M, M, D, D] 2, 0, 2, 2 AND ENDING [M, M, D, D] Y, Y, Y, Y. [66]

1 Your First Name and Middle Initial Last Name Enter your SSN(s) Your Social Security Number
1 Spouse's First Name and Middle Initial (if box 4 or 6 checked) Last Name Spouse's Social Security No.
2 Current Home Address - number and street, rural route Apt. No. Daytime Phone (with area code) [94]
3 City, Town or Post Office State ZIP Code Last Names Used in Last Four Prior Year(s) (if different) [97]

Check a box to indicate both filing and residency status:
4 Married filing joint return 4a Injured Spouse Protection of Joint Overpayment
5 Head of household: Enter name of qualifying child or dependent on next line:
6 Married filing separate return: Enter spouse's name and Social Security Number above.
7 Single
8 Resident
9a Nonresident 9b Composite
10 Nonresident active military
11 Part-year resident
12 Part-year resident active military
EXEMPTIONS Enter the number claimed. Do not check
13 Age 65 or over
14 Blind
15a Dependents Under 17 15b 17 & over
16 Qualifying parents or grandparents
88 REVENUE USE ONLY. DO NOT MARK IN THIS AREA.
81 PM 80 RCVD

Table with 3 columns: Line number, Description, and Amount. Rows include: 17 Federal adjusted gross income, 18 Small Business income, 19 Modified federal adjusted gross income, 20 Nonresidents and part-year residents only, 20a Arizona income ratio, 21 Small Business Income, 22 Modified Arizona Gross Income, 23 Additions to Income, 24 Subtotal, 25 Subtractions from Income, 26 Total net capital gain or (loss), 27 Total net short-term capital gain or (loss), 28 Total net long-term capital gain or (loss), 29 Net long-term capital gain from assets acquired after December 31, 2011, 30 Multiply line 29 by 25% (.25) and enter the result, 31 Net capital gain derived from investment in qualified small business, 32 Contributions to: 32a 529 College Savings Plans, 32b 529A (ABLE accounts), 33 Arizona adjusted gross income, 34 Deductions: Check box and enter amount, 35 If you checked box 34S and claim charitable contributions, check 35C Complete page 4, 36 Arizona taxable income, 37 Tax from tax table, 38 Tax from recapture of credits from Arizona Form 301, Part 2, line 32, 39 Subtotal of tax, 40 Family income tax credit (AZ residents only), 41 Nonrefundable credits from Arizona Form 301, Part 2, line 64, 42 Balance of tax, 43 Withholding, Estimated, and Extension Payments, 44 Arizona residents only: Increased Excise Tax Credit, 45 Other refundable credits, 46 Payment with original return plus all payments after it was filed, 47 Total payments and refundable credits.

Place any required federal and AZ schedules or other documents after Form 140X.

Your Name (as shown on page 1)	Your Social Security Number
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<b>48</b> Overpayment from original return or as later adjusted. See instructions.....	<b>48</b>	00
<b>49</b> Balance of credits: Subtract line 48 from line 47. Enter the difference.....	<b>49</b>	00
<b>50 OVERPAYMENT:</b> If line 42 is less than line 49, subtract line 42 from line 49. Enter amount of overpayment .....	<b>50</b>	00
<b>51</b> Amount of line 50 to be applied to 2023 estimated tax. See instructions. If zero, enter "0" .....	<b>51</b>	00
<b>52 REFUND:</b> Subtract line 51 from line 50. If less than zero, enter amount owed on line 53 .....	<b>52</b>	00
<b>Direct Deposit of Refund: Check box 52A</b> if your deposit will be ultimately placed in a <b>foreign account</b> ; see instructions. <b>52A</b> <input type="checkbox"/>		
<input checked="" type="checkbox"/> <b>C</b> Checking or <input type="checkbox"/> <b>S</b> Savings		
ROUTING NUMBER	ACCOUNT NUMBER	
<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	
<b>53 AMOUNT OWED:</b> If line 42 is more than line 49, subtract line 49 from line 42. Enter the amount owed.....	<b>53</b>	00
<b>54</b> Check box 54 if this amended return is the result of a net operating loss, <b>and</b> enter the year the loss was incurred....	<b>54</b> <input type="checkbox"/>	, 2 , 0 , Y , Y ,

**Complete Parts 1(A) and 1(B), Part 2 and Part 3 to report changes made to your original tax return or most recent amended tax return and the reason(s) for each change.**

**NOTE:** You must complete page 5, *Dependent and Other Exemption Information*, if you are reporting dependents (page 1, box 15a or 15b), or qualifying parents and grandparents (page 1, box 16.) You must also complete page 5, Part 3 if you claim Other Exemptions on page 1, line 25. If you do not complete page 5, your dependents and other exemptions may be denied. Do not count or list yourself or your spouse as dependents.

**INCOME, DEDUCTIONS, CREDITS:** In column (a), list the items you are changing. In column (b), enter the amount claimed on your original return or most recent amended return. In column (c), enter the amount of the change. In column (d), enter the corrected amount for the item you are changing.

PART 1 (A)

	(b) ORIGINAL AMOUNT REPORTED	(c) AMOUNT TO ADD OR SUBTRACT	(d) CORRECTED AMOUNT
(a) <b>INCOME, DEDUCTIONS, AND CREDITS YOU ARE CHANGING</b> <i>If you are rescinding your small business election, check box 55R</i> <input type="checkbox"/> See these instructions for more information regarding rescinding the election.			
<b>55a</b> _____	\$ _____	\$ _____	\$ _____
<b>55b</b> _____	\$ _____	\$ _____	\$ _____
<b>55c</b> _____	\$ _____	\$ _____	\$ _____

**NET CAPITAL GAIN OR (LOSS):** If you are changing any amount on lines 56a through 56e, complete columns (b), (c), and (d).

PART 1 (B)

	(b) ORIGINAL AMOUNT REPORTED	(c) AMOUNT TO ADD OR SUBTRACT	(d) CORRECTED AMOUNT
(a) ITEM			
<b>56a Total net capital gain or (loss)</b> reported on Form 140, line 20; Form 140NR, line 34; or Form 140PY, line 33.....	\$ _____	\$ _____	\$ _____
<b>56b Total net short-term capital gain or (loss)</b> reported on Form 140, line 21; Form 140NR, line 35; or Form 140PY, line 34.....	\$ _____	\$ _____	\$ _____
<b>56c Total net long-term capital gain or (loss)</b> reported on Form 140, line 22; Form 140NR, line 36; or Form 140PY, line 35.....	\$ _____	\$ _____	\$ _____
<b>56d Net long-term capital gains from assets acquired after December 31, 2011</b> reported on Form 140, line 23; Form 140NR, line 37; or Form 140PY, line 36	\$ _____	\$ _____	\$ _____
<b>56e Amount of allowable subtraction</b> reported on Form 140, line 24; Form 140NR, line 38; or Form 140PY, line 37 .....	\$ _____	\$ _____	\$ _____

PART 2

**57 REASON FOR THE CHANGE:** Give the reason for each change listed in Part 1 (A) and B):

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PART 3

Check box **58a**  if your address on this amended return is not the same as it was on your original return (or latest return filed).  
Complete Part 3 with your current address.

<b>58b</b> Name	<b>58c</b> Number and Street, R.R.	Apt. No.
<b>58d</b> City, Town or Post Office	State	ZIP Code

Your Name (as shown on page 1)	Your Social Security Number
--------------------------------	-----------------------------

Sign and date your return. If you paid someone to prepare your return, that person must also sign and date the return. The paid preparer must provide their street address, Paid Preparer TIN and phone number.

<b>PLEASE SIGN HERE</b>	Under penalties of perjury, I declare that I have read this return and any documents with it, and to the best of my knowledge and belief, they are true correct and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.		
	↓		
	YOUR SIGNATURE	DATE	OCCUPATION
	↓		
	SPOUSE'S SIGNATURE	DATE	SPOUSE'S OCCUPATION
	PAID PREPARER'S SIGNATURE	DATE	FIRM'S NAME (PREPARER'S IF SELF-EMPLOYED)
PAID PREPARER'S STREET ADDRESS	PAID PREPARER'S TIN		
PAID PREPARER'S CITY	STATE	ZIP CODE	
		PAID PREPARER'S PHONE NUMBER	

- If you are sending a payment with this return, mail to:  
 Arizona Department of Revenue  
 PO Box 52016  
 Phoenix, AZ 85072-2016  
 Include the payment with Form 140X. Make check payable to Arizona Department of Revenue; write your SSN, Form 140X and tax year on payment.
  
- If you are expecting a refund or owe no tax, or owe tax but are not sending a payment, mail to:  
 Arizona Department of Revenue  
 PO Box 52138  
 Phoenix, AZ 85072-2138

## 2022 Form 140X - Standard Deduction Increase for Charitable Contributions

**You must complete this worksheet if you are taking an increased standard deduction for charitable contributions. Include the completed worksheet with your tax return, when filed. If you do not include the completed worksheet, your standard deduction will not be increased.**

Taxpayers electing to take the Standard Deduction may *increase* the standard deduction amount by 27% (.27) of the total amount of the taxpayer's charitable deductions that would have been allowed if the taxpayer elected to claim itemized deductions on the Arizona tax return.

Charitable contributions (lines 1C, 2C, and 3C) are those gifts allowed on federal Form 1040 Schedule A (Gifts to Charity) that you would have claimed had you elected to take itemized deductions on your federal return.

**NOTE 1:** A **part-year resident** taxpayer may only include those charitable contributions that are incurred and paid while an Arizona resident plus the amount of such gifts from Arizona sources incurred and paid during the part of the year while an Arizona nonresident. A **nonresident** taxpayer must prorate the increased standard deduction by his/her Arizona income ratio computed on page 1, line 20a.

**NOTE 2:** You **must** reduce your contribution amount by the total charitable contributions you made during January 1, 2022 through December 31, 2022 for which you are claiming an Arizona tax credit under Arizona law for the current tax year return or claimed on the prior tax year return. Enter this amount on line 5C.

**NOTE 3:** If you itemized deductions on your federal return (1040 Schedule A) and were required to adjust the amount of your allowable contributions on your federal 1040 Schedule A for the amount claimed as a tax credit on your Arizona income tax return, include the amount of the federal contribution adjustment to line 1C and enter the amount of the Arizona tax credit on line 5C.

Complete the worksheet to determine your allowable increased standard deduction for charitable contributions.

<b>1C</b>	2022 Gifts by cash or check.....	<b>1C</b>		00
<b>2C</b>	2022 Other than by cash or check.....	<b>2C</b>		00
<b>3C</b>	Carryover from prior year.....	<b>3C</b>		00
<b>4C</b>	Add lines 1C through 3C and enter the total.....	<b>4C</b>		00
<b>5C</b>	Total charitable contributions made in 2022 for which you are claiming a credit under Arizona law for the current (2022) or prior tax year (2021).....	<b>5C</b>		00
<b>6C</b>	Subtract line 5C from line 4C and enter the difference. If less than zero, enter "0".....	<b>6C</b>		00
<b>7C</b>	Multiply line 6C by 27% (.27) and enter the result.....	<b>7C</b>		00
<b>8C</b>	Nonresidents filing Form 140NR: Enter your Arizona income ratio from page 1, line 20a. All other taxpayers enter 1.000.....	<b>8C</b>	.	
<b>9C</b>	Multiply line 7C by the percentage on line 8C and enter the result.....	<b>9C</b>		00

- Enter the amount shown on line 9C on page 1, line 35
- Be sure to check box **34S** for Standard Deduction on line 34.
- Check box **35C** for charitable contributions on line 35. If you do not check this box, you may be denied the increased standard deduction.

## 2022 140X Dependent and Other Exemption Information

**Include page 5 with your amended return if:**

- You are reporting dependents (box 15a and 15b) on page 1.
- You are reporting qualifying parents and grandparents (box 16) on page 1.
- You are taking a deduction for *Other Exemptions* on page 1, line 25 (Subtractions from Income).

### Part 1: Dependents (Box 15a and 15b) - (Forms 140, 140A, 140NR, and 140PY)

Information used to compute your allowable **Dependent Tax Credit** on page 1, line 40 (box 40b).

	(a) FIRST AND LAST NAME (Do not list yourself or spouse.)	(b) SOCIAL SECURITY NUMBER	(c) RELATIONSHIP	(d) NO. OF MONTHS LIVED IN YOUR HOME IN 2022	(e) ✓ Dependent Age included in:		(f) ✓ IF YOU DID NOT CLAIM THIS PERSON ON YOUR FEDERAL RETURN DUE TO EDUCATIONAL CREDITS
					1 (Box 15a)	2 (Box 15b)	
15c					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15d					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15e					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15f					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15g					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15h					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15i					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15j					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15k					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15l					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15m					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15n					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### Part 2: Qualifying parents and grandparents (Box 16) - (Forms 140, 140A, and 140PY)

Information used to compute your exemption included in *Subtractions from Income*, line 25.

	(a) FIRST AND LAST NAME (Do not list yourself or spouse.)	(b) SOCIAL SECURITY NUMBER	(c) RELATIONSHIP	(d) NO. OF MONTHS LIVED IN YOUR HOME IN 2022	(e) ✓ IF AGE 65 OR OVER	(f) ✓ IF DIED IN 2022
16a					<input type="checkbox"/>	<input type="checkbox"/>
16b					<input type="checkbox"/>	<input type="checkbox"/>
16c					<input type="checkbox"/>	<input type="checkbox"/>
16d					<input type="checkbox"/>	<input type="checkbox"/>
16e					<input type="checkbox"/>	<input type="checkbox"/>
16f					<input type="checkbox"/>	<input type="checkbox"/>

### Part 3: Other Exemptions - (Forms 140, 140A, 140NR, and 140PY)

Information used to compute your other exemptions included in *Subtractions from Income*, line 25.

	(a) FIRST AND LAST NAME (Do not list yourself or spouse.)	(b) SOCIAL SECURITY NUMBER	(c) ✓ AGE 65 OR OVER (see instructions)		(d) ✓ STILLBORN CHILD IN 2022
			C1	C2	
1			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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## 2022 Individual Amended Income Tax Return

### For information or help, call one of the numbers listed:

Phoenix (602) 255-3381  
From area codes 520 and 928, toll-free (800) 352-4090

### Tax forms, instructions, and other tax information

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

### Income Tax Procedures and Rulings

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website select *Reports, Statistics and Legal Research* from the main menu then click on *Legal Research* and select a *Document Type* and *Category* from the drop down menus.

### Publications

To view or print the department's publications, go to our website and click on *Reports, Statistics and Legal Research* from the main menu then click on *Publications* in the left-hand side column.

### Who Should Use Form 140X?

Use the 2022 Arizona Form 140X to correct an individual income tax return (Arizona Form 140, 140A, 140EZ, 140PY, or 140NR) for taxable year 2022, only.

If you are amending a return for any other tax year, use the amended return (Form 140X) that is available for that specific tax year. For example, if you are amending your return for tax year 2018, use the 2018 Arizona Form 140X.

The department will compute the interest and either include it in your refund or bill you for the amount due.

Form 140X will be your new tax return. This return will change your original return to include the new information. The entries you make on Form 140X are the entries you would have made on your original return had it been done correctly.

**NOTE:** Do not use Form 140X to change an earlier filed Arizona Form 140PTC. To change an earlier filed Form 140PTC, use the Form 140PTC for the year you are changing.

Do not use Form 140X to change an earlier filed Arizona Form 140ET. To change an earlier filed Form 140ET, use the Form 140ET for the year you are changing.

**You cannot amend an estimated income tax payment penalty when you reduce your tax on an amended return, unless you file your amended return after filing your original return, and before the due date of that original return.**

For more information, see the department's ruling, ITR 02-4, *Amended Return's Effect on the Estimated Tax Payment Underpayment Penalty*.

### What Will I Need To Complete Form 140X?

To complete Form 140X, you will need the following:

- A copy of the 2022 tax return you are amending, including supporting forms, schedules, and worksheets.
- Any notices you received from the Internal Revenue Service (IRS) or the department for the tax year you are amending.
- Instructions for the return you are amending. If you have any questions about income items, deductions, or exemptions, you should refer to the 2022 instructions for your original return. If you do not have the instructions for the form you are amending, you can find them online at our website.
- If you are filing an amended return for a previously filed Composite Nonresident Income Tax Return, see the instructions for Form 140NR and the department's ruling, ITR 16-2, *Composite Individual Income Tax Returns*, for guidance on how to report income items, deductions, and exemptions.

**Allow 8 to 12 weeks for your Form 140X to process.**

***You cannot e-file your Arizona amended tax return. You must mail your amended income tax return to the department using the address listed on Form 140X.***

**AVOID PROCESSING DELAYS:** *For the proper assembly order, see the mailing instructions for the return you are amending.*

### When Should I File an Amended Return?

You can file Form 140X only after filing an original return.

You should file your amended return *after* your original return has processed. If you are filing Form 140X for a refund, you must generally file within four years from the date you filed the original return.

If you amend your federal return for 2022, you must also file an Arizona Form 140X for 2022.

If the IRS makes a change to your federal taxable income for 2022, you must report that change to Arizona. You must file the Form 140X within 90 days of the final determination of the IRS. You may use one of the following two options to report this change.

#### Option 1

You may file a Form 140X. If you choose this option, you must amend your Arizona return within 90 days of the final determination of the IRS. Include a complete copy of the federal notice with your Form 140X.

#### Option 2

You may file a copy of the final federal notice with the department within 90 days of the final determination of the IRS.

If you choose Option 2, you must include a statement in which you must:

1. request that the department recompute your tax, *and*
2. indicate if you agree or disagree with the federal notice.

If you do not agree with the federal notice, you must also include any documents that show why you do not agree.

If you choose Option 2, mail the federal notice and any other documents to

Attention: Individual Income Audit  
Arizona Department of Revenue  
PO Box 29084  
Phoenix, AZ 85038-9084

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## When Should I Pay any Tax Owed?

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Payment is due in full at the time you file your amended return. If paying by check, make your check payable to Arizona Department of Revenue. Enter your Social Security Number (SSN) and tax year on the front of your check. To make an electronic payment, visit [www.AZTaxes.gov](http://www.AZTaxes.gov).

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## What if a Taxpayer Died?

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If you are a surviving spouse amending a joint return, enter the word "Deceased" after the decedent's name. Also enter the date of death after the decedent's name. Sign your name. Enter "Filing as Surviving Spouse" in the area for the deceased spouse's signature. (If someone else serves as personal representative for your spouse's estate, he or she must also sign the return.)

If a refund is due, complete Arizona Form 131, *Claim for Refund on Behalf of Deceased Taxpayer*. Include this form on top of your amended return.

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## Penalties

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We will impose a late payment penalty on your amended return if **all** of the following apply:

- you file your amended return after the due date of your original return,
- there is tax due on your amended return, and
- you do not pay that tax when you file the amended return.

Even if you do pay the tax due when you file your amended return, we may impose a late payment penalty if any of the following apply:

- you are under audit by the department, or
- the department has requested or demanded that you file an amended income tax return.

We will also impose a late filing penalty if you did not file your original return on time. These penalties apply to taxes due and remaining unpaid after the due date of the original return. Combined late filing and late payment penalties can go up to 25% (.25) of the unpaid tax.

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## Interest

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We charge interest on any tax not paid by the due date even if you have an extension. We charge interest from the original

due date to the date of payment. The Arizona rate of interest is the same as the federal rate. Contact one of the phone numbers listed on page 1 for the current interest rate.

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## General Instructions

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**NOTE:** *You must round dollar amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.*

The line numbers on the Arizona Form 140X do not match the line numbers on Arizona's individual income tax forms. The proper line on which to enter your change(s) will depend on the nature of the change.

To decide where to enter your changes, use the line descriptions from your original return. To help you, we have included some examples, starting on page 12 of these instructions. If you still need some help, call one of the numbers listed on page 1.

For specific information about tax rates, additions, subtractions, exemptions or deductions, see the form instructions for the year you are amending.

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## Tax Year

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File this form to amend only a 2022 tax return. If you are amending a return for a fiscal year, enter the beginning and ending dates of the fiscal tax year.

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## Entering Your Name, Address, and Social Security Number (SSN)

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Enter your name, SSN, and current address. If you are filing a joint amended return, enter your SSNs in the same order as your first names and in the same order as shown on your original return. *If your name appears first on the return, make sure your SSN is the first number listed.*

If you are changing your filing status from married filing separate to married filing joint and your spouse did not file an original return, enter your name and SSN first.

If you are changing your filing status from married filing separate to married filing joint, you must include your spouse's name and SSN on the second line 1.

Make sure that you put your SSN on every return, statement, or document that you file with the department. Make sure that all SSNs are clear and correct.

You may be subject to a penalty if you fail to include your SSN. It may take longer to process your return if SSNs are missing, incorrect, or unclear.

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## Foreign Addresses

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If you have a foreign address, enter the information in the following order: city, province or state, and country. Follow the country's practice for entering the postal code. Do not abbreviate the country name.

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## Last Names Used in Prior Years

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If the last name that you or your spouse are using on this return is not the same as the last name you or your spouse used on returns filed in the last four years, enter any other last

name(s) that you or your spouse used when filing your return during that period.

**ID Numbers for Paid Preparers**

If you pay someone to prepare your return, that person must also include an ID number where requested.

A paid preparer may use any of the following:

- his or her PTIN;
- his or her SSN; or
- the EIN for the business.

A paid preparer who fails to include the proper numbers may also be subject to a penalty.

**Filing Status**

If you qualify as married for federal purposes, you qualify as married for Arizona purposes and must file using the status of either married filing joint or married filing separate.

If you are single you must file as single or if qualified you may file as head of household (see the instructions for the original form you are amending).

Check the box for the filing status you are using on this amended return.

**Box 4a - Injured Spouse Protection of Joint Overpayment**

Check box 4a *only* if you and your spouse are filing a joint return (check box 4) and you or your spouse qualify as an injured spouse and are requesting protection from application of any *additional* joint overpayment shown on your amended return against the other spouse’s delinquencies or debts for back child support, court fees, and fees to counties, cities or educational institutions. **The taxpayer (spouse) requesting injured spouse protection must have Arizona income with taxes withheld and reported on their own Form W-2 or Form 1099.**

**NOTE:** *You cannot use Form 203 to request protection from offset for past-due federal taxes. You must contact the IRS.*

You **must** complete Arizona Form 203, *Request for Injured Spouse Protection from Application of Joint Overpayment Against Spouse’s Delinquencies and Debts*, and include that form with your tax return, when filed. Place the completed form on top of your income tax return. *For more information, see the instructions for Form 203.*

**NOTE:** *If you file an amended return, you cannot request protection from offset of any overpayment shown on your original (or last filed amended) income tax return.*

**Changing from a joint return to a separate return**

If you have an amount due from the joint return that you want to amend, you must pay that amount before you can change your filing status to married filing separate. If we have issued a proposed assessment for that joint return, you must also pay that amount before you can change your filing status.

**Changing from a separate return to a joint return**

If you or your spouse have an amount due from a separate return that you want to amend, you must pay that amount before you can change your filing status to married filing joint. If we have issued a proposed assessment for either separate return, you must also pay that amount before you can change your filing status.

If you and your spouse are changing from separate returns to a joint return, begin by combining the amounts from your return as originally filed or as previously adjusted (either by you or the department) and the amounts from your spouse’s return as originally filed or adjusted. Then make your changes to the combined amounts.

If your spouse did not file an original return, include your spouse’s income, deductions, credits, etc., to determine the amounts to enter on the appropriate lines of this form.

Generally, if you file a joint return, both you and your spouse have joint and several liability. This means both of you are responsible for the tax and any interest or penalties due on the return, as well as any amount that may become due later. If one spouse does not pay the tax due, the other may have to.

If filing an amended joint tax return, both of you must sign and date Form 140X.

**Residency Status**

Check the box for the residency status you are using on this amended return.

Check box 9b, if this is an amended composite nonresident return to be filed by one of the following:

1. A partnership filing on behalf of its nonresident partners.
2. An S Corporation filing on behalf of its nonresident shareholders.

For information on filing an Arizona nonresident composite income tax return, see the department’s ruling, ITR 16-2, *Composite Individual Income Tax Returns*.

If you are filing this amended return as a:	Check Box	See the following form instructions for the return you are amending:
Full year resident	8	Form 140
Nonresident	9a	Form 140NR
Composite Nonresident	9b	Form 140NR
Nonresident Active Military	10	Form 140NR
Part-Year Resident	11	Form 140PY
Part-Year Resident Active Military	12	Form 140PY

**Exemptions and Dependents**

Enter the number of exemptions you are claiming in boxes 13, 14, and 16. **Do not put a checkmark or “X”.** You may lose the exemption if you put a checkmark or “X in these lines.

**Include the exemption amounts with your *Subtractions from Income* reported on line 25.** For exemption amounts, see the instructions for the form you are amending.

### Box 13

In box 13, enter the number of age 65 or over exemptions you are claiming on this amended return.

### Box 14

In box 14, enter the number of blind exemptions you are claiming on this amended return.

### Box 15a and Box 15b - Dependents

**NOTE:** *Boxes 15a and 15b identify the number of your qualifying dependents that are either under the age of 17 (box 15a) or age 17 and over (box 15b). This information is used to compute the allowable Dependent Tax Credit. Include only those dependents in box 15a or 15b that you are using to compute the allowable Dependent Tax Credit on line 40b.*

#### Box 15a - Dependents

In box 15a, enter the total **number** of dependents under the age of 17 you are claiming on this amended return.

You **must** also complete Part 1 on page 5, of Form 140X. Enter the information for **each** dependent claimed in box 15a.

**NOTE:** *Do not include yourself or your spouse as dependents in box 15a or box 15b.*

#### Box 15b - Dependents

In box 15b, enter the total **number** of dependents age 17 and over you are claiming on this amended return.

You **must** also complete Part 1 on page 5, of Form 140X. Enter the information for **each** dependent claimed in box 15b.

### Box 16 - Arizona Residents Only

In box 16, enter the total **number** of qualifying parent or grandparent exemptions you are claiming on this amended return.

You **must** also complete Part 2 on page 5, of Form 140X. Enter the information for **each** qualifying parent/grandparent claimed in box 16.

To see who is a qualifying parent or grandparent, see the instructions for the form you are amending.

## Line-by-Line Instructions

### Line 17 - Federal Adjusted Gross Income

Enter your correct federal adjusted gross income (from your federal return.)

**NOTE:** *If you were a nonresident or a part-year resident for the year you are amending, you must enter your federal adjusted gross income on line 17, and then enter your Arizona gross income on line 20.*

### Line 18 - Small Business Income (Residents)

- Check box 18N if you reported small business income on your original return and are not making a change to the amount originally reported.

- Check box 18S if you are electing to file a small business tax return on this amended tax return and enter the amount from your small business tax return (Form 140-SBI, line 10. Include a copy of your Form 140-SBI with your amended tax return.
- Check box 18C is you are making a change to the original small business amount computed on your small business tax return.

**NOTE:** *Use Form 140X-SBI to amend your Form 140-SBI. See the instructions for Form 140X-SBI for amending your Small Business Income tax return.*

### Line 19 - Modified Federal Adjusted Gross Income (Residents)

Subtract line 18 from line 17. Enter the difference.

### Line 20 - Arizona Gross Income - Nonresidents and Part-Year Residents Only

Skip line 20 if you were a full year resident for the year you are amending (you checked box 8).

Complete line 20 if you were a nonresident or a part-year resident for the year you are amending (you checked box 9a, 10, 11 or 12).

If required to complete line 20, enter your Arizona gross income from Form 140PY or Form 140NR. For information about how to figure your Arizona gross income, see Form 140PY or Form 140NR.

### Line 20a - Arizona Income Ratio

If you completed line 18, divide the amount on line 20 by the amount on line 17. Enter the ratio in decimal format. You must **round** your answer to **three** decimal places. Do not enter more than 1.000.

If you were a nonresident or a part-year resident during the taxable year you are amending, you will use this ratio to prorate the following tax items.

1. The standard deduction amount including the allowable increase in the standard deduction for charitable contributions. (Nonresidents)
2. The Dependent Tax Credit. (Part-year residents and nonresidents)

### Line 21 - Small Business Income (Nonresidents and Part-Year Residents)

- Check box 21N if you reported small business income on your original return and are not making a change to the amount originally reported.
- Check box 21S if you are electing to file a small business tax return on this amended tax return and enter the amount from your small business tax return (Form 140NR-SBI or 140PY-SBI, line 10. Include a copy of your Form 140NR-SBI or 140PY-SBI with your amended tax return.
- Check box 21C is you are making a change to the original small business amount computed on your small business tax return.

**NOTE:** Use Form 140X-SBI to amend your 140NR-SBI or 140PY-SBI. See the 140X-SBI instructions for amending your Small Business Income tax return.

**Line 22 - Modified Arizona Gross Income (Nonresidents and Part-Year Residents)**

Subtract line 21 from line 20. Enter the difference.

**Line 23 - Additions to Income**

**NOTE:** For a list of items that must be added to income, see the 2022 instructions for the form you are amending.

Form 140X, line 23, *Additions to Income*, is the sum of multiple addition lines that are listed as separate addition line items on the original Arizona personal income tax return.

On line 23, enter *all additions to income* from lines shown for the form you are amending. If you have no additions to income, enter zero "0". On your 2022 original return, you may have reported these amounts on the following lines.

Form	Additions to Income
140	15, 16, 17 and 18
140A	None
140EZ	None
140NR	30, 31 and 32
140PY	30 and 31

**Arizona Form 165PA Schedule K-1 or 165PA Schedule K-1(NR) Positive Adjustment**

If you received an Arizona Form 165PA Schedule K-1 or 165PA Schedule K-1(NR), include the positive adjustment amount reported on Form 165PA Schedule K-1, line 3; or 165PA Schedule K-1(NR), line 5, with the total amount of additions reported on line 23.

**Line 24 - Subtotal**

**Full Year Residents**

If you were a full year resident for 2022, add lines 19 and line 23. Enter the total.

**Nonresidents and Part-Year Residents**

If you were a nonresident or a part-year resident for 2022 add lines 22 and 23. Enter the total. If you checked box 9b, see the department's ruling, ITR 16-2, *Composite Individual Income Tax Returns*.

**Line 25 - Subtractions from Income**

**NOTE:** You may only subtract those items for which statutory authority exists. Without such authority you cannot take a subtraction. For a list of items that may be subtracted from income, see the instructions for the form you are amending.

Form 140X, line 25, *Subtractions from Income*, is the sum of multiple subtraction and exemption lines that are listed as separate subtraction and exemption lines on the original Arizona personal income tax return.

On line 25, enter *all subtractions from income* from lines shown for the form you are amending and exemption amounts

for age 65 or over, blind, other exemptions, and qualifying parents or grandparents. **Do not include a minus sign or use parentheses.**

On your 2022 original return, you may have reported these amounts on the following lines. If you have no subtractions from income, enter "0".

Form	Subtractions from Income	Exemptions: 65 or over, blind, other exemptions, or qualifying parents/grandparents
140	25 through 34c, and 36	38 through 41
140A	None	13 through 16
140EZ	None	None
140NR	39, 40, 41, and 43 through 45	47 through 51
140PY	38 and 40 through 44	46 through 51

**Arizona Form 165PA Schedule K-1 or 165PA Schedule K-1(NR) Negative Adjustment**

If you received an Arizona Form 165PA Schedule K-1 or 165PA Schedule K-1(NR) include the negative adjustment amount reported on Form 165PA Schedule K-1, line 3 or 165PA Schedule K-1(NR), line 5 with the total amount of subtractions reported on line 22.

**Lines 26 through 30 - Net Capital Gain or (Loss)**

**NOTE:** If you enter an amount on line 26, you must complete lines 27 and 28.

If you are taking a subtraction on line 30 for any net long-term capital gain from assets acquired after December 31, 2011, you must also complete line 29. If you do not complete lines 26 through 29, you cannot take the subtraction

If you do not have any net capital gain or (loss) to report, enter zero, "0" on lines 26 through 28.

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, *Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired after December 31, 2011*, included in the instructions for Forms 140, 140NR or 140PY, to determine the allowable subtraction. Keep the worksheet for your records.

**NOTE:** If you are changing an amount previously reported for any amount reported on lines 26 through 30, complete page 2, Part 1, section (B) with the corrected amounts.

**Line 26 - 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 federal Schedule D. This amount should be reported in your federal adjusted gross income.

**Line 27 - Total Net Short-Term Capital Gain or (Loss)**

Enter the total amount of net short-term capital gain or (loss) reported on federal Schedule D. 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 27.*

**Line 28 - Total Net Long-Term Capital Gain or (Loss)**

Enter the total amount of net short-term capital gain or (loss) reported on federal Schedule D. This amount should be reported in your federal adjusted gross income.

If you are not changing the amount reported on your original return and you completed the worksheet included in the instructions for Form(s) 140, 140NR or 140PY, enter the amount from:

- Form 140, line 22;
- Form 140NR, line 36; or
- Form 140PY, 35

If your net long-term capital gain (loss) is limited to an amount reported on Form 1099-DIV and you were not required to complete federal Schedule D, enter the amount shown on Form 1099-DIV on line 28.

**Line 29 - Net Long-Term Capital Gain from Assets Acquired After December 31, 2011**

If you did not complete the worksheet included in the instructions for Form(s) 140, 140NR or 140PY, enter zero, "0".

If you are not changing an amount reported on your original return, and you completed the worksheet included in the instructions for Form(s) 140, 140NR or 140PY, enter the amount from:

- Form 140, line 23;
- Form 140NR, line 37; or
- Form 140PY, 36

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 30 - Net Long-Term Capital Gain Subtraction From Income for Assets Acquired After December 31, 2011.**

Multiply the amount on line 29 by 25% (.25). Enter the result.

**Line 31 - Net Capital Gain from Investment in a Qualified Small Business**

You may subtract the amount of any net capital gain included in federal adjusted gross income for the taxable year derived from investment in a qualified small business as determined

by the Arizona Commerce Authority (ACA) pursuant to Arizona Revised Statute § 41-1518.

For more information see the instructions for the form you are amending. (Form 140, Form 140NR or Form 140PY).

**CAUTION:** *If the amount entered on line 31 includes any long-term capital gain from an investment made **after** December 31, 2011, you **cannot** include that portion of the net capital gain in your computation of the allowable subtraction for any net long-term capital gain from assets acquired after December 31, 2011, and included in federal adjusted gross income.*

*If you take a subtraction for any net long-term capital gain from the exchange of one kind of legal tender for another kind of legal tender from an investment made **after** December 31, 2011, you cannot include that portion of the net capital gain in your computation of the allowable subtraction for any net long-term capital gain from assets acquired after December 31, 2011, and included in federal adjusted gross income. This amount is included as an "Other Subtraction from Arizona Gross Income" on page 6 of Forms 140, 140NR and 140PY.*

*For more information, see the instructions included with Forms 140, 140NR, or 140PY.*

**Line 32 (Box 32a) - Contributions to 529 College Savings Plans**

Enter the amount of allowable subtraction for contributions made during 2022 to 529 College Plans. To determine the amount of the allowable subtraction, see the instructions for the form you are amending.

*Nonresident taxpayers do not enter an amount on line 32a.*

**Line 32 (Box 32b) - Contributions to 529A (ABLE Accounts)**

Enter the amount of allowable subtraction for contributions made during 2022 to 529 College Plans. To determine the amount of the allowable subtraction, see the instructions for the form you are amending.

*Nonresident taxpayers do not enter an amount on line 32b.*

**Line 32c**

Residents and part-year residents: add the amounts in boxes 32a and 32b and enter the total on line 32c.

**Line 33 - Arizona Adjusted Gross Income**

Subtract lines 25, 30, 31, and 32c from line 24. If less than zero, enter "0".

**Line 34 - Deductions****Itemized Deductions**

If you are claiming itemized deductions on this amended return, check box **34I**.

Enter your itemized deductions on line 34. If you are changing itemized deduction amounts, be sure to include a copy of the corrected Arizona Schedule A. Also include a copy of your corrected federal Schedule A.

For allowable itemized deductions, see the 2022 instructions for the form you are amending.

### Standard Deduction

If you are taking the standard deduction on this amended return check box **34S**. For standard deduction amounts see the instructions for the form you are amending. Enter your standard deduction on line 34.

**NOTE:** *Nonresident individuals, who claim the standard deduction, must prorate the deduction by the percentage which the taxpayer's Arizona gross income is of the taxpayer's federal adjusted gross income.*

*This will in effect prorate the standard deduction between income taxable to Arizona and income not taxable to Arizona. Only that portion of the deduction allocable to income taxable to Arizona is allowed. To figure the correct amount of standard deduction, see the 2022 Form 140NR instructions.*

### Line 35 - Increased Standard Deduction for Charitable Contributions

Taxpayers electing to claim the standard deduction may increase the standard deduction amount by 27% (.27) of the total amount of the taxpayer's charitable contributions that would have been allowed if the taxpayer elected to claim itemized deductions on the Arizona return.

Taxpayers must complete the worksheet, *Standard Deduction Increase for Charitable Contributions*, on page 4 of the amended return, and include page 4 with the amended return, when filed.

**Be sure to check box 35C on line 35.** If you do not check this box **and** include a completed page 4 with your amended tax return, you may be denied the increased standard deduction.

### Line 36 - Arizona Taxable Income

Subtract lines 34 and 35 from line 33. Enter the difference. If less than zero, enter "0".

### Line 37 - Tax

Compute your tax using the proper tax table. You can find the 2022 tax tables with the instructions for the form you are amending. Check the box for the tax table you are using. Enter the tax on line 37.

### Line 38 - Tax From Recapture of Credits (AZ Form 301)

Enter the amount of recapture tax from Arizona Form 301, Part 2, line 32. If you do not have a tax from recapture of tax credits, enter zero "0".

Include a copy of your Form 301 with your amended return.

### Line 39 - Subtotal of Tax

Add lines 37 and 38. Enter the total.

### Line 40 - (Boxes a and b) Family Income Tax Credit and Dependent Tax Credit

#### Box 40a - Family Income Tax Credit (Arizona Residents Only)

If you are eligible for the credit, enter the amount of family income tax credit you are claiming on this amended return. For details about the family income tax credit, see the 2022 instructions for the form you are amending.

#### Box 40b - Dependent Tax Credit

Taxpayers may claim a nonrefundable Dependent Tax Credit for certain qualifying dependents.

For the purpose of the dependent tax credit, "dependent" means an individual that qualifies as a dependent for federal purposes.

The tax credit is equal to:

- \$100 for each qualifying dependent who is under 17 years of age at the end of the taxable year.
- \$25 for each qualifying dependent who is at least 17 years of age at the end of the taxable year.

The allowable credit is reduced for single, head of household, and married taxpayers filing separate returns whose federal adjusted gross income (page 1, line 17) is more than \$200,000; and for married taxpayers filing a joint return whose federal adjusted gross income is more than \$400,000.

**NOTE:** *You cannot claim a dependent tax credit for a qualifying parent/grandparent for which you take an exemption or for someone for whom you have claimed as an "other exemption".*

**Complete the following tables on page 8 to compute your credit.**

Table I			
(a)	(b)	(c) Credit amount	(d) Multiply column (b) by column (c)
1. Enter number of dependents from page 1, box 15a..		\$ 100	\$ .00
2. Enter number of dependents from page 1, box 15b..		\$ 25	\$ .00
3. Credit amount before adjustment. Add lines 1 and 2. Enter total in column (d).....			\$ .00
4. Part-year and Nonresidents, enter your Arizona income ratio from page 1, line 20a. All other taxpayers, enter 1.000.....			
5. Multiply line 3 by the ratio on line 4. Enter the result here.....			\$ .00

All taxpayers go to Table II.

Table II		
If your filing status is single, married filing separate, or head of household; is your federal adjusted gross income on page 1, line 17, more than \$200,000?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
If your filing status is married filing joint, is your federal adjusted gross income on page 1, line 17, more than \$400,000?	Yes <input type="checkbox"/>	No <input type="checkbox"/>

- If you answered "No", you are not required to reduce the amount of credit computed in Table I. Enter the amount From Table I, line 5 on page 1, Box 40b.
- If you answered "Yes", you are required to reduce the amount of credit computed in Table I.

**Complete Table III or Table IV.**

To determine the number to enter on line 5 of Table III or Table IV, see Table V below.

Table III 2022 Adjusted Dependent Tax Credit For filing status: single, married filing separate, or head of household	
1. Enter your federal adjusted gross income from page 1, line 17.....	\$ .00
2. Federal adjusted gross income limit.....	\$ 200,000.00
3. Subtract line 2 from line 1. Enter the difference..... <i>If the difference is greater than \$19,000, STOP. You cannot claim the dependent tax credit.</i>	\$ .00
4. Enter amount from Table I, line 5, column (d).....	\$ .00
5. Based on the amount on line 3, enter the number from Table V. For example: if line 3 is \$1,500, enter <b>.90</b> .....	
6. Multiply line 4 by line 5. Enter the result. Also, enter the amount on page 1, box 40b.....	\$ .00

Table IV 2022 Adjusted Dependent Tax Credit For filing status: married filing joint	
1. Enter your federal adjusted gross income from page 1, line 17.....	\$ .00
2. Federal adjusted gross income limit.....	\$ 400,000.00
3. Subtract line 2 from line 1. Enter the difference..... <i>If the difference is greater than \$19,000, STOP. You cannot claim the dependent tax credit.</i>	\$ .00
4. Enter amount from Table I, line 5, column (d).....	\$ .00
5. Based on the amount on line 3, enter the number from Table V. For example: if line 3 is \$1,500, enter <b>.90</b> .....	
6. Multiply line 4 by line 5. Enter the result. Also, enter the amount on page 1, box 40b.....	\$ .00

Use Table V to determine the number to enter on line 5, in Table III or Table IV.

Table V			
If the amount on line 3 from Table III or Table IV is:	Enter on line 5	If the amount on line 3 from Table III or Table IV is:	Enter on line 5
\$ 1 – 1,000	.95	\$ 10,001 – 11,000	.45
\$ 1,001 – 2,000	.90	\$ 11,001 – 12,000	.40
\$ 2,001 – 3,000	.85	\$ 12,001 – 13,000	.35
\$ 3,001 – 4,000	.80	\$ 13,001 – 14,000	.30
\$ 4,001 – 5,000	.75	\$ 14,001 – 15,000	.25
\$ 5,001 – 6,000	.70	\$ 15,001 – 16,000	.20
\$ 6,001 – 7,000	.65	\$ 16,001 – 17,000	.15
\$ 7,001 – 8,000	.60	\$ 17,001 – 18,000	.10
\$ 8,001 – 9,000	.55	\$ 18,001 – 19,000	.05
\$ 9,001 – 10,000	.50	\$ 19,001 and over	.00

**Box 40c**

Add amounts in box 40a and 40b. Enter the total on line 40c.

**Line 41 - Nonrefundable Credits from Form 301**

Enter your credits from Arizona Form 301, Part 2, line 64 that you are claiming on this amended return.

You **must** complete and include Form 301 along with the required supporting documents with your amended return.

**Line 42 - Balance of Income Tax**

Subtract lines 40c and 41 from line 39. Enter the difference. If less than zero, enter "0".

**Line 43 (Boxes a, b and c) - Withholding, Estimated, Extension Payments, and Arizona Claim of Right**

**Box 43a:** Enter the **total amount** of Arizona income tax withheld, estimated income tax payments, and payments made with an extension request reported on your original (or most recent amended) return for 2022.

You may use the following worksheet to help you figure the amount of these payments that you should enter on line 43a.



Payment Worksheet		
Withholding, Estimated, Extension	Date of Payment	Amount
1. Estimated Payment 1		
2. Estimated Payment 2		
3. Estimated Payment 3		
4. Estimated Payment 4		
5. Extension Request Payment		
6. Arizona income tax withheld on Form(s) W-2 and Form(s) 1099.		
7. Add lines 1 through 6. Enter the total here and also on Form 140X, box 43a.		.00

**NOTE:** Do not include payments sent with original return on line 43a. You should enter those amounts on line 46.

**Box 43b:** Enter the amount from your *Arizona Claim of Right - Individual* form, line 8.

If you completed more than one *Arizona Claim of Right - Individual* form for the current taxable year, add all amounts on line 8 and enter the total in box 43b.

**NOTE:** For more information on Arizona's claim of right provisions, see the department's procedure, ITP 16-1, Procedure for Individuals Who Restore Substantial Amounts Held Under a Claim of Right.

**Line 43c:** Add the amounts in box 43a and box 43b and enter the total on line 43c.

**Line 44 (Boxes a, b, and c) - Increased Excise Tax Credit (Arizona Full-Year and Part-Year Residents Only), Property Tax Credit (Arizona Full-Year Residents Only)**

**Box 44a:** If you qualify to take the increased excise tax credit, enter the correct amount of credit you are claiming in box 44a.

If this is the first time you are claiming this credit for 2022, use the worksheet from the 2022 Arizona Form 140, 140A, 140EZ, or 140PY instructions to figure your credit.

**NOTE:** If you filed an Arizona income tax return claiming the increased excise tax credit and are adjusting the original amount claimed, use Form 140X to amend that claim. If you did not file a 2022 Arizona income tax return and are adjusting the increased excise tax credit originally claimed on a 2022 Arizona Form 140ET, use the 2022 Form 140ET to amend that claim. In this case, do **not** use Form 140X.

**Box 44b:** If you claimed the property tax credit on your original 2022 income tax return, enter the amount claimed on your original return.

If you are making an adjustment to the credit, be sure to include copies of your 2022 Form 140PTC, *Property Tax Refund (Credit) Claim*, or Form 201, *Renters Certificate of Property Taxes Paid*. Also include all supporting documents filed with the original return.

**NOTE:** Use Form 140X to adjust a previously filed property tax credit only if you claimed the credit on your original Arizona Form 140 or Form 140A.

Use Form 140PTC to adjust a previously filed property tax credit if you were not required to file an Arizona income tax return for 2022. If you did not claim a property tax credit on your original return, you may not claim it on Form 140X, unless you file Form 140X by the due date of your original return.

**Line 44c:** Add the amounts in box 44a and box 44b and enter the total on line 44c.

**Line 45 - Other Refundable Credits**

- If you claimed a refund of the increased research activities credit from Form 308-I, for 2022, enter that credit.
- If you claimed a refund of the qualified facilities credit from Form 349, for 2022, enter that credit.

Enter the correct amount(s) you are claiming on this amended return. If you are claiming refundable credits from more than one form, add the amounts from all forms together and enter the total. **If you enter an amount on this line, be sure you check the box or boxes to show which credits you are claiming.** Also, be sure to include the credit form(s) with your return when you file.

**Line 46 - Payment With Original Return (Plus All Additional Payments After It Was Filed)**

You may use the following worksheet to help you figure the amount of the payments that you should enter on line 46.

**NOTE:** Do not include payments reported on line 43 here.

Payment Worksheet		
Payments	Date of Payment	Amount
1. Payment with original return		
2. Payment		
3. Payment		
4. Payment		
5. Add lines 1 through 4. Enter the total here and also on Form 140X, line 46.		.00

**Line 47 - Total Payments and Refundable Credits**

Add lines 43c, 44c, 45 and 46. Enter the total.

**Line 48 - Overpayment From Original Return**

If your original (or most recent amended) return for 2022 resulted in an overpayment of taxes, enter the overpayment amount. On your original return, you reported this amount on the following line.

Form	Line	Form	Line
140	61	140NR	68
140A	30	140PY	70
140EZ	17		

**NOTE:** If the department changed amounts on your original return, use those amounts. If the department changed amounts on an earlier filed amended return, use those amounts.

Your overpayment may have been distributed or applied by one of the following means.

- You have received all or a portion of the overpayment in the form of a refund.
- You may have applied all or a portion of the overpayment to your next years estimated income taxes.
- You may have applied all or a portion of the overpayment to one of the voluntary gifts on the Arizona income tax return.
- All or a portion of your refund may have been paid to a government agency, court, county, or an incorporated city or town for an obligation owed to that court, county, city, town or agency (e.g., prior year taxes, child support, etc.).

Regardless of how the overpayment was distributed or applied, enter the overpayment amount.

**Line 49 - Balance of Credits**

Subtract line 48 from line 47. Enter the difference.

**Line 50 - Overpayment**

If line 42 is less than line 49, subtract line 42 from line 49 and enter the difference.

**Line 51 - Amount of Line 50 to be Applied to 2023 Estimated Taxes**

If you are filing this amended return prior to the original due date of your 2022 return and you want all or part of the amount on line 50 applied to your 2023 estimated taxes, enter that amount. If you want all of the amount on line 50 refunded, enter zero, "0".

**Line 52 - Refund**

Subtract line 51 from line 50. Enter the difference. If you owe money to any Arizona state agency, court, county, incorporated city or town and certain federal agencies, your refund may go to pay some of the debt.

**TAX TIP:** If you change your address before you get your refund, let the department know. Complete Form 822. This form is available at: [azdor.gov/forms/other-forms](http://azdor.gov/forms/other-forms).

**Direct Deposit of Refund**

Complete this line if you want us to directly deposit the amount shown on line 52 into your account at a bank or other financial institution (such as a mutual fund, brokerage firm or credit union) instead of sending you a check.

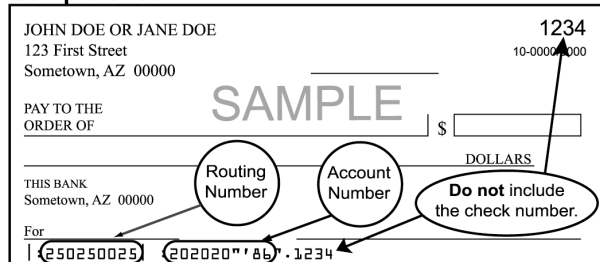
Check the box on line 52A if the direct deposit will ultimately be placed in a foreign account. If you check box 52A, do not enter your routing or account numbers. If this box is checked, we will not direct deposit your refund. We will mail you a check instead.

**NOTE:** We are not responsible for a lost refund if you enter the wrong account information. Check with your financial institution to get the correct routing and account numbers and to make sure your direct deposit will be accepted.

**Routing Number**

**MAKE SURE YOU ENTER THE CORRECT ROUTING NUMBER.**

**Sample Check**



**Note:** The routing and account numbers may be in different places on your check.

The routing number must be nine digits. The first 2 digits must be 01 through 12 or 21 through 32. Otherwise, the direct deposit will be rejected and a check sent instead. On the sample check, the routing number is 250250025.

Your check may state that it is payable through a financial institution different from the one at which you have your checking account. If so, do not use the routing number on that check. Instead, contact your financial institution for the correct routing number to enter here.

**Account Number**

**MAKE SURE YOU ENTER THE CORRECT ACCOUNT NUMBER.**

The account number can be up to 17 characters (both numbers and letters). DO NOT include hyphens, spaces, or special symbols. Enter the number from left to right and leave any unused boxes blank. On the sample check, the account number is 20202086. Be sure not to include the check number.

**Line 53 - Amount Owed**

If line 42 is more than line 49, you owe additional tax. Subtract line 49 from line 42 and enter the difference. You may pay only with a check, electronic check, money order, or credit card. The department will bill you for any interest and penalty due.

**Check or Money Order**

**NOTE:** Include your check or money order with your return. Please do not send cash.

Make your check payable to Arizona Department of Revenue. Write your SSN, Form 140X and tax year on the front of your check or money order and include your payment with Form 140X.

The department cannot accept checks or money orders in foreign currency. You must make payment in U.S. dollars.

## Electronic Payment From Your Checking or Savings Account

You can make an electronic payment from your checking or savings account to pay your balance due. There is no fee to use this method. To make an electronic payment, go to [www.AZTaxes.gov](http://www.AZTaxes.gov) and click on the "Make a Payment" link.

Be sure to enter the correct account number and routing number for your checking or savings account. You may be charged a \$50 NSF (non-sufficient funds) fee if you provide an incorrect number. Check with your financial institution to get the correct account and routing number.

The "E-Check" option in the "Payment Method" drop-down box will debit the amount from the checking or savings account that you specify. If you make an electronic payment from your checking or savings account, you will receive a confirmation number. **Please keep this confirmation number as proof of payment.**

### Credit card payment

You can pay with your Discover, MasterCard, Visa, 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.**

### Line 54 - Net Operating Loss Carryback Question

If you are filing this amended return as a result of a net operating loss carryback, check the box on line 54 and enter the tax year in which the net operating loss was incurred. This may speed up the processing of your refund.

## Page 2 Instructions - Parts 1 (A) and (B); Parts 2 and 3

*For examples of how to complete page 2 of Form 140X, see the instructions on pages 13 and 14.*

### Part 1 (A) - Income, Deductions, and Credits Lines 55a, 55b and 55c -

**NOTE:** *If you are rescinding your small business income election, check box 55R under column (a) header. You must also complete Form 140X-SBI and include that return with your amended Form 140X, when filed. See the instructions for completing Form 140X-SBI to rescind your election.*

### Explanation of Changes

We need to know what items you are changing on this amended return. We also need to know the amount of each change.

**NOTE:** *If you are making changes to any net capital gain or (loss) information reported on your income tax return, complete Part 1 (B) for those changes.*

#### Column (a)

In column (a), list each item you are changing.

#### Column (b)

In column (b), enter the amount reported on your original return or the most recently amended return for the tax year you are amending. If the department changed amounts on your original return, use the changed amounts. If the department changed amounts on an earlier filed amended return, use those amounts.

#### Column (c)

In column (c), enter the amount you are *adding to (+) or subtracting from (-)* the amount in column (b).

#### Column (d)

In column (d), enter the corrected amount ( $b+c=d$  or  $b-c=d$ ).

### Part 1 (B) - Net Capital Gain or (Loss)

#### Lines 56a, 56b, 56c, 56d and 56e -

#### Explanation of Changes

If you need to change any amount(s) previously reported for any net capital gain or (loss), complete columns (b), (c), and (d) on the appropriate lines.

#### Column (a)

Column (a), lists each applicable capital gain item.

#### Column (b)

In column (b), enter the amount reported on your original return or the most recently amended return for the tax year you are amending. If the department changed amounts on your original return, use the changed amounts. If the department changed amounts on an earlier filed amended return, use those amounts.

#### Column (c)

In column (c), enter the amount you are *adding to (+) or subtracting from (-)* the amount in column (b).

#### Column (d)

In column (d), enter the corrected amount ( $b+c=d$  or  $b-c=d$ ).

### Part 2 - Reason for Changes

#### Line 57 -

We need to know why you are filing Form 140X. For example:

- Are you rescinding your small business income election?
- Did you receive an IRS notice that changed your federal return?
- Did you amend your federal income tax return?
- Did you forget to claim a tax credit?
- Did you forget to take a subtraction from income or make an addition to income?

- Did you forget to claim an exemption?
- Do you need to correct information regarding any net short-term or net long-term capital gains information?

In Part 2, list the line reference from page 1 and page 2 for which you are reporting a change. Give the reason for each change and include any supporting document required. If you received a notice from the IRS, include a copy of that notice.

### **Part 3 - Address on Original Return**

Check box 58a if your address on this amended return is not the same as it was on your original return (or latest return filed). Complete Part 3 with your current address.

**NOTE:** *Be sure to sign and date your amended return on page 3. If you paid someone to prepare your return, that person must also sign and date the return. The paid preparer must provide their street address, Paid Preparer TIN and phone number.*

**Instructions for mailing and filing your amended return are provided on page 15.**

## Examples for Completing Form 140X

The following three examples show how to complete Parts 1 and 2 on page 2 of Form 140X. The examples also show how amounts should be entered on the proper lines on page 1 of Form 140X.

### Example 1

Sue, a full year resident, forgot to claim the Dependent Tax Credit on her 2022 original return. Sue is filing this amended return to claim that tax credit. Sue's son, Joe (age 18), was away at college and Sue did not claim him on her federal income tax return so that Joe could claim a federal education credit.

Because Sue is adding a dependent, Sue must complete Part 1 of page 5, Sue would complete Part 1 as follows:

#### Page 5, Part 1

(a)	(b)	(c)	(d)	(e)		(f)
Name	SSN	Relationship	No. of months lived in your home in 2022	Dependent Age Included in:		Check if you did not claim this person on your federal return due to educational credits
				1	2	
				(Box 15a)	(Box 15b)	
Joe Smith	111-11-1111	Son	12	<input type="checkbox"/>	<input checked="" type="checkbox"/>	✓

#### Part 1(A)

Sue would complete Page 2, Part 1 (A) as follows:

(a)	(b)	(c)	(d)
Item	Original Amount Reported	Amount to Add or Subtract	Corrected Amount
Dependent	0	\$25	\$25

#### Part 2

Sue would complete Part 2 as follows:

Increase to line 40b for Dependent Tax Credit. Increased to reflect dependent not claimed on original return.

#### Form 140X, Page 1

When Sue completes page 1 of Form 140X, Sue would enter "1" on line 15b.

When Sue filed her original return she did not claim her son as a dependent, so when she completes this Form 140X, Sue will enter \$25 (0 + \$25) on Form 140X, page 1, line 40, box 40b.

**Example 2**

Jane, a full year resident, received a Form 1099INT showing interest income of \$1,500 after she filed her original 2022 return.

Jane is filing this amended return to report that interest income.

Jane's original return, reported a federal adjusted gross income of \$50,000, which included \$2,500 of interest income.

**Part 1(A)**

Jane would complete form 140X, page 2, Part 1(A) as follows:

(a)	(b)	(c)	(d)
Item	Original Amount Reported	Amount to Add or Subtract	Corrected Amount
Interest Income	\$2,500	\$1,500	\$4,000

**Part 2**

Because the interest income would be included in Jane's federal adjusted gross income, Jane would complete Part 2 as follows:

Line 17, federal adjusted gross income increased by interest income reported on additional Form 1099INT.

**Form 140X, Page 1**

When Jane completes page 1 of Form 140X, Jane would include this interest income in her federal adjusted gross income reported on page 1, line 17.

On Jane's original return, she reported a federal adjusted gross income of \$50,000. On this amended return, Jane will report a federal adjusted gross income \$51,500 (\$50,000 + \$1,500).

**Example 3**

Sam, a full year resident, took a subtraction from income for Arizona state retirement income on his original 2022 return for \$3,500.

Sam is filing this amended return to claim the allowable subtraction of \$2,500.

**Part 1(a)**

Sam would complete Part 2(A) as follows.

(a)	(b)	(c)	(d)
Item	Original Amount Reported	Amount to Add or Subtract	Corrected Amount
Subtraction From Income	\$3,500	(\$1,000)	\$2,500

**Part 2**

Sam would complete Part 2 as follows:

Line 25, subtractions from income decreased to reflect the allowable subtraction for Arizona state retirement claimed on original return.

**Form 140X, Page 1**

When Sam completes page 1 of Form 140X, Sam would include \$2,500 (\$3,500 - \$1,000) on line 25.

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## Instructions Before Mailing

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- **DO NOT STAPLE YOUR RETURN. DO NOT STAPLE ANY DOCUMENTS, SCHEDULES, OR PAYMENTS TO THE RETURN.**
- Sign your return and mail it to the address listed below. If you are filing a joint amended return, both you and your spouse must sign.
- Be sure you enter your daytime telephone number in the space provided on the front of your return.
- Check to make sure that your math is correct. A math error can cause delays in processing your return.
- Make sure your **NAME** is on the return.
- Write your **SSN** and tax year on the front of your check.

The Department of Revenue may charge you \$50 for a check returned unpaid by your financial institution.

- Check the **boxes** to make sure you have filled in any that apply to you.
- If you completed Form 203, be sure to check box 4a on page 1 of your return. Place Form 203 on top of your return.
- Include all other required documents after your return. Please do not use tape.
- Make certain you have included **all** required documents and/or schedules.

### Which forms must be included with my amended return, when filed?

You must include any form that is changed or was not included with your original tax return. Do **not** include a copy of your original tax return or a copy of the federal tax return.

***If you are amending your Small Business Income tax return or rescinding your Small Business Income election, be sure to include Form 140X-SBI with Form 140X. Place Form 140X-SBI on top of your Form 140X.***

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## Mailing Your Arizona Amended Return

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**REMINDER:** *For the proper assembly order, see the mailing instructions for the return you are amending.*

Before you mail your return, make a copy of your return. Also make a copy of any documents that you are including with your return. Keep the copies for your records. Be sure that you mail the original and not a copy.

The department cannot accept checks or money orders in foreign currency. You must make payment in U.S. dollars.

To avoid delays, if you are amending more than one tax return, please use a separate envelope for each return.

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## Where Should I Mail My Amended Return?

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Make sure you put enough postage on your envelope.

**If you are sending a payment** with this return, mail the amended return to:

Arizona Department of Revenue  
PO Box 52016  
Phoenix, AZ 85072-2016

Make check payable to Arizona Department of Revenue. Write your SSN, Form 140X and tax year on your payment.

**If you are expecting a refund, or owe no tax, or owe tax but are not sending a payment,** mail your amended return to:

Arizona Department of Revenue  
PO Box 52138  
Phoenix, AZ 85072-2138

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## How Long to Keep Your Return

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You must keep your records as long as they may be needed for the administration of any provision of Arizona tax law.

Generally, this means you must keep records that support items shown on your return until the period of limitations for that return runs out.

The period of limitations is the period of time in which you can amend your return to claim a credit or refund or the department can assess additional tax.

A period of limitations is the limited time after which no legal action can be brought. Usually, this is four years from the date the return was due or filed.

In some cases, the limitation period is longer than four years. The period is six years from when you file a return if you underreport the income shown on that return by more than 25% (.25). The department can bring an action at any time if a return is false or fraudulent, or you do not file a return.

To find out more about what records you should keep, get federal Publication 552 at [www.irs.gov](http://www.irs.gov).

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## Contacting the Department

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Your tax information on file with the department is confidential. If you want the department to discuss your tax matters with someone other than yourself, you must authorize the department to release confidential information to that person.

You may use Arizona Form 285, *General Disclosure/Representation Authorization Form*, to authorize the department to release confidential information to your appointee. See Form 285 for details.

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OR FISCAL YEAR BEGINNING MM/DD/2022 AND ENDING MM/DD/20YY 66F

**Include this form with your return.**

Your Name as shown on Form 140, 140NR, 140PY, 140X, 140-SBI, 140NR-SBI, 140PY-SBI or 140X-SBI	Your Social Security Number
Spouse's Name as shown on Form 140, 140NR, 140PY, 140X, 140-SBI, 140NR-SBI, 140PY-SBI or 140X-SBI (if filing joint)	Spouse's Social Security Number

If you figure your current year's tax under Arizona's claim of right provisions, complete this form to figure the prior year's tax reduction and explain the amounts repaid. See instructions for details. For more information on Arizona's claim of right provisions, see the department's procedure, ITP 16-1. **Note: If you are filing a Small Business Income Tax Return, see instructions before completing this form.**

**Part 1 General Information**

<p><b>1</b> Enter the <b>total</b> amount of <b>all income</b> that you <b>repaid</b> during the 2022 tax year that was included in income under a claim of right ..... <i>If the amount on line 1 is \$3,000 or less, STOP. You do not qualify to compute a credit for amounts paid back under a claim of right.</i></p>	<b>1</b>		00												
<p><b>2</b> Was the total amount repaid in 2022 from income that was reported in more than one prior tax year? <i>If you answered "Yes", you must complete and include with your 2022 tax return a separate Claim of Right form for each prior taxable year end. See instructions for completing more than one Claim of Right form.</i></p>	<b>2</b>	Yes <input type="checkbox"/> No <input type="checkbox"/>													
<p><b>3</b> List <b>each</b> prior taxable year end that included income that was included in line 1:</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 5px;"> <thead> <tr> <th style="width: 12.5%; text-align: center;">3a</th> <th style="width: 12.5%; text-align: center;">3b</th> <th style="width: 12.5%; text-align: center;">3c</th> <th style="width: 12.5%; text-align: center;">3d</th> <th style="width: 12.5%; text-align: center;">3e</th> <th style="width: 12.5%; text-align: center;">3f</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">YYYY</td> <td style="text-align: center;">YYYY</td> <td style="text-align: center;">YYYY</td> <td style="text-align: center;">YYYY</td> <td style="text-align: center;">YYYY</td> <td style="text-align: center;">YYYY</td> </tr> </tbody> </table>	3a	3b	3c	3d	3e	3f	YYYY	YYYY	YYYY	YYYY	YYYY	YYYY			
3a	3b	3c	3d	3e	3f										
YYYY	YYYY	YYYY	YYYY	YYYY	YYYY										
<p><b>4</b> Did you take a deduction instead of a credit for the claim of right on your 2022 federal income tax return? <i>If you answered "Yes", you must include the amount on line 1 as an "Other Additions to Income" on Form 140, line 18; or Form 140PY, line 31; or Form 140NR, line 32; or as an "Additions to Income" on Form 140X, line 23. If you are filing a Small Business Income Tax Return, see instructions.</i></p>	<b>4</b>	Yes <input type="checkbox"/> No <input type="checkbox"/>													

**Part 2 Decrease in Prior Year's Tax**

<b>5</b> Prior Taxable Year End .....	<b>5</b>	MM/DD/YYYY	
<b>6</b> Enter the amount of tax from the Arizona tax return filed for the prior tax year. See instructions .....	<b>6</b>		00
<b>7</b> For the year listed on line 5, refigure your tax for the prior tax year without including the income that you repaid in 2022 .....	<b>7</b>		00
<b>8</b> Subtract line 7 from 6. Enter the difference .....	<b>8</b>		00

This is your claim of right credit for the current tax year. Enter the amount shown on line 8 on your income tax return.  
**Note:** If you are completing more than one Claim of Right form, add all amounts on line 8 and enter the total on your tax return.  
Form 140, line 54, box 54b; or Form 140PY, line 64, box 64b; or Form 140NR, line 63 box 63b; or Form 140X, line 43, box 43b.

**If you are filing a Small Business Income Tax return, see instructions.**

**Part 3 Explanation of your claim of right for the prior tax year entered on line 5. Show how you figured the amounts entered in Part 2. If more space is needed, continue on page 2 or provide your own schedule.**

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**For information or help, call one of the numbers listed:**

Phoenix (602) 255-3381  
 From area codes 520 and 928, toll-free (800) 352-4090

**Tax forms, instructions, and other tax information**

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

**Income Tax Procedures and Rulings**

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website select *Reports, Statistics and Legal Research* from the main menu then click on *Legal Research* and select a *Document Type* and *Category* (tax type) from the drop down menus.

**Publications**

To view or print the department's publications, go to our website and click on *Reports, Statistics and Legal Research* from the main menu then click on *Publications* in the left-hand column.

**What is a Claim of Right?**

Generally, a claim of right is when:

- A taxpayer received income during a prior tax year, and reported that income on the tax return filed for that prior tax year; *and*
- Then has to repay that income back in a future tax year.

**Example:** A taxpayer received pension payments during 2019. In 2022 the individual received a letter from the pension fund stating there was a mistake and the pension amount paid during 2019 was more than the taxpayer should have received. The taxpayer must now pay the overpaid amount back to the pension plan.

For information regarding which types of income qualifies or does not qualify for a claim of right, see federal Publication 525 at [www.irs.gov](http://www.irs.gov).

**How does the Claim of Right work?**

For federal income tax purposes, you may take a deduction for the repayment of an amount included in income under a claim of right *or* claim a credit. When the amount repaid was \$3,000 or less, you may be able to deduct the amount repaid from your income for the year in which you repaid it. Or, if the amount you repaid is more than \$3,000, you may be able to claim a credit against your tax for the year in which you repaid it.

For Arizona income tax purposes, the Arizona claim of right provisions only apply in cases where the **total** amount repaid during the year was more than \$3,000. In this case, you cannot take a deduction, but must claim a "credit."

When you figure whether the amount you repaid was more or less than \$3,000, you must consider the **total** amount being repaid during the year. Each instance of re-payment is not considered separately. The total re-payment amount may include income from just one prior tax year or multiple prior tax years.

**Who Must Complete an Arizona Claim of Right Form?**

If you figure your 2022 income tax under Arizona's claim of right provisions, complete an Arizona Claim of Right form and include it with your 2022 income tax return. You **must** complete and include a separate form for each prior tax year for which you figured a tax reduction (decrease).

For more information on Arizona's Claim of Right provisions and examples of how to compute the decrease in tax for a prior taxable year (or years), see the department's procedure, ITP 16-1, *Procedure for Individuals Who Restore Substantial Amounts Held Under a Claim of Right*.

**Can the Claim of Right be used on my Small Business Income Tax Return?**

If you elected to report your small business income on the Arizona Small Business Income tax return (140-SBI, 140NR-SBI, 140PY-SBI or Form 140X-SBI) **and** the amount of income you repaid was the type of income that would be reported on the Small Business Income tax return, you must report the Claim of Right amount on your Small Business Income tax return.

**NOTE:** *If the type of income you repaid would **not** be reported on your Small Business Income tax return or you did not elect to report your small business income on the Small Business Income tax return, report the Claim of Right amount on your regular income tax return (Form 140, 140NR, 140PY or Form 140X.*

If your Claim of Right credit was the result of **both types** of income (small business income and non-small business income), you must apportion the credit to determine how much to report on your regular tax return and how much to report on your Small Business Income tax return. See the example provided in Part 3 to compute the apportioned credit.

**How to complete an Arizona Claim of Right Form**

- If the total amount repaid during 2022 was from income that was reported in only **one prior tax year**, you must file one form, completing Parts 1, 2, and 3.
  - If the total amount repaid during 2022 was from income that was reported in **more than one prior tax year**, file a **separate form for each tax year listed on line 3, and complete each form as follows:**
    - For the earliest tax year, complete Parts 1, 2, and 3.
    - For all other years, only complete Parts 2 and 3.
- For example**, if the total amount repaid was from income reported in tax years 2017, 2018, and 2019

complete Parts 1, 2, and 3 for tax year 2017. *Be sure to enter the **total income** that was repaid for **all prior tax years** when completing Part 1, line 1, for taxable year 2017. For tax years 2018 and 2019, only complete Parts 2 and 3 on both of these separate claim of right forms.*

## Line-by-Line Instructions

### Part 1 - General Information

#### Line 1 -

Enter the **total** amount of **all income** that you **repaid** during the 2022 tax year that was included in income under a claim of right.

**CAUTION:** *If the amount on line 1 is \$3,000 or less, **STOP**. You do not qualify to figure a credit for amounts paid back under a claim of right.*

#### Line 2 -

Check “Yes” if the total amount repaid in 2022 was from income that was reported in **more** than one prior tax year.

If you checked “Yes” you **must** complete and include with your 2022 tax return a separate Claim of Right form for **each** prior taxable year end. See the instructions under **How to complete an Arizona Claim of Right Form** for more than one tax year.

#### Line 3 -

Using the format, YYYY, list each prior taxable year end that included income that was repaid in 2022 and included in income under claim of right.

#### Line 4 -

If you took a deduction on your federal return instead of claiming a credit, check the box, “Yes.”

You cannot take both a deduction and claim a credit on your Arizona return for the amounts repaid and included in income under a claim of right. Because the deduction is included in the computation of your federal taxable income, you must add-back the amount of the income entered on line 1.

**NOTE:** *If you apportion your credit for small business income and non-small business income, add-back the amount of non-small business income on your regular tax return; and add-back the amount of small business income on your Small Business Income tax return.*

- Form 140, line 18 (Other Additions to Income); or
- Form 140PY, line 31 (Other Additions to Income); or
- Form 140NR, line 32 (Other Additions to Income); or
- Form 140X, line 23 (Additions to Income).
- Form 140-SBI, line 16; or
- Form 140PY-SBI, line 16; or
- Form 140NR-SBI, line 15; or
- Form 140X-SBI, line 16.

### Part 2 - Decrease in Prior Year’s Tax

#### Line 5 -

Using the format, MM/DD/YYYY, enter the prior taxable year end for which you are completing this form. If you are completing more than one form for the current tax year, complete Part 2 for each separate tax year.

#### Line 6 -

Enter the amount of tax from the Arizona return filed for the tax year listed on line 5.

#### Line 7 -

For the tax year listed on line 5, refigure your tax for the tax year listed on line 5 without including the income that you repaid in 2022.

#### Line 8 -

Subtract line 7 from line 6 and enter the difference. This is your claim of right credit for the current tax year. Enter the amount shown on line 8 on your income tax return:

- Form 140, line 54, box 54b; or
- Form 140PY, line 64, box 64b; or
- Form 140NR, line 63, box 63b; or
- Form 140X, line 43, box 43b.

If you take this credit or a portion of the credit on your Small Business Income tax return, enter this amount on your Small Business Income Tax return:

- Form 140-SBI, line 56, box 56b; or
- Form 140PY-SBI, line 56, box 56b; or
- Form 140NR-SBI, line 54, box 54b; or
- Form 140X-SBI, line 56, box 56b.

If you are completing more than one Claim of Right form, add all amounts on line 8 and enter the total on your tax return.

### Part 3 - Explanation

Complete Part 3 explaining your claim of right. Show how you figured the amounts in Part 2. If more space is needed, continue on page 2 of the form or provide your own schedule.

**NOTE:** *If you elected to file an Arizona Small Business Income Tax Return and your Claim of Right credit was the result of both small business income and non-small business income, you must apportion the credit to determine how much to claim on your regular tax return and how much to claim on your Small Business Income tax return. You must show your computation in Part 3.*

*See the example on page 3 for computing your apportioned claim of right credit amounts.*

**Example:**

If your total credit was determined to be \$1,000 and the credit was based on paying back a pension error of \$5,000 and a schedule C amount of \$15,000. The credit would be divided up as follows:

- **\$250** would be reported on your regular tax return.  
 $\$5,000 / \$20,000 = .25$ ;  $\$1,000 \times .25 = \$250$
- **\$750** would be reported on your Small Business Income Tax Return.  
 $\$15,000 / \$20,000 = .75$ ;  $\$1,000 \times .75 = \$750$

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**How Do I file a Claim of Right form?**

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Complete and include the Arizona Claim of Right form with your tax return, when filed.

If you fail to complete and include this form with your tax return, your claim may be denied. Keep a copy for your record.

If you are required to complete more than one Claim of Right form, include all forms with your tax return.

*If you apportion the amount of your credit between your regular tax return and your small business tax return, you are not required to include a separate set of Claim of Right form(s) for each tax return.*

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**Do not file with your tax return.**

**Do not use Form 200 to make an injured spouse claim.** You must use Arizona Form 203 to make an injured spouse claim. You are an injured spouse if your share of an overpayment shown on your joint return was, or is expected to be, applied against your spouse's past-due state taxes, child support or spousal maintenance, or debts owed to another Arizona state agency, the IRS, or a court. **If you are an injured spouse, see the note on page 1 of the instructions.**

Your First Name and Middle Initial	Last Name	Your Social Security Number
Current Home Address - number and street, rural route	Apartment Number	Daytime Phone No. (optional) (      )
City, Town or Post Office	State	ZIP Code

**Part 1 Type of Relief.** You **must** complete this part for each tax year.

**IMPORTANT:** For a request for innocent spouse relief or a request for separation of liability, you must have filed an Arizona income tax return for each year for which you are requesting relief.

- Enter each tax year you want relief. It is important to enter the correct year. For example, if the department used your 2019 income tax refund to pay a 2017 tax amount you jointly owned, enter tax year 2017, not tax year 2019 .....
- Check the box for each year you would like a refund if you qualify for relief. You may be required to provide proof of payment. See instructions .....
- For each year, check the box for the type of relief claimed. See the instructions before you check any boxes on lines 3a through 3c. Also be sure to **include all required statements** for the type of relief you are requesting.  
Check all that apply:
  - 3a Separation of Liability .....
  - 3b Innocent Spouse Relief .....
  - 3c Equitable Relief .....
- Did you file a joint return for the tax year listed on line 1?.....

	Tax Year 1	Tax Year 2	Tax Year 3*
1	Y, Y, Y, Y	Y, Y, Y, Y	Y, Y, Y, Y
2	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3a	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3b	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3c	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>

\* If you want relief for more than 3 years, include a separate schedule.

If you completed federal Form 8857, you do **not** need to complete the rest of Form 200. Check this box **and include all required statements** for the type of relief you are requesting.....

If you did **not** complete federal Form 8857, you **must** complete the rest of Form 200.



**DOCUMENTATION REQUIRED:**

- If you were granted relief by the IRS, please **include a copy of the IRS letter.**
- **Include a copy** of your completed federal Form 8857.
- **Sign Form 200** on page 5.
- Mail to the address shown below.

**Mail Form 200 to:**

Individual Income Tax Audit • Attention Form 200  
Arizona Department of Revenue  
PO Box 29084 • Phoenix, AZ 85038-9084

Your Name (as shown on page 1)	Your Social Security Number
--------------------------------	-----------------------------

If you need more room to write your answer to any question, add more pages.  
Write your name and Social Security Number on the top of each page you include.

**Part 2 Information About You and Your Spouse** (or former spouse)

5 Spouse's (or former spouse's) Current Name		Social Security Number (if known)
Current Home Address – number and street, rural route	Apartment Number	Daytime Phone No. (with area code) (      )
City, Town or Post Office	State	ZIP Code

6 What is the current marital status between you and the person on line 5? Check one box:

- Married and still living together.
- Married and living apart since:   M  M  D  D  Y  Y  Y  Y  .
- Widowed since:   M  M  D  D  Y  Y  Y  Y  . **Include a photocopy** of the death certificate and will, if one exists.
- Legally separated since:   M  M  D  D  Y  Y  Y  Y  . **Include a photocopy** of your **entire** separation agreement.
- Divorced since:   M  M  D  D  Y  Y  Y  Y  . **Include a photocopy** of your **entire** divorce decree.



NOTE: A divorce decree stating that your former spouse must pay all taxes does not necessarily mean you qualify for relief.

7 What was the highest level of education you had completed when the return(s) were filed? If the answers are not the same for all tax years, explain.

- High school diploma, equivalent, or less
- Some college
- College degree or higher. List any degrees you have: \_\_\_\_\_

List any college-level business or tax-related courses you completed: \_\_\_\_\_

Explain: \_\_\_\_\_

8 Were you a victim of spousal abuse or domestic violence during any of the tax years you want relief? If the answers are not the same for all tax years, explain.



- Yes. **Include a statement** to explain the situation and when it started. Provide photocopies of any documentation, such as police reports, a restraining order, a doctor's report or letter, or a notarized statement from someone who was aware of the situation.
- No.

9 Did you sign the return(s)? If the answers are not the same for all tax years, explain.

- Yes. If you were forced to sign under duress (threat of harm or other form of coercion), check this box: . See instructions.
- No. Your signature was forged. See instructions.

10 When any of the returns were signed, did you have a mental or physical health problem, or do you have a mental or physical health problem now? If the answers are not the same for all tax years, explain.



- Yes. **Include a statement** to explain the problem and when it started. Provide photocopies of any documentation, such as medical bills or a doctor's report or letter.
- No.

Continued on page 3 →



Your Name (as shown on page 1)	Your Social Security Number
--------------------------------	-----------------------------

If you need more room to write your answer to any question, add more pages.  
Write your name and Social Security Number on the top of each page you include.

**Part 3 Your Financial and Return Preparation Involvement**

**11** How were you involved with preparing the returns? Check all that apply and explain, if necessary. If the answers are not the same for all tax years, explain:

- You filled out or helped fill out the returns.
- You gathered receipts and cancelled checks.
- You gave the tax documents (such as Forms W-2, 1099, etc.) to the person who prepared the returns.
- You reviewed the returns before they were signed.
- You did **not** review the returns before they were signed. Explain below.
- You were **not** involved in preparing the returns.
- Other: \_\_\_\_\_

Explain how you were involved: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**12** When the returns were signed, were you concerned that any of the returns were incorrect or missing information? Check all that apply and explain, if necessary. If the answers are not the same for all tax years, explain:

- You knew something was incorrect or missing, but you said nothing.
- You knew something was incorrect or missing and asked about it.
- You **did not know** anything was incorrect or missing.

Explain: \_\_\_\_\_  
 \_\_\_\_\_

**13** When any of the returns were signed, what did you know about the income of the person on line 5? If the answers are not the same for all tax years, explain:

- You knew that person had income.

List each type of income on a separate line. (Examples are wages, social security, gambling winnings, or self-employment business income.)  
Enter each tax year and the amount of income for each type listed. If you don't know any details, enter, "I don't know."

Type of Income	Who paid it to that person?	Tax Year 1	Tax Year 2	Tax Year 3
		\$	\$	\$
		\$	\$	\$
		\$	\$	\$

- You knew that person was self-employed and you helped with the books and records.
- You knew that person was self-employed and you did not help with the books and records.
- You knew that person had no income.
- You **did not know** if that person had income.

Explain: \_\_\_\_\_  
 \_\_\_\_\_

Your Name (as shown on page 1)

Your Social Security Number

If you need more room to write your answer to any question, add more pages.  
Write your name and Social Security Number on the top of each page you include.

**Part 3** (Continued)

**14** When the returns were signed, did you know any amount was owed to the department for those tax years? If the answers are **not** the same for all tax years, **explain**.

Yes. Explain when and how you thought the amount of tax reported on the return would be paid: \_\_\_\_\_

\_\_\_\_\_

No. Explain: \_\_\_\_\_

\_\_\_\_\_

**15** When any of the returns were signed, were you having financial problems (for example, bankruptcy or bills you could not pay)? If the answers are **not** the same for all tax years, explain.

Yes. Explain: \_\_\_\_\_

\_\_\_\_\_

No.

Did not know.

Explain: \_\_\_\_\_

\_\_\_\_\_

**16** For the years you want relief, how were you involved in the household finances? Check all that apply. If the answers are not the same for all tax years, explain.

You knew the person on line 5 had separate accounts.

You had joint accounts but you had limited use of them or did not use them. Explain below.

You used joint accounts. You made deposits, paid bills, balanced the checkbook, or reviewed the monthly bank statements.

You made decisions about how money was spent. For example, you paid bills or made decisions about household purchases.

You were **not** involved in handling money for the household.

Other: \_\_\_\_\_

Explain anything else you want to tell us about your household finances: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**17** Has the person on line 5 ever transferred assets (money or property) to you? Property includes real estate, stocks, bonds, or other property to which you have title. See instructions.

Yes. List the assets and the dates they were transferred. Explain why the assets were transferred. \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

No.

Continued on page 5 →

Your Name (as shown on page 1)	Your Social Security Number
--------------------------------	-----------------------------

If you need more room to write your answer to any question, add more pages.  
Write your name and Social Security Number on the top of each page you include.

**Part 4 Your Current Financial Situation**

- 18** Tell us the number of people currently in your household: Adults  Children
- 19** Tell us your current average monthly income and expenses for your entire household. If family or friends are helping to support you, include the amount of support as gifts under **Monthly Income**. Under **Monthly Expenses**, enter all expenses, including expenses paid with income from gifts.

Monthly Income	Amount	Monthly Expenses	Amount
Gifts .....	\$	Federal, state, and local taxes deducted from your paycheck .....	\$
Wages (gross pay) .....	\$	Rent or mortgage .....	\$
Pensions .....	\$	Utilities .....	\$
Unemployment .....	\$	Telephone .....	\$
Social security .....	\$	Food .....	\$
Government assistance, such as housing, food stamps, grants .....	\$	Car expenses, payments, insurance etc.....	\$
Alimony .....	\$	Medical expenses, including medical insurance	\$
Child support .....	\$	Life insurance .....	\$
Self-employment business income .....	\$	Clothing .....	\$
Rental income .....	\$	Child care .....	\$
Interest and dividends .....	\$	Public transportation .....	\$
Other income, such as disability payments, gambling winnings, etc. List the type below:		Other expenses, such as real estate taxes, child support, etc. List the type below:	
Type: _____	\$	Type: _____	\$
Type: _____	\$	Type: _____	\$
Type: _____	\$	Type: _____	\$
<b>Total Monthly Income</b> .....	\$	<b>Total Monthly Expenses</b> .....	\$

**20** Please provide any other information you want us to consider in determining whether it would be unfair to hold you liable for the tax: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**CAUTION: By signing this form, you understand that, by law, we must contact the person on line 5. See instructions for line 5.**

<b>PLEASE SIGN HERE</b>	Under penalties of perjury, I declare that I have examined this form and any accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.			
	➔	YOUR SIGNATURE _____	DATE _____	
		PAID PREPARER'S SIGNATURE _____	DATE _____	FIRM'S NAME (PREPARER'S IF SELF-EMPLOYED) _____
		PAID PREPARER'S TIN _____	PAID PREPARER'S ADDRESS _____	PAID PREPARER'S PHONE NUMBER (____) _____

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# Request for Innocent Spouse Relief and Separation of Liability and Equitable Relief

# Arizona Form 200

## For information or help, call one of the numbers listed:

Phoenix (602) 255-3381  
From area codes 520 and 928, toll-free (800) 352-4090

## Tax forms, instructions, and other tax information

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

## Income Tax Procedures and Rulings

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website select *Reports, Statistics and Legal Research* from the main menu then click on *Legal Research* and select a *Document Type* and *Category* from the drop down menus.

## Publications

To view or print the department's publications, go to our website and click on *Reports, Statistics and Legal Research* from the main menu and then click on *Publications* in the left-hand column.

## General Information

We know that some of the questions on this form involve sensitive subjects, but we need this information to determine whether you qualify for relief.

## Purpose of Form

Use Arizona Form 200 to request relief from liability for tax, plus related penalties and interest, that you think only your spouse (or former spouse) should pay. You may be allowed one or more of these three types of relief.

- Separation of liability
- Innocent spouse relief
- Equitable relief.

For a request for separation of liability, you must have filed a joint return that has an understatement of tax due to an item of your spouse.

For a request for innocent spouse relief, you must have filed a joint return that has an understatement of tax due to an erroneous item of your spouse.

For a request for equitable relief, you must have filed a return that has either an understatement or an underpayment of tax, or you were issued a joint assessment for you and your former spouse.

You do not need to figure the tax, interest, and penalties that qualify for relief. We will figure these amounts for you. For more information, see the department's publication, Pub. 300.

**NOTE:** *Do not use Form 200 to make an injured spouse claim.*

## If you are an Injured Spouse

**You are an injured spouse if** your share of an **overpayment** shown on your joint return was, or is expected to be, applied against your spouse's past-due state taxes, child support or

spousal maintenance, or debts owed to another Arizona state agency, the Internal Revenue Service (IRS), or a court.

If you are an injured spouse, you may be entitled to receive a refund of your share of the overpayment.

## Taxable Years Ending On or Before December 31, 2016

For information about amounts held for:

1. **Past-due state taxes**, call one of the phone numbers listed on this page.
2. **Child support or spousal maintenance**, contact the Arizona Department of Economic Security.
3. **Another Arizona state agency**, contact that agency.
4. **The IRS**, contact the IRS.
5. **A court order**, contact that court.
6. **An Arizona city or town**, contact that city or town.

## Taxable Years Beginning On and After January 1, 2017

A taxpayer **must** use Arizona Form 203 to make an injured spouse claim. The taxpayer and spouse **must** file a joint income tax return **and** include a completed Form 203 with the tax return, when filed. For more information, see Form 203 and its instructions.

## When and Where to File Form 200

File Form 200 as soon as you become aware of an unpaid tax liability that you think your spouse (or former spouse) should pay. The following are some of the ways you may become aware of such a liability:

- We have examined your tax return.
- We sent you a notice.

**Do not** file Form 200 with your tax return. Mail Form 200 to:

Individual Income Tax Audit - Attention Form 200  
Arizona Department of Revenue  
PO Box 29084  
Phoenix, AZ 85038-9084

**Mail Form 200 to the above address, even if you are working with a department employee due to an audit, an appeal or collection.**

## What Happens After You File Form 200

We will review your form to make sure it is complete. We will contact your spouse or former spouse to ask if he or she wants to take part in the process. Once we have all of the information needed to make a decision, we will send a determination letter to you and your spouse or former spouse. If you or your spouse does not appeal the decision within 90 days, the decision will become final.

## Refunds Under Relief

The amount that may be refunded may be limited by the statute of limitations. In the following situations, you are eligible to receive a refund of certain payments you made.

**Underpaid tax.** If you are granted relief for an underpaid tax, you are eligible for a refund of separate payments that you made. You are not eligible for refunds of payments made with

the joint return, joint payments, or payments that your spouse (or former spouse) made. For example, withholding tax and estimated tax payments cannot be refunded because they are considered joint payments made on the joint return.

**Understated tax.** If you are granted relief for an understated tax, you are eligible for a refund of certain payments made under an installment agreement that you entered into with the department if you have not defaulted on the installment agreement. Only installment payments made after the date you filed Form 200 are eligible for a refund.

## Line-by-Line Instructions

**NOTE:** *You must have filed an Arizona income tax return for each year for which you are requesting relief.*

### Name and Address Information

- Enter your name in the spaces provided.
- Enter your Social Security Number (SSN). Make sure you enter your SSN correctly.
- Enter your current home address.  
If you have a foreign address, enter the information in the following order: city, province or state, and country. Follow the country's practice for entering the postal code. Do not abbreviate the country name.
- Enter your daytime phone number.

You must complete lines 1 through 4 of Form 200. When you complete lines 3a through 3c, be sure to read the instructions for those lines. Be sure you complete any required statements for the type of relief you are requesting. Also be sure you include those required statements with Form 200 when you submit it. See the instructions for lines 3a through 3c to determine which statements you must include with Form 200.

If you completed federal Form 8857, you only need to complete lines 1 through 4 of Form 200. You may skip lines 5 through 20. In this case, do the following:

- Check the box to indicate you completed federal Form 8857.
- Include all required statements for the type of relief you are requesting.
- Include a copy of your completed federal Form 8857.
- Sign page 5 of Form 200.
- Mail Form 200 to the address shown on page 1.

**NOTE:** *If you were granted relief by the IRS, please include a copy of the IRS letter with your Form 200.*

## Part 1 - Type of Relief

### Line 1 - Relief Year(s)

Enter each tax year you want relief. If you are asking for relief for more than one tax year, you need to file only one Form 200. If you are asking for relief for more than three tax years, you must include a separate schedule.

### Line 2 - Are You Asking for a Refund?

Check the box for each year you would like a refund, if you qualify for relief. You may have to provide proof of payment.

We will only refund payments you made with your own money. You must provide proof that you made the payment with your own money. Examples of proof are a copy of your bank statement or a canceled check. No proof is required if your individual refund was used by the department to pay tax you owed on a joint tax return for another year.

### Lines 3a through 3c - Type of Relief Being Claimed

You may request innocent spouse relief for an understatement of tax no matter how small the amount. If you are divorced, separated, or no longer living with your spouse, you may request separation of liability between you and your spouse (or former spouse) for an understatement of tax on a joint return. Also, the department will consider your request for equitable relief in situations where it would be unfair to hold you liable for tax that should be paid only by your spouse (or former spouse).

On lines 3a through 3c, check the box for the type of relief you are claiming. Check all boxes that apply. Before, you check the box(es) for the type of relief you are claiming, you should understand the following terms.

- Joint and several liability
- Understatement of tax
- Underpayment of tax

### Joint and Several Liability

Joint and several liability applies to all joint returns. This means that both you and your spouse (or former spouse) are liable for any underpayment of tax (tax shown on a return but not paid) plus any understatement of tax that may become due later. This is true even if a divorce decree states that your former spouse will be responsible for any amounts due on previously filed joint returns. Form 200 allows you to request that joint and several liability not apply to part or all of any unpaid tax.

### Understatement of Tax

An understatement of tax, or deficiency, is the difference between the total amount of tax that the department determines should have been shown on the return, and the amount that actually was shown on the return.

### Underpayment of Tax

An underpayment of tax is tax that is properly shown on the return, but not paid.

### Community Property Laws

You must generally follow community property laws when filing a tax return if you are married. Generally, community property laws require you to allocate community income and expenses equally between both spouses. However, community property laws are not taken into account in determining whether an item belongs to you or your spouse (or former spouse) for purposes of requesting any relief from liability.

**Line 3a - Separation of Liability**

If you filed a joint return for the year(s) entered on line 1, you may be able to separate liability for any **understatement** of tax on the return(s) between you and your spouse (or former spouse). You can request to do so if you and that person:

- are no longer married,
- are legally separated, or
- have lived apart at all times during the 12-month period prior to the date you file Form 200.

**NOTE:** *A widow or widower is considered no longer married.*

Even if you meet the above requirements, the department will not grant your request for separation of liability if any of the following apply:

- You and your spouse (or former spouse) transferred assets as part of a fraudulent scheme;
- At the time you signed your joint return (unless signed under duress), you had actual knowledge that items giving rise to the deficiency and allocable to your spouse were incorrect; or
- You transferred property to your spouse (or former spouse) just to avoid tax or the payment of tax.

**Requesting Separation of Liability**

If you are asking for separation of liability, check box 3a.

**Required Documentation (even if you included a completed federal Form 8857).**

If you checked box 3a, include a statement with Form 200 that shows the total amount of the understatement of tax. For each item that resulted in an understatement of tax, explain whether the item is attributable to you, your spouse (or former spouse), or both of you.

For example, unreported income earned by your spouse (or former spouse), would be allocated to that person. An overstated deduction of home mortgage interest on a home you owned jointly that was paid from a joint checking account would generally be allocated equally between both of you.

**Line 3b - Innocent Spouse Relief**

If you qualify for separation of liability, you may not need to request innocent spouse relief. The amount of relief allowed by requesting separation of liability will usually be equal to or greater than the amount allowed by requesting innocent spouse relief. However, you may still request innocent spouse relief, if you wish. You may be allowed innocent spouse relief if **all** of the following apply.

- You filed a joint return for the year(s) entered on line 1.
- There is an **understatement** of tax on the return(s) that is due to erroneous items of your spouse (or former spouse).
- You can show that when you signed the return(s) you did not know and had no reason to know that the understatement of tax existed (or the extent to which the understatement existed).

- Taking into account all the facts and circumstances, it would be unfair to hold you liable for the understatement of tax.

**Erroneous Items**

Erroneous items are either of the following:

- **Unreported income.** This is any gross income item received by your spouse that is not reported.
- **Incorrect deduction, credit, or basis.** This is any improper deduction, credit, or property basis claimed by your spouse.

The following are examples of erroneous items:

- The expense for which the deduction was taken was never made. For example, your spouse deducted \$10,000 of advertising expenses on federal Schedule C, but never paid for any advertising.
- The expense does not qualify as a deductible expense. For example, your spouse claimed a business fee deduction of \$10,000 that was for the payment of state fines: fines are not deductible.
- No legal argument can be made to support the deductibility of the expense. For example, your spouse claimed \$4,000 for security costs related to a home office, which were actually veterinary and food costs for your family's two dogs.

Any income, deduction, or credit is an erroneous item if **all** of the following apply:

- it is omitted from or incorrectly reported on the joint return;
- it is attributable to your spouse (or former spouse);
- it results in an understatement of tax; and
- you did not know and had no reason to know about the understatement or the extent of it (see **Partial Innocent Spouse Relief** next).

**Partial Innocent Spouse Relief**

If you knew about any of the erroneous items, but not the full extent of the item(s), you may be allowed relief for part of the understatement. Explain in the statement you include with Form 200, how much you knew and why you did not know, and had no reason to know, the full extent of the item(s).

**Requesting Innocent Spouse Relief**

If you are asking for innocent spouse relief, check box 3b.

**Required Documentation (even if you included a completed federal Form 8857)**

If you checked box 3b, include a statement with Form 200 explaining why you believe you qualify. The statement will vary depending on your circumstances, but should include **all** of the following:

1. The amount and a detailed description of each erroneous item, including why you had no reason to know about the item or the extent to which you knew about the item.
2. The amount of the understatement of tax for which you are liable and are seeking relief.

3. Why you believe it would be unfair to hold you liable for the understatement of tax.

### Line 3c - Equitable Relief

You may be allowed equitable relief if, taking into account all the facts and circumstances, it would be unfair to hold you liable for any understatement or underpayment of tax that should be paid only by your spouse (or former spouse).

You can be allowed equitable relief only for an underpayment of tax, or part or all of any understatement of tax that does not qualify for either separation of liability or innocent spouse relief. You should request separation of liability or innocent spouse relief for any understatement of tax; unless you are sure you are not eligible. The department will consider equitable relief if it determines that innocent spouse relief and separation of liability do not apply.

### Requesting Equitable Relief

If you are asking for equitable relief, check box 3c.

### Required documentation (even if you included a completed federal Form 8857)

If you checked box 3c, include an explanation of why you believe it would be unfair to hold you liable for the tax instead of your spouse (or former spouse). If you are including a statement for separation of liability or innocent spouse relief, include only the additional information you believe supports your request for equitable relief.

## Part 2 - Information About You and Your Spouse (or Former Spouse)

### Line 5

The department must contact your spouse (or former spouse.) There are no exceptions, even for victims of spousal abuse or domestic violence.

We will inform your spouse (or former spouse) that you filed Form 200 and will allow him or her to participate in the process. If you are asking for relief from joint and several liability on a joint return, we must also inform him or her of our determination regarding your request for relief.

To protect your privacy, we will not disclose your personal information like your current name, address or phone number. We will not disclose information about your employer, your income or assets, or any other information that does not relate to making a determination about your request for relief from liability.

On line 5, enter the current name and SSN of the person to whom you were married at the end of the year(s) listed on line 1. If the name of your spouse (or former spouse) shown on that year's tax return(s) is different from the current name, enter it in parentheses after the current name. For example: Joan Oak (formerly Joan Pine). Enter the current address and phone number if you know it.

### Lines 6 through 10

Answer questions 6 through 10.

## Part 3 - Your Financial and Return Preparation Involvement

### Lines 11 through 17

Answer questions 11 through 17.

By law, if a person's name is signed to a return, it is presumed to be signed by that person. You must prove that your signature on the joint return was forged or that you signed under duress (threat of harm or other form of coercion).

Include a statement explaining why you believe your signature was forged or why you signed under duress.

### Forged Signature

Your signature on a joint return is considered to be forged if it was not signed by you and you did not authorize (give tacit consent) the signing of your name to the return.

### Tacit Consent

Tacit consent means that, based on your actions at the time the joint return was filed, you agreed to the filing of the joint return. You may be considered to have given tacit consent if any of the following apply:

- You gave tax information (such as Forms W-2 and 1099) to your spouse.
- You did not object to the filing.
- You did not have a valid reason to refuse to file jointly.
- There was an apparent advantage to you in filing a joint return.

We will also consider whether you filed joint returns with your spouse (or former spouse) in prior years and whether you filed a separate income tax return for that year.

### Signed Under Duress

You are considered to have signed under duress (threat of harm or other form of coercion) if you were unable to resist demands to sign the return and you would not have signed the return except for the constraint applied by your spouse (or former spouse.) The duress must be directly connected with the signing of the joint return.

## Part 4 - Your Current Financial Situation

### Lines 18 through 20

Complete lines 18 through 20.

### Sign and Date Form 200

Sign Form 200 in the space provided. We cannot consider your Form 200 if you do not sign it. If you do not sign it, we will return it to you. Also be sure to date it.

### Paid Preparer Must Sign Form 200

Anyone that you pay to prepare Form 200 for you must sign the Form 200 in the space provided. The preparer must give you a copy of the completed Form 200 for your records. Someone who prepares Form 200 but does not charge you should not sign Form 200.



If you pay someone else to prepare your Form 200, that person must also include an identification number where requested.

A paid preparer may use any of the following:

- his or her PTIN,
- his or her SSN; or
- the EIN for the business.

A paid preparer who fails to include the proper identification numbers may be subject to a penalty.

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Use Form 201 if you rented in 2022 and are claiming the property tax credit. This certificate shows what portion of your rent money went to pay taxes. Your landlord or designated agent must sign and complete this form in order for you to qualify for your credit. **USE BLACK INK ONLY.**

**HOW TO USE THIS FORM**

**Homeowners:**

If you own the home you live in, **do not** use this form. Homeowners claiming a property tax credit rebate **must** send a statement of property taxes paid rather than this form. See Form 140PTC instructions.

**Renters Seeking a Tax Rebate on Form 140PTC:**

1. Ask your landlord to complete Part 2 of this form.
2. Complete Parts 1 and 3 if you qualify. See instructions.
3. Use this information to complete your Form 140PTC.
4. **Include this certificate with your Form 140PTC and keep a copy for your tax records.**

**IMPORTANT:** For 2022, be sure to have your landlord complete this form well before **April 18, 2023** or request an extension (Arizona Form 204) to protect the credit. Landlords may not have the information immediately available. The extension will give you until October 16, 2023 to file Form 140PTC and Form 210.

**Part 1 To be Completed by Tenant**

First Name and Initial - also give spouse's name and initial	Last Name	Social Security Number
--	-----------	------------------------

**Part 2 To be Completed by Your Landlord**

<b>1</b>	Name of Landlord
<b>2</b>	Number and Street Address
<b>3</b>	City <span style="float: right;">County</span> <span style="float: right;">State</span> <span style="float: right;">ZIP Code</span>
<b>4</b>	Business Name of Rental Property (if applicable)
<b>5</b>	Number and Street Address
<b>6</b>	City <span style="float: right;">County</span> <span style="float: right;">State</span> <span style="float: right;">ZIP Code</span>

- 7** If any of your tenants received rent subsidies in 2022, check this box ..... **7**
- 8** If the property was exempt from property tax during 2022, check this box ..... **8**   
If you checked box 8, tenants may not claim the property tax credit on any form or schedule.
- 9** If you occupy any portion of the property you rent or lease to others, check this box..... **9**
- 10** Enter property tax factor ..... **10**  .

**Signature of Responsible Party:**

I declare that I have examined this statement and to the best of my knowledge and belief, it is correct and complete.

**11** \_\_\_\_\_  
SIGNATURE OF OWNER, LESSOR, OR MANAGER OF RENTAL PROPERTY      DATE

**12** \_\_\_\_\_  
PRINT OR TYPE NAME OF SIGNING PARTY      OWNER'S OR PROPERTY MANAGER'S PHONE NUMBER  
(for verification of information only)

**Part 3 Tenant Claiming Property Tax Credit Must Complete Part 3**

<b>13</b>	Enter total rents paid in 2022 not including subsidies .....	<b>13</b>	00
<b>14</b>	Enter property tax factor from Part 2, line 10.....	<b>14</b>	00
<b>15</b>	Multiply line 13 by line 14. Enter the result here and on Form 140PTC, line 13. This is the amount of rent which constitutes property taxes .....	<b>15</b>	00

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**2022 Renter's Certificate of Property Taxes Paid**

**-For information or help, call one of the numbers listed:**

Phoenix (602) 255-3381  
From area codes 520 and 928, toll-free (800) 352-4090

**Tax forms, instructions, and other tax information**

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

**Income Tax Procedures and Rulings**

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website select *Reports, Statistics and Legal Research* from the main menu then click on *Legal Research* and select a *Document Type* and *Category* from the drop down menus.

**Publications**

To view or print the department's publications, go to our website and click on *Reports, Statistics and Legal Research* from the main menu then click on *Publications* in the left-hand column.

**Notice to Landlord**

If your tenant requests an Arizona Form 201, you must provide that tenant with Form 201 to comply with Arizona law (Arizona Revised Statutes § 43-1072). You must complete and sign Form 201 before you give the form to your tenant.

**Part 1 - To be Completed by the Tenant**

Use black ink only. Enter your first name, middle initial and last name. Make sure you enter your Social Security Number (SSN) in the space provided.

**Part 2 - To be Completed by the Landlord or the Designated Agent**

The landlord or the landlord's agent must complete Part 2 of this form and furnish the form to the tenant. The tenant will need the information in Part 2 to claim the property tax credit.

**Lines 1, 2, and 3**

Use black ink only. Enter your name, address, and ZIP code.

**Lines 4, 5, and 6**

Enter the business name. Also enter the address of the rental property.

**Line 7**

Check the box on line 7 if one or more of your tenants received a rent subsidy from federal, state, or local government during 2022.

**NOTE:** *Public housing operated by the city, county, state, or a qualified charitable institution that does not pay property taxes will report a property tax factor of zero on line 10. Add any rent (or property tax) paid by a government agency (i.e., HUD, Arizona Department of Economic Security, etc.) to the rent received from the tenant to calculate the property tax factor.*

For more information, see the department's ruling, ITR 94-6, *Requirements for Housing Authorities to Furnish Tenants With a Renter's Certificate of Property Taxes Paid*.

**Line 8**

Check the box on line 8 if the property was **exempt** from property tax during 2022. If you check this box, tenants may not claim the property tax credit on any form or schedule.

**Line 9**

Check the box on line 9 if **you** occupy any portion of the property **you** rent or lease to others.

**Line 10**

The landlord must provide a property tax factor to each tenant requesting a Form 201. Use the following formula to calculate the factor.

$$\frac{\text{Total property tax paid on rental units}}{\text{Total rental income}} = \text{Property tax factor}$$

**Example:**

Landlord L owns a duplex. Landlord L had three tenants during 2022. During 2022 Landlord L received \$20,000 of rental income from these tenants. During 2022, each tenant paid the following amount of rent.	
Tenant A rented unit one for 8 months	\$ 7,200
Tenant B rented unit one for 4 months	\$ 3,400
Tenant C rented unit two for the full year	\$ 9,400
Total rental income	\$ 20,000
Landlord L paid \$2,120 in property taxes for 2022. Landlord L figures the property tax factor as follows: Landlord L divides the property taxes paid in 2022 by the total rental income received in 2022.	
$\frac{\$ 2,120}{\$ 20,000} = .106 \text{ Property Tax Factor}$	
Each tenant uses the same factor.	

**Line 11**

The owner, lessor, or manager of the rental property must sign and date the Form 201.

**Line 12**

Enter the name signed on line 11. Also enter the telephone number the department can use to verify information on the form.

---

**Part 3 - To Be Completed by the Tenant  
(after Landlord (or agent) completes Part 2)**

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**NOTE:** *Only one renter in each rental unit can claim the property tax credit. If you are filing a joint Arizona return, enter your names (in the space provided above Part 1) as they appear on your return. Only enter the SSN of the person claiming the credit.*

Some qualifications to claim the Property Tax Credit are as follows:

- you paid rent;
- you are 65 or older on December 31, 2022, **or** if you are under age 65, you are on Supplemental Security Income Title 16; and
- you do not live in public housing operated by the city, county, state, or qualified charitable institutions that do not pay property taxes.

**NOTE:** *If a taxpayer's 65th birthday was January 1, 2023 (born 1/1/1958), that person is considered to be age 65 at the end of 2022 for federal income tax purposes and likewise for Arizona income tax purposes.*

**Line 13**

Enter the total rents you paid for the taxable year. Do not include any rent subsidies you received from federal, state, or local governments.

**Line 14**

If property tax factor, line 10, is **zero**, you may **not** claim a property tax credit from this form.

**Important: Keep one copy of this form for your tax records.**

OR FISCAL YEAR BEGINNING MM,DD,2022 AND ENDING MM,DD,20YY 66F

Original Tax Return  
 Amended Tax Return

**IMPORTANT:** To apply for protection of your share of any 2022 income tax overpayment, you **must** file an Arizona joint income tax return with your spouse for taxable year 2022 **and** include Form 203 with the income tax return, when filed.

Enter the following information exactly as it is shown on the 2022 income tax return for which you are filing this form. The name and Social Security Number shown first on the tax return must also be shown first below.

Taxpayer Name <b>1</b>	<b>If the Taxpayer is the <i>injured</i> spouse, check here →</b> <input type="checkbox"/>	Taxpayer's Social Security Number 
Spouse Name <b>1</b>	<b>If the Spouse is the <i>injured</i> spouse, check here →</b> <input type="checkbox"/>	Spouse's Social Security Number 
Current Home Address - number and street, rural route <b>2</b>	Apartment Number	Daytime Phone No. (optional) (     )
City, Town or Post Office <b>3</b>	State	ZIP Code

**Part 1** Answer the questions on lines 4 through 8 to determine if you qualify as an injured spouse.

- 4 Are you and your spouse filing an Arizona joint income tax return for 2022?  
 Yes. Go to line 5.  
 No. **Stop.** Do not file this form. You must file a joint return to apply for protection of any overpayment of taxes.
- 5 Do you have Arizona income with Arizona income taxes withheld and reported on your own Form W-2 or Form 1099 for the tax year you are requesting protection?  
 Yes. Go to line 6.  
 No. **Stop.** Do not file this form. You must have Arizona income and taxes withheld to apply for protection of any overpayment of taxes.
- 6 Does your spouse owe past due state tax, child support, spousal maintenance or other obligations that are ordered by a court or owed to an agency of this state?  
 Yes. Go to line 7.  
 No. **Stop.** Do not file this form. You are not an injured spouse.
- 7 Are you legally obligated to pay this past-due amount?  
 Yes. **Stop.** Do not file this form. You are not an injured spouse.  
 No. Go to line 8.
- 8 Are you and your spouse reporting any payments, such as Arizona income tax withholding from Forms W-2 and 1099 or any Arizona estimated tax payments, on your 2022 joint tax return?  
 Yes. Go to Part 2 and complete the rest of this form.  
 No. **Stop.** Do not file this form. See instructions.

**Part 2** Allocation of Arizona Income Tax Withholding and Estimated Tax Payments - See instructions for amount to enter.

	(a) Amount shown on Arizona joint return	(b) Allocated to Taxpayer	(c) Allocated to Spouse
9 Arizona income tax withheld ..... <b>9</b>	\$	\$	\$
10 Arizona estimated income tax payment(s) made. <b>See instructions</b> ..... <b>10</b>	\$	\$	\$
11 Total: Add lines 9 and 10 for each column and enter the total..... <b>11</b>	\$	\$	\$
12 Divide line 11, column (b) by line 11, column (a) and enter the result..... <b>12</b>	.		
13 Subtract line 12 from 1.000 and enter the difference ..... <b>13</b>	.		.

**PLEASE SIGN HERE** → Under penalties of perjury, I declare that I have examined this form and any accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

INJURED SPOUSE SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_

PAID PREPARER'S SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_ FIRM'S NAME (PREPARER'S IF SELF-EMPLOYED) \_\_\_\_\_

PAID PREPARER'S TIN \_\_\_\_\_ PAID PREPARER'S ADDRESS \_\_\_\_\_ PAID PREPARER'S PHONE NUMBER (     ) \_\_\_\_\_

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**For information or help, call one of the numbers listed:**

Phoenix (602) 255-3381  
From area codes 520 and 928, toll-free (800) 352-4090

**Tax forms, instructions, and other tax information**

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**Publications**

To view or print the department's publications, go to our website and click on *Reports, Statistics and Legal Research* from the main menu then click on *Publications* in the left-hand side column.

**General Information**

**NOTE:** For overpayment amounts used to pay a liability in taxable years 2016 and prior, see Form 200 for instructions to request protection under the injured spouse provisions.

**Do not use Form 203 to make an innocent spouse relief claim. You must use Form 200 to make a request for innocent spouse relief and separation of liability and equitable relief.**

Arizona is a community property state. In community property states, overpayments are considered joint property and generally applied (offset) to legally owed past-due obligations of either spouse.

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,
- child support,
- spousal maintenance, or
- other obligations of the taxpayer's spouse that are ordered by a court or owed to an agency of this state.

**NOTE:** You cannot use Form 203 to request protection from offset for past-due **federal taxes**. You must contact the Internal Revenue Service (IRS).

**Purpose of the Form**

You may apply for protection as an **injured spouse** if your share of an overpayment shown on your joint return is expected to be applied against your spouse's past-due

delinquencies or debts. **The taxpayer (spouse) requesting injured spouse protection must have Arizona income with taxes withheld and reported on their own Form W-2 or Form 1099.**

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. Because Arizona is a community property state, the total amount of estimated taxes is generally divided evenly between spouses unless it is clearly demonstrated by the taxpayers that a portion of the estimated payments were made for income that is not community property.

**When to File Form 203**

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 or behind Arizona Form 131, if filing.

**Can I Request Protection as an Injured Spouse on an Overpayment Shown on My Small Business Tax return?**

Yes. If you and your spouse are filing a joint Small Business Income tax return (Form 140-SBI, 140NR-SBI or 140PY-SBI) you (or your spouse) you may also apply for protection as an **injured spouse on the small business income tax return along with your regular income tax return.**

If you (or your spouse) are not requesting protection on your individual income tax return and did not include it with your income tax return (Form 140, 140NR or 140PY), and you want to request protection from an overpayment shown on your Small Business Income tax return, you **must** complete and include Form 203 with your small business income tax return. Be sure to check box 3a on your small business income tax return. Place the completed Form 203 behind Arizona Form 131, if filing. If not filing form 131, place the form on top of your small business income tax return (or on top of your regular income tax return if you are not filing a small business income tax return).

**NOTE:** If you are requesting protection on **BOTH** your individual income tax return and your small business income tax return and are filing both returns at the same time, file **only one Form 203** and be sure to check the Injured Spouse Protection box on both forms (Box 4a on the regular tax return **and** box 3a on the small business income tax return).

If you do not complete and include Form 203 with your income tax return(s), your share of the overpayment may be applied to past due liabilities. In this case, for information about amounts held for:

1. **Past-due state taxes**, call one of the phone numbers listed on this page.

2. **Child support or spousal maintenance**, contact the Arizona Department of Economic Security.
3. **Another Arizona state agency**, contact that agency.
4. **The IRS**, contact the IRS.
5. **A court order**, contact that court.
6. **An Arizona city or town**, contact that city or town.

**Can Form 203 be e-filed?**

Yes. If you electronically file your income tax return you must also include Form 203 with the income tax return, when e-filed.

If you mail your tax return(s), you must also mail Form 203.

**Does the Injured Spouse Have to Complete Another Form 203 if We Amend our 2022 Joint Income Tax Return and/or Amend our 2022 Small Business Tax Return?**

Yes. If you file a 2022 amended income tax return (Form 140X or 140X-SBI) and increase your 2022 overpayment reported on your original (or last filed amended return), the injured spouse must complete and include a new 2022 Form 203 to request protection from setoff of any additional overpayment to your spouse’s outstanding debts.

**NOTE:** *If you file an amended return, you cannot request protection from offset of any overpayment shown on your original (or last filed amended) income tax return.*

**Line-by-Line Instructions**

*If both, taxpayer and spouse, are requesting injured spouse protection of their share of any overpayment shown on the joint income tax return, each spouse must complete and include a separate Form 203 with the joint tax return(s), when filed.*

**Taxable Year; Original or Amended Tax Return**

- If you file your income tax return on a fiscal year basis, enter the beginning and ending dates in the space provided.
- Check the box indicating this form is filed for either an *original* or an *amended* filed tax return.

**Name and Address Information**

**Lines 1 through 3**

Enter the following information exactly as it is shown on your joint income tax return for which you are filing this form. The name and Social Security Number (SSN) shown first on the tax return must also be shown first on Form 203.

- Enter your name and SSN in the spaces provided.
- Enter your spouse’s name and SSN in the spaces provided.
- You **must** check the appropriate box indicating which of you the injured spouse is.
- Enter your current home address.

If you have a foreign address, enter the information in the following order: city, province or state, and country. Follow the country’s practice for entering the postal code. Do not abbreviate the country name.

- Enter your daytime phone number.

**Part 1 – Do You Qualify as an Injured Spouse?**

**Lines 4 through 8**

You must answer the questions on lines 4 through 8 to determine if you qualify as an injured spouse and whether you can file this form to request protection of any overpayment of taxes paid.

**Line 8**

Because the amount of the protected share is based solely on an overpayment of taxes from income taxes withheld and/or estimated taxes paid, an injured spouse cannot request relief from setoff if you answered “No” to question 8.

To obtain relief from setoff, the injured spouse must contact the applicable agency or political subdivision for a request for recovery of the protected amount of the overpayment.

**Part 2 - Allocation of Arizona Income Tax Withholding and Estimated Tax Payments**

**Line 9 - Arizona income tax Withheld**

- In column (a), enter the **total** amount of Arizona income tax withheld from **all** Forms, W-2 and 1099, reported on your income tax return.
- In column (b), enter the amount of Arizona income tax withheld on the taxpayer’s W-2 and 1099 form(s).
- In column (c), enter the amount of Arizona income tax withheld on the spouse’s W-2 and 1099 form(s).

**Line 10 - Arizona Estimated Taxes paid**

Because Arizona is a community property state, estimated payments are generally divided evenly between spouses unless it is clearly demonstrated by the taxpayers that a portion of the estimated payments were for income that is not community property (*separate income*). In this case, report those payments in the column for the individual who received the separate income.

**NOTE:** *If you elected to report small business income on the Small Business tax return (140-SBI, 140NR-SBI or 140PY-SBI) and are requesting Injured Spouse Protection on both your regular tax return and the small business income tax return, include your estimated tax payments made for your small business tax return and your regular tax return. Enter the **total** of all estimated tax payments in column (a).*

- In column (a), enter the **total** 2022 Arizona estimated taxes reported on the joint return.
- In column (b), enter one-half of the amount entered in column (a).
- In column (c), enter one-half of the amount entered in column (a).

**Line 11**

Add lines 9 and 10 for each column. Enter the totals on line 11.

**Line 12 -**

*The percentages entered on lines 12 and 13, when added together, should equal 1.000.*

Divide line 11, column (b) by line 11, column (a) and enter the result on line 12, column (b). You must round your answer to three decimal places.

**For example:**

- If line 11, column (a) = \$ 1,245, total amount reported on joint return; and
- If line 11, column (b) = \$ 860, the amount reported for Taxpayer; then
- The percentage entered on line 12, column (b) = .691 ( $\$860 \div \$1,245 = .69076$ )

**Line 13**

Subtract line 12 from 1.000 and enter the difference. For the example above, the taxpayer would enter .309 (1.000 minus .691) on line 13.

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**Sign and Date Form 203**


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The injured spouse must sign and date Form 203 in the space provided. The department may not consider your request if it is not signed and dated.

**Paid Preparer Must Sign Form 203**

Anyone that you pay to prepare Form 203 for you must sign the Form 203 in the space provided. The preparer must give you a copy of the completed Form 203 for your records.

Someone who prepares Form 203 but does not charge you should not sign Form 203. If you pay someone else to prepare your Form 203, that person must also include an identification number where requested. A paid preparer who fails to include the proper identification numbers may be subject to a penalty.

A paid preparer may use any of the following:

- his or her PTIN,
- his or her SSN, or
- the EIN for the business.

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DO NOT STAPLE ANY ITEMS TO THE RETURN.

For the calendar year 2022 or fiscal year beginning MM,DD,YY 2,0,2,2 and ending MM,DD,YY 66

<b>1</b> Your First Name and Middle Initial	Last Name	<b>Enter your SSN(s).</b>	Your Social Security Number
<b>1</b> Spouse's First Name and Middle Initial (if filing joint)	Last Name		Spouse's Social Security No.
<b>2</b> Current Home Address - number and street, rural route		Apt. No.	Daytime Phone (with area code) <b>94</b>
<b>3</b> City, Town or Post Office		State	ZIP Code

**REVENUE USE ONLY. DO NOT MARK IN THIS AREA.**  
**88**

- Resident Personal Income Tax Forms – Check only one box:**
- 140     140A     140EZ     140PTC     140ET
- Part-Year Resident Personal Income Tax, Form 140PY
- Nonresident Personal Income Tax, Form 140NR
- Nonresident Composite, Form 140NR

*Filing Form 204 will also provide an automatic 6-month extension for your Small Business Income tax return (Form 140-SBI, Form 140NR-SBI or Form 140PY-SBI). Do not file Form 204-SBI unless you are making an extension payment for your Small Business tax return. See Form 204-SBI for more information. Use Form 204-SBI to make this payment.*

<b>81</b> PM	<b>80</b> RCVD
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<p>All extension requests must be postmarked on or before the original due date of the return, unless the original due date falls on a weekend or legal holiday. In that case, your request must be postmarked on or before the business day following the weekend or legal holiday. If you are a calendar year filer, your request for a 2022 filing extension must be postmarked on or before April 18, 2023.</p>	<p>An Arizona extension cannot be granted for more than six months beyond the original due date of the return. Arizona will grant an automatic six-month extension to individuals filing Forms 140, 140A, 140EZ, 140NR, 140PY, 140PTC, or 140ET. Arizona will accept a valid federal extension for the period covered by the federal extension. This includes the automatic six-month individual federal filing extension.</p>
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<b>CHECK ONE BOX:</b>	<b>Fiscal Tax Year Ending</b>	<b>Return Due Date</b>
<input type="checkbox"/> <b>Individual Calendar Year Filers:</b>		
This is a request for an automatic 6-month filing extension .....		October 16, 2023
<input type="checkbox"/> <b>Individual Fiscal Year Filers:</b>		
Enter taxable year end date and 6-month extended due date .....	<u>MM,DD,YYYY</u>	<u>MM,DD,YYYY</u>
<input type="checkbox"/> A federal extension will be used to file this tax return. This form is being used to transmit the Arizona extension payment.		

**Note: Calendar year filers - Because October 15, 2023 falls on a weekend, you have until October 16, 2023 to file your return.**

1 Tax liability for 2022. You may estimate this amount .....	<b>1</b>		00
2 Arizona income tax withheld during 2022 .....	<b>2</b>	00	
3 Arizona estimated tax payments for 2022 .....	<b>3</b>	00	
4 Credits you will claim on your 2022 return. See Arizona Form 301 for a list of credits. 4		00	
5 Add lines 2 through 4.....	<b>5</b>		00
6 <b>Balance of Tax:</b> Subtract line 5 from line 1.....	<b>6</b>		00
7 Enter amount of payment enclosed with this extension..... PAYMENT ENCLOSED ▶	<b>7</b>		00

- Make check payable to Arizona Department of Revenue; **write your SSN, Form 204 and tax year on your payment.**
- **Include your payment with this form.**
- For **Nonresident Composite returns**, write "Composite 140NR" on payment and include the taxable year end and entity's EIN.

- **IMPORTANT:** If you are filing under a federal extension but are making an Arizona extension *payment by credit card or electronic payment*, **do not mail Form 204** to us. We will apply your extension tax payment to your account.
- If you **are** sending a payment with this request, mail to Arizona Department of Revenue, PO Box 29085, Phoenix, AZ 85038-9085.
- If you are **not** sending a payment with this request, mail to Arizona Department of Revenue, PO Box 52138, Phoenix, AZ 85072-2138.

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## 2022 Filing Extension For Individuals

### For information or help, call one of the numbers listed:

Phoenix (602) 255-3381  
From area codes 520 and 928, toll-free (800) 352-4090

### Tax forms, instructions, and other tax information


If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

### Income Tax Procedures and Rulings

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website select *Reports, Statistics and Legal Research* from the main menu then click on *Legal Research* and select a *Document Type* and *Category* from the drop down menus.

### Publications

To view or print the department's publications, go to our website and click on *Reports, Statistics and Legal Research* from the main menu then click on *Publications* in the left-hand side column.

 **Leave the paper behind and e-file your Arizona extension request.**

Visit [www.azdor.gov](http://www.azdor.gov) for e-file requirements.

### Purpose of Form 204

Use Arizona Form 204 to apply for an extension of time to file Arizona Forms 140, 140A, 140EZ, 140ET, 140PTC, 140PY, or 140NR. Individuals use this form to apply for an automatic 6-month extension.

**NOTE:** *If you elected to report your small business income on Form 140-SBI, Form 140NR-SBI or Form 140PY-SBI, filing Form 204 will also provide an automatic 6-month extension to file your small business income tax return.*

*You cannot make an extension payment for your small business income tax return using Form 204. You must complete and file Form 204-SBI to make an extension payment for your small business income tax return. For more information see Form 204-SBI and instructions.*

If you are using Form 204 to request a filing extension for an Arizona Form 140NR composite return, enter the partnership or S Corporation's employer identification number (EIN) in the area designated for an individual's Social Security Number (SSN).

Also, use Form 204 to remit an extension payment whether you are requesting an Arizona extension or using a valid federal extension. However, if you are filing under a federal extension, but making an electronic extension payment or making an extension payment using a credit card, you do not need to mail in Form 204.

Arizona will accept your federal extension for the period covered by the federal extension.

### Foreign Address

If you have a foreign address, enter the information in the following order: city, province or state, and country. Follow the country's practice for entering the postal code. Do not abbreviate the country name.

### When to File Form 204

All extension requests must be postmarked on or before the original due date of the return, *unless the original due date falls on a weekend or legal holiday.*

In that case, your request must be postmarked on or before the business day following the weekend or legal holiday.

Calendar year filers have until April 18, 2023 to file the request for an extension. This will allow you to file your return by October 16, 2023.

Complete Form 204 to request an automatic 6-month extension. Write **2022 Extension Request** on the **front** of your envelope.

If you are **including a payment** with this request, mail the form to

Arizona Department of Revenue  
PO Box 29085  
Phoenix, AZ 85038-9085

If you are **not including a payment** with your request, mail the form to

Arizona Department of Revenue  
PO Box 52138  
Phoenix, AZ 85072-2138

The department will not return a copy of the Form 204 to you. Be sure to keep a copy of the completed Form 204.

**An extension does not extend the time to pay your income tax.** You must still pay your tax liability by April 18, 2023 or by the original due date of your return.

If you do not pay at least 90% (.90) of the income tax liability disclosed by your return by the return's original due date, you will be subject to the extension underpayment penalty. We charge interest from the original due date to the date of payment.

**Extension Underpayment Penalty:** We impose this penalty if you do not pay at least 90% (.90) of the income tax liability shown on your return filed under an extension by the return's original due date. The extension underpayment penalty is 1/2 of 1% (.005) of the income tax not paid for each 30-day period or fraction of a 30-day period. We impose this penalty from the original due date of the return until you pay the tax. The extension underpayment penalty cannot exceed 25% (.25) of the unpaid income tax. If we charge you the extension underpayment penalty, we will not charge you the late payment penalty under Arizona Revised Statutes § 42-1125(D).

### Nonresident Aliens

The due date for your Arizona return is not the same as the due date for your federal return. Your Arizona return is due by

April 18, 2023 even though your federal return is due on June 15, 2023. If you want to file your 2022 Arizona return after April 18, 2023 you must ask for a filing extension.

Arizona will allow up to a 6-month extension. This will allow you to file your return by October 16, 2023.

If you have a federal 6-month extension, you can file your Arizona return under that extension. If you file using your federal extension, Arizona will also allow you an extra 6 months.

Because we will allow only 6 months, the due date for your Arizona return is not the same as the due date for your federal return. In this case, your Arizona return will be due by October 16, 2023 even though your federal return will not be due until December 15, 2023. If you file your 2022 Arizona calendar year return after October 16, 2023 your return will be late.

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## Making Your Payment

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Individuals may make extension payments by check, electronic check, money order, or credit card.

Partnerships or S corporations making an extension payment on behalf of nonresidents participating in the filing of an Arizona Form 140NR composite return must make that payment by check or money order.

### Check or Money Order

If paying by check or money order, make your check or money order payable to Arizona Department of Revenue.

**Write your SSN (or EIN) and 2022 Extension Request** on the **front** of your check or money order.

Include your check or money order with Form 204.

### Electronic Payment From Your Checking or Savings Account

You can make an electronic payment from your checking or savings account to pay your balance due for 2022. There is no fee to use this method. To make an electronic payment, go to [www.AZTaxes.gov](http://www.AZTaxes.gov) and click on the “Make a Payment” link.

Be sure to enter the correct routing number and account number for your checking or savings account. You will be charged a \$50 NSF (non-sufficient funds) fee if you provide an incorrect routing number or an incorrect account number. Check with your financial institution to get the correct routing and account numbers.

The “E-Check” option in the “Payment Method” drop-down box will debit the amount from the checking or savings account that you specify. If you make an electronic payment from your checking or savings account, you will receive a confirmation number. **Please keep this confirmation number as proof of payment.**

**NOTE:** *You may not make an electronic payment from your checking or savings account if the payment will ultimately be coming from a foreign account. In this case, you must pay by check or money order.*

## Credit Card Payment

You can pay with your 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.**

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## Instructions Before Mailing

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Make sure that you have completed all of the information requested on the **front** of the form.

To avoid an extension underpayment penalty, make sure you pay at least 90% (.90) of your Arizona tax liability.



Name (first, middle initial, last) If joint return, also give spouse's name and middle initial	Social Security Number
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**Part A Calculation of Underpayment**

1 I am claiming an exception from the imposition of the estimated payment penalty because I qualified for federal relief under IRC § 6654. Check box and see instructions.....	1	<input type="checkbox"/>				
2 Amount of tax for 2022 from Form 140, Form 140PY, or Form 140NR.....	2				00	
3 Tax credits claimed on your 2022 Arizona return.....	3				00	
4 Subtract line 3 from line 2.....	4				00	
5 Arizona tax withheld during 2022. Do not include any estimated tax payments or extension payments on this line.....	5				00	
6 Subtract line 5 from line 4. If less than \$1,000, stop here. You do not owe the penalty. Do not file Form 221.....	6				00	
7 Multiply line 4 by 90% (.90).....	7				00	
8 Enter the immediately preceding year's tax liability after tax credits. See instructions.....	8				00	
9 <b>Required Annual Payment:</b> Enter the lesser of line 7 or line 8.....	9				00	
10 Payment Due Date.....	10	(a) Apr-15-2022	(b) Jun-15-2022	(c) Sep-15-2022	(d) Jan-15-2023	
11 Divide the amount on line 9 by the number of payments required for the year (usually four). Enter the result in appropriate columns. <input type="checkbox"/> Check this box if you use any other installment method. If you annualize, complete the worksheet on page 2 of this form and enter the amount from line 23 of that worksheet in each column of line 11.....	11					
12 Estimated tax paid and income tax withheld. See instructions.....	12					
<b>You must complete lines 13 through 15 of one column before going to line 13 of the next column.</b>						
13 Overpayment: See instructions.....	13					
14 Add lines 12 and 13.....	14					
15 <b>Underpayment:</b> Subtract line 14 from line 11; or <b>Overpayment:</b> Subtract line 11 from line 14.....	15					

**Part B Underpayment of Estimated Tax Penalty**

16 <b>Rate Period One: 4%</b> (Apr-15-22 through Jun-30-22) Computation starting date for this period.....	16	Apr-15-22	Jun-15-22		
17 Number of days after the date on line 16 through the date the amount on line 15 was paid or June 30, 2022 whichever is earlier.....	17	Days:	Days:		
18 Underpayment on line 15 × $\frac{\text{Number of days on line 17}}{365} \times 4\%$ .....	18				
19 <b>Rate Period Two: 5%</b> (Jul-1-22 through Sep-30-22) Computation starting date for this period.....	19	Jun-30-22	Jun-30-22	Sep-15-22	
20 Number of days after the date on line 19 through the date the amount on line 15 was paid or September 30, 2022 whichever is earlier.....	20	Days:	Days:	Days:	
21 Underpayment on line 15 × $\frac{\text{Number of days on line 20}}{365} \times 5\%$ .....	21				
22 <b>Rate Period Three: 6%</b> (Oct-1-22 through Dec-31-22) Computation starting date for this period.....	22	Sep-30-22	Sep-30-22	Sep-30-22	
23 Number of days after the date on line 22 through the date the amount on line 15 was paid or December 31, 2022 whichever is earlier.....	23	Days:	Days:	Days:	
24 Underpayment on line 15 × $\frac{\text{Number of days on line 23}}{365} \times 6\%$ .....	24				
25 <b>Rate Period Four: *%</b> (Jan-1-23 through Apr-15-23) Computation starting date for this period.....	25	Dec-31-22	Dec-31-22	Dec-31-22	Jan-15-23
26 Number of days after the date on line 25 through the date the amount on line 15 was paid or April 15, 2023 whichever is earlier.....	26	Days:	Days:	Days:	Days:
27 Underpayment on line 15 plus any penalty from Rate Period 1, 2, and 3 if the underpayment is unpaid as of Jan-1-23 × $\frac{\text{Number of days on line 26}}{365} \times *%$ .....	27				
28 <b>Penalty:</b> Column (a) - Add lines 18, 21, 24, 27. Enter total on line 28 of col. (a). Column (b) - Add lines 18, 21, 24, 27. Enter total on line 28 of col. (b). Column (c) - Add lines 21, 24, 27. Enter total on line 28 of col. (c). Column (d) - Enter the amount from column (d), line 27.....	28				
29 <b>Penalty Limitation.</b> In columns (a) through (d), list the smaller of line 15 x 10% or the amount from line 28.....	29				
30 <b>Total Penalty</b> - Add line 29, (a) through (d).....	30a				00
<input type="checkbox"/> Waiver request	30b				00
Subtract 30b from 30a.	30c				00

Your Name (as shown on page 1)

Your Social Security Number

### Annualized Income Installment Worksheet

Complete lines 1 through 23 of one column before completing the next column.

	Jan-1-22 to Mar-31-22	Jan-1-22 to May-31-22	Jan-1-22 to Aug-31-22	Jan-1-22 to Dec-31-22
1 Enter your Arizona adjusted gross income without your dependent, qualifying parent or grandparent, blind, or over 65 exemptions for each period.....				
2 Annualization amounts.....	4.0	2.4	1.5	1.0
3 Annualized income: Multiply line 1 by line 2.....				
4 Enter your itemized deductions for the period shown in each column. If you do not itemize, enter "0" and skip to line 7 .....				
5 Annualized amounts .....	4.0	2.4	1.5	1.0
6 Annualized itemized deductions: Multiply line 4 by line 5 .....				
7 Enter your <b>total</b> standard deduction from Arizona Form 140, Form 140PY, or Form 140NR .....				
8 Enter the amount from line 6 or line 7, whichever is larger .....				
9 Subtract line 8 from line 3.....				
10 Enter the amount allowed for blind, over 65, qualifying parent or grandparent, and other exemptions claimed on your Arizona Form 140, Form 140PY, or Form 140NR .....				
11 Subtract line 10 from line 9.....				
12 Figure your tax on the amount on line 11 using Tax Table X or Y .....				
13 For each period, enter the amount of tax credits including Dependent Tax Credit allowed on your Arizona Form 140, Form 140PY, or Form 140NR .				
14 Subtract line 13 from line 12. If zero or less, enter "0" .....				
15 Applicable percentages .....	22.5%	45%	67.5%	90%
16 Multiply line 14 by line 15 .....				
17 Enter the combined amounts of line 23 from all preceding columns.....				
18 Subtract line 17 from line 16. If less than zero, enter "0" .....				
19 Divide line 9 from page 1, of this Form 221, by four (4), and enter the result in each column.....				
20 Enter the amount from line 22 of the preceding column of this worksheet.....				
21 Add lines 19 and 20, and enter the total .....				
22 If line 21 is more than line 18, subtract line 18 from line 21. Otherwise, enter "0" .....				
23 Enter the smaller of line 18 or line 21 here and on page 1, line 11. ....				

# 2022 Underpayment of Estimated Tax by Individuals for Forms 140, 140PY and 140NR

# Arizona Form 221

**For information or help, call one of the numbers listed:**  
 Phoenix (602) 255-3381  
 From area codes 520 and 928, toll-free (800) 352-4090

**Tax forms, instructions, and other tax information**  
 If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

**Income Tax Procedures and Rulings**  
 These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website select *Reports, Statistics and Legal Research* from the main menu then click on *Legal Research* and select a *Document Type* and *Category* from the drop down menus.

**Publications**  
 To view or print the department's publications, go to our website and click on *Reports, Statistics and Legal Research* from the main menu then click on *Publications* in the left-hand side column.

## Purpose of Form

Certain taxpayers must make estimated income tax payments. The department will charge a penalty if a person fails to make any required payment.

Use Arizona Form 221 to figure if you paid enough Arizona estimated income tax for Form 140, 140PY or 140NR. Also, use this form to see if you are subject to penalty for any late or underpaid payment.

## Am I Subject to the Penalty?

You are subject to the penalty if you had to make Arizona estimated payments, but did not pay the right amount or made a payment late.

<b>You must have made estimated payments during 2022 if the following apply:</b>		
Your filing status is:	<b>AND</b> Your Arizona gross income for 2021 was greater than:	<b>AND</b> Your Arizona gross income for 2022 is greater than:
Single	\$75,000	\$75,000
Married Filing Joint	\$150,000	\$150,000
Married Filing Separate	\$75,000	\$75,000
Head of Household	\$75,000	\$75,000

<b>What is my Arizona gross income for estimated payment purposes?</b>	
<b>If you are a:</b>	<b>Your Arizona gross income is:</b>
Full year Arizona resident	Your federal adjusted gross income. This amount is found on line 12 of your 2021 and 2022 Arizona Form 140.
Part year Arizona resident	That part of your federal adjusted gross income that you must report to Arizona. This amount is found on line 26 of your 2021 and 2022 Arizona Form 140PY.
Arizona nonresident	That part of your federal adjusted gross income derived from Arizona sources. This amount is found on line 26 of your 2021 and 2022 Arizona Form 140NR.

If your Arizona gross income was less than the prescribed thresholds for either 2021 or 2022, you are not subject to the penalty. The threshold amounts were amended for tax year 2022. For the threshold amount effective for 2021, see the instructions for the form filed for 2021. For 2022, see the instructions for the form you are filing for 2022.

## Should I Complete This Form?

If you had to make Arizona estimated payments during 2022, you must complete this form unless one of the following applies.

- Your 2022 Arizona tax liability is less than \$1,000. This is the amount of tax shown on your return reduced by any Arizona income tax withheld during the taxable year and any allowable tax credits that you are claiming.
- The Arizona tax withheld from your wages or withheld from other payments during 2022 is equal to, or is more than, your required annual payment (Form 221, line 9).
- You report as a farmer or fisherman for federal purposes and you are a calendar year filer **and**:
  - You file your Arizona return by March 1, 2023.
  - You pay in full the amount stated as payable on the return.
- You report as a farmer or fisherman for federal purposes and you are a fiscal year filer **and**:
  - You file your Arizona return on or before the first day of the third month after the end of the fiscal year.
  - You pay in full the amount stated as payable on the return.

If any of the items above apply to you, you do not have to complete Form 221. Otherwise, complete this form to see if you are subject to the penalty. If you have to complete Form 221, you must include the completed Form 221 with your Arizona Form 140, 140PY, or 140NR.

If you had to make estimated payments, your payments when added to your Arizona withholding, must total either 90% of the tax due for 2022, or 100% of the tax due for 2021.

You can use your 2021 tax to figure the amount of payments that you must have made during 2022 only if you filed a 2021 Arizona income tax return.

## Part A - Calculation of Underpayment

If you file an amended return, *Arizona Form 140X*, by the due date of your original return, use the amounts shown on your amended return to figure your underpayment. If you file an amended return after the due date, use the amounts shown on your original return. For more information, see the department's ruling, ITR 02-4, *Amended Return's Effect on the Estimated Tax Payment Underpayment Penalty*.

### Line 1

Complete line 1 if you are claiming an exception from the penalty because you qualified for federal relief under Internal Revenue Code § 6654.

You may claim either an exception from the penalty, or you may claim a penalty waiver.

## Penalty Exceptions

You will not have to pay the penalty if either item below applies.

- You had no federal tax liability for 2021. You were also a U.S. citizen or resident of the U.S. for the entire year and your 2021 tax return was (or would have been had you been required to file) for a full 12 months.
- The total tax shown on your 2022 federal income tax return minus your federal withholding is less than \$1,000.

To request a penalty exception because either item above applies, do the following:

- Check the box on line 1;
- Do not** complete the rest of Form 221.
- Include Form 221 with Arizona Form 140, Form 140PY, or Form 140NR.

## Penalty Waivers

If you have an underpayment on line 15, the department will waive all or part of the penalty for that underpayment if the department determines that either item below applies:

- The underpayment was due to a casualty, disaster, or other unusual circumstances, and it would be inequitable to impose the penalty.
- In 2021 or 2022, you retired after age 62 or became disabled, and your underpayment was due to reasonable cause.

To request a waiver for an underpayment described in either item above, do the following.

- Check the box on line 1.

- Complete Form 221 through line 29 without regard to the waiver.
- Add line 29, columns (a) through (d) and enter the total on line 30, box 30a.
  - Enter the amount you want waived on line 30, box 30b.
  - Subtract the amount in box 30b from the total penalty you figured without regard to the waiver (box 30a).
  - Enter the result on line 30, box 30c.
- Include Form 221 and a statement with your return explaining why you could not meet the estimated tax requirements. Also, show the time period for which you are requesting a waiver.

**If you are asking for a penalty waiver due to a casualty, disaster, or other unusual condition**, include documentation such as copies of police and insurance company reports.

**If you are asking for a penalty waiver due to retirement or disability**, include documentation that shows your retirement date (and your age on that date) or the date you became disabled.

### Lines 2 through 15

Complete lines 2 through 15 to see if you underpaid your 2022 estimated income tax payments.

### Line 2

Enter your 2022 income tax liability from Arizona Form 140, line 48, or Form 140PY, line 58, or Form 140NR, line 58.

**NOTE:** *If you compute your tax liability under the claim of right provisions enter the net tax liability as computed under the claim of right provisions.*

### Line 3

Enter tax credits claimed on your 2022 income tax return.

### Line 4

Subtract line 3 from line 2.

### Line 5

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 your Form(s) 1099-R (distributions from pensions, annuities, etc.) Do not include any income tax withheld for another state.

### Line 6

Subtract line 5 from line 4. If less than \$1,000, you do not owe the penalty, stop here and do not file Form 221.

### Line 7

Multiply the amount on line 4 by 90% (.90). Enter the result.

### Line 8

Enter your 2021 tax liability (after tax credits). Only enter an amount on line 8 if you filed an Arizona personal income tax return for 2021. **If you did not file an Arizona personal income tax return for 2021, skip this line.**

**Line 9**

If you completed line 8, enter the smaller of line 7 or line 8. If you did not complete line 8, enter the amount from line 7.

**Line 10**

In columns (a) through (d), enter the due dates for your federal estimated income tax payments. Enter a date here only if these dates are different from the preprinted dates.

**Line 11**

Divide the amount on line 9 by four (4). Enter the result in each column. In some cases, you did not have to make your payments in four equal installments. If you did not have to make your payments in four equal installments, check the box and enter the amount of your required payment(s) in the proper column. You did not have to make payments in four equal installments if you made your payments under any of the following methods.

- **The annualized income installment method.** If you use the annualized income installment method, complete the worksheet on Form 221, page 2. Also, enter the amount from line 23 of that worksheet in each column of line 11. If you use the annualized income installment method, you must check the box on line 11.
- **File and pay by January 31, 2023.** If you file your Arizona return by January 31, 2023 and pay in full the amount stated on the return as payable, you do not have to make the fourth estimated tax payment. Fiscal year filers must file and pay by the last day of the month following the close of the fiscal year.
- **Farmer or fisherman.** If you report as a farmer or fisherman for federal purposes, you only have to make one installment for a taxable year. The due date for this installment for a calendar year filer was January 15, 2023.
- The due date for a fiscal year filer is the 15th day of the first month after the end of the fiscal year. You do not have to make this payment if you file your Arizona return on or before March 1, 2023 and pay in full the amount stated on the return as payable. Fiscal year filers must file and pay on or before the first day of the third month after the end of the fiscal year.
- **Nonresident alien.** If you are an individual who elects to be treated as a nonresident alien on the federal income tax return, you may make three estimated payments. The due dates for these installments were June 15, 2022, September 15, 2022 and January 15, 2023. The first installment must have equaled 50% of the total required payments.

**Line 12 - Estimated Tax Paid and Withheld**

Enter the estimated tax payments you made plus any Arizona income tax withheld for that quarter.

In column (a), enter the tax payments you made by April 15, 2022 that were for the 2022 tax year.

In column (b), enter payments you made after April 15, 2022 through June 15, 2022.

In column (c), enter payments you made after June 15, 2022 through September 15, 2022.

In column (d), enter payments you made after September 15, 2022 through January 15, 2023.

When figuring your payment dates and the amounts to enter on line 12 of each column, apply the following rules:

1. Include  $\frac{1}{4}$  (25%) of your Arizona income tax withheld in each column. The department considers you to have paid  $\frac{1}{4}$  (25%) of Arizona income tax withheld on each payment due date unless you can show otherwise.
2. Include in your estimated tax payments any Arizona overpayment of tax from your 2021 return that you elected to apply to your Arizona 2022 estimated tax. You should report this amount in column (a).
3. If you file your return and pay the tax due by January 31, 2023, include on line 12, column (d), the amount of tax you pay with your return. In this case, you will not owe a penalty for the payment due by January 31, 2023.

**NOTE:** *If line 12 equals or is more than line 11 in all columns, you do not owe a penalty. Do not complete the rest of this form. You must include a copy of this form with your return.*

**Lines 13 through 15 - Overpayments or Underpayments**

**To determine if you have an overpayment or underpayment for each payment period:**

1. you must complete lines 13 through 15 for one payment period before you go to line 13 of the next period, and
2. you must complete lines 13 through 15 for all columns before completing Part B, lines 16 through 30.

If you have an overpayment on line 15 for the period, you may apply it to a prior period underpayment to stop the accrual of penalty on that underpayment.

If you apply an overpayment in this manner, use the date the overpayment was paid when you figure the penalty on the underpayment on line 15. You may then carry the remainder of the overpayment forward to line 13 of the next period.

If you do not choose to stop the accrual of penalty on a prior underpayment, you may carry the entire overpayment forward to line 13 of the next period.

**Part B - Underpayment of Estimated Tax Penalty**

Compute the penalty by applying the applicable rate to each underpayment. Compute the penalty for the number of days that the underpayment remained unpaid.

The penalty is equal to the interest that would accrue on the underpayment. The penalty cannot be more than 10% of the underpayment. Calculate this penalty like interest.

**Do not round penalty amounts calculated in Part B, lines 18, 21, 24, and 27 to the nearest whole dollar.**

The penalty rates are established at various times during the year. The rate for the first quarter of 2023 (January 1, 2023 through March 31, 2023) was not established by the time the department printed this form.

To get the interest rate that applies from January 1, 2023 to April 15, 2023, call one of the numbers listed on page 1 of these instructions.

**NOTE:** *If you have not paid the underpayment by December 31, 2022, the outstanding penalty that relates to that underpayment will compound on January 1, 2023.*

Use lines 16 through 29 to compute the penalty for each rate period. On the following tables (1 through 4), list your payments to figure the penalty applicable to these installments.

List only the payments made during the dates shown in the table heading. Apply the following rules.

1. If you have any withheld Arizona income tax, the department considers you to have paid  $\frac{1}{4}$  of these amounts on each payment due date. You may treat these amounts paid on a different due date, if you can show otherwise.

For example, if you had \$4,000 of Arizona income tax withheld during 2022, list \$1,000 as being paid on June 15, 2022, September 15, 2022 and January 15, 2023 in the proper table.

Do not list the withholding attributable to the first payment due on April 15, 2023.

2. List any amount that you pay with your tax return as a payment. Use the date you file your return as the payment date, unless you file late. In that case, use April 15, 2023.

<b>TABLE 1</b>	
<b>Payments after 4/15/2022 through 6/30/2022</b>	
Date	Payment

<b>TABLE 2</b>	
<b>Payments after 6/30/2022 through 9/30/2022</b>	
Date	Payment

<b>TABLE 3</b>	
<b>Payments after 9/30/2022 through 12/31/2022</b>	
Date	Payment

<b>TABLE 4</b>	
<b>Payments after 12/31/2022 through 4/15/2023</b>	
Date	Payment

### Chart of Total Days per Period

If an underpayment remained unpaid for an entire period, use the chart below to determine the number of days to enter on line 17, columns (a) and (b), line 20, columns (a), (b), and (c), line 23, columns (a), (b), and (c), and line 26 columns (a), (b), (c), and (d).

Rate Period	(a)	(b)	(c)	(d)
1 (line 17)	76	15		
2 (line 20)	92	92	15	
3 (line 23)	92	92	92	
4 (line 26)	105	105	105	90

For example, if you have an underpayment on line 15, column (a), but show no payments, you would enter "76" on line 17.

### Rate Period 1

#### Lines 16 through 18

Enter on line 17, column (a) the number of days from 4/15/2022, to the date of the first payment listed in Table 1. If no payments are listed, enter "76."

#### If You Listed a Payment in Table 1

On a separate sheet of paper, apply the payment to the underpayment shown on line 15. The underpayment for the computation on line 18 is the amount of the payment applied to the line 15 underpayment. If the payment is more than the underpayment, apply only an amount equal to the underpayment and use that amount for the line 18 computation.

#### If You Did Not List Any Payments in Table 1

The underpayment is the whole underpayment balance since the entire underpayment was unpaid for the whole rate period.

#### Determine if You Need to Make More Computations

Use the following information to see if you need to make more computations.

1. The payment listed in the table reduced the underpayment to zero. You do not need to make any further computations for column (a). Calculate the penalty for any other underpayments shown in columns (b) through (d) of line 15.
2. You did not list any payments in the table. You will need to calculate the penalty for rate periods 2, 3, and 4. To do this, complete column (a) of lines 20, 21, 23, 24, 26, and 27.
3. The payment listed in the table did not reduce the underpayment to zero, and no other payments are listed. Make another computation on lines 20, 21, 23, 24, 26, and 27 to calculate the penalty on the underpayment balance that remained unpaid for the entire rate period. In this case, enter another number in the space for lines 17 and 18, as follows:

On line 17, enter "76." This is the total number of days in the first rate period (see the chart).

On line 18, make the computation and enter the result. The "underpayment" in this computation is the balance of the underpayment remaining in the period.

4. Other payments are listed in the table and the first payment was not enough to reduce the underpayment to zero. Make a separate computation for each payment listed until the underpayment is reduced to zero. If there is still an underpayment balance after applying all of the payments, you will need to calculate the penalty on the balance of the underpayment in the same manner as explained in number 2 above.

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## Rate Periods 2, 3, and 4

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### Lines 19 through 27

If an underpayment balance remains after applying any payments in Table 1, compute the penalty attributable to that balance on lines 20 and 21, then if necessary, on lines 23 and 24 and 26 and 27.

Use the same steps as explained under the section, *Rate Period 1*, but use the date and penalty rate shown on lines 20 and 21, or lines 23 and 24, or lines 26 and 27.

1. When figuring the penalty for rate period 2, be sure to use only the payments listed in Table 2.
2. When figuring the penalty for rate period 3, be sure to use only the payments listed in Table 3.
3. When figuring the penalty for rate period 4, be sure to use only the payments listed in Table 4.

**NOTE:** *Penalty compounds annually on January 1 of each year. Add any penalty outstanding on that date to the principal amount of the tax (installment underpayment/late payment). The amount added to the principal becomes a part of the principal and accrues penalty until paid.*

### Lines 28 and 29

For amounts to enter on line 28, columns (a) through (d), and line 29, follow the instructions on the form.

### Line 30 (Boxes a, b, and c) - Total Penalty

**Box 30a:** Add line 29, columns (a) through (d) and enter the total.

**Box 30b:** If you are requesting a waiver of any penalty amount, check the box and enter that amount in box 30b.

**Box 30c:** Subtract box 30b from box 30a and enter the difference.

Also, enter the amount in box 30c on Arizona Form 140, line 76, or Form 140PY, line 85, or Form 140NR, line 83.

**NOTE:** *You must round the total penalty amount (box 30c) to the nearest whole dollar.*

## Annualized Income Installment Worksheet

If your income varied during the year because, for example, you operated your business on a seasonal basis, you may be able to lower or eliminate the amount of one or more required installments by using the annualized income installment method.

Use the Annualized Income Installment Worksheet on page 2 of Form 221, to figure the amounts to enter on line 11 of Form 221.

If you use the Annualized Income Installment Worksheet for any payment due date, you must use it for all payment due dates. To figure the amount of each required installment, the worksheet automatically selects the smaller of the annualized income installment or the regular installment (increased by the amount saved by using the annualized income installment method in figuring any earlier installments).

For more information about the annualized income installment method, see federal Publication 505.

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## 2022 Arizona Optional Tax Tables for Forms 140, 140A, and 140EZ

If your taxable income is less than \$50,000, use the Optional Tax Tables.

If your taxable income is \$50,000 or more, use Tax Table X or Y. Also, if your taxable income is \$50,000 or more, you cannot use Form 140EZ or Form 140A to file for 2022. In this case, you must file using Form 140.

### To Find Your Tax:

1. Read down the income column until you find your taxable income shown on your return.  
 Form 140, line 45    Form 140A, line 19    Form 140EZ, line 8
2. Read across until you find your *filing status*. Enter the tax on your return.  
 Form 140, line 46    Form 140A, line 20    Form 140EZ, line 9

### Example:

Mr. and Mrs. Timely are filing a joint return. Their taxable income is \$19,360 (Form 140, line 45). First, they find the \$19,350-\$19,400 income line. Next they find the column for married filing jointly and read down the column. The amount shown where the income lines and filing status column meet is \$494. This is the tax amount they must enter on Form 140, line 46.

At Least	But less than	Single or Married Filing Separately	Married Filing Jointly or Head of Household
<b>Your Tax Is -</b>			
<b>19,300</b>	<b>19,350</b>	493	493
<b>19,350</b>	<b>19,400</b>	494	494
<b>19,400</b>	<b>19,450</b>	495	495


At least	But less than	Single or Married Filing Separately	Married Filing Jointly or Head of Household	At least	But less than	Single or Married Filing Separately	Married Filing Jointly or Head of Household	At least	But less than	Single or Married Filing Separately	Married Filing Jointly or Head of Household
<b>If less than \$20 tax is 0    Your Tax Is</b>				<b>\$2,000    Your Tax Is</b>				<b>\$4,000    Your Tax Is</b>			
20	50	1	1	2,000	2,050	52	52	4,000	4,050	103	103
50	100	2	2	2,050	2,100	53	53	4,050	4,100	104	104
100	150	3	3	2,100	2,150	54	54	4,100	4,150	105	105
150	200	4	4	2,150	2,200	55	55	4,150	4,200	106	106
200	250	6	6	2,200	2,250	57	57	4,200	4,250	108	108
250	300	7	7	2,250	2,300	58	58	4,250	4,300	109	109
300	350	8	8	2,300	2,350	59	59	4,300	4,350	110	110
350	400	10	10	2,350	2,400	61	61	4,350	4,400	112	112
400	450	11	11	2,400	2,450	62	62	4,400	4,450	113	113
450	500	12	12	2,450	2,500	63	63	4,450	4,500	114	114
500	550	13	13	2,500	2,550	64	64	4,500	4,550	115	115
550	600	15	15	2,550	2,600	66	66	4,550	4,600	117	117
600	650	16	16	2,600	2,650	67	67	4,600	4,650	118	118
650	700	17	17	2,650	2,700	68	68	4,650	4,700	119	119
700	750	18	18	2,700	2,750	69	69	4,700	4,750	120	120
750	800	20	20	2,750	2,800	71	71	4,750	4,800	122	122
800	850	21	21	2,800	2,850	72	72	4,800	4,850	123	123
850	900	22	22	2,850	2,900	73	73	4,850	4,900	124	124
900	950	24	24	2,900	2,950	75	75	4,900	4,950	126	126
950	1,000	25	25	2,950	3,000	76	76	4,950	5,000	127	127
<b>\$1,000    Your Tax Is</b>				<b>\$3,000    Your Tax Is</b>				<b>\$5,000    Your Tax Is</b>			
1,000	1,050	26	26	3,000	3,050	77	77	5,000	5,050	128	128
1,050	1,100	27	27	3,050	3,100	78	78	5,050	5,100	129	129
1,100	1,150	29	29	3,100	3,150	80	80	5,100	5,150	131	131
1,150	1,200	30	30	3,150	3,200	81	81	5,150	5,200	132	132
1,200	1,250	31	31	3,200	3,250	82	82	5,200	5,250	133	133
1,250	1,300	33	33	3,250	3,300	84	84	5,250	5,300	135	135
1,300	1,350	34	34	3,300	3,350	85	85	5,300	5,350	136	136
1,350	1,400	35	35	3,350	3,400	86	86	5,350	5,400	137	137
1,400	1,450	36	36	3,400	3,450	87	87	5,400	5,450	138	138
1,450	1,500	38	38	3,450	3,500	89	89	5,450	5,500	140	140
1,500	1,550	39	39	3,500	3,550	90	90	5,500	5,550	141	141
1,550	1,600	40	40	3,550	3,600	91	91	5,550	5,600	142	142
1,600	1,650	41	41	3,600	3,650	92	92	5,600	5,650	143	143
1,650	1,700	43	43	3,650	3,700	94	94	5,650	5,700	145	145
1,700	1,750	44	44	3,700	3,750	95	95	5,700	5,750	146	146
1,750	1,800	45	45	3,750	3,800	96	96	5,750	5,800	147	147
1,800	1,850	47	47	3,800	3,850	98	98	5,800	5,850	149	149
1,850	1,900	48	48	3,850	3,900	99	99	5,850	5,900	150	150
1,900	1,950	49	49	3,900	3,950	100	100	5,900	5,950	151	151
1,950	2,000	50	50	3,950	4,000	101	101	5,950	6,000	152	152

At least	But less than	Single or Married Filing Separately	Married Filing Jointly or Head of Household	At least	But less than	Single or Married Filing Separately	Married Filing Jointly or Head of Household	At least	But less than	Single or Married Filing Separately	Married Filing Jointly or Head of Household
<b>\$6,000 Your Tax Is</b>				<b>\$9,000 Your Tax Is</b>				<b>\$12,000 Your Tax Is</b>			
6,000	6,050	154	154	9,000	9,050	230	230	12,000	12,050	307	307
6,050	6,100	155	155	9,050	9,100	231	231	12,050	12,100	308	308
6,100	6,150	156	156	9,100	9,150	233	233	12,100	12,150	309	309
6,150	6,200	157	157	9,150	9,200	234	234	12,150	12,200	310	310
6,200	6,250	159	159	9,200	9,250	235	235	12,200	12,250	312	312
6,250	6,300	160	160	9,250	9,300	237	237	12,250	12,300	313	313
6,300	6,350	161	161	9,300	9,350	238	238	12,300	12,350	314	314
6,350	6,400	163	163	9,350	9,400	239	239	12,350	12,400	316	316
6,400	6,450	164	164	9,400	9,450	240	240	12,400	12,450	317	317
6,450	6,500	165	165	9,450	9,500	242	242	12,450	12,500	318	318
6,500	6,550	166	166	9,500	9,550	243	243	12,500	12,550	319	319
6,550	6,600	168	168	9,550	9,600	244	244	12,550	12,600	321	321
6,600	6,650	169	169	9,600	9,650	245	245	12,600	12,650	322	322
6,650	6,700	170	170	9,650	9,700	247	247	12,650	12,700	323	323
6,700	6,750	171	171	9,700	9,750	248	248	12,700	12,750	324	324
6,750	6,800	173	173	9,750	9,800	249	249	12,750	12,800	326	326
6,800	6,850	174	174	9,800	9,850	251	251	12,800	12,850	327	327
6,850	6,900	175	175	9,850	9,900	252	252	12,850	12,900	328	328
6,900	6,950	177	177	9,900	9,950	253	253	12,900	12,950	330	330
6,950	7,000	178	178	9,950	10,000	254	254	12,950	13,000	331	331
<b>\$7,000 Your Tax Is</b>				<b>\$10,000 Your Tax Is</b>				<b>\$13,000 Your Tax Is</b>			
7,000	7,050	179	179	10,000	10,050	256	256	13,000	13,050	332	332
7,050	7,100	180	180	10,050	10,100	257	257	13,050	13,100	333	333
7,100	7,150	182	182	10,100	10,150	258	258	13,100	13,150	335	335
7,150	7,200	183	183	10,150	10,200	259	259	13,150	13,200	336	336
7,200	7,250	184	184	10,200	10,250	261	261	13,200	13,250	337	337
7,250	7,300	186	186	10,250	10,300	262	262	13,250	13,300	339	339
7,300	7,350	187	187	10,300	10,350	263	263	13,300	13,350	340	340
7,350	7,400	188	188	10,350	10,400	265	265	13,350	13,400	341	341
7,400	7,450	189	189	10,400	10,450	266	266	13,400	13,450	342	342
7,450	7,500	191	191	10,450	10,500	267	267	13,450	13,500	344	344
7,500	7,550	192	192	10,500	10,550	268	268	13,500	13,550	345	345
7,550	7,600	193	193	10,550	10,600	270	270	13,550	13,600	346	346
7,600	7,650	194	194	10,600	10,650	271	271	13,600	13,650	347	347
7,650	7,700	196	196	10,650	10,700	272	272	13,650	13,700	349	349
7,700	7,750	197	197	10,700	10,750	273	273	13,700	13,750	350	350
7,750	7,800	198	198	10,750	10,800	275	275	13,750	13,800	351	351
7,800	7,850	200	200	10,800	10,850	276	276	13,800	13,850	353	353
7,850	7,900	201	201	10,850	10,900	277	277	13,850	13,900	354	354
7,900	7,950	202	202	10,900	10,950	279	279	13,900	13,950	355	355
7,950	8,000	203	203	10,950	11,000	280	280	13,950	14,000	356	356
<b>\$8,000 Your Tax Is</b>				<b>\$11,000 Your Tax Is</b>				<b>\$14,000 Your Tax Is</b>			
8,000	8,050	205	205	11,000	11,050	281	281	14,000	14,050	358	358
8,050	8,100	206	206	11,050	11,100	282	282	14,050	14,100	359	359
8,100	8,150	207	207	11,100	11,150	284	284	14,100	14,150	360	360
8,150	8,200	208	208	11,150	11,200	285	285	14,150	14,200	361	361
8,200	8,250	210	210	11,200	11,250	286	286	14,200	14,250	363	363
8,250	8,300	211	211	11,250	11,300	288	288	14,250	14,300	364	364
8,300	8,350	212	212	11,300	11,350	289	289	14,300	14,350	365	365
8,350	8,400	214	214	11,350	11,400	290	290	14,350	14,400	367	367
8,400	8,450	215	215	11,400	11,450	291	291	14,400	14,450	368	368
8,450	8,500	216	216	11,450	11,500	293	293	14,450	14,500	369	369
8,500	8,550	217	217	11,500	11,550	294	294	14,500	14,550	370	370
8,550	8,600	219	219	11,550	11,600	295	295	14,550	14,600	372	372
8,600	8,650	220	220	11,600	11,650	296	296	14,600	14,650	373	373
8,650	8,700	221	221	11,650	11,700	298	298	14,650	14,700	374	374
8,700	8,750	222	222	11,700	11,750	299	299	14,700	14,750	375	375
8,750	8,800	224	224	11,750	11,800	300	300	14,750	14,800	377	377
8,800	8,850	225	225	11,800	11,850	302	302	14,800	14,850	378	378
8,850	8,900	226	226	11,850	11,900	303	303	14,850	14,900	379	379
8,900	8,950	228	228	11,900	11,950	304	304	14,900	14,950	381	381
8,950	9,000	229	229	11,950	12,000	305	305	14,950	15,000	382	382

At least	But less than	Single or Married Filing Separately	Married Filing Jointly or Head of Household	At least	But less than	Single or Married Filing Separately	Married Filing Jointly or Head of Household	At least	But less than	Single or Married Filing Separately	Married Filing Jointly or Head of Household
<b>\$15,000 Your Tax Is</b>				<b>\$18,000 Your Tax Is</b>				<b>\$21,000 Your Tax Is</b>			
15,000	15,050	383	383	18,000	18,050	460	460	21,000	21,050	536	536
15,050	15,100	384	384	18,050	18,100	461	461	21,050	21,100	537	537
15,100	15,150	386	386	18,100	18,150	462	462	21,100	21,150	539	539
15,150	15,200	387	387	18,150	18,200	463	463	21,150	21,200	540	540
15,200	15,250	388	388	18,200	18,250	465	465	21,200	21,250	541	541
15,250	15,300	390	390	18,250	18,300	466	466	21,250	21,300	543	543
15,300	15,350	391	391	18,300	18,350	467	467	21,300	21,350	544	544
15,350	15,400	392	392	18,350	18,400	469	469	21,350	21,400	545	545
15,400	15,450	393	393	18,400	18,450	470	470	21,400	21,450	546	546
15,450	15,500	395	395	18,450	18,500	471	471	21,450	21,500	548	548
15,500	15,550	396	396	18,500	18,550	472	472	21,500	21,550	549	549
15,550	15,600	397	397	18,550	18,600	474	474	21,550	21,600	550	550
15,600	15,650	398	398	18,600	18,650	475	475	21,600	21,650	551	551
15,650	15,700	400	400	18,650	18,700	476	476	21,650	21,700	553	553
15,700	15,750	401	401	18,700	18,750	477	477	21,700	21,750	554	554
15,750	15,800	402	402	18,750	18,800	479	479	21,750	21,800	555	555
15,800	15,850	404	404	18,800	18,850	480	480	21,800	21,850	557	557
15,850	15,900	405	405	18,850	18,900	481	481	21,850	21,900	558	558
15,900	15,950	406	406	18,900	18,950	483	483	21,900	21,950	559	559
15,950	16,000	407	407	18,950	19,000	484	484	21,950	22,000	560	560
<b>\$16,000 Your Tax Is</b>				<b>\$19,000 Your Tax Is</b>				<b>\$22,000 Your Tax Is</b>			
16,000	16,050	409	409	19,000	19,050	485	485	22,000	22,050	562	562
16,050	16,100	410	410	19,050	19,100	486	486	22,050	22,100	563	563
16,100	16,150	411	411	19,100	19,150	488	488	22,100	22,150	564	564
16,150	16,200	412	412	19,150	19,200	489	489	22,150	22,200	565	565
16,200	16,250	414	414	19,200	19,250	490	490	22,200	22,250	567	567
16,250	16,300	415	415	19,250	19,300	492	492	22,250	22,300	568	568
16,300	16,350	416	416	19,300	19,350	493	493	22,300	22,350	569	569
16,350	16,400	418	418	19,350	19,400	494	494	22,350	22,400	571	571
16,400	16,450	419	419	19,400	19,450	495	495	22,400	22,450	572	572
16,450	16,500	420	420	19,450	19,500	497	497	22,450	22,500	573	573
16,500	16,550	421	421	19,500	19,550	498	498	22,500	22,550	574	574
16,550	16,600	423	423	19,550	19,600	499	499	22,550	22,600	576	576
16,600	16,650	424	424	19,600	19,650	500	500	22,600	22,650	577	577
16,650	16,700	425	425	19,650	19,700	502	502	22,650	22,700	578	578
16,700	16,750	426	426	19,700	19,750	503	503	22,700	22,750	579	579
16,750	16,800	428	428	19,750	19,800	504	504	22,750	22,800	581	581
16,800	16,850	429	429	19,800	19,850	506	506	22,800	22,850	582	582
16,850	16,900	430	430	19,850	19,900	507	507	22,850	22,900	583	583
16,900	16,950	432	432	19,900	19,950	508	508	22,900	22,950	585	585
16,950	17,000	433	433	19,950	20,000	509	509	22,950	23,000	586	586
<b>\$17,000 Your Tax Is</b>				<b>\$20,000 Your Tax Is</b>				<b>\$23,000 Your Tax Is</b>			
17,000	17,050	434	434	20,000	20,050	511	511	23,000	23,050	587	587
17,050	17,100	435	435	20,050	20,100	512	512	23,050	23,100	588	588
17,100	17,150	437	437	20,100	20,150	513	513	23,100	23,150	590	590
17,150	17,200	438	438	20,150	20,200	514	514	23,150	23,200	591	591
17,200	17,250	439	439	20,200	20,250	516	516	23,200	23,250	592	592
17,250	17,300	441	441	20,250	20,300	517	517	23,250	23,300	594	594
17,300	17,350	442	442	20,300	20,350	518	518	23,300	23,350	595	595
17,350	17,400	443	443	20,350	20,400	520	520	23,350	23,400	596	596
17,400	17,450	444	444	20,400	20,450	521	521	23,400	23,450	597	597
17,450	17,500	446	446	20,450	20,500	522	522	23,450	23,500	599	599
17,500	17,550	447	447	20,500	20,550	523	523	23,500	23,550	600	600
17,550	17,600	448	448	20,550	20,600	525	525	23,550	23,600	601	601
17,600	17,650	449	449	20,600	20,650	526	526	23,600	23,650	602	602
17,650	17,700	451	451	20,650	20,700	527	527	23,650	23,700	604	604
17,700	17,750	452	452	20,700	20,750	528	528	23,700	23,750	605	605
17,750	17,800	453	453	20,750	20,800	530	530	23,750	23,800	606	606
17,800	17,850	455	455	20,800	20,850	531	531	23,800	23,850	608	608
17,850	17,900	456	456	20,850	20,900	532	532	23,850	23,900	609	609
17,900	17,950	457	457	20,900	20,950	534	534	23,900	23,950	610	610
17,950	18,000	458	458	20,950	21,000	535	535	23,950	24,000	611	611

At least	But less than	Single or Married Filing Separately	Married Filing Jointly or Head of Household	At least	But less than	Single or Married Filing Separately	Married Filing Jointly or Head of Household	At least	But less than	Single or Married Filing Separately	Married Filing Jointly or Head of Household
<b>\$24,000 Your Tax Is</b>				<b>\$27,000 Your Tax Is</b>				<b>\$30,000 Your Tax Is</b>			
24,000	24,050	613	613	27,000	27,050	689	689	30,000	30,050	772	766
24,050	24,100	614	614	27,050	27,100	690	690	30,050	30,100	773	767
24,100	24,150	615	615	27,100	27,150	692	692	30,100	30,150	775	768
24,150	24,200	616	616	27,150	27,200	693	693	30,150	30,200	776	769
24,200	24,250	618	618	27,200	27,250	694	694	30,200	30,250	778	771
24,250	24,300	619	619	27,250	27,300	696	696	30,250	30,300	779	772
24,300	24,350	620	620	27,300	27,350	697	697	30,300	30,350	781	773
24,350	24,400	622	622	27,350	27,400	698	698	30,350	30,400	782	775
24,400	24,450	623	623	27,400	27,450	699	699	30,400	30,450	784	776
24,450	24,500	624	624	27,450	27,500	701	701	30,450	30,500	785	777
24,500	24,550	625	625	27,500	27,550	702	702	30,500	30,550	787	778
24,550	24,600	627	627	27,550	27,600	703	703	30,550	30,600	788	780
24,600	24,650	628	628	27,600	27,650	704	704	30,600	30,650	790	781
24,650	24,700	629	629	27,650	27,700	706	706	30,650	30,700	791	782
24,700	24,750	630	630	27,700	27,750	707	707	30,700	30,750	793	783
24,750	24,800	632	632	27,750	27,800	708	708	30,750	30,800	794	785
24,800	24,850	633	633	27,800	27,850	710	710	30,800	30,850	796	786
24,850	24,900	634	634	27,850	27,900	711	711	30,850	30,900	797	787
24,900	24,950	636	636	27,900	27,950	712	712	30,900	30,950	799	789
24,950	25,000	637	637	27,950	28,000	713	713	30,950	31,000	800	790
<b>\$25,000 Your Tax Is</b>				<b>\$28,000 Your Tax Is</b>				<b>\$31,000 Your Tax Is</b>			
25,000	25,050	638	638	28,000	28,050	715	715	31,000	31,050	802	791
25,050	25,100	639	639	28,050	28,100	716	716	31,050	31,100	803	792
25,100	25,150	641	641	28,100	28,150	717	717	31,100	31,150	805	794
25,150	25,200	642	642	28,150	28,200	718	718	31,150	31,200	806	795
25,200	25,250	643	643	28,200	28,250	720	720	31,200	31,250	808	796
25,250	25,300	645	645	28,250	28,300	721	721	31,250	31,300	809	798
25,300	25,350	646	646	28,300	28,350	722	722	31,300	31,350	811	799
25,350	25,400	647	647	28,350	28,400	724	724	31,350	31,400	812	800
25,400	25,450	648	648	28,400	28,450	725	725	31,400	31,450	814	801
25,450	25,500	650	650	28,450	28,500	726	726	31,450	31,500	815	803
25,500	25,550	651	651	28,500	28,550	727	727	31,500	31,550	817	804
25,550	25,600	652	652	28,550	28,600	729	729	31,550	31,600	818	805
25,600	25,650	653	653	28,600	28,650	730	730	31,600	31,650	820	806
25,650	25,700	655	655	28,650	28,700	732	731	31,650	31,700	821	808
25,700	25,750	656	656	28,700	28,750	733	732	31,700	31,750	823	809
25,750	25,800	657	657	28,750	28,800	735	734	31,750	31,800	824	810
25,800	25,850	659	659	28,800	28,850	736	735	31,800	31,850	826	812
25,850	25,900	660	660	28,850	28,900	738	736	31,850	31,900	827	813
25,900	25,950	661	661	28,900	28,950	739	738	31,900	31,950	829	814
25,950	26,000	662	662	28,950	29,000	741	739	31,950	32,000	830	815
<b>\$26,000 Your Tax Is</b>				<b>\$29,000 Your Tax Is</b>				<b>\$32,000 Your Tax Is</b>			
26,000	26,050	664	664	29,000	29,050	742	740	32,000	32,050	831	817
26,050	26,100	665	665	29,050	29,100	744	741	32,050	32,100	833	818
26,100	26,150	666	666	29,100	29,150	745	743	32,100	32,150	834	819
26,150	26,200	667	667	29,150	29,200	747	744	32,150	32,200	836	820
26,200	26,250	669	669	29,200	29,250	748	745	32,200	32,250	837	822
26,250	26,300	670	670	29,250	29,300	750	747	32,250	32,300	839	823
26,300	26,350	671	671	29,300	29,350	751	748	32,300	32,350	840	824
26,350	26,400	673	673	29,350	29,400	753	749	32,350	32,400	842	826
26,400	26,450	674	674	29,400	29,450	754	750	32,400	32,450	843	827
26,450	26,500	675	675	29,450	29,500	755	752	32,450	32,500	845	828
26,500	26,550	676	676	29,500	29,550	757	753	32,500	32,550	846	829
26,550	26,600	678	678	29,550	29,600	758	754	32,550	32,600	848	831
26,600	26,650	679	679	29,600	29,650	760	755	32,600	32,650	849	832
26,650	26,700	680	680	29,650	29,700	761	757	32,650	32,700	851	833
26,700	26,750	681	681	29,700	29,750	763	758	32,700	32,750	852	834
26,750	26,800	683	683	29,750	29,800	764	759	32,750	32,800	854	836
26,800	26,850	684	684	29,800	29,850	766	761	32,800	32,850	855	837
26,850	26,900	685	685	29,850	29,900	767	762	32,850	32,900	857	838
26,900	26,950	687	687	29,900	29,950	769	763	32,900	32,950	858	840
26,950	27,000	688	688	29,950	30,000	770	764	32,950	33,000	860	841

At least	But less than	Single or Married Filing Separately	Married Filing Jointly or Head of Household	At least	But less than	Single or Married Filing Separately	Married Filing Jointly or Head of Household	At least	But less than	Single or Married Filing Separately	Married Filing Jointly or Head of Household
<b>\$33,000 Your Tax Is</b>				<b>\$36,000 Your Tax Is</b>				<b>\$39,000 Your Tax Is</b>			
33,000	33,050	861	842	36,000	36,050	951	919	39,000	39,050	1,040	995
33,050	33,100	863	843	36,050	36,100	952	920	39,050	39,100	1,042	996
33,100	33,150	864	845	36,100	36,150	954	921	39,100	39,150	1,043	998
33,150	33,200	866	846	36,150	36,200	955	922	39,150	39,200	1,045	999
33,200	33,250	867	847	36,200	36,250	957	924	39,200	39,250	1,046	1,000
33,250	33,300	869	849	36,250	36,300	958	925	39,250	39,300	1,048	1,002
33,300	33,350	870	850	36,300	36,350	960	926	39,300	39,350	1,049	1,003
33,350	33,400	872	851	36,350	36,400	961	928	39,350	39,400	1,051	1,004
33,400	33,450	873	852	36,400	36,450	963	929	39,400	39,450	1,052	1,005
33,450	33,500	875	854	36,450	36,500	964	930	39,450	39,500	1,053	1,007
33,500	33,550	876	855	36,500	36,550	966	931	39,500	39,550	1,055	1,008
33,550	33,600	878	856	36,550	36,600	967	933	39,550	39,600	1,056	1,009
33,600	33,650	879	857	36,600	36,650	969	934	39,600	39,650	1,058	1,010
33,650	33,700	881	859	36,650	36,700	970	935	39,650	39,700	1,059	1,012
33,700	33,750	882	860	36,700	36,750	972	936	39,700	39,750	1,061	1,013
33,750	33,800	884	861	36,750	36,800	973	938	39,750	39,800	1,062	1,014
33,800	33,850	885	863	36,800	36,850	975	939	39,800	39,850	1,064	1,016
33,850	33,900	887	864	36,850	36,900	976	940	39,850	39,900	1,065	1,017
33,900	33,950	888	865	36,900	36,950	978	942	39,900	39,950	1,067	1,018
33,950	34,000	890	866	36,950	37,000	979	943	39,950	40,000	1,068	1,019
<b>\$34,000 Your Tax Is</b>				<b>\$37,000 Your Tax Is</b>				<b>\$40,000 Your Tax Is</b>			
34,000	34,050	891	868	37,000	37,050	980	944	40,000	40,050	1,070	1,021
34,050	34,100	893	869	37,050	37,100	982	945	40,050	40,100	1,071	1,022
34,100	34,150	894	870	37,100	37,150	983	947	40,100	40,150	1,073	1,023
34,150	34,200	896	871	37,150	37,200	985	948	40,150	40,200	1,074	1,024
34,200	34,250	897	873	37,200	37,250	986	949	40,200	40,250	1,076	1,026
34,250	34,300	899	874	37,250	37,300	988	951	40,250	40,300	1,077	1,027
34,300	34,350	900	875	37,300	37,350	989	952	40,300	40,350	1,079	1,028
34,350	34,400	902	877	37,350	37,400	991	953	40,350	40,400	1,080	1,030
34,400	34,450	903	878	37,400	37,450	992	954	40,400	40,450	1,082	1,031
34,450	34,500	904	879	37,450	37,500	994	956	40,450	40,500	1,083	1,032
34,500	34,550	906	880	37,500	37,550	995	957	40,500	40,550	1,085	1,033
34,550	34,600	907	882	37,550	37,600	997	958	40,550	40,600	1,086	1,035
34,600	34,650	909	883	37,600	37,650	998	959	40,600	40,650	1,088	1,036
34,650	34,700	910	884	37,650	37,700	1,000	961	40,650	40,700	1,089	1,037
34,700	34,750	912	885	37,700	37,750	1,001	962	40,700	40,750	1,091	1,038
34,750	34,800	913	887	37,750	37,800	1,003	963	40,750	40,800	1,092	1,040
34,800	34,850	915	888	37,800	37,850	1,004	965	40,800	40,850	1,094	1,041
34,850	34,900	916	889	37,850	37,900	1,006	966	40,850	40,900	1,095	1,042
34,900	34,950	918	891	37,900	37,950	1,007	967	40,900	40,950	1,097	1,044
34,950	35,000	919	892	37,950	38,000	1,009	968	40,950	41,000	1,098	1,045
<b>\$35,000 Your Tax Is</b>				<b>\$38,000 Your Tax Is</b>				<b>\$41,000 Your Tax Is</b>			
35,000	35,050	921	893	38,000	38,050	1,010	970	41,000	41,050	1,100	1,046
35,050	35,100	922	894	38,050	38,100	1,012	971	41,050	41,100	1,101	1,047
35,100	35,150	924	896	38,100	38,150	1,013	972	41,100	41,150	1,103	1,049
35,150	35,200	925	897	38,150	38,200	1,015	973	41,150	41,200	1,104	1,050
35,200	35,250	927	898	38,200	38,250	1,016	975	41,200	41,250	1,106	1,051
35,250	35,300	928	900	38,250	38,300	1,018	976	41,250	41,300	1,107	1,053
35,300	35,350	930	901	38,300	38,350	1,019	977	41,300	41,350	1,109	1,054
35,350	35,400	931	902	38,350	38,400	1,021	979	41,350	41,400	1,110	1,055
35,400	35,450	933	903	38,400	38,450	1,022	980	41,400	41,450	1,112	1,056
35,450	35,500	934	905	38,450	38,500	1,024	981	41,450	41,500	1,113	1,058
35,500	35,550	936	906	38,500	38,550	1,025	982	41,500	41,550	1,115	1,059
35,550	35,600	937	907	38,550	38,600	1,027	984	41,550	41,600	1,116	1,060
35,600	35,650	939	908	38,600	38,650	1,028	985	41,600	41,650	1,118	1,061
35,650	35,700	940	910	38,650	38,700	1,030	986	41,650	41,700	1,119	1,063
35,700	35,750	942	911	38,700	38,750	1,031	987	41,700	41,750	1,121	1,064
35,750	35,800	943	912	38,750	38,800	1,033	989	41,750	41,800	1,122	1,065
35,800	35,850	945	914	38,800	38,850	1,034	990	41,800	41,850	1,124	1,067
35,850	35,900	946	915	38,850	38,900	1,036	991	41,850	41,900	1,125	1,068
35,900	35,950	948	916	38,900	38,950	1,037	993	41,900	41,950	1,127	1,069
35,950	36,000	949	917	38,950	39,000	1,039	994	41,950	42,000	1,128	1,070

At least	But less than	Single or Married Filing Separately	Married Filing Jointly or Head of Household	At least	But less than	Single or Married Filing Separately	Married Filing Jointly or Head of Household	At least	But less than	Single or Married Filing Separately	Married Filing Jointly or Head of Household
<b>\$42,000</b>		<b>Your Tax Is</b>		<b>\$45,000</b>		<b>Your Tax Is</b>		<b>\$48,000</b>		<b>Your Tax Is</b>	
42,000	42,050	1,129	1,072	45,000	45,050	1,219	1,148	48,000	48,050	1,308	1,225
42,050	42,100	1,131	1,073	45,050	45,100	1,220	1,149	48,050	48,100	1,310	1,226
42,100	42,150	1,132	1,074	45,100	45,150	1,222	1,151	48,100	48,150	1,311	1,227
42,150	42,200	1,134	1,075	45,150	45,200	1,223	1,152	48,150	48,200	1,313	1,228
42,200	42,250	1,135	1,077	45,200	45,250	1,225	1,153	48,200	48,250	1,314	1,230
42,250	42,300	1,137	1,078	45,250	45,300	1,226	1,155	48,250	48,300	1,316	1,231
42,300	42,350	1,138	1,079	45,300	45,350	1,228	1,156	48,300	48,350	1,317	1,232
42,350	42,400	1,140	1,081	45,350	45,400	1,229	1,157	48,350	48,400	1,319	1,234
42,400	42,450	1,141	1,082	45,400	45,450	1,231	1,158	48,400	48,450	1,320	1,235
42,450	42,500	1,143	1,083	45,450	45,500	1,232	1,160	48,450	48,500	1,322	1,236
42,500	42,550	1,144	1,084	45,500	45,550	1,234	1,161	48,500	48,550	1,323	1,237
42,550	42,600	1,146	1,086	45,550	45,600	1,235	1,162	48,550	48,600	1,325	1,239
42,600	42,650	1,147	1,087	45,600	45,650	1,237	1,163	48,600	48,650	1,326	1,240
42,650	42,700	1,149	1,088	45,650	45,700	1,238	1,165	48,650	48,700	1,328	1,241
42,700	42,750	1,150	1,089	45,700	45,750	1,240	1,166	48,700	48,750	1,329	1,242
42,750	42,800	1,152	1,091	45,750	45,800	1,241	1,167	48,750	48,800	1,331	1,244
42,800	42,850	1,153	1,092	45,800	45,850	1,243	1,169	48,800	48,850	1,332	1,245
42,850	42,900	1,155	1,093	45,850	45,900	1,244	1,170	48,850	48,900	1,334	1,246
42,900	42,950	1,156	1,095	45,900	45,950	1,246	1,171	48,900	48,950	1,335	1,248
42,950	43,000	1,158	1,096	45,950	46,000	1,247	1,172	48,950	49,000	1,337	1,249
<b>\$43,000</b>		<b>Your Tax Is</b>		<b>\$46,000</b>		<b>Your Tax Is</b>		<b>\$49,000</b>		<b>Your Tax Is</b>	
43,000	43,050	1,159	1,097	46,000	46,050	1,249	1,174	49,000	49,050	1,338	1,250
43,050	43,100	1,161	1,098	46,050	46,100	1,250	1,175	49,050	49,100	1,340	1,251
43,100	43,150	1,162	1,100	46,100	46,150	1,252	1,176	49,100	49,150	1,341	1,253
43,150	43,200	1,164	1,101	46,150	46,200	1,253	1,177	49,150	49,200	1,343	1,254
43,200	43,250	1,165	1,102	46,200	46,250	1,255	1,179	49,200	49,250	1,344	1,255
43,250	43,300	1,167	1,104	46,250	46,300	1,256	1,180	49,250	49,300	1,346	1,257
43,300	43,350	1,168	1,105	46,300	46,350	1,258	1,181	49,300	49,350	1,347	1,258
43,350	43,400	1,170	1,106	46,350	46,400	1,259	1,183	49,350	49,400	1,349	1,259
43,400	43,450	1,171	1,107	46,400	46,450	1,261	1,184	49,400	49,450	1,350	1,260
43,450	43,500	1,173	1,109	46,450	46,500	1,262	1,185	49,450	49,500	1,351	1,262
43,500	43,550	1,174	1,110	46,500	46,550	1,264	1,186	49,500	49,550	1,353	1,263
43,550	43,600	1,176	1,111	46,550	46,600	1,265	1,188	49,550	49,600	1,354	1,264
43,600	43,650	1,177	1,112	46,600	46,650	1,267	1,189	49,600	49,650	1,356	1,265
43,650	43,700	1,179	1,114	46,650	46,700	1,268	1,190	49,650	49,700	1,357	1,267
43,700	43,750	1,180	1,115	46,700	46,750	1,270	1,191	49,700	49,750	1,359	1,268
43,750	43,800	1,182	1,116	46,750	46,800	1,271	1,193	49,750	49,800	1,360	1,269
43,800	43,850	1,183	1,118	46,800	46,850	1,273	1,194	49,800	49,850	1,362	1,271
43,850	43,900	1,185	1,119	46,850	46,900	1,274	1,195	49,850	49,900	1,363	1,272
43,900	43,950	1,186	1,120	46,900	46,950	1,276	1,197	49,900	49,950	1,365	1,273
43,950	44,000	1,188	1,121	46,950	47,000	1,277	1,198	49,950	50,000	1,366	1,274
<b>\$44,000</b>		<b>Your Tax Is</b>		<b>\$47,000</b>		<b>Your Tax Is</b>		 <p><b>End of Optional Tables</b></p>			
44,000	44,050	1,189	1,123	47,000	47,050	1,278	1,199				
44,050	44,100	1,191	1,124	47,050	47,100	1,280	1,200				
44,100	44,150	1,192	1,125	47,100	47,150	1,281	1,202				
44,150	44,200	1,194	1,126	47,150	47,200	1,283	1,203				
44,200	44,250	1,195	1,128	47,200	47,250	1,284	1,204				
44,250	44,300	1,197	1,129	47,250	47,300	1,286	1,206				
44,300	44,350	1,198	1,130	47,300	47,350	1,287	1,207				
44,350	44,400	1,200	1,132	47,350	47,400	1,289	1,208				
44,400	44,450	1,201	1,133	47,400	47,450	1,290	1,209				
44,450	44,500	1,202	1,134	47,450	47,500	1,292	1,211				
44,500	44,550	1,204	1,135	47,500	47,550	1,293	1,212				
44,550	44,600	1,205	1,137	47,550	47,600	1,295	1,213				
44,600	44,650	1,207	1,138	47,600	47,650	1,296	1,214				
44,650	44,700	1,208	1,139	47,650	47,700	1,298	1,216				
44,700	44,750	1,210	1,140	47,700	47,750	1,299	1,217				
44,750	44,800	1,211	1,142	47,750	47,800	1,301	1,218				
44,800	44,850	1,213	1,143	47,800	47,850	1,302	1,220				
44,850	44,900	1,214	1,144	47,850	47,900	1,304	1,221				
44,900	44,950	1,216	1,146	47,900	47,950	1,305	1,222				
44,950	45,000	1,217	1,147	47,950	48,000	1,307	1,223				

## 2022 Arizona Tax Tables X and Y

### **Full-Year Residents:**

If your taxable income is less than \$50,000, you may use the Optional Tax Tables or Tax Tables X and Y to figure your tax. If your taxable income is \$50,000 or more, you must use Tax Tables X and Y to figure your tax.

**NOTE:** *If your taxable income is \$50,000 or more, you cannot use Form 140EZ or Form 140A to file your tax return. In this case, you must file using Form 140.*

### **All Part-Year Residents (filing Form 140PY) and Nonresidents (filing Form 140NR):**

You must use Tax Tables X and Y to figure your tax.

### Table X

**Use Table X if Your Filing Status is Single or Married Filing Separate**

Taxable Income		column (c) Taxable Income in excess of column (a)	X	column (d) Tax Rate	+	column (e) Tax on the amount in column (a)
column (a) Is over	column (b) But not over					
\$0	\$28,653	(Taxable income minus \$0)	X	2.55%	+	\$0
\$28,653		(Taxable income minus \$28,653)	X	2.98%	+	\$731

### Table Y

**Use Table Y if Your Filing Status is Married Filing Joint or Head of Household**

Taxable Income		column (c) Taxable Income in excess of column (a)	X	column (d) Tax Rate	+	column (e) Tax on the amount in column (a)
column (a) Is over	column (b) But not over					
\$0	\$57,305	(Taxable income minus \$0)	X	2.55%	+	\$0
\$57,305		(Taxable income minus \$57,305)	X	2.98%	+	\$1,461

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# 2022 EXEMPT ORGANIZATION HIGHLIGHTS

## EXEMPT ORGANIZATIONS

### Filing Requirement -

Effective for taxable year 2018, organizations exempt under Internal Revenue Code § 501 are exempt from Arizona income tax. Those organizations are no longer required to submit Arizona Form 99 or federal Form 990 to the department.

### Nonprofit Medical Marijuana Dispensaries -

Effective for tax years beginning after December 31, 2017, Nonprofit Medical Marijuana Dispensaries (NMMD) must file Arizona Form 99M. An NMMD must file Arizona Form 99M to meet the filing requirements of A.R.S. § 43-1242. A limited liability company (LLC) that is an NMMD but treated as a disregarded entity must file Arizona Form 99M.

Because NMMDs are not exempt organizations at the federal level, they do not have the option to file the federal return in place of Form 99M. An NMMD that is taxed as an S corporation or a partnership is required to file Arizona Form 120S or Arizona Form 165, as applicable, by the due date of those returns, in addition to filing Form 99M. An NMMD that is organized as a sole proprietorship must also file Arizona Form 140, 140PY, or 140NR, as applicable, by the due date of those returns, in addition to filing Form 99M.

An NMMD may apply for an Arizona extension by filing a completed Form 120EXT by the original due date of the return. The department grants an Arizona extension for filing Form 99M for a period of 6 months. The NMMD cannot use a federal extension to extend the due date of its return. The NMMD must request an Arizona extension on Arizona Form 120EXT.

- *An NMMD organized or taxed as an S corporation:* File one Form 120EXT to apply for an Arizona extension to file Form 99M. File a second Form 120EXT to apply for an Arizona extension of time to file Form 120S. A valid federal extension may be used to file Form 120S, but cannot be used to file Form 99M. No extension payment is due.
- *An NMMD organized or taxed as a partnership:* File one Form 120EXT to apply for an Arizona extension to file Form 99M. File a second Form 120EXT to apply for an Arizona extension of time to file Form 165. A valid federal extension may be used to file Form 165, but cannot be used to file Form 99M.
- *An NMMD organized as a sole proprietorship:* File one Form 120EXT to apply for an Arizona extension to file Form 99M. File a second Form 204 to apply for an Arizona extension of time to file Form(s) 140, 140PY, or 140NR, as applicable. A valid federal extension may be used to file Form(s) 140, 140PY, or 140NR, but cannot be used to file Form 99M.

## ORGANIZATIONS WITH UNRELATED BUSINESS TAXABLE INCOME (UBTI):

### Electronic Funds Transfer -

Organizations are required to pay their tax liability by electronic funds transfer (EFT) if the Organization owes \$500 or more for any taxable year beginning from and after December 31, 2020.

An organization may apply to the director for an annual waiver from the electronic payment requirement. The application must be received by December 31 of each year. The director may grant the waiver if any of the following applies:

- The organization has no computer.
- The organization has no internet access.
- Any other circumstance considered to be worthy by the director exists, including:
  - The organization has a sustained record of timely payments and
  - No delinquent tax account with the department.

To request a waiver, submit Form 292, *Electronic Filing and Payment Waiver Application*, to the department. Form 292 is available at: <https://azdor.gov/forms/other-forms/electronic-filing-and-payment-waiver-application>.

**NOTE:** *An organization that is required to pay by EFT but fails to do so is subject to a penalty of 5% of the amount of the payment not made by EFT. See A.R.S. § 42-1125(O).*

*For additional information on electronic funds transfer, refer to A.R.S. § 42-1129 and the related Arizona Administrative Code rules (A.A.C. R15-10-301 through R15-10-307) for detailed information.*

### Extension of Time to File a Return

Effective for taxable years beginning from and after December 31, 2020, the department may grant an extension request for a maximum of 7 months to:

- An NMMD filing Arizona Form 99M that files an Arizona Extension Request on Arizona Form 120EXT.
- An exempt organization filing Arizona Form 99T that has a valid federal extension request.
- An exempt organization filing Arizona Form 99T that files an Arizona extension request on Arizona Form 120EXT.

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For the  calendar year 2022 or  fiscal year beginning MM, M, D, D, 2, 0, 2, 2 and ending MM, M, D, D, Y, Y, Y, Y.

<b>CHECK ONE:</b> <input type="checkbox"/> Original <input type="checkbox"/> Amended	Name	Employer Identification Number (EIN)
	Address – number and street or PO Box	
Business Telephone Number (with area code)	City, Town or Post Office	State ZIP Code

- 68** Check box if: A  This is a first return B  Name change C  Address change
- NONPROFIT MEDICAL MARIJUANA DISPENSARY (NMMD) ONLY –**
- A Date Arizona operations began: MM, M, D, D, Y, Y, Y, Y
- B  NMMD Registry Identification Number: \_\_\_\_\_
- C What type of entity is the NMMD?  
 1  Corporation 2  Limited Liability Company (LLC) 3  Partnership 4  S Corporation  
 5  Sole Proprietorship
- D If the NMMD is an LLC, what is the federal tax classification?  
 1  Corporation 2  Disregarded Entity 3  Partnership 4  S Corporation  
 If the NMMD is an LLC, a partnership or an S Corporation, **include a schedule** that lists the following ownership information: name, address, TIN, and ownership percentage at the end of the tax year.
- E Federal form filed: 1  1040 2  1041 3  1065 4  1120 5  1120-S 6  Other (specify) \_\_\_\_\_
- F TPT License Number(s): 1 \_\_\_\_\_; 2 \_\_\_\_\_; 3 \_\_\_\_\_.

Check box if return filed under extension: <b>82</b> 82F <input type="checkbox"/>	
REVENUE USE ONLY. DO NOT MARK IN THIS AREA. <b>88</b>	
<b>81</b> PM	<b>66</b> RCVD

**Sources of Income**

1 Gross sales from business activities.....	1		00
2 Less cost of goods sold: Include itemized statement .....	2		00
3 Gross profit from business activities: Subtract line 2 from line 1 .....	3		00
4 Interest.....	4		00
5 Rents .....	5		00
6 Gain or (loss) from sales of assets, excluding inventory items.....	6		00
7 Other income: Include itemized statement .....	7		00
8 Total income: Add lines 3 through 7.....	<b>8</b>		<b>00</b>

**Expenses**

9 Compensation of officers, directors, trustees, etc.....	9		00
10 Salaries and wages other than amounts included on line 2 .....	10		00
11 Interest.....	11		00
12 Taxes .....	12		00
13 Rent expense.....	13		00
14 Depreciation: Include schedule.....	14		00
15 Other expenses: Include itemized statement.....	15		00
16 Total expenses: Add lines 9 through 15.....	<b>16</b>		<b>00</b>

**Net Revenue (Loss)**

17 Revenue less expenses. Subtract line 16 from line 8.....	<b>17</b>		<b>00</b>
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**Penalty**

18 Penalty for late filing or incomplete filing. See instructions.....	<b>18</b>		<b>00</b>
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THE BUSINESS IS SUBJECT TO A PENALTY IF THIS RETURN IS FILED LATE OR IS INCOMPLETE. A.R.S. § 42-1125(K).

Continued on page 2 →

**Balance Sheet**

	Beginning of Year		End of Year	
	(a)	(b)	(c)	(d)
<b>Assets</b>				
19 Cash .....		00		00
20 Accounts Receivable.....	00		00	
21 Less Allowance for doubtful accounts .....	00	00	00	00
22 Inventories.....		00		00
23 Other Current Assets.....		00		00
24 Buildings and other depreciable assets.....	00		00	
25 Less Accumulated Depreciation .....	00	00	00	00
26 Land (net of amortization).....		00		00
27 Other Long-Term Assets.....		00		00
28 Total Assets: Add lines 19 through 27 of columns (b) and (d)		00		00
<b>Liabilities</b>				
29 Accounts Payable.....		00		00
30 Mortgages and Other Notes Payable .....		00		00
31 Other Liabilities.....		00		00
32 Total Liabilities: Add lines 29 through 31.....		00		00
<b>Equity</b>				
33 Capital Stock or Trust Principal .....		00		00
34 Paid-in Capital or Capital Surplus.....		00		00
35 Retained Earnings or Accumulated Income .....		00		00
36 Total Net Assets: Add lines 33 through 35.....		00		00
37 <b>Total Liabilities and Equity:</b> Add line 32 and line 36.....		00		00

<b>Declaration</b>	Under penalties of perjury, I declare that I have examined this return, including the accompanying schedules and statements, and to the best of my knowledge and belief, it is a true, correct and complete return, made in good faith, for the taxable year stated pursuant to the income tax laws of the State of Arizona.		
<b>Please Sign Here</b>	_____ OFFICER'S SIGNATURE	_____ DATE	_____ TITLE
	_____ OFFICER'S PRINTED NAME		
<b>Paid Preparer's Use Only</b>	_____ PAID PREPARER'S SIGNATURE	_____ DATE	_____ PAID PREPARER'S TIN
	_____ PAID PREPARER'S PRINTED NAME		
	_____ FIRM'S NAME (OR PAID PREPARER'S NAME, IF SELF-EMPLOYED)		_____ FIRM'S EIN
	_____ FIRM'S STREET ADDRESS		_____ FIRM'S TELEPHONE NUMBER
	_____ CITY	_____ STATE	_____ ZIP CODE

**PLEASE BE SURE TO SIGN THE RETURN.**

**Mail to: Arizona Department of Revenue, PO Box 52153, Phoenix, AZ 85072-2153**

# 2022 Arizona Nonprofit Medical Marijuana Dispensary Annual Information Return

# Arizona Form 99M

## For information or help, call one of the numbers listed:

Phoenix (602) 255-3381  
From area codes 520 and 928, toll-free (800) 352-4090

## Tax forms, instructions, and other tax information

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

## Income Tax Procedures and Rulings

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website and select *Reports & Legal Research* from the main menu, then click on *Legal Research* and select a Document Type and a Category from the drop down menus.

## Publications

To view or print the department's publications, go to our website, select *Reports & Legal Research* from the main menu, and click on *Publications* in the left hand column.

## General Instructions

### Nonprofit Medical Marijuana Dispensary

A nonprofit medical marijuana dispensary (NMMD) is exempt from Arizona income tax [see A.R.S. § 43-1201(B)].

### Organizations That Must File Arizona Form 99M

All entities registered by the Arizona Department of Health Services (ADHS) as an NMMD must file an Arizona Nonprofit Medical Marijuana Dispensary Annual Information Return, Arizona Form 99M. In addition, certain specified marijuana establishments are required to file Arizona Form 99M. For information, refer to the section below labeled, "Marijuana Establishments".

#### NMMDs

- C Corporations registered by ADHS as an NMMD must file Arizona Form 99M.
- A Limited Liability Company (LLC) registered as an NMMD that is treated as a disregarded entity for federal income tax purposes must file Arizona Form 99M.
- S Corporations and partnerships registered as an NMMD must file Form 99M. In addition, the S Corporation or partnership must also file their respective Arizona income tax return (Arizona Form 120S – S Corporations; or Arizona Form 165 – partnerships).
- Sole proprietors registered as an NMMD must file Form 99M. In addition, they must also file their respective Arizona individual income tax return (Arizona Form 140, Arizona Form 140PY, or Arizona Form 140NR).

#### Marijuana Establishments

- C Corporations licensed by ADHS as a Dual Licensee that *did not make the election to operate on a for-profit basis* must file Arizona Form 99M to report the income and expenses attributable to its operations as an NMMD. The C Corporation must also file Arizona Form 120 or Arizona Form 120A to report the income and expenses attributable to its operations as a Dual Licensee.
- S Corporations and partnerships licensed by ADHS as a Dual Licensee that *did not make the election to operate*

*on a for-profit basis* must file Arizona Form 99M to report the income and expenses attributable to the operations of the NMMD. The S Corporation or partnership must also file its respective Arizona income tax return, Arizona Form 120S or Arizona Form 165. When filing their respective Arizona Form 120S or Arizona Form 165, the S Corporation or partnership reports the income and expenses from its operations as both an NMMD and as a Dual Licensee.

- A sole proprietor licensed by ADHS as a Dual Licensee that *did not make the election to operate on a for-profit basis* must file Arizona Form 99M to report the income and expenses attributable to the operations of the NMMD. The sole proprietor must also file its respective Arizona individual income tax return. When filing their respective Arizona individual income tax return, the sole proprietor reports the income and expenses from its operations as both an NMMD and as a Dual Licensee.

### Determination of Gross Receipts

"Gross receipts" means the total amount the organization received from all sources during its annual tax year without subtracting any costs or expenses. Total income (Arizona Form 99M, line 8), plus cost of goods sold (Arizona Form 99M, line 2), plus any other expenses deducted to arrive at the income on lines 9 through 15 would equal the organization's gross receipts for the tax year.

### Taxable Year Covered by Return

File the 2022 Arizona Form 99M for calendar year 2022 and for fiscal years that begin in 2022 and end in 2022. Indicate whether the taxable year is a calendar year or a fiscal year. If the return is for a fiscal year, indicate the beginning and ending dates for the year in the space(s) provided at the top of page 1.

The 2022 Arizona Form 99M can also be used if the NMMD has a tax year of less than 12 months that begins and ends in 2022 and the 2022 Arizona Form 99M is not available at the time the NMMD is required to file its return. The NMMD must show its 2022 year on the 2022 Arizona Form 99M and take into account any tax law changes that are effective for tax years beginning after December 31, 2022.

### Extension of Time to File a Return

- The organization can apply for an Arizona extension by filing a completed Arizona Form 120/165EXT by the original due date of the return. The department grants an Arizona extension for filing Arizona Form 99M for a period of 7 months.
- The NMMD cannot use a federal extension to extend the due date of its return. **The NMMD must request an Arizona extension on Arizona Form 120/165EXT.**
- Mail Arizona Form 120/165EXT to the address indicated on the form.

### Filing Original Returns

- The due date to file Arizona Form 99M is the 15th day of the fifth month after the close of the taxable year.

- Be sure to check the box indicating the NMMD is filing an original return.
- If the organization has a valid Arizona filing extension, file the return by the extended due date. If the return is filed under extension, check box 82F on page 1 of the return.
- Mail the return to the address indicated on the form; *Arizona Form 99M cannot be electronically submitted to the department.*

### Timely filing of returns

- The department determines the timeliness of a tax return by the postmark or other official mark of the United States Mail stamped on the envelope in which the return is mailed. See the department's ruling, GTR 16-1, *Timely Filing of Income or Withholding Tax Returns Through the United States Mail.*
- The department will accept proof of mailing from a private delivery service included in the Internal Revenue Service (IRS) list of designated private delivery services. Contact the private delivery service for information regarding how to obtain written proof of mailing.
- If the due date for the return falls on a Saturday, Sunday, or a legal holiday, the return is considered timely filed if it is post-marked the next business day. See the department's ruling, GTR 16-2, *Timely Filing of Income or Withholding Tax Return – Holidays and Weekends.*

### Filing Amended Returns

- File amended returns within four years of filing the original return.
- Do not file an amended return until the original return has been processed.
- Be sure to check the box indicating the NMMD is filing an amended return.
- Include a statement with the amended return that explains why the NMMD amended its Arizona return.
- Mail the return to the address indicated on the return.

### Penalty

This form is an information return. The penalty for failing to file, filing late (including extensions), or filing an incomplete information return is \$100 for each month or fraction of a month that the failure continues, up to a maximum penalty of \$500.

## Specific Instructions

Type or print the required information in the name, address, and information boxes at the top of page 1. Indicate whether the taxable year is a calendar year or a fiscal year; if a fiscal year, indicate the taxable year on the top of the return. Indicate whether this return is an original or an amended return.

Enter the Tax Identification Number (TIN) of the NMMD. If the NMMD is a sole proprietorship, enter the social security number (SSN) of the owner. If the NMMD is an organization (corporation, S Corporation, partnership, or LLC), enter Employer Identification Number (EIN) of the organization.

Taxpayers that fail to include their TIN may be subject to a penalty.

### Box 68

- Check box "A", "This is a first return", if this is the taxpayer's first return filed to Arizona.
- Check box "B", "Name change", if the taxpayer changed its name during the tax year.
- Check box "C", "Address change", if the taxpayer changed its address during the tax year.

### Box 82F

- Check box 82F if this return is filed under an extension.

### Line A

Enter the date Arizona operations began.

### Line B

Enter the NMMD Registry Identification Number.

### Line C

Check the box to indicate the entity type of the NMMD:

1. Corporation
2. Limited Liability Company (LLC)
3. Partnership
4. S Corporation
5. Sole Proprietorship

### Line D

If the NMMD is an LLC, check the box to indicate its federal tax classification:

1. Corporation
2. Disregarded Entity
3. Partnership
4. S Corporation

**NOTE:** *If the NMMD is an LLC, a partnership, or an S Corporation, include a schedule that indicates the following ownership information: Name, Address, TIN, and Ownership percentage at the end of the tax year.*

### Line E

Check the box to indicate the federal form filed by the NMMD:

1. Federal Form 1040
2. Federal Form 1041
3. Federal Form 1065
4. Federal Form 1120
5. Federal Form 1120-S
6. Other (specify)

### Line F

Enter the TPT License Number(s) for the NMMD facilities.

## Sources of Income

### Lines 1 and 4 through 7

Enter all sources of income received during the taxable year.

### Line 2

Enter the cost of goods sold. The following types of expenses that are included in figuring the cost of goods sold include:

- The cost of products or raw materials, including freight
- Storage

- Direct labor cost
- Factory overhead – the cost incurred directly during the manufacturing process, not including the cost of direct labor and direct materials

Include an itemized statement detailing the costs of good sold with your return.

**Line 3**

Subtract line 2 from line 1. Enter the result.

**Line 8**

Add lines 3 through 7. Enter the total.

**Expenses**

**Lines 9 through 15**

Enter all expenses incurred during the taxable year.

**Line 16**

Add lines 9 through 15. Enter the total.

**Net Revenue (Loss)**

**Line 17**

Subtract line 16 from line 8. Enter the total.

**Penalty**

**Line 18**

This form is an information return. An information return that is incomplete or filed after its due date (including extensions) is subject to a penalty of \$100 for each month or fraction of a month, that the failure continues, up to a maximum penalty of \$500.

If the NMMD files this return after its due date (including extensions), enter the penalty due on this line. Payments can be made via check or money order.

Make checks payable to Arizona Department of Revenue. Include the NMMD's TIN on the front of the check or money order. Include the check or money order with the return.

**Balance Sheet**

Enter the beginning of the year amounts in columns (a) and (b). Enter the end of the year amounts in columns (c) and (d).

**Assets**

**Lines 19, 22, 23, 26, and 27**

Enter your beginning of the year asset amounts in column (b). Enter your end of year asset amounts in column (d).

**Line 20**

Enter your beginning of the year accounts receivable in column (a). Enter your end of the year accounts receivable in column (c).

**Line 21**

Enter the amount of your beginning of the year allowance for doubtful accounts in column (a). Enter the amount of your end of the year allowance for doubtful accounts in column (c).

Subtract line 21, column (a) from line 20, column (a). Enter the difference on line 21, column (b).

**Line 24**

Enter your investment in buildings and other depreciable assets as of the beginning of the year in column (a). Enter your investment in buildings and other depreciable assets as of the end of the year in column (c).

**Line 25**

Enter the beginning of the year accumulated depreciation in column (a). Enter the end of the year accumulated depreciation in column (c).

Subtract line 25, column (a) from line 24, column (a). Enter the difference on line 25, column (b).

**Line 28**

Add lines 19 through 27 of columns (b) and (d). Enter the totals in the corresponding columns.

**Liabilities**

**Lines 29 through 31**

Enter your beginning of the year amounts in column (b). Enter your end of the year amounts in column (d).

**Line 32**

Add lines 29 through 31 of columns (b) and (d). Enter the totals in the corresponding columns.

**Equity**

**Lines 33 through 35**

Enter your beginning of the year equity amounts in column (b). Enter your end of year amounts in column (d).

**Line 36**

Add lines 33 through 35 in columns (b) and (d). Enter the totals in the corresponding columns.

**Total Liabilities and Equity**

**Line 37**

Add lines 32 and 36 in columns (b) and (d). Enter the totals in the corresponding columns.

**Who May Sign Form 99M**

The following persons are authorized to sign the return for each type of business entity.

- **Sole proprietorship** - The individual who owns the business.
- **Corporation (including a limited liability company (LLC) treated as a corporation)** - The president, vice president, or other principal officer duly authorized to sign.
- **Partnership (including an LLC treated as a partnership) or unincorporated organization** - A responsible and duly authorized member, partner, or officer having knowledge of its affairs.
- **Single member LLC treated as a disregarded entity for federal income tax purposes** - The owner of the LLC or a principal officer duly authorized to sign.
- **Trust or estate** - The fiduciary.

Arizona Form 99M may be signed by a duly authorized agent of the taxpayer if a valid power of attorney has been filed.

**Paid Preparer Use Only**

**Paid preparers:** Sign and date the return. Complete the firm name and address lines (the paid preparer's name and address, if self-employed).

Paid preparers must provide a Tax Identification Number (TIN). Paid preparers who fail to include their TIN may be subject to a penalty.

The TIN for a paid preparer may be one of the following:

- The preparer's PTIN,
- The EIN for the business,
- The individual preparer's social security number (SSN), if self-employed.



For the  calendar year 2022 or  fiscal year beginning MM,MM,DD,2022 and ending MM,MM,DD,20YY.

<b>CHECK ONE:</b> <input type="checkbox"/> Original <input type="checkbox"/> Amended	Name	Employer Identification Number (EIN)
Business Telephone Number (with area code)	Address – number and street or PO Box	
	City, Town or Post Office	State ZIP Code

- 68** Check box if: **A**  This is a first return **B**  Name change **C**  Address change
- A** Date Arizona operations began ..... MM,MM,DD,YY,YY
- B** Nature of unrelated business activities: \_\_\_\_\_
- C** Unrelated business activity codes: \_\_\_\_\_
- D** ARIZONA apportionment for **multistate organizations only** (check one box):  
**1**  AIR CARRIER **2**  STANDARD **3**  SALES FACTOR ONLY
- E**  Check if Multistate Service Provider Election and Computation (Arizona Schedule MSP) is included. Indicate the year of the election cycle  Yr 1  Yr 2  Yr 3  Yr 4  Yr 5
- F** Check federal form filed: **1**  990-T **2**  Other (specify) \_\_\_\_\_

Check box if return filed under extension: <b>82</b> 82F <input type="checkbox"/>	
REVENUE USE ONLY. DO NOT MARK IN THIS AREA.	
<b>88</b>	
<b>81</b> PM	<b>66</b> RCVD

**Arizona Unrelated Business Taxable Income Computation**

1 Unrelated business taxable income.....	<b>1</b>		00
2 Additions related to Arizona tax credits claimed.....	<b>2</b>		00
3 Subtotal: Add line 1 and line 2. Enter the total.....	<b>3</b>		00
4 Apportionment ratio for multistate organizations only: See instructions.....	<b>4</b>	.	
5 Taxable income attributable to Arizona: Line 3 multiplied by line 4 (or if 100% Arizona, enter amount from line 3).....	<b>5</b>		00

**Arizona Tax Liability Computation**

6 Enter tax: <b>Tax is 4.9 percent of line 5, or \$50, whichever is greater</b> .....	<b>6</b>		00
7 Tax from recapture of tax credits from Arizona Form 300, Part 2, line 24.....	<b>7</b>		00
8 Subtotal: Add line 6 and line 7. Enter the total.....	<b>8</b>		00
9 Nonrefundable tax credits from Arizona Form 300, Part 2, line 44.....	<b>9</b>		00
10 Credit type: Enter form number for each nonrefundable credit claimed: 101 <u>3</u>   102 <u>3</u>   103 <u>3</u>   104 <u>3</u>	<b>10</b>		
11 Tax liability: Subtract line 9 from line 8. Enter the difference.....	<b>11</b>		00

**Tax Payments**

12 Refundable tax credits: Check box(es) and enter amount: 121 <input type="checkbox"/> 308 122 <input type="checkbox"/> 349.....	<b>12</b>		00
13 Extension payment made with Arizona Form 120/165EXT or online.....	<b>13</b>		00
14 Estimated tax payments:.....	<b>14</b>		00
15 Amended returns. Payment made with original return plus all payments made after it was filed: See instructions.....	<b>15</b>		00
16 Subtotal payments: Add lines 12 through 15. Enter the total.....	<b>16</b>		00
17 Overpayments of tax from original return or later adjustments: See instructions.....	<b>17</b>		00
18 Total Payments: Subtract line 17 from line 16. Enter the difference.....	<b>18</b>		00

**Computation of Total Due or Overpayment**

19 Balance of tax due: If line 11 is larger than line 18, subtract line 18 from line 11. Enter balance of tax due. Skip line 20.....	<b>19</b>		00
20 Overpayment of tax: If line 18 is larger than line 11, subtract line 11 from line 18. Enter overpayment of tax.....	<b>20</b>		00
21 Penalty and interest.....	<b>21</b>		00
22 Estimated tax underpayment penalty: <b>If Form 220/PTE is included, check this box</b> ..... 22A <input type="checkbox"/>	<b>22</b>		00
23 <b>TOTAL AMOUNT DUE:</b> Add lines 19, 21, and 22. Enter the total. See instructions.....	<b>23</b>		00
24 <b>OVERPAYMENT:</b> See instructions.....	<b>24</b>		00
25 Amount of line 24 to be applied to 2023 estimated tax.....	<b>25</b>		00
26 Amount to be refunded: Subtract line 25 from line 24. Enter the difference.....	<b>26</b>		00

Name (as shown on page 1)	EIN
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**SCHEDULE A Apportionment Formula (Multistate Organizations Only)**

**IMPORTANT:** Qualifying air carriers must use Arizona Schedule ACA. Qualifying multistate service providers must include Arizona Schedule MSP. If the **"SALES FACTOR ONLY"** box on page 1, line D, is checked, *complete only Section A3, Sales Factor, lines a through f.* See instructions.

LIMITED TO UNRELATED BUSINESS AMOUNTS		
COLUMN A Total Within Arizona Round to nearest dollar.	COLUMN B Total Everywhere Round to nearest dollar.	COLUMN C Ratio Within Arizona A ÷ B
		.
		.
	x2   OR   x1	
		.
		.
		.

- A1 Property Factor - STANDARD APPORTIONMENT ONLY**  
Value of real and tangible personal property (by averaging the value of owned property at the beginning and end of the tax period; rented property at capitalized value) .....
- A2 Payroll Factor - STANDARD APPORTIONMENT ONLY**  
Total wages, salaries, commissions and other compensation to employees (per federal Form 990T, or payroll reports) .....
- A3 Sales Factor**
- a Sales delivered or shipped to Arizona purchasers .....
  - b Sales from services or from designated intangibles **for qualifying multistate service providers only** (see instructions; include Schedule MSP) .....
  - c Other gross receipts .....
  - d Total sales and other gross receipts (the sum of lines a through c) .....
  - e Weight AZ sales: (STANDARD x 2; SALES FACTOR ONLY x 1)
  - f Sales Factor: (for Column A, multiply line d by line e; for Column B, enter the amount from line d; for Column C, divide Column A by Column B.)
- STANDARD Apportionment**, continue to A4.  
**SALES FACTOR ONLY Apportionment**, enter the amount from Column C on page 1, line 4.....
- A4 STANDARD Apportionment Total Ratio:** Add Column C of lines A1, A2, and A3f. Enter the total .....
- A5 Average Apportionment Ratio for STANDARD Apportionment:** Divide line A4, Column C, by four (4). Enter the result on page 1, line 4. (If one of the factors is "0", in both Column A and Column B, see instructions.) .....

<b>Declaration</b>	Under penalties of perjury, I declare that I have examined this return, including the accompanying schedules and statements, and to the best of my knowledge and belief, it is a true, correct and complete return, made in good faith, for the taxable year stated pursuant to the income tax laws of the State of Arizona.		
<b>Please Sign Here</b>	OFFICER'S SIGNATURE	DATE	TITLE
<b>Paid Preparer's Use Only</b>	PAID PREPARER'S SIGNATURE	DATE	PAID PREPARER'S TIN
	FIRM'S NAME (OR PAID PREPARER'S NAME, IF SELF-EMPLOYED)	FIRM'S EIN	
	FIRM'S STREET ADDRESS	FIRM'S TELEPHONE NUMBER	
	CITY	STATE	ZIP CODE

**Mail to: Arizona Department of Revenue, PO Box 52153, Phoenix, AZ 85072-2153**

**2022 Arizona Exempt Organization Business Income Tax Return****For information or help, call one of the numbers listed:**

Phoenix (602) 255-3381  
 From area codes 520 and 928, toll-free (800) 352-4090

**Tax forms, instructions, and other tax information**

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

**Income Tax Procedures and Rulings**

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website and select *Reports & Legal Research* from the main menu, then click on *Legal Research* and select a Document Type and a Category from the drop down menus.

**Publications**

To view or print the department's publications, go to our website, select *Reports & Legal Research* from the main menu, and click on *Publications* in the left hand column.

**General Instructions****Organizations That Must File This Tax Return**

Organizations that have tax-exempt status under Arizona Revised Statutes (A.R.S.) § 43-1201(A) file this return to report Internal Revenue Code (IRC) § 512 unrelated business taxable income (UBTI).

Organizations exempt under A.R.S. § 43-1202 file Arizona Form 99T to report UBTI if their income is payable to a church or to a convention or association of churches. These organizations also file this return if their income is payable to another tax-exempt organization required to file Arizona Form 99T.

**Homeowners Associations**

Homeowners associations that file federal Form 1120-H or federal Form 1120 are not exempt from Arizona income tax. These associations must file an Arizona corporate income tax return on Arizona Form 120A or Arizona Form 120.

Certain homeowners associations are federally tax exempt as social welfare organizations, or as clubs organized for pleasure or recreation. These homeowners associations are similarly tax exempt for Arizona income tax purposes and are not required to file an Arizona information return.

**Records**

Every organization should maintain books and records substantiating information reported on the return and keep these documents for inspection. The department's ruling, GTR 96-1, *Electronic Data Processing* discusses the general requirements for the maintenance and retention of books, records and other sources of information received, created, maintained or generated through various computer, electronic and imaging processes and systems. Refer to this tax ruling for further information.

**IRC § 7519 Required Payments**

These payments cannot be deducted on the Arizona tax returns as an ordinary and necessary business expense or otherwise.

**Rounding Dollar Amounts**

Organizations must round amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.

**Examples:**

*Company A (A) reports federal taxable income of \$15,000. A has no Arizona additions to, or subtractions from, federal taxable income. Its apportionment ratio is .326954. A multiplies the federal taxable income by the apportionment ratio. The result is \$4,904.31. Company A rounds the result to \$4,904.00.*

*Company W (W) reports a federal taxable loss of (\$27,000). W has no Arizona additions to, or subtractions from, its federal taxable loss. Its apportionment ratio is .005946. W multiplies its federal loss of (\$27,000) by the apportionment ratio. The result is an Arizona loss of (\$160.54). Company W rounds the result to (\$161.00).*

*Company Z (Z) reports a federal taxable loss of (\$500). Z has no Arizona additions to, or subtractions from, federal taxable income. Its apportionment ratio is .075000. Z multiplies its federal loss of (\$500) by the apportionment ratio. The result is an Arizona loss of (\$37.50). Company Z rounds the result to (\$38.00).*

**Extension of Time to File a Return**

- The organization can apply for an Arizona extension by filing a completed Arizona Form 120/165EXT by the original due date of the return.
- **Beginning with taxable year 2021, the department may grant an extension request for an exempt organization for a maximum of seven (7) months.**
- The department will also accept a valid federal extension for the same period of time covered by the Arizona extension, seven (7) months.
- The organization must use Arizona Form 120/165EXT to transmit extension payments by check or money order, whether the organization uses a valid federal extension or requests an Arizona extension.
- If the organization uses an extension, the organization must check the extension box (82F) on page 1 of the return.
- The Arizona extension and the federal extension provide an extension of time to file; they do not provide an extension of time to pay.
  - The organization must pay 90% of the tax liability (less any tax credits) by the original due date of the return. The organization's tax liability may be the \$50 minimum tax.
  - The department imposes the extension underpayment penalty on any late or underpaid extension payments.
- See the department's ruling, CTR 01-3, *Extensions*, for additional information.
- Mail the extension request to the address shown on the form.

### Timely filing of returns

- The department determines the timeliness of a tax return by the postmark or other official mark of the United States Mail stamped on the envelope in which the return is mailed. See the department's ruling, GTR 16-1, *Timely Filing of Income or Withholding Tax Returns Through the United States Mail*.
- The department will accept proof of mailing from a private delivery service included in the Internal Revenue Service (IRS) list of designated private delivery services. Contact the private delivery service for information regarding how to obtain written proof of mailing.
- If the due date for the return falls on a Saturday, Sunday, or a legal holiday, the return is considered timely filed if it is post-marked the next business day. See the department's ruling, GTR 16-2, *Timely Filing of Income or Withholding Tax Return – Holidays and Weekends*.

### Taxable Year Covered by Return

File the 2022 Arizona Form 99T for calendar year 2022 and for fiscal years that begin in 2022 and end in 2023. Indicate whether the taxable year is a calendar year or a fiscal year. If the return is for a fiscal year, indicate the beginning and ending dates for the year in the space(s) provided at the top of page 1.

The 2022 Arizona Form 99T can also be used if the organization has a tax year of less than 12 months that begins and ends in 2023 and the 2023 Arizona Form 99T is not available at the time the organization is required to file its return.

The organization must show its 2023 year on the 2022 Arizona Form 99T and take into account any tax law changes that are effective for tax years beginning after December 31, 2022.

### Filing Original Returns

- The due date to file Arizona Form 99T is the 15th day of the fifth month after the close of the taxable year.
- An exempt organization filing a short-period return must file by the 15<sup>th</sup> day of the 5<sup>th</sup> month after the short period ends.
- If this is the first time the exempt organization is filing an Arizona return, be sure to check the box indicating "This is a first return."
- If the organization has a valid federal or Arizona extension, file the return by the extended due date.
- If the organization uses an extension, check the extension box (82F) on page 1 of the return.
- Mail the return to the address shown on the form; ***the department cannot accept an electronically filed Arizona Form 99T.***

### Filing Amended Returns

- Any tax exempt organization with UBTI that files an amended return with the IRS must file an Arizona amended return on Arizona Form 99T within 90 days after the final determination of the change or determination by the IRS.
- The organization must report to the department changes or corrections to the organization's UBTI by the IRS, or as the result of renegotiation of a contract or subcontract with the United States. The organization must either:
  - File a copy of the final determination with the department, concede the accuracy of the determination or

state any errors, and request the department to recompute the tax owed to Arizona; or,

- File an amended return as required by the department.
- The organization must include schedules that provide sufficient information for the department to recompute the organization's Arizona UBTI based on the Revenue Agent Report changes.
- The department may require the organization to file an amended return if the department does not have the necessary information to recompute the tax owed to Arizona.
- Be sure to check the box on page 1 of the return to indicate that the organization is filing an amended return.
- Mail the amended return to the address shown on the form.

**NOTE:** *File an amended return for a prior taxable year on the Arizona Form 99T for that taxable year. Use the 2022 Arizona Form 99T to amend only taxable year 2022.*

*Do NOT file an amended return until the original return has been processed.*

### Payment of Tax, Penalties, and Interest

The entire amount of tax, penalties, and interest is due by the original due date of the return.

#### ***Payment by Electronic Funds Transfer***

Organizations are required to pay their tax liability by electronic funds transfer (EFT) if the Organization owes \$500 or more for any taxable year beginning from and after December 31, 2020.

**NOTE:** *If an organization was required to make its tax payments for taxable year 2022 by EFT, it must also pay any additional tax due from an amended return by EFT,*

An organization may apply to the director for an annual waiver from the electronic payment requirement. The application must be received by December 31 of each year. The director may grant the waiver if any of the following applies:

- The organization has no computer.
- The organization has no internet access.
- Any other circumstance considered to be worthy by the director exists, including:
  - The organization has a sustained record of timely payments, and,
  - No delinquent tax account with the department.

To request a waiver, submit Arizona Form 292, *Electronic Filing and Payment Waiver Application*, to the department. Arizona Form 292 is available at: <https://azdor.gov/forms/other-forms/electronic-filing-and-payment-waiver-application>.

**NOTE:** *An Organization that is required to pay by EFT but who fails to do so is subject to a penalty of 5% of the amount of the payment not made by EFT. See A.R.S. § 42-1125(O).*

*For additional information on electronic funds transfer, refer to A.R.S. § 42-1129 and the related Arizona Administrative Code rules (A.A.C. R15-10-301 through R15-10-307) for detailed information.*

### How to Make EFT Payments

Organizations making an EFT payment from a checking or savings account or by credit card are no longer required to

register with the department prior to making EFT payments. Visit AZTaxes.gov, click “Make a Corporation/S Corporation/Partnership Payment” and follow the prompts.

- **Electronic payment from checking or savings account/e-check/ACH Debit.**

Payments can be made electronically from a checking or savings account. Go to [www.AZTaxes.gov](http://www.AZTaxes.gov), click “Make a Corporation/S Corporation/Partnership Payment”, follow the prompts, and choose the e-check option. Follow the prompts to make your payment.

There is no fee to use this method. This payment method will debit the amount from the specified checking or savings account on the date specified. **When an electronic payment is made from a checking or savings account, a confirmation number will be generated. Please keep this confirmation number as proof of payment.**

- **Online credit card payment.**

Payments can be made by American Express, Discover, MasterCard, or Visa credit cards. Go to [www.AZTaxes.gov](http://www.AZTaxes.gov), click “Make a Corporation/S Corporation/Partnership Payment”, follow the prompts, and choose the credit card option. This will take you to the website of the credit card payment service provider. Follow the prompts to make your payment.

The service provider will charge a fee based on the amount of the tax payment. The service provider will disclose the amount of the fee during the transaction and you will be given the option to continue or cancel. **If you accept the fee and complete the credit card transaction, a confirmation number will be generated. Please keep this confirmation number as proof of payment.**

**Organizations may also make EFT payment by ACH Credit.**

Organizations wishing to pay by ACH credit must register with the department before their ACH payment may be accepted.

To register to make ACH Credit payments, complete Arizona Form number 10366, Electronic Funds Transfer (EFT) Disclosure Agreement for ACH Credit filers, available here: <https://azdor.gov/forms/other-forms/electronic-funds-transfer-eft-disclosure-agreement-ach-credit-filers>. Complete the form as instructed. Submit the completed form at least ten business days before the first anticipated transaction as it may take that long to process the application.

Fax the completed form to the department at (602) 771-9913. You may also email the completed form to the department at [electronicfundstransfer@azdor.gov](mailto:electronicfundstransfer@azdor.gov). If you have not received your approval within one week, you may direct follow-up inquiries to [electronicfundstransfer@azdor.gov](mailto:electronicfundstransfer@azdor.gov). Once the application is processed, you will receive additional information to present to your bank to make the ACH Credit payment.

Your payment will be electronically transferred into the department’s account, normally the next business day. Consult with your bank for the timeframe required to make timely payments. You may be charged a service fee.

**NOTE:** *Exempt organizations using a foreign bank account to make EFT payments cannot make EFT payments by ACH Debit. The department does not accept ACH Debit payments from a foreign bank account. If the exempt organization wishes to make payment from a foreign bank account by EFT, the payment **MUST** be made by ACH Credit. See the instructions for ACH Credit above to register and make ACH Credit payments.*

**Estimated Tax Payments**

Organizations expecting an Arizona income tax liability for the taxable year of \$1,000 or more must make Arizona estimated income tax payments. All organizations required to make Arizona estimated payments must make those payments by the 15<sup>th</sup> day of the 4<sup>th</sup>, 6<sup>th</sup>, 9<sup>th</sup>, and 12<sup>th</sup> months of their taxable year.

The Arizona required annual payment of estimated tax for organizations is the smaller of:

- Ninety percent of the taxpayer's Arizona tax liability (reduced by refundable tax credits and claim of right adjustments, if applicable) for the current taxable year; or
- One hundred percent of the taxpayer's Arizona tax liability (reduced by refundable tax credits and claim of right adjustments, if applicable) for the prior taxable year. For a corporation to base its Arizona estimated tax payments on its prior taxable year’s tax liability:
  - The corporation’s return filed for the prior taxable year must have shown at least some amount of tax liability (an amount greater than zero); and
  - The corporation’s return filed for the prior taxable year must have been for a period of twelve months.

Complete Arizona Form 120/PTE-W to compute the amount of the estimated payment(s) for 2022 and to compute the required installments.

**NOTE:** *Taxpayers required to make corporate estimated payments via EFT that fail to do so are subject to a penalty of 5% of the amount of the payment not made by EFT. See A.R.S. § 42-1125(O).*

*For additional information on electronic funds transfer, refer to A.R.S. § 42-1129 and the related Arizona Administrative Code rules (A.A.C. R15-10-301 through R15-10-307) for detailed information.*

**MAKING ESTIMATED TAX PAYMENTS FOR 2023**

Organizations making estimated payments for 2023 that expect a 2022 income tax liability of \$500 or more must make Arizona estimated income tax payments using EFT. See the Section *Payment of Tax Liability by Electronic Funds Transfer* on page 4 for details on making tax payments by EFT.

**NOTE:** *Organizations that make estimated tax payments by EFT should not submit Arizona Form 120/165ES.*

Organizations making estimated payments for 2023 who expect a 2023 income tax liability of less than \$500 may pay by check, e-check, money order, credit card, or they may elect to participate in EFT. See the Section, *Payment of Tax Liability by Electronic Funds Transfer* on page 2 for additional information. If paying by check or money order, complete Arizona Form 120/165ES and include the check or money order with the form.

**Is the organization subject to the Estimated Underpayment Penalty for the 2022 taxable year?**

See the instructions for Arizona Form 220/PTE.

**Penalties and Interest**

**NOTE:** If more than one of the penalties described in A, B, or C apply, the maximum combined penalty is 25%.

**A. Late Filing Penalty**

Without a valid federal or Arizona extension, a return filed after the original due date is subject to the late filing penalty. A return filed after its extended due date is also subject to the late filing penalty. The late filing penalty is 4.5% (.045) of the amount of tax required to be shown on the return. The penalty period is each month or fraction of a month between the due date of the return and the date the taxpayer filed the return. The maximum penalty is 25% of the tax found to be remaining due.

**B. Extension Underpayment Penalty**

The organization must pay 90% of the tax liability reported on its return by the original due date of the return. If it does not, the extension underpayment penalty is charged on any late or underpaid extension payments. The extension underpayment penalty is 0.5% (.005) of the tax not paid for each 30-day period or fraction of a 30-day period between the original due date and the date the tax is paid. The maximum penalty is 25% of the unpaid tax. Organizations subject to the extension underpayment penalty are not subject to the late payment penalty described in C.

**C. Late Payment Penalty**

The late payment penalty is charged on any amount shown as tax on a return that is not paid by the due date. The late payment penalty is 0.5% (.005) of the unpaid tax for each month or fraction of a month that the tax remains unpaid, not to exceed 10% of the unpaid tax.

**NOTE: Amended Return Filers:** For taxable years beginning after December 31, 2016, if you voluntarily file an amended return and pay the additional tax due when you file your amended return, the department will not assess the late payment penalty. Exceptions are:

- The taxpayer is under audit by the department.
- The amended return was filed on demand or request by the department.

Refer to the department’s ruling, CTR 09-1, *When do Penalties Apply to an Income Tax Return Filed Under an Extension*, regarding the application of penalties to returns filed under extension.

**D. Underpayment of Estimated Tax Penalty**

The department imposes the estimated tax underpayment penalty on any late payment or underpayment of a required installment of estimated tax. Refer to Arizona Form 220/PTE for further details. The penalty imposed is the penalty prescribed by A.R.S. § 43-582 for the applicable period.

**E. Failure to Pay by Electronic Funds Transfer**

Organizations that anticipate a tax liability of \$500 or more for the taxable year must pay their tax liability by Electronic Funds Transfer (EFT).

Organizations required to pay their tax liability by EFT that fail to do so may be subject to a penalty equal to five percent (5%) of the amount of the payment not made by EFT.

**F. Interest**

The department charges interest on any portion of the tax not paid by the due date. The department compounds interest annually and applies it in the same manner and at the same time as the IRS, except that the Arizona rate of interest for both underpayments and overpayments for all taxpayers is the federal underpayment rate.

On January 1 of each year, the department adds any interest outstanding as of that date to the principal amount of the tax. It is then a part of the principal amount of the tax and accrues interest until paid.

**NOTE:** The entire amount of tax, penalties, and interest is due by the original due date of the return.

**Specific Instructions**

For calendar year filers, check the box, “calendar year 2022.” For fiscal year filers, check the box, “fiscal year” and enter the beginning and ending dates for the fiscal year. If this is a short-period return, indicate the beginning and ending dates of the short-period.

Type or print the required information in the name, address, and information boxes on the top of page 1. Check the corresponding box to indicate if this return is an original return or an amended return.

Enter the employer identification number (EIN) of the organization. Organizations that do not have an EIN must get one from the Internal Revenue Service. Organizations that fail to include their EIN may be subject to a penalty.

Complete lines A through F. Be sure to enter the unrelated business activity (NAICS) code(s) from the federal Form 990-T on line C.

**Box 68**

- Check box “A”, “This is a first return” if this is the taxpayer’s first return filed to Arizona.
- Check box “B”, “Name change” if the taxpayer changed its name during the tax year.
- Check box “C”, “Address change” if the taxpayer changed its address during the tax year.

**Box 82F**

Check box 82F if this return is filed under extension.

**Line A – Arizona Operations**

Enter the date Arizona operations began.

**Line B – Nature of Unrelated Business Activities**

Enter the nature of the unrelated business activities.

**Line C – Unrelated Business Activity Codes**

Enter the unrelated business activity (NAICS) code(s).

**Line D – Arizona Apportionment**

If the organization is a multistate organization, check the box indicating its method of apportioning income to Arizona.

- Check Box 1 if the taxpayer used the Air Carrier apportionment. Complete Arizona Form ACA and include it with this return.

- Check Box 2 if the taxpayer used the standard apportionment formula.
- Check Box 3 if the taxpayer used the Sales Factor Only Apportionment formula.

If the organization is not a multistate organization, or did not apportion its income to Arizona, leave this line blank.

**Line E – Multistate Service Provider**

- Check this box only if the organization elected to be treated as a multistate service provider by completing Arizona Schedule MSP and including it with this return. Check the appropriate box, Yr 1 through Yr 5, to indicate the year of the taxpayer’s election cycle.
- If the organization did not elect multistate service provider treatment, leave this line blank.

**Line F – Federal Form Filed**

- Check Box 1 if the organization filed federal Form 990-T
- If the organization filed any other federal Form, check Box 2 and indicate the federal form filed.

**Arizona Unrelated Business Taxable Income (UBTI) Computation**

**Line 1 - Unrelated Business Taxable Income**

Enter the amount of UBTI from federal Form 990-T.

**NOTE:** A.R.S. §§ 43-1231 and 43-1241 do not allow additions to or subtractions from federal UBTI similar to those allowed for corporations. However, if the organization claims certain Arizona income tax credits related to its UBTI activities, each credit statute requires an addition to UBTI.

**Line 2 - Additions Related to Arizona Tax Credits**

Enter the following additions to UBTI that are related to Arizona tax credits claimed by the organization. Include a schedule detailing these additions.

**A. Pollution Control Credit**

• **Excess Federal Depreciation or Amortization**

Enter the excess of depreciation or amortization computed on the federal basis of the property over depreciation or amortization computed on the Arizona adjusted basis of the property. Make this adjustment for the property for which the organization claimed a tax credit on Arizona Form 315 in a current or prior year.

• **Excess in Federal Adjusted Basis**

Enter the amount by which the federal adjusted basis of the property exceeds the Arizona adjusted basis of the property. Make this adjustment if the property for which the organization claimed a tax credit on Arizona Form 315 in a prior year was sold or otherwise disposed of during the taxable year.

**B. Credit for Taxes Paid for Coal Consumed in Generating Electrical Power**

Enter the amount of expenses deducted pursuant to the IRC for which the organization claimed the credit for taxes paid for coal consumed in generating electrical power, in Arizona on Arizona Form 318. The addition is required for the amount of Arizona transaction privilege taxes and Arizona use taxes

included in the computation of UBTI for which the Arizona credit is claimed.

**C. Credit for Employment of Temporary Assistance for Needy Families (TANF) Recipients**

Enter the amount of wage expenses deducted pursuant to the IRC for which the organization claimed a tax credit for employment of TANF recipients on Arizona Form 320.

**D. Credit for Donation of School Site**

Enter the amount deducted pursuant to the IRC representing a donation of a school site for which the organization claimed a tax credit on Arizona Form 331.

**E. Credit for Corporate Contributions to School Tuition Organizations**

Enter the amount deducted in computing UBTI as contributions for which a tax credit is claimed on Arizona Form 335.

**F. Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students with Disabilities**

Enter the amount deducted in computing UBTI as contributions for which a tax credit is claimed on Arizona Form 341.

**Line 4 - Apportionment Ratio**

This line is provided for multistate organizations as a means to apportion their UBTI. The apportionment ratio represents the percentage of the multistate organization’s UBTI that arises from Arizona. Schedule A on page 2 of Arizona Form 99T is used to compute the apportionment ratio for non-air carrier multistate organizations. Air carrier organizations must complete Schedule ACA and include the schedule with their return. Arizona’s apportionment ratio provisions are explained later in these instructions.

An exempt organization that has income from unrelated business activities taxable in more than one state is a *multistate organization*. An exempt organization that has income from unrelated business activities taxable entirely within Arizona is a *wholly Arizona organization*.

**Non-air carrier multistate organizations:** Enter the average ratio from page 2, Schedule A, line A5, column C. The organization must carry out the decimal on line 4 to six places.

**Air carrier multistate organizations:** Enter the average ratio from Schedule ACA, line 3. The organization must carry out the decimal on line 4 to six places.

**NOTE:** If line 4 is “0.000000”, the organization is considered to have no Arizona nexus.

If line 4 is blank, the organization is considered to be taxable entirely within Arizona (100% Arizona organization).

**Line 5 - Taxable Income Attributable to Arizona**

**Multistate organizations:** The organization must apportion its UBTI:

- If the UBTI resulted from operations in more than one state, the exempt organization must apportion its UBTI. Multiply the amount on line 3 by the ratio on line 4. Enter the result.
- If the UBTI resulted from operations only in Arizona, the exempt organization must allocate its UBTI. Enter the amount from line 3 on line 5.

*Wholly Arizona organizations:* If the organization has UBTI that is taxable entirely within Arizona, enter the amount from line 3.

### Arizona Tax Liability Computation

#### Line 6 - Arizona Tax

Multiply the net UBTI that is subject to Arizona tax (page 1, line 5) by 4.9%. If the computed amount of tax is less than \$50, enter the minimum tax liability of \$50. Every organization required to file a return shall pay a \$50 minimum tax.

#### Line 7 - Tax From Recapture of Tax Credits

Enter the amount of tax due from recapture of the credits from Arizona Form 300, Part 2, line 24.

#### Line 8 - Subtotal

Add line 6 and line 7. This is the amount of tax to which the total amount of tax credits claimed by the organization may be applied.

#### Line 9 - Nonrefundable Tax Credits

Enter the allowable nonrefundable tax credit amount from Arizona Form 300, Part 2, line 44. This amount cannot be larger than the amount on Arizona Form 99T, line 8.

These credits are available to an exempt organization that is subject to corporate income tax on UBTI. The credit(s) must result from the activities that generate UBTI.

- **Military Reuse Zone Credit**

The credit for the military reuse zone credit has been repealed. The unused portion of valid military reuse zone credits may be carried forward for the respective five year carryforward period. Complete Arizona Form 306 to claim the carry-forward of this tax credit.

- **Credit for Increased Research Activities**

This tax credit is for organizations that incur qualified research expenses for research conducted in Arizona. A portion of the excess credit claimed for taxable years beginning from and after December 31, 2009, may be refundable with approval from the Arizona Commerce Authority. Be sure to enter only the nonrefundable portion of this credit on line 9. Complete Arizona Form 308 to claim this tax credit.

- **Pollution Control Credit**

This tax credit is for expenses incurred during the taxable year to purchase real or personal property used in the organization's unrelated business in Arizona to control or prevent pollution. Complete Arizona Form 315 to claim this tax credit.

- **Credit for Taxes Paid for Coal Consumed in Generating Electrical Power**

This tax credit is for a percentage of the amount paid by the seller or purchaser as transaction privilege tax or use tax for coal sold to the organization that is consumed in the generation of electrical power in Arizona. "Amount paid by the seller or purchaser as transaction privilege tax or use tax" means that the organization paid the Arizona use tax to the department, the seller passed the Arizona transaction privilege tax through to the organization as an added charge,

or the seller collected the Arizona use tax from the organization. Complete Arizona Form 318 to claim this tax credit.

- **Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets**

The credit for solar hot water heater plumbing stub outs and electric vehicle recharge outlets has been repealed. All credits for solar hot water heater plumbing stub outs and electric vehicle recharge outlets that were properly established can be carried forward for the respective five year carry-forward period. Complete Arizona Form 319 to claim this carry-forward tax credit.

- **Credit for Employment of Temporary Assistance for Needy Families (TANF) Recipients**

This tax credit is for net increases in qualified employment for recipients of TANF who are residents of Arizona. Complete Arizona Form 320 to claim this tax credit.

- **Credit for Donation of School Site**

This tax credit is for the donation of real property and improvements to an Arizona school district or Arizona charter school for use as a school or as a site for the construction of a school. Complete Arizona Form 331 to claim this tax credit.

- **Credit for Employing National Guard Members**

This tax credit is for an employer who has an employee that is a member of the Arizona National Guard and the employee was placed on active duty. Complete Arizona Form 333 to claim this tax credit.

- **Credit for Corporate Contributions to School Tuition Organizations**

This tax credit is for organizations that made contributions to school tuition organizations that provide scholarships and tuition grants to children attending qualified nongovernmental schools. Complete Arizona Form 335 to claim this tax credit.

- **Credit for Solar Energy Devices - Commercial and Industrial Applications**

- This tax credit expired December 31, 2018. The expiration did not affect carryovers of this properly established credit. Complete Arizona Form 336 to claim the carryforward of this tax credit.

- **Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students With Disabilities**

This tax credit is for organizations that made contributions to school tuition organizations that provide scholarships and tuition grants to qualifying children attending qualified nongovernmental schools. Complete Arizona Form 341 to claim this tax credit.

- **Renewable Energy Production Tax Credit**

This tax credit is for organizations that produce electricity using qualified energy resources. Approval by the Arizona Department of Revenue is required prior to claiming this tax credit. Complete Arizona Form 343 to claim this tax credit.



**Credit for New Employment**

This tax credit is for organizations that have net increases in employment resulting from the activities that generate UBTI. The credit limit is administered by the Arizona Commerce Authority. Complete Arizona Form 345 to claim this tax credit.

**Additional Credit for Increased Research Activities for Basic Research Payments**

This tax credit is for organizations that made qualified basic research payments for research conducted in Arizona. Approval by the Arizona Department of Revenue is required prior to claiming this tax credit. Complete Arizona Form 346 to claim this tax credit.

**Credit for Renewable Energy Investment and Production for Self-consumption by International Operations Centers**

This tax credit is for investment in new renewable energy facilities that produce energy for self-consumption using renewable energy resources if the power will be used primarily for International Operations Centers. Complete Arizona Form 351 to claim this tax credit.

**Healthy Forest Production Tax Credit**

This tax credit is for the processing of qualifying forest products. Complete Arizona Form 353 to claim this credit.

Complete the appropriate credit form for each tax credit. Include the completed credit form and Arizona Form 300 with the tax return.

**Line 10 - Credit Type**

Indicate which nonrefundable tax credits are claimed on line 9 by entering the applicable form number(s) in the space provided.

Nonrefundable Income Tax Credit	Form
Military Reuse Zone Credit	306
Credit for Increased Research Activities	308
Pollution Control Credit	315
Credit for Taxes Paid for Coal Consumed in Generating Electrical Power	318
Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets	319
Credit for Employment of TANF Recipients	320
Credit for Donation of School Site	331
Credit for Employing National Guard Members	333
Credit for Corporate Contributions to School Tuition Organizations	335
Credit for Solar Energy Devices - Commercial and Industrial Applications	336
Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students With Disabilities	341
Renewable Energy Production Tax Credit	343
Credit for New Employment	345
Additional Credit for Increased Research Activities for Basic Research Payments	346

Nonrefundable Income Tax Credit	Form
Credit for Renewable Energy Investment and Production for Self-Consumption by International Operations Centers	351
Healthy Forest Production Tax Credit	353

**Line 11 - Tax Liability**

Subtract line 9 from line 8 and enter the difference. If line 9 is larger than line 8, enter "0". Line 11 cannot be a negative amount.

**Tax Payments**

**Line 12 - Refundable Tax Credits**

Check the box(es) marked 308 and/or 349 to indicate which of these refundable tax credits the organization is claiming. Enter the total amount of the refundable credits claimed on line 12.

**Credit for Increased Research Activities**

A portion of this tax credit is refundable for qualified organizations. The refund is limited to 75% of the excess credit, which is the current year's credit less the current year's tax liability, not to exceed the amount approved by the Arizona Commerce Authority. Include a copy of your "Certificate of Qualification" from the Arizona Commerce Authority, Arizona Form 300 and Arizona Form 308 with your return. Enter the amount from Arizona Form 308, Part 7, line 42.

**Credit for Qualified Facilities**

This tax credit is for expanding or locating a qualified facility in Arizona and is refundable in five equal installments. Pre-approval and post-approval are required through the Arizona Commerce Authority. Include a copy of your "Certificate of Qualification" from the Arizona Commerce Authority and Arizona Form 349 with your tax return to claim this credit. Enter the amount from Arizona Form 349, Part 8, line 20.

If you are claiming more than one of the refundable tax credits, check the appropriate boxes and add the amounts from the credit forms together and enter the total on line 12 or use the worksheet below to figure the amount to enter on line 12.

Refundable Credit Worksheet	
1. Enter the refundable credit from Arizona Form 308, Part 7, line 42.	
2. Enter the apportioned credit from Arizona Form 349, Part 8, line 20.	
3. Add the amounts on lines 1, and 2. Enter the total here and on Arizona Form 99T, page 1, line 12.	

**Line 13 - Extension Payment**

Enter any payment made with the Arizona request for extension of time to file the income tax return (Arizona Form 120/165EXT) or made online by the original due date. If the organization is filing under an extension, check the extension box (82F) on page 1 of the return.

**NOTE:** Organizations whose 2022 income tax liability is \$500 or more, must make extension payments by EFT. See the instructions for Arizona Form 120/165EXT for additional information.

**Line 14 - Estimated Tax Payments**

Enter the total amount of estimated tax payments made by the organization during the tax year. Use the following worksheet to figure the amount of these payments that should be entered on line 14.

Estimated Tax Payment Worksheet		
Payments	Date of Payment	Amount
1. Estimated Payment 1		
2. Estimated Payment 2		
3. Estimated Payment 3		
4. Estimated Payment 4		
5. Total. Add lines 1 through 4. Enter the total here and also on Arizona Form 99T, page 1, line 14.		

**Line 15 - Amended Returns: Payment Made With Original Return Plus All Payments After It Was Filed**

Use the following worksheet to figure the amount of the payments that should be entered on line 15.

**NOTE:** Do not include payments reported on lines 13 or 14.

Payment Worksheet		
Payments	Date of Payment	Amount
1. Payment with original return		
2. Payment		
3. Payment		
4. Payment		
5. Total. Add lines 1 through 4. Enter the total here and also on Arizona Form 99T, page 1, line 15.		

**Line 16 - Subtotal Payments**

Add lines 12 through 15. Enter the total.

**Line 17 - Overpayments of Tax From Original Return or Later Adjustments**

Enter the amount of the overpayment of tax, if any, from the original return, and the total amount of any overpayments from an Arizona Department of Revenue correction notice, an amended return, or an audit. Do not include or enter the amount of any penalties or interest paid.

**Line 18 - Total Payments**

Subtract line 17 from line 16. Enter the difference.

**Computation of Total Due or Overpayment**

**Line 19 - Balance of Tax Due**

If the amount on line 11 is **larger** than the amount on line 18, there is a balance of tax due. Subtract line 18 from line 11 and enter the difference. Skip line 20.

**Line 20 - Overpayment of Tax**

If the amount on line 18 is **larger** than the amount on line 11, there is an overpayment of tax. Subtract line 11 from line 18 and enter the difference.

**Line 21 - Penalty and Interest**

Calculate any penalty or interest due as a result of late filing or late payment of tax. Calculate interest on the amount shown on line 19 at the prevailing rate. The interest period is from the original due date of the return to the payment date. See the "Penalties and Interest" section on page 2 of these instructions.

**NOTE:** If the organization chooses to calculate the penalty and interest amount(s) to be entered on this line, round the result to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.

**Line 22 - Estimated Tax Underpayment Penalty**

**Original returns:** The organization does not have to complete Arizona Form 220/PTE, *Underpayment of Estimated Tax by Corporations*, if the organization made its estimated tax payments based on either of the following methods:

- An amount equal to 90% of the current taxable year's tax liability (line 11 less line 12), paid in four equal installments; or
- An amount equal to 100% of the organization's tax liability for the prior taxable year, paid in four equal installments.

The department will compute the estimated tax underpayment penalty based on either of these methods and notify the organization of any amount due. If the organization elects to have the department compute the penalty, do not check box **22A** or enter an amount on line 22.

The organization must complete Arizona Form 220/PTE, even though no penalty is due, if it made its estimated tax payments based on either of the following methods:

- The annualized income installment method; or
- The adjusted seasonal installment method.

Enter the total penalty from Arizona Form 220/PTE, Part C, line 37. Include the completed Arizona Form 220/PTE with the return **and** check box **22A**.

**Amended returns:** Do not recompute the estimated tax underpayment penalty. Enter the amount of estimated tax underpayment penalty from the original return or the amount from a department correction notice.

**Line 23 - Total Amount Due**

If the organization has a balance of tax due on line 19, add lines 19, 21 and 22. Enter the total on line 23. This is the total amount due. Pay this amount when the organization

files the return. Payments can be made by check, e-check, money order, or credit card.

**Payment of Tax, Penalties, and Interest**

Full payment for all tax, penalties, and interest is due by the original due date of the return.

**Organizations required to make payments by EFT**, see the Section, *Payment of Tax Liability by Electronic Funds Transfer*, for options to pay your tax liability by EFT.

**Organizations not required to make payments by EFT**, may elect to pay by EFT. They may also pay by check or money order. Make the check or money order payable to Arizona Department of Revenue. Include the corporation's EIN on the front of the check or money order. *If paying by check or money order, include the check or money order with the return.* Mail the check and the return to the address shown on the form.

**Line 24 - Overpayment**

If the organization has an overpayment of tax on line 20, subtract the total of lines 21 and 22 from line 20. Enter a positive difference on line 24. This is the total overpayment. If the difference is a negative, enter the difference as a positive number on line 23.

**Line 25 - Overpayment Applied to Estimated Tax**

**Original Returns:** The organization may apply part or all of an overpayment reported on line 24 as a 2023 estimated tax payment. Enter the applicable amount on line 25.

**Amended Returns:** The organization may apply part or all of an overpayment reported on line 24 as a 2023 estimated tax payment, if this amended return is filed during the organization's 2023 taxable year. Enter the applicable amount on line 25.

**Line 26 - Refund**

Subtract line 25 from line 24. This is the refund amount.

**Schedule A - Apportionment of Income  
(Multistate Organizations With UBTI Only)**

A.R.S. §§ 43-1131 through 43-1150 govern the apportionment of income. An organization that engages in unrelated business activities both within and without Arizona must apportion its unrelated business income based on the ratio of its property, payroll, and sales factors in Arizona to its Everywhere factors. **Include only the property, payroll, and sales factors that generated the unrelated business income in determining the apportionment ratio.**

**NON-APPORTIONABLE INCOME**

Apportionment factors generating nonapportionable or nontaxable income are not to be included in the calculation of the apportionment ratio.

**ADMINISTRATIVE RELIEF REQUESTS**

A.R.S. § 43-1148 provides administrative relief if the allocation and apportionment provisions of UDITPA do not fairly represent the extent of the taxpayer's business activity in this state. The taxpayer may petition for or the department may require, in respect to all or any part of the taxpayer's business activity, if reasonable:

- Separate accounting, except with respect to an Arizona affiliated group, as defined in A.R.S. § 43-947.
- The exclusion of any one or more of the factors.

- The inclusion of one or more additional factors which will fairly represent the taxpayer's business activity in this state.
- The employment of any other method to effectuate an equitable allocation and apportionment of the taxpayer's income, other than disallowance of a properly elected consolidated return.

A.R.S. § 43-1148 permits a departure from the allocation and apportionment provisions only in limited cases. A.R.S. § 43-1148 may be invoked only if unusual fact situations produce incongruous results under the apportionment and allocation provisions. Taxpayers seeking such relief should submit a letter to the Corporate Income Tax Audit Section 60 days prior to the filing of the return setting forth the relief that is requested and the justification for the relief. Please include a contact phone number and email address with your request.

The department normally makes such determinations only upon audit of the taxpayer. Such a detailed examination of the specific facts and circumstances reveals whether such unusual fact situations and incongruous results exist.

**COMPUTING THE APPORTIONMENT RATIO**

When computing the factors of the apportionment ratio, carry the result out to six places after the decimal. If the seventh place after the decimal is five or more, round the sixth decimal place up to the next higher digit. If the seventh place after the decimal is less than five, leave the sixth place decimal as it is.

**Example #1:**

Arizona Amount	<u>123,456</u>
Everywhere Amount	789,654
Factor	.1563418

The seventh digit after the decimal is "8". Since "8" is greater than five the sixth digit after the decimal is increased to the next higher digit, "2".

The factor rounded to six decimal places is .156342.

**Example #2:**

Total Ratio	<u>.179865</u>
Divided by	4
Apportionment Ratio	.0449662

The seventh digit after the decimal is "2". Since "2" is less than five, the sixth digit after the decimal remains "6". No increase to the sixth digit after the decimal is made.

*The ratio rounded to six decimal places is .044966.*

**MULTISTATE EXEMPT ORGANIZATIONS  
APPORTIONMENT FORMULA**

Multistate exempt organizations may use one of three apportionment formulas for calculating the apportionment ratio.

- The Standard apportionment formula,
- The Sales Factor Only apportionment formula, or
- The Air Carrier Apportionment formula

Check the box on line D of page 1 of the return to indicate which apportionment formula, "Standard," "Sales Factor Only," or "AIR CARRIER APPORTIONMENT" will be used. Whichever apportionment method is chosen, the exempt organization must complete the apportionment ratio using that formula.

**Standard Apportionment -**

For the standard apportionment ratio, the numerator of the fraction of the standard apportionment formula is the property factor plus the payroll factor plus two times the sales factor. The denominator of the fraction is four (4). Use the numbers located on the left-hand side of Schedule A, column A, to double-weight the sales factor.

**Sales Factor Only Apportionment -**

For taxable years beginning after December 31, 2016, Sales Factor Only Apportionment replaced the enhanced apportionment ratio. The numerator is Arizona Sales. The denominator is Everywhere Sales. The property factor and the payroll factor are not included in this computation.

**Air Carrier Apportionment -**

Refer to the instructions for Schedule ACA to determine if the exempt organization may apportion its UBTI using Air Carrier Apportionment. If the exempt organization qualifies to use Air Carrier Apportionment, include Schedule ACA with the return.

**Line A1 - Property Factor – Standard Apportionment**

**Exempt Organizations electing “SALES FACTOR ONLY APPORTIONMENT” – leave blank.**

The Property Factor is a fraction that represents the average value of the taxpayer’s property owned or rented and used in Arizona to the total average value of the taxpayer’s property owned or rented and used during the tax period.

**NOTE:** *Include only that property generated by the activities in UBTI in the calculating the property factor.*

The value of tangible personal property and real property owned by the taxpayer is its original cost. The taxpayer normally determines the average value of its owned property by averaging the values at the beginning and ending of the tax period. Property used to generate non-apportionable or nontaxable income is not included in the property factor.

The value of tangible personal property and real property rented by the taxpayer is eight times its net annual rental rate. The net annual rental rate is the annual rental rate paid by the taxpayer for rented property, less the aggregate annual subrental rates paid by subtenants of the taxpayer. The taxpayer automatically achieves averaging for rented property by the method of determining the net annual rental rate of such property.

For a discussion of the treatment of computer software in the property factor, refer to the department’s ruling, CTR 01-2, *How does a Taxpayer Filing an Arizona Corporate Income Tax Return Determine Whether Computer Software is Included in the Property Factor.*

Report real property situated and tangible personal property permanently located in Arizona as property within Arizona during the tax year. Attribute the value of mobile property to Arizona based on the total time that the property was within Arizona.

**Exempt Organizations Electing “STANDARD APPORTIONMENT”**

Divide the numerator of the property factor by the denominator. Express the ratio as a decimal carried out to six places.

(The property factor may not exceed 1.0.) Enter the result on line A1, Column C.

**Exempt Organizations Electing “SALES FACTOR ONLY APPORTIONMENT,” leave line A1, Columns A through C, blank.**

*For additional information on the property factor, refer to:*  
 A.R.S. §§ 43-1140 through 43-1142  
 A.A.C. R15-2D-601 through R15-2D-607 and R15-2D-902  
 CTR 01-2, *How does a Taxpayer Filing an Arizona Corporate Income Tax Return Determine Whether Computer Software is included in the Property Factor*

**Line A2 - Payroll Factor – Standard Apportionment**

**Exempt Organizations electing “SALES FACTOR ONLY APPORTIONMENT” – leave blank.**

The Payroll Factor is a fraction that represents the compensation paid in Arizona by the taxpayer to the total compensation paid by the taxpayer during the tax year.

**NOTE:** *Include only those payroll expenses generated by the activities resulting in UBTI in calculating the payroll factor.*

Report the salaries, wages, or other compensation of officers, employees, etc., as being within Arizona if the performance of those services occurs entirely in Arizona. This rule applies regardless of where payment is made or control exercised. This rule also applies regardless of whether the performance of the services is partly or wholly in connection with the apportionable business carried on outside the state or in interstate or foreign commerce. Payroll used to generate non-apportionable or nontaxable income is not included in the payroll factor.

Allocate the compensation of officers and employees who perform services partly within and partly without Arizona to this state when:

- The services performed outside of Arizona are incidental to the employee's service within Arizona; or
- The employee's base of operation is in Arizona; or
- The employee has no base of operation in any state but the direction or control of the employee is from Arizona; or
- The employee has no base of operation in any state, and there is no direction or control from a state in which the employee performs some part of his services, but the employee's residence is in Arizona.

**Exempt Organizations Electing “STANDARD APPORTIONMENT”**

Divide the numerator of the payroll factor by the denominator. Express the ratio as a decimal carried out to six places. (The payroll factor may not exceed 1.0.) Enter the result on line A2, Column C.

**Exempt Organizations Electing “SALES FACTOR ONLY APPORTIONMENT,” leave line A2, Columns A through C, blank.**

*For additional information on the payroll factor, refer to:*  
 A.R.S. §§ 43-1143 and 43-1144  
 A.A.C. R15-2D-701 through R15-2D-705

**Line A3 - Sales Factor**

The Sales Factor is a fraction that represents the total UBTI sales of the taxpayer in Arizona to the total UBTI sales of the taxpayer during the tax period.

**NOTE:** *Include only the sales generated by the activities resulting in UBTI in calculating the sales factor.*

"Sales" includes all gross receipts from transactions and activities in the course of generating UBTI.

Sales of tangible personal property is determined on a destination sales basis. Sales of real property is determined based on the location of the property. Generally, sales of other than tangible personal property is determined based on the location where the income producing activity occurs. Service income is determined based on the location of the income producing activity, *unless* the taxpayer elected to be treated as a Multistate Service Provider (MSP). (See the box below for a description of an MSP.)

**EXEMPT ORGANIZATIONS THAT QUALIFY AS MULTISTATE SERVICE PROVIDERS ELECTING TO SOURCE SALES FROM SERVICES AND FROM DESIGNATED INTANGIBLES TO ARIZONA USING MARKET SALES**

*Exempt Organizations that qualify as a Multistate Service Provider MSP may elect to treat sales from services and from designated intangibles as being sourced to Arizona based on market sales.*

**[NOTE:** *For purposes of the Multistate Service Provider Election and Computation, sales from designated intangibles means sales derived from credit and charge card receivables, including fees, merchant discounts, interchange, interest and related revenue [A.R.S. § 43-1147(E)(3)(a)]. **The sale of any other intangible may not be included in the calculation of this election.***

*Multistate Exempt Organizations complete Schedule MSP to determine if they qualify as an MSP. If the taxpayer qualifies, and wishes to make the election, the completed Schedule MSP must be included with the taxpayer's original, timely-filed tax return. (The election to be treated as an MSP **cannot** be made on an amended return.) Once made, the election is binding for five years. For each year of the election period, Schedule MSP must be completed by the taxpayer to source sales from services and from designated intangibles to Arizona. Once Schedule MSP is completed, the taxpayer can compute the sales factor.*

*Exempt Organizations that qualify, and who want to make the election, should:*

- *Ensure the completed Schedule MSP is included with the return.*
- *Ensure the box on Line E of the return is checked*
- *Ensure the box indicating the year of the taxpayer's election cycle is checked.*
- *Enter on line A3b, column A, the Arizona sales from services and from designated intangibles from the completed Schedule MSP, line B.*
- *Complete the calculation of the sales factor following the instructions for the taxpayer's choice of the*

*"STANDARD" or "SALES FACTOR ONLY" apportionment formula.*

**Exempt Organizations qualifying as an MSP, and electing to be treated as an MSP:**

Enter the Arizona sales from services and from designated intangibles on line A3b from the completed Schedule MSP, line B.

**Exempt Organizations not making the election to be treated as an MSP:**

Include Arizona sales from services on line A3c.

**Exempt Organizations Electing "STANDARD APPORTIONMENT"**

- Check the box on line D of the return labeled "STANDARD."
- Multiply the numerator of the sales factor by two. Divide that result by the denominator. Express the ratio as a decimal carried out to six places. (The sales factor may not exceed 2.0.) Enter the result in Column C of line A3f.

**Exempt Organizations Electing "SALES FACTOR ONLY APPORTIONMENT"**

- Check the box on line D of the return labeled "SALES FACTOR ONLY."
- Divide the numerator (Arizona sales) by the denominator (Everywhere sales). Express the ratio as a decimal carried out to six places. (The sales factor may not exceed 1.0.) Enter the result. Also, enter the result on page 1, line 4.

*For more information on the sales factor, refer to:*  
 A.R.S. §§ 43-1145 through 43-1147  
 A.A.C. R15-2D-801 through R15-2D-807, and R15-2D-903  
 CTR 02-2, Apportionment of Installment Gain  
 CTR 07-1, Inclusion of Short Term Investments in the Sales Factor

**Line A4 – Total Ratio**

**Exempt Organizations Electing "STANDARD APPORTIONMENT."**

Add the amounts in Column C of line A1, A2, and A3f and enter the total here.

**Exempt Organizations Electing "SALES FACTOR ONLY APPORTIONMENT," leave this line blank.**

**Line A5 - Average Apportionment Ratio**

**NOTE:** *Exempt Organizations must exclude a factor if both the numerator and the denominator of a factor are zero. Do not exclude a factor if the numerator of the factor is zero and the denominator of that factor is greater than zero. See A.A.C. R15-2D-901(B).*

**Exempt Organizations Electing "STANDARD APPORTIONMENT"**

*If either the property or the payroll factor is excluded, determine the average ratio by dividing the total ratio by three. If the sales factor is excluded, determine the average ratio by dividing the total ratio by two. If two of the factors are excluded, the remaining factor, without respect to any weighting, is the apportionment ratio.*

**Exempt Organizations Electing "STANDARD APPORTIONMENT"**

Divide the total ratio, line A4, column C, by four. Express the ratio as a decimal carried out to six places. Enter the average ratio. Also, enter the ratio on page 1, line 4.

**Exempt Organizations Electing "SALES FACTOR ONLY APPORTIONMENT,"** leave this line blank.

**NOTE:** If line A5 is "0.000000", the organization is considered to have no Arizona nexus.

If line A5 is blank, the organization is considered to be taxable entirely within Arizona (100% Arizona company).

**Certification**

**The president, treasurer, or other principal corporate officer must sign the return.** If receivers, trustees in bankruptcy, or assignees are in control of the property or business of the organization, such receivers, trustees, or assignees must sign the return.

**Paid preparers:** Sign and date the return. Complete the firm name and address lines (the paid preparer's name and address, if self-employed).

Paid preparers must provide a Tax Identification Number (TIN). Paid preparers that fail to include their TIN may be subject to a penalty.

The TIN for a paid preparer may be one of the following:

- The preparer's PTIN,
- The EIN for the business,
- The individual preparer's social security number (SSN), if self-employed.

# 2022 CORPORATE INCOME TAX HIGHLIGHTS

## Electronic Filing of Corporate Income Tax Returns

*Electronic filing of Arizona corporate income tax returns is required for the 2022 taxable year.* Please see the department's website at <https://azdor.gov> for a list of approved software vendors.

Any corporate taxpayer who is required to file its income tax return electronically may apply to the director for an annual waiver from the electronic filing requirement. The waiver may be granted if any of the following apply:

- The taxpayer has no computer.
- The taxpayer has no internet access.
- Any other circumstance considered to be worthy by the director.

Waivers are granted on an annual basis and expire at the end of the requested tax year. Waivers must be renewed each calendar year. If a waiver is not renewed, you will be subject to statutory electronic filing and payment requirements at the expiration of your waiver.

To request a waiver, submit Form 292, *Electronic Filing and Payment Waiver Application*, to the department. Form 292 is available at: <https://azdor.gov/forms/other-forms/electronic-filing-and-payment-waiver-application>.

A waiver is not required if the corporation's income tax return cannot be electronically filed for reasons beyond the corporation's control, including situations in which the corporation was instructed by either the Internal Revenue Service or the Arizona Department of Revenue to file by paper.

Please contact the department at [azefile@azdor.gov](mailto:azefile@azdor.gov) if you need assistance in electronically submitting your Arizona corporate income tax return.

## S Corporations and the Pass-Through Entity Election

For taxable years beginning from and after December 31, 2021 the shareholders of an S Corporation may consent to be taxed at the entity level in Arizona. The Arizona Pass Through Entity (PTE) income tax is assessed at a rate of 2.98% of the income attributable to the S Corporation's resident shareholders and the income derived from sources within Arizona attributable to the nonresident shareholders.

This election must be made by the S Corporation no later than the due date or extended due date of its return. Shareholders that are not individuals or estates and trusts may not participate in this election. Shareholders who are individuals or estates and trusts who opt out of this election also may not participate in this election.

For additional information, see the instructions for Form 120S.

## Electronic Funds Transfer

Corporations are required to pay their tax liability by electronic funds transfer (EFT) if the corporation owes \$500 or more for any taxable year beginning from and after December 31, 2020.

A corporation may apply to the director for an annual waiver from the electronic payment requirement. The application must be received by December 31 of each year. The director may grant the waiver if any of the following applies:

- The corporation has no computer.
- The corporation has no internet access.

- Any other circumstance considered to be worthy by the director exists, including:
  - The corporation has a sustained record of timely payments and
  - The corporation has no delinquent tax account with the department.

To request a waiver, submit Form 292, *Electronic Filing and Payment Waiver Application*, to the department. Form 292 is available at: <https://azdor.gov/forms/other-forms/electronic-filing-and-payment-waiver-application>.

**NOTE:** *A corporation who is required to pay by EFT but who fails to do so is subject to a penalty of 5% of the amount of the payment not made by EFT. See A.R.S. § 42-1125(O).*

*For additional information on electronic funds transfer, refer to A.R.S. § 42-1129 and the related Arizona Administrative Code rules (A.A.C. R15-10-301 through R15-10-307) for detailed information.*

## Extension of Time to File a Return

Effective for taxable years beginning after December 31, 2020 the department may grant an extension request for a maximum of 7 months to a C corporation:

- That has a valid federal extension.
- That filed an Arizona extension request on Arizona Form 120EXT.

**NOTE:** *The maximum length of time for an extension granted to an S Corporation remains 6 months.*

## Inclusion of Federal Return with Arizona return

The department requests that taxpayers include a copy of their "as-filed" federal return (i.e. federal Form(s) 1120, 1120-S, 1120-F, etc.) and all its schedules and attachments with their Arizona return.

## Change to MSP Election

Effective for taxable years beginning from and after December 31, 2019, the Multistate Service Provider election includes sales from services or *sales from intangibles* in its calculation. This includes sales derived from credit and charge card receivables, including fees, merchant discounts, interchanges, interest, and related revenue. Refer to the instructions for the MSP for additional information.

## Changes to Tax Credits

### Tax Credits Repealed

- The Environmental Technology Facility Credit, claimed on Form 305, has been repealed for taxable years beginning from and after December 31, 2021.
- The Employment Credit for Healthy Forest Enterprises, claimed on Form 332, has been repealed for taxable years beginning from and after December 31, 2021.

### New Tax Credit

- Affordable Housing Tax Credit - A.R.S. § 43-1163 provides for the Affordable Housing Tax Credit, a nonrefundable credit for projects in Arizona that qualify for the federal low-income housing tax credit under Section 42 of the IRC. For more information, refer to the instructions for Form 354.

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- Include Form(s) 51 immediately following Form 120.
- Be sure to check the "Yes" box on Form 120, line D.

For the calendar year 2022 or fiscal year beginning [M,M|D,D|2,0,2,2] and ending [M,M|D,D|2,0,Y,Y].

Name	Employer Identification Number (EIN)
Number and Street or PO Box	REVENUE USE ONLY. DO NOT MARK IN THIS AREA. 88
City or Town State ZIP Code	
Check the box to indicate which Section(s) of this form you are completing: A. Section 1 only <input type="checkbox"/> B. Section 2 only <input type="checkbox"/> C. Section 3 only <input type="checkbox"/> D. Sections 2 and 3 <input type="checkbox"/>	
<b>(Section 1): Affiliated Corporations:</b> Combined or Consolidated in This Return or Filing Separate Returns. If more space is needed, include additional schedules.	
81 PM	80 RCVD

Section 1		Listing of Affiliated Corporations Combined or Consolidated in This Return or Filing Separate Returns Complete Section 1 only if it was not completed for a previous taxable year.				
If the Affiliated Company is an Arizona Filer, check the Arizona Filer box. ↓		F = Consolidated C = Combined S = Separate ↓				
(a) Arizona Filer?	(b) Affiliated Company Name	(c) F/C/S	(d) EIN	(e) Period From - Through	(f) Business Activity Code	
00						
1				MM/YYYY-MM/YYYY		
2				MM/YYYY-MM/YYYY		
3				MM/YYYY-MM/YYYY		
4				MM/YYYY-MM/YYYY		
5				MM/YYYY-MM/YYYY		
6				MM/YYYY-MM/YYYY		
7				MM/YYYY-MM/YYYY		
8				MM/YYYY-MM/YYYY		
9				MM/YYYY-MM/YYYY		
10				MM/YYYY-MM/YYYY		
11				MM/YYYY-MM/YYYY		
12				MM/YYYY-MM/YYYY		
13				MM/YYYY-MM/YYYY		
14				MM/YYYY-MM/YYYY		
15				MM/YYYY-MM/YYYY		

Name (as shown on page 1)	EIN
---------------------------	-----

**(Section 2): Corporations Added to the Affiliated Group During the Taxable Year**

If more space is needed, include additional schedules.

<b>Section 2</b> <b>Corporations Added to the Affiliated Group During the Taxable Year</b> Do not complete Section 2 if Section 1 is completed.						
If the Affiliated Company is an Arizona Filer, check the Arizona Filer box. If the Affiliated Company changed its name during the taxable year, check the Name Change box.					F = Consolidated   C = Combined   S = Separate ↓	
(a) Arizona Filer?	(b) Affiliated Company Name	(c) Name Change?	(d) F/C/S	(e) EIN	(f) Month Added	(g) Business Activity Code
1					MM	
2					MM	
3					MM	
4					MM	
5					MM	
6					MM	
7					MM	
8					MM	

**(Section 3): Corporations Deleted From the Affiliated Group During the Taxable Year**

If more space is needed, include additional schedules.

<b>Section 3</b> <b>Corporations Deleted From the Affiliated Group During the Taxable Year</b> Do not complete Section 3 if Section 1 is completed.						
If the Affiliated Company is an Arizona Filer, check the Arizona Filer box. If the Affiliated Company changed its name during the taxable year, check the Name Change box.					F = Consolidated   C = Combined   S = Separate ↓	
(a) Arizona Filer?	(b) Affiliated Company Name	(c) Name Change?	(d) F/C/S	(e) EIN	(f) Month Deleted	(g) Business Activity Code
1					MM	
2					MM	
3					MM	
4					MM	
5					MM	
6					MM	
7					MM	
8					MM	

Reason for deletions: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

## 2022 Consolidated or Combined Return Affiliation Schedule

**For information or help, call one of the numbers listed:**

Phoenix (602) 255-3381  
 From area codes 520 and 928, toll-free (800) 352-4090

**Tax forms, instructions, and other tax information**

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

**Income Tax Procedures and Rulings**

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website and select *Reports & Legal Research* from the main menu, then click on *Legal Research* and select a Document Type and a Category from the drop down menus.

**Publications**

To view or print the department's publications, go to our website, select *Reports & Legal Research* from the main menu, and click on *Publications* in the left hand column.

**NOTE:** For additional information on Arizona's filing methods, refer to pages 5 through 7 of the instructions for Arizona Form 120.

Complete Sections 2 and 3 to report any name changes, additions to the group, or deletions from the group in succeeding taxable years.

### Specific Instructions

**Taxable Year**

Fiscal year filers, enter the taxable year as it appears on Arizona Form 120.

Calendar year filers, leave blank.

**Name, Address, and Employer Identification Number**

Enter the taxpayer's name, employer identification number (EIN), and address as it appears on Arizona Form 120.

*Consolidated return filers*, list the parent corporation's name with the phrase "and subsidiaries," the parent's address, and the parent's EIN.

*Combined return filers*, list the name, address, and EIN of the corporation under which the group is filing. The name for a combined return should include either the phrase "and unitary subsidiaries," or "and unitary affiliates," whichever is applicable.

If the taxpayer has a foreign address, enter the information in the following order: city, province or state, and country. Follow the country's practice for entering the postal code. **Do not abbreviate the country's name.**

**Section 1: Listing of Affiliated Corporations Combined or Consolidated in This Return or Filing Separate Returns**

*Complete Section 1 only if: (1) this is the first year a unitary group files a combined return or (2) this is the first year an Arizona consolidated election is made.*

- If filing a consolidated return, enter the common parent corporation's name, EIN, and address under which Arizona Form 120 is filed at the top of this form. Complete Section 1 by listing all remaining members of the federal consolidated group.
- If filing a combined return, enter the corporate name, EIN, and address of the company under which Arizona Form 120 is filed at the top of this form. Complete Section 1 by listing the additional unitary members of the combined group. Include any affiliates or related companies that may file separate income tax returns to Arizona.

**NOTE:** If Section 1 is completed, do not complete Section 2 or Section 3.

Enter the requested information for each affiliated company.

- **Column (a) Arizona Filer?** - Place a checkmark in column (a) if any of the following apply:
  - If a company files as part of a combined return, place a check mark in column (a) and enter only the name

### General Instructions

**Purpose and Use of the Form**

Corporations filing Arizona Form 120, complete Arizona Form 51 as instructed below:

- Arizona Consolidated Return Filers - identify the common parent corporation and each member of the group.
- Combined Return Filers - identify the corporation under which the unitary group is filing and the unitary members of the group.
- Separate Company Filers - list the affiliated corporations that file a separate combined return to Arizona.

Arizona Form 51 identifies changes to the federal consolidated group and related companies during the taxable year. These changes include name changes, additions to the group filing the return, or deletions from the group filing the return.

**NOTE:** If you are including Arizona Form 51 with your return, be sure to check the "Yes" box on Arizona Form 120, page 1, line D. Include Form(s) 51 immediately following Arizona Form 120.

Complete Section 1 for the first taxable year a unitary group files a combined return or for the first year in which an Arizona consolidated election is made.

- For an Arizona consolidated group, the income tax return consists of all companies included in the federal consolidated return.
- For a combined group, the income tax return consists of all unitary companies included in the federal consolidated return and any related unitary companies in which a member of the combined group owns more than a fifty percent interest ("related company").
- For a federal consolidated group and related companies consisting of more than one Arizona combined group, the group filing this form should list the other group as filing a separate return using the name of the corporation under which that group is filing.

- of the company that was reported on Arizona Form 120.
- o If a company files a return as a separate company, place a check mark in column (a).
- **Column (b) Affiliated Company Name** - Enter the name of the affiliated company.
  - o If this company files as part of a combined return and its name was reported as the taxpayer on Arizona Form 120, enter “and Affiliates” after the name of that company.
  - o If this company files a separate return, enter “Separate Company” after the company’s name.
- **Column (c) Consolidated, Combined, Separate Company Filer** - Identify the type of return each affiliate is filing to Arizona:
  - o F – Arizona Consolidated Return
  - o C – Combined Return
  - o S – Separate Company Return
- **Column (d) EIN** – Enter the EIN for the affiliate.
- **Column (e) Period From - Through -**
  - o If the affiliate is included in the Arizona group for the entire taxable year reported on Arizona Form 120, leave blank.
  - o If the affiliate was in the Arizona group for less than the entire taxable year reported on Arizona Form 120, enter the dates the affiliate was in the group in month, year format (MMYYYY-MMYYYY).
  - o If the affiliate is not part of this Arizona filing group, but files its own Arizona return, enter the dates of that company’s Arizona taxable year.
- **Column (f) Business Activity Code** - Enter the North American Industry Classification System (NAICS) business activity code for each company.

If there are more than 15 affiliated corporations, include a schedule of the additional corporations providing the requested information.

Alternatively, if there are more than 15 affiliated corporations, Arizona Form 51 may be filed by optical media. Optical media filing can be used *only* for Section 1 information.

**Section 2: Corporations Added to the Affiliated Group During the Taxable Year**

**NOTE:** Do not complete Section 2 if Section 1 was completed for this taxable year.

If completing Section 2, enter the name and EIN of the corporation filing Arizona Form 120 at the top of page 2 of Arizona Form 51.

List only those corporations that were added to the taxpayer’s combined or consolidated group during the taxable year.

If new affiliates or related companies were added to the group, include those new affiliates and/or related companies in Section 2.

Enter the requested information for each new affiliated company.

- **Column (a) Arizona Filer?** - Place a checkmark in column (a) if any of the following apply:
  - o If a company filed as part of a combined return, place a check mark in column (a) and enter only the name of the company that was reported on Arizona Form 120.
- If a company previously filed a return as a separate company, place a check mark in column (a).
- **Column (b) Affiliated Company Name** - Enter the name of the affiliated company. If this company filed as part of a combined return and its name was reported as the taxpayer on Arizona Form 120, enter “and Affiliates” after the name of that company. If this company previously filed a separate return, enter “Separate Company” after the company’s name.
- **Column (c) Name Change?** - If the affiliate changed its name during the taxable year, enter the new name of the affiliate. For additional information, see the instructions on page 3 for **Name Changes**, Section 2.
- **Column (d) Consolidated, Combined, Separate Company Filer** - Identify the type of return each new affiliate is filing to Arizona:
  - o F – Arizona Consolidated Return
  - o C – Combined Return
  - o S – Separate Company Return
- **Column (e) EIN** – Enter the EIN for the affiliate.
- **Column (f) Month Added** - For each new affiliate, enter the month during the taxable year that company was added to the group. For example, if the affiliate was added in June, enter “06”.
- **Column (g) Business Activity Code** - Enter the NAICS business activity code for each new affiliate that was added during the taxable year.

If more than 8 corporations were added during the taxable year, include a schedule of the additional corporations that were added and provide their requested information.

**Section 3: Corporations Deleted From the Affiliated Group During the Taxable Year**

**NOTE:** Do not complete Section 3 if Section 1 was completed for this taxable year.

If completing Section 3, enter the name and EIN of the corporation filing Arizona Form 120 at the top of page 2 of Arizona Form 51.

List only those corporations that were deleted from the combined or consolidated group during the taxable year.

List additional affiliates and/or related companies that filed separate company returns to Arizona that were deleted from the affiliated group in Section 3.

Enter the requested information for each company deleted from the group.

For each deleted corporation, state the reason for deletion. Reasons for deletion may include disposition, dissolution, or in the case of a combined return, the corporation is no longer unitary.

- **Column (a) Arizona Filer?** - Place a checkmark in column (a) if any of the following apply:
  - If a company filed as part of a combined return, place a check mark in column (a) and enter the name of the company that was reported on Arizona Form 120.
  - If a company previously filed a return as a separate company, place a check mark in column (a).
- **Column (b) Affiliated Company Name** - Enter the name of the affiliated company. If this company filed as part of a combined return and its name was reported as the taxpayer on Arizona Form 120, enter “and Affiliates” after the name of that company. If this company previously filed a separate return, enter “Separate Company” after the company’s name.
- **Column (c) Name Change?** - If the affiliate changed its name during the taxable year, enter the previous name of the affiliate. For additional information, see the instructions on page 3 for **Name Changes**, Section 3.
- **Column (d) Consolidated, Combined, Separate Company Filer** - Identify the type of return each affiliate is filing to Arizona:
  - F – Arizona Consolidated Return
  - C – Combined Return
  - S – Separate Company Return
- **Column (e) EIN** – Enter the EIN for the affiliate.
- **Column (f) Month Deleted** - For each deleted affiliate, enter the month during the taxable year in which that affiliate was deleted from the group. For example, if the affiliate was deleted in June, enter “06”.
- **Column (g) Business Activity Code** - Enter the NAICS business activity code for each affiliate that was deleted from the group during the taxable year.

If more than 8 corporations were deleted during the taxable year, include a schedule of the additional corporations that were deleted and provide their requested information.

## **Name Changes**

If any member of the consolidated or combined group, a related company, or an affiliate filing a separate company return to Arizona, had a name change during the taxable year, complete the following:

### **Section 2**

Enter the new name of the company in column (b). Place a checkmark in column (c) "Name Change?" Enter the month the company began operations under the new name in column (f) "Month Added".

### **Section 3**

Enter the old name of the company in column (b). Place a check mark in column (c) "Name Change?" Enter the month the affiliate ceased operating under its old name in column (f), "Month Deleted."

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For the  calendar year 2022 or  fiscal year beginning MM, M, D, D, 2, 0, 2, 2 and ending MM, M, D, D, 2, 0, Y, Y.

Business Telephone Number (with area code)	Name	Employer Identification Number (EIN)
Business Activity Code (from federal Form 1120)	Address – number and street or PO Box	
	City, Town or Post Office	State ZIP Code

- 68** Check box if: **A**  This is a first return **B**  Name change **C**  Address change
- A** Is FEDERAL return filed on a consolidated basis?  Yes  No  
If "Yes", list EIN of common parent from consolidated return .....
- B ARIZONA filing method:** See instructions (check only one):  
**1**  Separate company **2**  Combined (unitary group) **3**  Consolidated
- C** If ARIZONA filing method is consolidated, enter the last day of the tax year Forms 122 were filed to make the election ..... MM, M, D, D, Y, Y, Y, Y
- D** If ARIZONA filing method is combined or consolidated, see Form 51 instructions. Is Form 51 included?  Yes  No
- E ARIZONA apportionment for Multistate corporations only** (check one box):  
**1**  AIR CARRIER **2**  STANDARD **3**  SALES FACTOR ONLY
- F**  Check if Multistate Service Provider Election and Computation (Arizona Schedule MSP) is included. Indicate the year of the election cycle:  
 Yr 1  Yr 2  Yr 3  Yr 4  Yr 5
- G** Is this the corporation's final ARIZONA return under this EIN?  Yes  No If "Yes", check one: **1**  Dissolved **2**  Withdrawn **3**  Merged/Reorganized List EIN of the successor corporation, if any .....
- H Marijuana Establishments only:** **1**  Adult Use only **2**  Dual Lic. elected for-profit **3**  Dual Lic. did not elect for-profit.

CHECK BOX IF return is filed under extension:  
**82**  **82F**

REVENUE USE ONLY. DO NOT MARK IN THIS AREA.  
**88**

**81** PM **66** RCVD

1	Taxable income per included federal return.....	1	00
2	Additions to taxable income from page 2, Schedule A, line A9.....	2	00
3	Total taxable income: Add lines 1 and 2. Enter the total.....	3	00
4	Subtractions from taxable income from page 2, Schedule B, line B11.....	4	00
5	Adjusted income: Subtract Line 4 from line 3. Enter the difference .....	5	00
6	Arizona adjusted income from line 5. <b>Multistate corporations only</b> .....	6	00
7	Nonapportionable or allocable amounts from page 2, Schedule C, line C8. <b>Multistate corporations only</b> .....	7	00
8	Adjusted business income: Subtract line 7 from line 6. Enter the difference. <b>Multistate corporations only</b> .....	8	00
9	Arizona apportionment ratio from Schedule E or Schedule ACA.....	9	
10	Adjusted business income apportioned to Arizona: Line 8 multiplied by line 9. <b>Multistate corporations only</b> .....	10	00
11	Other income allocated to Arizona from page 2, Schedule D, line D6. <b>Multistate corporations only</b> .....	11	00
12	Adjusted income attributable to Arizona: Add lines 10 and 11. <b>Multistate corporations only</b> .....	12	00
13	Arizona income before Net Operating Loss (NOL) from <b>line 5 if 100% Arizona, or line 12 if Multistate corporation</b> ..	13	00
14	Arizona basis NOL carryover: Include computation schedule. ....	14	00
15	Arizona taxable income: Subtract line 14 from line 13.....	15	00
16	Enter tax: <b>Tax is 4.9 percent of line 15 or fifty dollars (\$50), whichever is greater</b> .....	16	00
17	Tax from recapture of tax credits from Arizona Form 300, Part 2, line 24.....	17	00
18	Subtotal: Add lines 16 and 17. Enter the total.....	18	00
19	Nonrefundable tax credits claimed on line 20 from Arizona Form 300, Part 2, line 44.....	19	00
20	Enter form number for each nonrefundable credit used: 201 <u>13</u> , 202 <u>13</u> , 203 <u>13</u> , 204 <u>13</u> , .....		
21	Tax liability: Subtract line 19 from line 18. Enter the difference .....	21	00
22	Refundable tax credits: Check box(es) and enter amount: 221 <input type="checkbox"/> 308 222 <input type="checkbox"/> 349.....	22	00
23	Extension payment made with Form 120/165EXT or online: See instructions .....	23	00
24	Estimated tax payments: <b>24a</b> <u>00</u> Claim of Right: <b>24b</b> <u>00</u> Add 24a and 24b ...	<b>24c</b>	00
25	Total payments: Add lines 22, 23, and 24c. Enter the total.....	25	00
26	Balance of tax due: If line 21 is larger than line 25, subtract line 25 from line 21. Enter the difference. Skip line 27.	26	00
27	Overpayment of tax: If line 25 is larger than line 21, subtract line 21 from line 25. Enter the difference.....	27	00
28	Penalty and interest.....	28	00
29	Estimated tax underpayment penalty. If Form 220/PTE is included, check this box ..... <b>29A</b> <input type="checkbox"/>	29	00
30	<b>TOTAL DUE:</b> See instructions .....	30	00
31	<b>OVERPAYMENT:</b> See instructions.....	31	00
32	Amount of line 31 to be applied to 2023 estimated tax..... <b>32</b> <u>00</u>		
33	Amount to be refunded: Subtract line 32 from line 31 .....	33	00

**SCHEDULE A Additions to Taxable Income**

A1	Total federal depreciation.....	A1		00
A2	Taxes based on income paid to any state (INCLUDING ARIZONA), local governments or foreign governments .....	A2		00
A3	Interest on obligations of other states, foreign countries, or political subdivisions .....	A3		00
A4	Special deductions claimed on federal return.....	A4		00
A5	Federal net operating loss deduction claimed on federal return.....	A5		00
A6	Additions related to Arizona tax credits: See instructions .....	A6		00
A7	Capital loss from exchange of legal tender.....	A7		00
A8	Other additions to federal taxable income: See instructions.....	A8		00
A9	Total: Add lines A1 through A8. Enter the total here and on page 1, line 2.....	A9		00

**SCHEDULE B Subtractions from Taxable Income**

B1	Recalculated Arizona depreciation: See instructions .....	B1		00
B2	Basis adjustment for property sold or otherwise disposed of during the taxable year: See instructions .....	B2		00
B3	Dividends received from 50% or more controlled domestic corporations.....	B3		00
B4	Foreign dividend gross-up .....	B4		00
B5	Dividends received from foreign corporations .....	B5		00
B6	Interest on U.S. obligations.....	B6		00
B7	Agricultural crops charitable contribution.....	B7		00
B8	Expenses related to certain federal tax credits: See instructions .....	B8		00
B9	Capital gain from exchange of legal tender .....	B9		00
B10	Other subtractions from federal taxable income: See instructions.....	B10		00
B11	Total: Add lines B1 through B10. Enter the total here and on page 1, line 4 .....	B11		00

**SCHEDULE C Nonapportionable Income and Expenses (Multistate Corporations Only)**

C1	Nonbusiness dividends and interest income:				
	a Total nonbusiness dividends not deducted in Schedule B.....	C1a		00	
	b Interest from nonbusiness sources.....	C1b		00	
	c Total nonbusiness dividends and interest: Add lines C1a and C1b .....	C1c			00
C2	Net royalties from nonbusiness assets: Include schedule.				
	a Net royalties from nonbusiness real and tangible personal property.....	C2a		00	
	b Net royalties from nonbusiness patents and copyrights .....	C2b		00	
	c Total net royalties from nonbusiness assets: Add lines C2a and C2b .....	C2c			00
C3	Net income or (loss) from rental of nonbusiness assets: Include schedule. ....	C3			00
C4	Net capital gain or (loss) from sale or exchange of nonbusiness assets utilized for production of nonbusiness income: Include schedule.....	C4			00
C5	Other income or (loss): Include schedule.....	C5			00
C6	Subtotal: Add lines C1c, C2c, and C3 through C5.....	C6			00
C7	Expenses attributable to income derived from a foreign corporation which is not itself subject to Arizona income tax: Include schedule. ....	C7			00
C8	Total: Subtract line C7 from line C6. Enter the total here and on page 1, line 7.....	C8			00

**SCHEDULE D Other Income Allocated to Arizona (Multistate Corporations Only)**

D1	Nonbusiness dividends and interest income:				
	a Total nonbusiness dividends.....	D1a		00	
	b Interest from nonbusiness sources.....	D1b		00	
	c Total nonbusiness dividends and interest: Add lines D1a and D1b .....	D1c			00
D2	Net royalties from nonbusiness assets: Include schedule.				
	a Net royalties from nonbusiness real and tangible personal property.....	D2a		00	
	b Net royalties from nonbusiness patents and copyrights .....	D2b		00	
	c Total net royalties from nonbusiness assets: Add lines D2a and D2b .....	D2c			00
D3	Net income or (loss) from rental of nonbusiness assets: Include schedule. ....	D3			00
D4	Net capital gain or (loss) from sale or exchange of nonbusiness assets utilized for production of nonbusiness income: Include schedule.....	D4			00
D5	Other income or (loss) directly allocable to Arizona: Include schedule. ....	D5			00
D6	Total: Add lines D1c, D2c, and D3 through D5. Enter the total here and on page 1, line 11 .....	D6			00



**SCHEDULE E Apportionment Formula (Multistate Corporations Only)**

**IMPORTANT:** Qualifying air carriers must use Arizona Schedule ACA. Qualifying multistate service providers must include Arizona Schedule MSP. If the **"SALES FACTOR ONLY"** box on page 1, line E, is checked, *complete only Section E3, Sales Factor, lines a through f.* See instructions.

	COLUMN A Total Within Arizona Round to nearest dollar.	COLUMN B Total Everywhere Round to nearest dollar.	COLUMN C Ratio Within Arizona A ÷ B
<b>E1 Property Factor - STANDARD APPORTIONMENT ONLY</b> Value of real and tangible personal property (by averaging the value of owned property at the beginning and end of the tax period; rented property at capitalized value). <b>a Owned Property</b> (at original cost): 1 Inventories ..... 2 Depreciable assets (do not include construction in progress) ..... 3 Land ..... 4 Other assets (describe): _____ 5 Less: Nonbusiness property (if included in above totals) ..... 6 Total of section a (the sum of lines 1 through 4 less line 5) ..... <b>b Rented property</b> (capitalize at 8 times net rent paid) ..... <b>c Total owned and rented property</b> (Total of section a plus section b) .....			
<b>E2 Payroll Factor - STANDARD APPORTIONMENT ONLY</b> Total wages, salaries, commissions and other compensation to employees (per federal Form 1120, or payroll reports) .....			.
<b>E3 Sales Factor</b> <b>a</b> Sales delivered or shipped to Arizona purchasers ..... <b>b</b> Sales from services or from designated intangibles <b>for qualifying multistate service providers only</b> (see instructions; include Schedule MSP)..... <b>c</b> Other gross receipts ..... <b>d</b> Total sales and other gross receipts. (The sum of lines a through c) ..... <b>e</b> Weight AZ sales: (STANDARD x 2; SALES FACTOR ONLY x 1) <b>f</b> Sales Factor Only (for Column A, multiply line d by line e; for Column B, enter the amount from line d; for Column C, divide Column A by Column B.) Skip line E4 and line E5 <b>STANDARD Apportionment</b> , continue to E4. <b>SALES FACTOR ONLY Apportionment</b> , enter the amount from Column C on page 1, line 9.....	<b>x2</b> <b>OR</b> <b>x1</b>		
<b>E4 STANDARD Apportionment Total Ratio:</b> Add Column C of lines E1c, E2, and E3f. Enter the total .....			.
<b>E5 Average Apportionment Ratio for STANDARD Apportionment:</b> Divide line E4, Column C, by four (4). Enter the result on page 1, line 9. (If one of the factors is "0" in both Column A and Column B, see instructions.) .....			.

**SCHEDULE F Schedule of Tax Payments (Include additional sheets if more space is needed.)**

	(a) Name of Corporation	(b) EIN	(c) Payment Date MM DD YY	(d) Estimated Payment	(e) Extension Payment
<b>F1</b>			MM DD YY	00	00
<b>F2</b>			MM DD YY	00	00
<b>F3</b>			MM DD YY	00	00
<b>F4</b>			MM DD YY	00	00
<b>F5</b>			MM DD YY	00	00
<b>F6</b>			MM DD YY	00	00
<b>F7</b>	<b>Total Tax Payments</b> .....			00	00

**SCHEDULE G Other Information**

**G1** Date business began in Arizona or date income was first derived from Arizona sources: MM,DD,YY,YY

**G2** Address at which tax records are located for audit purposes:  
 Number and Street: \_\_\_\_\_  
 City: \_\_\_\_\_ State: \_\_\_\_\_ ZIP Code: \_\_\_\_\_

**G3** The taxpayer designates the individual listed below as the person to contact to schedule an audit of this return and authorizes the disclosure of confidential information to this individual. (See instructions.)  
 Name: \_\_\_\_\_ Office Phone: \_\_\_\_\_ (Area Code)  
 Title: \_\_\_\_\_  
 Email: \_\_\_\_\_ Cell Phone: \_\_\_\_\_ (Area Code)

**G4** List prior taxable years ending in MM/DD/YYYY format for which a federal examination has been finalized:  
 \_\_\_\_\_  
**NOTE:** A.R.S. § 43-327 requires the taxpayer, within ninety days after final determination, to report these changes under separate cover to the Arizona Department of Revenue or to file amended returns reporting these changes. (See instructions.)

**G5** List the taxable years ending in MM/DD/YYYY format for which federal examinations are now in progress and final determination of past examinations is still pending:  
 \_\_\_\_\_

**G6** List the taxable years ending in MM/DD/YYYY format for which federal waivers of the statute of limitations are in effect and dates on which waivers expire:  
 Taxable Year Ending: \_\_\_\_\_ Waiver Expiration Date: \_\_\_\_\_

**G7** Indicate tax accounting method:  Cash  Accrual  Other (Specify method.) \_\_\_\_\_

**Multistate taxpayers:**

**G8** Are the nonbusiness items reported on Schedule C, lines C1 through C5, and/or are the apportionment factor amounts reported on Schedule E, Column B treated consistently on all state tax returns filed under the Uniform Division of Income for Tax Purposes Act?  
 Yes  No If "No", the taxpayer must disclose the nature and extent of the variance upon request by the department.

**G9** Has the taxpayer changed the way income is apportioned or allocated to Arizona from prior taxable year returns?  
 Yes  No  
 If "Yes", include explanation.

	The following declaration must be signed by one of the following officers: president, treasurer, or any other principal officer.		
<b>Declaration</b>	Under penalties of perjury, I, the undersigned officer authorized to sign this return, declare that I have examined this return, including the accompanying schedules and statements, and to the best of my knowledge and belief, it is a true, correct and complete return, made in good faith, for the taxable year stated pursuant to the income tax laws of the State of Arizona.		
<b>Please Sign Here</b>	_____ OFFICER'S SIGNATURE	_____ DATE	_____ TITLE
	_____ OFFICER'S PRINTED NAME		
<b>Paid Preparer's Use Only</b>	_____ PAID PREPARER'S SIGNATURE	_____ DATE	_____ PAID PREPARER'S TIN
	_____ PAID PREPARER'S PRINTED NAME		
	_____ FIRM'S NAME (OR PAID PREPARER'S NAME, IF SELF-EMPLOYED)		_____ FIRM'S EIN
	_____ FIRM'S STREET ADDRESS		_____ FIRM'S TELEPHONE NUMBER
	_____ CITY	_____ STATE	_____ ZIP CODE

**This form must be e-filed unless the corporation has a waiver or is exempt from e-filing.  
 See instructions for details.**

**SCHEDULE A Additions to Taxable Income Continued**

**A6 Additions related to Arizona tax credits:**

<b>A</b> Pollution Control Credit:		
1	Excess Federal Depreciation or Amortization.....	00
2	Excess in Federal Adjusted Basis.....	00
<b>B</b> Credit for Taxes Paid for Coal Consumed in Generating Electrical Power.....		00
<b>C</b> Credit for Employment of TANF Recipients.....		00
<b>D</b> Credit for Donation of School Site.....		00
<b>E</b> Credit for Corporate Contributions to School Tuition Organizations.....		00
<b>F</b> Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students with Disabilities.....		00
<b>G</b> Total Additions Related to Arizona Tax Credits.		
Enter this amount on page 2, Schedule A, line A6.....		00

**A8 Other additions to federal taxable income:**

<b>A</b> Positive Partnership Income Adjustment.....		00
<b>B</b> Federal Exploration Expenses.....		00
<b>C</b> Federal Amortization or Depreciation for Facilities and Equipment Amortized Under Arizona Law:		
1	Pollution Control Devices.....	00
2	Child Care Facilities.....	00
<b>D</b> Expenses and Interest Relating to Income Not Taxed by Arizona.....		00
<b>E</b> Tax-Exempt Insurance Company Loss.....		00
<b>F</b> Amounts Repaid in Current Taxable Year.....		00
<b>G</b> Excess Federal Capital Loss Carryover Under a Claim of Right Restoration.....		00
<b>H</b> Domestic International Sales Corporations.....		00
<b>I</b> Expenditures for the Americans With Disabilities Act.....		00
<b>J</b> Treatment of Installment Obligations When Corporate Activities Cease in Arizona.....		00
<b>K</b> Total Other Additions to Federal Taxable Income.		
Enter this amount on page 2, Schedule A, line A8.....		00

**SCHEDULE B Subtractions from Taxable Income Continued**

**B8 Expenses related to certain federal tax credits:**

<b>A</b> Work Opportunity Credit.....		00
<b>B</b> Empowerment Zone Employment Credit.....		00
<b>C</b> Credit for Employer-Paid Social Security Taxes on Employee Cash Tips.....		00
<b>D</b> Indian Employment Credit.....		00
<b>E</b> Total Expenses Related to Certain Federal Tax Credits.		
Enter this amount on page 2, Schedule B, line B8.....		00

**B10 Other subtractions from federal taxable income:**

<b>A</b> Refunds of Taxes Based on Income.....		00
<b>B</b> Negative Partnership Income Adjustment.....		00
<b>C</b> Expense Recapture, Mine Explorations.....		00
<b>D</b> Deferred Exploration Expenses.....		00
<b>E</b> Exploration Expenses: Oil, Gas or Geothermal Resources.....		00
<b>F</b> Arizona Amortization of Facilities and Equipment:		
1	Pollution Control Devices.....	00
2	Cost of Child Care Facilities.....	00
<b>G</b> Interest on Federal Taxable Arizona Obligations Evidenced by Bonds.....		00
<b>H</b> Expenses and Interest Relating to Tax-Exempt Income.....		00
<b>I</b> Tax-Exempt Insurance Company Income.....		00
<b>J</b> Claim of Right Adjustment.....		00
<b>K</b> Dividends from Domestic International Sales Corporation (DISC).....		00
<b>L</b> Income from Disaster Relief Efforts.....		00
<b>M</b> Expenditures for the Americans with Disabilities Act.....		00
<b>N</b> Contributions in Aid of Construction (see instructions).....		00
<b>O</b> Marijuana Establishments <b>only</b> (see instructions):		
1	Federal Disallowed Expenses, <b>or</b> .....	00
2	Federal Taxable Income Attributable to NMMD Operations.....	00
<b>P</b> Total Other Subtractions from Federal Taxable Income.		
Enter this amount on page 2, Schedule B, line B10.....		00

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## 2022 Arizona Corporation Income Tax Return

**For information or help, call one of the numbers listed:**

Phoenix (602) 255-3381  
From area codes 520 and 928, toll-free (800) 352-4090

**Tax forms, instructions, and other tax information**

If you need tax forms, instructions, and other tax information, go to the department’s website at [www.azdor.gov](http://www.azdor.gov).

**Income Tax Procedures and Rulings**

These instructions may refer to the department’s income tax procedures and rulings for more information. To view or print these, go to our website and select *Reports & Legal Research* from the main menu, then click on *Legal Research* and select a Document Type and a Category from the drop down menus.

**Publications**

To view or print the department’s publications, go to our website, select *Reports & Legal Research* from the main menu, and click on *Publications* in the left hand column.

### General Instructions

**Which Corporations Must File a Return?**

Every corporation subject to the Arizona Income Tax Act of 1978 must file an Arizona corporate income tax return.

**Disaster Relief for Out-of-State Businesses**

If an out-of-state business is a separate company and is in Arizona on a temporary basis solely for the purpose of performing disaster recovery from a declared disaster during a disaster period, it may not be required to file, remit, withhold, or pay state or local (income) tax. (See the department’s publication, Pub. 720, *Disaster Recovery Tax Relief*, to determine if the taxpayer qualifies for disaster relief.)

If an out-of-state business is part of a unitary group filing a combined return and is in Arizona on a temporary basis solely to perform disaster recovery from a declared disaster during a disaster period, it may be allowed to subtract its income from such activity from the unitary group’s Arizona income. (See the department’s publication, Pub. 720, *Disaster Recovery Tax Relief*, to determine if the taxpayer qualifies for disaster relief.)

**Which Form To Use**

Complete Arizona Form 120 if the corporation:

- Has income from business activity that is taxable in more than one state (a “multistate corporation”);
- Is a partner in:
  - A multistate partnership; and/or
  - A partnership that conducts no business in Arizona.
- Is a member of a unitary group of corporations that files an Arizona return on a combined basis; or
- Is a member of an affiliated group of corporations that elects to file an Arizona consolidated return.

The only type of corporation that may use Arizona Form 120A is one that files its return on a separate company (separate entity) basis and is a “wholly Arizona corporation.”

- A corporation files on a separate company (separate entity) basis if:
  - It is not part of a group of corporations comprising a unitary business; and

- It is not a member of an affiliated group that elected to file an Arizona consolidated return.
- A corporation that has income from business activity that is taxable entirely within Arizona is a “wholly Arizona corporation.”

**Entity Classification Under the Federal "Check-the-Box Rules"**

The federal tax classification of an entity under the federal "check-the-box rules" determines the entity's classification for Arizona tax purposes. Refer to the department’s ruling, CTR 97-1, *Federal “Check-The-Box Rules” on Elective Tax Classification*.

**Limited Liability Companies**

A limited liability company (LLC) that made a valid federal election to be treated as an association taxable as a corporation must file an Arizona corporate income tax return.

A single member LLC that is disregarded as an entity for federal income tax purposes is treated as a branch or division of its owner, and is included in the tax return of its owner. Refer to the department’s ruling, CTR 97-2, *Limited Liability Companies*, for further information.

**Electing Small Business Corporations**

Corporations taxed as S Corporations under Subchapter S of the Internal Revenue Code (IRC) must file Arizona form 120S.

**Homeowners Associations**

Homeowners associations that file federal Form 1120-H or federal Form 1120 are not exempt from Arizona income tax. These associations must file an Arizona corporate income tax return on Arizona form 120A or Arizona form 120.

Certain homeowners associations are federally tax exempt as social welfare organizations or as clubs organized for pleasure or recreation. These homeowners associations are similarly tax exempt for Arizona income tax purposes and are not required to file an Arizona information return.

**Marijuana Establishments, Marijuana Testing Facilities, Dual Use Licensees and Nonprofit Medical Marijuana Dispensaries**

- A corporation licensed by the Arizona Department of Health Services (ADHS) as a Marijuana Establishment (Adult Use), or as a Marijuana Testing Facility (Adult Use), must file an Arizona Corporate Income Tax Return – either Arizona Form 120 or Arizona Form 120A – to report the income and expenses of its operations for the taxable year.
- A corporation licensed by ADHS as a Dual Use Licensee (Dual Licensee) that elected to operate on a for-profit basis, must file an Arizona corporate income tax return, Arizona Form 120 or Arizona Form 120A, to report the income and expenses of ALL its operations for the taxable year.
- A corporation licensed by ADHS as a Dual Licensee that did NOT make the election to operate on a for-profit basis, must file Arizona Form 99M to report its income and expenses from the NMMD portion of its operations and also file Arizona Form 120 or Arizona Form 120A.

- A corporation registered by ADHS as a Nonprofit Medical Marijuana Dispensary *only*, must file Arizona Form 99M to meet the filing requirements of Arizona Revised Statutes § 43-1201(B).

### Records

Every corporation should maintain books and records substantiating information reported on the return and keep these documents for inspection. See the department's ruling, GTR 96-1, *Electronic Data Processing*, for more information about record retention requirements.

### IRC § 7519 Required Payments

Taxpayers cannot deduct the federal required payments on their Arizona tax returns as an ordinary and necessary business expense or otherwise.

### Treatment of Installment Obligations When Corporate Activities Cease

A corporation may elect to report income from the sale or other disposition of property on the installment method. If the corporation fails to report the entire amount from the sale before it ceases to be subject to Arizona corporate income tax, it must report the remaining income in the last year in which it is subject to Arizona corporate income tax.

This provision does not apply if a reorganization transfers the installment obligation to another taxpayer subject to Arizona tax. The transferee may not use its capital losses to offset income from the installment obligation transferred to it.

### Rounding Dollar Amounts

Taxpayers must round amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.

#### Examples:

*Company A (A) reports federal taxable income of \$15,000. A has no Arizona additions to, or subtractions from, federal taxable income. Its apportionment ratio is .326954. A multiplies the federal taxable income by the apportionment ratio. The result is \$4,904.31. Company A rounds the result to \$4,904.00.*

*Company W (W) reports a federal taxable loss of (\$27,000). W has no Arizona additions to, or subtractions from, its federal taxable loss. Its apportionment ratio is .005946. W multiplies its federal loss of (\$27,000) by the apportionment ratio. The result is an Arizona loss of (\$160.54). Company W rounds the result to (\$161.00).*

*Company Z (Z) reports a federal taxable loss of (\$500). Z has no Arizona additions to, or subtractions from, federal taxable income. Its apportionment ratio is .075000. Z multiplies its federal loss of (\$500) by the apportionment ratio. The result is an Arizona loss of (\$37.50). Company Z rounds the result to (\$38.00).*

### Taxable Year Covered by Return

File the 2022 Arizona Form 120 for calendar year 2022 and fiscal years that begin in 2022 and end in 2023. Indicate whether the taxable year is a calendar year or a fiscal year. If the return is for a fiscal year, indicate the beginning and ending dates for the year in the space(s) provided at the top of page 1.

The 2022 Arizona Form 120 can also be used if the corporation has a tax year of less than 12 months that begins and ends in 2023 and the 2023 Arizona Form 120 is not available at the time the corporation is required to file its return. The corporation must show its 2023 year on the 2022 Arizona Form 120 and take into account any tax law changes that are effective for tax years beginning after December 31, 2022. If submitting the 2022 Arizona Form 120 for a 2023 short-period return, submit a paper filed return. Do not submit this short-period return electronically.

### Timely Filing of Returns

- The department determines the timeliness of an electronically filed tax return by the date of the electronic postmark. If the taxpayer and the electronic return preparer or the electronic return transmitter are in different time zones, it is the taxpayer's time zone, as determined by the taxpayer's address, that controls the timeliness of the electronically filed return. When a return has been electronically received on the host system of more than one electronic return preparer or electronic return transmitter during its ultimate transmission to the department, the return shall be deemed filed and received by the department on the date of the earliest electronic postmark.
- The department determines the timeliness of a paper-filed tax return by the postmark or other official mark of the United States Mail stamped on the envelope in which the return is mailed. See the department's ruling, GTR 16-1, *Timely Filing of Income or Withholding Tax Returns Through the United States Mail*.
- The department will accept proof of mailing from a private delivery service included in the Internal Revenue Service (IRS) list of designated private delivery services. Contact the private delivery service for information regarding how to obtain written proof of mailing.
- If the due date for the return falls on a Saturday, Sunday, or a legal holiday, the return is considered timely filed if it is postmarked the next business day. See the department's ruling, GTR 16-2, *Timely Filing of Income or Withholding Tax Return – Holidays and Weekends*.

### Extension of Time to File a Return

- A request for an extension of time to file an Arizona corporate income tax return **must** be submitted by the original due date of the return.
- **Beginning with taxable year 2021, the department may grant an extension request for a C Corporation for a maximum of seven (7) months.**
- The extension request can be made by filing an Arizona extension request, Arizona Form 120/165EXT, or by filing a federal extension.
- The department will also accept a valid federal extension for the same period of time covered by the Arizona extension, seven (7) months.
- You may file Form 120/165EXT electronically or by mail. If mailing, submit Form 120/165EXT to:

Arizona Department of Revenue  
P O Box 29079  
Phoenix, AZ 85035-9079

- If the original return is filed under extension, check box 82F on page 1 of the return.
- Do not include a copy of the extension with your return.
- If the corporation has a tax liability of less than \$500 for the year, Arizona Form 120/165EXT may be used to transmit extension payments by check or money order, regardless of how you request an Arizona extension (valid federal extension or Arizona Form 120/165EXT).
- Corporations with a tax liability of \$500 or more for the 2022 taxable year must pay their tax liability by Electronic Funds Transfer. (See *Payment by Electronic Funds Transfer*, beginning on page 4 for details.)
- If you made extension payments over the Internet, you are not required to file Arizona Form 120/165EXT unless you are requesting an Arizona filing extension.
- The Arizona extension and the federal extension provide an extension of time to file, but they do not provide an extension of time to pay tax.
  - You must pay 90% of your tax liability (including the \$50 minimum tax) by the original due date of your return.
  - The department imposes the extension underpayment penalty on any late or underpaid extension requests.
- See the department's ruling, CTR 01-3, *Extensions*, for additional information.

### Filing Original Returns

- Returns are due by the 15<sup>th</sup> day of the 4<sup>th</sup> month following the close of the taxable year.
- A corporation filing a short-period return must file by the 15<sup>th</sup> day of the 4<sup>th</sup> month after the short period ends.
- If the corporation has a valid federal or Arizona filing extension, the return is due by the extended due date. See the examples in "*Extension of Time to File a Return*" to determine the extended due date of a return filed using a federal extension or an Arizona extension.
- If the return is filed under extension, check box 82F on page 1 of the return.
- If the original due date or extended due date for the return falls on a Saturday, Sunday, or a legal holiday, the return is considered timely filed if it is post-marked the next business day. See the department's ruling, GTR 16-2, *Timely Filing of Income or Withholding Tax Return – Holidays and Weekends*.
- The return must be signed by one or more of the officers of the corporation (President, Treasurer, or any other principal officer).
- Do not submit a blank Arizona return with a copy of the federal return.
  - Taxpayers must furnish complete data.
  - Answer all questions on the return.
  - Complete all applicable schedules.
  - Include all appropriate supplementary schedules.
- You must electronically submit Arizona Form 120 unless you have one of the following:
  - A federal waiver from electronically filing your federal return.

- You meet one of the federal exemptions from electronically filing your federal return.
- You received an Arizona filing waiver pursuant to A.R.S. § 43-323(F).
- You meet one of the Arizona exemptions from electronically filing your Arizona return.
- You have been directed by the IRS or the department to paper file your return.
- If you have been granted a waiver from electronically filing Arizona Form 120, or you are not required to e-file your return, mail the return to:
 

Arizona Department of Revenue  
P.O. Box 29079  
Phoenix, AZ 85038-9079
- The department requests that taxpayers include a copy of their "as-filed" federal return (i.e. federal Form(s) 1120, 1120-F, etc.) and all its schedules and attachments with their Arizona return.
  - **Corporations filing Arizona Form 120 electronically or by paper:** To reduce the size of the return, the detail of Schedule M-3 may be omitted. In addition, it is not necessary to include copies of the following federal Forms: Form 5471, Form 8621, and Form 8858.
  - **Corporations wishing to file Arizona Form 120 electronically, please note:** due to system constraints, the department's computer system can handle an electronically filed return up to 20MB in size. The department requests that returns in excess of 20MB in size be filed as paper returns. (For additional limitations on e-filed returns, refer to *Which Corporations Are Not Required to Electronically (E-File) Their Arizona Income Tax Returns?* on page 5 of these instructions.)

### Filing Amended Returns

Electronic filing of amended returns for the 2022 taxable year is not currently available. Mail Arizona Form 120X to:

Arizona Department of Revenue  
P.O. Box 29079  
Phoenix, AZ 85038-9079

- Any taxpayer who files an amended return with the IRS *must* file an Arizona amended return on Arizona Form 120X within 90 days of final determination of the federal amended return by the IRS.
- Taxpayers *must* report changes or corrections of the taxpayer's taxable income by the IRS or as a result of renegotiation of a contract or subcontract with the United States to the department.
- Within 90 days after the final determination of the change or correction, the taxpayer must:
  - File a copy of the final determination with the department, concede the accuracy of the determination or state any errors, and request that the department recompute the tax owed Arizona, or,
  - File an amended return as required by the department.
- The taxpayer must provide sufficient information for the department to recompute the taxpayer's Arizona taxable income based on the Revenue Agent Report changes.

- Amended returns that are not based on federal changes should include any schedules, forms, and/or statements that are necessary to fully explain and substantiate the change(s).
- The department may require the taxpayer to file an amended return if the department does not have the necessary information to recompute the tax owed to Arizona.
- Mail Arizona Form 120X to the address shown on the form.
- If the corporation was required to make its tax payments for the 2022 taxable year by electronic funds transfer (EFT), it must pay any additional tax due from an amended return by EFT.

**NOTE:** *File amended returns for prior taxable years on the Arizona Form 120X for those taxable years. Use the 2022 Arizona Form 120X to amend only the taxable year 2022. Do NOT file an amended return until your original return has been processed.*

**Estimated Tax Payments**

Corporations expecting an Arizona income tax liability for the taxable year of \$1,000 or more must make Arizona estimated income tax payments. All corporations required to make Arizona estimated income tax payments must make those payments by the 15<sup>th</sup> day of the 4<sup>th</sup>, 6<sup>th</sup>, 9<sup>th</sup>, and 12<sup>th</sup> months of their taxable year. Corporations that fail to make the required estimated tax payments are subject to a penalty on any estimated tax payment which is late or underpaid.

Arizona’s required annual payment of corporate estimated income tax is the smaller of:

- Ninety percent of the taxpayer's Arizona tax liability (reduced by refundable tax credits and claim of right adjustments, if applicable) for the current taxable year; or,
- One hundred percent of the taxpayer's Arizona tax liability (reduced by refundable tax credits and claim of right adjustments, if applicable) for the prior taxable year. For a corporation to base its Arizona estimated tax payments on its prior taxable year’s tax liability:
  - The corporation’s return filed for the prior taxable year must have shown at least some amount of tax liability (an amount greater than zero); and
  - The corporation’s return filed for the prior taxable year must have been for a period of twelve months.

Complete Arizona Form 120/PTE-W to compute the amount of the estimated payments for 2023 and to compute the required installments.

**NOTE:** *Taxpayers required to make corporate estimated payments via EFT that fail to do so are subject to a penalty of 5% of the amount of the payment not made by EFT. See A.R.S. § 42-1125(O). For additional information on electronic funds transfer, refer to A.R.S. § 42-1129 and the related Arizona Administrative Code rules (A.A.C. R15-10-301 through R15-10-307) for detailed information*

**MAKING ESTIMATED TAX PAYMENTS FOR 2023**

Corporations making estimated tax payments for 2023 that expect a 2023 income tax liability of \$500 or more must make Arizona estimated income tax payments using EFT. See the Section *Payment Electronic Funds Transfer* on page 5 for details on making tax payments by EFT.

**NOTE:** *Corporations that make estimated tax payments by EFT should not submit Arizona Form 120/165ES.*

Corporations making estimated payments for 2023 that expect a 2023 income tax liability of less than \$500 may pay by check, e-check, money order, credit card, or they may elect to participate in EFT. See the Section, *Payment by Electronic Funds Transfer* on page 6 for additional information. If paying by check or money order, complete Arizona Form 120/165ES and include the check or money order with the form.

**Is the corporation subject to the Estimated Underpayment Penalty for the 2022 taxable year?**  
*See the instructions for Arizona Form 220/PTE.*

**Penalties and Interest**

**NOTE:** *If more than one of the penalties described in A, B, or C apply, the maximum combined penalty is 25%.*

**A. Late Filing Penalty**

Without a valid federal or Arizona extension, a return filed after the original due date is subject to the late filing penalty. A return filed after its extended due date is also subject to the late filing penalty. The late filing penalty is 4.5% (.045) of the amount of tax required to be shown on the return. The penalty period is each month or fraction of a month between the due date of the return and the date the taxpayer filed the return. The maximum penalty is 25% of the tax found to be remaining due.

**B. Extension Underpayment Penalty**

The taxpayer must pay 90% of the tax liability reported on its return by the original due date of the return. If it does not, the extension underpayment penalty is charged on any late or underpaid extension payments. The extension underpayment penalty is 0.5% (.005) of the tax not paid for each 30-day period or fraction of a 30-day period between the original due date and the date the tax is paid. The maximum penalty is 25% of the unpaid tax. Taxpayers subject to the extension underpayment penalty are not subject to the late payment penalty described in C below.

**C. Late Payment Penalty**

The late payment penalty is charged on any amount shown as tax on a return that is not paid by the due date. The late payment penalty is 0.5% (.005) of the unpaid tax for each month or fraction of a month that the tax remains unpaid, not to exceed 10% of the unpaid tax.

**Amended Return Filers:** *If you voluntarily file an amended return and pay the additional tax due when you file your amended return, the department will not assess the late payment penalty. Exceptions are:*

- *The taxpayer is under audit by the department.*
- *The amended return was filed on demand or request by the department.*



Refer to the department’s ruling, CTR 09-1, *When do Penalties Apply to an Income Tax Return Filed Under An Extension*, for information on the application of penalties to returns filed under extension.

**D. Underpayment of Estimated Tax Penalty**

The department imposes the underpayment of estimated tax penalty on any late payment or underpayment of a required installment of estimated tax. Refer to the instructions for line 29 on page 11, or to Arizona Form 220/PTE for further details.

**E. Failure to Pay by Electronic Funds Transfer**

Corporations that anticipate a tax liability of \$500 or more for the taxable year must pay their tax liability by Electronic Funds Transfer (EFT).

Corporations required to pay their tax liability by EFT that fail to do so may be subject to a penalty equal to five percent (5%) of the amount of the payment not made by EFT.

**F. Interest**

The department charges interest on any portion of the tax not paid by the due date. The department compounds interest annually and applies it in the same manner and at the same time as the IRS. The Arizona rate of interest for both underpayments and overpayments *for all taxpayers* is the federal underpayment rate.

On January 1 of each year, the department adds any interest outstanding as of that date to the principal amount of the tax. It is then a part of the principal amount of the tax and accrues interest until paid.

**NOTE:** *The entire amount of tax, penalties, and interest is due by the original due date of the return.*

**Electronic Filing of Corporate Income Tax Returns**

**Electronic filing of Arizona corporate income tax returns is required for the 2022 taxable year.** Please see the department’s website at <https://azdor.gov/e-services/approved-vendors> for a list of approved software vendors.

**Which Corporations Are Not Required to Electronically File (E-file) Their Arizona Income Tax Returns?**

Corporations that cannot e-file their federal return cannot e-file their Arizona return.<sup>1</sup> Corporations filing any of the following forms as a stand-alone return cannot e-file their federal return. As a result, those corporations cannot e-file their Arizona corporate income tax return and they are not required to obtain a filing waiver from the department.

Federal Form	Entity Type
1120-C	Farmer’s Cooperative Association
1120-FSC	Foreign Sales Corporation
1120-H	Homeowner’s Association
1120-IC-DISC	Interest Charge Domestic International Sales Corporation
1120-ND	Nuclear Decommission Trust
1120-REIT	Real Estate Investment Trust
1120-RIC	Regulated Investment Company
1120-SF	Settlement Funds

<sup>1</sup> See IRS Publication 4163, for Tax Returns Processed in Year 2022.

In addition:

- Any corporation receiving a federal waiver from electronically filing its federal return is not required to e-file its Arizona return.
- Any corporation having a federal exemption from electronically filing its federal return is not required to e-file its Arizona return.
- Any corporation whose request for an Arizona filing waiver was not denied is not required to e-file its return.
- Any corporation having an Arizona exemption is not required to e-file its Arizona return.
- Any corporation submitting the 2022 Form 120 for a 2023 short-period return, submit a paper filed return. Do NOT submit this short period return electronically.
- Due to system constraints, the department’s computer can handle an electronically filed return up to 20MB in size. The department requests that returns in excess of 20MB in size be filed as a paper return.

**Requesting an Electronic Filing Waiver**

Any corporate taxpayer who is required to file its income tax return electronically may apply to the director for an annual waiver from the electronic filing requirement. The waiver may be granted if any of the following apply:

- The taxpayer has no computer.
- The taxpayer has no internet access.
- Any other circumstance considered to be worthy by the director.

Waivers are granted on an annual basis and expire at the end of the requested tax year. Waivers must be renewed each calendar year. If a waiver is not renewed, you will be subject to statutory electronic filing requirements at the expiration of your waiver.

To request a waiver, submit Form 292, *Electronic Filing and Payment Waiver Application*, to the department. Form 292 is available at: <https://azdor.gov/forms/other-forms/electronic-filing-and-payment-waiver-application>.

A waiver is not required if the corporate income tax return cannot be electronically filed for reasons beyond the taxpayer’s control, including situations in which the taxpayer was instructed by either the Internal Revenue Service or the Arizona Department of Revenue to file by paper.

Please contact the department at [azefile@azdor.gov](mailto:azefile@azdor.gov) if you need assistance in electronically submitting your Arizona corporate income tax return. If your return has been rejected, please include the Arizona submission ID and the form type (i.e. Arizona Form 120) in your correspondence.

**Payment of Tax, Penalties, and Interest**

The entire amount of tax, penalties, and interest is due by the original due date of the return.

**Payment by Electronic Funds Transfer**

Corporations are required to pay their tax liability by electronic funds transfer (EFT) if the corporation owes \$500 or more for any taxable year beginning from and after December 31, 2020.

**NOTE:** *If a corporation was required to pay its 2022 tax liability by EFT, it must also pay any additional tax due from an amended return by EFT.*

### Requesting a Waiver from the EFT Requirement

A corporation may apply to the director for an annual waiver from the electronic payment requirement. The application must be received by December 31<sup>st</sup> of each year. The director may grant the waiver if any of the following applies:

- The corporation has no computer.
- The corporation has no internet access.
- Any other circumstance considered to be worthy by the director exists, including:
  - The corporation has a sustained record of timely payments, and,
  - No delinquent tax account with the department.

To request a waiver, submit Arizona Form 292, *Electronic Filing and Payment Waiver Application*, to the department. Arizona Form 292 is available by clicking here:

<https://azdor.gov/forms/other-forms/electronic-filing-and-payment-waiver-application>.

**NOTE:** *A corporation that is required to pay by EFT but who fails to do so is subject to a penalty of 5% of the amount of the payment not made by EFT. See A.R.S. § 42-1125(O).*

*For additional information on electronic funds transfer, refer to A.R.S. § 42-1129 and the related Arizona Administrative Code rules (A.A.C. R15-10-301 through R15-10-307) for detailed information.*

### How to Make EFT Payments

Corporations making an EFT payment from a checking or savings account or by credit card are no longer required to register with the department prior to making EFT payments for tax year 2022. Visit [AZTaxes.gov](http://AZTaxes.gov), click “Make a Corporation/S Corporation/Partnership Payment” and follow the prompts.

- **Electronic payment from checking or savings account/e-check/ACH Debit.**

Payments can be made electronically from a checking or savings account. Go to [www.AZTaxes.gov](http://www.AZTaxes.gov), click “Make a Corporation/S Corporation/Partnership Payment”, follow the prompts, and choose the e-check option. Follow the prompts to make your payment.

There is no fee to use this method. This payment method will debit the amount from the specified checking or savings account on the date specified. **When an electronic payment is made from a checking or savings account, a confirmation number will be generated. Please keep this confirmation number as proof of payment.**

- **Online credit card payment.**

Payments can be made by American Express, Discover, MasterCard, or Visa credit cards. Go to [www.AZTaxes.gov](http://www.AZTaxes.gov), click “Make a Corporation/S Corporation/Partnership Payment”, follow the prompts, and choose the credit card option. This will take you to the website of the credit card payment service provider. Follow the prompts to make your payment.

The service provider will charge a fee based on the amount of the tax payment. The service provider will disclose the amount of the fee during the transaction and you will be given the option to continue or cancel. **If you accept the fee and complete the credit card transaction, a confirmation number will be generated. Please keep this confirmation number as proof of payment.**

- **Corporations may also make EFT payment by ACH Credit.** Corporations wishing to pay by ACH credit must register with the department before their ACH payment will be accepted.

To register to make ACH Credit payments, complete Arizona Form number 10366, Electronic Funds Transfer (EFT) Disclosure Agreement for ACH Credit filers, available here: <https://azdor.gov/forms/other-forms/electronic-funds-transfer-ef-disclosure-agreement-ach-credit-filers>. Complete the form as instructed. Submit the completed form at least ten business days before the first anticipated transaction as it may take that long to process the application.

Fax the completed form to the department at (602) 771-9913. You may also email the completed form to the department at [electronicfundstransfer@azdor.gov](mailto:electronicfundstransfer@azdor.gov). If you have not received your approval within one week, you may direct follow-up inquiries to [electronicfundstransfer@azdor.gov](mailto:electronicfundstransfer@azdor.gov). Once the application is processed, you will receive additional information to present to your bank to make the ACH Credit payment.

Your payment will be electronically transferred into the department’s account, normally the next business day. Consult with your bank for the timeframe required to make timely payments. You may be charged a service fee.

**NOTE:** *Corporate taxpayers using a foreign bank account to make EFT payments cannot make EFT payments by ACH Debit. The department does not accept ACH Debit payments from a foreign bank account. If the taxpayer wishes to make payment from a foreign bank account by EFT, the payment MUST be made by ACH Credit. See the instructions for ACH Credit above to register and make ACH Credit payments.*

### Arizona Filing Methods

There are three filing methods for corporate income tax returns filed to Arizona: (1) separate company (separate entity); (2) combined; and (3) consolidated.

#### 1. Separate Company

A corporation files on a separate company basis if:

- It is not part of a group of corporations comprising a unitary business; and
- It is not a member of an affiliated group that elected to file an Arizona consolidated return.

#### 2. Combined Return

A corporation files on a combined basis when it is part of a unitary group of corporations, unless the affiliated group elects to file an Arizona consolidated return.

- A unitary business comprises those parts and components whose functions are integrated and interdependent at the basic operational level.

- The entities comprising the unitary business must be owned or controlled directly or indirectly by the same interests that collectively own more than 50% of the voting stock.

**NOTE:** Refer to Arizona Administrative Code rule (A.A.C.) R15-2D-401 for additional requirements.

Refer to the department's ruling, CTR 00-2, Defining Ownership or Control for Combined Returns, for additional information regarding whether a bond of direct or indirect ownership or control exists.

### Combined Return and Arizona Form 51

A unitary group of corporations required to file a combined return must:

- Complete Arizona Form 51, Section 1 for the first taxable year the group files a combined return.
- In succeeding taxable years, complete Section 2 (Additions) and Section 3 (Deletions) of Arizona Form 51 to report changes in the unitary group.
- Include the completed Arizona Form(s) 51 following page 4 of Arizona Form 120.
- Check the box on page 1, line D to indicate that Arizona Form 51 is included.

**NOTE:** The Arizona gross income of an Arizona unitary group is the consolidated federal taxable income of that unitary group. A multistate Arizona unitary group is a single taxpayer, and must allocate and apportion its income to Arizona using a single apportionment formula.

**IRC § 351 reorganizations** Activities conducted as part of a unitary business do not become a separate and unrelated business simply because those activities are subsequently conducted by a different affiliated corporate entity. An affiliated corporation resulting from an IRC § 351 reorganization is required to file a combined return as part of the unitary group if its activities are conducted as a part of the unitary business. See the department's ruling, CTR 01-1, *Does a Federal Tax-Free I.R.C. § 351(a) Reorganization Affect the Arizona Unitary Determination of the Affiliated Companies.*

**Foreign corporation; water's edge limitation** Do not allocate or apportion the income and expenses of a foreign corporation to Arizona if the foreign corporation is not itself subject to the Arizona corporate income tax. This provision does not apply if a foreign corporation is a member of an affiliated group that elects to file an Arizona consolidated tax return.

"Domestic corporation" means a corporation created or organized in the United States or under the laws of the United States, any of its states, or the District of Columbia.

"Foreign corporation" means:

- A corporation which is not a domestic corporation.
- A domestic corporation with less than 20% of its property, payroll, and sales in the United States. The percentage applies for the three-year period immediately preceding the close of the taxable year, or for such part of that period as the corporation has been in existence. The factors are equally weighted when making this determination.

- A domestic corporation for the immediately preceding three-year period (or for such part of that period as the corporation has been in existence) that:
  - Derived 80% or more of its federal gross income from sources in Puerto Rico or any other possession of the United States except the Virgin Islands; and
  - Derived 65% or more of its federal gross income from the **active conduct of a trade or business** in Puerto Rico or any other U.S. Possession except the Virgin Islands.

The department's procedure, CTP 02-1, *Determining Whether a Domestic Corporation Should be Treated as a Foreign Corporation for Arizona Income Tax Purposes*, provides sample calculations to determine whether a domestic corporation is considered a foreign (80/20) corporation for Arizona tax purposes.

### 3. Consolidated Returns

The common parent of an affiliated group of corporations that files a federal consolidated return may elect to file an Arizona consolidated return. The consolidated return includes all members of the group filing a federal consolidated return, regardless of whether each member is subject to Arizona income tax.

To make the Arizona consolidated election:

- The common parent must make the election on or before the due date, including extensions, for filing the return.
- Arizona Form 122 must be completed and signed by an officer of each subsidiary in the federal consolidated group.
- Arizona Form(s) 122 must be included with the tax return on which the Arizona consolidated election is made.

Once the election is made:

- The election is binding on the group for succeeding taxable years unless the department consents to a change of filing method.
- The election is binding on new members that become part of the federal consolidated group in subsequent tax periods.
- All members of the Arizona consolidated group are jointly and severally liable for the taxes, interest, and penalties of the group.

**NOTE:** For additional information, the following corporate tax rulings address consolidated tax returns:

CTR 94-11, Consolidated Return Net Operating Loss

CTR 94-12, Business/Nonbusiness Income in Consolidated Returns

CTR 12-1, Consolidated Return Election

CTR 12-2, Sale or Dissolution of Members of an Affiliated Group with a Liability from Filing Arizona Consolidated Returns

### Consolidated Return and Arizona Form 51

An Arizona consolidated group that elects to file a consolidated return must:

- Complete Arizona Form 51, Section 1 of Arizona Form 51 for the first taxable year an Arizona consolidated return is filed.
- In succeeding taxable years, complete Section 2 (Additions) and Section 3 (Deletions), as needed to report changes in the Arizona affiliated group.
- Include the completed Arizona Form(s) 51 immediately following the completed Arizona Form 120.
- Check the box on page 1, line D to indicate that Arizona Form 51 is included.

**NOTE:** *The Arizona gross income of an Arizona consolidated group is the consolidated federal taxable income of the consolidated group. A multistate Arizona consolidated group is a single taxpayer, and must allocate and apportion its income to Arizona using a single apportionment formula.*

### Arizona Apportionment Methods

There are three apportionment methods for multistate corporate income tax returns filed to Arizona: (1) air carrier apportionment, (2) standard apportionment, and (3) sales factor only apportionment.

Air carriers are required to use revenue miles. All other taxpayers may select either the standard or the sales factor only apportionment method.

#### 1. Air Carrier Apportionment

An air carrier is required to use revenue miles to calculate its apportionment ratio. Check the box on line E on page 1, fill out Schedule ACA, and include it with your return. Do not complete Schedule E on Arizona Form 120.

#### 2. Standard Apportionment Formula

All non-air carrier taxpayers may use Arizona's standard apportionment formula, which double-weights the sales factor. Check the box on line E on page 1 and complete Schedule E using the number on the left-hand side of line E3e, column A, to double-weight the sales factor. Divide the total ratio by four.

#### 3. Sales Factor Only Apportionment Formula

All non-air carrier taxpayers may use Arizona's SALES FACTOR ONLY apportionment formula, which is determined by dividing Arizona Sales by Everywhere Sales. Check Box 3 on line E of page 1, complete Schedule E, Section E3, "Sales Factor", lines a through f.

### Specific Instructions

For calendar year filers, check the box, "calendar year 2022." For fiscal year filers, check the box, "fiscal year" and enter the beginning and ending dates for the fiscal year. If this is a short-period return, indicate the beginning and ending dates of the short-period.

Type or print the required information in the name, address, and information boxes on the top of page 1. Include the Business Telephone Number (with area code), and the Business Activity (NAICS) Code from the corporation's federal return.

If the taxpayer has a foreign address, enter the information in the following order: city, province or state, and country. Follow the country's practice for entering the postal code. **Do not abbreviate the country's name.**

Consolidated return filers, enter the common parent corporation's name, address, and employer identification number (EIN). The filer's name on a consolidated return should include the phrase, "and affiliates."

Combined return filers, enter the name, address, and EIN of the corporation under which the group is filing. The filer's name on a combined return should include the phrase, "and unitary subsidiaries", or "and unitary affiliates", whichever is applicable.

Enter the taxpayer's employer identification number (EIN); Taxpayers that fail to include their EIN may be subject to a penalty.

#### Box 68

- Check box "A", "This is a first return" if this is the taxpayer's first return filed to Arizona.
- Check box "B", "Name change" if the taxpayer changed its name during the tax year.
- Check box "C", "Address change" if the taxpayer changed its address during the tax year.

#### Box 82F

Check box 82F if this return is filed under extension.

#### Line A

Is the taxpayer's FEDERAL return filed on a consolidated basis?

- Check "Yes" if the taxpayer's FEDERAL return was filed on a consolidated basis. Also, enter the EIN for the taxpayer's common parent on the line below.
- Otherwise, check "No."

#### Line B

Check the box indicating the taxpayer's Arizona filing method (for a discussion of filing method, see *Arizona Filing Methods* on page 6 of these instructions).

- Check Box 1, if the taxpayer filed a separate company return.
- Check Box 2, if the taxpayer filed a combined (unitary group) return.
- Check Box 3, if the taxpayer filed an Arizona consolidated return.

#### Line C

If Box 3 of Line B, above, is checked, enter the last day of the tax year Arizona Forms 122 were filed making the "Consolidated Filer" election. Enter the date in MM/DD/YYYY format.

#### Line D

If the taxpayer checked Box 2 or Box 3 on line B, see the instructions for Arizona Form 51.

- Check "Yes" if Arizona Form 51 is included.
- Check "No" if Arizona Form 51 is not included.

#### Line E

If the taxpayer is a multistate corporation, check the box indicating its method of apportioning income to Arizona.

- Check Box 1 if the taxpayer used Air Carrier Apportionment. Complete Arizona Form ACA and include it with this return.
- Check Box 2 if the taxpayer used the Standard Apportionment formula.
- Check Box 3 if the taxpayer used the Sales Factor Only Apportionment formula.

If the taxpayer is not a multistate corporation, or did not apportion its income to Arizona, leave this line blank.

#### Line F

- Check this box only if the taxpayer elected to be treated as a multistate service provider by completing Arizona Schedule MSP and including it with this return. Check the appropriate box, Yr 1 through Yr 5, to indicate the year of the taxpayer's election cycle.
- If the taxpayer did not elect multistate service provider treatment, leave this line blank.

**Line G**

Is this the taxpayer's final Arizona corporate income tax return using this EIN?

- If yes, check "Yes" and check the appropriate box
  - Check Box 1 if the corporation is "Dissolved,";
  - Check Box 2 if the corporation withdraws from Arizona; or
  - Check Box 3 if the taxpayer "Merged/Reorganized." If there is a successor corporation, indicate the EIN of the successor corporation in the space provided.
- If this is not the corporation's final Arizona return under this EIN, check "No."

**Line H - Marijuana Establishments only**

Check only one box.

- Check Box 1 if the corporation is licensed by ADHS as an Adult Use only establishment,
- Check Box 2 if the corporation is licensed by ADHS as a Dual Licensee that has elected to operate on a for-profit basis, or
- Check Box 3 if the corporation is licensed by ADHS as a Dual Licensee that has not elected to operate on a for-profit basis.

If the corporation is registered with the Arizona Department of Health Services as a Nonprofit Medical Marijuana Dispensary, leave blank.

**Arizona Taxable Income Computation**

**Line 1 - Taxable Income per Federal Return**

Enter taxpayer's federal taxable income as reported on its federal income tax return. If this is a combined return, include a schedule showing the computation of line 1, broken down by company.

**NOTE COMBINED RETURN FILERS:** *A unitary group of corporations filing a combined return must determine income using the same accounting period.*

**Line 2 - Additions to Taxable Income**

Enter total adjustments from page 2, Schedule A, line A9. See instructions on page 12 for Schedule A.

**Line 4 - Subtractions from Taxable Income**

Enter total adjustments from page 2, Schedule B, line B11. See instructions on page 14 for Schedule B.

**Line 5 - Adjusted Income**

Subtract line 4 from line 3. Enter the difference.

- 100% Arizona corporations, check box 5a. Skip lines 6 through 12. Go to line 13.
- Multistate corporations, continue to line 6.

**NOTE:**

- *A corporation that has income from business activity that is taxable entirely within Arizona is a 100% Arizona corporation.*
- *A corporation that has income from business activity taxable in more than one state is a multistate corporation.*

**Lines 6 through 12 - Apportionment Computation -- Multistate Corporations Only**

Multistate corporations, complete lines 6 through 12 as instructed on the form.

A multistate corporation must allocate and apportion its net income according to the Uniform Division of Income for Tax Purposes Act (UDITPA). For more detailed information, refer to pages 17 through 21 of these instructions for Schedules C, D, and E, or to the separate instructions for Schedule ACA.

**Line 9 - Arizona Apportionment Ratio Multistate Corporations Only**

Compute the apportionment ratio on Schedule E (for non-air carrier taxpayers) or ACA (for air carrier taxpayers). Enter the average apportionment ratio on line 9. Carry out the decimal to six places.

**NOTE:** *If line 9 is "0.000000", the corporation is considered to have no Arizona nexus.*  
*If line 9 is blank or 1.000000, the corporation is considered to be 100% Arizona (taxable entirely within Arizona).*

**Line 13 - Arizona Income Before Net Operating Loss**

**100% Arizona Corporations:**

Enter your Arizona adjusted income from line 5.

**Multistate Corporations:**

Enter your Arizona adjusted income from line 12.

**Line 14 - Arizona Basis Net Operating Loss (NOL) Carryover**

If the corporation incurred Arizona losses in prior taxable years, the corporation can apply those losses against current Arizona income. For taxable years beginning from and after December 31, 2011, an NOL may carry forward to the next 20 succeeding taxable years.

Be sure to maintain records long enough to substantiate the subtraction in the taxable year taken.

The amount entered on line 14 cannot exceed the amount on line 13. Include a separate computation schedule.

**NOTE:** *Information about the Arizona NOL carryover calculation can be found in A.R.S. § 43-1123, A.A.C. R15-2D-302, and Arizona Corporate Tax Rulings: CTR 91-2, Arizona Net Operating Loss Calculation – Change of Filing Method  
 CTR 94-11, Consolidated Return Net Operating Loss  
 CTR 99-3, Recalculation NOLs from Separate Corporate Returns to a Combined Corporate Return*

**Line 15 - Arizona Taxable Income**

Subtract line 14 from line 13. Enter the difference.

**Arizona Tax Liability Computation**

**Line 16 - Arizona Tax**

Multiply line 15 by 4.9%. Enter the result. If the result is less than \$50, enter the minimum tax of \$50. Every corporation required to file a return shall pay a \$50 minimum tax.

*Combined or consolidated returns* - a unitary group or an Arizona affiliated group is considered a single taxpayer. The minimum tax is imposed on the single taxpayer rather than on each corporation within the group.

**Line 17 - Tax from Recapture of Tax Credits**

Enter the amount of tax due from recapture of the credits from Arizona Form 300, Part 2, line 24.

**Line 18 - Subtotal**

Add lines 16 and 17. This is the amount of tax to which the total amount of tax credits claimed by the taxpayer may be applied.

**Line 19 - Nonrefundable Tax Credits**

Enter the allowable nonrefundable tax credit amount from Arizona Form 300, Part 2, line 44. This amount cannot be larger than the amount on line 18. Complete the appropriate credit form for each tax credit. Include the completed credit form and Arizona Form 300 with the tax return.

- **Military Reuse Zone Credit**

*The credit for the military reuse zone credit has been repealed.* The unused portion of valid military reuse zone credits may be carried forward for the respective five year carryforward period. Complete Arizona Form 306 to claim this carry-forward tax credit.

- **Credit for Increased Research Activities**

This tax credit is for taxpayers who incur qualified research expenses for research conducted in Arizona. A portion of the excess credit claimed for taxable years beginning from and after December 31, 2009, may be refundable with approval from the Arizona Commerce Authority. **Enter only the nonrefundable portion of this credit on line 19.** Complete Arizona Form 308 to claim this tax credit.

- **Pollution Control Credit**

This tax credit is for expenses incurred during the taxable year to purchase real or personal property used in the taxpayer's trade or business in Arizona to control or prevent pollution. Complete Arizona Form 315 to claim this tax credit.

- **Credit for Taxes Paid for Coal Consumed in Generating Electrical Power**

This tax credit is for a percentage of the amount paid by the seller or purchaser as transaction privilege tax or use tax for coal sold to the taxpayer that is consumed in the generation of electrical power in Arizona. "Amount paid by the seller or purchaser as transaction privilege tax or use tax" means that the taxpayer paid the Arizona use tax to the department, the seller passed the Arizona transaction privilege tax through to the taxpayer as an added charge, or the seller collected the Arizona use tax from the taxpayer. Complete Arizona Form 318 to claim this tax credit.

- **Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets**

*The credit for solar hot water heater plumbing stub outs and electric vehicle recharge outlets has been repealed.* All credits for solar hot water heater plumbing stub outs and electric vehicle recharge outlets that were properly established can be carried forward for the respective five year carry-forward period. Complete Arizona Form 319 to claim this carry-forward tax credit.

- **Credit for Employment of Temporary Assistance for Needy Families (TANF) Recipients**

This tax credit is for net increases in qualified employment for recipients of TANF who are residents of Arizona. Complete Arizona Form 320 to claim this tax credit.

- **Credit for Donation of School Site**

This tax credit is for the donation of real property and improvements to an Arizona school district or Arizona charter school for use as a school or as a site for the construction of a school. Complete Arizona Form 331 to claim this tax credit.

- **Credit for Employing National Guard Members**

This tax credit is for an employer who has an employee that is a member of the Arizona National Guard and the employee was placed on active duty. Complete Arizona Form 333 to claim this tax credit.

- **Credit for Corporate Contributions to School Tuition Organizations**

This tax credit is for corporations who make contributions to school tuition organizations that provide scholarships and tuition grants to children attending qualified nongovernmental schools. Complete Arizona Form 335 to claim this tax credit.

- **Credit for Solar Energy Devices - Commercial and Industrial Applications**

This tax credit expired for taxable years beginning after December 31, 2018. The expiration does not affect carryovers of this properly established credit. Complete Arizona Form 336 to figure the carryforward of this tax credit.

- **Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students With Disabilities**

This tax credit is for corporations who make contributions to school tuition organizations that provide scholarships and tuition grants to qualifying children attending qualified nongovernmental schools. Complete Arizona Form 341 to claim this tax credit.

- **Renewable Energy Production Tax Credit**

This tax credit is for taxpayers that produce electricity using qualified energy resources. Approval by the Arizona Department of Revenue is required prior to claiming this tax credit. Complete Arizona Form 343 to claim this tax credit.

- **Credit for New Employment**

This tax credit is for taxpayers that have net increases in employment. The credit limit is administered by the Arizona Commerce Authority. Complete Arizona Form 345 to claim this tax credit.

**Additional Credit for Increased Research Activities for Basic Research Payments**

This tax credit is for taxpayers that make qualified basic research payments for research conducted in Arizona. Approval by the Arizona Department of Revenue is required prior to claiming this tax credit. Complete Arizona Form 346 to claim this tax credit.

**Credit for Renewable Energy Investment and Production for Self-Consumption by International Operations Centers**

This tax credit is for investment in new renewable energy facilities that produce energy for self-consumption using renewable energy resources if the power will be used primarily for International Operations Centers. Complete Arizona Form 351 to claim this tax credit.

**Healthy Forest Production Tax Credit**

This tax credit is for the processing of qualifying forest products. Complete Arizona Form 353 to claim this credit.

**Affordable Housing Tax Credit**

This tax credit is for projects in this state that qualify for the federal low-income housing tax credit under Section 42 of the Internal Revenue Code. Complete Arizona Form 354 to claim this credit.

**Line 20 - Credit Type**

Enter the applicable credit form number in the space(s) provided to indicate which nonrefundable tax credits are claimed on line 19.

Nonrefundable Income Tax Credit	Form
Military Reuse Zone Credit	306
Credit for Increased Research Activities	308
Pollution Control Credit	315
Credit for Taxes Paid for Coal Consumed in Generating Electrical Power	318
Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets	319
Credit for Employment of TANF Recipients	320
Credit for Donation of School Site	331
Credit for Employing National Guard Members	333
Credit for Corporate Contributions to School Tuition Organizations	335
Credit for Solar Energy Devices - Commercial and Industrial Applications	336
Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students With Disabilities	341
Renewable Energy Production Tax Credit	343
Credit for New Employment	345
Additional Credit for Increased Research Activities for Basic Research Payments	346
Credit for Renewable Energy Investment and Production for Self-Consumption by International Operations Centers	351
Healthy Forest Production Tax Credit	353
Affordable Housing Tax Credit	354

**Line 21 - Tax Liability**

Subtract line 19 from line 18. Line 21 cannot be a negative amount.

**Tax Payments**

**Line 22 - Refundable Tax Credits**

Check the box(es) marked 308 (Credit for Increased Research Activities) and/or 349 (Credit for Qualified Facilities) to indicate which of these tax credits the taxpayer is claiming. Enter the total amount of the refundable credits claimed on line 22.

**Credit for Increased Research Activities**

A portion of this tax credit is refundable for qualified taxpayers. The refund is limited to 75% of the excess credit, which is the current year's credit less the current year's tax liability, not to exceed the amount approved by the Arizona Commerce Authority. Include a copy of your "Certificate of Qualification" from the Arizona Commerce Authority, Arizona Form 300, and Arizona Form 308 with your return. Enter the amount from Arizona Form 308, Part 7, line 42.

**Credit for Qualified Facilities**

This tax credit is for expanding or locating a qualified facility in Arizona and is refundable in five equal installments. Pre-approval and post-approval are required through the Arizona Commerce Authority. Include a copy of your "Certification of Qualification" from the Arizona Commerce Authority and Arizona Form 349 with your tax return to claim this credit. Enter the amount from Arizona Form 349, Part 8, line 20.

If you are claiming more than one of the refundable tax credits, check the appropriate boxes and add the amounts from the credit forms together and enter the total on line 22, or use the worksheet below to figure the amount to enter on line 22.

Refundable Credit Worksheet	
1. Enter the refundable credit from Arizona Form 308, Part 7, line 42.	
2. Enter the apportioned credit from Arizona Form 349, Part 8, line 20.	
3. Add the amounts on lines 1 and 2. Enter the total here and on Arizona Form 120, line 22.	

**Line 23 - Extension Payments**

Enter the total amount(s) of extension payments made from Arizona Form 120, page 3, Schedule F, and/or with Arizona Form 120/165EXT. See the instructions on page 21 for Schedule F, or the instructions for Arizona Form 120/165EXT, for information on making extension payments.

**NOTE:** Taxpayers whose 2022 income tax liability is \$500 or more must make extension payments by EFT. See the instructions for Arizona Form 120/165EXT for additional information.

**Lines 24(a), 24(b), and 24(c) - Estimated Payments and Claim of Right**

a. Enter the total amount of estimated payments made and reported on Arizona Form 120, page 3, Schedule F.

- b. If you recomputed a prior year's tax under Arizona's claim of right provision, complete *Arizona Claim of Right – Corporate* form. Enter the amount from Part 2, line 8. Include the claim of right form with your return. If you completed more than one claim of right form, add all amounts on line 8, and enter the total.
- c. Add the amounts on line 24(a) and 24(b). Enter the total.

**NOTE FOR CLAIM OF RIGHT RESTORATION:** *If you recomputed a prior year's tax under Arizona's claim of right provision, you must complete and include Arizona Claim of Right – Corporate form with your return. If you fail to complete and include this form, the amount of your claim may be denied.*

*Refer to the department's procedure, CTP 16-1, Procedure for Corporations That Restore Substantial Amounts Held Under a Claim of Right, for additional information on Arizona's Claim of Right provision.*

**Line 25 - Total Payments**

Add lines 22, 23 and 24(c). Enter the total.

**Computation of Total Due or Overpayment**

**Line 26 - Balance of Tax Due**

If the amount on line 21 is **larger** than the amount on line 25, there is a balance of tax due. Subtract line 25 from line 21 and enter the difference. Skip line 27.

**Line 27 - Overpayment of Tax**

If the amount on line 25 is **larger** than the amount on line 21, there is an overpayment of tax. Subtract line 21 from line 25 and enter the difference.

**Line 28 - Penalty and Interest**

The taxpayer may choose to calculate any penalty and interest due as a result of late filing, late payment of tax, or extension underpayment of tax. Interest is calculated on the amount shown on line 26 at the prevailing rate. The interest period is from the original due date of the return to the payment date. For additional information, see the "Penalties and Interest" section on page 3 of these instructions.

**Do not include or enter the amount from the Estimated Tax Underpayment Penalty.**

**NOTE:** *If the taxpayer chooses to calculate the penalty and interest amount(s) to be entered on this line, round the result to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.*

If the taxpayer chooses not to calculate interest and penalties, the department will calculate them, and as appropriate, include that amount in any refund, or bill the taxpayer.

**Line 29 - Estimated Tax Underpayment Penalty**

The taxpayer does not have to complete Arizona Form 220/PTE, *Underpayment of Estimated Tax by Corporations*, if it made its estimated tax payments based on either of the following methods:

- An amount equal to 90% of the current taxable year's tax liability (reduced by refundable tax credits and claim of right adjustments, if applicable), paid in four equal installments; or

- An amount equal to 100% of the taxpayer's tax liability (reduced by refundable tax credits and claim of right adjustments, if applicable) for the prior taxable year, paid in four equal installments.

**Large Corporations**

Large corporations<sup>2</sup> must make an annual estimated tax payment equal to 90% of the tax shown on the return for the current taxable year. If the large corporation reduces its first installment payment, that amount must be recaptured by increasing the amount of the next installment payment by the amount of the reduction.

The department will compute the estimated tax underpayment penalty based on either of these methods and notify the taxpayer of any amount due. If the taxpayer elects to have the department compute the penalty, do not check box 29A or enter an amount on line 29.

The taxpayer **must** complete Arizona Form 220/PTE, even though no penalty is due, if it made its estimated tax payments based on any of the following methods:

- The annualized income installment method; or
- The adjusted seasonal installment method; or
- The taxpayer is a large corporation that computed its first required installment based on the taxpayer's tax liability for the prior taxable year.

Enter the total penalty from Arizona Form 220/PTE, Part C, line 37. Include the completed Arizona Form 220/PTE with the return **and** check box 29A.

See the instructions for Arizona Form 220/PTE for detailed information.

**Line 30 - Total Due**

If the taxpayer has a balance of tax due on line 26, add lines 26, 28, and 29. Enter the total. This is the total amount due.

**Payment of Tax, Penalties, and Interest**

The entire amount of tax, penalties, and interest is due by the original due date of the return.

**Corporate taxpayers required to make payments by EFT**, see the Section, *Payment by Electronic Funds Transfer* on page 4 of these instructions for options to pay your tax liability by EFT.

**Corporate taxpayers not required to make payment by EFT** may elect to pay by EFT or they may pay by check or money order. Make the check or money order payable to the Arizona Department of Revenue. Include the corporation's EIN on the front of the check or money order.

- **If the corporation's income tax return was submitted electronically**, submit the check or money order with Arizona Form 120/165V, available here: <https://azdor.gov/forms/corporate-tax-forms/arizona-corporate-or-partnership-income-tax-payment-voucher>.

<sup>2</sup> A "Large Corporation" is defined as: "... a corporation or unitary group of corporations if the corporation, or a predecessor corporation, had federal taxable income of one million dollars or more for any of the immediately preceding three taxable years, excluding any federal net operating loss or capital gains carryback or carryovers." A.R.S § 43-582(C).



Mail Form 120/165V and the check or money order to the address indicated on the form.

- *If the corporation is filing a paper return*, include the check or money order with the corporation's income tax return. Mail the check or money order and the return to:

Arizona Department of Revenue  
PO Box 29079  
Phoenix, AZ 85038-9079

**Line 31 - Overpayment**

If the taxpayer has an overpayment of tax on line 27, subtract the total of lines 28 and 29 from line 27. Enter a positive difference on line 31. This is the total overpayment. If the difference is negative, enter the difference as a positive number on line 30.

**Line 32 - Overpayment Applied to Estimated Tax**

The taxpayer may apply part or all of an overpayment reported on line 31 as a 2023 estimated tax payment. Enter the applicable amount on line 32.

**Line 33 - Refund**

Subtract line 32 from line 31 and enter the difference. This is the net refund amount.

**Schedule A - Additions to Taxable Income**

On lines A1 through A8 of Schedule A, enter all income taxable under Arizona law that is exempt for federal tax purposes. Also, enter all deductions allowed under federal law that are not allowed under Arizona law.

**Line A1 - Total Federal Depreciation**

Enter the total amount of depreciation deducted on the federal return.

**Line A2 - Taxes Based on Income**

Enter the amount of taxes based on income paid to any states (including Arizona), to foreign governments, or to their political subdivisions included in federal taxable income.

**Line A3 - Interest on Obligations**

Enter the amount of federally tax-exempt interest income on obligations of any state or foreign government, or their political subdivisions (except Arizona). All taxpayers except A.R.S. § 6-101 financial institutions must reduce the amount of interest income by certain expenses. Reduce the amount of interest income by the amount of any interest on indebtedness and other related expenses incurred or continued to purchase or carry those obligations that were not otherwise deducted or subtracted in the computation of Arizona gross income.

**Line A4 - Federal Special Deductions**

Enter the special deductions claimed on the federal tax return for dividends received pursuant to IRC §§ 243, 245, 245A and 250(a)(1)(B). Add back any deduction taken on the federal tax return pursuant to IRC § 965(c) related to repatriation income.

**Line A5 - Federal Net Operating Loss**

Enter the federal net operating loss deduction claimed on the federal tax return.

**Line A6 - Additions Related to Arizona Tax Credits**

Enter the additions to federal taxable income related to Arizona tax credits claimed on this return. The Arizona tax credits requiring an add back are listed below.

Complete the worksheet for Schedule A, line A6 on page 5 of the return before entering the total. If you enter an amount on line A6, include the worksheet with your return.

**A. Pollution Control Credit**

• **Excess Federal Depreciation or Amortization**

Enter the excess of depreciation or amortization computed on the federal basis of the property over depreciation or amortization computed on the Arizona adjusted basis of the property. Make this adjustment for the property for which the taxpayer claimed a tax credit on Arizona Form 315 in a current or prior taxable year.

• **Excess in Federal Adjusted Basis**

Enter the amount by which the federal adjusted basis of the property exceeds the Arizona adjusted basis of the property. Make this adjustment if the property for which the taxpayer claimed a tax credit on Arizona Form 315 in a prior taxable year was sold or otherwise disposed of during the taxable year.

**B. Credit for Taxes Paid for Coal Consumed in Generating Electrical Power**

Enter the amount of expenses deducted pursuant to the IRC for which the taxpayer claimed the credit for taxes paid for coal consumed in generating electrical power, in Arizona on Arizona Form 318. The addition is required for the amount of Arizona transaction privilege taxes and Arizona use taxes included in the computation of federal taxable income for which the Arizona tax credit is claimed.

**C. Credit for Employment of Temporary Assistance for Needy Families (TANF) Recipients**

Enter the amount of wage expenses deducted pursuant to the IRC for which the taxpayer claimed a tax credit for employment of TANF recipients on Arizona Form 320.

**D. Credit for Donation of School Site**

Enter the amount deducted pursuant to the IRC representing a donation of a school site for which this taxpayer claimed a tax credit on Arizona Form 331.

**E. Credit for Corporate Contributions to School Tuition Organizations**

Enter the amount deducted as contributions in computing federal taxable income for which a tax credit is claimed on Arizona Form 335. This includes any amounts passed through from partnership interests.

**F. Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students with Disabilities**

Enter the amount deducted as contributions in computing federal taxable income for which a tax credit is claimed on Arizona Form 341. This includes any amounts passed through from partnership interests.

**G. Total Additions Related to Arizona Tax Credits**

Add the amounts on lines A1 through F. Enter the total. Also, enter the total on page 2, Schedule A, line A6.

**Line A7 - Capital Loss from Exchange of Legal Tender**

Enter the amount of any net capital loss included in Arizona gross income for the taxable year that is derived from the exchange of one kind of legal tender for another kind of legal tender.

- “Legal tender” means a medium of exchange, including specie, that is authorized by the United States Constitution or Congress for the payment of debts, public charges, taxes and dues.
- “Specie” means coins having precious metal content.

**Line A8 - Other Additions to Federal Taxable Income**

Enter the total amount of “other additions” to federal taxable income required to be added back. The “other additions” required to be added back are listed below.

Complete the worksheet for Schedule A, line A8 on page 5 of the return before entering the total. If you enter an amount on line A8, include the worksheet with your return.

**A. Positive Partnership Income Adjustment**

If you received Arizona Form 165 Schedule K-1(NR), and the amount on line 15 is positive, enter the amount from column (a) on line A8. If you received more than one Arizona Form 165 Schedule K-1(NR), total the positive amounts from line 15, column (a) and enter that total on line A8.

If the amounts on Arizona Form 165 Schedule K-1(NR), line 15, are negative, enter the amount from column (a) on Schedule B, line B10. See the instructions for Schedule B, line B10 on page 15 for additional information.

**B. Federal Exploration Expenses**

Enter the amount of IRC § 617 exploration expenses in excess of \$75,000 and the amount of such expenses deferred not in excess of \$75,000.

**C. Federal Amortization or Depreciation for Facilities and Equipment Amortized Under Arizona Law**

Enter the amount of amortization or depreciation deducted pursuant to the IRC for the following:

- **Pollution Control Devices** - If the taxpayer made an election to amortize pursuant to A.R.S. § 43-1129.
- **Child Care Facilities** - If the taxpayer made an election to amortize pursuant to A.R.S. § 43-1130.

**D. Expenses and Interest Relating to Income Not Taxed by Arizona**

Enter expenses and interest relating to income not taxed by Arizona. Refer to A.R.S. § 43-961(5) or A.R.S. § 43-1121(12).

**E. Tax-Exempt Insurance Company Loss**

Enter the loss of an insurance company exempt under A.R.S. § 43-1201 to the extent included in computing Arizona gross income on a consolidated return pursuant to A.R.S. § 43-947.

**F. Amounts Repaid in Current Taxable Year**

Enter the amount of the deduction claimed under IRC § 1341(a)(4) for restoration of a substantial amount held under a claim of right which was included in the computation of Arizona gross income.

**G. Excess Federal Capital Loss Carryover under a Claim of Right Restoration**

Enter the amount by which the capital loss carryover included in your federal taxable income is greater than the amount allowed for the taxable year under Arizona law.

**H. Domestic International Sales Corporations**

Enter the total amount of commissions, rentals, and other amounts paid or accrued to a Domestic International Sales Corporation (DISC) controlled by the payer corporation. Make this adjustment if the DISC does not have to report its taxable income to Arizona because its income is not derived from or attributable to sources within Arizona. "Control" means direct or indirect ownership or control of 50% or more of the voting stock of the DISC by the payer corporation.

No addition is required if:

- The payer corporation files an Arizona combined return with the DISC; or
- The DISC transactions comply with the IRC § 994 inter-company pricing provisions.

**I. Expenditures for the Americans with Disabilities Act**

If a subtraction is or has been taken in the current or a prior taxable year for the full amount of eligible access expenditures paid or incurred to comply with the Americans with Disabilities Act of 1990 or A.R.S. Title 41, chapter 9, article 8, enter any amount of eligible access expenditures that is recognized under the IRC, including any amount that is amortized and that is included in computing Arizona taxable income for the current taxable year.

**J. Treatment of Installment Obligations When Corporate Activities Cease in Arizona**

Corporations filing a final corporate income tax return to Arizona, enter the amount of unreported income from the sale or other disposition of property from an installment sale.

If a corporation elected to report income from the sale or other disposition of property on the installment method and some of that income remains unreported on the year the corporation ceases to be subject to Arizona corporate income tax, enter the amount of the corporation’s unreported income on line A8.

This provision does not apply if a reorganization transfers the installment obligation to another taxpayer subject to Arizona corporate income tax. The transferee may not use its capital losses to offset the income from the installment obligation transferred from a corporation that is no longer subject to tax.

**K. Total Other Additions**

Add the amounts on lines A through J. Enter the total. Also, enter the total on page 2, Schedule A, line A8.

**Schedule B - Subtractions from Taxable Income**

On lines B1 through B10 of Schedule B, enter all income that is exempt from Arizona tax but is taxable under federal law. Also, enter any deduction allowed under Arizona law that is not deductible for federal tax purposes.

**Line B1 - Recalculated Arizona Depreciation**

Enter the total amount of depreciation allowable pursuant to IRC § 167(a) for the taxable year, calculated as if the taxpayer had elected not to claim bonus depreciation for eligible properties for federal purposes.

**Line B2 - Basis Adjustment for Property Sold or Otherwise Disposed of During the Taxable Year**

For taxable years beginning from and after December 31, 1999, taxpayers were required to add back all federal depreciation. Taxpayers who sold or otherwise disposed of property during this year may subtract any resulting difference between federal and Arizona basis. Enter the amount of depreciation that has been allowed pursuant to IRC § 167(a) to the extent that the amount has not already reduced Arizona taxable income in the current or prior years.

**NOTE:** *The practical effect of this is to allow a subtraction for the difference in basis for any asset for which bonus depreciation has been claimed on the federal return.*

**Line B3 - Dividends from Controlled Domestic Corporations**

Enter dividend income received from a domestic corporation owned or controlled, directly or indirectly, by the recipient corporation. "Control" means direct or indirect ownership or control of 50% or more of the voting stock of the payer corporation by the recipient corporation. Dividends shall have the meaning provided in IRC § 316. Do not include "Gross-up" dividends.

**Line B4 - Foreign Dividend Gross-up**

Enter the amount of IRC § 78 foreign "gross-up" dividends received.

**Line B5 - Dividends from Foreign Corporations**

Enter the dividend income received from foreign corporations. Sub-part F income (IRC § 952), global intangible low-taxed income (IRC § 951A), and repatriation income (IRC § 965(a)) are treated as foreign dividends.

**NOTE:** *Refer to the department's ruling CTR 02-3, Is Income From a Qualified Electing Fund (QEF) Taxable?, for information on the treatment of income from a qualified electing fund.*

**Line B6 - Interest on U.S. Obligations**

Enter the interest received from U.S. obligations not taxed by Arizona. See the department's ruling, CTR 06-1, *Obligations of the United States Government, Federal Agencies and United States Territories*, for a listing of qualifying U.S. obligations.

**Line B7 - Agricultural Crops Contributed to Charitable Organizations**

Enter the amount of the allowable subtraction for qualified crop contributions made during the taxable year to one or more Arizona tax-exempt charitable organizations for use in Arizona. Refer to the department's procedure, ITP 12-1, *Establishing an Income Tax Subtraction for Agricultural Crops Contributed to Charitable Organizations*, for information on how to determine if the contribution qualifies for the subtraction.

**Line B8 - Expenses Related to Certain Federal Tax Credits**

Enter the total amount of wages or salaries paid or incurred by the taxpayer not deducted in computing Arizona gross income if the taxpayer received the following federal credits:

- A. The work opportunity credit,
- B. The empowerment zone employment credit,
- C. The credit for employer-paid social security taxes on employee cash tips, and/or
- D. The Indian employment credit.

Add the amounts on lines A through D. Enter the total. Also, enter the total on page 2, Schedule B, line B8.

**Line B9 - Capital Gain from Exchange of Legal Tender**

Enter the amount of any net capital gain included in Arizona gross income for the taxable year that is derived from the exchange of one kind of legal tender for another kind of legal tender.

- "Legal tender" means a medium of exchange, including specie, that is authorized by the United States Constitution or Congress for the payment of debts, public charges, taxes and dues.
- "Specie" means having coins having precious metal content.

**Line B10 - Other Subtractions from Federal Taxable Income**

Enter the total amount of "other subtractions" from federal taxable income required to be included. The "other subtractions" required to be reported are listed below. If no "other subtractions" are required to be included, leave blank.

Complete the worksheet for Schedule B, lines B10 on page 5 of the return before entering the total. If you enter an amount on line B10, include the worksheet with your return.

**A. Refunds of Taxes Based on Income**

Enter any refunds of taxes based on income from states (including Arizona) and from foreign governments or their political subdivisions included in federal taxable income.

**B. Negative Partnership Income Adjustment**

If you received Arizona Form 165 Schedule K-1(NR) and the amount on line 15 is negative, enter the amount from column (a) as a positive number on line B10. If you received more than one Arizona Form 165 Schedule K-1(NR), total the negative amounts from line 15, column (a) and enter that total on line B10 as a positive number.

If the amounts on Arizona Form 165 Schedule K-1(NR), line 15 are positive, enter the amount from column (a) on Schedule A, line A8. See the instructions for Schedule A, line A8 on page 13 for additional information.

**C. Expense Recapture, Mine Explorations**

Enter any expense recapture for mine exploration expenses included in income under federal law. Refer to IRC § 617.

**D. Deferred Exploration Expenses**

Arizona law allows a subtraction for exploration expenses added to Arizona gross income on line A8, item B (refer to A.R.S. § 43-1121(10)). The taxpayer claims the subtraction on a ratable basis as the units of produced ores or the minerals

discovered or explored by reason of such expenditures are sold. Refer to A.A.C. R15-2D-305 for detailed information regarding additional requirements.

Treat property sold in the same manner and on the same basis as other property held for the production of income. Refer to A.R.S. § 43-1121(4) or to A.R.S. § 43-1122(3).

**E. Exploration Expenses; Oil, Gas or Geothermal Resources**

Enter exploration expenses related to exploration of oil, gas, or geothermal resources. Compute the expenses in the same manner and on the same basis as a deduction for mine exploration under IRC § 617. The computation is subject to certain adjustments shown above for line A8, item B and line B10, items C and D. Refer to A.A.C. R15-2D-305 for detailed information regarding additional requirements.

**F. Arizona Amortization of Facilities and Equipment**

• **Pollution Control Devices**

Any taxpayer may choose to amortize the adjusted basis of any device, machinery, or equipment used for collection and control of the source of atmospheric and water pollutants and contaminants. The taxpayer may take the subtraction over a period of 60 months. If a taxpayer chooses not to amortize pollution control devices over a period of 60 months, the taxpayer may take a deduction for depreciation computed under IRC § 167.

Refer to A.A.C. R15-2D-306 for detailed information regarding additional requirements.

• **Cost of Child Care Facilities**

Any taxpayer operating a childcare facility for profit may elect to subtract any expenditure made to purchase, construct, renovate, or remodel the facilities or equipment. The taxpayer may take the subtraction ratably over 60 months, beginning with the month in which the taxpayer places the property in service.

Any taxpayer operating a childcare facility within Arizona primarily for its employees' children may elect to subtract expenditures made to acquire, construct, renovate, or remodel the facilities or equipment. The taxpayer may take the subtraction over a period of 24 months, beginning with the month in which the taxpayer places the property in service.

The amortization is in lieu of federal depreciation or amortization on the facilities.

Refer to A.A.C. R15-2D-307 for detailed information regarding additional requirements.

**G. Interest on Federally Taxable Arizona Obligations Evidenced by Bonds**

Enter the amount of interest income received on obligations of the State of Arizona or any of its political subdivisions, evidenced by bonds, that is included in federal taxable income.

Corporations should not make this adjustment on the corporation's Arizona tax return for such income included in the corporate partner's share of partnership income or (loss). The partnership makes this adjustment on Arizona Form 165. The adjustment to Arizona basis from Arizona Form 165, Schedule K-1(NR), Part 2, line 17 already includes this adjustment.

**H. Expenses and Interest Relating to Tax-Exempt Income**

Effective for taxable years beginning from and after December 31, 1996, this subtraction applies only to financial institutions as defined in A.R.S. § 6-101. Enter expenses and interest relating to tax-exempt income disallowed pursuant to IRC § 265 in the computation of Arizona gross income.

**I. Tax-Exempt Insurance Company Income**

Enter the income of an insurance company exempt under A.R.S. § 43-1201 to the extent included in computing Arizona gross income on a consolidated return pursuant to A.R.S. § 43-947.

**J. Claim of Right Adjustment**

Enter the amount by which the loss carryover allowed to be taken for the taxable year under Arizona law is greater than the amount included in your federal taxable income.

**K. Dividends from Domestic International Sales Corporation (DISC)**

Enter any income from a DISC which federal law requires its shareholders to include in income. Refer to IRC § 995.

**L. Income from Disaster Relief Efforts**

Enter any Arizona income generated from performing disaster recovery for a declared disaster during a disaster period by an out-of-state business that is part of a unitary group filing a combined return and is in Arizona on a temporary basis solely to perform disaster recovery from a declared disaster during a disaster period. (See the department's publication, Pub. 720, *Disaster Recovery Tax Relief*, for additional information.)

**M. Expenditures for the Americans with Disabilities Act**

Enter the amount of expenditures paid or incurred during the taxable year to comply with the Americans with Disabilities Act of 1990 or A.R.S. Title 41, chapter 9, article 8 by retrofitting real property that was originally placed in service at least ten years before the current taxable year. (See A.R.S. §§ 43-1122 and 43-1124)

"Eligible business access expenditures" include reasonable and necessary amounts paid or incurred to:

- Remove any barriers that prevent a business from being accessible to or usable by individuals with disabilities.
- Provide qualified interpreters or other methods of making audio materials available to hearing-impaired individuals.
- Provide qualified readers, taped texts, and other effective methods of making visually delivered materials available to individuals with visual impairments.
- Acquire or modify equipment or devices for individuals with disabilities.
- Provide other similar services, modifications, materials, or equipment.

**NOTE:** A taxpayer who has been cited for noncompliance with the Americans with Disabilities Act of 1990 or A.R.S. title 41, chapter 9, article 8 by either federal or state enforcement officials is ineligible for a subtraction under this section for any expenditure required to cure the cited violation.

**N. Contributions in Aid of Construction**

Enter the amount of monies or other property contributed to a public service corporation that provides water or sewage disposal services to the extent that the purpose of the contribution is to provide for expanding, improving or replacing the public service corporation's water system or sewage disposal facilities. Include any amount of monies or other property contributed to a public service corporation for a water system or sewage disposal facility subject to a contingent obligation to repay the amount, in whole or in part, to the contributor.

**NOTE:** *A public service corporation means all corporations other than municipal engaged in furnishing...water for irrigation, fire protection, or other public purposes...or engaged collecting, transporting, treating, purifying and disposing of sewage through a system... See Article XV, Section 2 of the Arizona Constitution: <https://www.azleg.gov/viewDocument/?docName=http://www.azleg.gov/const/15/2.htm>.*

**O. Marijuana Establishments only**

**Line O1 – Disallowed Federal Expenses**

*If the corporation is licensed by ADHS as a Marijuana Establishment or as a Marijuana Testing Facility*, enter the amount of the disallowed federal expenses from Arizona Schedule DFE, Disallowed Federal Expense Schedule for Marijuana Establishments. **Do not enter an amount on line O2.**

*If the corporation is licensed by ADHS as a Dual Licensee that has made the election to operate on a for-profit basis*, enter the amount of disallowed federal expenses from Arizona Schedule DFE, Disallowed Federal Expense Schedule for Marijuana Establishments. **Do not enter an amount on line O2.**

**Line O2 – Federal Taxable Income Attributable to NMMD Operations**

*If the corporation is licensed by ADHS as a Dual Licensee that has not made the election to operate on a for-profit basis*, enter the amount of its federal taxable income attributable to its operations as an NMMD. **Do not enter an amount on line O1.**

**P. Total Other Subtractions from Federal Taxable Income**

Add the amounts on lines A through O2. Enter the total. Also, enter the total on page 2, Schedule B, line B10.

**Schedule C - Nonapportionable Income and Expenses  
(Multistate Corporations Only)**

Nonbusiness income is nonapportionable and specifically allocable to a particular state. Use Schedule C to compute the amount of nonapportionable income (and expenses) to subtract on page 1, line 7.

"Business income" under the transactional and functional tests means income arising from transactions and activity in the regular course of the taxpayer's trade or business, and includes income from tangible and intangible property if the acquisition, management, and disposition of the property constitute integral parts of the taxpayer's regular trade or business operations. "Nonbusiness income" means all income other than business income.

**NOTE:** *Refer to A.R.S. §§ 43-1134 through 43-1138 and A.A.C. R15-2D-501 through R15-2D-508 for the methods of allocating certain types of nonbusiness income.*

On lines C1 through C5, enter all income or (loss) that is nonapportionable or specifically allocable to Arizona. Refer to the specific line instructions listed below.

**Line C1 - Nonbusiness Dividends and Interest Income**

- Enter all nonbusiness dividend income not deducted in Schedule B.
- Enter nonbusiness interest income not deducted in Schedule B.

**Line C2 - Nonbusiness Net Royalties**

Enter any net royalties from nonbusiness real and tangible personal property. Also, include the net royalties from nonbusiness patents and copyrights. Include a separate detailed schedule with the return showing each royalty.

**Line C3 - Nonbusiness Net Rental Income**

Enter any net rental income or (loss) from nonbusiness real property and tangible personal property. Include a separate detailed schedule with the return showing each rental property.

**Line C4 - Net Capital Gain or (Loss) from Sale or Exchange of Nonbusiness Assets**

- Enter any gain or (loss) from the sale of nonbusiness real property.
- Enter any gain or (loss) from the sale of nonbusiness tangible personal property.
- Enter any gain or (loss) from the sale of nonbusiness intangible personal property.
- Identify each item of nonbusiness asset and the gain or (loss) recognized from the sale of that nonbusiness asset on a separate detailed schedule.

**NOTE:** *Do not include any gain or (loss) recognized on the disposal of property used in connection with the unitary business or the business activities of the Arizona affiliated group. Such income is business income and is subject to apportionment.*

**Line C5 - Other Income or (Loss)**

Enter any other nonapportionable or wholly allocable items. Include a schedule detailing the items.

**Treatment of a nonbusiness partnership on line C5**

**If the partnership income is nonbusiness** - Enter the total amount of income or (loss) from the partnership *plus* the income adjustment received from that partnership, reported on Schedule 165K-1(NR), Part 2, Line 17, column (a).

**Line C7 - Expense Attributable to Income from a Foreign Corporation Which is Not Itself Subject to Tax in Arizona**

Enter any expenses attributable to a foreign corporation that is not subject to tax. Refer to A.R.S. § 43-1132. Include a schedule showing the expenses included on this line.

**Line C8 - Total Nonapportionable Income and Expense**

This is the total amount of nonapportionable income or (loss) on lines C1 through C5 net of expenses on line C7. Enter the amount. Also, enter the amount on page 1, line 7.

**Schedule D - Other Income Allocated to Arizona  
(Multistate Corporations Only)**

On lines D1 through D5, enter all income or (loss) that is allocable to Arizona. A.R.S. §§ 43-1134 through 43-1138 specify the methods for allocating certain types of income to Arizona. The specific line instructions below summarize the provisions of these statutes.

**Line D1 - Nonbusiness Dividends and Interest Income Allocable to Arizona**

Enter all nonbusiness dividends and interest allocable to Arizona. Dividends and interest are allocable to Arizona if the taxpayer's commercial domicile is in Arizona, unless the dividend or interest constitutes business income.

**Line D2 - Net Royalties from Nonbusiness Assets**

Net royalties from nonbusiness real property located in Arizona are allocable to Arizona.

Net royalties from nonbusiness tangible personal property are allocable to Arizona to the extent that the property is utilized in Arizona. Such nonbusiness net royalties are entirely allocable to Arizona if the taxpayer's commercial domicile is in Arizona and the taxpayer is not organized under the laws of or taxable in the state in which the taxpayer uses the property. The extent of use for net royalties is determined by Arizona law. Refer to A.R.S. § 43-1135(C).

Nonbusiness patent and copyright royalties are allocable to Arizona to the extent that:

- The payer uses the patent or copyright in Arizona.
- The payer uses the patent or copyright in a state in which the taxpayer is not taxable and the taxpayer's commercial domicile is in Arizona.

The extent of use for patents and copyrights is determined by Arizona law. Refer to A.R.S. § 43-1138(B) and A.R.S. § 43-1138(C).

**Line D3 - Net Rental Income of Nonbusiness Assets**

Net rents from nonbusiness real property located in Arizona are allocable to Arizona. Net rents from nonbusiness tangible personal property are allocable to Arizona to the extent that the taxpayer uses the property in Arizona. Such nonbusiness net rents are entirely allocable to Arizona if the taxpayer's commercial domicile is in Arizona and the taxpayer is not organized under the laws of or taxable in the state in which the taxpayer uses the property. The extent of use for net rents is determined by Arizona law. Refer to A.R.S. § 43-1135(C).

**Line D4 - Net Capital Gain or (Loss) from Sale or Exchange of Nonbusiness Assets**

Capital gains or (losses) from sales of nonbusiness real property located in Arizona are allocable to Arizona.

Capital gains or (losses) from sales of nonbusiness tangible personal property are allocable to Arizona if the property had a

situs in Arizona at the time of the sale. Such nonbusiness capital gains or (losses) are also allocable to Arizona if the taxpayer's commercial domicile is in Arizona and the taxpayer is not taxable in the state in which the property had a situs.

Capital gains or (losses) from sales of nonbusiness intangible personal property are allocable to Arizona if the taxpayer's commercial domicile is in Arizona.

**Line D5 - Other Income or (Loss)**

Enter any other income or (loss) directly allocable to Arizona. Include a schedule detailing the items.

Enter any income or (loss) that is specifically allocable to Arizona from the schedule [for Part 2, line 17, column (c)] included with Arizona Form 165, Schedule K-1(NR), from a multistate partnership.

**Treatment of a nonbusiness partnership on line D5**

**Wholly Arizona nonbusiness partnership** - Enter the total amount of income or (loss) from the partnership *plus* the income adjustment received from that partnership which was reported on Schedule 165K-1(NR), Part 2, Line 17, column (a).

**Multistate nonbusiness partnership** - Enter the total amount of allocable income or (loss) from the partnership *plus* the income adjustment received from that partnership which was reported on Schedule 165K-1(NR), Part 2, Line 17, column (c).

**Schedule E - Apportionment of Income  
(Multistate Corporations Only)**

A.R.S. §§ 43-1131 through 43-1150 govern the apportionment of income. A corporation that engages in activities both within and without Arizona must apportion its business income based on property, payroll, and sales in Arizona as compared to these factors everywhere. "Everywhere" means the property, payroll, and sales factors related to the whole combined or consolidated business.

A combined return excludes the factors of a unitary foreign corporation unless the foreign corporation is itself subject to the Arizona corporate income tax. A consolidated return includes the factors of a foreign corporation that is a member of the affiliated group. Both combined and consolidated returns exclude the factors of an insurance company exempt under A.R.S. § 43-1201(A)(14).

Taxpayers apportioning income shall complete lines 6 through 12 on page 1 of Arizona Form 120.

**NONAPPORTIONABLE INCOME**

Apportionment factors generating nonapportionable or nontaxable income are not to be included in the calculation of the apportionment ratio.

**ADMINISTRATIVE RELIEF REQUESTS**

A.R.S. § 43-1148 provides administrative relief if the allocation and apportionment provisions of UDITPA do not fairly represent the extent of the taxpayer's business activity in this state. The taxpayer may petition for or the department may require, in respect to all or any part of the taxpayer's business activity, if reasonable:

- Separate accounting, except with respect to an Arizona affiliated group, as defined in A.R.S. § 43-947.
- The exclusion of any one or more of the factors.

- The inclusion of one or more additional factors that will fairly represent the taxpayer's business activity in this state.
- The employment of any other method to effectuate an equitable allocation and apportionment of the taxpayer's income, other than disallowance of a properly elected consolidated return.

A.R.S. § 43-1148 permits a departure from the allocation and apportionment provisions only in limited cases. A.R.S. § 43-1148 may be invoked only if the allocation and apportionment provisions do not fairly represent the extent of the taxpayer's business activity in Arizona. Taxpayers seeking such relief should submit a letter to the Corporate Income Tax Audit Section 60 days prior to the filing of the return setting forth the relief that is requested and the justification for the relief. Please include a contact phone number and email address with your request.

The department normally makes such determinations only upon an audit of the taxpayer. Such a detailed examination of the specific facts and circumstances reveals whether such unusual fact situations and incongruous results exist.

**COMPUTING THE APPORTIONMENT RATIO**

When computing the factors of the apportionment ratio, carry the result out to six places after the decimal. If the seventh place after the decimal is five or more, round the sixth decimal place up to the next higher digit. If the seventh place after the decimal is less than five, leave the sixth place decimal as it is.

**Example #1:**

Arizona Amount	<u>123,456</u>
Everywhere Amount	789,654
Factor	.1563418

The seventh digit after the decimal is "8". Since "8" is greater than "5," the sixth digit after the decimal is increased to the next higher digit, "2".

The factor rounded to six (6) decimal places is .156342.

**Example #2:**

Total Ratio	<u>.179865</u>
Divided by	4
Apportionment Ratio	.0449662

The seventh digit after the decimal is "2". Since "2" is less than "5," the sixth digit after the decimal remains "6". No increase to the sixth digit after the decimal is made.

The average rounded to six decimal places is .044966.

**SCHEDULE ACA - AIR CARRIER APPORTIONMENT FORMULA (MULTISTATE AIR CARRIERS ONLY)**

A.R.S. § 43-1139 requires a taxpayer that is a qualifying air carrier to use revenue miles to apportion its business income to Arizona. The taxpayer must be engaged in air commerce. "Air commerce" means transporting persons or property for hire by aircraft in interstate, intrastate or international transportation. If the taxpayer files a combined or consolidated return, the combined group or the Arizona affiliated group must use this method of apportionment if 50% or more of the taxpayer's gross income is derived from air commerce. The taxpayer will apportion its

business income by means of a single apportionment ratio computed under this method for all group members.

Check the box labeled "AIR CARRIER" on line E on page 1 of the return. Do not complete Schedule E on page 3 of the return.

Complete Schedule ACA and include with the return. Schedule ACA is available on the department's website at <http://www.azdor.gov/Forms/Corporate.aspx>.

**NON-AIR CARRIER APPORTIONMENT FORMULA (MULTISTATE CORPORATIONS ONLY)**

Non-air carrier multistate corporations have the opportunity to choose one of two apportionment formulas for calculating the apportionment ratio:

- The sales factor only apportionment formula or
- The standard apportionment formula.

Check the box on line E of page 1 of the return to indicate which apportionment formula, "STANDARD" or "SALES FACTOR ONLY," will be used to calculate the apportionment ratio on the corporation's return. Whichever apportionment method is indicated, the taxpayer must compute the apportionment ratio using only that formula. (The taxpayer cannot use "STANDARD" to calculate one portion of the ratio and "SALES FACTOR ONLY" to calculate another portion of the ratio.)

For the standard apportionment total ratio, the numerator of the fraction is the property factor plus the payroll factor plus two times the sales factor. The denominator of the fraction is four.

For taxable years beginning after December 31, 2016, Sales Factor Only Apportionment replaced the enhanced apportionment ratio. The numerator is Arizona Sales. The denominator is Everywhere Sales. The property factor and the payroll factor are not included in this computation.

**Line E1 - Property Factor – Standard Apportionment**

*Taxpayers electing "SALES FACTOR ONLY APPORTIONMENT" – leave blank.*

The Property Factor is a fraction that represents the average value of the taxpayer's property owned or rented and used in Arizona to the total average value of the taxpayer's property owned or rented and used during the tax period.

The value of tangible personal property and real property owned by the taxpayer is its original cost. The taxpayer normally determines the average value of its owned property by averaging the values at the beginning and ending of the tax period. Property used to generate nonapportionable or nontaxable income is not included in the property factor.

The value of tangible personal property and real property rented by the taxpayer is eight (8) times its net annual rental rate. The net annual rental rate is the annual rental rate paid by the taxpayer for rented property, less the aggregate annual subrental rates paid by subtenants of the taxpayer. The taxpayer automatically achieves averaging for rented property by the method of determining the net annual rental rate of such property.

For a discussion of the treatment of computer software in the property factor, refer to the department's ruling, CTR 01-2, *How Does a Taxpayer Filing an Arizona Corporate Income*

*Tax Return Determine Whether Computer Software is Included in the Property Factor.*

Report real property situated and tangible personal property permanently located in Arizona as property within Arizona during the tax year. Attribute the value of mobile property to Arizona based on the total time that the property was within Arizona.

**Taxpayers electing “STANDARD APPORTIONMENT”**

Divide the numerator of the property factor by the denominator. Express the ratio as a decimal carried out to six places. (The property factor may not exceed 1.0.) Enter the result on line E1c, Column C.

**Taxpayers electing “SALES FACTOR ONLY APPORTIONMENT,”** leave lines E1a through E1c, Columns A through C blank.

**For additional information on the property factor, refer to:**  
 A.R.S. §§ 43-1140 through 43-1142  
 A.A.C. R15-2D-601 through R15-2D-607 and R15-2D-902  
 CTR 01-2, How Does a Taxpayer Filing an Arizona Corporate Income Tax Return Determine Whether Computer Software is Included in the Property Factor

**Line E2 - Payroll Factor – Standard Apportionment**

**Taxpayers electing “SALES FACTOR ONLY APPORTIONMENT”** – leave blank.

The Payroll Factor is a fraction that represents the compensation paid in Arizona by the taxpayer to the total compensation paid by the taxpayer during the tax year.

Report the salaries, wages, or other compensation of officers, employees, etc., as being within Arizona if the performance of those services occurs entirely in Arizona. This rule applies regardless of where payment is made or control exercised. This rule also applies regardless of whether the performance of the services is partly or wholly in connection with the apportionable business carried on outside the state or in interstate or foreign commerce. Payroll used to generate nonapportionable or nontaxable income is not included in the payroll factor.

Allocate the compensation of officers and employees who perform services partly within and partly without Arizona to this state when:

- The services performed outside of Arizona are incidental to the employee's service within Arizona; or
- The employee's base of operation is in Arizona; or
- The employee has no base of operation in any state but the direction or control of the employee is from Arizona; or
- The employee has no base of operation in any state and there is no direction or control from a state in which the employee performs some part of his services, but the employee's residence is in Arizona.

**Taxpayers electing “STANDARD APPORTIONMENT”**

Divide the numerator of the payroll factor by the denominator. Express the ratio as a decimal carried out to six places. (The payroll factor may not exceed 1.0.) Enter the result on line E2, Column C.

**Taxpayers electing “SALES FACTOR ONLY APPORTIONMENT,”** leave Line E2, Columns A through C, blank.

For additional information on the payroll factor, refer to:  
 A.R.S. §§ 43-1143 and 43-1144  
 A.A.C. R15-2D-701 through R15-2D-705

**Line E3 - Sales Factor**

The Sales Factor is a fraction that represents the total sales of the taxpayer in Arizona to the total sales of the taxpayer during the tax period.

"Sales" includes all gross receipts from transactions and activities in the course of the regular trade or business that produce income. Gross receipts from nonapportionable or non-taxable income are not included in the sales factor.

Sales of tangible personal property is determined on a destination sales basis. Sales of real property is determined based on the location of the property. Generally, sales of other than tangible personal property is determined based on the location where the income producing activity occurs. Service income is determined based on the location of the income producing activity, *unless* the taxpayer elected to be treated as a Multistate Service Provider (MSP). See the following box for a description of an MSP.

**TAXPAYERS THAT QUALIFY AS MULTISTATE SERVICE PROVIDERS ELECTING TO SOURCE SALES FROM SERVICES AND FROM DESIGNATED INTANGIBLES TO ARIZONA USING MARKET SALES**  
*Taxpayers that qualify as a Multistate Service Provider (MSP) may elect to treat sales from services and from designated intangibles as being sourced to Arizona based on market sales.*  
**[NOTE:** For purposes of the Multistate Service Provider Election and Computation, sales from designated intangibles means sales derived from credit and charge card receivables, including fees, merchant discounts, interchanges, interest, and related revenue (A.R.S. § 43-1147(E)(3)(a)). **The sale of any ther intangible may not be included in the calculation of this election.**  
*Multistate taxpayers complete Schedule MSP to determine if they qualify as an MSP. If the taxpayer qualifies, and wishes to make the election, the completed Schedule MSP must be included with the taxpayer's original, timely-filed tax return. (The election to be treated as an MSP cannot be made on an amended return.) Once made, the election is binding for five years. For each year of the election period, Schedule MSP must be completed by the taxpayer to source sales from services and from designated intangibles to Arizona. Once Schedule MSP is completed, the taxpayer can compute the sales factor.*  
*Taxpayers that qualify and want to make the election should:*

- Ensure the completed Schedule MSP is included with the return.
- Ensure the box on line F of the return is checked.
- Ensure the box indicating the year of the taxpayer's election cycle is checked.
- Enter on line E3b, column A, the Arizona sales from services and from designated intangibles from the completed Schedule MSP, line B.



- Complete the calculation of the sales factor following the instructions for the taxpayer's choice of the "STANDARD" or "SALES FACTOR ONLY" apportionment formula.

**Taxpayers qualifying as an MSP, and electing to be treated as an MSP:**

- Enter the Arizona sales from services and from designated intangibles on line E3b from the completed Schedule MSP, line B.

**Taxpayers not making the election to be treated as an MSP:**

- Leave line E3b blank.
- Enter Arizona sales from services on line E3c.

**Taxpayers electing "STANDARD APPORTIONMENT"**

- Check the box on line E of the return labeled "STANDARD".
- Multiply the numerator of the sales factor by two. Divide that result by the denominator. Express the ratio as a decimal carried out to six places. (The sales factor may not exceed 2.0.) Enter the result on line E3f, Column C.

**Taxpayers electing "SALES FACTOR ONLY APPORTIONMENT"**

- Check the box on line E of the return labeled "SALES FACTOR ONLY."
- Divide the numerator (Arizona sales) by the denominator (Everywhere sales). Express the ratio as a decimal carried out to six places. (The sales factor may not exceed 1.0.) Enter the result in column C of line E3f and on page 1, line 9.

For more information on the sales factor, refer to:  
 A.R.S. §§ 43-1145 through 43-1147  
 A.A.C. R15-2D-801 through R15-2D-807, and R15-2D-903  
 CTR 02-2, Apportionment of Installment Sale Gain  
 CTR 07-1, Inclusion of Short Term Investments in the Sales Factor

**Line E4 - Total Ratio**

**Taxpayers electing "STANDARD APPORTIONMENT"**

Add the amounts in Column C of lines E1c, E2, and E3f and enter the total.

**Taxpayers electing "SALES FACTOR ONLY APPORTIONMENT,"** leave this line blank.

**Line E5 - Average Apportionment Ratio**

**NOTE:** Taxpayers must exclude a factor if both the numerator and the denominator of a factor are zero. Do not exclude a factor if the numerator of the factor is zero and the denominator of that factor is greater than zero. See A.A.C. R15-2D-901(B).

**Taxpayers electing "STANDARD APPORTIONMENT"**

If either the property or the payroll factor is excluded, determine the average ratio by dividing the total ratio by three. If the sales factor is excluded, determine the average ratio by dividing the total ratio by two. If two of the factors are excluded, the remaining factor, without respect to any weighting, is the apportionment ratio.

**Taxpayers electing "STANDARD APPORTIONMENT"**

Divide the total ratio, line E4, column C, by four. Express the ratio as a decimal carried out to six places. Enter the average ratio. Also, enter the average ratio and on page 1, line 9 of Arizona Form 120.

**Taxpayers electing "SALES FACTOR ONLY APPORTIONMENT,"** leave this line blank.

**NOTE:** If line E5 is "0.000000", the corporation is considered to have no Arizona nexus.

If line E5 is blank, the corporation is considered to be taxable entirely within Arizona (100% Arizona company).

**Schedule F - Schedule of Tax Payments**

Use this schedule to list any corporate estimated tax payments and extension payments made which the taxpayer is applying to this return. Include additional sheets if necessary.

- Enter the total amount of "Estimated Payments" on page 1, line 24, box 24a.
- Enter the total amount of "Extension Payments" on page 1, line 23.

DO NOT include the claim of right credit computed under A.R.S. § 43-1130.01 on this schedule.

**NOTE:** The total extension payments and estimated payments reported on this schedule must equal the amounts reported on page 1, lines 23 and 24a, respectively.

### Schedule G - Other Information

All taxpayers must complete lines G1 through G7. Multistate taxpayers must also complete lines G8 and G9. If the answers are lengthy, continue the answers on a separate sheet of paper.

#### Line G3 -

List the name, title, telephone number, email address, and cell phone number, of the individual who Department of Revenue employees may contact to:

- Schedule an audit of this return;
- Ask questions related to the processing of this return; or
- Provide the status of any refund or tax due that may result from the processing of this return.

This does not authorize the individual named to:

- Enter into any agreements on the taxpayer's behalf;
- Bind the taxpayer in any way; or
- Make any changes to the taxpayer's account, such as an address change.

Confidential information may be disclosed to a principal officer, any person designated by a principal officer, any person designated in a resolution by the corporate board of directors or other similar governing body, or to an individual designated as an authorized representative by a valid power of attorney. A principal corporate officer of a parent corporation may execute a written authorization for a controlled subsidiary. Refer to the department's ruling, GTR 02-1, *What is a controlled subsidiary for purposes of Arizona Revised Statutes § 42-2003*, for additional information on the definition of a controlled subsidiary. IF THIS INDIVIDUAL IS NOT A PRINCIPAL OFFICER OR IS NOT DESIGNATED AS AN AUTHORIZED REPRESENTATIVE IN A VALID POWER OF ATTORNEY, THE TAXPAYER UNDERSTANDS AND AGREES THAT CONFIDENTIAL INFORMATION MAY BE DISCLOSED TO THIS INDIVIDUAL.

### Certification

The president, treasurer, or other principal corporate officer must sign the return. If receivers, trustees in bankruptcy, or assignees are in control of the property or business of the organization, such receivers, trustees, or assignees must sign the return.

**Paid preparers:** Sign and date the return. Print the paid preparer's name on the line provided. Complete the firm name and address lines (the paid preparer's name and address, if self-employed).

Paid preparers must provide a Tax Identification Number (TIN). Paid preparers that fail to include their TIN may be subject to a penalty.

The TIN for a paid preparer may be one of the following:

- The preparer's PTIN,
- The EIN for the business,
- The individual preparer's social security number (SSN), if self-employed.

For the  calendar year 2022 or  fiscal year beginning MM, M, D, D | 2, 0, 2, 2 | and ending MM, M, D, D | 2, 0, Y, Y |.

Business Telephone Number (with area code)	Name	Employer Identification Number (EIN)
Address – number and street or PO Box		
Business Activity Code (from federal Form 1120)	City, Town or Post Office	State ZIP Code

**IMPORTANT: Do not use Form 120A to file an Arizona combined or consolidated return. Use Form 120.**

Check box if return is filed under extension:

82 82F

REVENUE USE ONLY. DO NOT MARK IN THIS AREA.

88

81 PM

66 RCVD

**68** Check box if:

- A  This is a first return B  Name change C  Address change
- A Is FEDERAL return filed on a consolidated basis? .....  Yes  No  
If "Yes", list EIN of common parent from consolidated return .....
- B Is this the corporation's final ARIZONA return under this EIN? .....  Yes  No  
If "Yes", check one:  
1  Dissolved      2  Withdrawn      3  Merged/Reorganized  
List EIN of the successor corporation, if any .....
- C **Marijuana Establishments only:**  
1  Adult Use only    2  Dual Lic. elected for-profit    3  Dual Lic. did not elect for-profit

**Arizona Taxable Income Computation**

1 Taxable income per included federal return.....	1		00
2 Additions to taxable income from page 2, Schedule A, line A9.....	2		00
3 Total taxable income: Add lines 1 and 2. Enter the total.....	3		00
4 Subtractions from taxable income from page 2, Schedule B, line B11.....	4		00
5 Adjusted income: Subtract line 4 from line 3. Enter the difference.....	5		00
6 Arizona basis net operating loss carryover: Include computation schedule.....	6		00
7 Arizona taxable income: Subtract line 6 from line 5. Enter the difference.....	7		00

**Arizona Tax Liability Computation**

8 Enter tax: <b>Tax is 4.9 percent of line 7 or fifty dollars (\$50), whichever is greater.</b> .....	8		00
9 Tax from recapture of tax credits from Arizona Form 300, Part 2, line 24.....	9		00
10 Subtotal: Add lines 8 and 9. Enter the total.....	10		00
11 Nonrefundable tax credits from Arizona Form 300, Part 2, line 44.....	11		00
12 Credit type: Enter form number for each nonrefundable credit used: 121 <u>3</u>   122 <u>3</u>   123 <u>3</u>   124 <u>3</u>			
13 Tax liability: Subtract line 11 from line 10. Enter the difference.....	13		00

**Tax Payments**

14 Refundable tax credits: Check box(es) and enter amount: 141 <input type="checkbox"/> 308 142 <input type="checkbox"/> 349.....	14		00
15 Extension payment made with Form 120/165EXT or online: See instructions.....	15		00
16 Estimated tax payments: 16a <u>00</u> Claim of Right: 16b <u>00</u> Add 16a and 16b ...	16c		00
17 Total payments: Add lines 14, 15, and 16c. Enter the total.....	17		00

**Computation of Total Due or Overpayment**

18 Balance of tax due: If line 13 is larger than line 17, subtract line 17 from line 13. Enter the difference. Skip line 19..	18		00
19 Overpayment of tax: If line 17 is larger than line 13, subtract line 13 from line 17. Enter the difference.....	19		00
20 Penalty and interest.....	20		00
21 Estimated tax underpayment penalty: If Form 220/PTE is included, check box.....21A <input type="checkbox"/>	21		00
22 <b>TOTAL DUE:</b> See instructions.....	22		00
23 <b>OVERPAYMENT:</b> See instructions.....	23		00
24 Amount of line 23 to be applied to 2023 estimated tax.....	24	<u>00</u>	
25 Amount to be refunded: Subtract line 24 from line 23. Enter the difference.....	25		00

Continued on page 2 →

Name (as shown on page 1)	EIN
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**SCHEDULE A Additions to Taxable Income**

A1 Total federal depreciation.....	<b>A1</b>		00
A2 Taxes based on income paid to any state (INCLUDING ARIZONA), local governments or foreign governments .....	<b>A2</b>		00
A3 Interest on obligations of other states, foreign countries, or political subdivisions .....	<b>A3</b>		00
A4 Special deductions claimed on federal return.....	<b>A4</b>		00
A5 Federal net operating loss deduction claimed on federal return.....	<b>A5</b>		00
A6 Additions related to Arizona tax credits: See instructions .....	<b>A6</b>		00
A7 Capital loss from exchange of legal tender.....	<b>A7</b>		00
A8 Other additions to federal taxable income: See instructions.....	<b>A8</b>		00
A9 Total: Add lines A1 through A8. Enter the total here and on page 1, line 2.....	<b>A9</b>		00

**SCHEDULE B Subtractions From Taxable Income**

B1 Recalculated Arizona depreciation: See instructions .....	<b>B1</b>		00
B2 Basis adjustment for property sold or otherwise disposed of during the taxable year: See instructions .....	<b>B2</b>		00
B3 Dividends received from 50% or more controlled domestic corporations.....	<b>B3</b>		00
B4 Foreign dividend gross-up .....	<b>B4</b>		00
B5 Dividends received from foreign corporations .....	<b>B5</b>		00
B6 Interest on U.S. obligations.....	<b>B6</b>		00
B7 Agricultural crops charitable contribution.....	<b>B7</b>		00
B8 Expenses related to certain federal tax credits: See instructions .....	<b>B8</b>		00
B9 Capital gain from exchange of legal tender .....	<b>B9</b>		00
B10 Other subtractions from federal taxable income: See instructions.....	<b>B10</b>		00
B11 Total: Add lines B1 through B10. Enter the total here and on page 1, line 4 .....	<b>B11</b>		00

**SCHEDULE C Additional Information**

- C1 Date business began in Arizona: MM/DD/YYYY
- C2 Address at which tax records are located for audit purposes: Number/Street: \_\_\_\_\_  
City: \_\_\_\_\_ State: \_\_\_\_\_ ZIP Code: \_\_\_\_\_
- C3 The taxpayer designates the individual listed below as the person to contact to schedule an audit of this return and authorizes the disclosure of confidential information to this individual. (See instructions.)  
Name: \_\_\_\_\_ Office Phone: \_\_\_\_\_  
Title: \_\_\_\_\_ (Area Code)  
Email: \_\_\_\_\_ Cell Phone: \_\_\_\_\_  
(Area Code)
- C4 List prior taxable years ending in MM/DD/YYYY format for which a federal examination has been finalized:  
\_\_\_\_\_
- NOTE:** A.R.S. § 43-327 requires the taxpayer, within ninety days after final determination, to report these changes under separate cover to the Arizona Department of Revenue or to file amended returns reporting these changes. (See instructions.)
- C5 Indicate tax accounting method:  Cash  Accrual  Other (Specify method.) \_\_\_\_\_

Continued on page 3 →

Name (as shown on page 1)	EIN
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<b>Declaration</b>	The following declaration must be signed by one of the following officers: president, treasurer, or any other principal officer.																					
<b>Please Sign Here</b>	Under penalties of perjury, I, the undersigned officer authorized to sign this return, declare that I have examined this return, including the accompanying schedules and statements, and to the best of my knowledge and belief, it is a true, correct and complete return, made in good faith, for the taxable year stated pursuant to the income tax laws of the State of Arizona.																					
<b>Paid Preparer's Use Only</b>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-bottom: 1px solid black; width: 45%;">OFFICER'S SIGNATURE</td> <td style="border-bottom: 1px solid black; width: 20%;">DATE</td> <td style="border-bottom: 1px solid black; width: 35%;">TITLE</td> </tr> <tr> <td colspan="3" style="border-bottom: 1px solid black;">OFFICER'S PRINTED NAME</td> </tr> <tr> <td style="border-bottom: 1px solid black;">PAID PREPARER'S SIGNATURE</td> <td style="border-bottom: 1px solid black;">DATE</td> <td style="border-bottom: 1px solid black;">PAID PREPARER'S TIN</td> </tr> <tr> <td colspan="3" style="border-bottom: 1px solid black;">PAID PREPARER'S PRINTED NAME</td> </tr> <tr> <td colspan="2" style="border-bottom: 1px solid black;">FIRM'S NAME (OR PAID PREPARER'S NAME, IF SELF-EMPLOYED)</td> <td style="border-bottom: 1px solid black;">FIRM'S EIN</td> </tr> <tr> <td colspan="2" style="border-bottom: 1px solid black;">FIRM'S STREET ADDRESS</td> <td style="border-bottom: 1px solid black;">FIRM'S TELEPHONE NUMBER</td> </tr> <tr> <td style="border-bottom: 1px solid black;">CITY</td> <td style="border-bottom: 1px solid black;">STATE</td> <td style="border-bottom: 1px solid black;">ZIP CODE</td> </tr> </table>	OFFICER'S SIGNATURE	DATE	TITLE	OFFICER'S PRINTED NAME			PAID PREPARER'S SIGNATURE	DATE	PAID PREPARER'S TIN	PAID PREPARER'S PRINTED NAME			FIRM'S NAME (OR PAID PREPARER'S NAME, IF SELF-EMPLOYED)		FIRM'S EIN	FIRM'S STREET ADDRESS		FIRM'S TELEPHONE NUMBER	CITY	STATE	ZIP CODE
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FIRM'S STREET ADDRESS		FIRM'S TELEPHONE NUMBER																				
CITY	STATE	ZIP CODE																				

**This form must be e-filed unless the corporation has a waiver or is exempt from e-filing. See instructions for details.**

**SCHEDULE A Additions to Taxable Income Continued**

**A6 Additions related to Arizona tax credits:**

**A** Pollution Control Credit:

- 1 Excess Federal Depreciation or Amortization.....
- 2 Excess in Federal Adjusted Basis.....

**B** Credit for Taxes Paid for Coal Consumed in Generating Electrical Power.....

**C** Credit for Employment of TANF Recipients.....

**D** Credit for Donation of School Site.....

**E** Credit for Corporate Contributions to School Tuition Organizations.....

**F** Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students with Disabilities.....

**G** Total Additions Related to Arizona Tax Credits.

Enter this amount on page 2, Schedule A, line A6.....

**A8 Other additions to federal taxable income:**

**A** Positive Partnership Income Adjustment.....

**B** Federal Exploration Expenses.....

**C** Federal Amortization or Depreciation for Facilities and Equipment Amortized Under Arizona Law:

- 1 Pollution Control Devices.....
- 2 Child Care Facilities.....

**D** Expenses and Interest Relating to Income Not Taxed by Arizona.....

**E** Amounts Repaid in Current Taxable Year.....

**F** Excess Federal Capital Loss Carryover Under a Claim of Right Restoration.....

**G** Domestic International Sales Corporations.....

**H** Expenditures for the Americans With Disabilities Act.....

**I** Total Other Additions to Federal Taxable Income.

Enter this amount on page 2, Schedule A, line A8.....

A1		00
A2		00
B		00
C		00
D		00
E		00
F		00
G		00
A		00
B		00
C1		00
C2		00
D		00
E		00
F		00
G		00
H		00
I		00

**SCHEDULE B Subtractions from Taxable Income Continued**

**B8 Expenses related to certain federal tax credits:**

**A** Work Opportunity Credit.....

**B** Empowerment Zone Employment Credit.....

**C** Credit for Employer-Paid Social Security Taxes on Employee Cash Tips.....

**D** Indian Employment Credit.....

**E** Total Expenses Related to Certain Federal Tax Credits.

Enter this amount on page 2, Schedule B, line B8.....

**B10 Other subtractions from federal taxable income:**

**A** Refunds of Taxes Based on Income.....

**B** Negative Partnership Income Adjustment.....

**C** Expense Recapture, Mine Explorations.....

**D** Deferred Exploration Expenses.....

**E** Exploration Expenses: Oil, Gas or Geothermal Resources.....

**F** Arizona Amortization of Facilities and Equipment:

- 1 Pollution Control Devices.....
- 2 Cost of Child Care Facilities.....

**G** Interest on Federally Taxable Arizona Obligations Evidenced by Bonds.....

**H** Expenses and Interest Relating to Tax-Exempt Income.....

**I** Claim of Right Adjustment.....

**J** Dividends from Domestic International Sales Corporation (DISC).....

**K** Expenditures for the Americans with Disabilities Act.....

**L** Contribution in Aid of Construction (see instructions).....

**M** Marijuana Establishments **only** (see instructions)

- 1 Federal Disallowed Expenses, **or**.....
- 2 Federal Taxable Income Attributable to NMMD Operations.....

**N** Total Other Subtractions from Federal Taxable Income.

Enter this amount on page 2, Schedule B, line B10.....

A		00
B		00
C		00
D		00
E		00
A		00
B		00
C		00
D		00
E		00
F1		00
F2		00
G		00
H		00
I		00
J		00
K		00
L		00
M1		00
M2		00
N		00

## 2022 Arizona Corporation Income Tax Return (Short Form)

**For information or help, call one of the numbers listed:**

Phoenix (602) 255-3381  
From area codes 520 and 928, toll-free (800) 352-4090

**Tax forms, instructions, and other tax information**

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

**Income Tax Procedures and Rulings**

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website and select *Reports & Legal Research* from the main menu, then click on *Legal Research* and select a Document Type and a Category from the drop down menus.

**Publications**

To view or print the department's publications, go to our website, select *Reports & Legal Research* from the main menu, and click on *Publications* in the left hand column.

### General Instructions

**Which Corporations Must File a Return**

Every corporation subject to the Arizona Income Tax Act of 1978 must file an Arizona corporate income tax return.

**Which Corporations May Use Arizona Form 120A**

The short form, Arizona Form 120A, is designed for corporate taxpayers with less complex filing requirements.

A corporation may use Arizona Form 120A if it files its return on a separate company (separate entity) basis and it is taxable entirely within Arizona.

A corporation files on a separate company (separate entity) basis if:

- It is not part of a group of corporations that was part of a unitary business; and
- It is not a member of an affiliated group that elected to file an Arizona consolidated return.

A corporation **MUST FILE** Arizona Form 120 if it:

- Has income from business activity that is taxable in more than one state (a "multistate corporation");
- Is a partner in:
  - A multistate partnership; and/or
  - A partnership that conducts no business in Arizona.
- Is a member of a unitary group of corporations that files an Arizona return on a combined basis; or
- Is a member of an affiliated group of corporations that elects to file an Arizona consolidated return.

**Entity Classification under the Federal "Check-the-Box Rules"**

The federal tax classification of an entity under the federal "check-the-box rules" determines the entity's classification for Arizona tax purposes. Refer to the department's ruling, CTR 97-1, *Federal "Check-The-Box Rules" on Elective Tax Classification*, for further information. An entity that is disregarded as an entity separate from its owner is included in the tax return of its owner.

**Limited Liability Companies**

A limited liability company (LLC) that made a valid federal election to be treated as an association taxable as a corporation must file an Arizona corporate income tax return.

A single member LLC that is disregarded as an entity for federal income tax purposes is treated as a branch or division of its owner, and is included in the tax return of its owner. Refer to the department's ruling, CTR 97-2, *Limited Liability Companies*, for further information.

**Electing Small Business Corporations**

Corporations taxed as S Corporations under Subchapter S of the IRC must file Arizona Form 120S.

**Homeowners Associations**

Homeowners associations that file federal Form 1120-H or federal Form 1120 are not exempt from Arizona income tax. These associations must file an Arizona corporate income tax return on Arizona Form 120A or Form 120.

Certain homeowners associations are federally tax exempt under as social welfare organizations, or as clubs organized for pleasure or recreation. These homeowners associations are similarly tax exempt for Arizona income tax purposes and are not required to file an Arizona information return.

**Marijuana Establishments, Marijuana Testing Facilities, Dual Use Licensees and Nonprofit Medical Marijuana Dispensaries**

- A corporation licensed by the Arizona Department of Health Services (ADHS) as a Marijuana Establishment (Adult Use), or as a Marijuana Testing Facility (Adult Use), must file an Arizona Corporate Income Tax Return – either Arizona Form 120 or Arizona Form 120A – to report the income and expenses of its operations for the taxable year.
- A corporation licensed by ADHS as a Dual Use Licensee (Dual Licensee) that elected to operate on a for-profit basis, must file an Arizona corporate income tax return, Arizona Form 120 or Arizona Form 120A, to report the income and expenses of ALL its operations for the taxable year.
- A corporation licensed by ADHS as a Dual Licensee that did NOT make the election to operate on a for-profit basis, must file Arizona Form 99M to report its income and expenses from the NMMD portion of its operations and also file Arizona Form 120 or Arizona Form 120A.
- A corporation registered by ADHS as a Nonprofit Medical Marijuana Dispensary **only**, must file Arizona Form 99M to meet the filing requirements of Arizona Revised Statutes § 43-1201(B).

**Records**

Every corporation should maintain books and records substantiating information reported on the return and keep these documents for inspection. See the department's ruling, GTR 96-1, *Electronic Data Processing*, for more information about record retention requirements.

**IRC § 7519 Required Payments**

Taxpayers cannot deduct the federal required payments on their Arizona tax returns as an ordinary and necessary business expense or otherwise.

**Rounding Dollar Amounts**

Taxpayers must round amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.

**Examples:**

*Company A (A) reports federal taxable income of \$15,000. A has no Arizona additions to, or subtractions from, federal taxable income. Its apportionment ratio is .326954. A multiplies the federal taxable income by the apportionment ratio. The result is \$4,904.31. Company A rounds the result to \$4,904.00.*

*Company W (W) reports a federal taxable loss of (\$27,000). W has no Arizona additions to, or subtractions from, its federal taxable loss. Its apportionment ratio is .005946. W multiplies its federal loss of (\$27,000) by the apportionment ratio. The result is an Arizona loss of (\$160.54). Company W rounds the result to (\$161.00).*

*Company Z (Z) reports a federal taxable loss of (\$500). Z has no Arizona additions to, or subtractions from, federal taxable income. Its apportionment ratio is .075000. Z multiplies its federal loss of (\$500) by the apportionment ratio. The result is an Arizona loss of (\$37.50). Company Z rounds the result to (\$38.00).*

**Taxable Year Covered by Return**

File the 2022 Arizona Form 120A for calendar year 2022 and fiscal years that begin in 2022 and end in 2023. Indicate whether the taxable year is a calendar year or a fiscal year. If the return is for a fiscal year, indicate the beginning and ending dates for the year in the space(s) provided at the top of page 1.

The 2022 Arizona Form 120A can also be used if the corporation has a tax year of less than 12 months that begins and ends in 2023 and the 2023 Arizona Form 120A is not available at the time the corporation is required to file its return. The corporation must show its 2023 year on the 2022 Arizona Form 120A and take into account any tax law changes that are effective for tax years beginning after December 31, 2022. If submitting the 2022 Arizona Form 120A for a 2023 short-period return, submit a paper filed return. Do not submit this short-period return electronically.

**Timely filing of returns**

- The department determines the timeliness of an electronically filed tax return by the date of the electronic postmark. If the taxpayer and the electronic return preparer or the electronic return transmitter are in different time zones, it is the taxpayer's time zone, as determined by the taxpayer's address, that controls the timeliness of the electronically filed return. When a return has been electronically received on the host system of more than one electronic return preparer or electronic return transmitter during its ultimate transmission to the department, the return shall be deemed filed and received by the department on the date of the earliest electronic postmark.

- The department determines the timeliness of a tax return by the postmark or other official mark of the United States Mail stamped on the envelope in which the return is mailed. See the department's ruling, GTR 16-1, *Timely Filing of Income or Withholding Tax Returns Through the United States Mail*.
- The department will accept proof of mailing from a private delivery service included in the Internal Revenue Service (IRS) list of designated private delivery services. Contact the private delivery service for information regarding how to obtain written proof of mailing.
- If the due date for the return falls on a Saturday, Sunday, or a legal holiday, the return is considered timely filed if it is post-marked the next business day. See the department's ruling, GTR 16-2, *Timely Filing of Income or Withholding Tax Return – Holidays and Weekends*.

**Extension of Time to File a Return**

- A request for an extension of time to file an Arizona corporate income tax return **must** be submitted by the original due date of the return.
- **Beginning with taxable year 2021, the department may grant an extension request for a C Corporation for a maximum of seven (7) months.**
- The extension request can be made by filing an Arizona extension request, Arizona Form 120/165EXT.
- The department will also accept a valid federal extension for the same period of time covered by the Arizona extension, seven (7) months.
- If the return is filed under extension, check box 82F on page 1 of the return.
- Do not include a copy of the extension with your return.
- If the corporation has a tax liability of less than \$500 for the year, Arizona Form 120/165EXT may be used to transmit extension payments by check or money order regardless of how you request an Arizona extension (valid federal extension or Arizona Form 120/165EXT).
- Corporations with a tax liability of \$500 or more for the 2022 taxable year must pay their tax liability by Electronic Funds Transfer. (See *Payment by Electronic Funds Transfer*, beginning on page 3 for details.)
- If you made extension payments over the Internet, you are not required to file Arizona Form 120/165EXT unless you are requesting an Arizona filing extension.
- The Arizona extension and the federal extension provide an extension of time to file, but they do not provide an extension of time to pay tax.
  - You must pay 90% of your tax liability (including the \$50 minimum tax) by the original due date of your return.
  - The department imposes the extension underpayment penalty on any late or underpaid extension requests.
- See the department's ruling, CTR 01-3, *Extensions*, for additional information.
- Submit the extension request to the department electronically, or mail Form 120/165EXT to:  
Arizona Department of Revenue  
PO Box 29079  
Phoenix, AZ 85038-9079



## Filing Original Returns

- Returns are due by the 15<sup>th</sup> day of the 4<sup>th</sup> month following the close of the taxable year.
- A corporation filing a short-period return must file by the 15<sup>th</sup> day of the 4<sup>th</sup> month after the short period ends.
- If the taxpayer has a valid federal or Arizona filing extension, the return is due by the extended due date. See the examples in “*Extension of Time to File a Return*” to determine the extended due date of a return filed using a federal extension or an Arizona extension.
- If the return is filed under extension, check box 82F on page 1 of the return.
- If the original due date or extended due date for the return falls on a Saturday, Sunday, or a legal holiday, the return is considered timely filed if it is post-marked the next business day. See the department’s ruling, GTR 16-2, *Timely Filing of Income or Withholding Tax Return – Holidays and Weekends*.
- The return must be signed by one or more of the officers of the corporation (President, Treasurer, or any other principal officer).
- Do not submit a blank Arizona return with a copy of the federal return.
  - Taxpayers must furnish complete data.
  - Answer all questions on the return.
  - Complete all applicable schedules.
  - Include all appropriate supplementary schedules.
- You must electronically submit Arizona Form 120A unless you have one of the following:
  - A federal waiver from electronically filing your federal return.
  - You meet one of the federal exemptions from electronically filing your federal return.
  - You received an Arizona filing waiver pursuant to A.R.S. §43-323(F).
  - You meet one of the Arizona exemptions from electronically filing your Arizona return.
  - You have been directed by the IRS or the department to paper file your return.
- If you have been granted a waiver from electronically filing Arizona Form 120A, or you are not required to e-file your return, mail the return to:
 

Arizona Department of Revenue  
P.O. Box 29079  
Phoenix, AZ 85038-9079
- The department requests that taxpayers include a copy of their “as-filed” federal return (i.e. federal Form(s) 1120, 1120-F, etc.) and all its schedules and attachments with their Arizona return.
  - ***Corporations filing Arizona Form 120A electronically or by paper:*** To reduce the size of the return, the detail of Schedule M-3 may be omitted. In addition, it is not necessary to include copies of the following federal Forms: Form 5471, Form 8621, and Form 8858.
  - ***Corporations wishing to file Arizona Form 120A electronically, please note:*** due to system constraints, the department’s computer system can handle an electronically filed return up to 20MB in size.

The department requests that returns in excess of 20MB in size be filed as paper returns. (For additional limitations on e-filed returns, refer to *Which Corporations Are Not Required to Electronically (E-File) Their Arizona Income Tax Returns?* on page 5 of these instructions.)

## Filing Amended Returns

Electronic filing of amended returns for the 2022 taxable year is not currently available. Mail Arizona Form 120X to:

Arizona Department of Revenue  
P.O. Box 29079  
Phoenix, AZ 85038-9079

Any taxpayer who files an amended return with the IRS *must* file an Arizona amended return on Arizona Form 120X within 90 days of final determination of the federal amended return by the IRS.

- Taxpayers *must* report changes or corrections of the taxpayer’s taxable income by the IRS or as a result of renegotiation of a contract or subcontract with the United States to the department.
- Within 90 days after the final determination of the change or correction, the taxpayer must:
  - File a copy of the final determination with the department, concede the accuracy of the determination or state any errors, and request the department recompute the tax owed Arizona, or
  - File an amended return as required by the department.
- The taxpayer must provide sufficient information for the department to recompute the taxpayer’s Arizona taxable income based on the Revenue Agent Report changes.
- The department may require the taxpayer to file an amended return if the department does not have this information.
- Mail Arizona Form 120X to the address shown on the form.
- If the corporation was required to make its tax payments for the 2022 taxable year by electronic funds transfer (EFT), it is must pay any additional tax due from an amended return by EFT.

**NOTE:** File amended returns for prior taxable years on the respective Arizona Form 120X for those taxable years. Use the 2022 Arizona Form 120X to amend only the taxable year 2022.

Do NOT file an amended return until your original return has been processed.

## Estimated Tax Payments

Corporations expecting an Arizona income tax liability for the taxable year of \$1,000 or more must make Arizona estimated income tax payments. All corporations required to make Arizona estimated payments must make those payments by the 15<sup>th</sup> day of the 4<sup>th</sup>, 6<sup>th</sup>, 9<sup>th</sup>, and 12<sup>th</sup> months of their taxable year.

Corporations that fail to make the required estimated tax payments are subject to a penalty on any estimated tax payment which is late or underpaid.

The Arizona required annual payment of corporate estimated tax is the smaller of:

- Ninety percent of the taxpayer's Arizona tax liability (reduced by refundable tax credits and claim of right adjustments, if applicable) for the current taxable year; or

- One hundred percent of the taxpayer's Arizona tax liability (reduced by refundable tax credits and claim of right adjustments, if applicable) for the prior taxable year. For a corporation to base its Arizona estimated tax payments on its prior taxable year's tax liability:
  - The corporation's return filed for the prior taxable year must have shown at least some amount of tax liability (an amount greater than zero); and
  - The corporation's return filed for the prior taxable year must have been for a period of twelve months.

Complete Arizona Form 120/PTE-W to compute the amount of the estimated payment(s) for 2022 and to compute the required installments.

**NOTE:** *Taxpayers required to make corporate estimated payments via EFT that fail to do so are subject to a penalty of 5% of the amount of the payment not made by EFT. See A.R.S. § 42-1125(O).*

*For additional information on electronic funds transfer, refer to A.R.S. § 42-1129 and the related Arizona Administrative Code rules (A.A.C. R15-10-301 through R15-10-307) for detailed information.*

#### **MAKING ESTIMATED TAX PAYMENTS FOR 2022**

Corporations making estimated tax payments for 2023 that expect a 2023 income tax liability of \$500 or more must make Arizona estimated income tax payments using EFT. See the Section *Payment Electronic Funds Transfer* on page 5 for details on making tax payments by EFT.

**NOTE:** *Corporations that make estimated tax payments by EFT should not submit Arizona Form 120/165ES.*

Corporations making estimated payments for 2023 that expect a 2023 income tax liability of less than \$500 may pay by check, e-check, money order, credit card, or they may elect to participate in EFT. See the Section, *Payment by Electronic Funds Transfer* on page 6 for additional information. If paying by check or money order, complete Arizona Form 120/165ES and include the check or money order with the form.

**Is the corporation subject to the Estimated Underpayment Penalty for the 2022 taxable year?**

*See the instructions for Arizona Form 220/PTE.*

#### **Penalties and Interest**

**NOTE:** *If more than one of the penalties described in A, B, or C apply, the maximum combined penalty is 25%.*

##### **A. Late Filing Penalty**

Without a valid federal or Arizona extension, a return filed after the original due date is subject to the late filing penalty. A return filed after its extended due date is also subject to the late filing penalty. The late filing penalty is 4.5% (.045) of the amount of tax required to be shown on the return. The penalty period is each month or fraction of a month between the due date of the return and the date the taxpayer filed the return. The maximum penalty is 25% of the tax found to be remaining due.

##### **B. Extension Underpayment Penalty**

The taxpayer must pay 90% of the tax liability reported on its return by the original due date of the return. If it does not, the extension underpayment penalty is charged on any late or

underpaid extension payments. The extension underpayment penalty is 0.5% (.005) of the tax not paid for each 30-day period or fraction of a 30-day period between the original due date and the date the tax is paid. The maximum penalty is 25% of the unpaid tax. Taxpayers subject to the extension underpayment penalty are not subject to the late payment penalty described in C below.

##### **C. Late Payment Penalty**

The late payment penalty is charged on any amount shown as tax on a return that is not paid by the due date. The late payment penalty is 0.5% (.005) of the unpaid tax for each month or fraction of a month that the tax remains unpaid, not to exceed 10% of the unpaid tax.

**NOTE – Amended Return Filers:** *For taxable years beginning after December 31, 2016, if you voluntarily file an amended return and pay the additional tax due when you file your amended return, the department will not assess the late payment penalty. Exceptions are:*

- *The taxpayer is under audit by the department.*
- *The amended return was filed on demand or request by the department.*

Refer to the department's ruling, CTR 09-1, *When do Penalties Apply to an Income Tax Return Filed Under an Extension* regarding the application of penalties to returns filed under extension.

##### **D. Underpayment of Estimated Tax Penalty**

The department imposes the underpayment of estimated tax penalty on any late payment or underpayment of a required installment of estimated tax. Refer to the instructions for line 29 on page 11, or to Arizona Form 220/PTE for further details.

##### **E. Failure to Pay by Electronic Funds Transfer**

Corporations that anticipate a tax liability of \$500 or more for the taxable year must pay their tax liability by Electronic Funds Transfer (EFT).

Corporations required to pay their tax liability by EFT that fail to do so may be subject to a penalty equal to five percent (5%) of the amount of the payment not made by EFT.

##### **F. Interest**

The department charges interest on any portion of the tax not paid by the due date. The department compounds interest annually and applies it in the same manner and at the same time as the IRS. The Arizona rate of interest for both underpayments and overpayments *for all taxpayers* is the federal underpayment rate.

On January 1 of each year, the department adds any interest outstanding as of that date to the principal amount of the tax. It is then a part of the principal amount of the tax and accrues interest until paid.

**NOTE:** *The entire amount of tax, penalties, and interest is due by the original due date of the return.*

##### **Electronic Filing of Corporate Income Tax Returns**

*Electronic filing of Arizona corporate income tax returns is required for the 2022 taxable year.* Please see the department's website at <https://azdor.gov/e-services/approved-vendors> for a list of approved software vendors.

**Which Corporations Are Not Required to Electronically File (e-file) Their Arizona Income Tax Returns?**

Corporations that cannot e-file their federal return cannot e-file their Arizona return.\* Corporations filing any of the following forms as a stand-alone return cannot e-file their federal return. As a result, those corporations cannot e-file their Arizona corporate income tax return and they are not required to obtain a filing waiver from the department.

Federal Form	Entity Type
1120-C	Farmer’s Cooperative Association
1120-FSC	Foreign Sales Corporation
1120-H	Homeowners Association
1120-IC-DISC	Interest Charge Domestic International Sales Corporation
1120-ND	Nuclear Decommission Trust
1120-REIT	Real Estate Investment Trust
1120-RIC	Regulated Investment Company
1120-SF	Settlement Fund

In addition:

- Any corporation receiving a federal waiver from electronically filing its federal return is not required to e-file its Arizona return.
- Any corporation having a federal exemption from electronically filing its federal return is not required to e-file its Arizona return.
- Any corporation whose request for an Arizona filing waiver was not denied is not required to e-file its Arizona return.
- Any corporation having an Arizona exemption is not required to e-file its Arizona return.
- Any corporation submitting the 2022 Arizona Form 120A for a 2023 short period return, submit a paper filed return. Do NOT submit this short period return electronically.
- Due to system constraints, the department’s computer can handle an electronically filed return up to 20MB in size. The department requests that returns in excess of 20MB in size be filed as a paper return.

**Requesting an Electronic Waiver**

Any corporate taxpayer who is required to file its income tax return electronically may apply to the director for an annual waiver from the electronic filing requirement. The waiver may be granted if any of the following apply:

- The taxpayer has no computer.
- The taxpayer has no internet access.
- Any other circumstance considered to be worthy by the director.

Waivers are granted on an annual basis and expire at the end of the requested tax year. Waivers must be renewed each calendar year. If a waiver is not renewed, you will be subject to statutory electronic filing requirements at the expiration of your waiver.

To request a waiver, submit Arizona Form 292, *Electronic Filing and Payment Waiver Application*, to the department. Arizona Form 292 is available at: <https://azdor.gov/forms/other-forms/electronic-filing-and-payment-waiver-application>.

\* See IRS Publication 4163, for Tax Returns Processed in Year 2022.

A waiver is not required if the corporate income tax return cannot be electronically filed for reasons beyond the taxpayer’s control, including situations in which the taxpayer was instructed by either the Internal Revenue Service or the Arizona Department of Revenue to file by paper.

Please contact the department at [azefile@azdor.gov](mailto:azefile@azdor.gov) if you need assistance in electronically submitting your Arizona corporate income tax return. If your return has been rejected, please include the Arizona submission ID and the form type (i.e. Form 120A) in your correspondence.

**Payment of Tax, Penalties, and Interest**

The entire amount of tax, penalties, and interest is due by the original due date of the return.

**Payment by Electronic Funds Transfer**

Corporations are required to pay their tax liability by electronic funds transfer (EFT) if the corporation owes \$500 or more for any taxable year beginning from and after December 31, 2020.

**NOTE:** *If a corporation was required to pay its 2022 tax liability by EFT, it must also pay any additional tax due from an amended return by EFT.*

**Requesting a Waiver from the EFT Requirement**

A corporation may apply to the director for an annual waiver from the electronic payment requirement. The application must be received by December 31<sup>st</sup> of each year. The director may grant the waiver if any of the following applies:

- The corporation has no computer.
- The corporation has no internet access.
- Any other circumstance considered to be worthy by the director exists, including:
  - The corporation has a sustained record of timely payments, and,
  - No delinquent tax account with the department.

To request a waiver, submit Arizona Form 292, *Electronic Filing and Payment Waiver Application*, to the department. Arizona Form 292 is available at: <https://azdor.gov/forms/other-forms/electronic-filing-and-payment-waiver-application>.

**NOTE:** *A corporation who is required to pay by EFT but who fails to do so is subject to a penalty of 5% of the amount of the payment not made by EFT. See A.R.S. § 42-1125(O).*

*For additional information on electronic funds transfer, refer to A.R.S. § 42-1129 and the related Arizona Administrative Code rules (A.A.C. R15-10-301 through R15-10-307) for detailed information.*

**How to Make EFT Payments**

Corporations making an EFT payment from a checking or savings account or by credit card are no longer required to register with the department prior to making EFT payments for tax year 2022. Visit [AZTaxes.gov](http://AZTaxes.gov), click “Make a Corporation/S Corporation/Partnership Payment” and follow the prompts.

- **Electronic payment from checking or savings account/e-check/ACH Debit.**

Payments can be made electronically from a checking or savings account. Go to [www.AZTaxes.gov](http://www.AZTaxes.gov), click “Make a Corporation/S Corporation/Partnership Payment”, follow

[the prompts](#), and choose the e-check option. Follow the prompts to make your payment.

There is no fee to use this method. This payment method will debit the amount from the specified checking or savings account on the date specified. **When an electronic payment is made from a checking or savings account, a confirmation number will be generated. Please keep this confirmation number as proof of payment.**

- **Online credit card payment.**

Payments can be made by American Express, Discover, MasterCard, or Visa credit cards. Go to [www.AZTaxes.gov](http://www.AZTaxes.gov), click “[Make a Corporation/S Corporation/PartnershipPayment](#)”, follow the prompts, and choose the credit card option. This will take you to the website of the credit card payment service provider. Follow the prompts to make your payment.

The service provider will charge a fee based on the amount of the tax payment. The service provider will disclose the amount of the fee during the transaction and you will be given the option to continue or cancel. **If you accept the fee and complete the credit card transaction, a confirmation number will be generated. Please keep this confirmation number as proof of payment.**

- **Corporations may also make EFT payment by ACH Credit.** Corporations wishing to pay by ACH credit must register with the department before their ACH payment will be accepted.

To register to make ACH Credit payments, complete Arizona Form number 10366, Electronic Funds Transfer (EFT) Disclosure Agreement for ACH Credit filers, available here: <https://azdor.gov/forms/other-forms/electronic-funds-transfer-efit-disclosure-agreement-ach-credit-filers>. Complete the form as instructed. Submit the completed form at least ten business days before the first anticipated transaction as it may take that long to process the application.

Fax the completed form to the department at (602) 771-9913. You may also email the completed form to the department at [electronicfundstransfer@azdor.gov](mailto:electronicfundstransfer@azdor.gov). If you have not received your approval within one week, you may direct follow-up inquiries to [electronicfundstransfer@azdor.gov](mailto:electronicfundstransfer@azdor.gov). Once the application is processed, you will receive additional information to present to your bank to make the ACH Credit payment.

Your payment will be electronically transferred into the department’s account, normally the next business day. Consult with your bank for the timeframe required to make timely payments. You may be charged a service fee.

**NOTE: Corporate taxpayers using a foreign bank account to make EFT payments cannot make EFT payments by ACH Debit. The department does not accept ACH Debit payments from a foreign bank account. If the taxpayer wishes to make payment from a foreign bank account by EFT, the payment MUST be made by ACH Credit. See the instructions for ACH Credit above to register and make ACH Credit payments.**

## Specific Instructions

For calendar year filers, check the box, “calendar year 2022.”  
For fiscal year filers, check the box, “fiscal year” and enter the

beginning and ending dates for the fiscal year. If this is a short-period return, indicate the beginning and ending dates of the short-period.

Type or print the required information in the name, address, and information boxes on the top of page 1. Include the Business Telephone Number (with area code), and the Business Activity Code (NAICS Code) from the corporation’s federal return.

Indicate whether the taxable year is a calendar year or a fiscal year; if a fiscal year, indicate the taxable year on the top of page 1 of the return.

Enter the corporation's employer identification number (EIN) Corporations that fail to include their EIN may be subject to a penalty.

### Box 68

- Check box “A”, “This is a first return”, if this is the taxpayer’s first return filed to Arizona.
- Check box “B”, “Name change”, if the taxpayer changed its name during the tax year.
- Check box “C”, “Address change”, if the taxpayer changed its address during the tax year.

### Box 82F

Check box 82F if this return is filed under extension.

### Line A

- Is the taxpayer’s FEDERAL return filed on a consolidated basis?
  - If yes, check “Yes” and enter the EIN for the taxpayer’s common parent on the line below.
  - If no, check “No.”

### Line B

Is this the taxpayer’s final Arizona corporate income tax return using this EIN?

- If yes, check “Yes” and check the appropriate box.
  - Check Box 1 if the corporation is “Dissolved”; or
  - Check Box 2 if the corporation withdraws from Arizona; or
  - Check Box 3 if the taxpayer “Merged/Reorganized.” If there is a successor corporation, indicate the EIN of the successor corporation in the space provided.
- If this is not the corporation’s final Arizona return under this EIN, check “No.”

### Line C

#### Marijuana Establishments only

If the corporation is licensed by the Arizona Department of Health Services (ADHS) as a marijuana establishment:

- Check Box 1 if the corporation is licensed as an Adult Use only establishment,
- Check Box 2 if the corporation is a Dual Licensee and has elected for profit status, or
- Check Box 3 if the corporation is a Dual Licensee and has not elected for profit status.

If the corporation is registered with the Arizona Department of Health Services as a Nonprofit Medical Marijuana Dispensary, leave blank.

## Arizona Taxable Income Computation

### Line 1 - Taxable Income per Federal Return

Enter taxable income as reported on the federal income tax return filed with the IRS.

### Line 2 - Additions to Taxable Income

Enter total adjustments from page 2, Schedule A, line A9. See instructions on page 9 for Schedule A.

### Line 4 - Subtractions from Taxable Income

Enter total adjustments from page 2, Schedule B, line B11. See instructions on page 10 for Schedule B.

### Line 5 - Adjusted Income

Subtract line 4 from line 3 and enter the difference.

### Line 6 - Arizona Basis Net Operating Loss Carryover

If the corporation incurred Arizona losses in prior taxable years, the corporation can apply those losses against current Arizona income. For taxable years beginning from and after December 31, 2011, an NOL may carry forward to the next 20 succeeding taxable years.

Be sure to maintain records long enough to substantiate the subtraction in the taxable year taken.

The amount entered on line 6 cannot exceed the amount on line 5. Include a separate computation schedule.

**NOTE:** Information about the Arizona NOL carryover calculation can be found in A.R.S. § 43-1123, A.A.C. R15-2D-302, and Arizona Corporate Tax Rulings:

CTR 91-2, Arizona Net Operating Loss Calculation – Change of Filing Method

CTR 94-11, Consolidated Return Net Operating Loss

CTR 99-3, Recalculation NOLs from Separate Corporate Returns to a Combined Corporate Return

### Line 7 – Arizona Taxable Income

Subtract line 6 from line 5. Enter the result. This is your Arizona taxable income.

## Arizona Tax Liability Computation

### Line 8 - Arizona Tax

Multiply the Arizona taxable income on line 7 by 4.9%. Enter the result. If the computed amount of tax is less than \$50, enter the minimum tax of \$50. Every corporation required to file a return shall pay a \$50 minimum tax.

### Line 9 - Tax from Recapture of Tax Credits

Enter the amount of tax due from recapture of tax credits from Arizona Form 300, Part 1, line 24.

### Line 10 - Subtotal

Add lines 8 and 9. This is the amount of tax to which the total amount of tax credits claimed by the taxpayer may be applied.

### Line 11 - Nonrefundable Tax Credits

Enter the allowable nonrefundable tax credit amount from Arizona Form 300, Part 2, line 44. This amount cannot be greater than the amount on line 10.

- **Military Reuse Zone Credit**

*The credit for the military reuse zone credit has been repealed.* The unused portion of valid military reuse zone credits may be carried forward for the respective five year carryforward period. Complete Arizona Form 306 to claim this carry-forward tax credit.

- **Credit for Increased Research Activities**

This tax credit is for taxpayers who incur qualified research expenses for research conducted in Arizona. A portion of the excess credit claimed for taxable years beginning from and after December 31, 2009, may be refundable with approval from the Arizona Commerce Authority. **Enter only the nonrefundable portion of this credit on line 11.** Complete Arizona Form 308 to claim this tax credit.

- **Pollution Control Credit**

This tax credit is for expenses incurred during the taxable year to purchase real or personal property used in the taxpayer's trade or business in Arizona to control or prevent pollution. Complete Arizona Form 315 to claim this tax credit.

- **Credit for Taxes Paid for Coal Consumed in Generating Electrical Power**

This tax credit is for a percentage of the amount paid by the seller or purchaser as transaction privilege tax or use tax for coal sold to the taxpayer that is consumed in the generation of electrical power in Arizona. "Amount paid by the seller or purchaser as transaction privilege tax or use tax" means that the Arizona transaction privilege tax was passed through to the taxpayer by the seller as an added charge or that the seller collected the Arizona use tax from the taxpayer or that the taxpayer paid the Arizona use tax to the department. Complete Arizona Form 318 to claim this tax credit.

- **Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets**

*The credit for solar hot water heater plumbing stub outs and electric vehicle recharge outlets has been repealed.* All credits for solar hot water heater plumbing stub outs and electric vehicle recharge outlets that were properly established can be carried forward for the respective five year carry-forward period. Complete Arizona Form 319 to claim this carry-forward tax credit.

- **Credit for Employment of Temporary Assistance for Needy Families Recipients**

This tax credit is for net increases in qualified employment of recipients of TANF who are residents of Arizona. Complete Arizona Form 320 to claim this tax credit.

- **Credit for Donation of School Site**

This tax credit is for the donation of real property and improvements to an Arizona school district or Arizona charter school for use as a school or as a site for the construction of a school. Complete Arizona Form 331 to claim this tax credit.

- **Credit for Employing National Guard Members**

This credit is for employers who have an employee that is a member of the Arizona National Guard if the employee is

placed on active duty. Complete Arizona Form 333 to claim this tax credit.

- **Credit for Corporate Contributions to School Tuition Organizations**

This credit is for corporations who make contributions to school tuition organizations which provide scholarships and tuition grants to children attending qualified nongovernmental schools. Complete Arizona Form 335 to claim this tax credit.

- **Credit for Solar Energy Devices - Commercial and Industrial Applications**

- This tax credit expired for taxable years beginning after December 31, 2018. The expiration does not affect carryovers of this properly established credit. Complete Arizona Form 336 to claim the carryforward of this tax credit.

- **Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students with Disabilities**

This tax credit is for corporations who make contributions to school tuition organizations that provide scholarships and tuition grants to qualifying children attending qualified nongovernmental schools. Complete Arizona Form 341 to claim this tax credit.

- **Renewable Energy Production Tax Credit**

This tax credit is for taxpayers that produce electricity using qualified energy resources. Approval by the Department of Revenue is required prior to claiming this tax credit. Complete Arizona Form 343 to claim this tax credit.

- **Credit for New Employment**

This tax credit is for taxpayers that have net increases in employment. The credit limit is administered by the Arizona Commerce Authority. Complete Arizona Form 345 to claim this tax credit.

- **Additional Credit for Increased Research Activities for Basic Research Payments**

This tax credit is for taxpayers that make qualified basic research payments for research conducted in Arizona. Approval by the Department of Revenue is required prior to claiming this tax credit. Complete Arizona Form 346 to claim this tax credit.

- **Credit for Renewable Energy Investment and Production for Self-Consumption by International Operations Centers**

This tax credit is for investment in new renewable energy facilities that produce energy for self-consumption using renewable energy resources if the power will be used primarily for International Operations Centers. Complete Arizona Form 351 to claim this tax credit.

- **Healthy Forest Production Tax Credit**

This tax credit is for the processing of qualifying forest products. Complete Arizona Form 353 to claim this credit.

- **Affordable Housing Tax Credit**

This tax credit is for projects in this state that qualify for the federal low-income housing tax credit under Section 42 of the Internal Revenue Code. Complete Arizona Form 354 to claim this credit.

Complete the appropriate credit forms for each credit. Include the completed credit forms and Arizona Form 300 with the tax return.

**Line 12 - Credit Type**

Indicate which nonrefundable tax credits were claimed on line 11 by entering the applicable form number(s) in the space provided.

Nonrefundable Income Tax Credit	Form
Military Reuse Zone Credit	306
Credit for Increased Research Activities	308
Pollution Control Credit	315
Credit for Taxes Paid for Coal Consumed in Generating Electrical Power	318
Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets	319
Credit for Employment of TANF Recipients	320
Credit for Donation of School Site	331
Credit for Employing National Guard Members	333
Credit for Corporate Contributions to School Tuition Organizations	335
Credit for Solar Energy Devices - Commercial and Industrial Applications	336
Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students With Disabilities	341
Renewable Energy Production Tax Credit	343
Credit for New Employment	345
Additional Credit for Increased Research Activities for Basic Research Payments	346
Credit for Renewable Energy Investment and Production for Self-Consumption by International Operations Centers	351
Healthy Forest Production Tax Credit	353
Affordable Housing Tax Credit	354

**Line 13 - Arizona Tax Liability**

Subtract line 11 from line 10. Line 13 cannot be a negative amount.

**Tax Payments**

**Line 14 - Refundable Tax Credits**

Check the box(es) marked 308 (Credit for Increased Research Activities) and/or 349 (Credit for Qualified Facilities) to indicate which of these tax credits the taxpayer is claiming. Enter the total amount of the refundable credits claimed on line 14.

**Credit for Increased Research Activities**

A portion of this tax credit is refundable for qualified taxpayers. The refund is limited to 75% of the excess credit, which is the current year's credit less the current year's tax liability, not to exceed the amount approved by the Arizona Commerce Authority. Include a copy of your "Certificate of Qualification" from the Arizona Commerce Authority and Arizona Form 308 with your return. Enter the amount from Arizona Form 308, Part 7, line 42.

**Credit for Qualified Facilities**

This tax credit is for expanding or locating a qualified facility in Arizona and is refundable in five equal installments. Pre-approval and post-approval are required through the Arizona Commerce Authority. Include a copy of your "Certification of Qualification" from the Arizona Commerce Authority and Arizona Form 349 with your tax return to claim this credit. Enter the amount from Arizona Form 349, Part 8, line 20.

If you are claiming more than one of the refundable tax credits, check the appropriate boxes and add the amounts from the credit forms together and enter the total on line 14, or use the worksheet below to figure the total amount to enter on line 14.

Refundable Credit Worksheet	
1. Enter the refundable credit from Arizona Form 308, Part 7, line 42.	
2. Enter the apportioned credit from Arizona Form 349, Part 8, line 20.	
3. Add the amounts on lines 1 and 2. Enter the total here and on Arizona Form 120A, line 14.	

**Line 15 - Extension Payment**

Enter the amount of the extension payment made by check or money order with Arizona Form 120/165EXT or made over the Internet at [www.AZTaxes.gov](http://www.AZTaxes.gov).

**NOTE:** Taxpayers whose 2022 income tax liability is \$500 or more, must make extension payments by EFT. See the instructions for Arizona Form 120/165EXT for additional information.

**Line 16 - Estimated Tax Payments and Claim of Right**

- a. Enter the total amount of estimated tax payments made during the taxable year (including the application of any overpayment from the prior taxable year).
- b. If you recomputed a prior year's tax under Arizona's claim of right provision, complete Arizona Claim of Right - Corporate. Enter the amount from Part 2, line 8. Include the claim of right form with your return. If you completed more than one claim of right form, add all amounts on line 8, and enter the total here.
- c. Add the amounts on line 16(a) and 16(b). Enter the total.

**NOTE FOR CLAIM OF RIGHT RESTORATION:** If you recomputed a prior year's tax under Arizona's claim of right provision, you must complete and include Arizona Claim of Right - Corporate form with your return. If you fail to complete and include this form, the amount of your claim may be denied. Refer to the department's procedure, CTP 16-1, Procedure for Corporations That Restore Substantial Amounts Held Under a Claim of Right, for additional information on Arizona's Claim of Right provision.

**Line 17 - Total Payments**

Add lines 14, 15 and 16(c). Enter the total.

**Computation of Total Due or Overpayment**

**Line 18 - Balance of Tax Due**

If the amount on line 13 is **larger** than the amount on line 17, there is a balance of tax due. Subtract line 17 from line 13 and enter the difference. Skip line 19.

**Line 19 - Overpayment of Tax**

If the amount on line 17 is **larger** than the amount on line 13, there is an overpayment of tax. Subtract line 13 from line 17 and enter the difference.

**Line 20 - Penalty and Interest**

The taxpayer may choose to calculate any penalty and interest due because of late filing, late payment of tax, or extension underpayment of tax. Interest is calculated on the amount shown on line 18 at the prevailing rate. The interest period is from the original due date of the return to the payment date.

For more information, see the "Penalties and Interest" section beginning on page 4 of these instructions.

**Do not include or enter the amount from the Estimated Tax Underpayment Penalty.**

**NOTE:** If the taxpayer chooses to calculate the penalty and interest amount(s) to be entered on this line, round the result to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.

**NOTE:** If the taxpayer chooses not to calculate interest and penalties, the department will calculate them, and as appropriate, include that amount in any refund, or bill the taxpayer.

**Line 21 - Estimated Tax Underpayment Penalty**

The taxpayer does not have to complete Arizona Form 220/PTE, *Underpayment of Estimated Tax by Corporations*, if the taxpayer made its estimated tax payments based on either of the following methods:

- An amount equal to 90% of the current taxable year's (2022) tax liability (reduced by refundable tax credits and claim of right adjustments, if applicable), paid in four equal installments; or
- An amount equal to 100% of the taxpayer's tax liability (reduced by refundable tax credits and claim of right adjustments, if applicable) for the prior taxable year (2021), paid in four equal installments.

**Large Corporations**

Large corporations\*\* must make an annual estimated tax payment equal to 90% of the tax shown on the return for the current taxable year. If the large corporation reduces its first installment payment, that amount must be recaptured by increasing the amount of the next installment payment by the amount of the reduction.

\*\* A "Large Corporation" is defined as: "...a corporation or unitary group of corporations if the corporation, or a predecessor corporation, had federal taxable income of one million dollars or more for any of the immediately preceding three taxable years, excluding any federal net operating loss or capital gains carryback or carryovers." A.R.S. § 43-582(C).

The department will compute the estimated tax underpayment penalty based on either of these methods and notify the taxpayer of any amount due. If the taxpayer elects to have the department compute the penalty, do not check box 21A or enter an amount on line 21.

The taxpayer must complete Arizona Form 220/PTE, even though no penalty is due, if it made its estimated tax payments based on any of the following methods:

- The annualized income installment method; or
- The adjusted seasonal installment method; or
- The taxpayer is a large corporation that computed its first required installment based on the taxpayer's tax liability for the prior taxable year.

Enter the total penalty from Arizona Form 220/PTE, Part C, line 37. Include the completed Arizona Form 220/PTE with the return **and** check box 21A.

See the instructions for Arizona Form 220/PTE for detailed information.

### Line 22 - Total Due

If the taxpayer had a balance of tax due on line 18, add lines 18, 20, and 21, and enter the total. This is the total amount due.

### Payment of Tax, Penalties, and Interest

Full payment of all tax, penalties, and interest is due by the original due date of the return.

**Corporate taxpayers required to make payments by EFT**, see the Section, *Payment by Electronic Funds Transfer* on page 5 of these instructions for options to pay your tax liability by EFT.

**Corporate taxpayers not required to make payment by EFT** may elect to pay by EFT or they may pay by check or money order. Make the check or money order payable to the Arizona Department of Revenue. Include the corporation's EIN on the front of the check or money order.

- *If the corporation's income tax return was submitted electronically*, submit the check or money order with Arizona Form 120/165V, available here: <https://azdor.gov/forms/corporate-tax-forms/arizona-corporate-or-partnership-income-tax-payment-voucher>. Mail Form 120/165V and the check or money order to the address indicated on the form.
- *If the corporation is filing a paper return*, include the check or money order with the corporation's income tax return. Mail the check or money order and the return to:  
Arizona Department of Revenue  
PO Box 29079  
Phoenix, AZ 85038-9079

### Line 23 - Overpayment

If the taxpayer had an overpayment of tax on line 19, subtract the total of lines 20 and 21 from line 19. Enter a positive difference on line 23. This is the total overpayment. If the difference is negative, enter the difference as a positive number on line 22.

### Line 24 - Overpayment Applied to Estimated Tax

The taxpayer may apply part or all of an overpayment reported on line 23 as a 2023 estimated tax payment. Enter the applicable amount on line 24.

### Line 25 - Refund

Subtract line 24 from line 23 and enter the difference. This is the net refund amount.

## Schedule A - Additions to Taxable Income

On lines A1 through A8 of Schedule A, enter all income taxable under Arizona law that is exempt for federal tax purposes. Also, enter all deductions allowed under federal law that are not allowed under Arizona law.

### Line A1 - Total Federal Depreciation

Enter total amount of depreciation deducted on the federal return.

### Line A2 - Taxes Based on Income

Enter the amount of taxes based on income paid to states (including Arizona), to foreign governments, or to their political subdivisions included in federal taxable income.

### Line A3 - Interest on Obligations

Enter the amount of federally tax exempt interest income on obligations of any state or foreign government, or their political subdivisions (except Arizona). All taxpayers, except financial institutions as defined in *A.R.S. § 6-101*, must reduce the amount of interest income by certain expenses. Reduce the amount of interest income by the amount of any interest on indebtedness and other related expenses incurred or continued to purchase or carry those obligations that were not otherwise deducted or subtracted in the computation of Arizona gross income.

### Line A4 - Federal Special Deductions

Enter the special deductions claimed on the federal tax return for dividends received pursuant to IRC §§ 243, 245, 245A, and 250(1)(1)(B).

### Line A5 - Federal Net Operating Loss

Enter the federal net operating loss deduction claimed on the federal tax return.

### Line A6 - Additions Related to Arizona Tax Credits

Enter the additions to federal taxable income related to Arizona tax credits claimed on this return. The Arizona tax credits requiring an add back are listed below.

Complete the worksheet for Schedule A, line A6 on page 3 of the return before entering the total. If you enter an amount on line A6, include the worksheet with your return.

#### A. Pollution Control Credit

- **Excess Federal Depreciation or Amortization**

Enter the excess of depreciation or amortization computed on the federal basis of the property over depreciation or amortization computed on the Arizona adjusted basis of the property. Make this adjustment for the property for which the taxpayer claimed a tax credit on Arizona Form 315 in a current or prior year.

- **Excess in Federal Adjusted Basis**

Enter the amount by which the federal adjusted basis of the property exceeds the Arizona adjusted basis of the property. Make this adjustment if the property for which the taxpayer claimed a tax credit on Arizona Form 315 in a prior year was sold or otherwise disposed of during the taxable year.



**B. Credit for Taxes Paid for Coal Consumed in Generating Electrical Power**

Enter the amount of expenses deducted pursuant to the IRC for which the taxpayer claimed the credit for taxes paid for coal consumed in generating electrical power in Arizona, claimed on Arizona Form 318. The addition is required for the amount of Arizona transaction privilege taxes and Arizona use taxes included in the computation of federal taxable income for which the Arizona tax credit is claimed.

**C. Credit for Employment of Temporary Assistance for Needy Families (TANF) Recipients**

Enter the amount of wage expenses deducted pursuant to the IRC for which the taxpayer claimed a tax credit claimed on Arizona Form 320.

**D. Credit for Donation of School Site**

Enter the amount deducted pursuant to the IRC representing a donation of a school site for which this taxpayer claimed a tax credit on Arizona Form 331.

**E. Credit for Corporate Contributions to School Tuition Organizations**

Enter the amount deducted in computing federal taxable income as contributions for which a tax credit is claimed on Arizona Form 335. This includes any amounts passed through from partnership interests.

**F. Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students With Disabilities**

Enter the amount deducted in computing federal taxable income as contributions for which a tax credit is claimed on Arizona Form 341. This includes any amounts passed through from partnership interests.

**G. Total Other Additions Related to Arizona Tax Credits**

Add the amounts on lines A1 through F. Enter the total. Also, enter the total on page 2, Schedule A, line A6.

**Line A7 – Capital Loss from Exchange of Legal Tender**

Enter the amount of any net capital loss included in Arizona gross income for the taxable year that is derived from the exchange of one kind of legal tender for another kind of legal tender.

- “Legal tender” means a medium of exchange, including specie, that is authorized by the United States Constitution or Congress for the payment of debts, public charges, taxes and dues.
- “Specie” means coins having precious metal content.

**Line A8 - Other Additions to Federal Taxable Income**

Enter the total amount of “other additions” to federal taxable income required to be added back. The “other additions” required to be added back are listed below.

Complete the worksheet for Schedule A, line A8 on page 4 of the return before entering the total. If you enter an amount on line A8, include the worksheet with your return.

**A. Positive Partnership Income Adjustment**

If you received Arizona form 165 Schedule K-1(NR) and the amounts on line 17 are positive, enter the amount from column (a).

If you received more than one 165 Schedule K-1(NR), total the positive amounts from line 17, column (a) and enter the total on line A8.

If the amounts on Arizona Form 165 Schedule K-1(NR), line 17, are negative, enter the amount from column (a) on Schedule B, Line B10. See the instructions for Section B, line B10 on page 1 for additional information.

**IMPORTANT:** *Corporations that are partners in a multistate partnership, or are partners in a partnership with business activity conducted entirely outside Arizona - MUST FILE ARIZONA FORM 120.*

**B. Federal Exploration Expenses**

Enter the amount of IRC § 617 exploration expenses in excess of \$75,000 and the amount of such expenses deferred not in excess of \$75,000.

**C. Federal Amortization or Depreciation for Facilities and Equipment Amortized Under Arizona Law**

Enter the amount of amortization or depreciation deducted pursuant to the IRC for the following:

- **Pollution Control Devices** - if the taxpayer made an election to amortize pursuant to A.R.S. § 43-1129.
- **Child Care Facilities** - if the taxpayer made an election to amortize pursuant to A.R.S. § 43-1130.

**D. Expenses and Interest Relating to Income Not Taxed by Arizona**

Enter expenses and interest relating to income not taxed by Arizona. Refer to A.R.S. § 43-961(5) or A.R.S. § 43-1121(12).

**E. Amounts Repaid in Current Taxable Year**

Enter the amount of the deduction claimed under IRC § 1341(a)(4) for restoration of a substantial amount held under a claim of right which was included in the computation of Arizona gross income.

**F. Excess Federal Capital Loss Carryover under a Claim of Right Restoration**

Enter the amount by which the capital loss carryover included in your federal taxable income is greater than the amount allowed for the taxable year under Arizona law.

**G. Domestic International Sales Corporations**

Enter commissions, rentals, and other amounts paid or accrued to a Domestic International Sales Corporation (DISC) controlled by the payer corporation. Make this adjustment if the DISC does not have to report its taxable income to Arizona because its income is not derived from or attributable to sources within Arizona. "Control" means direct or indirect ownership or control of 50% or more of the voting stock of the DISC by the payer corporation.

No addition is required if the DISC transactions comply with the IRC § 994 inter-company pricing provisions.

**H. Expenditures for the Americans with Disabilities Act**

If a subtraction is or has been taken in the current or a prior taxable year for the full amount of eligible access expenditures paid or incurred to comply with the Americans with disabilities act of 1990 or Title 41, chapter 9, article 8, enter any amount of eligible access expenditures that is recognized under the internal

revenue code, including any amount that is amortized and that is included in computing Arizona taxable income for the current taxable year.

**I. Total Other Additions**

Add the amounts on lines A through H. Enter the total. Also, enter the total on page 2, Schedule A, line A8.

**Schedule B - Subtractions from Taxable Income**

On lines B1 through B10 of Schedule B, enter all income which is exempt from Arizona tax which is taxable under federal law. Also, enter any deduction allowed under Arizona law which is not deductible for federal tax purposes.

**Line B1 - Recalculated Arizona Depreciation**

Enter the total amount of depreciation allowable pursuant to IRC § 167(a) for the taxable year calculated as if the taxpayer had elected not to claim bonus depreciation for eligible properties for federal purposes.

**Line B2 - Basis Adjustment for Property Sold or Otherwise Disposed of During the Taxable Year**

For taxable years beginning from and after December 31, 1999, taxpayers were required to add back all federal depreciation. Taxpayers who sold or otherwise disposed of property during this year may subtract any resulting difference between federal and Arizona basis. Enter the amount of depreciation that has been allowed pursuant to IRC § 167(a) to the extent that the amount has not already reduced Arizona taxable income in the current or prior years.

**NOTE:** *The practical effect of this is to allow a subtraction for the difference in basis for any asset for which bonus depreciation has been claimed on the federal return.*

**Line B3 - Dividends from Controlled Domestic Corporations**

Enter dividend income received from a domestic corporation owned or controlled, directly or indirectly, by the recipient corporation. "Control" means direct or indirect ownership or control of 50% or more of the voting stock of the payer corporation by the recipient corporation. Dividends shall have the meaning provided in IRC § 316. Do not include "Gross-Up" dividends.

**Line B4 - Foreign Dividend Gross-up**

Enter the amount of IRC § 78 foreign "gross-up" dividends received.

**Line B5 - Dividends from Foreign Corporations**

Enter the dividend income received from foreign corporations as defined by IRC §§ 951A and 952.

**NOTE:** *Refer to the department's ruling CTR 02-3, Is Income From a Qualified Electing Fund (QEF) Taxable, for information on the treatment of income from a qualified electing fund.*

**Line B6 - Interest on U.S. Obligations**

Enter the interest received from U.S. obligations not taxed by Arizona. See the department's ruling, CTR 06-1, *Obligations of the United States Government, Federal Agencies and United States Territories*, for a listing of qualifying U.S. obligations.

**Line B7 - Agricultural Crops Contributed to Charitable Organizations**

Enter the amount of the allowable subtraction for qualified crop contributions made during the taxable year to one or more Arizona tax exempt charitable organizations for use in Arizona. Refer to the department's procedure, ITP 12-1, *Establishing an Income Tax Subtraction for Agricultural Crops Contributed to Charitable Organizations*, for information on how to determine if the contribution qualifies for the subtraction.

**Line B8 - Expenses Related to Certain Federal Tax Credits**

Enter the total amount of wages or salaries paid or incurred by the taxpayer not deducted in computing Arizona gross income if the taxpayer received the following federal credits:

- A. The work opportunity credit,
  - B. The empowerment zone employment credit,
  - C. The credit for employer-paid social security taxes on employee cash tips, and/or,
  - D. The Indian employment credit.
- E. Add the amounts on lines A through D. Enter the total. Also, enter the total on page 2, Schedule B, line B8.

**Line B9 - Capital Gain from Exchange of Legal Tender**

Enter the amount of any net capital gain included in Arizona gross income for the taxable year that is derived from the exchange of one kind of legal tender for another kind of legal tender.

- "Legal tender" means a medium of exchange, including specie, that is authorized by the United States Constitution or Congress for the payment of debts, public charges, taxes and dues.
- "Specie" means having coins having precious metal content.

**Line B10 - Other Subtractions from Federal Taxable Income**

Enter the total amount of "other subtractions" from federal taxable income required to be included. The "other subtractions" required to be reported are listed below. If no "other subtractions" are required to be included, leave blank.

Complete the worksheet for Schedule B, line B10 on page 4 of the return before entering the total. If you enter an amount on line B10, include the worksheet with your return.

**A. Refunds of Taxes Based on Income**

Enter any refunds of taxes based on income from states (including Arizona) and from foreign governments or their political subdivisions included in federal taxable income.

**B. Negative Partnership Income Adjustment**

If you received Arizona Form 165 Schedule K-1(NR) and the amounts on line 17 are negative, enter that amount as a positive number on line B10. If you received more than one 165 Schedule K-1(NR), total the negative amounts from line 17, column (a) and enter the total on line B10 as a positive number.

If the amounts on Arizona Form 165 K-1(NR), line 17 are positive, enter the amount from column (a) on Schedule A, Line A8.

See the instructions for Schedule A, line A8 on page 11 for additional information.

**IMPORTANT:** *Corporations that are partners in a multistate partnership, or are partners in a partnership with business activity conducted entirely outside Arizona - MUST FILE ARIZONA FORM 120.*

### C. Expense Recapture, Mine Explorations

Enter any expense recapture for mine exploration expenses included in income under federal law. Refer to IRC § 617.

### D. Deferred Exploration Expenses

Arizona law allows a subtraction for exploration expenses added to Arizona gross income on line A8, item B (refer to A.R.S. § 43-1121(10)). The taxpayer claims the subtraction on a ratable basis as the units of produced ores or the minerals discovered or explored by reason of such expenditures are sold. Refer to A.A.C. R15-2D-305 for detailed information regarding additional requirements.

Treat property sold in the same manner and on the same basis as other property held for the production of income. Refer to A.R.S. § 43-1121(4) or to A.R.S. § 43-1122(3).

### E. Exploration Expenses; Oil, Gas or Geothermal Resources

Enter exploration expenses related to exploration of oil, gas, or geothermal resources. Compute the expenses in the same manner and on the same basis as a deduction for mine exploration under IRC § 617. The computation is subject to certain adjustments shown above for line A8, item B, and line B10, items C and D. Refer to A.A.C. R15-2D-305 for detailed information regarding additional requirements.

### F. Arizona Amortization of Facilities and Equipment

#### • Pollution Control Devices

Any taxpayer may choose to amortize the adjusted basis of any device, machinery, or equipment used for collection and control of the source of atmospheric and water pollutants and contaminants. The taxpayer may take the subtraction over a period of 60 months. If a taxpayer chooses not to amortize pollution control devices over a period of 60 months, the taxpayer may take a deduction for depreciation computed under IRC § 167.

Refer to A.A.C. R15-2D-306 for detailed information regarding additional requirements.

#### • Cost of Child Care Facilities

Any taxpayer operating a childcare facility for profit may elect to subtract any expenditure made to purchase, construct, renovate, or remodel the facilities or equipment. The taxpayer may take the subtraction ratably over 60 months beginning with the month in which the taxpayer places the property in service.

Any taxpayer operating a childcare facility within Arizona, primarily for its employees' children, may elect to subtract expenditures made to acquire, construct, renovate, or remodel the facilities or equipment. The taxpayer may take the subtraction over a period of 24 months, beginning with

the month in which the taxpayer places the property in service.

The amortization is in lieu of federal depreciation or amortization on the facilities.

Refer to A.A.C. R15-2D-307 for detailed information regarding additional requirements.

### G. Interest on Federally Taxable Arizona Obligations Evidenced by Bonds

Enter the amount of interest income received on obligations of the State of Arizona, or any of its political subdivisions, evidenced by bonds, that is included in federal taxable income. Omit interest income received on obligations of the State of Arizona, or any of its political subdivisions, exempt from federal taxation and not included in Arizona gross income.

Corporations should not make this adjustment on the corporation's Arizona tax return for such income included in the corporate partner's share of partnership income (loss). The partnership makes this adjustment on Arizona Form 165. The adjustment to Arizona basis from Arizona Form 165, Schedule K-1(NR), Part 2 line 17, already includes this adjustment.

### H. Expenses and Interest Relating to Tax Exempt Income

Enter expenses and interest relating to tax exempt income disallowed pursuant to IRC § 265 in the computation of Arizona gross income. Effective for taxable years beginning from and after December 31, 1996, this subtraction applies only to financial institutions as defined in A.R.S. § 6-101.

### I. Claim of Right Adjustment

Enter the amount by which the loss carryover allowed to be taken for the taxable year under Arizona law is greater than the amount included in your federal taxable income.

### J. Dividends from Domestic International Sales Corporation (DISC)

Enter any income from a DISC which federal law requires its shareholders to include in income. Refer to IRC § 995.

### K. Expenditures for the Americans with Disabilities Act

Enter the amount of expenditures paid or incurred during the taxable year to comply with the Americans with Disabilities Act of 1990 or A.R.S. Title 41, chapter 9, article 8 by retrofitting real property that was originally placed in service at least ten years before the current taxable year. (See A.R.S. §§ 43-1122 and 43-1124)

"Eligible business access expenditures" include reasonable and necessary amounts paid or incurred to:

- Remove any barriers that prevent a business from being accessible to or usable by individuals with disabilities.
- Provide qualified interpreters or other methods of making audio materials available to hearing-impaired individuals.
- Provide qualified readers, taped texts and other effective methods of making visually delivered materials available to individuals with visual impairments.
- Acquire or modify equipment or devices for individuals with disabilities.
- Provide other similar services, modifications, materials or equipment.

**NOTE:** A taxpayer who has been cited for noncompliance with the Americans with Disabilities Act of 1990 or title 41, chapter 9, article 8 by either federal or state enforcement officials is ineligible for a subtraction under this section for any expenditure required to cure the cited violation.

**L. Contribution in Aid of Construction**

Enter the amount of monies or other property contributed to a public service corporation that provides water or sewage disposal services to the extent that the purpose of the contribution is to provide for expanding, improving or replacing the public service corporation’s water system or sewage disposal facilities. Include any amount of monies or other property contributed to a public service corporation for a water system or sewage disposal facility subject to a contingent obligation to repay the amount, in whole or in part, to the contributor.

**NOTE:** A public service corporation means all corporations other than municipal engaged in furnishing...water for irrigation, fire protection, or other public purposes...or engaged collecting, transporting, treating, purifying and disposing of sewage through a system... See Article XV, Section 2 of the Arizona Constitution: <https://www.azleg.gov/viewDocument/?docName=http://www.azleg.gov/const/15/2.htm>.

**M. Marijuana Establishments Only**

**Line M1 – Disallowed Federal Expenses**

**If the corporation is licensed by ADHS as a Marijuana Establishment or as a Marijuana Testing Facility**, enter the amount of the disallowed federal expenses from *Arizona Schedule DFE, Disallowed Federal Expense Schedule for Marijuana Establishments*. **Do not enter an amount on line M2.**

**If the corporation is licensed by ADHS as a Dual Licensee that has made the election to operate on a for-profit basis**, enter the amount of disallowed federal expenses from *Arizona Schedule DFE, Disallowed Federal Expense Schedule for Marijuana Establishments*. **Do not enter an amount on line M2.**

**Line M2 – Federal Taxable Income Attributable to NMMD Operations**

**If the corporation is licensed by ADHS as a Dual Licensee that has not made the election to operate on a for-profit basis**, enter the amount of its federal taxable income attributable to its operations as an NMMD. **Do not enter an amount on line M1.**

**N. Total Other Subtractions from Federal Taxable Income**

Add the amounts on lines A through M2. Enter the total. Also, enter the total on page 2, Schedule B, line B10.

**Schedule C - Additional Information**

Complete lines C1 through C5. Continue the answers on a separate sheet of paper if the answers are lengthy.

**Line C3:** List the name, title and telephone number of the individual who Department of Revenue employees may contact to:

- Schedule an audit of this return;
- Ask questions related to the processing of this return; or,
- Provide the status of any refund, or tax due, that may result from the processing of this return.

This does not authorize the individual named to:

- Enter into any agreements on the taxpayer’s behalf;
- Bind the taxpayer in any way; or,
- Make any changes to the taxpayer’s account, such as an address change.

Confidential information may be disclosed to a principal officer, any person designated by a principal officer, any person designated in a resolution by the corporate board of directors or other similar governing body, or to an individual designated as an authorized representative by a valid power of attorney. A principal corporate officer of a parent corporation may execute a written authorization for a controlled subsidiary. Refer to the department’s ruling, GTR 02-1, *What is a controlled subsidiary for purposes of Arizona Revised Statutes § 42-2003*, for additional information on the definition of a controlled subsidiary. **IF THIS INDIVIDUAL IS NOT A PRINCIPAL OFFICER, OR IS NOT DESIGNATED AS AN AUTHORIZED REPRESENTATIVE IN A VALID POWER OF ATTORNEY, THE TAXPAYER UNDERSTANDS AND AGREES THAT CONFIDENTIAL INFORMATION MAY BE DISCLOSED TO THIS INDIVIDUAL.**

**Certification**

The president, treasurer, or other principal corporate officer must sign the return. If receivers, trustees in bankruptcy, or assignees are in control of the property or business of the organization, such receivers, trustees, or assignees must sign the return.

**Paid preparers:** Sign and date the return. Complete the firm name and address lines (the paid preparer’s name and address, if self-employed).

Paid preparers must provide a Tax Identification Number (TIN). Paid preparers that fail to include their TIN may be subject to a penalty.

The TIN for a paid preparer may be one of the following:

- The preparer’s PTIN,
- The EIN for the business,
- The individual preparer’s social security number (SSN), if self-employed.

*To ensure proper application of this payment, this form must be completed in its entirety.*

For the  calendar year 2023 or  fiscal year beginning MM/DD/2023 and ending MM/DD/20YY.

<b>1</b> Name of Firm – exactly as it will appear on the return	Employer Identification Number (EIN)
<b>2</b> Address – number and street or PO Box	Business Phone Number (with area code)
<b>2</b> Address – continued	<b>REVENUE USE ONLY. DO NOT MARK IN THIS AREA</b> <b>88</b>
<b>3</b> City State ZIP Code	
<b>a</b> <input type="checkbox"/> Check if this is the first tax return filed under this name and EIN. <b>b</b> <input type="checkbox"/> Check if name and/or address has changed. <b>c</b> <input type="checkbox"/> Check if EIN has changed. Enter prior EIN: _____	
<b>81</b> PM <b>80</b> RCVD	

1 Payment is for quarter number:       Qtr 1.....  Qtr 2 .....  Qtr 3.....  Qtr 4

2 Payment: Round estimated payment to a whole dollar (no cents).

Enter the amount of payment enclosed ..... \$   00

- Make check payable to Arizona Department of Revenue.
- Include EIN on payment.
- Mail to Arizona Department of Revenue, PO Box 29085, Phoenix, AZ 85038-9085.

**General Instructions**

Obtain additional information or assistance by calling one of the numbers listed below:

Phoenix..... (602) 255-3381  
From area codes 520 and 928, toll-free ..... (800) 352-4090

Obtain tax rulings, tax procedures, tax forms and instructions, and other tax information by accessing the department's website at [www.azdor.gov](http://www.azdor.gov).

**Who is Required to Make Estimated Tax Payments**

C corporations, S Corporations subject to tax at the federal level and exempt organizations with unrelated business taxable income that anticipate an Arizona tax liability for the year of at least \$1,000 are required to make Arizona estimated payments.

- A unitary group of corporations filing a combined return on Form 120 must make Arizona estimated tax payments on a combined basis. Therefore, a unitary group, as a single taxpayer, must make estimated tax payments if its Arizona tax liability for the taxable year is at least \$1,000.
- An Arizona affiliated group filing an Arizona consolidated return pursuant to A.R.S. § 43-947 on Form 120 must make Arizona estimated tax payments on a consolidated basis. Therefore, an Arizona affiliated group, as a single taxpayer, must make estimated tax payments if its Arizona tax liability for the taxable year is at least \$1,000.

**Pass-Through Entity (PTE) Election**

Partnerships and S Corporations making the PTE election whose taxable income for the previous year exceeds \$150,000 are required to make Arizona estimated tax payments.

**S Corporations subject to tax at the federal level and making the PTE election for the same taxable year must:**

- Make Arizona estimated tax payments if their total taxable income for the previous year exceeds \$150,000.
- Total their separately calculated estimated payments for the corporate tax liability and the PTE tax liability to compute their total required estimated payments.
- Make the required estimated payments on or before the 15th day of April, June, and September of the taxable year, and January 15th of the following year.

**Composite Returns**

**Partnerships and S corporations** must use Form 140ES to make voluntary estimated tax payments on a composite basis on behalf of nonresident individual shareholders or nonresident individual partners participating in the filing of a composite return on Arizona Form 140NR. Refer to the department's ruling, ITR 16-2, *Composite Individual Income Tax Returns*, for additional information regarding composite returns. For additional information, see Form 140NR instructions for completing a composite return.

## Who Should Use Arizona Form 120/165ES

Taxpayers for whom the Director has granted a waiver from the electronic payment requirement.

Taxpayers whose anticipated tax liability for the year is less than \$500 that wish to make Arizona estimated payments may complete this form and mail the form and payment to the address above.

## When to Make Estimated Tax Payments

Calendar year and fiscal year basis corporate taxpayers are required to make their Arizona corporate estimated tax payments by the 15th day of the 4th, 6th, 9th, and 12th months of the taxable year. If the payment due date falls on a weekend or legal holiday, the payment is considered timely if made on the next business day.

Partnerships and S Corporations making the PTE election are required to make their estimated payments by the 15th day of the 4th, 6th, and 9th months of the taxable year. The final payment is due by the 15th day of the 1st month following the close of the taxable year. If the payment due date falls on a weekend or legal holiday, the payment is considered timely if made on the next business day.

S Corporations having a tax liability at the federal level and that are making the Arizona PTE election must make their estimated payments by the 15th day of the 4th, 6th, and 9th months of the taxable year. The final estimated payment is due by the 15th day of the 1st month following the close of the taxable year. If the payment due date falls on a weekend or legal holiday, the payment is considered timely if made on the next business day.

## Computation of Required Installments of Estimated Tax on Arizona Form 120/PTE-W

Taxpayers should use Form 120/PTE-W, *Estimated Tax Worksheet for Corporations*, to compute the amount of the required installments of estimated tax.

## Underpayment of Required Installments of Estimated Tax

If the taxpayer is required to make Arizona corporate estimated tax payments, a penalty will be imposed on any required installment that is late or underpaid. **See A.R.S. § 42-1125(Q).**

## Recomputing Required Installments of Estimated Tax

If the taxpayer, after paying one or more required installments of Arizona estimated tax, finds that its tax liability for the taxable year will be more or less than originally estimated, the taxpayer should recompute its required installments. If earlier installments were underpaid, the taxpayer may be subject to a penalty for underpayment of estimated tax.

If a new estimate is made, the required installments payable on or after the date of the new estimate should be adjusted. An immediate "catch-up" payment should be made to reduce the amount of any penalty resulting from the underpayment of any earlier installments, whether caused by a change in estimate, failure to make a payment, or a mistake.

## Estimated Tax Payments by Electronic Funds Transfer (EFT)

Refer to Arizona Revised Statutes § 42-1129 and the related Arizona Administrative Code R15-10-301 through R15-10-307 for detailed information regarding EFT.

Taxpayers anticipating a tax liability for the current year of at least \$1,000 must make Arizona estimated tax payments by EFT.

Taxpayers that anticipate a tax liability for the current year of more than \$500 but less than \$1,000 are not required to make Arizona estimated tax payments. If the taxpayer elects to make Arizona estimated tax payments, it is required to make those payments by EFT.

**NOTE: Taxpayers required to make Arizona estimated tax payments via EFT that fail to do so will be subject to a penalty of 5% of the amount of the payment not made by EFT. See A.R.S. § 42-1125(O).**

Taxpayers required to make Arizona estimated tax payments via EFT must complete the department's EFT authorization agreement at least 30 days prior to initiation of the first applicable transaction.

Taxpayers who anticipate their Arizona income tax liability for the 2023 taxable year to be less than \$500 may elect voluntary participation in the EFT program. Voluntary participants in the program must complete the department's EFT authorization agreement at least 30 days prior to the first applicable transaction.

**DO NOT submit Form 120/165ES to the department if the taxpayer makes its Arizona estimated tax payments by EFT.**

## Estimated Tax Payments via the Internet

Taxpayers wishing to make EFT payments via the Internet are no longer required to register with the department before their EFT payments may be accepted. Visit AZTaxes.gov, go to "Make a Corporation/S-Corporation/Partnership Payment" and follow the prompts to choose a payment type and make a payment.

**DO NOT submit Form 120/165ES to the department if the taxpayer makes its Arizona estimated tax payments over the Internet.**

### Electronic payment from checking or savings account

Arizona estimated tax payments can be made electronically from a checking or savings account. Visit www.AZTaxes.gov, click "Make a Corporation/S-Corporation/Partnership Payment", follow the prompts and choose the e-check option. There is no fee to use this method. This payment method will debit the amount from the specified checking or savings account on the date specified.

**When an electronic payment is made from a checking or savings account, a confirmation number will be generated. Please keep this confirmation number as proof of payment.**

### Credit card payment

Arizona estimated tax payments can be made by American Express, Discover, MasterCard or Visa credit cards. Visit www.AZTaxes.gov, click "Make a Corporation/S-Corporation/Partnership Payment", follow the prompts and choose the credit card option. This will take you to the web site of the credit card payment service provider. The service provider will charge a convenience fee based on the amount of the tax payment. The service provider will disclose the amount of the convenience fee during the transaction and the option to continue or cancel the transaction will be presented. **If you accept the convenience fee and complete the credit card transaction, a confirmation number will be generated. Please keep this confirmation number as proof of payment.**

## Completing Arizona Form 120/165ES

Complete Form 120/165ES in its entirety to ensure the proper application of the estimated tax payment.

Enter the following information on Form 120/165ES:

- The period covered by the taxable year;
- Taxpayer name, address and employer identification number (EIN) as it will appear on the tax return. If the taxpayer has a foreign address, enter the information in the following order: city, province or state, and country. Follow the country's practice for entering the postal code. **Do not abbreviate the country's name.**
- Check the box on line 1 indicating the quarter for which the payment is to be applied;
- Enter the amount of the estimated tax payment (in whole dollars) on line 2.

Check the appropriate box:

- If the taxpayer will file an initial return under the name and EIN listed, check box "A".
- If the taxpayer's name or address has changed, check box "B".
- If the taxpayer's EIN has changed, check box "C". Indicate the previous EIN in the space provided.

## Rounding Dollar Amounts

Taxpayers must round amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.

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**S Corporations and Partnerships:** Use Form 204 to request an extension of time to file a composite return on Form 140NR for nonresident individual shareholders or nonresident individual partners.

For the  calendar year 2022 or  fiscal year beginning MM/DD/2022 and ending MM/DD/20YY.

Name			Employer Identification Number (EIN)	
Address – number and street or PO Box			Business Telephone Number (with area code)	
City, Town or Post Office	State	ZIP Code	<b>REVENUE USE ONLY. DO NOT MARK IN THIS AREA.</b>	
			<b>88</b>	
a <input type="checkbox"/> Check if this is the first tax return filed under this name and EIN. b <input type="checkbox"/> Check if name and/or address has changed. c <input type="checkbox"/> Check if EIN has changed. Enter prior EIN: _____			<b>81</b> PM	<b>66</b> RCVD
<b>Check type of return to be filed:</b> <input type="checkbox"/> 120 <input type="checkbox"/> 120A <input type="checkbox"/> 99T <input type="checkbox"/> 99M <input type="checkbox"/> 120S <input type="checkbox"/> 165				

All applications for an extension of time to file **must be postmarked on or before the original due date of the return**, unless the original due date falls on Saturday, Sunday, or a legal holiday. In that case, the application must be postmarked on or before the business day following such Saturday, Sunday, or legal holiday.

An Arizona extension for a C corporation cannot be granted for more than seven months beyond the original due date of the return. An Arizona extension for a partnership or S Corporation cannot be granted for more than six months beyond the original due date of the return. Arizona will accept a valid federal extension for the same period of time covered by the Arizona extension.

**CHECK ONE BOX**

**Form 120, Form 120A, Form 99T, or Form 99M:**

This is a request for an automatic **seven-month extension** until.....

Extension Date	Taxable Year Ending
M M / D D / Y Y Y Y	M M / D D / Y Y Y Y

**Form 120S, or Form 165:**

This is a request for an automatic **six-month extension** until.....

M M / D D / Y Y Y Y	M M / D D / Y Y Y Y
---------------------	---------------------

A federal extension will be used to file this tax return. See instructions if this form is being used to transmit the Arizona extension payment.

**EXTENSION PAYMENT COMPUTATION**

**Forms 120, 120A, 120S, 99T, or 165 (for partnerships that elected to pay tax at the entity level)**

1 Tax liability for the taxable year: See instructions.....	<b>1</b>		00
2 Less estimated tax payments .....	<b>2</b>		00
3 <b>Balance of Tax:</b> Subtract line 2 from line 1. Enter the difference. ....	<b>3</b>		00
4 Enter amount of extension payment made electronically. See instructions.....	<b>4</b>		00
5 Enter amount of payment enclosed with this extension. See instructions..... <b>PAYMENT ENCLOSED ►</b>	<b>5</b>		00

- Make check payable to Arizona Department of Revenue and **include EIN on payment.**
- Mail application and payment to:  
Arizona Department of Revenue, PO Box 29085, Phoenix, AZ 85038-9085.
- Mail application **without** payment to:  
Arizona Department of Revenue, PO Box 29079, Phoenix, AZ 85038-9079.

The taxpayer will be liable for the extension underpayment penalty if at least 90 percent of the tax liability disclosed by the return has not been paid by the original due date of the return. Taxpayers subject to the extension underpayment penalty are not subject to the late payment penalty prescribed by

A.R.S. § 42-1125(D). Interest accrues on any additional tax due from the original due date of the return until paid.

**Taxpayers that have a tax liability of \$500 or more for tax year 2022 must make tax payments by electronic funds transfer.**

<b>Declaration</b>	Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete; and that I am authorized to prepare this form.		
<b>Please Sign Here</b>	SIGNATURE OF OFFICER OR AGENT	DATE	TITLE
	PRINTED NAME	BUSINESS PHONE (with area code)	AGENT'S TIN

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**For information or help, call one of the numbers listed:**

Phoenix (602) 255-3381  
From area codes 520 and 928, toll-free (800) 352-4090

**Tax forms, instructions, and other tax information**

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

**Income Tax Procedures and Rulings**

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website and select *Reports & Legal Research* from the main menu, then click on *Legal Research* and select a Document Type and a Category from the drop down menus.

**Publications**

To view or print the department's publications, go to our website, select *Reports & Legal Research* from the main menu, and click on *Publications* in the left hand column.

**General Instructions**

**Use of Form**

- **Use Arizona Form 120/165EXT only to apply for an extension of time to file Forms 120, 120A, 120S, 99T, 99M, or 165.**
- *Nonprofit medical marijuana dispensary organized or taxed as an S Corporation:* File one Arizona Form 120/165EXT to apply for an Arizona extension to file Arizona Form 99M. File a second Arizona Form 120/165EXT to apply for an Arizona extension of time to file Arizona Form 120S. A valid federal extension may be used to file Arizona Form 120S but cannot be used to file Arizona Form 99M. No extension payment is due.
- *Nonprofit medical marijuana dispensary organized or taxed as a partnership:* File one Arizona Form 120/165EXT to apply for an Arizona extension to file Arizona Form 99M. File a second Arizona Form 120/165EXT to apply for an Arizona extension of time to file Arizona Form 165. A valid federal extension may be used to file Arizona Form 165 but cannot be used to file Arizona Form 99M.
- *Arizona Form 120S and Arizona Form 165 filers:* Use Arizona Form 204 to apply for an extension of time to file a composite return on Arizona Form 140NR for nonresident individual shareholders or nonresident individual partners.
- The department may grant an automatic Arizona extension if: (a) the taxpayer pays at least 90% of the tax liability by the original due date of the return and (b) Arizona Form 120/165EXT is postmarked or received by the original due date of the return. The extension application will be denied if the extension application is postmarked after the original due date of the return. A copy of Arizona Form 120/165EXT will be returned to the taxpayer only if the extension application is denied.

**NOTE:** Effective for taxable years beginning from and after December 31, 2020, automatic extensions for C Corporations and for exempt organizations is 7 months from the original due date of the return.

Automatic extensions for S Corporations and for partnerships will remain 6 months from the original due date of the return.

- Arizona Form 120/165EXT or a valid federal extension provides an extension of time to file, but does not provide an extension of time to pay.

**Payment of Tax, Penalties, and Interest**

The entire amount of tax, penalties, and interest is due by the original due date of the return.

**Payment by Electronic Funds Transfer**

Taxpayers are required to pay their tax liability by electronic funds transfer (EFT) if the taxpayer owes \$500 or more for any taxable year beginning from and after December 31, 2020.

A taxpayer may apply to the director for an annual waiver from the electronic payment requirement. The application must be received by December 31 of each year. The director may grant the waiver if any of the following applies:

- The taxpayer has no computer.
- The taxpayer has no internet access.
- Any other circumstance considered to be worthy by the director exists, including:
  - The taxpayer has a sustained record of timely payments, and
  - The taxpayer has no delinquent tax account with the department.

To request a waiver, submit Arizona Form 292, *Electronic Filing and Payment Waiver Application*, to the department. Arizona Form 292 is available at: <https://azdor.gov/forms/other-forms/electronic-filing-and-payment-waiver-application>.

**NOTE:** A taxpayer who is required to pay by EFT but who fails to do so is subject to a penalty of 5% of the amount of the payment not made by EFT. See A.R.S. § 42-1125(O).

For additional information on EFT, refer to A.R.S. § 42-1129 and the related Arizona Administrative Code rules (A.A.C. R15-10-301 through R15-10-307) for detailed information.

**How to Make EFT Payments**

Taxpayers making EFT payments must register with the department before their EFT payments may be accepted. **An officer of the Taxpayer must complete the initial registration.**

Once registered, taxpayers may use [www.AZTaxes.gov](http://www.AZTaxes.gov) to make EFT payments:

- Electronic payment from checking or savings account/e-check/ACH Debit.

Payments can be made electronically from a checking or savings account. Go to [www.AZTaxes.gov](http://www.AZTaxes.gov) and choose the e check option. Follow the prompts to complete your registration.

There is no fee to use this method. This payment method will debit the amount from the specified checking or

savings account on the date specified. If an electronic payment is made from a checking or savings account, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

- Online credit card payment

Payments can be made by American Express, Discover, MasterCard, or Visa credit cards. Go to [www.AZTaxes.gov](http://www.AZTaxes.gov) and choose the credit card option. This will take you to the website of the credit card payment service provider. Follow the prompts to make your payment.

The service provider will charge a fee based on the amount of the tax payment. The service provider will disclose the amount of the fee during the transaction and you will be given the option to continue or cancel. If you accept the fee and complete the credit card transaction, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

Taxpayers may also make EFT payment by ACH Credit.

To register to make ACH Credit payments, go to the department's website, [www.azdor.gov](http://www.azdor.gov). Click on "Forms", then click "Other Forms." Click on Form number 10366, Electronic Funds Transfer (EFT) Disclosure Agreement for ACH Credit filers. Click "Download." Complete the form as instructed. Submit the completed form at least five business days before the first anticipated transaction, as it may take that long to process the application.

Fax the completed form to the department at (602) 771-9913. You may also email the completed form to the department at [electronicfundstransfer@azdor.gov](mailto:electronicfundstransfer@azdor.gov). Once the application is processed, the taxpayer will receive additional information to present to its bank to make the ACH Credit payment.

The payment will be electronically transferred into the department's account, normally the next business day. The taxpayer should consult with its bank for the timeframe required to make timely payments. NOTE: The taxpayer may be charged a service fee.

**NOTE:** *Taxpayers using a foreign bank account to make EFT payments cannot make EFT payments by ACH Debit. The department does not accept ACH Debit payments from a foreign bank account. If the taxpayer wishes to make payment by EFT, the payment MUST be made by ACH Credit. See the instructions for ACH Credit above to register and make ACH Credit payments.*

### Acceptance of Federal Extension

**NOTE:** *Federal extensions extend an original Arizona due date by the same period of time covered by the Arizona extension.*

Generally, the taxpayer can use a valid federal extension rather than applying for an Arizona extension. The taxpayer must pay at least 90% of the tax liability by the original due date of the return. Refer to the instructions for line 1

(extension payment computation) for further information on the payment amount.

A taxpayer whose tax liability for the 2022 taxable year was greater than \$500 that uses a federal extension of time to file must make its 2022 extension payment by EFT. See the Section *Payment of Tax Liability by Electronic Funds Transfer* on page 1 for details on making tax payments by EFT.

A taxpayer whose tax liability for the 2022 taxable year was less than \$500 that uses a federal extension of time to file may use Arizona Form 120/165EXT to remit an extension payment via check or money order. Or it may elect to participate in EFT. Mail Arizona Form 120/165EXT and the extension payment to the payment address shown on the form.

### Tax Return Original Due Dates

#### Arizona Form 99M:

15th day of the **fifth** month following close of taxable year.

#### Arizona Form 99T:

15th day of the **fifth** month following close of taxable year.

#### Arizona Form 120:

15th day of the **fourth** month following close of taxable year.

#### Arizona Form 120A:

15th day of the **fourth** month following close of taxable year.

#### Arizona Form 120S:

15th day of the **third** month following close of taxable year.

#### Arizona Form 165:

15th day of the **third** month following close of taxable year.

### Penalties and Interest

#### A. Late Filing Penalty

Without a valid federal or Arizona extension, a return filed after the original due date is subject to the late filing penalty. A return filed after its extended due date is also subject to the late filing penalty. The late filing penalty is 4.5% (.045) of the amount of tax required to be shown on the return. The penalty period is each month or fraction of a month between the due date of the return and the date the taxpayer filed the return. The maximum penalty is 25% of the tax found to be remaining due.

#### B. Extension Underpayment Penalty

The taxpayer must pay at least 90% of the tax liability reported on its return by the original due date of the return. If it does not, the extension underpayment penalty is charged on any late or underpaid extension payments. The extension underpayment penalty is 0.5% (.005) of the tax not paid for each 30-day period or fraction of a 30-day between the original due date and the date the tax is paid. The maximum penalty is 25% of the unpaid tax. Taxpayers subject to the extension underpayment penalty are not subject to the late payment penalty described in C below.

#### C. Late Payment Penalty

The late payment penalty is charged on any amount shown as tax on a return that is not paid by the due date. The late payment penalty is 0.5% (.005) of the unpaid tax for each

month or fraction of a month that the tax remains unpaid, not to exceed 10% of the unpaid tax.

**NOTE:** *If more than one of the penalties described in A, B, or C apply, the maximum combined penalty is 25%.*

Refer to the department's ruling, CTR 09-1, *When do Penalties Apply to an Income Tax Return Filed Under an Extension*, regarding the application of penalties to returns filed under extension.

#### **D. Information Return Penalty**

An information return that is incomplete or filed after its due date (including extensions) is subject to a \$100 penalty for each month or fraction of a month that the failure continues, up to a maximum penalty of \$500. This applies to Arizona Form 99M and Arizona Form 165. It also applies to Arizona Form 120S when no tax liability is due.

#### **E. Interest**

The department charges interest on any portion of the tax not paid by the due date. The department compounds interest annually and applies it in the same manner and at the same time as the IRS. The Arizona rate of interest for both underpayments and overpayments *for all taxpayers* is the federal underpayment rate.

On January 1 of each year, the department adds any interest outstanding as of that date to the principal amount of the tax. It is then a part of the principal amount of the tax and accrues interest until paid.

#### **Rounding Dollar Amounts**

Taxpayers must round amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.

### **Specific Instructions**

Type or print the required information in the name, address, and information boxes on the top of Arizona Form 120/165EXT. If the taxpayer has a foreign address, enter the information in the following order: city, province or state, and country. Follow the country's practice for entering the postal code. **Do not abbreviate the country's name.** Indicate whether the taxable year is a calendar year or a fiscal year; if a fiscal year, indicate the taxable year on the top of the form.

All returns, statements, and other documents filed with the department require the taxpayer's employer identification number (EIN), or taxpayer identification number, (TIN). Taxpayers that fail to include their TIN may be subject to a penalty.

#### **Check One Box**

**NOTE:** *Effective for taxable years beginning from and after December 31, 2020, automatic extensions for C Corporations and for exempt organizations is seven (7) months from the original due date. Automatic extensions for S Corporations and for partnerships will remain six (6) months from the original due date of the return.*

*Arizona Form 120, Arizona Form 120A, Arizona Form 99T, or Arizona Form 99M*

If you are requesting an Arizona extension for a C Corporation or an Exempt Organization, check the box indicating "Arizona Form 120, Arizona Form 120A, Arizona Form 99T or Arizona Form 99M". Enter the Extended Due Date (seven months after original due date) and the Taxable Year Ending in the corresponding columns.

*Arizona Form 120S or Arizona Form 165*

If you are requesting an Arizona extension for an S Corporation or a Partnership, check the box indicating "Arizona Form 120S or Arizona Form 165". Enter the Extended Due Date (six months after original due date) and the Taxable Year Ending in the corresponding columns.

#### **Extension Payment Computation (Form 120, 120A, 120S and 99T filers only)**

**NOTE:** *Refer to the tax form and its instructions for information regarding the computation of the tax liability (including the \$50 minimum tax).*

#### **Line 1**

##### **Arizona Form 120 filers**

Begin the tax liability computation on page 1, line 16 of the 2022 Arizona Form 120. The amount entered on Arizona Form 120/165EXT, line 1 should equal the amount computed for the 2022 Arizona Form 120, page 1, line 21, less the amount computed for line 22. Reduce this amount by the claim of right adjustments, if applicable. If the amount is less than zero, enter "0".

##### **Arizona Form 120A filers**

Begin the tax liability computation on page 1, line 8 of the 2022 Arizona Form 120A. The amount entered on Arizona Form 120/165EXT, line 1 should equal the amount computed for the 2022 Arizona Form 120A, page 1, line 13, less the amount computed for line 14. Reduce this amount by the claim of right adjustments, if applicable. If the amount is less than zero, enter "0".

##### **Arizona Form 120S filers**

The S Corporation itself is subject to tax (including the \$50 minimum tax) *only* if it has income or (loss) subject to tax at the corporate level on the federal Form 1120S. Income subject to tax is excess net passive income, capital gains, or certain built-in gains, reported on Arizona Form 120S, page 1, lines 2 and 3.

If the S Corporation elects to pay tax at the entity level on its flow-through income, complete page 2, Part 2, *Calculation of S Corporation Tax to be Paid at the Entity Level* of Form 120S.

Begin the tax liability computation on page 1, line 12 of the 2022 Arizona Form 120S. The amount entered on Arizona Form 120/165EXT, line 1 should equal the amount computed for the 2022 Arizona Form 120S, page 1, line 19, less the amount computed for line 20. If the amount is less than zero, enter "0".

##### **Arizona Form 99T filers**

Begin the tax liability computation on page 1, line 6 of the 2022 Arizona Form 99T. The amount entered on Arizona Form 120/165EXT, line 1 should equal the amount computed for the

2022 Arizona Form 99T, page 1, line 11, less the amount computed for line 12. If the amount is less than zero, enter "0".

**Arizona Form 165 filers that elected to pay tax at the entity level**

Begin the tax liability computation on page 2, line 8 of the 2022 Arizona Form 165. The amount entered on Arizona Form 120/165EXT, line 1 should equal the amount computed for the 2022 Arizona Form 165, page 2, line 23. If the amount is less than zero, enter "0".

**Line 4**

If the extension payment is made electronically, enter the amount on line 4.

Taxpayers whose Arizona income tax liability for the 2022 taxable year was \$500 or more must make 2022 Arizona income tax payments using EFT. See the Section, *Payment of Tax Liability by Electronic Funds Transfer*, on page 1 of these instructions, for options on paying the tax liability by EFT.

Taxpayers whose Arizona income tax liability for the 2022 taxable year was less than \$500 may elect to pay by EFT. They may also pay by check or money order. Make the check or money order payable to Arizona Department of Revenue. Include the taxpayer's EIN on the front of the check or money order. *If paying by check or money order, include the check or money order with Arizona Form 120/165EXT.*

**Line 5**

The taxpayer must pay at least 90% of its tax liability by the original due date of the return. If the estimated tax payments reported on line 2 are less than 90% of the amount on line 1, the taxpayer must make an extension payment. Enter the amount of payment enclosed with this extension on line 5.

**Who May Sign Arizona Form 120/165EXT**

The person authorized to sign Arizona Form 120/165EXT may be:

- **All forms:** a duly authorized agent holding a power of attorney;
- **Arizona Form 99T, 120, 120A, or 120S filers:** a principal officer of the organization;
- **Arizona Form 165 filers:** a general partner authorized to file the partnership return;
- **Arizona Form 99M filers:**
  - *Sole proprietorship* - the individual who owns the business.
  - *Corporation (including a limited liability company (LLC) treated as a corporation)* - a principal officer of the corporation.
  - *Partnership (including an LLC treated as a partnership) or unincorporated organization* - a general partner authorized to file the return.
  - *Single member LLC treated as a disregarded entity for federal income tax purposes* - the owner of the LLC or a principal officer authorized to sign.
  - *Trust or estate* - the fiduciary.

**Mailing Arizona Extension Requests**

*If you are including a payment with the Arizona extension request, mail the request and payment to:*

Arizona Department of Revenue  
PO Box 29085  
Phoenix, AZ 85038-9085

*If you are mailing the request without including a payment (because no payment is due or the payment was made electronically), mail the request to:*

Arizona Department of Revenue  
PO Box 29079  
Phoenix, AZ 85038-9079

The extension request must be postmarked by the original due date of the return. Mark "Extension Request" on the envelope. No copy will be returned to the taxpayer unless the request is denied. Keep a copy of Arizona Form 120/165EXT for the taxpayer's records.

For the [ ] calendar year 2022 or [ ] fiscal year beginning [M,M,D,D] 2,0,2,2 and ending [M,M,D,D] 2,0,Y,Y.

Business Telephone Number, Name, Address, Business Activity Code, City, Town or Post Office, State, ZIP Code, CHECK ONE: Original, Amended, Employer Identification Number (EIN)

68 Check if: A [ ] First return B [ ] Name change C [ ] Address change
A Did the S Corporation make the Pass-Through Entity (PTE) election to pay tax on its flow-through income at the entity level?
B Does the S corporation conduct business within and without Arizona?
C ARIZONA apportionment for Multistate S Corporations only
D Check if Multistate Service Provider Election and Computation (Arizona Schedule MSP) is included.
E Is this the S corporation's final Arizona return under this EIN?
F Will a composite return be filed on Form 140NR?
G Marijuana Establishments only: 1 [ ] Adult Use only 2 [ ] Dual Lic. elected for-profit 3 [ ] Dual Lic. did not elect for-profit 4 [ ] NMMD only
H ADHS Registry Identification Number:
Check box if return is filed under extension: 82 82F [ ]
REVENUE USE ONLY. DO NOT MARK IN THIS AREA. 88
81 PM 66 RCVD

Part 1 Calculation of S Corporation Tax Due/Overpayment:

Table with 5 columns: Line number, Description, Amount, Tax liability, Total payments. Includes rows for Total Distributive Income (Loss), Excess net passive income, Capital gains/built-in gains, Total federal income, Arizona apportionment ratio, Total Tax Liability, and Total payments.

Continued on page 2 ->

Name (as shown on page 1)	EIN
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Part 1: Continued from page 1.

26 Penalty and interest.....	26		00
27 Estimated tax underpayment penalty. <b>If Form 220/PTE is included, check box</b> ..... 27A <input type="checkbox"/>	27		00
28 Information return penalty: See instructions .....	28		00
29 <b>TOTAL DUE:</b> See instructions .....	29		00
30 <b>OVERPAYMENT:</b> See instructions .....	30		00
31 Amount of line 30 to be applied to 2023 estimated tax.....	31	00	
32 Amount to be refunded: Subtract line 31 from line 30. Enter the difference.....	32		00

**Part 2 - Calculation of S Corporation Tax to be Paid at the Entity Level:**  
**Complete only if the S Corporation answered "Yes" to Question A on page 1.**

**Calculation of the income attributable to shareholders:**

33 Enter the amount from line 1 .....	33		00
34 Add lines C1 and C4 in column (c) of Schedule C. Enter the total. This is the total of the ownership shares for all resident individual shareholders and all resident estate and trust shareholders that did not opt out of the S Corporation's election to pay tax at the entity level on its pass-through income. (See Instructions).....	34	.	
35 Multiply line 33 by line 34. Enter the result. <b>This is the S Corporation income attributable to resident individual shareholders and resident trust and estate shareholders that did not opt out of the S Corporation's election to pay tax at the entity level on its pass through income.</b> .....	35		00
36 Add lines C2 and C5 in column (c) of Schedule C. Enter the total. This is the total of the ownership shares for all nonresident shareholders and all nonresident estate and trust shareholders that did not opt out of the S Corporation's election to pay tax at the entity level on its pass-through income.. (See Instructions) .....	36	.	
37 Multiply line 33 by line 36. Enter the result. <b>This is the S Corporation income attributable to nonresident shareholders and nonresident trust and estate shareholders that did not opt out of the S Corporation's election to pay tax at the entity level on its pass-through income</b> .....	37		00
38 Enter the amount from line C3, column (c) of Schedule C. This is the total of the ownership shares for all part-year resident shareholders that did not opt out of the S Corporation's election to pay tax at the entity level on its pass-through income.. (See Instructions) .....	38	.	
39 Multiply line 33 by line 38. Enter the result. <b>This is the S Corporation income attributable to part-year resident shareholders that did not opt out of the S Corporation's election to pay tax on its pass-through income at the entity level.</b> .....	39	00	
39A Enter the portion of line 39 that all part-year residents earned while residents of Arizona. ....	39A		00
39B Enter the portion of line 39 that all part-year residents earned while nonresidents of Arizona.....	39B		00

*NOTE: the total of lines 39A and 39B must equal the amount reported on line 39*

40 Enter the amount from line C7, column (c) of Schedule C. This is the total of the ownership shares for all shareholders that opted out of the S Corporation's election to pay tax at the entity level on its pass-through income and all shareholders that are not eligible to make the election. (See Instructions) .....	40		
41 Multiply line 33 by line 40. Enter the result. <b>This is the S Corporation income attributable to shareholders that opted out of the S Corporation's election to pay tax at the entity level on its pass-through income and to shareholders that are not eligible to make the election.</b> .....	41		00

**Calculation of the tax attributable to shareholders that did not opt out of the PTE election:**

42 Add line 35 and line 39A. Enter the total .....	42		00
43 Multiply the amount on line 42 by the PTE tax rate, 2.98% (0.0298) Enter the result. <b>This is the amount of the tax attributable to resident shareholders and to part-year resident shareholders (during the period of residency) that did not opt out of the S Corporation election to pay tax at the entity level.</b> .....	43		00
44 Add line 37 and line 39B. Enter the total. ....	44		00
45 Enter the Arizona apportionment ratio from page 1, line 7 .....	45	.	
46 Multiply the amount on line 44 by line 45. Enter the result. ....	46		00
47 Multiply the amount on line 46 by the PTE tax rate, 2.98% (0.0298). Enter the result. <b>This is the amount of the tax attributable to nonresident shareholders and to part-year resident shareholders (during the period of non-residency) that did not opt out of the S Corporation to pay tax at the entity level</b> .....	47		00
48 Add line 43 and line 47. Enter the total here and on line 18. <b>This is the PTE Tax owed by the S Corporation</b> .....	48		00



**SCHEDULE A Apportionment Formula (Multistate S Corporations Only)**

**IMPORTANT:** Qualifying air carriers must use Arizona Schedule ACA. Qualifying Multistate Service Providers must include Arizona Schedule MSP. If the **“SALES FACTOR ONLY”** box on page 1, line C, is checked, complete only Section A3, Sales Factor, lines a through f. See instructions.

	COLUMN A Total Within Arizona Round to nearest dollar	COLUMN B Total Everywhere Round to nearest dollar.	COLUMN C Ratio Within Arizona A ÷ B
<b>A1 Property Factor - STANDARD APPORTIONMENT ONLY</b> Value of real and tangible personal property (by averaging the value of owned property at the beginning and end of the tax period; rented property at capitalized value).			
<b>a Owned Property</b> (at original cost):			
<b>1</b> Inventories .....			
<b>2</b> Depreciable assets (do not include construction in progress) .....			
<b>3</b> Land .....			
<b>4</b> Other assets (describe): _____			
<b>5</b> Less: Nonbusiness property (if included in above totals) .....			
<b>6</b> Total of section a (the sum of lines 1 through 4 less line 5).....			
<b>b</b> Rented property (capitalize at 8 times net rent paid).....			
<b>c</b> Total owned and rented property (Total of section a plus section b). ....			•
<b>A2 Payroll Factor - STANDARD APPORTIONMENT ONLY</b> Total wages, salaries, commissions and other compensation to employees (per federal Form 1120S, or payroll reports). ....			•
<b>A3 Sales Factor</b>			
<b>a</b> Sales delivered or shipped to Arizona purchasers .....			
<b>b</b> Sales from services or from designated intangibles for <b>qualifying Multistate Service Providers only</b> (see instructions; include Schedule MSP) .....			
<b>c</b> Other gross receipts .....			
<b>d</b> Total sales and other gross receipts (the sum of lines a through c) .....			
<b>e</b> Weight AZ sales: (STANDARD x 2; SALES FACTOR ONLY x 1).....	x2    OR    x1		
<b>f</b> Sales Factor Only (for Column A, multiply line d by line e; for Column B, enter the amount from line d; for Column C, divide Column A by Column B.) Skip line A4 and line A5.			
<b>STANDARD Apportionment</b> , continue to A4. <b>SALES FACTOR ONLY Apportionment</b> , enter the amount from Column C on page 1, line 7. ....			•
<b>A4 STANDARD Apportionment Total Ratio:</b> Add Column C of lines A1c, A2, and A3f. Enter the total. ....			•
<b>A5 Average Apportionment Ratio for STANDARD Apportionment:</b> Divide line A4, Column C, by four (4). Enter the result on page 1, line 7. (If one of the factors is “0” in both Column A and Column B, see instructions.) .....			•

Name (as shown on page 1)	EIN
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**SCHEDULE B Shareholder Information**

Complete Schedule B for all shareholders of the S corporation. If the S corporation has more than 10 shareholders, include additional schedules as necessary.

	(a) Shareholder Name	(b) Street Address	(d) Shareholder Tax Identification Number	(e) Resident (R) Nonresident (N) Part-Yr Res (P) Estate/Trust (E) Other Entity (O)	(f) Shareholder's Ownership Percentage	(g) Distributive Share of Income Page 1, Line 1
		(c) City, State ZIP				
B1						
B2						
B3						
B4						
B5						
B6						
B7						
B8						
B9						
B10						

Include additional sheets as necessary

**SCHEDULE C Summary of Shareholder Information -- See Instructions**

	(a) Shareholder Consent to PTE Election	(b) Shareholder Count	(c) Shareholders' Ownership Share
C1	Individual resident shareholders who did not opt out of the election.....		
C2	Individual nonresident shareholders who did not opt out of the election.....		
C3	Individual part-year resident shareholders who did not opt out of the election.....		
C4	Resident estate and trust shareholders who did not opt out of the election.....		
C5	Nonresident estate & trust shareholders who did not opt out of the election.....		
C6	Add lines C1 to C5. Enter the total. These are the totals for the shareholders who did not opt out of the election. ....		
C7	Shareholders that opted out of the election or are excluded from making the election.....		
C8	Total shareholder count and total shareholder ownership share. Add lines C6 and C7 in columns (b) and (c). Enter the totals. (Column (c) should equal 1.000000) .....		

Name (as shown on page 1)	EIN
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**SCHEDULE D Schedule of Tax Payments Applied to S Corporation Tax Liability.**

	(a) Payment Date	(b) Estimated Tax Payment		(c) Extension Payment	
D1	MM DD YY		00		00
D2	MM DD YY		00		00
D3	MM DD YY		00		00
D4	MM DD YY		00		00
D5	MM DD YY		00		00
D6	MM DD YY		00		00
D7	Total Tax Payments		00		00

**SCHEDULE E Other Information**

- E1** Date business began in Arizona or date income was first derived from Arizona sources: MM/DD/YYYY
- E2** Address at which tax records are located for audit purposes:  
 Number/Street: \_\_\_\_\_  
 City: \_\_\_\_\_ State: \_\_\_\_\_ ZIP Code: \_\_\_\_\_
- E3** The taxpayer designates the individual listed below as the person to contact to schedule an audit of this return and authorizes the disclosure of confidential information to this individual. (See instructions, page 12.)  
 Name: \_\_\_\_\_ Phone Number: \_\_\_\_\_  
 Title: \_\_\_\_\_ (Area Code)
- E4** List prior taxable years ending in MM/DD/YYYY format for which a federal examination has been finalized:  
 \_\_\_\_\_
- NOTE:** A.R.S. § 43-327 requires the taxpayer, within ninety days after final determination, to report these changes under separate cover to the Arizona Department of Revenue or to file amended returns reporting these changes. (See instructions, page 5.)
- E5** Indicate tax accounting method:  Cash  Accrual  Other (Specify method.)

<b>Declaration</b>	The following declaration must be signed by one or more of the following officers: president, treasurer, or any other principal officer.		
<b>Please Sign Here</b>	Under penalties of perjury, I, the undersigned officer authorized to sign this return, declare that I have examined this return, including the accompanying schedules and statements, and to the best of my knowledge and belief, it is a true, correct and complete return, made in good faith, for the taxable year stated pursuant to the income tax laws of the State of Arizona.		
<b>Paid Preparer's Use Only</b>	OFFICER'S SIGNATURE _____	DATE _____	TITLE _____
	OFFICER'S PRINTED NAME _____		
	PAID PREPARER'S SIGNATURE _____	DATE _____	PAID PREPARER'S PTIN _____
	PAID PREPARER'S PRINTED NAME _____		
	FIRM'S NAME (OR PAID PREPARER'S NAME, IF SELF-EMPLOYED) _____		FIRM'S EIN _____
	FIRM'S STREET ADDRESS _____		FIRM'S TELEPHONE NUMBER _____
	CITY _____	STATE _____	ZIP CODE _____

**This form must be e-filed unless the S Corporation has a waiver or is exempt from e-filing. See instructions for details.**

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**2022 Arizona S Corporation Income Tax Return**

**For information or help, call one of the numbers listed:**

Phoenix (602) 255-3381  
From area codes 520 and 928, toll-free (800) 352-4090

**Tax forms, instructions, and other tax information**

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

**Income Tax Procedures and Rulings**

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website and select *Reports & Legal Research* from the main menu, then click on *Legal Research* and select a Document Type and a Category from the drop down menus.

**Publications**

To view or print the department's publications, go to our website, select *Reports & Legal Research* from the main menu, and click on *Publications* in the left hand column.

**General Instructions**

**Who Must Use Arizona Form 120S**

Corporations taxed as S Corporations under Subchapter S of the Internal Revenue Code (IRC) must file Arizona Form 120S. Qualified subchapter S subsidiaries are not treated as entities separate from the parent corporation and would be included on a single Arizona Form 120S filed by the parent S Corporation.

**Disaster Relief for Out-of-State Businesses**

If an out-of-state business is in Arizona on a temporary basis solely to perform disaster recovery from a declared disaster during a disaster period, it may not be required to file, remit, withhold or pay state or local income tax. See the department's publication, Pub. 720, *Disaster Recovery Tax Relief* to determine if the taxpayer qualifies for this relief.

**Entity Classification under the Federal "Check-the-Box Rules"**

The federal tax classification of an entity under the federal "check-the-box rules" determines the entity's classification for Arizona tax purposes. Refer to the department's ruling, CTR 97-1, *Federal "Check-The-Box Rules" on Elective Tax Classification*.

**Limited Liability Companies**

A limited liability company (LLC) that makes a valid federal election to be taxed as an S Corporation must file Arizona Form 120S.

A single-member LLC that is disregarded as an entity for federal income tax purposes is treated as a branch or division of its owner, and is included in the tax return of its owner. Refer to the department's ruling CTR 97-2, *Limited Liability Companies*, for further information.

**Marijuana Establishments, Marijuana Testing Facilities, Dual Use Licensees and Nonprofit Medical Marijuana Dispensaries**

- An S Corporation licensed by the Arizona Department of Health Services (ADHS) as a Marijuana Establishment

(Adult Use) or Marijuana Testing Facility (Adult Use), must file an Arizona S Corporation Income Tax Return – Arizona Form 120S to report the income and expenses of its operations for the taxable year.

- An S Corporation licensed by ADHS as a Dual Use Licensee (Dual Use) that elected to operate on a for-profit basis, must file an Arizona Form 120S to report the income and expenses of ALL its operations for the taxable year.
- An S Corporation licensed by ADHS as a Dual Licensee that did not elect to operate on a for-profit basis, must file Arizona Form 99M to report the income and expenses from the Nonprofit Medical Marijuana Dispensary (NMMD) portion of its operations, AND file Arizona Form 120S. The Dual Licensee that did not elect to operate on a for-profit basis must also complete Arizona Form 120S Schedules K-1 and K-1(NR) and provide copies of each shareholder's respective K-1 or K-1(NR) to the shareholder as the shareholders are not exempt from Arizona income tax
- An S Corporation registered by ADHS as an NMMD only, must file Arizona Form 99M and Arizona Form 120S to report the income and expenses from its operation as an NMMD. The NMMD must also complete Arizona Form 120S Schedules K-1 and K-1(NR) and provide copies of each shareholder's respective K-1 or K-1(NR) to the shareholder as the shareholders are not exempt from Arizona income tax.

**S Corporations making the Pass-Through Entity Election (PTE)**

For taxable years beginning from and after December 31, 2021, the shareholders of a business that is taxed at the federal level as an S Corporation may consent to have its flow-through (or pass-through) income taxed at the entity level in Arizona. The Arizona PTE income tax is assessed at a rate of 2.98% of the income attributable to the S Corporation's resident shareholders and the income derived from sources within Arizona attributable to the nonresident shareholders.

The PTE election must be made by the S Corporation no later than the due date or extended due date of its Arizona income tax return, Arizona Form 120S.

**NOTE:** *If the PTE election is not made on a timely-filed original return (Arizona Form 120S), including extensions, the PTE election will be denied and all related tax payments made will be refunded to the S Corporation.*

An S Corporation that intends to make this election must notify all shareholders who are individuals or estates and trusts (eligible shareholders) of the intent to make this election. Each eligible shareholder has the right to opt out of this election. The notice must allow each eligible shareholder at least 60 days after receiving the notice to exercise the right to opt out of the election. If the eligible shareholder does not respond, that shareholder will be included in the election.

Shareholders that are not individuals or estates and trusts (ineligible shareholders) may not participate in this election. Shareholders who are individuals or estates and trusts who opt out of this election also may not participate in the PTE election.

If the S Corporation making this election does not pay the tax owed to the department, the department may collect the tax owed by the S Corporation from its eligible shareholders based on the proportionate share of income attributable to each eligible shareholder for Arizona tax purposes.

S Corporations whose taxable income for the previous year exceeds \$150,000 must make payments of estimated tax. Estimated tax payments are due April 15<sup>th</sup>, June 15<sup>th</sup>, and September 15<sup>th</sup> of the current taxable year and January 15<sup>th</sup> of the year following the close of the taxable year. (For taxable years that do not begin January 1<sup>st</sup>, the due dates for estimated tax payments are the 15<sup>th</sup> day of the 4<sup>th</sup>, 6<sup>th</sup>, and 9<sup>th</sup> months of the current taxable year and the 15<sup>th</sup> day of the 1<sup>st</sup> month following the close of the taxable year.)

### Records

Every S Corporation should maintain books and records substantiating information reported on the return and keep these documents for inspection. Refer to the department's General Tax Ruling (GTR) 96-1, *Electronic Data Processing* for more information about record retention requirements.

### IRC § 7519 Required Payments

Taxpayers cannot deduct the federal required payments on their Arizona tax returns as an ordinary and necessary business expense or otherwise.

### Rounding Dollar Amounts

Taxpayers must round amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.

#### Examples:

*Company A (A) reports federal taxable income of \$15,000. A has no Arizona additions to, or subtractions from, federal taxable income. Its apportionment ratio is .326954. A multiplies the federal taxable income by the apportionment ratio. The result is \$4,904.31. Company A rounds the result to \$4,904.00.*

*Company W (W) reports a federal taxable loss of (\$27,000). W has no Arizona additions to, or subtractions from, federal taxable income. Its apportionment ratio is .005946. W multiplies its federal loss of (\$27,000) by the apportionment ratio. The result is an Arizona loss of (\$160.54). Company W rounds the result to (\$161.00).*

*Company Z (Z) reports a federal taxable loss of (\$500). Z has no Arizona additions to, or subtractions from, federal taxable income. Its apportionment ratio is .075000. Z multiplies its federal loss of (\$500) by the apportionment ratio. The result is an Arizona loss of (\$37.50). Company Z rounds the result to (\$38.00).*

### Timely Filing of Returns

- The department determines the timeliness of an electronically filed tax return by the date of the electronic postmark. If the taxpayer and the electronic return preparer or the electronic return transmitter are in different time zones, it is the taxpayer's time zone, as determined by the taxpayer's address, that controls the timeliness of the electronically filed return. When a return has been electronically received on the host system of more than one electronic return preparer or electronic return transmitter

during its ultimate transmission to the department, the return shall be deemed filed and received by the department on the date of the earliest electronic postmark.

- The department determines the timeliness of a tax return by the postmark or other official mark of the United States mail stamped on the envelope in which the return is mailed. See the department's ruling, GTR 16-1, *Timely Filing of Income or Withholding Tax Returns Through the United States Mail*.
- The Department will accept proof of mailing from a private delivery service included in the Internal Revenue Service (IRS) list of designated private delivery services. Contact the private delivery service for information regarding how to obtain written proof of mailing.
- If the due date for the return falls on a Saturday, Sunday, or a legal holiday, the return is considered timely filed if it is postmarked the next business day. See the department's ruling, GTR 16-2, *Timely Filing of Income or Withholding Tax Return – Holidays and Weekends*.

**IMPORTANT:** All S Corporation returns are due on or before the 15<sup>th</sup> day of the third month following the close of the taxable year.

### Extension of Time to File a Return

- A request for an extension of time to file an Arizona corporate income tax return **must** be submitted by the original due date of the return.
- The extension request can be made by filing an Arizona extension request, Arizona Form 120/165EXT, or by filing a federal extension.
- You may file Form 120/165EXT electronically or by mail. If mailing, submit Form 120/165EXT to:  
Arizona Department of Revenue  
P O Box 29079  
Phoenix, AZ 85035-9079
- If the original return is filed under extension, do not include a copy of the extension with your return. However, make sure to check the extension box, 82F, on page 1 of your return.
- If the S Corporation has a tax liability of less than \$500 for the year, Arizona Form 120/165EXT may be used to transmit extension payments by check or money order, regardless of how you request an Arizona extension (valid federal extension or Arizona Form 120/165EXT).
- S Corporations with a tax liability of \$500 or more for the 2022 taxable year must pay their tax liability by Electronic Funds Transfer. (See *How to Make EFT Payments*, beginning on page 5 for details.)
- If you made extension payments over the Internet, you are not required to file Arizona Form 120/165EXT unless you are requesting an Arizona filing extension.
- The Arizona extension and the federal extension provide an extension of time to file, but they do not provide an extension of time to pay tax.
  - You must pay 90% of your tax liability (including the \$50 minimum tax) by the original due date of your return.
  - The department imposes the extension underpayment penalty on any late or underpaid extension requests.

- See the department's ruling, CTR 01-3, *Extensions*, for additional information.
- Submit the extension request to the department electronically or mail Form 120/165EXT to:  
Arizona Department of Revenue  
PO Box 29079  
Phoenix, AZ 85038-9079

**S Corporations filing composite returns:** Use Arizona Form 204 to request an extension of time to file a composite return on Arizona Form 140NR for qualifying nonresident individual shareholders.

### Filing Original Returns

- Returns are due by the 15<sup>th</sup> day of the 3<sup>rd</sup> month following the close of the taxable year.
- An S Corporation filing a short-period return must file the return by the 15<sup>th</sup> day of the 3<sup>rd</sup> month after the short period ends.
- If the S Corporation has a valid federal or Arizona filing extension, the return is due by the extended due date.
- If the return is filed under extension, check box 82F on page 1 of the return.
- If the original due date or extended due date for the return falls on a Saturday, Sunday, or a legal holiday, the return is considered timely filed if it is postmarked the next business day. See the department's ruling, GTR 16-2, *Timely Filing of Income or Withholding Tax Return – Holidays and Weekends*.
- The return must be signed by one or more of the officers of the S Corporation (President, Treasurer, or any other principal officer).
- Do not submit a blank Arizona return with a copy of the federal return. S Corporations must:
  - Furnish complete data,
  - Answer all questions on the return,
  - Complete all applicable schedules, and,
  - Include all appropriate supplementary schedules.
- You must electronically submit Arizona Form 120S unless you have one of the following:
  - A federal waiver from electronically filing your federal return.
  - You meet one of the federal exemptions from electronically filing your federal return.
  - You received an Arizona filing waiver.
  - You meet one of the Arizona exemptions from electronically filing your Arizona return.
  - You have been directed by the IRS or the department to paper file your return.
- If you have been granted a waiver from electronically filing Arizona Form 120S, or you are not required to e-file your return, mail the return to:  
Arizona Department of Revenue  
P.O. Box 29079  
Phoenix, AZ 85038-9079
- The department requests that S Corporations include a copy of their "as-filed" federal Form 1120-S and all its schedules and attachments with their Arizona return.

### Taxable Year Covered by Return

The S Corporation must have the same taxable year for Arizona purposes as it has for federal purposes.

File the 2022 Arizona Form 120S for calendar year 2022, for fiscal years that begin in 2022 and end in 2023, and for a tax year of less than 12 months that begins in 2022. Indicate whether the taxable year is a calendar year or a fiscal year. If the return is for a fiscal year, indicate the beginning and ending dates for the year in the space(s) provided at the top of page 1.

The 2022 Arizona Form 120S can also be used if the S Corporation has a tax year of less than 12 months that begins and ends in 2023 and the 2023 Arizona Form 120S is not available at the time the S Corporation is required to file its return. The S Corporation must show its 2023 year on the 2022 Arizona Form 120S and take into account any tax law changes that are effective for tax years beginning after December 31, 2022. If submitting the 2022 Arizona Form 120S for a 2023 short-period return, submit a paper filed return. Do not submit this short-period return electronically.

### Filing Amended Returns

Electronic filing of amended S Corporation returns for the 2022 taxable year is available. S Corporations that filed their amended federal return electronically, must submit their Arizona amended return electronically.

S Corporations that did not file their amended federal by paper must submit their Arizona amended return by paper. Submit the paper return to:

Arizona Department of Revenue  
PO Box 29079  
Phoenix, AZ 85038-9079

- Any S Corporation that files an amended return with the IRS *must* file an Arizona amended return on Arizona Form 120S, for the tax year amended (i.e. 2022 Arizona Form 120S for tax year 2022) within 90 days of final determination of the federal amended return by the IRS. When filing an amended return, check the box labeled "Amended" in the upper right corner of the return.
- S Corporations *must* report to the department changes or corrections to their taxable income by the IRS or as a result of renegotiation of a contract or subcontract with the United States.
- Within 90 days after the final determination of the change or correction, the S Corporation must:
  - File a copy of the final determination with the department, concede the accuracy of the determination or state any errors, and request that the department recompute the tax owed Arizona, or
  - File an amended return as required by the department.
- If your amended Arizona return is due to federal changes, either an amended federal return or an Revenue Agent Report (RAR), please include a copy of your amended federal return or RAR with your amended Arizona return.
- The S Corporation must provide sufficient information for the department to recompute the S Corporation's Arizona taxable income based on the RAR changes.

- The department may require the S Corporation to file an amended return if the department does not have this information.
- If your amended federal return was submitted electronically, submit the amended Arizona Form 120S to the department electronically. If your amended federal return was filed as a paper return, or if electronic filing is unavailable, mail Arizona Form 120S to:

Arizona Department of Revenue  
PO Box 29079  
Phoenix, AZ 85038-9079

- If the S Corporation was required to make its tax payments for the 2022 taxable year by electronic funds transfer (EFT), it must pay any additional tax due from an amended return by EFT.

**NOTE:** *File amended returns for prior taxable years on the respective Arizona Form 120S for those taxable years. Use the 2022 Arizona Form 120S to amend only the taxable year 2022.*

*Do NOT file an amended return until your original return has been processed.*

### **Electronic Filing of S Corporation Income Tax Returns**

**Electronic filing of Arizona S Corporation income tax returns is required for the 2022 taxable year.** Please see the department's website at: <https://azdor.gov/e-services/approved-vendors> for a list of approved software vendors.

### **Which S Corporations Are Not Required to Electronically File (e-file) Their Arizona Income Tax Returns?**

- S Corporations that cannot e-file their federal return cannot e-file their Arizona return.
- Any S Corporation that was granted a federal waiver from filing its federal return is not required to e-file its Arizona return.
- Any S Corporation having a federal exemption from electronically filing its federal return is not required to e-file its Arizona return.
- Any S Corporation having an Arizona filing waiver or an Arizona exemption is not required to e-file its Arizona return.
- An S Corporation submitting the 2022 Arizona Form 120S for a 2023 short period return, submit a paper filed return. Do NOT submit this short period return electronically.
- Any S Corporation that has been directed to file a paper return by the IRS or by the department
- Due to system constraints, the department's computer system can handle an electronically filed return up to 20MB in size. The department requests that returns in excess of 20MB be filed as a paper return.

### **Requesting an Electronic Filing Waiver**

Any S Corporation taxpayer who is required to file its income tax return electronically may apply to the director for an annual waiver from the electronic filing requirement. The waiver may be granted if any of the following apply:

- The taxpayer has no computer.
- The taxpayer has no internet access.

- Any other circumstance considered to be worthy by the director.

Waivers are granted on an annual basis and expire at the end of the requested tax year. Waivers must be renewed each calendar year. If a waiver is not renewed, you will be subject to statutory electronic filing and payment requirements at the expiration of your waiver.

To request a waiver, submit Arizona Form 292, *Electronic Filing and Payment Waiver Application*, to the department. Arizona Form 292 is available at: <https://azdor.gov/forms/other-forms/electronic-filing-and-payment-waiver-application>.

A waiver is not required if the S Corporation income tax return cannot be electronically filed for reasons beyond the taxpayer's control, including situations in which the taxpayer was instructed by either the Internal Revenue Service or the Arizona Department of Revenue to file by paper.

Please contact the department at [azefile@azdor.gov](mailto:azefile@azdor.gov) if you need assistance in electronically submitting your Arizona S Corporation income tax return. If your return has been rejected, please include the Arizona submission ID and the form type (i.e. 120S) in your correspondence.

### **Submitting Arizona Form 120S Schedule(s) K-1 and Arizona Form 120S Schedule(s) K-1(NR)**

Schedules K-1 and K-1(NR) [Notice] are an integral part of the S Corporation return. File one copy of each shareholder's Notice with the S Corporation return. Provide each shareholder with a copy of their completed Notice. Retain a copy of each completed Notice for the S Corporation's records.

For calendar year filers, check the box, "calendar year 2022." For fiscal year filers, check the box, "fiscal year" and enter the beginning and ending dates for the fiscal year. If this is a short-period return, indicate the beginning and ending dates for the short period.

**NOTE:** *See pages 18 and 20 for instructions on completing Arizona Forms 120S, Schedule(s) K-1 and K-1(NR).*

**S Corporations filing their S Corporation return electronically** must submit Schedule(s) K-1 and Schedule(s) K-1(NR) to the department electronically.

**S Corporations filing a paper return** must submit Schedule(s) K-1 and K-1(NR) to the department by paper.

### **Payment of Tax, Penalties, and Interest**

The entire amount of tax, penalties, and interest is due by the original due date of the return.

### ***Payment by Electronic Funds Transfer***

S Corporations with a tax liability of \$500 or more for the 2022 taxable year must pay their tax liability by Electronic Funds Transfer (EFT).

**NOTE:** *If an S Corporation was required to pay its 2022 tax liability by EFT, it must also pay any additional tax due from an amended return by EFT.*

### ***Requesting a Waiver From the EFT Requirement***

An S Corporation may apply to the director for an annual waiver from the electronic payment requirement. The application must be received by December 31 of each year. The director may grant the waiver if any of the following applies:



- The S Corporation has no computer.
- The S Corporation has no internet access.
- Any other circumstance considered to be worthy by the director exists, including:
  - The S Corporation has a sustained record of timely payments, and,
  - No delinquent tax account with the department.

To request a waiver, submit Arizona Form 292, *Electronic Filing and Payment Waiver Application*, to the department. Arizona Form 292 is available at:

<https://azdor.gov/forms/other-forms/electronic-filing-and-payment-waiver-application>.

**NOTE:** *A corporation who is required to pay by EFT but who fails to do so is subject to a penalty of 5% of the amount of the payment not made by EFT. See A.R.S. § 42-1125(O).*

*For additional information on electronic funds transfer, refer to A.R.S. § 42-1129 and the related Arizona Administrative Code rules (A.A.C. R15-10-301 through R15-10-307) for detailed information.*

### How to Make EFT Payments

S Corporations making an EFT payment from a checking or savings account or by credit card are no longer required to register with the department prior to making EFT payments for tax year 2022. Visit [AZTaxes.gov](http://AZTaxes.gov), click “Make a Corporation/S Corporation/Partnership Payment” and follow the prompts.

- **Electronic payment from checking or savings account/e-check/ACH Debit.**

Payments can be made electronically from a checking or savings account. Go to: [www.AZTaxes.gov](http://www.AZTaxes.gov), click “Make a Corporation/S Corporation/Partnership Payment”, follow the prompts, and choose the e-check option. Follow the prompts to make your payment.

There is no fee to use this method. This payment method will debit the amount from the specified checking or savings account on the date specified. **When an electronic payment is made from a checking or savings account, a confirmation number will be generated. Please keep this confirmation number as proof of payment.**

- **Online credit card payment.**

Payments can be made by American Express, Discover, MasterCard, or Visa credit cards. Go to [www.AZTaxes.gov](http://www.AZTaxes.gov), click “Make a Corporation/S Corporation/Partnership Payment”, follow the prompts, and choose the credit card option. This will take you to the website of the credit card payment service provider. Follow the prompts to make your payment.

The service provider will charge a fee based on the amount of the tax payment. The service provider will disclose the amount of the fee during the transaction and you will be given the option to continue or cancel. **If you accept the fee and complete the credit card transaction, a confirmation number will be generated. Please keep this confirmation number as proof of payment.**

- **S Corporations may also make EFT payment by ACH Credit.** S Corporations wishing to pay by ACH credit must

register with the department before their ACH payment will be accepted.

To register to make ACH Credit payments, complete Arizona Form number 10366, Electronic Funds Transfer (EFT) Disclosure Agreement for ACH Credit filers, available here:

<https://azdor.gov/forms/other-forms/electronic-funds-transfer-eft-disclosure-agreement-ach-credit-filers>.

Complete the form as instructed. Submit the completed form at least ten business days before the first anticipated transaction as it may take that long to process the application.

Fax the completed form to the department at (602) 771-9913. You may also email the completed form to the department at [electronicfundstransfer@azdor.gov](mailto:electronicfundstransfer@azdor.gov). If you have not received your approval within one week, you may direct follow-up inquiries to:

[electronicfundstransfer@azdor.gov](mailto:electronicfundstransfer@azdor.gov). Once the application is processed, you will receive additional information to present to your bank to make the ACH Credit payment.

Your payment will be electronically transferred into the department’s account, normally the next business day. Consult with your bank for the timeframe required to make timely payments. You may be charged a service fee.

**NOTE:** *S Corporations using a foreign bank account to make EFT payments cannot make EFT payments by ACH Debit. The department does not accept ACH Debit payments from a foreign bank account. If the S Corporation wishes to make payment from a foreign bank account by EFT, the payment MUST be made by ACH Credit. See the instructions for ACH Credit above to register and make ACH Credit payments.*

### Estimated Tax Payments

#### *S Corporations subject to tax at the federal level*

S Corporations subject to tax at the federal level that expect an Arizona income tax liability for the taxable year of \$1,000 or more must make Arizona estimated income tax payments. All S Corporations required to make Arizona estimated payments must make those payments by the 15<sup>th</sup> day of the 4<sup>th</sup>, 6<sup>th</sup>, 9<sup>th</sup>, and 12<sup>th</sup> months of their taxable year.

The Arizona required annual payment of estimated tax for an S Corporation is the **smaller** of:

- Ninety percent of the S Corporation’s Arizona tax liability for the *current* taxable year; or
- An amount equal to the sum of:
  - Ninety percent of the portion of the *current* taxable year’s Arizona tax liability attributable to built-in gains income or certain capital gains income, plus
  - One hundred percent of the portion of the *prior* taxable year’s Arizona tax liability that is attributable to excess net passive income.

**NOTE:** *For the S Corporation to base its estimated tax payments on the tax liability described in B above, the S Corporation’s return filed for the prior taxable year must have been for a period of twelve months.*

The estimated tax payment calculation should include any tax from the recapture of tax credits. This requirement applies

whether or not the S Corporation itself is subject to tax at the corporate level.

**S Corporations making the PTE election**

S Corporations making the Pass-Through Entity election to pay tax on its pass-through income must make Arizona estimated payments if their PTE income for the previous year was in excess of \$150,000 for the taxable year. All S Corporations making the PTE election are required to make four PTE estimated payments. Those payments are due by the 15<sup>th</sup> day of the 4<sup>th</sup>, 6<sup>th</sup>, and 9<sup>th</sup> months of the taxable year. The 4<sup>th</sup> required payment is due by the 15<sup>th</sup> day of the 1<sup>st</sup> month following the close of the taxable year.

S Corporations making the PTE election that fail to make the required estimated tax payments are subject to a penalty on any estimated tax payment which is late or underpaid.

The Arizona required annual payment of estimated tax for an S Corporation is the **smaller** of:

- Ninety percent of the S Corporation’s Arizona tax liability for the *current* taxable year; or
- One hundred percent of the portion of the *prior* taxable year’s Arizona tax.

**S Corporations subject to tax at the federal level AND making the PTE election**

S Corporations having a tax liability at the federal level AND making the PTE election, separately compute the required estimated payments for the income generating the federal tax liability and the income generating the PTE tax liability. For additional information, see the instructions for Arizona Form 120/PTE-W.

**NOTE:** Taxpayers required to make estimated payments via EFT that fail to do so are subject to a penalty of 5% of the amount of the payment not made by EFT. See A.R.S. § 42-1125(O).

For additional information on electronic funds transfer, refer to A.R.S. § 42-1129 and the related Arizona Administrative Code rules (A.A.C. R15-10-301 through R15-10-307) for detailed information.

**MAKING ESTIMATED TAX PAYMENTS FOR 2022**

S corporations making estimated tax payments for 2023 that expect a 2023 income tax liability of \$500 or more must make Arizona estimated income tax payments using EFT. See the Section *Payment Electronic Funds Transfer* on page 6 for details on making tax payments by EFT.

**NOTE:** S Corporations that make estimated tax payments by EFT should not submit Arizona Form 120/165ES.

S corporations making estimated payments for 2023 that expect a 2023 income tax liability of less than \$500 may pay by check, e-check, money order, credit card, or they may elect to participate in EFT. See the Section, *Payment by Electronic Funds Transfer* on page 5 for additional information. If paying by check or money order, complete Arizona Form 120/165ES and include the check or money order with the form.

**Is the S Corporation subject to the Estimated Underpayment Penalty for the 2022 taxable year?**

See the instructions for Arizona Form 220/PTE.

**Penalties and Interest**

**NOTE:** If more than one of the penalties described in A, B, or C apply, the maximum combined penalty is 25%.

**A. Late Filing Penalty**

Without a valid federal or Arizona extension, a return filed after the original due date is subject to the late filing penalty. A return filed after its extended due date is also subject to the late filing penalty. The late filing penalty is 2.98% (.0298) of the amount of tax required to be shown on the return. The penalty period is each month or fraction of a month between the due date of the return and the date the taxpayer filed the return. The maximum penalty is 25% of the tax found to be remaining due.

**B. Extension Underpayment Penalty**

The S Corporation must pay 90% of the tax liability reported on its return by the original due date of the return. If it does not, the extension underpayment penalty is charged on any late or underpaid extension payments. The extension underpayment penalty is 0.5% (.005) of the tax not paid for each 30-day period or fraction of a 30-day period between the original due date and the date the tax is paid. The maximum penalty is 25% of the unpaid tax. Taxpayers subject to the extension underpayment penalty are not subject to the late payment penalty described in C below.

**C. Late Payment Penalty**

The late payment penalty is charged on any amount shown as tax on a return that is not paid by the due date. The late payment penalty is 0.5% (.005) of the unpaid tax for each month or fraction of a month that the tax remains unpaid, not to exceed 10% of the unpaid tax.

**NOTE Amended Return Filers:** If you voluntarily file an amended return and pay the additional tax due when you file your amended return, the department will not assess the late payment penalty. Exceptions are:

- The taxpayer is under audit by the department.
- The amended return was filed on demand or request by the department.

Refer to the department’s ruling, CTR 09-1, *When do Penalties Apply to an Income Tax Return Filed Under an Extension*, regarding the application of penalties to returns filed under extension.

**D. Information Return Penalty**

This form is an information return when no tax liability is due. The penalty for failing to file, filing late (including extensions), or filing an incomplete information return is \$100 for each month, or fraction of a month, that the failure continues, up to a maximum penalty of \$500.

- If the S Corporation is not making the PTE election, it may be subject to the Information Return Penalty.
- If the S Corporation is making the PTE election and a portion of its shareholders opt out of its PTE election, it may be subject to the Information Return Penalty.
- If the S Corporation is making the PTE election and all of its shareholders do not opt out of its PTE election, it is not subject to the Information Return Penalty.

**E. Underpayment of Estimated Tax Penalty**

The department imposes the underpayment of estimated tax penalty on any late payment or underpayment of a required installment of estimated tax. Refer to Arizona Form 220/PTE, *Underpayment of Estimated Tax by Corporations*, for further details.

- The S Corporation must complete Arizona Form 220/PTE if it made its estimated tax payments based on either the annualized income installment or adjusted seasonal installment methods, or if it is a large corporation that computed its first required installment based on the S Corporation’s tax liability for the prior taxable year. This is required even if no penalty is due.
- The S Corporation does not have to complete Arizona Form 220/PTE if the S Corporation made its estimated tax payments in four equal installments based on an amount equal to either 90% of the current taxable year’s tax liability or 100% of the prior year’s tax liability. “Tax liability” means the liability reduced by any refundable tax credits and the claim of right adjustment, if applicable.

The department will compute the estimated tax underpayment penalty based on either of these methods and notify the S Corporation of any amount due.

**F. Failure to Pay by Electronic Funds Transfer**

Corporations that anticipate a tax liability of \$500 or more for the taxable year must pay their tax liability by Electronic Funds Transfer (EFT).

Corporations required to pay their tax liability by EFT that fail to do so may be subject to a penalty equal to five percent (5%) of the amount of the payment not made by EFT.

**G. Interest**

The department charges interest on any portion of the tax not paid by the due date. The department compounds interest annually and applies it in the same manner and at the same time as prescribed by the IRS. The Arizona rate of interest for both underpayments and overpayments *for all taxpayers* is the federal underpayment rate.

On January 1 of each year, the department adds any interest outstanding as of that date to the principal amount of the tax. It is then a part of the principal amount of the tax and accrues interest until paid.

**NOTE:** *The entire amount of tax, penalties, and interest is due by the original due date of the return.*

**Arizona Apportionment Methods**

There are three apportionment methods for multistate S Corporation income tax returns filed to Arizona: (1) air carrier apportionment; (2) standard apportionment; and (3) sales factor only apportionment.

Air carriers are required to use revenue miles. All other taxpayers may select either the standard or the sales factor only apportionment method.

**1. Air Carrier Apportionment**

An air carrier is required to use revenue miles to calculate its apportionment ratio. Check Box 1 on line C of page 1, complete

Schedule ACA, and include it with your return. Do not complete Schedule A.

**2. Standard Apportionment**

All non-air carrier taxpayers are allowed to continue to use Arizona’s standard apportionment formula, which double-weights the sales factor. Check Box 2 on line C of page 1 and complete Schedule A using the number on the left-hand side of line A3e, column A, to double-weight the sales factor. Divide the total ratio by four.

**3. Sales Factor Only Apportionment**

All non-air carrier taxpayers may use Arizona’s sales factor only apportionment formula, which is determined by dividing Arizona Sales by Everywhere Sales. Check Box 3 on line C of page 1, complete Schedule A, Section A3, “Sales Factor”, lines a through f.

**Specific Instructions**

For calendar year filers, check the box, “calendar year 2022.” For fiscal year filers, check the box, “fiscal year” and enter the beginning and ending dates for the fiscal year. If this is a short-period return, indicate the beginning and ending dates for the short-period.

Type or print the required information in the name, address, and information boxes on the top of page 1. Include the Business Telephone Number (with area code), and the Business Activity Code (NAICS Code) from the S Corporation’s federal return.

If the taxpayer has a foreign address, enter the information in the following order: city, province or state, and country. Follow the country’s practice for entering the postal code. **Do not abbreviate the country’s name.**

Enter the S Corporation’s employer identification number (EIN). S Corporations that fail to include their EIN may be subject to a penalty.

**Box 68**

- Check box A, “This is a first return” if this is the S Corporation’s first return filed to Arizona.
- Check box B, “Name change”, if the S Corporation changed its name during the tax year.
- Check box C, “Address change”, if the S Corporation changed its address during the tax year.

**Box 82F**

Check box 82F if this return is filed under extension.

**Line A**

If the S Corporation is making the Pass-Through Entity (PTE) to pay Arizona income tax on its flow-through income at the entity level, check “Yes”. If the S Corporation is not making the PTE election, check “No”.

**Line B**

If the S Corporation conducts business within and without Arizona check “Yes”. If not, check “No”.

**Line C – Multistate S Corporations only:**

If the S Corporation is a multistate S Corporation, check the box indicating its method of apportioning income to Arizona.

- Check Box 1 if the taxpayer used the Air Carrier Apportionment. Complete Arizona Form ACA and include it with this return.
- Check Box 2 if the taxpayer used the Standard Apportionment formula.
- Check Box 3 if the taxpayer used the Sales Factor Only Apportionment formula.

If the taxpayer is not a multistate corporation, or did not apportion its income to Arizona, leave this line blank.

**Line D**

Check this box only if the S Corporation elected to be treated as a multistate service provider (MSP) by completing Arizona Schedule MSP and including it with this return. If this box is checked, check the corresponding box, Yr 1 through Yr 5, to indicate the year of the S Corporation's MSP election cycle.

If the S Corporation did not elect MSP treatment, leave this line blank.

**Line E**

Is this the S Corporation's final Arizona income tax return using this EIN?

- If yes, check "Yes" and check the appropriate box.
  - Check Box 1 if the S Corporation is "Dissolved";
  - Check Box 2 if the S Corporation has "Withdrawn" from Arizona; or
  - Check Box 3 if the S Corporation "Merged/Reorganized." If there is a successor corporation, indicate the EIN of the successor corporation in the space provided.
- If this is not the S Corporation's final return under this EIN, check "No."

**Line F**

Will a composite return be filed on Arizona Form 140NR?

- If the S Corporation is not making the PTE election, it may file a composite return for its nonresident shareholders.
- If the S Corporation is making the PTE election and a portion of its nonresident shareholders opt out of its PTE election, it may file a composite return only for those nonresident shareholders provided all qualifying criteria for the composite return are met, including having a minimum of 10 nonresident shareholders included in the composite return.
- If the S Corporation is making the PTE election and all its nonresident shareholders do not opt out of the PTE election, it may not file a composite return.

Check "Yes" if a composite return will be filed on Arizona Form 140NR. If not, check "No."

**NOTE:** For additional information, see the instructions for Form 140NR on how to complete a composite return.

**Marijuana Establishments Only**

Only a marijuana establishment licensed or registered by ADHS should fill out line G or line H.

All other S Corporations, go to line I.

**Line G**

- Check Box 1 if the S Corporation is licensed by ADHS as an Adult Use only establishment,

- Check Box 2 if the S Corporation is licensed by ADHS as a Dual Licensee that has elected to operate on a for-profit basis or
- Check Box 3 if the S Corporation is licensed by ADHS as a Dual Licensee that has not elected to operate on a for-profit basis.
- Check Box 4 if the S Corporation is registered with ADHS as an NMMD only.

**Line H**

If a box on Line G is checked, enter the registry identification number issued by the ADHS for that marijuana establishment.

## Part 1 - Calculation of S Corporation Tax Due/Overpayment

**Line 1 - Total Distributive Income (Loss)**

Enter the net total of the pro rata share items of nonseparately computed income (loss) and separately stated income (loss) and deductions (from federal Form 1120S, Schedule K).

### Income Subject to Federal and Arizona Corporate Income Taxes

**Lines 2 through 4 - Excess Net Passive Income and Capital Gains/Built-in Gains**

If the S Corporation was subject to the federal excess net passive income tax, capital gains tax, or built-in gains tax on its federal Form 1120S, it is subject to Arizona corporate income tax on the total of this income. Use the federal worksheet included in the instructions for federal Form 1120S to calculate the amount of excess net passive income and capital gains/built in gains that was subject to federal taxation.

**Special Instructions for S Corporations that are Marijuana Establishments Subject to Tax at the Federal Level**

- If an S Corporation licensed by ADHS as a Marijuana Facility or as a Marijuana Testing Facility is subject to corporate income tax at the federal level, it is also subject to Arizona corporate income tax. Complete lines 2 through 12 of Arizona Form 120S as instructed.
- If an S Corporation licensed by ADHS as a Dual Licensee that made the election to operate on a for-profit basis is subject to corporate income tax at the federal level, it is also subject to Arizona corporate income tax. Complete Lines 2 through 12 of Arizona Form 120S as instructed.
- If an S Corporation licensed by ADHS as a Dual Licensee that has not made the election to operate on a for-profit basis is subject to corporate income tax at the federal level it is subject to Arizona corporate income on the portion of the net income attributable to its operations as an adult use facility. It is not subject to Arizona corporate income tax on the net income attributable to its operations as an NMMD.
  - If the source of the income subject to tax at the federal level is attributable to the operations of the Adult Use marijuana facility, complete lines 2 through 13 of Arizona Form 120S as instructed.
  - If the source of the income subject to tax at the federal level is attributable to the operations of the NMMD

marijuana facility, do not complete lines 2 through 13. The S Corporation is not subject to Arizona corporate income tax on that income.

- If the source of the income subject to tax at the federal level is attributable to the operations of the S Corporation as both an Adult Use facility and as an NMMD, complete lines 2 through 13.
  - For Lines 2 & 3 - Enter the **total** amount of income subject to tax at the federal level less the portion of the income attributable to NMMD operations.
- If an S Corporation registered as an NMMD **only** by ADHS is subject to corporate income tax at the federal level, it is not subject to Arizona corporate income tax. Do not complete lines 2 through 12 of Arizona Form 120S.

### Line 2 - Excess Net Passive Income

Enter the amount of excess net passive income that was subject to federal corporate income tax.

### Line 3 - Capital Gains/Built-In Gains

Enter the amount of capital gains/built in gains that was subject to federal corporate income tax.

### Line 4 - Total Federal Income Subject to Corporate Income Tax

Add line 2 and line 3. Enter the total on line 4.

- 100% Arizona S Corporations, check box 4a. Skip to line 11.
- Multistate S Corporations, continue to line 5.

#### NOTE:

- *An S Corporation that has income from business activity that is taxable entirely within Arizona is a 100% Arizona S Corporation.*
- *An S Corporation that has income from business activity taxable in more than one state is a multistate S Corporation.*

### Lines 5 through 10 - Apportionment Computation Multistate S Corporations Only

Any S Corporation that has income from business activity that is taxable both within and without Arizona (multistate S Corporation) must allocate and apportion its net income according to the Uniform Division of Income for Tax Purposes Act (UDITPA), A.R.S. §§ 43-1131 through 43-1150. See the instructions beginning on page 10 for more detailed information regarding apportionment of income.

### Line 5 - Nonapportionable or Allocable Income Multistate S Corporations Only

Nonbusiness income is nonapportionable and specifically allocable to a particular state. "Business income" under the transactional and functional tests means income arising from transactions and activity in the regular course of the taxpayer's trade or business, and includes income from tangible and intangible property if the acquisition, management, and disposition of the property constitute integral parts of the taxpayer's regular trade or business operations.

"Nonbusiness income" means all income other than business income.

**NOTE:** Refer to A.R.S. §§ 43-1134 through 43-1138, and A.A.C. R15-2D-501 through R15-2D-508 for the methods of allocating certain types of nonbusiness income.

Enter the total amount of all income (loss) which is nonapportionable or specifically allocable to Arizona. Include a schedule that details the amount of nonapportionable income subtracted on page 1, line 5.

### Line 7 - Arizona Apportionment Ratio Multistate S Corporations Only

Compute the Arizona apportionment ratio on Schedule A (for non-air carrier S Corporations) or Schedule Air Carrier Apportionment (ACA) (for qualified air carrier S Corporations). Enter the average apportionment ratio on line 7. Carry out the decimal to six places.

**NOTE:** If line 7 is "0.000000", the S Corporation is considered to have no Arizona nexus.

If line 7 is blank or 1.000000, the S Corporation's income is considered to be sourced entirely within Arizona.

### Line 9 - Other Income Allocated to Arizona Multistate S Corporations Only

Enter the total amount of all income (loss) that is specifically allocable to Arizona. DO NOT include the amount of any nonbusiness income which is allocable to another state on this line. Include a schedule that details the amount of income that is allocable to Arizona.

## Arizona Tax Liability Computation

If the S Corporation is subject to federal and Arizona corporate income tax, it must complete lines 2 through 25. If the S Corporation is subject to Arizona corporate income tax from the recapture of the Arizona credits for renewable energy industry or qualified facilities, it must complete lines 13 through 25, even if not required to complete lines 2 through 12.

### Line 11 - Net income subject to Arizona income tax

- 100% Arizona S Corporations, enter the amount from line 4.
- Multistate S Corporations, enter the amount from line 10.

### Line 12 - Arizona Tax

The S Corporation is subject to the tax computed on line 12 **only** if it has income subject to tax at the corporate level reported on federal Form 1120S, even if line 11 is zero or a negative amount. The amount of Arizona income tax is the greater of \$50 or 4.9% of line 11.

### Line 13 - Tax from Recapture of Tax Credits

Enter the amount of tax due from the recapture of tax credits from Arizona Form 300, Part 2, line 25.

### Line 14 - Subtotal

Add lines 12 and 13. This is the amount of tax to which the total amount of tax credits claimed by the taxpayer may be applied.

### Line 15 - Nonrefundable Tax Credits

Enter the allowable nonrefundable tax credit amount from Arizona Form 300, Part 2, line 46. This amount cannot be larger than the amount on line 14. Include the completed credit forms and Arizona Form 300 with the tax return.

- **Military Reuse Zone Credit**  
*The credit for the military reuse zone credit has been repealed.* The unused portion of valid military reuse zone credits may be carried forward for the respective five-year carryforward period. Complete Arizona Form 306 to claim this carry-forward tax credit.
- **Credit for Increased Research Activities**  
This tax credit is for taxpayers who incur qualified research expenses for research conducted in Arizona. A portion of the excess credit claimed for taxable years beginning from and after December 31, 2009, may be refundable with approval from the Arizona Commerce Authority. Enter only the nonrefundable portion of this credit on line 15. Complete Arizona Form 308 to claim this tax credit.
- **Pollution Control Credit**  
This tax credit is for expenses incurred during the taxable year to purchase real or personal property used in the taxpayer's trade or business in Arizona to control or prevent pollution. Complete Arizona Form 315 to claim this tax credit.  

**NOTE:** *An S Corporation may claim this credit at the corporate level. An S Corporation may NOT pass this credit through to its shareholders.*
- **Credit for Taxes Paid for Coal Consumed in Generating Electrical Power**  
This tax credit is for a percentage of the amount paid by the seller or purchaser as transaction privilege tax or use tax for coal sold to the taxpayer that is consumed in the generation of electrical power in Arizona. Complete Arizona Form 318 to claim this tax credit.
- **Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets**  
*The credit for solar hot water heater plumbing stub outs and electric vehicle recharge outlets has been repealed.* All credits for solar hot water heater plumbing stub outs and electric vehicle recharge outlets that were properly established can be carried forward for the respective five-year carry-forward period. Complete Arizona Form 319 to claim this carry-forward tax credit.
- **Credit for Employment of TANF Recipients**  
This tax credit is for net increases in qualified employment for recipients of temporary assistance for needy families (TANF) who are residents of Arizona. Complete Arizona Form 320 to claim this tax credit.
- **Credit for Donation of School Site**  
This tax credit is for the donation of real property and improvements to an Arizona school district or Arizona charter school for use as a school or as a site for the construction of a school. Complete Arizona Form 331 to claim this tax credit.
- **Credit for Employing National Guard Members**  
This tax credit is for an employer who has an employee that is a member of the Arizona National Guard and the

- employee was placed on active duty. Complete Arizona Form 333 to claim this tax credit.
- **Credit for Corporate Contributions to School Tuition Organizations**  
This credit is for corporations who make contributions to school tuition organizations which provide scholarships and tuition grants to children attending qualified nongovernmental schools. Complete Arizona Form 335 to claim this tax credit.
- **Credit for Solar Energy Devices - Commercial and Industrial Applications**  
This tax credit expired December 31, 2018. The expiration did not affect carryovers of this properly established credit. Complete Arizona Form 336 to the carryforward of this tax credit.
- **Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students with Disabilities**  
This tax credit is for corporations who make contributions to school tuition organizations that provide scholarships and tuition grants to qualifying children attending qualified nongovernmental schools. Complete Arizona Form 341 to claim this tax credit.
- **Renewable Energy Production Tax Credit**  
This tax credit is for taxpayers that produce electricity using qualified energy resources. Approval by the Arizona Department of Revenue is required prior to claiming this tax credit. Complete Arizona Form 343 to claim this tax credit.
- **Credit for New Employment**  
This tax credit is for taxpayers that have net increases in employment. The credit limit is administered by the Arizona Commerce Authority. Complete Arizona Form 345 to claim this tax credit.
- **Additional Credit for Increased Research Activities for Basic Research Payments**  
This tax credit is for taxpayers that make qualified basic research payments for research conducted in Arizona. Approval by the Arizona Department of Revenue is required prior to claiming this tax credit. Complete Arizona Form 346 to claim this tax credit.
- **Credit for Renewable Energy Investment and Production for Self-Consumption by International Operations Centers**  
This tax credit is for investment in new renewable energy facilities that produce energy for self-consumption using renewable energy resources if the power will be used primarily for International Operations Centers. Complete Arizona Form 351 to claim this tax credit.
- **Healthy Forest Production Tax Credit**  
This tax credit is for the processing of qualifying forest products. Complete Arizona Form 353 to claim this credit.
- **Affordable Housing Tax Credit**  
This tax credit is for projects in this state that qualify for the federal low-income housing tax credit under section 42

of the Internal Revenue Code. Complete Arizona Form 354 to claim this credit.

Complete the appropriate credit form for each tax credit claimed on your return. Include the completed credit form and Arizona Form 300 with the tax return.

*Amended Returns:* Include the completed credit form(s) and Arizona Form 300 with the amended Arizona Form 120S, whether or not the amount claimed on line 15 has changed.

**Line 16 - Credit Type**

Indicate which nonrefundable tax credits were used on line 15 by entering the applicable form number(s) in the space provided.

Nonrefundable Income Tax Credit	Form
Military Reuse Zone Credit	306
Credit for Increased Research Activities	308
Pollution Control Credit	315
Credit for Taxes Paid for Coal Consumed in Generating Electrical Power	318
Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets	319
Credit for Employment of TANF Recipients	320
Credit for Donation of School Site	331
Credit for Employing National Guard Members	333
Credit for Corporate Contributions to School Tuition Organizations	335
Credit for Solar Energy Devices - Commercial and Industrial Applications	336
Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students With Disabilities	341
Renewable Energy Production Tax Credit	343
Credit for New Employment	345
Additional Credit for Increased Research Activities for Basic Research Payments	346
Credit for Renewable Energy Investment and Production for Self-Consumption by International Operations Centers	351
Healthy Forest Production Tax Credit	353
Affordable Housing Tax Credit	354

**Line 17 - Arizona Tax Liability**

Subtract line 15 from line 14. If line 15 is more than line 14, enter zero "0". Line 17 cannot be a negative amount.

**Line 18 – PTE Tax Liability**

S Corporations making the PTE election to pay tax at the entity level, enter the amount from Part 2, Line 48. Otherwise, leave blank.

**Line 19 – Total Tax Due**

Add line 17 and 18. Enter the total. **This is the total amount of tax owed by the S Corporation.**

**Tax Payments and Refundable Credits**

**Line 20 - Refundable Tax Credits**

Check the box(es) marked 308 and/or 349 to indicate which of these tax credits the taxpayer is claiming. Enter the total amount of the credits claimed on line 20.

**NOTE:** *If the S Corporation is passing the refundable portions of the Credit for Increased Research Activities and/or the Credit for Qualified Facilities through to its shareholders, do not enter an amount on this line, enter "0".*

**Credit for Increased Research Activities**

A portion of this tax credit is refundable for qualified taxpayers. The refund is limited to 75% of the excess credit, which is the current year's credit less the current year's tax liability, not to exceed the amount approved by the Arizona Commerce Authority. Include a copy of your "Certificate of Qualification" from the Arizona Commerce Authority, Arizona Form 300, and Arizona Form 308 with your tax return. Enter the amount from Arizona Form 308, Part 7, line 42.

**Credit for Qualified Facilities**

This tax credit is for expanding or locating a qualified facility in Arizona and is refundable in five equal installments. Pre-approval and post-approval are required through the Arizona Commerce Authority. Include a copy of your "Certification of Qualification" from the Arizona Commerce Authority and Arizona Form 349 with your tax return to claim this credit. Enter the amount from Arizona Form 349, Part 8, line 20.

If you are claiming more than one of the refundable tax credits, check the appropriate boxes and add the amounts from the credit forms together and enter the total on line 20, or use the following worksheet to figure the amount to enter on line 20.

Refundable Credit Worksheet	
1. Enter the refundable credit from Arizona Form 308, Part 7, line 42.	
2. Enter the apportioned credit from Arizona Form 349, Part 8, line 20.	
3. Add the amounts on lines 1 and 2. Enter the total here and on Arizona Form 120S, line 20.	

*Amended Returns:* Include the completed credit form(s) with the amended Arizona Form 120S, with Arizona Form 300, if applicable, whether or not the amount claimed on line 20 has changed.

**Line 21 - Extension Payments**

*Original Returns:* Enter any payment made with the request for extension of time to file the income tax return or made online by the original due date.

*Amended Returns:* Enter any payment made with the request for an extension of time to file the original return or made online by the original due date. DO NOT include or enter the amount of any penalties or interest paid.

**NOTE:** *S Corporations whose 2022 income tax liability is \$500 or more, must make extension payments by EFT. See the instructions for Arizona Form 120/165EXT for additional information.*

**Line 22 – Estimated Tax Payments**

*Original Returns:* Enter the total amount paid by the S Corporation for the taxable year. Include a schedule listing dates and payments made.

*Amended Returns:* Enter the total amount of estimated tax payments made by the S Corporation for the taxable year.

Do not include the amount of any penalties paid, or any reduction for the amount of an overpayment that was designated as an estimated tax payment for 2022 on a prior return.

### Line 23 - Total Payments

*Original Returns:* Add lines 20, 21, and 22. Enter the total.

*Amended Returns:* Enter the total amount of tax payments made for the taxable year. Compute the total as follows:

- Add the amounts entered on lines 20, 21, and 22;
- Add the amount of a payment sent with the original return (if any);
- Add the amount of any payments made after the original return was filed; and
- Subtract the amount of any overpayment of tax (from the original return, line 25) and the total amount of any overpayments from an Arizona Department of Revenue correction notice, a prior amended return, or an audit.

Include a schedule with your return.

Do not include or enter the amount of any penalties or interest paid.

### Computation of Total Due or Overpayment

#### Line 24 - Balance of Tax Due

If the amount on line 19 is **larger** than the amount on line 23, there is a balance of tax due. Subtract line 23 from line 19, and enter the difference. Skip line 24.

#### Line 25 - Overpayment of Tax

If the amount on line 23 is **larger** than the amount on line 19, there is an overpayment of tax. Subtract line 19 from line 23, and enter the difference.

#### Line 26 - Penalty and Interest

The S Corporation may choose to calculate any penalty and interest due as a result of late filing, late payment of tax, or extension underpayment of tax. Interest is calculated on the amount shown on line 24 at the prevailing rate. The interest period is from the original due date of the return to the payment date. See the "Penalties and Interest" section beginning on page 3 of these instructions.

**Do not include or enter the amount from the Estimated Tax Underpayment Penalty.**

**NOTE:** *If the S Corporation chooses to calculate the penalty and interest amount(s) to be entered on this line, round the result to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents or less, round down.*

If the S Corporation chooses not to calculate interest and penalties, the department will calculate them, and include that amount in any refund, or bill the taxpayer, as appropriate.

#### Line 27 - Estimated Tax Underpayment Penalty

*Original returns:* The S Corporation DOES NOT HAVE TO COMPLETE Arizona Form 220/PTE, *Underpayment of Estimated Tax by Corporations*, if the S Corporation made estimated tax payments equal to 90% of the current taxable year's tax liability, and paid in four equal installments. The department will compute the underpayment of estimated tax penalty based on this method and notify the S Corporation of any amount due. If the S Corporation elects to have the

department compute the penalty, do not check box 27A or enter an amount on line 27.

The S Corporation MUST COMPLETE Arizona Form 220/PTE, even though no penalty is due, if it made its estimated tax payments based on any of the following methods:

- The annualized income installment method;
- The adjusted seasonal installment method; or
- An amount, paid in four equal installments, that is equal to the sum of:
  - Ninety percent of the portion of the current taxable year's Arizona tax liability that is attributable to built-in gains income or certain capital gains income; plus
  - One hundred percent of the portion of the prior taxable year's Arizona tax liability that is attributable to excess net passive income.

Enter the total penalty from Arizona Form 220/PTE, Part C, line 37. Include the completed Arizona Form 220/PTE with the return **and** check box 27A.

*Amended returns:* Do not recompute the estimated tax underpayment penalty. Enter the amount from line 27 of the original return or the amount from an Arizona Department of Revenue correction notice.

#### Line 28 - Information Return Penalty

***S Corporations that did not make the PTE election***, this is an information return. If it is incomplete or it is filed late (including extension) it is subject to a penalty of \$100 per month or fraction of a month during which the failure continues, up to a maximum of \$500. If this return is incomplete or it is filed late, enter the amount of the penalty on line 28.

***S Corporations that made the PTE election and a portion of its shareholders opted out of its PTE election***, this is an information return. If it is incomplete or it is filed late (including extension) it is subject to a penalty of \$100 per month or fraction of a month during which the failure continues, up to a maximum of \$500. If this return is incomplete or it is filed late, enter the amount of the penalty on line 28.

***S Corporations that made the PTE election and all shareholders did not opt out of its PTE election***, this is not an information return. Do not enter an amount on line 28.

#### Line 29 - Total Due

**If the S Corporation made the PTE election**, add line 24 and the sum of lines 26 through 28. Enter the total.

***If the S Corporations did not make the PTE election***, enter the amount from line 28. This is the total amount due.

#### Payment of Tax, Penalties, and Interest

Full payment for all tax, penalties, and interest is due by the original due date of the return.

**S Corporations required to make payments by EFT**, see the Section, *Payment by Electronic Funds Transfer* on page 4 of these instructions for options to pay your tax liability by EFT.

**S Corporations not required to make payment by EFT** may elect to pay by EFT or they may pay by check or money order. Make the check or money order payable to the Arizona Department of Revenue. Include the S Corporation's EIN on the front of the check or money order.



- **If the S Corporation's income tax return was submitted electronically**, submit the check or money order with Arizona Form 120/165V, available here: <https://azdor.gov/forms/corporate-tax-forms/arizona-corporate-or-partnership-income-tax-payment-voucher>. Mail Form 120/165V and the check or money order to the address indicated on the form.
- **If the S Corporation is filing a paper return**, include the check or money order with the S Corporation's income tax return. Mail the check or money order and the return to:  
 Arizona Department of Revenue  
 PO Box 29079  
 Phoenix, AZ 85038-9079

**Line 30 - Overpayment**

If the taxpayer has an overpayment of tax on line 25, subtract the total of lines 26 through 28 from line 25. Enter a positive difference on line 30. This is the total overpayment. If the difference is negative, enter the difference as a positive number on line 29.

**Line 31 - Overpayment Applied to Estimated Tax**

*Original Returns:* The taxpayer may apply part or all of an overpayment reported on line 30 as a 2023 estimated tax payment. Enter the applicable amount on line 31.

*Amended Returns:* The taxpayer may apply part or all of an overpayment reported on line 30 as a 2023 estimated tax payment, if this amended return is filed during the taxpayer's taxable year 2023. Enter the applicable amount on line 31.

**Line 32 - Refund**

Subtract line 31 from line 30. Enter the difference. This is the net refund amount.

**Part 2 - Calculation of S Corporation Tax to be Paid at the Entity Level**

S Corporations making the PTE election, complete Part 2. All others, leave blank. Skip to Schedule A.

**Calculation of the Income Attributable to Shareholders**

**NOTE for Lines 34, 36, 38, and 40:** Enter the amounts from Schedule E on these lines as a decimal carried out to 6 digits to the right of the decimal. An ownership percentage of 6.54% would be 0.065400. An ownership percentage of 100% would be 1.000000.

**Line 33**

Enter the amount from line 1.

**Line 34**

Add lines C1 and C4 in column (c) of Schedule C. Enter the total. This is the ownership percentage for ALL resident individual shareholders and all resident trust and estate shareholders that did not opt out of the S Corporation PTE election to pay tax at the entity level on its pass-through income.

**Line 35**

Multiply line 33 by line 34. Enter the result. This is the S Corporation income attributable to resident individual

shareholders and resident trust and estate shareholders that did not opt out of the S Corporation's election to pay tax at the entity level on its pass-through income.

**Line 36**

Add lines C2 and C5 in column (c) of Schedule C. Enter the total. This is the ownership percentage for ALL nonresident shareholders and nonresident trust and estate shareholders that did not opt out of the S Corporation's election to pay tax at the entity level on its pass-through income.

**Line 37**

Multiply line 33 by line 36. Enter the result. This is the S Corporation income attributable to nonresident shareholders and nonresident trust and estate shareholders that did not opt out of the S Corporation's election to pay tax at the entity level.

**Line 38**

Enter the percentage from line C3, column (c) of Schedule C. This is the ownership percentage for all part-year resident shareholders that did not opt out of the S Corporation's election to pay tax at the entity level on its pass-through income.

**Line 39**

Multiply line 33 by line 38. Enter the result. This is the S Corporation's income attributable to part-year resident shareholders that did not opt out of the S Corporation's election to pay tax at the entity level.

**Line 39A**

Enter the portion of line 39 that all part-year residents earned while residents of Arizona.

**Line 39B**

Enter the portion of line 39 that all part-year residents earned while nonresidents of Arizona.

**NOTE:** The total of line 39A and 39B must equal the amount reported on line 39.

**Line 40**

Enter the percentage from line C7, column (c) of Schedule C. This is the ownership percentage for all shareholders that opted out of the S Corporation's election to pay tax at the entity level on its pass-through income and all shareholders that are not eligible to make the election.

**Line 41**

Multiply line 33 by line 40. Enter the result. This is the S Corporation income attributable to shareholders that opted out of the S Corporation's election to pay tax at the entity level on its pass-through income and to shareholders that are not eligible to make the election.

**Calculation of the Tax Attributable to Shareholders That Did Not Opt Out of the PTE Election**

**Line 42**

Add line 35 and line 39A. Enter the total. If the total is less than zero "0", enter "0".

**Line 43**

Multiply the amount on line 42 by the PTE tax rate 2.98% (0.0298). Enter the result. **This is the amount of the PTE tax**

**attributable to resident shareholders and to part-year resident shareholders (during the period of residency) that did not opt out of the S Corporation election to pay tax at the entity level.** Distribute this amount to each resident shareholder that did not opt out of the S Corporation's PTE election based on that resident shareholder's share of the S Corporation income that is taxable in Arizona.

**Line 44**

Add line 37 and 39B. Enter the total. If the total is less than zero "0", enter "0".

**Line 45**

Enter the Arizona apportionment from Schedule A (for non-air carrier S Corporations) or Schedule ACA, Air Carrier Apportionment, (for qualified air carrier S Corporations).

**NOTE:** *The apportionment ratio entered on line 45 must be the same as the apportionment ratio entered on line 7.*

*If line 45 is "0.000000", the partnership is considered to have no Arizona nexus.*

*If line 45 is blank or "1.000000", the partnership is considered to be 100% Arizona (taxable entirely within Arizona).*

**Line 46**

Multiply the amount on line 44 by the decimal on line 45. Enter the result.

**Line 47**

Multiply the amount on line 46 by the PTE tax rate, 2.98%, (0.0298). Enter the result. ***This is the amount of the PTE tax attributable to nonresident shareholders and to part-year resident shareholders (during the period of nonresidency) that did not opt out of the S Corporation election to pay tax at the entity level.*** Distribute this amount to each resident shareholder that did not opt out of the S Corporation's PTE election based on that nonresident shareholder's share of the S Corporation income that is taxable in Arizona.

**Line 48**

Add line 43 and line 47. Enter the total here and on line 18. ***This is the PTE tax owed by the S Corporation.***

**Schedule A – Apportionment of Income  
(Multistate S Corporations Only)**

A.R.S. §§ 43-1131 through 43-1150 govern the apportionment of income. An S Corporation that engages in activities both within and without Arizona must apportion its business income based on property, payroll, and sales in Arizona as compared with everywhere. "Everywhere" means the property, payroll, and sales factors related to the whole business.

**NON-APPORTIONABLE INCOME**

Apportionment factors generating non-apportionable or nontaxable (i.e. U.S. Interest) income are not to be included in the calculation of the apportionment ratio.

**ADMINISTRATIVE RELIEF REQUESTS**

A.R.S. § 43-1148 provides administrative relief if the allocation and apportionment provisions of UDITPA do not fairly represent the extent of the taxpayer's business activity in this state. The taxpayer may petition for or the department may require, in

respect to all or any part of the taxpayer's business activity, if reasonable:

- Separate accounting, except with respect to an Arizona affiliated group, as defined in A.R.S. § 43-947.
- The exclusion of any one or more of the factors.
- The inclusion of one or more additional factors which will fairly represent the taxpayer's business activity in this state.
- The employment of any other method to effectuate an equitable allocation and apportionment of the taxpayer's income, other than disallowance of a properly elected consolidated return.

A.R.S. § 43-1148 permits a departure from the allocation and apportionment provisions only in limited cases and may be invoked only if unusual fact situations produce incongruous results under the apportionment and allocation provisions. Taxpayers seeking such relief should submit a letter to the Corporate Income Tax Audit Section 60 days prior to the filing of the return setting forth the relief that is requested and the justification for the relief. Please include a contact phone number and email address with your request.

The department normally makes such determinations only upon audit of the taxpayer. Such a detailed examination of the specific facts and circumstances reveals whether such unusual fact situations and incongruous results exist.

**COMPUTING THE APPORTIONMENT RATIO**

When computing the factors of the apportionment ratio, carry the result out to six places after the decimal. If the seventh place after the decimal is five or more, round the sixth decimal place up to the next higher digit. If the seventh place after the decimal is less than five, leave the sixth place decimal as it is.

**Example #1:**

Arizona Amount	<u>123,456</u>
Everywhere Amount	789,654
Factor	.1563418

The seventh digit after the decimal is "8". Since "8" is greater than "5," the sixth digit after the decimal is increased to the next higher digit, "2".

The factor rounded to six decimal places is .156342.

**Example #2:**

Total Ratio	<u>.179865</u>
Divided by	4
Apportionment Ratio	.0449662

The seventh digit after the decimal is "2". Since "2" is less than "5," the sixth digit after the decimal remains "6". No increase to the sixth digit after the decimal is made.

The apportionment ratio rounded to six decimal places is .044966.

**Schedule ACA - Air Carrier Apportionment  
(Multistate S Corporation Air Carriers Only)**

A.R.S. § 43-1139(B) requires a taxpayer that is a qualifying air carrier to use revenue miles to apportion its business income to Arizona. The taxpayer must be engaged in air commerce. "Air commerce" means transporting persons or property for hire by aircraft in interstate, intrastate or international transportation. The taxpayer must complete Schedule ACA. Schedule ACA is

available on the department's website. Check Box 1 on line A of Arizona Form 120S. Do not complete Schedule A.

**NON-AIR CARRIER APPORTIONMENT FORMULA  
(MULTISTATE S CORPORATIONS ONLY)**

Non-air carrier multistate S Corporations have the opportunity to choose one of two apportionment formulas for calculating the apportionment ratio:

- The sales factor only apportionment formula; or
- The standard apportionment formula.

Check the box on line A of page 1 of the return to indicate which apportionment formula, "STANDARD" or "SALES FACTOR ONLY," will be used to calculate the apportionment ratio on the S Corporation's return. Whichever apportionment method is indicated on line A of page 1, the taxpayer must complete the apportionment ratio using that formula. (The taxpayer cannot use "Standard" to calculate one factor of the ratio, and "SALES FACTOR ONLY" to calculate another factor of the ratio.)

For the standard apportionment ratio, the numerator of the fraction of the standard apportionment formula is the property factor plus the payroll factor plus two times the sales factor. The denominator of the fraction is four. Use the numbers located on the left-hand side of Schedule A, column A, to weight the property, payroll, and sales factors respectively.

For taxable years beginning after December 31, 2016, Sales Factor Only Apportionment replaced the enhanced apportionment ratio. The numerator is Arizona sales. The denominator is Everywhere sales. The property factor and the payroll factor are not included in this computation.

Taxpayers apportioning income or (loss) must complete lines 5 through 10 on page 1.

**Line A1 - Property Factor – Standard Apportionment**

*Taxpayers electing "SALES FACTOR ONLY APPORTIONMENT" – leave blank.*

The Property Factor is a fraction that represents the average value of the taxpayer's property owned or rented and used in Arizona to the total average value of the taxpayer's property owned or rented and used during the tax period.

The value of tangible personal property and real property owned by the taxpayer is its original cost. The taxpayer normally determines the average value of its owned property by averaging the values at the beginning and ending of the tax period. Property used to generate non-apportionable or nontaxable income is not included in the property factor.

The value of tangible personal property and real property rented by the taxpayer is eight (8) times its net annual rental rate. The net annual rental rate is the annual rental rate paid by the taxpayer for rented property, less the aggregate annual subrental rates paid by subtenants of the taxpayer. The taxpayer automatically achieves averaging for rented property by the method of determining the net annual rental rate of such property.

For a discussion of the treatment of computer software in the property factor, refer to the department's ruling, CTR 01-2, *How Does a Taxpayer Filing an Arizona Corporate Income Tax Return Determine Whether Computer Software is Included in the Property Factor.*

Report real property situated and tangible personal property permanently located in Arizona as property within Arizona. Attribute the value of mobile property to Arizona based on the total time that the property was within Arizona.

***Taxpayers Electing "STANDARD APPORTIONMENT"***

Divide the numerator of the property factor by the denominator. Express the ratio as a decimal carried out to six places. (The property factor may not exceed 1.0.) Enter the result on line A1c, Column C.

***Taxpayers Electing "SALES FACTOR ONLY APPORTIONMENT," leave lines A1a through A1c, Columns A through C, blank***

*For additional information on the property factor, refer to:  
A.R.S. §§ 43-1140 through 43-1142  
A.A.C. R15-2D-601 through R15-2D-607 and R15-2D-902  
CTR 01-2, How Does a Taxpayer Filing an Arizona Corporate Income Tax Return Determine Whether Computer Software is Included in the Property Factor*

**Line A2 - Payroll Factor – Standard Apportionment**

*Taxpayers electing "SALES FACTOR ONLY APPORTIONMENT" – leave blank.*

The Payroll Factor is a fraction that represents the compensation paid in Arizona by the taxpayer to the total compensation paid by the taxpayer during the tax period.

Report the salaries, wages, or other compensation of officers, employees, etc., as within Arizona if the performance of their services occurs entirely in Arizona. This rule applies regardless of where payment is made or control exercised. This rule also applies regardless of whether the performance of the services is partly or wholly in connection with the apportionable business carried on outside the state or in interstate or foreign commerce. Payroll used to generate non-apportionable or nontaxable income is not included in the payroll factor.

Allocate the compensation of officers and employees who perform services partly within and partly without Arizona to this state when:

- The services performed outside of Arizona are incidental to the employee's service within Arizona; or
- The employee's base of operation is in Arizona; or
- The employee has no base of operation in any state but the direction or control of the employee is from Arizona; or
- The employee has no base of operation in any state, and there is no direction or control from a state in which the employee performs some part of his services, but the employee's residence is in Arizona.

***Taxpayers Electing "STANDARD APPORTIONMENT"***

Divide the numerator of the payroll factor by the denominator. Express the ratio as a decimal carried out to six (6) places. (The payroll factor may not exceed 1.0.) Enter the result on line A2, Column C.

***Taxpayers Electing "SALES FACTOR ONLY APPORTIONMENT," leave line A2, Columns A through C, blank.***

For additional information on the payroll factor, refer to:  
 A.R.S. §§ 43-1143, 43-1144  
 A.A.C. R15-2D-701 through R15-2D-705

**Line A3 - Sales Factor**

The Sales Factor is a fraction that represents the total sales of the taxpayer in Arizona to the total sales of the taxpayer during the tax period.

"Sales" includes all gross receipts from transactions and activities in the course of the regular trade or business that produce income. Gross receipts from non-apportionable or nontaxable income are not included in the sales factor.

Sales of tangible personal property are sourced on a destination sales basis. Sales of real property is determined based on the location of the property. Generally, sales of other than tangible personal property is determined based on the location where the income producing activity occurs. Service income is determined based on the location of the income producing activity, *unless* the taxpayer elected to be treated as a Multistate Service Provider (MSP). (See the box below for a description of an MSP.)

**TAXPAYERS THAT QUALIFY AS MULTISTATE SERVICE PROVIDERS ELECTING TO SOURCE SALES FROM SERVICES OR SALES FROM INTANGIBLES TO ARIZONA USING MARKET SALES**

Taxpayers that qualify as a Multistate Service Provider (MSP) may elect to treat sales from services and from designated intangibles as being sourced to Arizona based on market sales.

**NOTE:** For purposes of the Multistate Service Provider Election and Computation, sales from designated intangibles means sales derived from credit and charge card receivables, including fees, merchant discounts, interchanges, interest and related revenue (A.R.S. § 43-1147(E)(3)(a)). **The sale of any other intangible may not be included in the calculation of this election.**

Multistate taxpayers complete Schedule MSP to determine if they qualify as a MSP. If the taxpayer qualifies, and wishes to make the election, the completed Schedule MSP must be included with the taxpayer's original, timely-filed tax return. (The election to be treated as a MSP **cannot** be made on an amended return.) Once made, the election is binding for five years. For each year of the election period, Schedule MSP must be completed by the taxpayer to source sales from services or sales from intangibles to Arizona. Once Schedule MSP is completed, the taxpayer can compute the sales factor.

Taxpayers that qualify, and who want to make the election, should:

- Ensure the completed Schedule MSP is included with the return.
- Ensure the box on line B of the return is checked.
- Ensure the box indicating the year of the election cycle is checked.
- Enter on line A3b, column A, the Arizona sales from services or sales from intangibles from the completed Schedule MSP, line B.

- Complete the calculation of the sales factor following the instructions for the taxpayer's choice of the "STANDARD" or "SALES FACTOR ONLY" apportionment formula.

**Taxpayers qualifying as an MSP, and electing to be treated as an MSP:**

Enter the Arizona sales from services or sales from intangibles on line A3b from the completed Schedule MSP, line B.

**Taxpayers not making the election to be treated as an MSP:**

- Leave line A3b blank.
- Enter Arizona sales from services on line A3c.

**Taxpayers Electing "STANDARD APPORTIONMENT"**

- Check the box labeled "STANDARD" on line A of the return.
- Multiply the numerator of the sales factor by two. Divide that result by the denominator. Express the ratio as a decimal carried out to six places. (The sales factor may not exceed 2.0.) Enter the result on line A3f, Column C.

**Taxpayers Electing "SALES FACTOR ONLY APPORTIONMENT"**

- Check the box labeled "SALES FACTOR ONLY" on line A of the return.
- Divide the numerator (Arizona sales) by the denominator (Everywhere sales). Express the ratio as a decimal carried out to six places. (The sales factor may not exceed 1.0.) Enter the result on line A3f, Column C. Also enter the result on page 1, line 7.

For more information on the sales factor, refer to:  
 A.R.S. §§ 43-1145 through 43-1147  
 A.A.C. R15-2D-801 through R15-2D-807, and R15-2D-903  
 CTR 02-2, *Apportionment of Installment Sale Gain*  
 CTR 07-1, *Inclusion of Short Term Investments in the Sales Factor*

**Line A4 - Total Ratio**

**Taxpayers Electing "STANDARD APPORTIONMENT"**

Add the amounts in Column C of lines A1c, A2, and A3f and enter the total.

**Taxpayers Electing "SALES FACTOR ONLY APPORTIONMENT,"** leave this line blank.

**Line A5 - Average Apportionment Ratio**

**NOTE:** Taxpayers must exclude a factor if both the numerator and the denominator of a factor are zero. Do not exclude a factor if the numerator of the factor is zero and the denominator of that factor is greater than zero. See A.A.C. R15-2D-901(B).

**Taxpayers Electing "STANDARD APPORTIONMENT"**

If either the property factor or the payroll factor is excluded, determine the average ratio by dividing the total ratio by three. If the sales factor is excluded, determine the average ratio by dividing the total ratio by two. If two of the factors are excluded, the remaining factor, without respect to any weighting, is the apportionment ratio.

**Taxpayers Electing "STANDARD APPORTIONMENT"**

Divide the total ratio, line A4, column C, by four (4). Express the ratio as a decimal carried out to six (6) places. Enter the ratio. Also, enter the ratio on page 1, line 7.

**Taxpayers Electing “SALES FACTOR ONLY APPORTIONMENT”, leave this line blank.**

**NOTE:** If line A5 is “0.000000”, the S Corporation is considered to have no Arizona nexus.

If line A5 is blank or “1”, the S Corporation’s income is considered to be sourced entirely within Arizona.

**Schedule B - Shareholder Information**

Enter the requested information for each shareholder. If the S Corporation has more than 10 shareholders, include additional schedules as necessary.

**NOTE:**

**Column (d)**, enter the shareholder’s Tax Information Number with no dashes. For an individual shareholder, enter the individual’s social security number (SSN) or individual taxpayer identification number (ITIN). For all other shareholders, enter the shareholder’s EIN. **Do not truncate the shareholder’s TIN.** **Column (e)**, enter “R” for resident, “N” for nonresident, “P” for part-year resident, “E” for estate or trust, and “O” or other entity (i.e. exempt organizations).

**Column (f)**, enter the shareholder’s ownership percentage at year end. Enter the ownership percentage as a number carried out to six places after the decimal. For example, for a shareholder with a 1% ownership share, enter the shareholder’s ownership percentage as .010000. A single shareholder’s ownership percentage would be 1.000000.

**Column (g)**, enter the shareholder’s pro rata share of the S Corporation’s Total Distributive Income from Page 1, line 1.

**Schedule C – Summary of Shareholder Information**

S Corporations making the PTE election, complete Schedule C. All others, skip to Schedule E.

Schedule C summarizes the shareholder information presented in Schedule B. The information summarized here is used to complete Part 2 of this return.

**NOTE:** For column (c), enter the shareholders’ ownership percentage as a decimal carried out to nine decimal places. For example, for an ownership percentage of 20%, enter the shareholders’ ownership percentage as .200000. An ownership percentage of 100% would be 1.000000.

**Lines C1 – C5**

Enter the following information in columns (b) and (c) for lines C1 through C5:

- Column (b) – Enter the count of shareholders described in column (a).
- Column (c) – Enter the total ownership percentage for the shareholders described in column (a).

**Line C6**

Add the amounts in columns (b) and (c) of lines C1 through C5 and enter the totals in the respective columns. Column (b) is the total count of shareholders that did not opt out of the PTE election. Column (c) is the total ownership percentage of the S Corporation by those same shareholders.

**Line C7**

Enter the total number of shareholders that opted out of the PTE election or are excluded from making the PTE election in column (b). Enter the total ownership percentage for those same shareholders in column (c). Also enter this percentage in column (c) in Part 2, line 40.

**Line C8**

Add lines C6 and C7 in columns (b) and (c). Enter the totals in the respective columns (b) and (c). Column (b) is the total number of shareholders in the S Corporation. Column (c) should total 1.000000000.

**Schedule D – Schedule of Tax Payments Applied to S Corporation Tax Liability**

S Corporations making the PTE election, complete Schedule D. All others, skip to Schedule E.

Use this schedule to list any S Corporation estimated tax payments and extension payments made which the taxpayer is applying to this return. Include additional sheets if necessary.

- Enter the total amount of “Extension Payments” on page 1, line 21.
- Enter the total amount of “Estimated Payments” on page 1, line 22.

DO NOT include the claim of right credit computed under A.R.S. § 43-1130.01 on this schedule.

**NOTE:** The total extension payments and estimated payments reported on this schedule must equal the amounts reported on page 1, lines 21 and 22, respectively.

**Schedule E - Other Information**

Answer all questions as accurately and completely as possible.

**Question E3:** List the name, title and telephone number of the individual who Department of Revenue employees may contact to:

- Schedule an audit of this return;
- Ask questions related to the processing of this return; or,
- Provide the status of any refund, or tax due, that may result from the processing of this return.

This does not authorize the individual named to:

- Enter into any agreements on the taxpayer’s behalf;
- Bind the taxpayer in any way; or,
- Make any changes to the taxpayer’s account, such as an address change.

Confidential information may be disclosed to a principal officer, any person designated by a principal officer, any person designated in a resolution by the corporate board of directors or other similar governing body, or to an individual designated as an authorized representative in a valid power of attorney. A principal corporate officer of a parent corporation may execute a written authorization for a controlled subsidiary. Refer to the department’s ruling, GTR 02-1, *What is a controlled subsidiary for purposes of Arizona Revised Statutes § 42-2003*, for additional information on the definition of a controlled subsidiary. if THIS INDIVIDUAL IS NOT A PRINCIPAL OFFICER, OR IS NOT DESIGNATED AS AN AUTHORIZED REPRESENTATIVE IN A

VALID POWER OF ATTORNEY, THE TAXPAYER UNDERSTANDS AND AGREES THAT CONFIDENTIAL INFORMATION MAY BE DISCLOSED TO THIS INDIVIDUAL.

### Certification

One or more of the following officers (president, treasurer, or any other principal corporate officer) must sign the return. If receivers, trustees in bankruptcy, or assignees are in control of the property or business of the organization, such receivers, trustees, or assignees must sign the return.

**Paid preparers:** Sign and date the return. Complete the firm name and address lines (the paid preparer's name and address, if self-employed).

Paid preparers must provide a Tax Identification Number (TIN). Paid preparers that fail to include their TIN may be subject to a penalty.

The TIN for a paid preparer may be one of the following:

- The preparer's PTIN,
- The EIN for the business,
- The individual preparer's social security number (SSN), if self-employed.

### Schedule K-1 - S Corporation Instructions

**S Corporations not making the PTE Election or that have shareholders who are not participating in the PTE Election<sup>1</sup>:** *Arizona Form 120S, Schedule K-1 is not required unless the S Corporation has a capital gain (loss) for the taxable year.*

*If the S Corporation has a capital gain (loss) for the year, complete Arizona Form 120S Schedule K-1 for all resident and part-year resident individual shareholders and all resident estate and trust shareholders not participating in the PTE Election. Complete Arizona Form 120S, Schedule K-1(NR) for all other shareholders not participating in the PTE Election.*

**S Corporations making the PTE Election whose shareholders participating in the PTE Election<sup>2</sup>:** *Complete Arizona Form 120S Schedule K-1 for all resident individual shareholders and all resident estate and trust shareholders who did not opt out of the PTE Election.*

*For all part-year resident individual shareholders who did not opt out of the S Corporation's PTE Election, complete Form 120S, Schedule K-1 **AND** Form 120S, Schedule K-1(NR) for each part-year individual shareholder.*

- *Complete Form 120S, Schedule K-1 to report that shareholder's apportioned share of the S Corporation's income, PTE tax credit and PTE tax paid while the shareholder was a resident of Arizona.*
- *Complete Form 120S, Schedule K-1(NR) to report that shareholder's apportioned share of the S corporation's*

<sup>1</sup> Shareholders not participating in the PTE Election include those shareholders who are not individuals or estate or trust shareholders, and those individuals, estates or trusts who opted out of the S Corporation's PTE Election.

<sup>2</sup> Shareholders who are participating in the PTE Election include those shareholders who are individual, estates or trusts who did NOT opt out of the S Corporation's PTE Election.

*income, PTE tax credit and PTE tax paid while the shareholder was NOT a resident of Arizona.*

*Complete Arizona Form 120S, Schedule K1(NR) for all other shareholders who did not opt out of the PTE Election.*

**NOTE:** *An S Corporation share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the individual grantor.*

*An S Corporation share that is owned by a single-member LLC that is disregarded for federal income tax purposes is treated as owned by the member.*

Type or print the required information in the name, address, and information boxes on the top of the Arizona Form 120S Schedule K-1. Indicate whether the S Corporation's taxable year is a calendar year or a fiscal year; if a fiscal year, indicate the period covered by the taxable year on the schedule. Indicate whether this is an original or an amended schedule.

#### Truncating the shareholder's TIN on Schedule K-1.

The S Corporation may truncate a shareholder's identifying number on the Schedule K-1 it sends to the shareholder. Truncation is not permitted on Schedule B of Arizona Form 120S. The S Corporation cannot truncate its own TIN on any form. To truncate, where permitted, follow the guidelines established by the IRS.

### Part 1 - Net Capital Gain (Loss) from Investment in a Qualified Small Business – Information Schedule

Arizona allows individuals, estates, and shareholders a subtraction from Arizona gross income for any net capital gain derived from investment in a qualified small business if:

- The gain is included in:
  - The individual taxpayer's federal adjusted gross income, or,
  - The estate or trust's federal taxable income, and
- The business in which the S Corporation invested is determined to be a qualified small business by the Arizona Commerce Authority.

An S Corporation shareholder that is a pass-through entity (estate or trust) will need this information to:

- Calculate its subtraction, or,
- Complete the Arizona Form 141AZ, Schedule K-1 or Schedule K-1(NR), for each beneficiary.

Complete Arizona Form 120S Schedule K-1, Part 2 to provide information to:

- The resident and part-year resident shareholder to calculate the subtraction for net capital gain from investment in a qualified small business.
- The resident estate or trust shareholder to:
  - Calculate the subtraction for net capital gain from investment in a qualified small business, or,
  - Complete Arizona Form 141AZ Schedule K-1 or Schedule K-1(NR) for each beneficiary.

Complete Arizona Form 120S Schedule K-1, Part 1, line 1 and Part 3, line 4, if the shareholder's federal Form 1120S, Schedule K-1 includes any net capital gain (loss) from investment in a qualified small business. If Part 1, line 1 is zero, enter "0" on Part 3, line 4.

Do NOT complete Arizona Form 120S Schedule K-1, Part 1, line 1 and Part 3, line 4, if the shareholder's federal Form 1120S, Schedule K-1 does not include any net capital gain (loss) from investment in a qualified small business.

## Part 2 - Net Capital Gain (Loss) From the Exchange of Legal Tender – Information Schedule

For taxable years beginning from and after December 31, 2017, Arizona allows an exclusion for any net capital gain included in Arizona gross income that is derived from the exchange of one kind of legal tender for another kind of legal tender.

An S Corporation shareholder that is a pass-through entity (estate or trust) will need this information to:

- Calculate its subtraction, or,
- Complete the Arizona Form 141AZ, Schedule K-1 or Schedule K-1(NR), for each beneficiary.

Complete Arizona Form 120S Schedule K-1, Part 2 to provide information to:

- The resident and part-year resident shareholder to calculate the exclusion for any net capital gain (loss) derived from the exchange of one kind of legal tender for another kind of legal tender.
- The resident estate or trust shareholder to:
  - Calculate the exclusion for net capital gain (loss) derived from the exchange of one kind of legal tender for another kind of legal tender, or,
  - Complete Arizona Form 141AZ Schedule K-1 or Schedule K-1(NR) for each beneficiary.

Complete Arizona Form 120S Schedule K-1, Part 2, line 2 and Part 3, line 5, if the shareholder's federal Form 1120S, Schedule K-1 includes any net capital gain (loss) from the exchange of one kind of legal tender for another kind of legal tender. If Part 2, line 2 is zero, enter "0" on Part 3, line 5.

Do NOT complete Arizona Form 120S Schedule K-1, Part 2, line 2 and Part 3, line 5, if the shareholder's federal Form 1120S, Schedule K-1 does not include any net capital gain (loss) from the exchange of one kind of legal tender for another kind of legal tender.

## Part 3 - Net Long-Term Capital Gain (Loss) Subtraction – Information Schedule

Arizona allows individuals, estates, and trusts a subtraction from Arizona gross income for a percentage of any net long-term capital gain if:

- The asset was acquired after December 31, 2011.
- The gain is included in:
  - The individual's federal adjusted gross income, or,
  - The estate or trust's federal taxable income.

In addition:

- Only include net long-term gains if the S Corporation can verify the asset was acquired after December 31, 2011.
- If the S Corporation cannot verify the asset was acquired after December 31, 2011, treat it as a capital gain asset acquired before January 1, 2012.

An S Corporation shareholder that is a pass-through entity (estate or trust) will need this information to:

- Calculate its subtraction, or,
- Complete Arizona Form 141AZ Schedule K-1 or Schedule K-1(NR) for each beneficiary.

Complete Arizona Form 120S Schedule K-1, Part 3 to provide information to:

- The resident and part-year resident shareholder to calculate its subtraction for net long-term capital gain for assets acquired after December 31, 2011.
- The resident estate or trust shareholder to:
  - Calculate its subtraction for net long-term capital gain for assets acquired after December 31, 2011, or,
  - Complete Arizona Form 141AZ Schedule K-1 or Schedule K-1(NR) for each beneficiary so the beneficiary can calculate its subtraction for net long-term capital gain for assets acquired after December 31, 2011.

Complete Part 3, lines 3 through 5 (if applicable) of Arizona Form 120S Schedule K-1, as instructed on the form.

Do NOT complete Part 3, lines 3 through 5 if the shareholder's federal Form 1120S, Schedule K-1 does not include any capital gain (loss).

A worksheet is provided at the end of these instructions to assist in determining the amount(s) to include on each shareholder's Arizona Form 120S Schedule K-1, Part 3, line 3.

## Part 4 – Marijuana Establishments Only Information Schedule

### Line 6. Disallowed Federal Expenses

- If the S Corporation is licensed by ADHS as a Marijuana Establishment or a Marijuana Testing Facility, enter the amount of disallowed federal expenses from *Arizona Schedule DFE, Disallowed Federal Expenses for Marijuana Establishments*.
- If the S Corporation is licensed by ADHS as a ***Dual Licensee that has made the election to operate on a for-profit basis***, enter the amount of disallowed federal expenses from *Arizona Schedule DFE, Disallowed Federal Expenses for Marijuana Establishments*.
- If the S Corporation is licensed by ADHS as a ***Dual Licensee that has not made the election to operate on a for-profit basis***, leave blank.
- If the S Corporation is registered by ADHS as an ***NMMD***, leave blank.

### Line 7 – Shareholder's portion of the disallowed federal expenses

Multiply the amount on line 6 by the shareholder's ownership percentage indicated on page 1. Enter the result. This is the shareholder's percentage of the Disallowed Federal Expenses.

## Part 5 – Shareholder's Share of the S Corporation's Pass-Through Entity Election

For taxable years beginning from and after December 31, 2021, Arizona allows S Corporations to elect to become a Pass-Through Entity (PTE) and pay tax at the entity level on its pass-through income. Complete Part 5 if the S Corporation is making the election to pay tax at the entity level on its pass-through income.

Complete lines 8 through 10 for all resident and part-year resident shareholders that did not opt out of the S Corporation's election to pay tax at the entity level.

**Schedule K-1(NR) - S Corporation Instructions**

**S Corporations not making the PTE Election or that have shareholders who are not participating in the PTE Election:**

Complete Arizona Form 120S Schedule K-1(NR) for all nonresident individual shareholders and all nonresident estate and trust shareholders not participating in the PTE Election. Complete Arizona Form 120S, Schedule K-1 as necessary for all other shareholders not participating in the PTE Election.

**S Corporations making the PTE Election whose shareholders are participating in the PTE Election:**

Complete Arizona Form 120S Schedule K-1(NR) for all nonresident individual shareholders and all nonresident estate and trust shareholders who did not opt out of the PTE Election.

For all part-year resident individual shareholders who did not opt out of the S Corporation's PTE Election, complete Form 120S, Schedule K-1 **AND** Form 120S, Schedule K-1(NR) for each part-year individual shareholder.

- Complete Form 120S, Schedule K-1 to report that shareholder's apportioned share of the S Corporation's income, PTE tax credit and PTE tax paid while the shareholder was a resident of Arizona.
- Complete Form 120S, Schedule K-1(NR) to report that shareholders apportioned share of the S corporation's income, PTE tax credit and PTE tax paid while the shareholder was NOT a resident of Arizona.

Complete Arizona Form 120S, Schedule K1 for all other shareholders who did not opt out of the PTE Election.

**NOTE:** An S Corporation share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the individual grantor.  
An S Corporation share that is owned by a single-member LLC that is disregarded for federal income tax purposes is treated as owned by the member.

Type or print the required information in the name, address, and information boxes on the top of the Arizona Form 120S Schedule K-1(NR). Indicate whether the S Corporation's taxable year is a calendar year or a fiscal year; if a fiscal year, indicate the period covered by the taxable year on the schedule. Indicate whether this is an original or an amended schedule.

**Truncating the shareholder's TIN on Schedule K-1(NR).**

The S Corporation may truncate a shareholder's identifying number on the Schedule K-1(NR) it sends to the shareholder. Truncation is not permitted on Schedule B of Arizona Form 120S. The S Corporation cannot truncate its own TIN on any form. To truncate, where permitted, follow the guidelines established by the IRS.

**Part 1 - Share of Income and Deductions**

**Column (a) - Distributive Share Amount**

**Wholly Arizona S Corporations** - in column (a), enter the distributive share amount for each line item from the federal Form 1120S, Schedule K-1.

**Multistate S Corporations** - in column (a), enter the nonresident shareholder's distributive share of the multistate S Corporation's income (loss) that is subject to apportionment from the federal Form 1120S, Schedule K-1.

**Column (b) - Arizona Apportionment Ratio**

**Wholly Arizona S Corporations** - enter 100%.

**Multistate S Corporations** - enter the average ratio amount from Arizona Form 120S Schedule A, line A5, column C, or Schedule ACA, line 3. (Refer to Schedule A or Schedule ACA instructions.)

**Column (c) - Arizona Source Income**

**Wholly Arizona S Corporations** - Enter the amount from column (a) in column (c).

**Multistate S Corporations** - include a schedule that details (for each line item) the following computation:

- Step 1 The shareholder's distributive share of the S Corporation's income subject to apportionment multiplied by the average ratio in column (b).
- Step 2 The shareholder's distributive share of the S Corporation's income (loss) which is specifically allocable to Arizona.
- Step 3 The total of the amounts computed in steps 1 and 2 that is to be entered in column (c).

**NOTE:** Do not include the amount of any nonbusiness income allocable to another state in the total entered in column (c).

**All S Corporations** - Column (c) is the shareholder's Arizona source income from the S Corporation. Shareholders should refer to the instructions for Arizona Form 120S, Schedule K-1(NR), for information on completing their Arizona tax returns.

**Part 2 - Net Capital Gain (Loss) From Investment in a Qualified Small Business – Information Schedule**

Arizona allows individuals, estates, and trusts, a subtraction from Arizona gross income for any net capital gain derived from investment in a qualified small business if:

- The gain is included in:
  - The individual's federal adjusted gross income; or
  - The estate or trust's federal taxable income, and
- The business in which the S Corporation invested is determined to be a qualified small business by the Arizona Commerce Authority.

A shareholder that is a pass-through entity (estate or trust) will need this information to:

- Calculate its subtraction for the estate or trust; or
- Complete Arizona Form 141AZ Schedule K-1, or Schedule K-1(NR), for each beneficiary.

Complete Arizona Form 120S, Schedule K-1(NR), Part 2, line 14, and Part 4, line 17 if the shareholder's federal Form 1120S, Schedule K-1 includes any net capital gain (loss) from investment in a qualified small business. If Part 2, line 14 is zero, enter "0" on Part 4, line 17.

Do NOT complete Arizona Form 120S, Schedule K-1(NR), Part 2, line 14 or Part 4, line 17 if the shareholder's federal Form 1120S, Schedule K-1 does not include any net capital gain (loss) from investment in a qualified small business.



### Part 3 - Net Capital Gain (Loss) From the Exchange of Legal Tender – Information Schedule

For taxable years beginning from and after December 31, 2017, Arizona allows an exclusion for any net capital gain included in Arizona gross income that is derived from the exchange of one kind of legal tender for another kind of legal tender.

An S Corporation shareholder that is a pass-through entity (estate or trust) will need this information to:

- Calculate its subtraction; or,
- Complete the Arizona Form 141AZ, Schedule K-1 or Schedule K-1(NR), for each beneficiary.

Complete Arizona Form 120S, Schedule K-1(NR), Part 3, line 15, and Part 4, line 18 if the shareholder's federal Form 1120s, Schedule K-1 includes any net capital gain (loss) from the exchange of one kind of legal tender for another kind of legal tender. If Part 3, line 15, is zero, enter "0" on Part 4, line 18.

Do NOT complete Arizona Form 120S Schedule K-1(NR), Part 3, line 15 or Part 4, line 18 if the shareholder's federal Form 1120S, Schedule K-1 does not include any net capital gain (loss) from the exchange of one kind of legal tender for another kind of legal tender.

### Part 4 - Net Long-Term Capital Gain Subtraction – Information Schedule

Arizona allows individuals, estates, and trusts, a subtraction from Arizona gross income for a percentage of any net long-term capital gain if:

- The gain arises from assets acquired after December 31, 2011, and
- The gain is included in:
  - The individual's federal adjusted gross income, or
  - The estate or trust's federal taxable income.

In addition:

- Only include net long-term gains if you can verify the asset was acquired after December 31, 2011.
- If you cannot verify the asset was acquired after December 31, 2011, treat it as a capital gain asset acquired before January 1, 2012.
- A shareholder that is a pass-through entity (estate or trust) will need this information to:
  - Calculate its subtraction, or,
  - Complete Arizona Form 141AZ Schedule K-1, or Schedule K-1(NR), for each beneficiary.

Complete Arizona Form 120S Schedule K-1(NR) to provide information to:

- The nonresident shareholder to calculate the subtraction for net long-term capital gain from assets acquired after December 31, 2011;
- The nonresident estate or trust shareholder to:
  - Calculate the subtraction for net long-term capital gain from assets acquired after December 31, 2011, or,
  - Complete Arizona Form 141AZ Schedule K-1 or Schedule K-1(NR) for each beneficiary so each can calculate its subtraction for net long-term capital gain for assets acquired after December 31, 2011.

A worksheet is provided at the end of these instructions to assist in determining the amount(s) to include on each shareholder's Arizona Form 120S Schedule K-1(NR), Part 4, lines 16 through 18.

### Part 5 – Marijuana Establishments Only Information Schedule

#### Line 19. Disallowed Federal Expenses

- If the S Corporation is licensed by ADHS as a Marijuana Establishment or a Marijuana Testing Facility, enter the amount of disallowed federal expenses from *Arizona Schedule DFE, Disallowed Federal Expenses for Marijuana Establishments*.
- If the S Corporation is licensed by ADHS as a ***Dual Licensee that has made the election to operate on a for-profit basis***, enter the amount of disallowed federal expenses from the *Arizona Schedule DFE, Disallowed Federal Expenses for Marijuana Establishments*.
- If the S Corporation is licensed by ADHS as a ***Dual Licensee that has not made the election to operate on a for-profit basis***, leave blank.
- If the S Corporation is registered by ADHS as an *NMMD*, leave blank.

#### Line 20

Multiply the amount on line 19 by the shareholder's ownership percentage indicated on page 1. Enter the result. This is the shareholder's percentage of the Disallowed Federal Expenses.

### Part 6 – Shareholder's Share of the S Corporation's Pass-Through Entity Tax Credit

For taxable years beginning from and after December 31, 2021, Arizona allows S Corporations to elect to become a Pass-Through Entity (PTE) and pay tax at the entity level on its pass-through income. Complete Part 6 if the S Corporation is making the election to pay tax at the entity level on its pass-through income.

Complete lines 21 through 23 for all nonresident individual or estate or trust shareholders that did not opt out of the S Corporation's election to pay tax at the entity level.

### Shareholder Reporting Requirements for 2022

#### Exempt Organization Shareholders

Exempt organization shareholders must file Arizona Form 99T to report the income (loss) from the S Corporation. This income (loss) is included in the organization's unrelated business taxable income from the federal Form 990-T.

#### Nonresident or Part-Year Nonresident Individual Shareholders

Nonresident or part-year individual shareholders are taxable on their entire distributive share of income from the S Corporation. The distributive share of income reported on the federal return will flow through to Arizona Form 140 or Arizona Form 140PY.

#### Nonresident Individual Shareholders

Nonresident individual shareholders of S Corporations operating in Arizona are subject to Arizona income tax on their distributive share of the income (loss) earned by the S Corporation in Arizona. Refer to Arizona Form 120S Schedule K-1(NR).

Nonresident shareholders must file Arizona Form 140NR to report this income (loss).

**Composite return:** The Arizona Department of Revenue will accept a composite return filed by the S Corporation on Arizona Form 140NR for nonresident individual shareholders so long as the return includes ten or more participating members ***and those members opted out of the S Corporation's PTE election.***

**NOTE:** *An S Corporation making the PTE election cannot file a composite return on behalf of its nonresident shareholders that did not opt out of the S Corporation's PTE election.*

Refer to the department's ruling ITR 16-2, for more information regarding filing a composite return on Arizona Form 140NR.

### **Estate and Trust Shareholders**

Shareholders that are estates or trusts are taxable on their entire distributive share of income from the S Corporation. Nonresident trust or estate distributive share income will flow through to Arizona Form 141AZ. Nonresident estate or trust distributive share income should be reported on Schedule A of Arizona Form 141AZ.

The instructions for the *Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired After December 31, 2011*, are after the worksheet on page 17.

**Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired After December 31, 2011**

Original return     Amended return

<b>Net long-term capital gain (loss) as reported on federal Schedule D (or other form/schedule) and included in the distributive share amount.</b>  Enter the total net long-term capital gain (loss) from the following forms in each applicable column. See instructions on the following page.		(a)  Net long-term capital gain (loss)	(b)  Net long-term capital gain (loss) included in column (a) from assets acquired <b>before</b> January 1, 2012	(c)  Net long-term capital gain (loss) included in column (a) from assets acquired <b>after</b> December 31, 2011
1	Long-term capital gain (loss) reported on federal Schedule D from Form(s) 8949. Combine the amounts and enter the total.	1		
2	Form(s) 6252 <i>Installment Sale Income</i>	2		
3	Form(s) 8824 <i>Like-Kind Exchanges</i>	3		
4	Pass-through from Estate, Partnership, and/or Trust – from Arizona Form 141AZ or Arizona Form 165 Schedule K-1 or Schedule K-1(NR).	4		
5	Any other long-term capital gain (loss)	5		
6	<b>Net long-term capital gain (loss).</b> Add lines 1 through 5 in each column and enter the total(s).  For each shareholder, enter the distributive share of the amounts from line 6 on Arizona Form 120S Schedule K-1 or Schedule K-1(NR).	6		

The instructions for the *Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired After December 31, 2011*, are on the next page.

**2022 Arizona S Corporation Income Tax Return**

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**Worksheet Instructions**

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**Purpose of the Worksheet**

A subtraction is available for a percentage of any net long-term capital gain that is from an investment in an asset acquired after December 31, 2011 and included in an individual taxpayer's federal adjusted gross income or the federal taxable income of an estate or trust.

To take the allowable subtraction, the taxpayer must know whether the capital gain (loss) is considered short-term or long-term. Only the net long-term capital gain from assets acquired after December 31, 2011, is used to compute the allowable subtraction. For more information about determining whether a gain (loss) is short-term or long-term, see federal *Publication 544* at [www.irs.gov](http://www.irs.gov).

**NOTE:** *If you cannot verify that the capital gain is from the sale of an asset acquired after December 31, 2011, then the capital gain should be treated as a capital gain asset acquired before January 1, 2012.*

*An asset acquired by gift or inheritance is considered acquired on the date it was acquired by the gift-giver or the deceased individual.*

**Who Should Complete the Worksheet?**

The S Corporation uses this worksheet to calculate each shareholder's distributive share of the net long-term capital gain (loss) included in Schedule K of federal Form 1120S for assets purchased after December 31, 2011.

Do not complete this worksheet if either of the following apply:

- The S Corporation does not have any capital gain (loss) to report for the current tax year; or
- The S Corporation does not have any net capital gain (loss) from asset(s) acquired after December 31, 2011 to report for the current tax year.

Keep the completed worksheet for the S Corporation's records.

**Columns (a) through (c)**

- Column (a) is the total amount of net long-term capital gain (loss) reported on Schedule D or other federal forms/schedules.
- Column (b) is the amount of the net long-term capital gain (loss) included in column (a) for assets acquired **before** January 1, 2012.
- Column (c) is the amount of the net long-term capital gain (loss) included in column (a) for assets acquired **after** December 31, 2011.

**Lines 1 through 5 - Capital Gain (Loss) Reported on Federal Schedule D**

Enter the long-term capital gain (loss) from each federal form listed that was reported on the S Corporation's federal Schedule D and included on Schedule K of federal Form 1120S.

**Line 6 - Net Long-Term Capital Gain (Loss)**

For each column, add the amounts on lines 1 through 5 and enter the total.

For each shareholder, enter the amounts of the distributive share from line 6 of the worksheet to Part 2 of Arizona Form 120S Schedule K-1 or on Part 2 of Arizona Form 120S Schedule K-1(NR).

For the  calendar year 2022 or  fiscal year beginning MM,DD,2022 and ending MM,DD,20YY.

**CHECK ONE:**  Original  Amended

Shareholder's Tax Identification Number	S Corporation's Employer Identification Number (EIN)
Shareholder's Name	S Corporation's Name
Shareholder's Address – number and street or rural route	S Corporation's Address – number and street or rural route
Shareholder's City, Town or Post Office State ZIP Code	S Corporation's City, Town or Post Office State ZIP Code
Shareholder's percentage of stock ownership for the taxable year: _____ %	

**Pass-Through Entity Election:**

Did the S Corporation make the Pass-Through Entity (PTE) Election?  Yes  No

If the S Corporation made the the Pass-Through Election, did this Shareholder consent to that election?  Yes  No

If "Yes" the S Corporation must provide a completed Form 120S Schedule K-1 to this resident or part-year resident shareholder

**Part 1 Net Capital Gain (Loss) From Investment in a Qualified Small Business – Information Schedule**

If the shareholder's federal Schedule K-1 (Form 1120-S) does not include any net capital gain (loss) from investment in a qualified small business as determined by the Arizona Commerce Authority, the S Corporation is not required to complete Part 1.

Pro Rata Share Items	Distributive Share Amount
<b>1</b> Net capital gain (loss) from investment in a qualified small business..... <b>1</b>	

**Part 2 Net Capital Gain (Loss) From the Exchange of Legal Tender – Information Schedule**

If the shareholder's federal Schedule K-1 (Form 1120-S) does not include any net capital gain (loss) from the exchange of legal tender, the S Corporation is not required to complete Part 2.

Pro Rata Share Items	Distributive Share Amount
<b>2</b> Net capital gain (loss) from the exchange of legal tender..... <b>2</b>	

**Part 3 Net Long-Term Capital Gain (Loss) Subtraction – Information Schedule**

If the shareholder's federal Schedule K-1 (Form 1120-S) includes net long-term capital gain (loss), complete lines 3 through line 5 (if applicable). If the shareholder's federal Schedule K-1 (Form 1120-S) does not include any net long-term capital gain (loss), the S Corporation is not required to complete Part 3.

Pro Rata Share Items From federal Form 1120-S, Schedule K-1	(a) Distributive Share Amount	(b) Net long-term capital gain (loss) included in column (a) from assets acquired before January 1, 2012	(c) Net long-term capital gain (loss) included in column (a) from assets acquired after December 31, 2011
<b>3</b> Net long-term capital gain (loss)..... <b>3</b>			

**ADDITIONAL INFORMATION:**

<b>4</b> Net long-term capital gain (loss) from investment in a qualified small business (amount already included in line 3, column (c))..... <b>4</b>			
<b>5</b> Net long-term capital gain (loss) from the exchange of legal tender (amount already included in line 3, column (c))..... <b>5</b>			

**Part 4 Marijuana Establishments Only - Information Schedule**

Shareholder's Pro Rata Share Disallowed Federal Expenses	Shareholder's Distributive Share
<b>6</b> Enter the S Corporation's disallowed federal expenses from line 16 of Schedule DFE.. ..... <b>6</b>	
Multiply the amount on line 6 by the shareholder's ownership percentage shown on page 1. Enter the result. This	
<b>7</b> is the shareholder's portion of the Disallowed Federal Expenses. ... ..... <b>7</b>	

**SHAREHOLDER:**

The amount reported on line 7 is your share of the S Corporation's disallowed federal expenses.

Enter this amount on your Arizona income tax return.

- If you **did not make the Small Business Income election** and are filing Arizona Form 140, enter this amount on page 6, line Q.
- If you **did not make the Small Business Income election** and are filing Arizona Form 140PY, enter this amount on page 6, line V.
- If you **made the Small Business Income election** and are filing Arizona Form 140-SBI, enter this amount on line 47.
- If you **made the Small Business Income election** and are filing Arizona Form 140PY-SBI, enter this amount on line 44.

**Part 5 Shareholder's Portion of the S Corporation's Pass-Through Entity Tax Credit**

If the shareholder consented to the S Corporation's election to be a Pass-Through Entity (PTE), complete Part 5. Otherwise, leave blank.

Shareholder's Pro Rata Share of PTE Election	Shareholder's Distributive Share
Shareholder's pro-rata share of the PTE Tax Credit. <i>Individuals</i> , enter this amount on Form 355, Part 1, line 2.	
<b>8</b> <i>Estates and trusts</i> , see the instructions for Form 141AZ, line 19 to claim this credit ..... <b>8</b>	
Shareholder's pro-rata share of the Arizona PTE Taxes paid in 2022 for taxable year 2022. <i>Individuals</i> , add this amount back on Form 140, page 5, line P, or Form 140PY, page 5, line O, or Form 140-SBI, line 25, or Form 140PY-SBI, line 25.	
<b>9</b> <i>Estates and trusts</i> , add this amount back on Form 141AZ, Schedule B, line B3 ..... <b>9</b>	
Shareholder's pro-rata share of comparable PTE Taxes from other states paid in 2022 for taxable year 2022. <i>Individuals</i> , add this amount back on Form 140, page 5, line P, or Form 140PY, page 5, line O, or line Form 140-SBI, line 25, or Form 140PY-SBI, line 25, or	
<b>10</b> <i>Estates and trusts</i> , add this amount back on Form 141AZ, Schedule B, line B3 ..... <b>10</b>	

**Instructions for Resident and Part-Year Resident Shareholders**

**Part 1 - Net Capital Gain (Loss) From Investment in a Qualified Small Business – Information Schedule**

Arizona allows individuals, estates, and trusts a subtraction from Arizona gross income for any net capital gain derived from investment in a qualified small business if:

- The gain is included in:
  - The individual's federal adjusted gross income, or
  - The estate or trust's federal taxable income, and
- The business in which the S Corporation invested is determined to be a qualified small business by the Arizona Commerce Authority.

A shareholder that is a pass-through entity (estate or trust) will need this information to:

- Calculate its subtraction, or,
- Complete Arizona Form 141AZ Schedule K-1, or Arizona Form 141AZ Schedule K-1(NR), for each beneficiary.

**Line 1**

Line 1 is your share of net capital gain (loss) from investment in a qualified small business. See the instructions for Form(s) 140, 140PY, or 141AZ to determine if you qualify to take this subtraction.

**Part 2 - Net Capital Gain (Loss) From the Exchange of Legal Tender – Information Schedule**

For taxable years beginning from and after December 31, 2017, Arizona allows the exclusion from gross income the amount of net capital gain (loss) derived from the exchange of one kind of legal tender for another kind of legal tender.

- (a) "Legal tender" means a medium of exchange, including specie, that is authorized by the United States Constitution or Congress for the payment of debts, public charges, taxes and dues.
- (b) "Specie" means coins having precious metal content.

**Line 2**

Line 2 is your share of the net capital gain (loss) from the exchange of one kind of legal tender for another kind of legal tender. See the instructions for Form(s) 140, 140PY, or 141AZ to determine how you treat this amount.

**Part 3 - Net Long-Term Capital Gain Subtraction – Information Schedule**

Arizona allows individuals, estates, and trusts a subtraction from Arizona gross income for a percentage of any net long-term capital gain if:

- The gain arises from assets acquired after December 31, 2011, and,
- The gain is included in:
  - The individual's federal adjusted gross income, or
  - The estate or trust's federal taxable income.

In addition:

- Only include net long-term gains if you can verify the asset was acquired after December 31, 2011.
- If you cannot verify the asset was acquired after December 31, 2011, treat it as a capital gain asset acquired before January 1, 2012.
- An asset acquired by gift or inheritance is considered acquired on the date it was acquired by the gift-giver or the deceased.

A shareholder that is a pass-through entity (estate or trust) will need this information to:

- Calculate its subtraction, or,
- Complete Arizona Form 141AZ Schedule K-1, or Schedule K-1(NR) for each beneficiary.

**Line 3**

Line 3, column (c), is your share of net long-term capital gain (loss) from assets acquired after December 31, 2011.

**Line 4**

Line 4, column (c) is your share of the S Corporation's net long-term capital gain from investment in a qualified small business that is included in the amount on line 3, column (c). *The amount on this line cannot be included in your subtraction for any net long-term capital gain from assets acquired after December 31, 2011.*

For more information, see the instructions for Form(s) 140, 140PY, or 141AZ.

**Line 5**

Line 5, column (c) is your share of the S Corporation's net long-term capital gain (loss) from the exchange of legal tender that is included in the amount on line 3, column (c). *The amount on this line cannot be included in your subtraction for any net long-term capital gain from assets acquired after December 31, 2011.*

**Worksheet for Long-Term Capital Gain Subtraction for Assets Acquired After December 31, 2011 (Worksheet)**

To determine if you qualify for a net long-term capital gain subtraction on your Arizona income tax return:

- **Full-year resident shareholders**, use the amounts in column (c) of lines 3, 4, and 5, to figure the allowable subtraction on the Worksheet included in the instructions for Arizona Form 140.
- **Part-year resident shareholders**, use the amounts in column (c) of lines 3, 4, and 5 that are included in your Arizona gross income to figure the allowable subtraction on the Worksheet included in the instructions for Arizona Form 140PY.
- **Resident estate or trust shareholders**, use the amounts in column (c) of lines 3, 4, and 5, to complete the Worksheet included in the instructions for Arizona Form 141AZ. If the resident estate or trust distributed the gain (loss) to the beneficiaries, the Worksheet will

## 2022 Resident and Part-Year Resident Shareholder's Information Schedule

## Arizona Form 120S Schedule K-1

assist the estate or trust in completing the *Net Long-Term Capital Gain Subtraction – Information Schedule* on Arizona Form 141AZ, Schedule K-1, or Schedule K-1(NR) for each beneficiary.

### Part 4 – Marijuana Establishments Only Information Schedule

If the S Corporation is licensed by ADHS as a Marijuana Establishment, a Marijuana Testing Facility, or as a Dual Licensee that made the election to operate on a for-profit basis, Arizona permits the S Corporation to deduct its federal disallowed expenses in computing its Arizona taxable income.

#### Line 6

Line 6 is the S Corporation's disallowed federal expenses from the operation of the Marijuana Establishment.

#### Line 7

Line 7 is your share of the S Corporation's disallowed federal expenses from the operation of the Marijuana Establishment. Enter this amount on your Arizona income tax return.

- If you *did not make the Small Business Income election* and are filing Arizona Form 140, enter this amount on page 6, line Q.
- If you *did not make the Small Business Income election* and are filing Arizona Form 140PY, enter this amount on page 6, line V.
- If you made the Small Business Income election and are filing Arizona Form 140-SBI, enter this amount on line 47.
- If you made the Small Business Income election and are filing Arizona Form 140PY-SBI, enter this amount on line 44.

### Part 5 – Shareholder's Portion of the S Corporation's Pass-Through Entity Election

If the S Corporation is making the election to pay tax at the entity level on its pass-through income AND you as the resident or part-year resident individual or estate and trust shareholder did not opt out of that election, Part 5 provides you with your *pro-rata* share of the pass-through credit.

#### Line 8

Line 8 is your pro-rata share of the S Corporation's PTE Tax Credit.

*Individuals*, enter this amount on Credit Form 355, Part 1, line 2.

*Estates and trusts*, see the instructions for Form 141AZ, line 19 to claim this credit

#### Line 9

Line 9 is your pro-rata share of the S Corporation's Arizona PTE Taxes paid in 2022 for taxable year 2022.

*Individuals*, add this amount back on Form 140, page 5, line P, or Form 140PY, page 5, line O, or Form 140-SBI, line 25, or Form 140PY-SBI, line 25.

*Estates and trusts*, add this amount back on Form 141AZ, Schedule B, line B3

#### Line 10

Line 10 is your pro-rata share of comparable PTE Taxes from other states paid in 2022 for taxable year 2022.

*Individuals*, add this amount back on Form 140, page 5, line P, or Form 140PY, page 5, line O, or line Form 140-SBI, line 25, or Form 140PY-SBI, line 25.

*Estates and trusts*, add this amount back on Form 141AZ, Schedule B, line B3.



For the  calendar year 2022 or  fiscal year beginning MM,DD,2022 and ending MM,DD,20YY.

**CHECK ONE:**  Original  Amended

Shareholder's Tax Identification Number	S Corporation's Employer Identification Number (EIN)
Shareholder's Name	S Corporation's Name
Shareholder's Address – number and street or rural route	S Corporation's Address – number and street or rural route
Shareholder's City, Town or Post Office      State    ZIP Code	S Corporation's City, Town or Post Office      State    ZIP Code
Shareholder's percentage of stock ownership for the taxable year: _____ %	

**Pass-Through Entity Election:**

Did the S Corporation make the Pass-Through Entity Election?  Yes  No

If the S Corporation made the Pass-Through Election, did this Shareholder consent to that election?  Yes  No

**Part 1 Share of Income and Deductions**

Pro Rata Share Items From federal Form 1120-S, Schedule K-1	(a) Distributive Share Amount	(b) Arizona Apportionment Ratio	(c) Arizona Source Income	Form 140NR Filers: Enter the amount in column (c) on:
<b>1</b> Ordinary income (loss) from trade or business activities.....				
<b>2</b> Net income (loss) from rental real estate activities...				
<b>3</b> Net income (loss) from other rental activities .....				
<b>4</b> Total: Add lines 1, 2, and 3 .....				Line 21
<b>5</b> Interest.....				Line 16
<b>6</b> Dividends.....				Line 17
<b>7</b> Royalties.....				Line 21
<b>8</b> Net short-term capital gain (loss).....				Line 20
<b>9</b> Net long-term capital gain (loss).....				Line 20
<b>10</b> Net IRC Section 1231 gain (loss) .....				Line 20
<b>11</b> Other income (loss) .....				Line 22
<b>12</b> IRC Section 179 expense.....				Line 21
<b>13</b> Other deductions: Include schedule .....				

Continued on page 2 →

Name of S Corporation (as shown on page 1)	Employer Identification Number
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**Part 2 Net Capital Gain (Loss) From Investment in a Qualified Small Business – Information Schedule**

If the shareholder's federal Schedule K-1 (Form 1120-S) does not include any net capital gain (loss) from investment in a qualified small business as determined by the Arizona Commerce Authority, the S Corporation is not required to complete Part 2.

Pro Rata Share Items	(a) Distributive Share Amount	(b) Arizona Apportionment Ratio	(c) Arizona Source Income
<b>14</b> Net capital gain (loss) from investment in a qualified small business..... <b>14</b>			

**Part 3 Net Capital Gain (Loss) From the Exchange of Legal Tender – Information Schedule**

If the shareholder's federal Schedule K-1 (Form 1120-S) does not include any net capital gain (loss) from the exchange of legal tender, the S Corporation is not required to complete Part 3.

Pro Rata Share Items	(a) Distributive Share Amount	(b) Arizona Apportionment Ratio	(c) Arizona Source Income
<b>15</b> Net capital gain (loss) from the exchange of legal tender ..... <b>15</b>			

**Part 4 Net Long-Term Capital Gain (Loss) Subtraction – Information Schedule**

If the shareholder's federal Schedule K-1 (Form 1120-S) includes capital gain (loss), complete lines 16 through 18. If the shareholder's federal Schedule K-1 (Form 1120-S) does not include any capital gain (loss), the S Corporation is not required to complete Part 4.

Pro Rata Share Items From federal Form 1120-S, Schedule K-1	(a) Distributive Share Amount From page 1, line 9, column (a) and/or line 10, column (a).	(b) Arizona Source Income From page 1, line 9, column (c) and/or line 10, column (c).	(c) Net long-term capital gain (loss) included in column (b) from assets acquired before January 1, 2012	(d) Net long-term capital gain (loss) included in column (b) from assets acquired after December 31, 2011
<b>16</b> Total net long-term capital gain (loss)..... <b>16</b>				

**ADDITIONAL INFORMATION:**

<b>17</b> Net long-term capital gain (loss) from investment in a qualified small business (amount already included in line 16, column (d)) ..... <b>17</b>				
<b>18</b> Net long-term capital gain (loss) from exchange of legal tender (amount already included in line 16, column (d))..... <b>18</b>				

Continued on page 3 →

Name of S Corporation (as shown on page 1)	Employer Identification Number
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**Part 5 Marijuana Establishments Only - Information Schedule**

Shareholder's Pro Rata Share of Disallowed Federal Expenses	Shareholder's Distributive Share
<b>19</b> Enter the S Corporation's disallowed federal expenses from line 16 of Schedule DFE. .... <b>19</b>	
<b>20</b> Multiply the amount on line 19 by the shareholder's ownership percentage shown on page 1. Enter the result. This is the shareholder's portion of the credit. . .... <b>20</b>	

**SHAREHOLDER:**  
The amount reported on line 20 is your share of the S Corporation's disallowed federal expenses.  
Enter this amount on your Arizona income tax return.

- If you **did not make the Small Business Income election** and are filing Arizona Form 140NR, enter this amount on page 6, line L.
- If you **did not make the Small Business Income election** and are filing Arizona Form 140PY, enter this amount on page 6, line V.
- If you **made the Small Business Income election** and are filing Arizona Form 140NR-SBI, enter this amount on line 44.
- If you **made the Small Business Income election** and are filing Arizona Form 140PY-SBI, enter this amount on line 44.

**Part 6 Shareholder's Share of the S Corporation's Pass-Through Entity Tax Credit**

If the shareholder consented to the S Corporation's election to be a Pass-Through Entity (PTE), complete Part 6. Otherwise, leave blank.

Shareholder's Pro Rata Share of PTE Election	Shareholder's Distributive Share
<b>21</b> Shareholder's pro-rata share of the PTE Tax Credit. <i>Individuals</i> , enter this amount on Form 355, Part 1, line 2. <i>Estates and trusts</i> , see the instructions for Form 141AZ, line 19 to claim this credit ..... <b>21</b>	
<b>22</b> Shareholder's pro-rata share of the Arizona PTE Taxes paid in 2022 for taxable year 2022. <i>Individuals</i> , add this amount back on Form 140NR, page 5, line K, or Form 140NR-SBI, line 24. <i>Estates and trusts</i> , add this amount back on Form 141AZ, Schedule B, line B3. .... <b>22</b>	
<b>23</b> Shareholder's pro-rata share of comparable PTE Taxes from other states paid in 2022 for taxable year 2022. <i>Individuals</i> , add this amount back on Form 140NR, page 5, line K, or Form 140NR-SBI, line 24. <i>Estates and trusts</i> , add this amount back on Form 141AZ, Schedule B, line B3. .... <b>23</b>	

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**Instructions for Nonresident Shareholders**

**Part 1 - Share of Income and Deductions**

Nonresident shareholders, column (c) is your Arizona source income:

- If you are a nonresident individual, use the line numbers on Schedule K-1(NR) to report the amounts shown in column (c) on your Arizona Form 140NR.
- If you are a nonresident trust or estate, add lines 4 through 13 in column (c). Enter the total on Arizona Form 141AZ, page 2, Schedule A.

If Arizona Form 120S, Schedule K-1(NR), shows a loss, you may only claim such losses on your Arizona nonresident return to the extent:

- Those losses are included in:
  - The federal adjusted gross income of an individual, or
  - The federal taxable income of a trust or an estate.
- The loss is **not** considered a passive activity loss for federal purposes. (If it is, the loss will be treated as a passive activity loss for Arizona purposes.)

If the S Corporation passes through to you a passive activity loss derived from Arizona sources:

- Do not begin your Arizona return with the amounts shown in column (c) of your Arizona Form 120S, Schedule K-1(NR).
- You must first determine if any portion of the loss has been limited on your federal return due to federal passive activity loss rules.

In addition:

- Only the amount of passive activity loss derived from Arizona sources will be allowed on the Arizona return.
- Any portion of the passive activity loss not allowed on the federal return due to passive activity loss limitations will be limited on the Arizona return.
- That portion of the passive activity loss derived from Arizona sources required to be carried forward for federal purposes will be carried forward for Arizona purposes.

**NOTE:** *The amount of Internal Revenue Code § 179 expense deductible is limited to the Arizona portion of the amount deducted on federal Form 1040, Schedule E.*

**Part 2 - Net Capital Gain (Loss) From Investment in a Qualified Small Business – Information Schedule**

Arizona allows individuals, estates, and trusts a subtraction from Arizona gross income for any net capital gain derived from investment in a qualified small business if :

- The gain is included in:
  - The individual's federal adjusted gross income, or
  - The estate or trust's federal taxable income, and

- The business in which the S Corporation invested is determined to be a qualified small business by the Arizona Commerce Authority.

A shareholder that is a pass-through entity (estate or trust) will need this information to:

- Calculate its subtraction for the estate or trust, or
- Complete Arizona Form 141AZ, Schedule K-1, or Schedule K-1(NR), for each beneficiary.

**Line 14**

Column (c) is your share of net capital gain (loss) from investment in a qualified small business that is apportioned to Arizona. To determine if you qualify to take this subtraction, see the instructions for Arizona Form 140NR.

**Part 3 - Net Capital Gain (Loss) From the Exchange of Legal Tender – Information Schedule**

For taxable years beginning from and after December 31, 2017, Arizona allows the exclusion from gross income the amount of net capital gain (loss) derived from the exchange of one kind of legal tender for another kind of legal tender.

- (a) "Legal tender" means a medium of exchange, including specie that is authorized by the United States Constitution or Congress for the payment of debts, public charges, taxes and dues.
- (b) "Specie" means coins having precious metal content.

**Line 15-**

Column (c) is your share of net capital gain (loss) from the exchange of legal tender that is apportioned to Arizona.

**Part 4 - Net Long-Term Capital Gain Subtraction – Information Schedule**

Arizona allows individuals, estates, and trusts a subtraction from Arizona gross income for a percentage of any net long-term capital gain if:

- The gain arises from assets acquired after December 31, 2011.
- The gain is included in:
  - The individual's federal adjusted gross income, or
  - The estate or trust's federal taxable income.

In addition:

- Only include net long-term gains if you can verify the asset was acquired after December 31, 2011.
- If you cannot verify the asset was acquired after December 31, 2011, treat it as a capital gain asset acquired before January 1, 2012.
- An asset acquired by gift or inheritance is considered acquired on the date it was acquired by the gift-giver, or the deceased.

A shareholder that is a pass-through entity (estate or trust) will need this information to:

- Calculate its subtraction, or,
- Complete Arizona Form 141AZ, Schedule K-1, or Schedule K-1(NR), for each beneficiary.

**Line 16**

Line 16, column (d) is your share of net long-term capital gain (loss) from assets acquired after December 31, 2011.

**Line 17**

Line 17 is your share of the S Corporation's net long-term capital gain from investment in a qualified small business that is included in the amount on line 16, column (d). *The amount on this line cannot be included in your subtraction for any net long-term capital gain from assets acquired after December 31, 2011.*

For more information, see the instructions for Arizona Form 140NR or 141AZ.

**Line 18**

Line 18 is your share of the S Corporation's net long-term capital gain from the exchange of legal tender that is included in the amount on line 16, column (d). *The amount on this line cannot be included in your subtraction for any net long-term capital gain from assets acquired after December 31, 2011.*

### **Worksheet for Long-Term Capital Gain Subtraction for Assets Acquired After December 31, 2011 (Worksheet)**

To determine if you qualify for a net long-term capital gain subtraction on your Arizona income tax return:

- **Nonresident shareholder**, use only the amount of Arizona-sourced, net long-term capital gain (loss) entered on lines 16 through 18, column (d) to figure the allowable subtraction on the Worksheet included in the instructions for Arizona Form 140NR.
- **Nonresident Estate or Trust shareholder**, use only the amount of Arizona-sourced, net long-term capital gain (loss) entered on lines 16 through 18, column (d) to complete the Worksheet included in the instructions for Arizona Form 141AZ. If the net long-term capital gain (loss) in Part 4 is distributed to the beneficiaries the Worksheet will assist the estate or trust in completing the *Net Long-Term Capital Gain Subtraction – Information Schedule* on Arizona Form 141AZ, Schedule K-1, or Schedule K-1(NR), for each beneficiary.

### **Part 5 – Marijuana Establishments Only – Information Schedule**

If the S Corporation is licensed by ADHS as a Marijuana Establishment, a Marijuana Testing Facility, or as a Dual Licensee that made the election to operate on a for-profit basis, Arizona permits the S Corporation to deduct its federal disallowed expenses in computing its Arizona taxable income.

**Line 19**

Line 19 is the S Corporation's disallowed federal expenses from the operation of the Marijuana Establishment.

**Line 20**

Line 20 is your share of the S Corporation's disallowed federal expenses from the operation of the Marijuana Establishment. Enter this amount on your Arizona income tax return.

- If you ***did not make the Small Business Income election*** and are filing Arizona Form 140NR, enter this amount on page 6, line L.
- If you ***did not make the Small Business Income election*** and are filing Arizona Form 140PY, enter this amount on page 6, line V.
- If you ***made the Small Business Income election*** and are filing Arizona Form 140NR-SBI, enter this amount on line 44.
- If you ***made the Small Business Income election*** and are filing Arizona Form 140PY-SBI, enter this amount on line 44.

### **Part 6 – Shareholder's Share of the S Corporation's Pass-Through Entity (PTE) Tax Credit**

If the S Corporation is making the election to pay tax at the entity level on its pass-through income **AND** you as the nonresident individual or estate and trust shareholder did not opt out of that election, Part 6 provides you with your *pro-rata* share of the pass-through credit.

**Line 21**

Line 21 is your share of the pro-rata share of the S Corporation's PTE Tax Credit.

Individuals, enter this amount on Credit Form 355, Part 1, line 2.

Estates and trusts, see the instructions for Form 141AZ, line 19 to claim this credit.

**Line 22**

Line 22 is your pro-rata share of the S Corporation's Arizona PTE taxes paid in 2022 for taxable year 2022.

*Individuals*, add this amount back on Form 140NR, page 5, line K or Form 140NR-SBI, line 24.

*Estates and trusts*, add this amount back on Form 141AZ, Schedule B, line B3.

**Line 23**

Line 23 is the shareholder's pro-rata share of comparable PTE Taxes paid from other states in 2022 for taxable year 2022.

*Individuals*, add this amount back on Form 140NR, page 5, line K or Form 140NR-SBI, line 24.

*Estates and trusts*, add this amount back on Form 141AZ, Schedule B, line B3.

**NOTE:** Partnerships or S Corporations making the Pass-Through Entity (PTE) election, check here .  
See instructions before proceeding.

<b>1 Arizona tax liability:</b> See instructions before completing this line.....				<b>1</b>		00
<b>2 Required annual payment:</b>						
<b>a</b> Enter 90% of line 1.....	<b>2a</b>					00
<b>b</b> C corporations and exempt organizations: Enter the tax as shown on the 2022 return.....	<b>2b</b>					00
<b>c</b> S Corporations subject to tax at the federal level: See instructions.....	<b>2c</b>					00
<b>d Partnerships and S Corporations making the PTE election:</b> See instructions.....	<b>2d</b>					00
<b>e</b> All taxpayers: See instructions.....	<b>2e</b>					00

Required Installments – Due Dates and Amounts				
	(a)	(b)	(c)	(d)
<b>3 Installment due dates:</b> See instructions.....	<b>3</b>	MM,DD,YY	MM,DD,YY	MM,DD,YY
<b>4 Required installments:</b> Enter 25% of line 2e in columns (a) through (d) unless the taxpayer uses the annualized income installment method, the adjusted seasonal installment method, or is a "large corporation". See instructions.....	<b>4</b>			

**SCHEDULE A** **Required Installments Using the Annualized Income or Adjusted Seasonal Installment Methods Under IRC § 6655(e)**

**Part 1** **Annualized Income Installment Method** (Available to partnerships or S Corporations making the PTE election.)

	(a)	(b)	(c)	(d)
	First _____ Months	First _____ Months	First _____ Months	First _____ Months
<b>5</b> Annualization periods: See instructions.....	<b>5</b>			
<b>6</b> Enter taxable income for each annualization period.....	<b>6</b>			
<b>7</b> Annualization amounts: See instructions.....	<b>7</b>			
<b>8</b> Annualized taxable income: Multiply line 6 by line 7. Enter result...	<b>8</b>			
<b>9</b> Multiply the amount in each column on line 8 by 4.9%: Enter the result. (PTE's use 2.98% as tax rate.).....	<b>9</b>			
<b>10</b> Enter tax from recapture of tax credits for each payment period: See instructions.....	<b>10</b>			
<b>11</b> Subtotal tax: Add lines 9 and 10. Enter the total.....	<b>11</b>			
<b>12</b> For each period, enter the amount of nonrefundable tax credits: See instructions.....	<b>12</b>			
<b>13</b> Arizona tax liability: Subtract line 12 from line 11. Enter the difference. If zero or less, enter "0".....	<b>13</b>			
<b>14</b> Refundable tax credits: See instructions.....	<b>14</b>			
<b>15</b> Claim of right adjustment: See instructions.....	<b>15</b>			
<b>16</b> Net liability: Subtract the sum of line 14 and line 15 from line 13. Enter the difference. If zero or less, enter "0".....	<b>16</b>			
<b>17</b> Applicable percentage.....	<b>17</b>	22.5%	45%	67.5%
<b>18</b> Multiply line 16 by line 17. Enter the result.....	<b>18</b>			
<b>19</b> Add the amounts in all preceding columns from page 2, Part 3, line 52: See instructions.....	<b>19</b>			
<b>20 Annualized income installments:</b> Subtract line 19 from line 18. Enter the difference. If zero or less, enter "0".....	<b>20</b>			

**Part 2** **Adjusted Seasonal Installment Method** (Not available to partnerships or S Corporations making the PTE election.)

**CAUTION:** Use this method only if the base period percentage of any 6 consecutive months is at least 70%. See the instructions for more information.

	(a)	(b)	(c)	(d)
	First 3 Months	First 5 Months	First 8 Months	First 11 Months
<b>21</b> Enter taxable income for the following periods:	<b>21a</b>			
<b>a</b> Taxable year beginning in 2020.....	<b>21a</b>			
<b>b</b> Taxable year beginning in 2021.....	<b>21b</b>			
<b>c</b> Taxable year beginning in 2022.....	<b>21c</b>			
<b>22</b> Enter taxable income for each period for taxable year beginning in 2023.....	<b>22</b>			

Continued on page 2 →

	(a) First 4 Months	(b) First 6 Months	(c) First 9 Months	(d) Entire Year
<b>23</b> Enter taxable income for the following periods:				
<b>a</b> Taxable year beginning in 2020.....	<b>23a</b>			
<b>b</b> Taxable year beginning in 2021.....	<b>23b</b>			
<b>c</b> Taxable year beginning in 2022.....	<b>23c</b>			
<b>24</b> Divide the amount in each column on line 21a by the amount in column (d) on line 23a. Enter the result.....	<b>24</b>			
<b>25</b> Divide the amount in each column on line 21b by the amount in column (d) on line 23b. Enter the result.....	<b>25</b>			
<b>26</b> Divide the amount in each column on line 21c by the amount in column (d) on line 23c. Enter the result.....	<b>26</b>			
<b>27</b> Add lines 24 through 26. Enter the total.....	<b>27</b>			
<b>28</b> Divide line 27 by three (3). Enter the result.....	<b>28</b>			
<b>29</b> Divide line 22 by line 28. Enter the result.....	<b>29</b>			
<b>30</b> Multiply the amount in each column on line 29 by 4.9%: Enter the result.....	<b>30</b>			
<b>31</b> Divide the amount in each column on line 23a by the amount in column (d) on line 23a. Enter the result.....	<b>31</b>			
<b>32</b> Divide the amount in each column on line 23b by the amount in column (d) on line 23b. Enter the result.....	<b>32</b>			
<b>33</b> Divide the amount in each column on line 23c by the amount in column (d) on line 23c. Enter the result.....	<b>33</b>			
<b>34</b> Add columns (a) through (c) of lines 31 through 33. Enter the total.....	<b>34</b>			
<b>35</b> Divide columns (a) through (c) of line 34 by three (3). Enter the result.....	<b>35</b>			
<b>36</b> Multiply the amount in columns (a) through (c) of line 30 by the amount in the corresponding column of line 35. Enter the result. In column (d), enter the amount from line 30, column (d)....	<b>36</b>			
<b>37</b> Enter tax from recapture of tax credits for each payment period: See instructions.....	<b>37</b>			
<b>38</b> Subtotal tax: Add lines 36 and 37. Enter the total.....	<b>38</b>			
<b>39</b> For each period, enter the amount of nonrefundable tax credits: See instructions.....	<b>39</b>			
<b>40</b> Arizona tax liability: Subtract line 39 from line 38. Enter the difference. If zero or less, enter "0".....	<b>40</b>			
<b>41</b> Refundable tax credits: See instructions.....	<b>41</b>			
<b>42</b> Claim of right adjustment: See instructions.....	<b>42</b>			
<b>43</b> Net liability: Subtract the sum of line 41 and line 42 from line 40. Enter the difference. If zero or less, enter "0".....	<b>43</b>			
<b>44</b> Multiply line 43 by 90%. Enter the result.....	<b>44</b>			
<b>45</b> Add the amounts in all preceding columns from Part 3, line 52: See instructions.....	<b>45</b>			
<b>46</b> <b>Adjusted seasonal installments:</b> Subtract line 45 from line 44. Enter the difference. If zero or less, enter "0".....	<b>46</b>			

**Part 3** Required Installments

	(a) First Installment	(b) Second Installment	(c) Third Installment	(d) Fourth Installment
<b>47</b> If only one of the above parts is completed, enter the amount in each column from line 20 or line 46. (If both parts are completed, enter the <b>lesser</b> of the amounts in each column from line 20 or line 46.).....	<b>47</b>			
<b>48</b> Enter 25% of line 2e in each column. <b>NOTE:</b> "Large corporations", see instructions for line 4 to determine the amount to enter.....	<b>48</b>			
<b>49</b> Enter the amount from line 51 of this schedule for the preceding column.....	<b>49</b>			
<b>50</b> Add lines 48 and 49. Enter the total.....	<b>50</b>			
<b>51</b> If line 50 is more than line 47, subtract line 47 from line 50. Otherwise, enter "0".....	<b>51</b>			
<b>52</b> <b>Required Installments:</b> Enter the <b>lesser</b> of line 47 or line 50 here and on page 1, line 4.....	<b>52</b>			



**For information or help, call one of the numbers listed:**

Phoenix (602) 255-3381  
From area codes 520 and 928, toll-free (800) 352-4090

**Tax forms, instructions, and other tax information**

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

**Income Tax Procedures and Rulings**

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website and select *Reports & Legal Research* from the main menu, then click on *Legal Research* and select a Document Type and a Category from the drop down menus.

**Publications**

To view or print the department's publications, go to our website, select *Reports & Legal Research* from the main menu, and click on *Publications* in the left hand column.

## General Instructions

### Who Is Required To Make Arizona Estimated Tax Payments

- C corporations, exempt organizations with unrelated business taxable income (UBTI), and S Corporations subject to tax at the federal level that anticipate a tax liability of at least \$1,000 for the taxable year are required to make Arizona estimated tax payments.
  - A unitary group of corporations filing a combined return on Arizona Form 120 must make estimated tax payments on a combined basis. Therefore, a unitary group, as a single taxpayer, must make estimated tax payments if its Arizona tax liability for the taxable year is at least \$1,000.
  - An Arizona affiliated group filing an Arizona consolidated return on Arizona Form 120 must make estimated tax payments on a consolidated basis. Therefore, an Arizona consolidated group, as a single taxpayer, must make estimated tax payments if its Arizona tax liability for the taxable year is at least \$1,000.
- Partnerships and S Corporations making the Pass-Through Entity (PTE) election to pay Arizona income tax at the entity level must make Arizona estimated tax payments if their taxable income from the previous year exceeds \$150,000.

Complete Arizona Form 120/PTE-W to compute the required annual payment of estimated tax and the required installments.

### When to Make Estimated Tax Payments

Estimated tax payments for C corporations, exempt organizations with UBTI, and S Corporations subject to tax at the federal level are:

- The 15<sup>th</sup> day of the 4<sup>th</sup> month of the taxable year;
- The 15<sup>th</sup> day of the 6<sup>th</sup> month of the taxable year;
- The 15<sup>th</sup> day of the 9<sup>th</sup> month of the taxable year; and,
- The 15<sup>th</sup> day of the 12<sup>th</sup> month of the taxable year.

Estimated tax payments for partnerships and S Corporations making the PTE election are:

- The 15<sup>th</sup> day of the 4<sup>th</sup> month of the taxable year;
- The 15<sup>th</sup> day of the 6<sup>th</sup> month of the taxable year;
- The 15<sup>th</sup> day of the 9<sup>th</sup> month of the taxable year; and,
- The 15<sup>th</sup> day of the 1<sup>st</sup> month following the close of the taxable year.

### Calculating the Annual Required Payment

#### *Corporations and Exempt Organizations with UBTI*

For corporations and exempt organizations with UBTI, the anticipated amount of the annual estimated payment is the lesser of:

- Ninety percent (90%) of the tax shown on the return for the current taxable year, or,
- One hundred percent (100%) of the tax shown on the corporation's return for the preceding taxable year, unless:
  - The preceding taxable year was not a taxable year of 12 months
  - The corporation did not file a return for the preceding taxable year showing a liability for tax.

#### *Large Corporations*

Large corporations<sup>1</sup> must make an annual estimated tax payment equal to 90% of the tax shown on the return for the current taxable year. If the large corporation reduces its first installment payment, that amount must be recaptured by increasing the amount of the next installment payment by the amount of the reduction.

#### *S Corporations subject to tax at the federal level and NOT making the PTE Election*

For S Corporations the anticipated amount of the required annual payment for an S Corporation is the lesser of:

- Ninety percent (90%) of the tax shown on the return for the current taxable year, or
- The sum of:
  - Ninety percent (90%) of the amount of current year tax shown on the return for the taxable year attributable to built-in gains income or certain capital gains income, plus,
  - One hundred percent (100%) of the tax liability attributable to excess passive income on the return for the preceding taxable year.

**NOTE:** *The requirement that an S Corporation's return for the previous taxable year show a tax liability related to excess passive income does not apply.*

*If the S Corporation's preceding taxable year had fewer than 12 months, it may not calculate its annual estimated payment on the tax attributable to built-in gains, certain capital gains income, or excess passive income reported on the return for the previous taxable year.*

<sup>1</sup> A "Large Corporation" is defined as: "... a corporation or unitary group of corporations if the corporation, or a predecessor corporation, had federal taxable income of \$1 million or more for any of the immediately preceding 3 taxable years, excluding any federal net operating loss or capital gains carryback or carryovers." A.R.S § 43-582(C).

**Partnerships and S Corporations making the PTE Election**

Partnerships and S Corporations making the PTE election must make estimated tax payments if their Arizona taxable income for the previous year exceeds \$150,000. The amount of the payments must be an amount that reasonably reflects the PTE's Arizona income tax liability that will be unpaid at the end of the year. The amount due must be paid in 4 equal installments on or before the due dates indicated above and shall total:

- At least 90% of the tax due for the current taxable year, or,
- One hundred percent (100%) of the tax due for the previous taxable year.

**S Corporations subject to tax at the federal level AND are making the PTE Election**

S Corporations subject to tax at the federal level AND that are making the PTE election must separately compute their required minimum payments for the income generating the federal tax liability and the income generating the PTE tax liability.

**NOTE:** Compute the minimum payment for the income generating the federal tax liability using the corporate tax rate, 4.9% and the due dates for the PTE required payments. Compute the required minimum payment for the income generating the PTE tax liability using the PTE tax rate, 2.98% and the due dates for the PTE required payments.

**Installment Payments and Due Dates****Corporate Installment Payments**

For all corporations (C corporations, exempt organizations with UBTI, and S Corporations subject to tax at the federal level **NOT** making the PTE election), four installments of estimated tax are required for each taxable year. Unless otherwise prescribed, the amount of each installment is 25% of the required annual payment. A lower required installment payment, as established by section 6655 of the internal revenue code, applies if the lower installment is less than 25% of the required annual payment.

In addition to the standard method of calculating the installment payments, corporations also may calculate their installment payment by:

- The Annualized Income Installment Method, or,
- The Adjusted Seasonal Installment Method.

**Installment Due Dates**

The due dates for the required payment of estimated taxes for a C corporation, exempt organization with UBTI, or an S Corporation subject to tax at the federal level, are:

- The 15<sup>th</sup> day of the 4<sup>th</sup> month of the taxable year;
- The 15<sup>th</sup> day of the 6<sup>th</sup> month of the taxable year;
- The 15<sup>th</sup> day of the 9<sup>th</sup> month of the taxable year; and,
- The 15<sup>th</sup> day of the 12<sup>th</sup> month of the taxable year.

If the corporation's taxable year begins on a date other than January 1, the installment payments are due during the months that correspond to the prescribed months of the calendar year.

If the due date for a payment falls on a Saturday, Sunday, or legal holiday, the payment is considered timely if it is made on the next business day. (See GTR 16-2, *Timely Filing of Income or Withholding Tax Return – Holidays and Weekends.*)

**Penalties**

If a Corporation fails to pay the full amount of estimated tax, or any required installment, the corporation is subject to a penalty prescribed by ARS 42-1125(Q). For purposes of this paragraph:

- The amount of underpayment is the excess of the required installment over the amount, if any, of the installment paid on or before the due date of the payment.
- A payment of estimated tax shall be credited against unpaid required installment payments in the order in which the installments are required to be paid.

**Partnerships and S Corporations Making the PTE Election**

For partnerships and S Corporations making the PTE election, the total of the payments of estimated tax shall be an amount that reasonably reflects the PTE's Arizona income tax liability at the end of the taxable year. The payments must total:

- At least ninety percent (90%) of the tax due for the current year, or,
- One hundred percent (100%) of the tax due from the preceding taxable year.

**PTE Installment Payments**

Four payments of estimated tax are required for each taxable year.

Partnerships and S Corporations making the PTE election, may also calculate their required installment payment using the Annualized Income Installment Method, if the partnership or S Corporation qualifies to use this method.

**PTE Installment Dates**

The due dates for each installment of the required payment of estimated tax are:

- The 15<sup>th</sup> day of the 4<sup>th</sup> month of the taxable year;
- The 15<sup>th</sup> day of the 6<sup>th</sup> month of the taxable year;
- The 15<sup>th</sup> day of the 9<sup>th</sup> month of the taxable year; and,
- The 15<sup>th</sup> day of the first month following the close of the taxable year.
- *The tax rate is 2.98% of Arizona taxable income.*

If the due date for a payment falls on a Saturday, Sunday, or legal holiday, the payment is considered timely if it is made on the next business day. (See GTR 16-2, *Timely Filing of Income or Withholding Tax Return – Holidays and Weekends.*)

**Penalties**

If the partnership or S Corporation making the PTE election does not pay the estimated tax required on or before the prescribed dates, a penalty shall be assessed on the unpaid amount. (See A.R.S. § 42-1125(Q).) Penalties or interest shall not be assessed or collected if either of the following applies:

- The estimated tax payments are allowable exceptions under section 6654 of the internal revenue code; or,
- The Arizona income tax liability due on the PTE's return is less than \$1,000.

#### ***S Corporations Subject to tax at the Federal Level AND Making the PTE Election:***

- Should separately compute their required minimum payments for the income generating the federal tax liability and the income generating the PTE tax liability. When computing the required minimum payments for the income generating the federal tax liability, the S Corporation shall use the corporate tax rate 4.9%, and the due dates for the PTE required minimum payments. The required minimum payments for the PTE income shall be computed using the PTE tax rate, 2.98%, and the due dates for the PTE required minimum payments. Total the required minimum payments for both sources of income for each quarter. The sum of those amounts is the required minimum payment for each quarter resulting from the income subject to tax at the federal level. Enter those amounts in the corresponding quarter of Form 120/PTE-W.

#### **Making Estimated Tax Payments**

Taxpayers<sup>2</sup> making estimated payments for 2023 that expect a 2023 income tax liability of \$500 or more must make Arizona estimated payments using EFT. See the Section *Payment by Electronic Funds Transfer*, below, for details on making tax payments by EFT.

**NOTE:** *Taxpayers that make estimated tax payments by EFT should not submit Arizona Form 120/165ES.*

Taxpayers making estimated payments for 2023 who expect a 2023 income tax liability of less than \$500 may pay by check, e-check, money order, credit card, or they may elect to participate in EFT. See the Section, *Payment by Electronic Funds Transfer*, below, for additional information. If paying by check or money order, complete Arizona Form 120/165ES and include the check or money order with the form.

**NOTE:** *Taxpayers required to make estimated payments by EFT that fail to do so are subject to a penalty of 5% of the amount of the payment not made by EFT. See A.R.S. § 42-1125(O).*

*For additional information on electronic funds transfer, refer to A.R.S. § 42-1129 and the related Arizona Administrative Code rules (A.A.C. R15-10-301 through R15-10-307).*

#### **Rounding Dollar Amounts**

Taxpayers must round amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.

**NOTE:** *If two or more amounts must be added to figure the amount to enter on a line, include cents when adding the amounts. Round only the total.*

<sup>2</sup> For purposes of these instructions, "taxpayer" refers to C corporations, exempt organizations with UBTI, S Corporations subject to tax at the federal level, or partnerships or S Corporations making the PTE election.

#### **Payment by Electronic Funds Transfer**

Corporations are required to pay their tax liability by electronic funds transfer (EFT) if the corporation owes \$500 or more for any taxable year beginning from and after December 31, 2020.

A corporation may apply to the director for an annual waiver from the electronic payment requirement. The application must be received by December 31 of each year. The director may grant the waiver if any of the following applies:

- The corporation has no computer.
- The corporation has no internet access.
- Any other circumstance considered to be worthy by the director exists, including:
  - The corporation has a sustained record of timely payments, and,
  - No delinquent tax account with the department.

To request a waiver, submit Arizona Form 292, *Electronic Filing and Payment Waiver Application*, to the department. Arizona Form 292 is available at:

<https://azdor.gov/forms/other-forms/electronic-filing-and-payment-waiver-application>.

**NOTE:** *A taxpayer that is required to pay by EFT but who fails to do so is subject to a penalty of 5% of the amount of the payment not made by EFT. See A.R.S. § 42-1125(O).*

*For additional information on electronic funds transfer, refer to A.R.S. § 42-1129 and the related Arizona Administrative Code rules (A.A.C. R15-10-301 through R15-10-307) for detailed information.*

#### **How to Make EFT Payments**

Corporations and PTE's making EFT payments must register with the department before their EFT payments may be accepted. ***An officer of the corporation or a partner of the partnership must complete the initial EFT registration.***

Taxpayers may use [www.AZTaxes.gov](http://www.AZTaxes.gov) to make EFT payments:

- Electronic payment from checking or savings account/e-check/ACH Debit.

Payments can be made electronically from a checking or savings account. Go to [www.AZTaxes.gov](http://www.AZTaxes.gov) and choose the e check option. Follow the prompts to complete your registration.

There is no fee to use this method. This payment method will debit the amount from the specified checking or savings account on the date specified. If an electronic payment is made from a checking or savings account, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

- Online credit card payment

Payments can be made by American Express, Discover, MasterCard, or Visa credit cards. Go to [www.AZTaxes.gov](http://www.AZTaxes.gov) and choose the credit card option. This will take you to the website of the credit card payment service provider. Follow the prompts to make your payment.

The service provider will charge a fee based on the amount of the tax payment. The service provider will disclose the amount of the fee during the transaction and you will be given the option to continue or cancel. If you accept the fee and complete the credit card transaction, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

Taxpayers may also make EFT payment by ACH Credit.

To register to make ACH Credit payments, go to the department's website, [www.azdor.gov](http://www.azdor.gov). Click on "Forms", then click "Other Forms." Click on Form number 10366, Electronic Funds Transfer (EFT) Disclosure Agreement for ACH Credit filers. Click "Download." Complete the form as instructed. Submit the completed form at least five business days before the first anticipated transaction as it may take that long to process the application.

Fax the completed form to the department at (602) 771-9913. You may also email the completed form to the department at [electronicfundstransfer@azdor.gov](mailto:electronicfundstransfer@azdor.gov). Once the application is processed, the corporation will receive additional information to present to its bank to make the ACH Credit payment.

The payment will be electronically transferred into the department's account, normally the next business day. The corporation should consult with its bank for the timeframe required to make timely payments. NOTE: The corporation may be charged a service fee.

**NOTE: Corporate taxpayers using a foreign bank account to make EFT payments cannot make EFT payments by ACH Debit. The department does not accept ACH Debit payments from a foreign bank account. If the taxpayer wishes to make payment by EFT, the payment MUST be made by ACH Credit. See the instructions for ACH Credit above to register and make ACH Credit payments.**

### Specific Instructions

All taxpayers who are required to make estimated tax payments should use Form 120/PTE-W to compute the required annual payment of estimated tax and the required installments.

**S corporations subject to tax at the federal level and making the PTE election for the same taxable year** must separately compute their tax liability and required installment payments for the PTE tax and for the corporate tax. The required installment payment for each due date is the sum of the required payment for each due date. (Include all worksheets with Form 120/PTE-W.)

**NOTE: Partnerships and S Corporations making the Pass-Through election to pay tax at the entity level, check the box at the top of the form.**

#### Line 1 - Arizona Tax Liability

Enter the taxpayer's estimated tax liability for the current (2023) taxable year. Arizona tax liability is computed as

follows: [income tax plus tax from recapture of tax credits] less [nonrefundable tax credits plus refundable tax credits].

*Partnerships and S Corporations making the PTE election, enter the estimated PTE tax liability for the current (2023) taxable year.*

**S corporations subject to tax at the federal level and making the PTE election for the same taxable year**, enter the sum of the estimated tax liability from the income subject to federal tax and the estimated tax liability from the PTE income.

**NOTE: Claim of right adjustments (Arizona Forms 120 and 120A):** *If a taxpayer computes its tax liability under the claim of right provisions, the estimated tax payments should be based on the net tax liability computed under the claim of right provisions.*

#### Line 2 - Required Annual Payment

The Arizona required annual payment of estimated tax is the smaller of A or B:

- A. *All taxpayers* - ninety percent of the taxpayer's Arizona tax liability (reduced by any refundable tax credits and the claim of right adjustment, if applicable) for the current taxable year; **or**
- B. *C corporations, and exempt organizations with UBTI* - one hundred percent of the taxpayer's Arizona tax liability (reduced by any refundable tax credits and the claim of right adjustment, if applicable) for the prior taxable year.

*S Corporations subject to tax at the federal level not making the PTE election*- an amount equal to the sum of: (a) ninety percent of the portion of the **current** taxable year's Arizona tax liability that is attributable to built-in gains income or certain capital gains income plus (b) one hundred percent of the portion of the **prior** taxable year's Arizona tax liability that is attributable to excess net passive income.

*S Corporations subject to tax at the federal level AND making the PTE Election* - an amount equal to the sum of: (a) ninety percent of the portion of the **current** taxable year's Arizona tax liability that is attributable to built-in gains income or certain capital gains income plus (b) one hundred percent of the portion of the **prior** taxable year's Arizona tax liability that is attributable to excess net passive income, **PLUS** (c) 100% of the PTE tax shown on the return for the previous taxable year.

*Partnerships and S Corporations making the PTE election to pay tax at the entity level* - 100% of the tax shown on the return for the previous taxable year.

**NOTE: C corporations and exempt organizations with UBTI must meet certain conditions in order to make estimated tax payments equal to one hundred percent of the prior taxable year's tax liability. (See instructions for line 2b.)**

*S Corporations subject to tax at the federal level may not use one hundred percent of the prior taxable year's tax liability. In addition, S Corporations subject to tax at the federal level must meet certain conditions in order to make estimated tax payments equal to the amount calculated in (b) above. (See instructions for line 2c, below.)*

**Line 2a - (All Taxpayers, including partnerships and S Corporations making the PTE election)**

Multiply line 1 by 90%. Enter the result on line 2a.

**Line 2b - C corporations and exempt organizations with UBTI**

Enter the tax as shown on the 2022 return.

**NOTE:** *If the taxpayer had no tax liability for 2022, or if its 2022 taxable year was a period of less than twelve months, skip line 2b and enter the amount from line 2a on line 2d.*

**Line 2c - S Corporations subject to tax at the federal level and NOT making the PTE election**

Enter the sum of:

- Ninety percent of the portion of the current taxable Arizona tax liability that is attributable to built-in gains income or certain capital gains income; **plus**
- One hundred percent of the portion of the previous taxable year Arizona tax liability that is attributable to excess net passive income.

**NOTE:** *If the S corporation's 2022 taxable year was a period of less than twelve months, skip line 2c. Enter the amount from line 2a on line 2d.*

**S Corporations having a federal tax liability and a PTE tax liability for the same taxable year.** Separately compute the tax liability for the income generating the corporate tax liability and for the income generating the PTE tax liability. Enter the amount of the corporate tax liability on line 2c. Enter the amount of the PTE tax liability on line 2d.

**Line 2d – Partnerships and S Corporations making the PTE election to pay tax at the entity level**

Enter the PTE tax shown on the 2022 return.

**S Corporations having a federal tax liability and a PTE tax liability for the same taxable year.** Separately compute the tax liability for the income generating the corporate tax liability and for the income generating the PTE tax liability. Enter the amount of the corporate tax liability on line 2c. Enter the amount of the PTE tax liability on line 2d.

**Line 2e - (All Taxpayers)**

*C corporations and exempt organizations with UBTI:* Enter the smaller of line 2a or line 2b (if an amount was entered on line 2b).

*S Corporations subject to tax at the federal level and NOT making the PTE election:* Enter the smaller of line 2a or line 2c (if an amount was entered on line 2c).

*Partnerships and S Corporations making the PTE election:* Enter the smaller of line 2a or 2d.

**S corporations subject to tax at the federal level AND making the PTE election for the same taxable year.** enter the smaller of line 2a or the sum of lines 2c and 2d.

**Line 3 - Installment Due Dates**

Enter the installment due dates for the estimated payments.

All corporate taxpayers are required to make Arizona corporate estimated tax payments by the 15th day of the 4th, 6th, 9th, and 12th months of their taxable year. If the installment due date

falls on a weekend or legal holiday, the payment is considered timely if made on the next business day.

Partnerships and S Corporations making the PTE election are required to make four Arizona estimated tax payments.<sup>3</sup> The required installment due dates are the same as for individual taxpayers: the 15<sup>th</sup> day of the 4<sup>th</sup>, 6<sup>th</sup>, and 9<sup>th</sup> month of the taxable year, and the 15<sup>th</sup> day of the 1<sup>st</sup> month following the close of the taxable year.

**S corporations subject to tax at the federal level AND making the PTE election for the same taxable year,** enter the installment due dates for individual taxpayers: the 15<sup>th</sup> day of the 4<sup>th</sup>, 6<sup>th</sup>, and 9<sup>th</sup> month of the taxable year and the 15<sup>th</sup> day of the 1<sup>st</sup> month following the close of the taxable year.

**Note for short period returns:** *Enter the installment due dates and number of installments required by the Internal Revenue Service.*

**Line 4 - Required Installments**

Enter 25% of line 2e in columns (a) through (d) unless:

- The entity uses the annualized income installment method; or,
- The entity uses the seasonal installment method ; or,
- The entity is a “large corporation”.

**NOTE:** *When making estimated tax payments, be sure to take into account any 2022 overpayment that the entity chose to apply against its 2023 Arizona tax liability.*

**Annualized Income Installment Method and/or Adjusted Seasonal Installment Method**

If the taxpayer's income is expected to vary during the taxable year because, for example, it operates its business on a seasonal basis, it may be able to lower the amount of one or more required installments by using the annualized income installment method or the adjusted seasonal installment method.

Use Schedule A to calculate the amount of one or more required installments using one or both of these methods. If Schedule A is used for any payment due date, it must be used for all payment due dates.

Use Schedule A to determine the amount of each required installment and to select the lesser of:

- The annualized income installment;
- The adjusted seasonal installment (if applicable); or
- The regular installment (25% of the required annual payment) increased by any reduction recapture under Internal Revenue Code § 6655(e)(1)(B).

Partnerships and S Corporations making the PTE election may utilize the Annualized Income Installment Method to calculate their required installment if their income is expected to vary during the taxable year. Partnerships and S Corporations may NOT use the Adjusted Seasonal Installment Method to calculate their required installment payments.

<sup>3</sup> For the 2022 taxable year for partnerships and S Corporations making the PTE election, the first and second required payments have been waived.

**S corporations subject to tax at the federal level AND making the PTE election for the same taxable year** must separately compute their tax liability for the PTE tax and for the corporate tax. (Include all worksheets with Form 120/PTE-W.)

**Instructions for “Large Corporations” (Arizona Forms 120 and 120A)**

“Large corporation” means a corporation or unitary group of corporations if the corporation, or a predecessor corporation, had federal taxable income of one million dollars or more for any of the immediately preceding three taxable years, excluding any federal net operating loss or capital loss carrybacks or carryovers. An Arizona affiliated group filing an Arizona consolidated return is treated as a single corporation for purposes of applying this definition.

**A.** If the taxpayer DOES NOT USE the annualized income installment method or the adjusted seasonal installment method, follow the instructions below to compute the amounts to enter on line 4.

- If line **2a** is **less than** line **2b**, enter 25% of line 2a in columns (a) through (d) of line 4.
- If line **2b** is **less than** line **2a**:
  - Enter 25% of line 2b in column (a) of line 4.
  - Determine the amount to enter in column (b) as follows:
    - (i) Subtract line 2b from line 2a,
    - (ii) Add the result to the amount on line 2a, and
    - (iii) Multiply the total in (ii) above by 25%.
  - Enter 25% of line 2a in columns (c) and (d).

**B.** If the taxpayer uses the annualized income installment method and/or the adjusted seasonal installment method, follow the instructions below to compute the amounts to enter on Part 3, line 48, columns (a) through (d) before completing the remainder of the lines in Part 3 of Schedule A.

- If line **2a** is **less than** line **2b**, enter 25% of line 2a in columns (a) through (d) of Schedule A, Part 3, line 48.
- If line **2b** is **less than** line **2a**:
  - Enter 25% of line 2b in column (a) of Schedule A, Part 3, line 48.
  - Determine the amount to enter in column (b) of Schedule A, Part 3, line 48 as follows:
    - (i) Subtract line 2b from line 2a,
    - (ii) Add the result to the amount on line 2a, and
    - (iii) Multiply the total in (ii) above by 25%.
  - Complete the remainder of Part 3, Schedule A.
  - Enter 25% of line 2a in columns (c) and (d) of Schedule A, Part 3, line 48.
- Complete the remainder of Schedule A, Part 3.
- Enter the amounts from columns (a) through (d) from Schedule A, Part 3, line 48 in columns (a) through (d) of this line.

**Arizona Form 120/PTE-W Schedule A**

Follow the steps below to determine which parts of the Arizona Form 120/PTE-W, Schedule A, to complete.

- If only the annualized income installment method is used, complete Parts 1 and 3 of Schedule A.
- If only the adjusted seasonal installment method is used, complete Parts 2 and 3 of Schedule A.
- If both methods are used, complete all three parts of Schedule A.
- All taxpayers: In each column on Arizona Form 120/PTE-W, line 4, enter the amounts from the corresponding column of line 48 of Schedule A.

**CAUTION:** Do not compute any required installment until after the end of the month preceding the due date for that installment.

**Part 1 - Annualized Income Installment Method**

*Partnerships and S Corporations making the PTE election may utilize the Annualized Income Installment Method to calculate their required installment if their income is expected to vary during the taxable year.*

*Partnerships and S Corporations making the PTE election may NOT use the Adjusted Seasonal Installment Method to calculate their required installment payments.*

**NOTE for lines 5 through 20:** Complete all lines in each column before completing the next column.

- *C corporations, exempt organizations with UBTI, and S Corporations subject to tax at the federal level NOT making the PTE election, follow the directions here and on the form.*
- **Partnerships and S Corporations making the PTE election,** compute the required minimum payment using the PTE tax rate, 2.98%, and the PTE due dates for the required minimum payment.
- *S Corporations subject to tax at the federal level and that are making the PTE election that elect to use the Annualized Income Installment Method* to compute their required minimum payments **must** separately compute their required minimum payments for the income generating the federal tax liability, and for the income generating the PTE tax liability. When computing the required minimum payments for the income generating the federal tax liability, use the corporate tax rate, 4.9%, and the due dates for the PTE required minimum payments. Total the required minimum payments for both sources of income for each quarter. That amount is the amount of the S Corporation’s minimum required estimated tax payment.

**Line 5 - Annualization Periods**

Enter the annualization period the taxpayer is using in columns (a) through (d), respectively.

Arizona Forms 120, 120A, and 120S				
Option	1st Installment	2nd Installment	3rd Installment	4th Installment
Standard option	3	3	6	9
Option 1	2	4	7	10
Option 2	3	5	8	11

Arizona Form 99T				
Option	1st Installment	2nd Installment	3rd Installment	4th Installment
Standard option	2	3	6	9
Option 1	2	4	7	10

Pass-Through Entities <sup>4</sup>				
	1st Installment	2nd Installment	3rd Installment	4th Installment
Standard Option	3	5	8	11

**Line 6 – Taxable Income for Annualization Period**

Enter the taxable income for each annualization period indicated in columns (a) through (d).

**Line 7 - Annualization Amounts**

Enter the annualization amounts for the option used on line 5 in columns (a) through (d), respectively.

Arizona Forms 120, 120A, and 120S				
Option	1st Installment	2nd Installment	3rd Installment	4th Installment
Standard option	4	4	2	1.33333
Option 1	6	3	1.71429	1.2
Option 2	4	2.4	1.5	1.09091

Arizona Form 99T				
Option	1st Installment	2nd Installment	3rd Installment	4th Installment
Standard option	6	4	2	1.33333
Option 1	6	3	1.71429	1.2

<sup>4</sup> Annualization Period is computed by dividing 12 months by the Annualization Amounts found on federal Form 2221.

Pass-Through Entities				
	1st Installment	2nd Installment	3rd Installment	4th Installment
Standard Option	4.0	2.4	1.5	1.0

**Line 8 – Annualized Taxable Income** Multiply columns (a) through (d) of line 6 by columns (a) through (d) of line 7. Enter the result in each column.

**Line 9 - Calculate the Tax**

**C Corporations, S Corporations subject to tax at the federal level, and exempt organizations with UBTI**, multiply columns (a) through (d) of line 8 by 4.9%. Enter the result in each column.

**Partnerships and S Corporations making the PTE election**, multiply columns (a) through (d) of line 8 by 2.98%. Enter the result in each column.

**S corporations subject to tax at the federal level and making the PTE election** must separately compute the annualized taxable income for the income subject to tax at the federal level and for the income subject to PTE tax.

**NOTE:** Calculate the tax on the amount in each column using the instructions for taxable year 2022 for: Arizona Form 99T, line 6; or Arizona Form 120, line 16; or Arizona Form 120A, line 8; or Arizona Form 120S, line 19; or Arizona Form 165, line 23.

**Line 10 - Tax From Recapture of Tax Credits**

Enter the amount of tax due from recapture of the following credits for each payment period in each column (a) through (d):

- The credit for Qualified Facilities claimed on Arizona Form 349,
- The credit for Renewable Energy Investment and Production for Self-Consumption by International Operations Centers claimed on Arizona Form 351, and,
- The Affordable Housing Tax Credit claimed on Form 354.

**Line 11 – Subtotal Tax**

Add columns (a) through (d) of lines 9 and 10. Enter the total in each column.

**Line 12 - Nonrefundable Tax Credits**

Enter the total amount of nonrefundable tax credits to which the taxpayer is entitled because of events that occurred during the months shown in the column headings used to calculate annualized taxable income. Calculate this amount using the instructions for taxable year 2022 for: Arizona Form 99T, line 9; or Arizona Form 120, line 19; or Arizona Form 120A, line 11; or Arizona Form 120S, line 15.

**Line 13 – Arizona Tax Liability**

Subtract columns (a) through (d) of line 12 from columns (a) through (d) of line 11. Enter the difference in each column. If the difference is zero or less, enter “0”.

**Line 14 - Refundable Tax Credits**

Enter the total amount of refundable tax credits to which the taxpayer is entitled because of events that occurred during the months shown in the column headings used to calculate

annualized taxable income. Calculate this amount using the instructions for taxable year 2022 for: Arizona Form 99T, line 12; Arizona Form 120, line 22; Arizona Form 120A, line 14 or Arizona Form 120S, line 20.

**Line 15 - Claim of Right Adjustment (Arizona Forms 120 and 120A)**

If a taxpayer computes its tax liability under the claim of right provisions, it should base its estimated tax liability on the net tax liability computed under the claim of right provisions.

**Line 16 – Net Liability**

Subtract the sum of columns (a) through (d) of line 14 and columns (a) through (d) of line 15 from columns (a) through (d) of line 13. Enter the difference in each column. If the difference is zero or less, enter “0”.

**Line 18**

Multiply columns (a) through (d) of line 16 by columns (a) through (d) of line 17. Enter the result in each column.

**Line 19 - Cumulative Installments**

Do not enter an amount in column (a). Enter the amounts from Part 3, line 52, columns (a) through (c) in columns (b) through (d) of this line.

**Line 20 – Annualized Income Installments**

Enter line 18, column (a) in line 20, column (a). Subtract line 19 columns (b) through (d) from line 18 columns (b) through (d). Enter the difference. If zero or less, enter “0”.

**Part 2 - Adjusted Seasonal Installment Method**

**NOTE:** *This method of computing required minimum payments is not available to partnerships and S Corporations making the PTE election.*

Complete Part 2 only if the taxpayer’s base period percentage for any 6 consecutive months of the tax year equals or exceeds 70%. Figure the base period percentage using the 6 month period in which the taxpayer normally receives the largest part of its taxable income.

The taxpayer’s base period percentage for any period of 6 consecutive months is the average of the three percentages figured by dividing the taxable income for the corresponding 6 consecutive month period in each of the 3 preceding tax years by the taxable income for each of their respective tax years.

See the **EXAMPLE** below for information on how to calculate the base period percentage.

**EXAMPLE:** *A calendar year taxpayer receives the largest part of its taxable income during the 6-month period from April through September. To compute its base period percentage for this 6-month period in 2022, the taxpayer figures its taxable income for each April through September period in 2020, 2021, and 2022. It then divides the taxable income for each April through September period by the total taxable income for that particular tax year. The resulting percentages are 65% for April - September 2020, 75% for April - September 2021, and 70% for April - September 2022. Because the average of 65%, 75%, and 70% is 70%, the base period percentage for April*

*through September 2023 is 70%. Therefore, the taxpayer qualifies for the adjusted seasonal installment method.*

**Lines 21 through 29**

Read and follow the instructions on the form.

**Line 30 - Calculate the Tax**

Multiply columns (a) through (d) of line 29 by 4.9%. Enter the result.

**NOTE:** *Refer to the instructions for taxable year 2022 for Arizona Form 99T, line 6; or Arizona Form 120, line 16; or Arizona Form 120A, line 8; or Arizona Form 120S, line 12 for additional information.*

**Lines 31 through 36**

Read and follow the instructions on the form.

**Line 37 - Tax From Recapture of Tax Credits**

Enter the amount of tax due from recapture of the following credits for each payment period in each column (a) through (d):

- The credit for Qualified Facilities claimed on Arizona Form 349,
- The credit for Renewable Energy Investment and Production for Self-Consumption by International Operations Centers claimed on Arizona Form 351.
- The Affordable Housing Tax Credit claimed on Arizona Form 354.

**Line 38 – Subtotal Tax**

Add columns (a) through (d) of lines 36 and 37. Enter the total in each column.

**Line 39 - Nonrefundable Tax Credits**

Enter the total amount of nonrefundable tax credits to which the taxpayer is entitled because of events that occurred during the months shown in the column headings above line 21. Calculate this amount using the instructions for taxable year 2022 for: Arizona Form 99T, line 9; Arizona Form 120, line 19; Arizona Form 120A, line 11; or Arizona Form 120S, line 15.

**Line 40 – Arizona Tax Liability**

Subtract columns (a) through (d) of line 39 from columns (a) through (d) of line 38. Enter the difference in each column. If the difference in any column is zero or less than zero, enter “0”.

**Line 41 - Refundable Tax Credits**

Enter the total amount of refundable tax credits to which the taxpayer is entitled because of events that occurred during the months shown in the column headings used to calculate taxable income for the period. Calculate this amount using the instructions for taxable year 2022 for: Arizona Form 99T, line 12; Arizona Form 120, line 22; Arizona Form 120A, line 14; or Arizona Form 120S, line 20.

**Line 42 - Claim of Right Adjustment (Arizona Forms 120 and 120A)**

If a taxpayer computes its tax liability under the claim of right provisions, it should base its estimated tax liability on the net tax liability computed under the claim of right provisions. Enter the Claim of Right adjustment to be claimed.



**Line 43 – Net Liability**

Subtract the sum of columns (a) through (d) of lines 41 and line 42 from columns (a) through (d) of line 40. Enter the difference in each column. If the difference in any column is zero or less than zero, enter “0”.

**Line 44**

Multiply columns (a) through (d) of line 43 by 90%. Enter the result in each column.

**Line 45 - Cumulative Installments**

Do not enter an amount in column (a). Enter columns (a) through (d) of Part 3, line 52 in columns (b) through (d) of this line.

**Line 46 – Adjusted Seasonal Installments**

Subtract columns (a) through (d) of line 45 from columns (a) through (d) of line 44. Enter the difference in each column. If the difference in any column is zero or less than zero, enter “0”.

**Part 3 - Required Installments****Line 47 -**

- If Part 1 is completed, enter the amounts from columns (a) through (d) of line 20.
- If Part 2 is completed, enter the amounts from columns (a) through (d) of line 46.
- If Part 1 and Part 2 are completed, enter the lesser of the amounts from columns (a) through (d) of line 20 or
- columns (a) through (d) of line 46.

**Line 48 –**

Enter 25% of line 2e in each column.

**NOTE:** “Large corporations” see the instructions for line 4 to determine the amount to enter in columns (a) through (d).

**Line 49 -**

Do not enter an amount in column (a). Enter the amounts from columns (a) through (c) of line 51, in columns (b) through (d) of this line.

**Line 50 -**

Add columns (a) through (d) of line 48, and columns (b) through (d) of line 49. Enter the totals in the respective columns.

**Line 51 –**

If columns (a) through (c) of line 50 are greater than columns (a) through (c) of line 47, subtract columns (a) through (c) of line 47 from columns (a) through (c) of line 50. Otherwise, enter “0”. Do not enter an amount in column (d).

**Line 52 – Required Installments**

Enter the lesser of columns (a) through (d) of line 47 or columns (a) through (d) of line 50 and in columns (a) through (d) of Page 1, line 4.

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DO NOT USE THE 2022 FORM 120X TO AMEND A PRIOR TAXABLE YEAR. USE THE FORM 120X FOR THE TAXABLE YEAR BEING AMENDED.

For the [ ] calendar year 2022 or [ ] fiscal year beginning [M, M, D, D] 2, 0, 2, 2 and ending [M, M, D, D] 2, 0, Y, Y.

Business Telephone Number, Name, Employer Identification Number (EIN), Address, Business Activity Code, City, Town or Post Office, State, ZIP Code

65 Check box if: A [ ] Name change B [ ] Address change

A Reason for filing Form 120X:

- 1 [ ] Finalized federal audit
2 [ ] Amended federal return
3 [ ] Arizona adjustments only (see instructions)

B This amended return changes Arizona filing method to: 1 [ ] Separate company 2 [ ] Combined (unitary group) 3 [ ] Consolidated (generally, election cannot be made on amended return (see instructions))

C [ ] Check this box if this amended return includes a capital loss carryback, and enter the last day of the tax year the capital loss originated: [M, M, D, D] Y, Y, Y, Y

D Multistate Corporations Only: This amended return changes the method of apportionment to Arizona from the original return (check one box): 1 [ ] AIR CARRIER 2 [ ] STANDARD 3 [ ] SALES FACTOR ONLY

E [ ] Check this box if the election to be treated as a Multistate Service Provider was made on the original return.

F Marijuana Establishments only: 1 [ ] Adult Use only 2 [ ] Dual Lic. elected for-profit 3 [ ] Dual Lic. did not elect for-profit

REVENUE USE ONLY. DO NOT MARK IN THIS AREA.

88, 81 PM, 66 RCVD

Table with 4 columns: (a) As Originally Reported or Adjusted, (b) Amount to Add or Subtract, (c) Corrected Amount. Rows 1-33 detailing tax calculations.

Name (as shown on page 1)	EIN
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**SCHEDULE A Apportionment Formula (Multistate Corporations Only)**

**IMPORTANT:** Qualifying air carriers must use Arizona Schedule ACA. Qualifying Multistate Service Providers must include Arizona Schedule MSP. If the **"SALES FACTOR ONLY"** box on page 1, line D, is checked, complete only Section A3, Sales Factor, lines a through f. See instructions.

**A1 Property Factor - STANDARD APPORTIONMENT ONLY**

Value of real and tangible personal property (by averaging the value of owned property at the beginning and end of the tax period; rented property at capitalized value).

**a** Owned Property (at original cost):

- 1 Inventories .....
- 2 Depreciable assets (do not include construction in progress) .....
- 3 Land .....
- 4 Other assets (describe): \_\_\_\_\_
- 5 Less: Nonbusiness property (if included in above totals) .....
- 6 Total of section a (the sum of lines 1 through 4 less line 5) .....

**b** Rented property (capitalize at 8 times net rent paid) .....

**c** Total owned and rented property (Total of section a plus section b). ....

**A2 Payroll Factor - STANDARD APPORTIONMENT ONLY**

Total wages, salaries, commissions and other compensation to employees (per federal Form 1120, or payroll reports).....

**A3 Sales Factor**

**a** Sales delivered or shipped to Arizona purchasers .....

**b** Sales from services or from designated intangibles for **qualifying Multistate Service Providers only** (see instructions; include Schedule MSP) .....

**c** Other gross receipts .....

**d** Total sales and other gross receipts (the sum of lines a through c) .....

**e** Weight AZ sales: (STANDARD x 2; SALES FACTOR ONLY x 1).....

**f** Sales Factor (for Column A, multiply line d by line e; for Column B, enter the amount from line d; for Column C, divide Column A by Column B.)

**STANDARD Apportionment**, continue to A4.

**SALES FACTOR ONLY Apportionment**, enter the amount from Column C on page 1, line 9, column (c). ....

	COLUMN A Total Within Arizona Round to nearest dollar	COLUMN B Total Everywhere Round to nearest dollar.	COLUMN C Ratio Within Arizona A ÷ B
			.
			.
			.
	x2 OR x1		
			.
			.
			.
			.
			.
			.

**A4 STANDARD Apportionment Total Ratio:** Add Column C of lines A1c, A2, and A3f. Enter the total. ....

**A5 Average Apportionment Ratio for STANDARD Apportionment:** Divide line A4, Column C, by four (4). Enter the result on page 1, line 9, column (c). (If one of the factors is "0" in both Column A and Column B, see instructions.) .....

**SCHEDULE B Schedule of Payments (List payment date and amount.)**

B1 Payment with original return .....	M, M, D, D, Y, Y, Y, Y	B1	00
B2 Payment after original return filed .....	M, M, D, D, Y, Y, Y, Y	B2	00
B3 Payment after original return filed .....	M, M, D, D, Y, Y, Y, Y	B3	00
B4 Total: Add lines B1, B2 and B3.....		B4	00

**SCHEDULE C Explanation of Changes (See instructions, page 8.)**

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Name (as shown on page 1)	EIN
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**SCHEDULE D Adjustments to Additions to Taxable Income**

	(a) As Originally Reported or Adjusted	(b) Amount to Add or Subtract	(c) Corrected Amount		
<b>D1</b> Total federal depreciation .....	00	00	<b>D1</b>		00
<b>D2</b> Taxes based on income paid to any state (INCLUDING ARIZONA), local governments or foreign governments .....	00	00	<b>D2</b>		00
<b>D3</b> Interest on obligations of other states, foreign countries, or political subdivisions .....	00	00	<b>D3</b>		00
<b>D4</b> Special deductions claimed on federal return.....	00	00	<b>D4</b>		00
<b>D5</b> Federal net operating loss deduction claimed on federal return.....	00	00	<b>D5</b>		00
<b>D6</b> Additions related to Arizona tax credits: See instructions .....	00	00	<b>D6</b>		00
<b>D7</b> Capital loss from exchange of legal tender .....	00	00	<b>D7</b>		00
<b>D8</b> Other additions to federal taxable income: See instructions.....	00	00	<b>D8</b>		00
<b>D9</b> TOTALS: Add lines D1 through D8 in each column. Enter the amounts here and in the corresponding column on page 1, line 2.....	00	00	<b>D9</b>		00

**SCHEDULE E Adjustments to Subtractions from Taxable Income**

	(a) As Originally Reported or Adjusted	(b) Amount to Add or Subtract	(c) Corrected Amount		
<b>E1</b> Recalculated Arizona depreciation .....	00	00	<b>E1</b>		00
<b>E2</b> Basis adjustment for property sold or otherwise disposed of during the taxable year .....	00	00	<b>E2</b>		00
<b>E3</b> Dividends received from 50% or more controlled domestic corporations	00	00	<b>E3</b>		00
<b>E4</b> Foreign dividend gross-up .....	00	00	<b>E4</b>		00
<b>E5</b> Dividends received from foreign corporation .....	00	00	<b>E5</b>		00
<b>E6</b> Interest on U.S. obligations .....	00	00	<b>E6</b>		00
<b>E7</b> Agricultural crops charitable contribution.....	00	00	<b>E7</b>		00
<b>E8</b> Expenses related to certain federal tax credits. See instructions .....	00	00	<b>E8</b>		00
<b>E9</b> Capital gain from exchange of legal tender.....	00	00	<b>E9</b>		00
<b>E10</b> Other subtractions from federal taxable income. See instructions .....	00	00	<b>E10</b>		00
<b>E11</b> TOTALS: Add lines E1 through E10 in each column. Enter the amounts here and in the corresponding column on page 1, line 4.....	00	00	<b>E11</b>		00

	The following declaration must be signed by one of the following officers: president, treasurer, or any other principal officer.		
<b>Declaration</b>	Under penalties of perjury, I, the undersigned officer authorized to sign this return, declare that I have examined this return, including the accompanying schedules and statements, and to the best of my knowledge and belief, it is a true, correct and complete return, made in good faith, for the taxable year stated pursuant to the income tax laws of the State of Arizona.		
<b>Please Sign Here</b>	_____ OFFICER'S SIGNATURE	_____ DATE	_____ TITLE
	_____ OFFICER'S PRINTED NAME		
<b>Paid Preparer's Use Only</b>	_____ PAID PREPARER'S SIGNATURE	_____ DATE	_____ PAID PREPARER'S TIN
	_____ PAID PREPARER'S PRINTED NAME		
	_____ FIRM'S NAME (OR PAID PREPARER'S NAME, IF SELF-EMPLOYED)		_____ FIRM'S EIN
	_____ FIRM'S STREET ADDRESS		_____ FIRM'S TELEPHONE NUMBER
	_____ CITY	_____ STATE	_____ ZIP CODE

**Mail to: Arizona Department of Revenue, PO Box 29079, Phoenix, AZ 85038-9079**

**SCHEDULE D Adjustments to Additions to Taxable Income Continued**

	(a) As Originally Filed	(b) Amount to Add or Subtract	(c) Corrected Amount
<b>D6 Additions related to Arizona tax credits:</b>			
<b>A</b> Pollution Control Credit:			
<b>1</b> Excess Federal Depreciation or Amortization.....	00	00	<b>A1</b> 00
<b>2</b> Excess in Federal Adjusted Basis.....	00	00	<b>A2</b> 00
<b>B</b> Credit for Taxes Paid for Coal Consumed in Generating Electrical Power.....	00	00	<b>B</b> 00
<b>C</b> Credit for Employment of TANF Recipients.....	00	00	<b>C</b> 00
<b>D</b> Credit for Donation of School Site.....	00	00	<b>D</b> 00
<b>E</b> Credit for Corporate Contributions to School Tuition Organizations.....	00	00	<b>E</b> 00
<b>F</b> Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students with Disabilities.....	00	00	<b>F</b> 00
<b>G</b> Total Additions Related to Arizona Tax Credits: Enter this amount on page 3, Schedule D, line D6.....	00	00	<b>G</b> 00
<b>D8 Other additions to federal taxable income:</b>			
<b>A</b> Positive Partnership Income Adjustment.....	00	00	<b>A</b> 00
<b>B</b> Federal Exploration Expenses.....	00	00	<b>B</b> 00
<b>C</b> Federal Amortization or Depreciation for Facilities and Equipment Amortized Under Arizona Law:			
<b>1</b> Pollution Control Devices.....	00	00	<b>C1</b> 00
<b>2</b> Child Care Facilities.....	00	00	<b>C2</b> 00
<b>D</b> Expenses and Interest Relating to Income Not Taxed by Arizona.....	00	00	<b>D</b> 00
<b>E</b> Tax-Exempt Insurance Company Loss.....	00	00	<b>E</b> 00
<b>F</b> Amounts Repaid in Current Taxable Year.....	00	00	<b>F</b> 00
<b>G</b> Excess Federal Capital Loss Carryover Under a Claim of Right Restoration.....	00	00	<b>G</b> 00
<b>H</b> Domestic International Sales Corporations.....	00	00	<b>H</b> 00
<b>I</b> Expenditures for the Americans with Disabilities Act.....	00	00	<b>I</b> 00
<b>J</b> Treatment of Installment Obligations When Corporate Activities Cease in Arizona.....	00	00	<b>J</b> 00
<b>K</b> Total Other Additions from Federal Taxable Income. Enter this amount on page 3, Schedule D, line D8.....	00	00	<b>K</b> 00

**SCHEDULE E Adjustments to Subtractions from Taxable Income Continued**

	(a) As Originally Filed	(b) Amount to Add or Subtract		(c) Corrected Amount
<b>E8 Expenses Related to Certain Federal Tax Credits:</b>				
<b>A</b> Work Opportunity Credit.....	00	00	<b>A</b>	00
<b>B</b> Empowerment Zone Employment Credit .....	00	00	<b>B</b>	00
<b>C</b> Credit for Employer-Paid Social Security Taxes on Employee Cash Tips .....	00	00	<b>C</b>	00
<b>D</b> Indian Employment Credit.....	00	00	<b>D</b>	00
<b>E</b> Total Expenses Related to Certain Federal Tax Credits Enter this amount on page 3, Schedule E, line E8.....	00	00	<b>E</b>	00
<b>E10 Other Subtractions From federal Taxable Income:</b>				
<b>A</b> Refunds of Taxes Based on Income.....	00	00	<b>A</b>	00
<b>B</b> Negative Partnership Income Adjustment .....	00	00	<b>B</b>	00
<b>C</b> Expense Recapture, Mine Explorations .....	00	00	<b>C</b>	00
<b>D</b> Deferred Exploration Expenses.....	00	00	<b>D</b>	00
<b>E</b> Exploration Expenses: Oil, Gas or Geothermal Resources .....	00	00	<b>E</b>	00
<b>F</b> Arizona Amortization of Facilities and Equipment:				
<b>1</b> Pollution Control Devices.....	00	00	<b>F1</b>	00
<b>2</b> Cost of Child Care Facilities .....	00	00	<b>F2</b>	00
<b>G</b> Interest on Federal Taxable Arizona Obligations Evidenced by Bonds .....	00	00	<b>G</b>	00
<b>H</b> Expenses and Interest Relating to Tax-Exempt Income.....	00	00	<b>H</b>	00
<b>I</b> Tax-Exempt Insurance Company Income .....	00	00	<b>I</b>	00
<b>J</b> Claim of Right Adjustment .....	00	00	<b>J</b>	00
<b>K</b> Dividends from Domestic International Sales Corporation (DISC).....	00	00	<b>K</b>	00
<b>L</b> Income from Disaster Relief Efforts.....	00	00	<b>L</b>	00
<b>M</b> Expenditures for the Americans with Disabilities Act.....	00	00	<b>M</b>	00
<b>N</b> Contribution in Aid of Construction (see instructions).....	00	00	<b>N</b>	00
<b>O</b> Marijuana Establishments <b>only</b> (see instructions):				
<b>1</b> Federal Disallowed Expenses, <b>or</b> .....	00	00	<b>O1</b>	00
<b>2</b> Federal Taxable Income Attributable to NMMD Operations.....	00	00	<b>O2</b>	00
<b>P</b> Total Other Subtractions from Federal Taxable Income. Enter this amount on page 3, Schedule E, line E10.....	00	00	<b>P</b>	00

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## 2022 Arizona Amended Corporation Tax Return

**For information or help, call one of the numbers listed:**

Phoenix (602) 255-3381  
From area codes 520 and 928, toll-free (800) 352-4090

**Tax forms, instructions, and other tax information**

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

**Income Tax Procedures and Rulings**

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website and select *Reports & Legal Research* from the main menu, then click on *Legal Research* and select a Document Type and a Category from the drop down menus.

**Publications**

To view or print the department's publications, go to our website, select *Reports & Legal Research* from the main menu, and click on *Publications* in the left hand column.

### General Instructions

**Use of 2022 Arizona Form 120X**

Use the 2022 Arizona Form 120X to amend only the 2022 Arizona Form 120 or Arizona Form 120A, as originally filed, or as it was later adjusted by an amended return, Department of Revenue correction notice, or an audit, whichever is latest.

File an amended return for a prior taxable year on the Arizona Form 120X for that taxable year. Do not use the 2022 Arizona Form 120X to file an amended return for a prior taxable year.

Do not use the Arizona Form 120X to amend the Arizona Form 120S. Use the 2022 Arizona Form 120S to amend and be sure to check the box for "Amended" on the top of page 1 of Arizona Form 120S.

**NOTE:** *If you need to amend a year prior to 2022, Arizona Form 120X for prior years are available on the department's website at [www.azdor.gov/Forms/Corporate.aspx](http://www.azdor.gov/Forms/Corporate.aspx).*

If an amended return is filed for a taxable year prior to 2014, include a copy of the original Arizona return.

**When to File Arizona Form 120X**

Arizona Form 120X may be filed only after the taxpayer has filed its original tax return (Arizona Form 120 or Arizona Form 120A) for the taxable year 2022. Generally, Arizona Form 120X must be filed within four years after the date the original return was due or after the date that the taxpayer filed it, whichever was later.

Do not file an amended return until the original return has been processed.

**Taxable Year Covered by Return**

File the 2022 Arizona Form 120X to amend corporate income tax returns for calendar year 2022 and to amend fiscal year returns that begin in 2022 and end in 2023. Indicate whether the taxable year is a calendar year or a fiscal year. If the return is for a fiscal year, indicate the beginning and ending dates for the year in the space(s) provided at the top of page 1.

The 2022 Arizona Form 120X can also be used if the corporation is amending a return for a tax year of less than 12

months that begins and ends in 2023, and the 2023 Arizona Form 120X is not available at the time the corporation is required to file its amended return.

The corporation must show its 2023 year on the 2022 Arizona Form 120X and take into account any tax law changes that are effective for tax years beginning after December 31, 2022.

**Electronic Filing of Amended Corporate Income Tax Returns**

*Electronic filing of Arizona amended corporate income tax returns is not currently available for the 2022 taxable year.*

**Filing Amended Returns**

Mail Arizona Form 120X to the address indicated on the form.

- Any taxpayer who files an amended return with the IRS *must* file an Arizona amended return on Arizona Form 120X within 90 days of final determination of the federal amended return by the IRS.
- Taxpayers *must* report changes or corrections of the taxpayer's taxable income by the IRS or as a result of renegotiation of a contract or subcontract with the United States to the department.
- Within 90 days after the final determination of the change or correction, the taxpayer must:
  - File a copy of the final determination with the department, concede the accuracy of the determination or state any errors, and request the department recompute the tax owed Arizona, or,
  - File an amended return as required by the department.
- The taxpayer must provide sufficient information for the department to recompute the taxpayer's Arizona taxable income based on the Revenue Agent Report changes.
- Amended returns that are not based on federal changes should include any schedules, forms, and/or statements that are necessary to fully explain and substantiate the change(s).
- The department may require the taxpayer to file an amended return if the department does not have the necessary information to recompute the tax owed to Arizona.
- Mail Arizona Form 120X to the address shown on the form.
- If the corporation was required to make its tax payments for the 2022 taxable year by electronic funds transfer (EFT), it must pay any additional tax due from an amended return by EFT.

**NOTE:** *File amended returns for prior taxable years on the Arizona Form 120X for those taxable years. Use the 2022 Arizona Form 120X to amend only the taxable year 2022.*

*Do NOT file an amended return until your original return has been processed.*

**Reporting of Federal Amended Return Changes or Finalized Revenue Agent Report (RAR)**

A taxpayer who files an amended return with the Internal Revenue Service (IRS) must file an Arizona amended return within 90 days of its final determination by the IRS.

The taxpayer must report to the department changes or corrections of the taxpayer's taxable income by the IRS or as the result of renegotiation of a contract or subcontract with the United States. The taxpayer must, within 90 days after the final determination of the change or correction, either:

- File a copy of the final determination with the department, concede the accuracy of the determination or state any errors, and request the department to recompute the tax owed to Arizona; or
- File an amended return as required by the department.

The department may require the taxpayer to file an amended return if the department does not have the necessary information to recompute the tax owed to Arizona.

### Consolidated Return Election

The Arizona consolidated election is binding on future years. The consolidated election cannot be made on an amended return unless, the common parent of an affiliated group of corporations that files a federal consolidated return makes the election by the due date, including extensions, for filing the original return. A taxpayer may file the 2022 Arizona Form 120X to change its method of filing to consolidated for the taxable year 2022 only if the 2022 Arizona Form 120X is filed by the original due date, including extensions, of the taxpayer's 2022 Arizona Form 120.

If the taxpayer has a valid previously established Arizona consolidated election but filed its original return incorrectly, use Arizona Form 120X to correct the original return. See the instructions for Line B on page 2 for information on making this correction.

Refer to the 2022 Arizona Form 120 instructions for more information about the requirements for the election to file on a consolidated basis.

### Required Supporting Documents with Arizona Form 120X

If the amendment is being filed to report changes due to a federal amended return or a federal audit, include a copy of the federal amended return or federal Revenue Agent Report and supporting schedules with the amended Arizona return.

Amended returns that are not based on federal changes should include any schedules, forms, and/or statements which are necessary to fully explain and substantiate the change(s).

- Is the Arizona apportionment ratio changing? Air carriers, include Schedule ACA; all others, include schedules supporting the changes to the apportionment ratio.
- Is the taxpayer changing its Arizona filing method (information question B)? Complete Arizona Form 51, *Combined or Consolidated Return Affiliation Schedule*, and include it with Arizona Form 120X.

### Reporting Changes to the Income and Expenses of Marijuana Establishments, Marijuana Testing Facilities, Dual Use Licensees and Nonprofit Medical Marijuana Dispensaries

- A corporation licensed by the Arizona Department of Health Services (ADHS) as a Marijuana Establishment (Adult Use), or as a Marijuana Testing Facility (Adult Use), that filed an Arizona Corporate Income Tax Return –

either Arizona Form 120 or Arizona Form 120A – must file Arizona Form 120X, Arizona Amended Corporation Income Tax Return to report changes in the income and expenses of its operations for the taxable year.

- A corporation licensed by ADHS as a Dual Use Licensee (Dual Licensee) that elected to operate on a “for-profit” basis, that filed an Arizona corporate income tax return, Arizona Form 120 or Arizona Form 120A, must file Arizona Form 120X, Arizona Amended Corporation Income Tax Return to report changes in the income and expenses of ALL its operations for the taxable year.
- A corporation licensed by ADHS as a Dual Licensee that did NOT make the election to operate on a “for-profit” basis, must file Arizona Form 99M to report its income and expenses from the NMMD portion of its operations and also file Arizona Form 120 or Arizona Form 120A. To report changes in its income and expenses from the NMMD portion of its operations, it must file an Amended Form 99M. To report changes in its income and expenses from its operations as a Dual Use Licensee.
- A corporation registered by ADHS as a Nonprofit Medical Marijuana Dispensary only, must file Arizona Form 99M to meet the filing requirements of Arizona Revised Statutes § 43-1201(B). To report changes in its income and expenses, the NMMD must file an amended Form 99M.

### Rounding Dollar Amounts

Taxpayers must round amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.

#### Examples:

*Company A (A) reports federal taxable income of \$15,000. A has no Arizona additions to, or subtractions from, federal taxable income. Its apportionment ratio is .326954. A multiplies the federal taxable income by the apportionment ratio. The result is \$4,904.31. Company A rounds the result to \$4,904.00.*

*Company W (W) reports a federal taxable loss of (\$27,000). W has no Arizona additions to, or subtractions from, its federal taxable loss. Its apportionment ratio is .005946. W multiplies its federal loss of (\$27,000) by the apportionment ratio. The result is an Arizona loss of (\$160.54). Company W rounds the result to (\$161.00).*

*Company Z (Z) reports a federal taxable loss of (\$500). Z has no Arizona additions to, or subtractions from, federal taxable income. Its apportionment ratio is .075000. Z multiplies its federal loss of (\$500) by the apportionment ratio. The result is an Arizona loss of (\$37.50). Company Z rounds the result to (\$38.00).*

### Specific Instructions

For calendar year filers, check the box, “calendar year 2022.” For fiscal year filers, check the box, “fiscal year” and enter the beginning and ending dates for the fiscal year.

Type or print the required information in the name, address, and information boxes on the top of page 1. Include the Business Telephone Number (with area code), and the Business Activity Code (NAICS Code) from the corporation’s federal return.

If the taxpayer has a foreign address, enter the information in the following order: city, province or state, and country. Follow the country's practice for entering the postal code. **Do not abbreviate the country's name.**

Consolidated return filers, enter the common parent corporation's name, address, and employer identification number (EIN). The filer's name on a consolidated return should include the phrase, "and affiliates."

Combined return filers, enter the name, address, and EIN of the corporation under which the group is filing. The filer's name on a combined return should include the phrase, "and unitary affiliates."

Enter the taxpayer's employer identification number (EIN). Taxpayers that fail to include their EIN may be subject to a penalty.

#### Line A

Check the box indicating the reason Arizona Form 120X is filed:

- Box "1", "Finalized federal audit"; check this box if this amended return is filed to report federal audit changes. *Do not include a copy of the finalized federal audit.*
- Box "2", "Amended federal return"; check this box if this amended return is filed to report changes the taxpayer made to its federal return. *Do not include a copy of the amended federal return.*
- Box "3", "Arizona adjustments only"; check this box if this amended return is filed to report "state-only" changes. (Examples include adjustments to the apportionment ratio, adjustments to additions or subtractions from federal taxable income, and corrections to the filing method.)

#### Line B

If this amended return corrects the Arizona filing method, check the appropriate box to correct the filing method. To indicate the corrected filing method check:

- Box "1", "Separate company",
- Box "2", "Combined (unitary group)", or,
- Box "3", "Consolidated."

Complete Schedule C to explain the changes. Include a completed Arizona Form 51 with the amended return.

If you previously filed Arizona Form 120A, leave this line blank.

**NOTE:** *There are two valid reasons for checking the "Consolidated" box on an amended return:*

- *The taxpayer has a valid, previously established consolidated election, and incorrectly filed its original return as a Combined or a Separate Company filer.*
- *The common parent of an affiliated group of corporations that files a federal consolidated return may file an amended return before its original due date, including extensions to make the Arizona consolidated election. If making the election on an amended return, the common parent must include appropriately completed and signed Arizona Forms 122 with the amended return.*

*For additional information about the consolidated election, refer to: CTR 12-1, Consolidated Return Election  
Page 5 of the instructions for Arizona Form 120, Consolidated Returns*

#### Line C

If this amended return is filed to incorporate a capital loss carryback, check the box and enter the last day (month, day and year) of the tax year the capital loss originated.

#### Line D

**Multistate corporations only.** If this amended return includes changes to the Arizona apportionment ratio, check the appropriate box to correct the apportionment formula:

- Box "1", "AIR CARRIER",
- Box "2", "STANDARD", or,
- Box "3", "SALES FACTOR ONLY."

Complete Schedule A, (or include a revised Schedule ACA, if applicable) and explain the changes on Schedule C.

#### Line E

Check this box if the election to be treated as a multistate service provider was made on your original return.

**NOTE to Line E:** *The multistate service provider election, as prescribed in the Arizona Revised Statutes (A.R.S.) § 43-1147(B), must be made on the taxpayer's timely filed original tax return including extensions. This election is binding for five consecutive taxable years. Taxpayers cannot make the election or revoke the election by amending the tax return. See A.R.S. § 43-1147 and Schedule MSP for more information.*

#### Line F

##### Adult Use Marijuana Establishments and Dual Use Licensees only

If the corporation is licensed by the Arizona Department of Health Services (ADHS) as a marijuana establishment:

- Check Box 1 if the corporation is licensed as an Adult Use only establishment,
- Check Box 2 if the corporation is a Dual Licensee and has elected for profit status, or
- Check Box 3 if the corporation is a Dual Licensee and has not elected for profit status.

If the corporation is registered with the Arizona Department of Health Services as a Nonprofit Medical Marijuana Dispensary, leave blank.

#### Lines 1 through 8, lines 10 through 19, and line 21

**NOTE:** *Columns (a) and (c) must be completed for each line whether or not a change has been made to a particular line. Enter an amount in column (b) only if a change has been made to that particular line.*

- **Column (a):** Enter the amounts as shown on the original return or as adjusted by any prior audit, amended return, or Department of Revenue correction notice, whichever is latest.
- **Column (b):** Enter the amount of any change(s). Include any schedules, forms, and/or statements which are necessary to fully explain and substantiate the change(s). The amounts entered in column (b) should be the net increase or net decrease for each line that has been changed. Use a minus sign to indicate decreases entered in column (b).
- **Column (c):** Add the increase in column (b) to the amount in column (a) or subtract the decrease in column (b) from column (a). Enter the result. If the line has not been changed, enter the amount from column (a) in column (c).

**Line 5 - Arizona Adjusted Income**

Subtract line 4 from line 3. Enter the difference.

- 100% Arizona corporations, check box 5a. Skip lines 6 through 12. Go to line 13.
- All others (multistate corporations), continue to line 6.

**NOTE:**

- *A corporation that has income from business activity that is taxable entirely within Arizona is a 100% Arizona corporation.*
- *A corporation that has income from business activity taxable in more than one state is a multistate corporation.*

**Lines 6 through 12 - Apportionment Computation -- Multistate Corporations Only**

Multistate corporations, complete lines 6 through 12 as instructed on the form.

**Line 9 - Apportionment Ratio Multistate Corporations Only**

If the apportionment ratio is being amended, compute the amended apportionment ratio on Schedule A (non-air carrier corporation), or Schedule ACA (air carrier corporation). Enter the ratio from Schedule A, line A5, column (c) or Schedule ACA, line 3, on page 1, line 9, column (c).

If the apportionment ratio is not being amended, enter the apportionment ratio from the 2022 Arizona Form 120, page 1, line 9. If the apportionment was previously adjusted by a prior audit or amended return, enter the apportionment ratio from that return.

Refer to the instructions for Schedule A or Schedule ACA for additional information. Do not enter an amount on line 9 before reading the instructions for Schedule A or Schedule ACA.

**Line 13 – Arizona Income Before Net Operating Loss****100% Arizona Corporations:**

Enter your Arizona adjusted income from line 5.

**Multistate Corporations:**

Enter your Arizona adjusted income from line 12.

**Line 16 - Arizona Tax**

Multiply Arizona taxable income [line 15, column (c)] by 4.9%. If the computed amount of tax is less than \$50, enter the minimum tax of \$50. Every corporation required to file a return shall pay a \$50 minimum tax in accordance with A.R.S. § 43-1111.

*Combined or consolidated returns* - a unitary group or an Arizona affiliated group is considered a single taxpayer. The minimum tax is imposed on the single taxpayer rather than on each corporation within the group.

**Line 17 - Tax from Recapture of Tax Credits**

Enter the amount of tax due from the recapture of tax credits from Arizona Form 300, Part 2, line 24.

**Line 18 - Subtotal**

Add lines 16 and 17. This is the amount of tax to which the total amount of tax credits claimed by the taxpayer may be used.

**Line 19 - Nonrefundable Tax Credits**

Enter the allowable nonrefundable tax credit amount from Arizona Form 300, Part 2, line 44. This amount cannot be larger than the amount on Arizona Form 120X, line 18.

- **Military Reuse Zone Credit**

*The credit for the military reuse zone credit has been repealed.* The unused portion of valid military reuse zone credits may be carried forward for the respective five year carryforward period. See Arizona Form 306 for more information.

- **Credit for Increased Research Activities**

This tax credit is for taxpayers who incur qualified research expenses for research conducted in Arizona. A portion of the excess credit claimed for taxable years beginning from and after December 31, 2009, may be refundable with approval from the Arizona Commerce Authority. Be sure to include only the nonrefundable portion on line 19 of this form. See Arizona Form 308 for more information.

- **Pollution Control Credit**

This tax credit is for expenses incurred during the taxable year to purchase real or personal property used in the taxpayer's trade or business in Arizona to control or prevent pollution. See Arizona Form 315 for more information.

- **Credit for Taxes Paid for Coal Consumed in Generating Electrical Power**

This tax credit is for a percentage of the amount paid by the seller or purchaser as transaction privilege tax or use tax for coal sold to the taxpayer that is consumed in the generation of electrical power in Arizona. "Amount paid by the seller or purchaser as transaction privilege tax or use tax" means that the Arizona transaction privilege tax was passed through to the taxpayer by the seller as an added charge or that the seller collected the Arizona use tax from the taxpayer or that the taxpayer paid the Arizona use tax to the department. See Arizona Form 318 for more information.

- **Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets**

*The credit for solar hot water heater plumbing stub outs and electric vehicle recharge outlets has been repealed.* All credits for solar hot water heater plumbing stub outs and electric vehicle recharge outlets that were properly established can be carried forward for the respective five year carry-forward period. See Arizona Form 319 for more information.

- **Credit for Employment of TANF Recipient**

This tax credit is for net increases in qualified employment for recipients of temporary assistance for needy families (TANF) who are residents of Arizona. See Arizona Form 320 for more information.

- **Credit for Donation of School Site**

This tax credit is for the donation of real property and improvements to an Arizona school district or Arizona charter school for use as a school or as a site for the construction of a school. Complete Arizona Form 331 to claim this tax credit.

- **Credit for Employing National Guard Members**

This credit is for an employer who has an employee that is a member of the Arizona National Guard and the employee was placed on active duty. See Arizona Form 333 for more information.

- **Credit for Corporate Contributions to School Tuition Organizations**

This credit is for corporations who make contributions to school tuition organizations which provide scholarships and tuition grants to children attending qualified nongovernmental schools. See Arizona Form 335 for more information.

- **Credit for Solar Energy Devices - Commercial and Industrial Applications**

This tax credit expired for taxable years beginning after December 31, 2018. The expiration does not affect carryovers of this properly established credit. Complete Arizona Form 336 to the carryforward of this tax credit.

- **Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students with Disabilities**

This tax credit is for corporations who make contributions to school tuition organizations that provide scholarships and tuition grants to qualifying children attending qualified nongovernmental schools. See Arizona Form 341 for more information.

- **Renewable Energy Production Tax Credit**

This tax credit is for taxpayers that produce electricity using qualified energy resources. Approval by the Arizona Department of Revenue is required prior to claiming this tax credit. See Arizona Form 343 for more information.

- **Credit for New Employment**

This tax credit is for taxpayers that have net increases in employment. The credit limit is administered by the Arizona Commerce Authority. See Arizona Form 345 for more information.

- **Additional Credit for Increased Research Activities for Basic Research Payments**

This tax credit is for taxpayers that make qualified basic research payments for research conducted in Arizona. Approval by the Arizona Department of Revenue is required prior to claiming this tax credit. See Arizona Form 346 for more information.

- **Credit for Renewable Energy Investment and Production for Self-Consumption by International Operations Centers**

This tax credit is for investment in new renewable energy facilities that produce energy for self-consumption using renewable energy resources if the power will be used primarily for International Operations Centers. See Arizona Form 351 for more information.

- **Healthy Forest Production Tax Credit**

This tax credit is for the processing of qualifying forest products. Complete Arizona Form 353 to claim this credit.

- **Affordable Housing Tax Credit**

This tax credit is for projects in this state that qualify for the federal low-income housing tax credit under Section 42 of the Internal Revenue Code. Complete Arizona Form 354 to claim this credit.

Complete the appropriate credit form for each credit. Include the completed credit form(s) and Arizona Form 300 with Arizona Form 120X, whether or not the amount claimed on line 19 has changed.

**Line 20 - Credit Type**

Enter the applicable credit form number in the space(s) provided to indicate which tax credits were claimed on line 19. Complete this line whether or not the amount of tax credits claimed on line 19 has changed.

<b>Nonrefundable Income Tax Credit</b>	<b>Form</b>
Military Reuse Zone Credit	306
Credit for Increased Research Activities	308
Pollution Control Credit	315
Credit for Taxes Paid for Coal Consumed in Generating Electrical Power	318
Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets	319
Credit for Employment of TANF Recipients	320
Credit for Donation of School Site	331
Credit for Employing National Guard Members	333
Credit for Corporate Contributions to School Tuition Organizations	335
Credit for Solar Energy Devices - Commercial and Industrial Applications	336
Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students with Disabilities	341
Renewable Energy Production Tax Credit	343
Credit for New Employment	345
Additional Credit for Increased Research Activities for Basic Research Payments	346
Credit for Renewable Energy Investment and Production for Self-Consumption by International Operations Centers	351
Healthy Forest Production Tax Credit	353
Affordable Housing Tax Credit	354

**Line 22 - Refundable Tax Credits**

Check the box marked 308 (Credit for Increased Research Activities) and/or 349 (Credit for Qualified Facilities) to indicate which of these tax credits the taxpayer is claiming. Enter the total amount of the refundable credits claimed on line 22. Include the completed credit form(s) with Arizona Form 120X, whether or not the amount claimed on line 22 has changed.

**Credit for Increased Research Activities**

A portion of this tax credit is refundable for qualified taxpayers. The refund is limited to 75% of the excess credit, which is the current year's credit less the current year's tax liability, not to exceed the amount approved by the Arizona Commerce Authority. Include a copy of your "Certificate of Qualification" from the Arizona Commerce Authority, Arizona Form 300 and Arizona Form 308 with your return. Enter the amount from Arizona Form 308, Part 7, line 42.

**Credit for Qualified Facilities**

This tax credit is for expanding or locating a qualified facility in Arizona and is refundable in five equal installments.

Pre-approval and post-approval are required through the Arizona Commerce Authority. Include a copy of your "Certification of Qualification" from the Arizona Commerce Authority and Arizona Form 349 with your tax return to claim this credit. Enter the amount from Arizona Form 349, Part 8, line 20.

If you are claiming more than one of the refundable tax credits, check the appropriate boxes and add the amounts from the credit forms together and enter the total on line 22, or use the worksheet below to figure the amount to enter on line 22.

Refundable Credit Worksheet	
1. Enter the refundable credit from Arizona Form 308, Part 7, line 42.	
2. Enter the apportioned credit from Arizona Form 349, Part 8, line 20.	
3. Add the amounts on lines 1 and 2. Enter the total here and on Arizona Form 120X, line 22.	

**Line 23 - Payments (Extension, Estimated) and Claim of Right**

- a) Enter the total amount from the original return (2022 Arizona Form 120, lines 23 and 24; or 2022 Arizona Form 120A, lines 15 and 16).
- b) If you recomputed a prior year's tax under Arizona's claim of right provision, complete *Arizona Claim of Right - Corporate*. Enter the amount from Part 2, line 8. Include the claim of right form with your return. If you completed more than one claim of right form, add all amounts on line 8, and enter the total.
- c) Add the amounts on line 23(a) and 23(b). Enter the total.

**NOTE FOR CLAIM OF RIGHT RESTORATION:** *If you recomputed a prior year's tax under Arizona's claim of right provision, you must complete and include Arizona Claim of Right – Corporate form with your return. If you fail to complete and include this form, the amount of your claim may be denied. Refer to the department's procedure, CTP 16-1, Procedure for Corporations That Restore Substantial Amounts Held Under a Claim of Right for additional information on Arizona's Claim of Right provision.*

**Line 24 - Payment with Original Return Plus All Payments After It Was Filed**

Enter the amount from page 2, Schedule B, line B4.

**Line 25 - Total Payments**

Add lines 22c, 23c and 24. Enter the total.

**Line 26 - Overpayment from Original Return or as Later Adjusted**

Enter the amount of any overpayment of tax from the original return (2022 Arizona Form 120, line 31 or 2022 Arizona Form 120A, line 23), and the total amount of any overpayments of tax from a Department of Revenue correction notice, a previously filed amended return (2022 Arizona Form 120X, line 31), or an audit.

**Line 27 - Total Payments Applied to Amended Tax Liability**

Subtract line 26 from line 25. Enter the result.

**Line 28 - Total Due**

If line 21, column (c) is **larger** than line 27, subtract line 27 from line 21. Enter the difference. This is the amount of tax due.

**Line 29 - Penalty and Interest**

The taxpayer can choose to calculate interest on the amount shown on line 28. The current interest rates are available by calling the phone numbers listed on page 1 of this return. Interest rate tables are also available on the department's website. The interest period is from the original due date of the return to the payment date and is compounded annually.

**Do not include or enter the amount from the Estimated Tax Underpayment Penalty.**

**NOTE:** *If the taxpayer chooses to calculate the penalty and interest amount(s) to be entered on this line, round the result to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.*

If the taxpayer chooses not to calculate interest and penalties, the department will calculate them, and as appropriate, include that amount in any refund or bill the taxpayer.

**NOTE:** *For taxable years beginning after December 31, 2016, if you voluntarily file an amended return and pay the additional tax due when you file your amended return, the department will not assess the late payment penalty. Exceptions are:*

- *The taxpayer is under audit by the department.*
- *The amended return was filed on demand or request by the department.*

**Line 30 - Payment Due**

Add lines 28 and 29. Enter the total. This is the amount of payment due. Non-EFT payment must be included with the amended return.

**Payment of Tax, Penalties, and Interest**

The entire amount of tax, penalties, and interest is due by the original due date of the return.

**Payment by Electronic Funds Transfer**

Corporations are required to pay their tax liability by electronic funds transfer (EFT) if the corporation owes \$500 or more for any taxable year beginning from and after December 31, 2020.

**NOTE:** *If a corporation was required to make its tax payments for taxable year 2022 by EFT, it must also pay any additional tax due from an amended return by EFT,*

A corporation may apply to the director for an annual waiver from the electronic payment requirement. The application must be received by December 31 of each year. The director may grant the waiver if any of the following applies:

- The corporation has no computer.
- The corporation has no internet access.
- Any other circumstance considered to be worthy by the director exists, including:

- The corporation has a sustained record of timely payments, and,
- No delinquent tax account with the department.

To request a waiver, submit Arizona Form 292, *Electronic Filing and Payment Waiver Application*, to the department. Arizona Form 292 is available at: <https://azdor.gov/forms/other-forms/electronic-filing-and-payment-waiver-application>.

**NOTE:** A corporation who is required to pay by EFT but who fails to do so is subject to a penalty of 5% of the amount of the payment not made by EFT. See A.R.S. § 42-1125(O).

For additional information on electronic funds transfer, refer to A.R.S. § 42-1129 and the related Arizona Administrative Code rules (A.A.C. R15-10-301 through R15-10-307) for detailed information.

### How to Make EFT Payments

Corporations making an EFT payment from a checking or savings account or by credit card are no longer required to register with the department prior to making EFT payments. Visit AZTaxes.gov, click “Make a Corporation/S Corporation/Partnership Payment” and follow the prompts.

- **Electronic payment from checking or savings account/e-check/ACH Debit.**

Payments can be made electronically from a checking or savings account. Go to [www.AZTaxes.gov](http://www.AZTaxes.gov), click “Make a Corporation/S Corporation/Partnership Payment”, follow the prompts, and choose the e-check option. Follow the prompts to make your payment.

There is no fee to use this method. This payment method will debit the amount from the specified checking or savings account on the date specified. **When an electronic payment is made from a checking or savings account, a confirmation number will be generated. Please keep this confirmation number as proof of payment.**

- **Online credit card payment.**

Payments can be made by American Express, Discover, MasterCard, or Visa credit cards. Go to [www.AZTaxes.gov](http://www.AZTaxes.gov), click “Make a Corporation/S Corporation/Partnership Payment”, follow the prompts, and choose the credit card option. This will take you to the website of the credit card payment service provider. Follow the prompts to make your payment.

The service provider will charge a fee based on the amount of the tax payment. The service provider will disclose the amount of the fee during the transaction and you will be given the option to continue or cancel. **If you accept the fee and complete the credit card transaction, a confirmation number will be generated. Please keep this confirmation number as proof of payment.**

- **Corporations may also make EFT payment by ACH Credit.** Corporations wishing to pay by ACH credit must register with the department before their ACH payment will be accepted.

To register to make ACH Credit payments, complete Arizona Form number 10366, Electronic Funds Transfer (EFT) Disclosure Agreement for ACH Credit filers, available here:

<https://azdor.gov/forms/other-forms/electronic-funds-transfer-ef-disclosure-agreement-ach-credit-filers>. Complete the form as instructed. Submit the completed form at least ten business days before the first anticipated transaction as it may take that long to process the application.

Fax the completed form to the department at (602) 771-9913. You may also email the completed form to the department at [electronicfundstransfer@azdor.gov](mailto:electronicfundstransfer@azdor.gov). If you have not received your approval within one week, you may direct follow-up inquiries to [electronicfundstransfer@azdor.gov](mailto:electronicfundstransfer@azdor.gov). Once the application is processed, you will receive additional information to present to your bank to make the ACH Credit payment.

Your payment will be electronically transferred into the department’s account, normally the next business day. Consult with your bank for the timeframe required to make timely payments. You may be charged a service fee.

**NOTE:** Corporate taxpayers using a foreign bank account to make EFT payments cannot make EFT payments by ACH Debit. The department does not accept ACH Debit payments from a foreign bank account. If the taxpayer wishes to make payment from a foreign bank account by EFT, the payment **MUST** be made by ACH Credit. See the instructions for ACH Credit above to register and make ACH Credit payments.

**Corporate taxpayers required to make payments by EFT**, see the Section, *Payment by Electronic Funds Transfer* on page 7 of these instructions for options to pay your tax liability by EFT.

**Corporate taxpayers not required to make payment by EFT** may elect to pay by EFT or they may pay by check or money order. Make the check or money order payable to the Arizona Department of Revenue. Include the corporation’s EIN on the front of the check or money order.

- **If the corporation’s income tax return was submitted electronically**, submit the check or money order with Arizona Form 120/165V, available here: <https://azdor.gov/forms/corporate-tax-forms/arizona-corporate-or-partnership-income-tax-payment-voucher>. Mail Form 120/165V and the check or money order to the address indicated on the form.
- **If the corporation is filing a paper return**, include the check or money order with the corporation’s income tax return. Mail the check or money order and the return to:

Arizona Department of Revenue  
PO Box 29079  
Phoenix, AZ 85038-9079

### Line 31 - Overpayment

If line 27 is larger than line 21, column (c), subtract line 21(c) from line 27. Enter the difference. This amount is the overpayment from this amended return.

### Line 32 - Amount to be Applied to 2022 Estimated Taxes

The taxpayer may apply part or all of an overpayment reported on line 31 as a 2023 estimated tax payment, if this amended return is filed during the taxpayer's 2023 taxable year. Enter the applicable amount on line 32. If the taxpayer wants the entire line 31 amount to be refunded, enter “0”.

**Line 33 - Amount to be Refunded**

Subtract line 32 from line 31, and enter the difference. This is the net refund amount.

**Schedule A – Apportionment of Income  
(Multistate Corporations Only)**

Complete Schedule A only if the 2022 Arizona Form 120X is filed to amend the apportionment ratio (if the taxpayer was required to apportion income). If the apportionment ratio is not being amended, enter the apportionment ratio from the 2022 Arizona Form 120, or as adjusted by any prior audit or amended return (whichever is later) on page 1, line 9, columns (a) and (c).

A.R.S. §§ 43-1131 through 43-1150 govern the apportionment of income. A corporation that engages in activities both within and without Arizona must apportion its business income based on property, payroll, and sales in Arizona as compared to these factors everywhere. "Everywhere" means the property, payroll, and sales factors related to the whole combined or consolidated business.

A combined return excludes the factors of a unitary foreign corporation unless the foreign corporation is itself subject to the Arizona corporate income tax. A consolidated return includes the factors of a foreign corporation that is a member of the affiliated group. Both combined and consolidated returns exclude the factors of an insurance company exempt under A.R.S. § 43-1201(A)(14).

**NON-APPORTIONABLE INCOME**

Apportionment factors generating nonapportionable or nontaxable income are not to be included in the calculation of the apportionment ratio.

**ADMINISTRATIVE RELIEF REQUESTS**

A.R.S. § 43-1148 provides administrative relief if the allocation and apportionment provisions of UDITPA do not fairly represent the extent of the taxpayer's business activity in this state. The taxpayer may petition for or the department may require, in respect to all or any part of the taxpayer's business activity, if reasonable:

- Separate accounting, except with respect to an Arizona affiliated group, as defined in A.R.S. § 43-947.
- The exclusion of any one or more of the factors.
- The inclusion of one or more additional factors which will fairly represent the taxpayer's business activity in this state.
- The employment of any other method to effectuate an equitable allocation and apportionment of the taxpayer's income, other than disallowance of a properly elected consolidated return.

A.R.S. § 43-1148 permits a departure from the allocation and apportionment provisions only in limited cases. A.R.S. § 43-1148 may be invoked only if unusual fact situations produce incongruous results under the apportionment and allocation provisions. Taxpayers seeking such relief should submit a letter to the Corporate Income Tax Audit Section 60 days prior to the filing of the return setting forth the relief that is requested and the justification for the relief. Please include a contact phone number and email address with your request.

The department normally makes such determinations only upon audit of the taxpayer. Such a detailed examination of the facts and

circumstances reveals whether such unusual fact situations and incongruous results exist.

**COMPUTING THE APPORTIONMENT RATIO**

When computing the factors of the apportionment ratio, carry the result out to six places after the decimal. If the seventh place after the decimal is five or more, round the sixth decimal place up to the next higher digit. If the seventh place after the decimal is less than five, leave the sixth place decimal as it is.

**Example #1:**

Arizona Amount	<u>123,456</u>
Everywhere Amount	789,654
Factor	.1563418

The seventh digit after the decimal is "8". Since "8" is greater than "5," the sixth digit after the decimal is increased to the next higher digit, "2".

The factor rounded to six decimal places is .156342.

**Example #2:**

Total Ratio	<u>.179865</u>
Divided by	4
Apportionment Ratio	.0449662

The seventh digit after the decimal is "2". Since "2" is less than "5," the sixth digit after the decimal remains "6". No increase to the sixth digit after the decimal is made.

The average rounded to six decimal places is .044966.

**SCHEDULE ACA - AIR CARRIER APPORTIONMENT  
FORMULA  
(MULTISTATE AIR CARRIERS ONLY)**

A.R.S. § 43-1139 requires a taxpayer that is a qualifying air carrier to use revenue miles to apportion its business income to Arizona. The taxpayer must be engaged in air commerce. "Air commerce" means transporting persons or property for hire by aircraft in interstate, intrastate or international transportation. If the taxpayer files a combined or consolidated return, the combined group or the Arizona affiliated group must use this method of apportionment if 50% or more of the taxpayer's gross income is derived from air commerce. The taxpayer will apportion its business income by means of a single apportionment ratio computed under this method for all group members.

Check the box labeled "AIR CARRIER" on line D on page 1 of the return. Do not complete Schedule A on page 2 of the return.

Complete Schedule ACA and include it with the return. Schedule ACA is available on the department's website at: <http://www.azdor.gov/Forms/Corporate.aspx>.

**NON-AIR CARRIER APPORTIONMENT FORMULA  
(MULTISTATE CORPORATIONS ONLY)**

Non-air carrier multistate corporations have the opportunity to choose one of two apportionment formulas for calculating the apportionment ratio:

- The sales factor only apportionment formula, or
- The standard apportionment formula.

Check the box on line D of page 1 of the return to indicate which apportionment formula, "Standard," or "Sales Factor Only," will be used to calculate the apportionment ratio on the



corporation's return. Whichever apportionment method is indicated, the taxpayer must complete the apportionment ratio using that formula. (The taxpayer cannot use "Standard" to calculate one portion of the ratio, and "Sales Factor Only" to calculate another portion of the ratio.)

For the standard apportionment ratio, the numerator of the fraction of the standard apportionment formula is the property factor plus the payroll factor plus two (2) times the sales factor. The denominator of the fraction is four (4). Use the numbers located on the left-hand side of Schedule A, column A, to double-weight the sales factor.

For taxable years beginning after December 31, 2016, Sales Factor Only Apportionment replaced the enhanced apportionment ratio. The numerator is the Arizona Sales. The denominator is Everywhere Sales. The property factor and the payroll factor are not included in this computation.

### **Line A1 - Property Factor – Standard Apportionment Only**

***Taxpayers electing "SALES FACTOR ONLY APPORTIONMENT" – leave blank.***

The Property Factor is a fraction that represents the average value of the taxpayer's property owned or rented and used in Arizona to the total average value of the taxpayer's property owned or rented and used during the tax period.

The value of tangible personal property and real property owned by the taxpayer is its original cost. The taxpayer normally determines the average value of its owned property by averaging the values at the beginning and ending of the tax period. Property used to generate non-apportionable or nontaxable income is not included in the property factor.

The value of tangible personal property and real property rented by the taxpayer is eight times its net annual rental rate. The net annual rental rate is the annual rental rate paid by the taxpayer for rented property, less the aggregate annual subrental rates paid by subtenants of the taxpayer. The taxpayer automatically achieves averaging for rented property by the method of determining the net annual rental rate of such property.

For a discussion of the treatment of computer software in the property factor, refer to the department's ruling, CTR 01-2, *How Does a Taxpayer Filing an Arizona Corporate Income Tax Return Determine Whether Computer Software is Included in the Property Factor?*

Report real property situated, and tangible personal property permanently located, in Arizona as property within Arizona during the tax year. Attribute the value of mobile property to Arizona based on the total time that the property was within Arizona.

#### ***Taxpayers Electing "STANDARD APPORTIONMENT"***

Divide the numerator of the property factor by the denominator. Express the ratio as a decimal carried out to six places. (The property factor may not exceed 1.0) Enter the result on line A1c, Column C.

***Taxpayers Electing "SALES FACTOR ONLY APPORTIONMENT," leave lines A1a through A1c, Columns A through C, blank.***

For additional information on the property factor, refer to:  
A.R.S. §§ 43-1140 through 43-1142  
A.A.C. R15-2D-601 through R15-2D-607 and R15-2D-902  
CTR 01-2 How Does a Taxpayer Filing an Arizona Corporate Income Tax Return Determine Whether Computer Software is Included in the Property Factor

### **Line A2 - Payroll Factor – Standard Apportionment Only** ***Taxpayers electing "SALES FACTOR ONLY APPORTIONMENT" – leave blank.***

The Payroll Factor is a fraction that represents the compensation paid in Arizona by the taxpayer to the total compensation paid by the taxpayer during the tax year.

Report the salaries, wages, or other compensation of officers, employees, etc., as being within Arizona if the performance of those services occurs entirely in Arizona. This rule applies regardless of where payment is made or control exercised. This rule also applies regardless of whether the performance of the services is partly or wholly in connection with the apportionable business carried on outside the state or in interstate or foreign commerce. Payroll used to generate non-apportionable or nontaxable income is not included in the payroll factor.

Allocate the compensation of officers and employees who perform services partly within and partly without Arizona to this state when:

- The services performed outside of Arizona are incidental to the employee's service within Arizona; or
- The employee's base of operation is in Arizona; or
- The employee has no base of operation in any state but the direction or control of the employee is from Arizona; or
- The employee has no base of operation in any state, and there is no direction or control from a state in which the employee performs some part of his services, but the employee's residence is in Arizona.

#### ***Taxpayers Electing "STANDARD APPORTIONMENT"***

Divide the numerator of the payroll factor by the denominator. The result is the "Standard" payroll factor. Express the ratio as a decimal carried out to six (6) places. The payroll factor may not exceed 1.0.

***Taxpayers Electing "SALES FACTOR ONLY APPORTIONMENT," leave line A2, Columns A through c, blank.***

For additional information on the payroll factor, refer to:  
A.R.S. §§ 43-1143, 43-1144  
A.A.C. R15-2D-701 through R15-2D-705

### **Line A3 - Sales Factor**

The Sales Factor is a fraction that represents the total sales of the taxpayer in Arizona to the total sales of the taxpayer during the tax period.

"Sales" includes all gross receipts from transactions and activities in the course of the regular trade or business that produce income. Gross receipts from non-apportionable or nontaxable income are not included in the sales factor.

Determine sales of tangible personal property on a destination sales basis. Determine sales of real property based on the location of the property. Determine sales of other than tangible personal property based on the location where the income producing activity occurs.

**TAXPAYERS THAT QUALIFIED AS MULTISTATE SERVICE PROVIDERS AND ELECTED TO SOURCE SALES FROM SERVICES OR SALES FROM INTANGIBLES TO ARIZONA USING MARKET SALES**

*Taxpayers that qualified as a Multistate Service Provider (MSP) and did not elect to treat sales from services or sales from intangibles as being sourced to Arizona based on market sales on their original return cannot make the MSP election on the 2022 Arizona Form 120X. The election to be treated as an MSP cannot be made on an amended return*

*Taxpayers that qualified, and made the election, should:*

- *Ensure the completed Schedule MSP is included with the return.*
- *Ensure the box on line E of the return is checked*
- *Enter on line A3b, column A, the Arizona sales from services or sales from intangibles from the completed Schedule MSP, line B.*
- *Complete the calculation of the sales factor following the instructions for the taxpayer's choice of the "STANDARD" or "SALES FACTOR ONLY" apportionment formula.*

For additional information on the Multistate Service Provider election, please refer to page 19 of the instructions for Arizona Arizona Form 120, or the instructions for Arizona Arizona Form MSP.

**Taxpayers that qualified as an MSP, and elected to be treated as an MSP:**

Enter the Arizona sales from services and sales from intangibles on line A3b from the line B of the completed Schedule MSP.

**Taxpayers not making the election to be treated as an MSP:**

Include Arizona sales from services on line A3c.

**Taxpayers Electing "STANDARD APPORTIONMENT"**

- Check the box on line D of the return labeled "STANDARD."
- Multiply the numerator of the sales factor by two. Divide that result by the denominator. Express the ratio as a decimal carried out to six places. (The sales factor may not exceed 2.0) Enter the result in Column C of line A3f.

**Taxpayers Electing "SALES FACTOR ONLY APPORTIONMENT"**

- Check the box on line D of the return, labeled "SALES FACTOR ONLY."
- Divide the numerator (Arizona sales) by the denominator (Everywhere sales). Express the ratio as a decimal carried out to six places. (The sales factor may not exceed 1.0) Enter the result in column C of line A3f, and on page 1, line 9, column (c).

For more information on the sales factor, refer to:  
 A.R.S. §§ 43-1145 through 43-1147  
 A.A.C. R15-2D-801 through R15-2D-807, and R15-2D-903  
 CTR 02-2, *Apportionment of Installment Gain*  
 CTR 07-1, *Inclusion of Short Term Investments in the Sales Factor*

**Line A4 – Total Ratio**

**Taxpayers Electing "STANDARD APPORTIONMENT"**

Add the amounts in Column C of lines A1c, A2, and A3f, and enter the total.

**Taxpayers electing "SALES FACTOR ONLY APPORTIONMENT,"** leave this line blank.

**Line A5 - Average Apportionment Ratio**

**NOTE:** *Taxpayers must exclude a factor if both the numerator and the denominator of a factor are zero. Do not exclude a factor if the numerator of the factor is zero and the denominator of that factor is greater than zero. See A.A.C. R15-2D-901(B).*

**Taxpayers Electing "STANDARD APPORTIONMENT"**

If either the property or the payroll factor is excluded, determine the average ratio by dividing the total ratio by three. If the sales factor is excluded, determine the average ratio by dividing the total ratio by two. If two of the factors are excluded, the remaining factor, without respect to any weighting, is the apportionment ratio.

**Taxpayers Electing "STANDARD APPORTIONMENT"**

Divide the total ratio, line A4, column C, by four. Express the ratio as a decimal carried out to six places. Enter the average ratio. Also, enter the ratio on page 1, line 9, column (c).

**Taxpayers Electing "SALES FACTOR ONLY APPORTIONMENT,"** leave this line blank.

**Schedule B – Schedule of Payments**

List the payment sent with the original return and all payments made by the taxpayer after the original return was filed.

If additional space is required to list all of the payments, prepare a schedule (in the same format) labeled "Schedule B – Schedule of Payments" and include the schedule with the Arizona Form 120X.

DO NOT include amounts paid for penalties and interest or payments reported on page 1, line 23.

Enter the total on Schedule B, line B4, and on page 1, line 24.

**Schedule C – Explanation of Changes**

Explain the changes made in this return. If additional space is needed, prepare a schedule (in the same format) labeled "Schedule C – Explanation of Changes" and include the schedule with the Arizona Form 120X. Include any necessary supporting documentation with the return.

**Schedule D – Adjustments to Additions to Taxable Income**

**Lines D1 through D8**

**NOTE:** *Columns (a) and (c) must be completed for each line whether or not a change has been made to a particular line. Enter an amount in column (b) only if a change has been made for that particular line.*

- **Column (a):** Enter the amounts as shown on the original return or as adjusted by any prior audit, amended return, or Department of Revenue correction notice, whichever is latest.
- **Column (b):** Enter the amount of any change(s). Include any schedules, forms, and/or statements which are necessary to

fully explain and substantiate the change(s). The amounts entered in column (b) should be the net increase or net decrease for each line that has been changed. Use a minus sign to indicate decreases entered in column (b).

- **Column (c):** Add the increase in column (b) to the amount in column (a) or subtract the decrease in column (b) from column (a). Enter the result. If the line has not been changed, enter the amount from column (a) in column (c).

The additions presented in Schedule D of Arizona Form 120X, are identical to the additions in Schedule A of Arizona Form 120 and Arizona Form 120A. (See the instructions for Arizona Form 120 or Arizona Form 120A for additional information concerning the additions.)

**Arizona Form 165PA Schedule K-1(NR):** *If a corporation received Arizona Form 165PA K-1(NR) for this taxable year, and the amount on line 3, is positive, file Arizona Form 120X for this taxable year. Enter the positive amount from line 3 of the 165PA Schedule K-1(NR) on line D8. Complete this return and submit it to the Department.*

**Line D9**

Add lines D1 through D8 in each column. Enter the amounts. Also, enter the amounts in the corresponding column(s) on page 1, line 2.

**Schedule E – Adjustments to Subtractions from Taxable Income**

**Lines E1 through E10**

**NOTE:** *Columns (a) and (c) must be completed for each line whether or not a change has been made to a particular line. Enter an amount in column (b) only if a change has been made for that particular line.*

- **Column (a)** Enter the amounts as shown on the original return or as adjusted by any prior audit, amended return, or Department of Revenue correction notice, whichever is latest.
- **Column (b):** Enter the amount of any change(s). Include any schedules, forms, and/or statements which are necessary to fully explain and substantiate the change(s). The amounts entered in column (b) should be the net increase or net decrease for each line that has been changed. Use a minus sign to indicate decreases entered in column (b).
- **Column (c):** Add the increase in column (b) to the amount in column (a) or subtract the decrease in column (b) from column (a). Enter the result. If the line has not been changed, enter the amount from column (a) in column (c).

The subtractions presented in Schedule E of Arizona Form 120X, are identical to the subtractions in Schedule B of Arizona Form 120 and Arizona Form 120A. (See the instructions for Arizona Form 120 or 120A for additional information concerning the subtractions.)

**Arizona Form 165PA Schedule K-1(NR):** *If a corporation received Arizona Form 165PA K-1(NR) for this taxable year, and the amount on line 3, is negative, file Arizona Form 120X for this taxable year. Enter the negative amount from line 3 of the 165PA Schedule K-1(NR) as a positive number on line E10(B). Complete this return and submit it to the Department.*

**Marijuana Establishments Only**

**Line O1 – Disallowed Federal Expenses**

*If the corporation is licensed by ADHS as a Marijuana Establishment or as a Marijuana Testing Facility, enter the corrected amount of disallowed federal expenses from the Arizona Schedule DFE, Disallowed Federal Expenses. **Do not enter an amount on line O2.***

*If the corporation is licensed by ADHS as a Dual Licensee that has made the election to operate on a for-profit basis, enter the corrected amount of disallowed federal expenses from the Arizona Schedule DFE, Disallowed Federal Expenses. **Do not enter an amount on line O2.***

**Line O2 – Federal Taxable Income Attributable to NMMD Operations**

*If the corporation is licensed by ADHS as a Dual Licensee that has not made the decision to operate on a for-profit basis, enter the corrected amount of its federal taxable income; attributable to its operations as an NMMD. **Do not enter an amount on line O1.***

**Line E11**

Add lines E1 through E10 in each column. Enter the amounts. Also, enter the amounts in the corresponding column(s) on page 1, line 4.

**Certification**

One or more of the following officers (president, treasurer, or any other principal officer) must sign the return. If receivers, trustees in bankruptcy, or assignees are in control of the property or business of the organization, such receivers, trustees, or assignees must sign the return.

**Paid preparers:** Sign and date the return. Complete the firm name and address lines (the paid preparer’s name and address, if self-employed).

Paid preparers must provide a Tax Identification Number (TIN). Paid preparers that fail to include their TIN may be subject to a penalty.

The TIN for a paid preparer may be one of the following:

- The preparer’s PTIN,
- The EIN for the business,
- The individual preparer’s social security number (SSN), if self-employed.

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Please type or print. Include with your return.

For the calendar year 2022 or fiscal year beginning MM,MM,DD,2022 and ending MM,MM,DD,20YY.

For the first taxable year a consolidated return is filed, this form must be completed by each subsidiary and included with the return.

Name	Employer Identification Number (EIN)
------	--------------------------------------

Address – Number and street or PO Box

City, Town or Post Office	State	ZIP Code
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Name of Common Parent Corporation	Employer Identification Number (EIN)
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The subsidiary corporation named above authorizes its common parent corporation to include it in a consolidated return for the taxable year indicated. The authorization also applies to each succeeding taxable year, unless the department consents to a change of filing method.

**Signature**

<b>Declaration</b>	Under penalties of perjury, I declare that the subsidiary named above has authorized me to sign this form on its behalf, that I have examined this form and the information contained herein, and to the best of my knowledge and belief, it is correct and complete.		
<b>Please Sign Here</b>	SIGNATURE OF CORPORATE OFFICER	DATE	TITLE
	PRINTED NAME OF CORPORATE OFFICER		PHONE NUMBER (with area code)

**General Instructions**

**Purpose of Form**

The common parent of an affiliated group that files a federal consolidated return may elect to file an Arizona consolidated return.

- The election by the common parent is effective only if it is accompanied by written consents to the election signed by each of the members of the affiliated group.
- Each subsidiary corporation in the federal consolidated group uses this form to consent to the election made by the common parent.
- The consent form must be signed by a current officer of each subsidiary in the affiliated group.
- The election must be made by the common parent on or before the due date, including any extensions, for filing the original return (Form 120).
- The completed Form(s) 122 must be included with Form 120 filed with the department for the first taxable year a consolidated return is filed.

**How to Make an Election to File an Arizona Consolidated Return**

- Complete a separate Form 122 for each subsidiary included in the federal affiliated group for the taxable year for which the election is made.
- The Form 122 for each subsidiary must be signed by a current officer of that subsidiary.
- File all of the completed Form(s) 122 (for each subsidiary included in the federal affiliated group) AND the tax return by the due date, including extensions, for filing the original return.

**NOTE:** Refer to A.R.S. § 43-947 and Form 120 instructions for further information regarding the election to file an Arizona consolidated return.

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# 2022 PARTNERSHIP HIGHLIGHTS

## Partnership Returns

A partnership that has no Arizona income, deductions, or credits for a taxable year is not required to file a partnership return for that year.

## Inclusion of Federal Return with Arizona Return

The department requests that partnerships include a copy of their “as-filed” federal Form 1065 and all its schedules and attachments with their Arizona return.

## Partnerships and the Pass-Through Entity Election

For taxable years beginning from and after December 31, 2021 the shareholders of a partnership may consent to be taxed at the entity level in Arizona. The Arizona PTE income tax is assessed at a rate of 2.98% of the income attributable to the partnership’s resident partners and the income derived from sources within Arizona attributable to the nonresident partners.

This election must be made by the partnership no later than the due date or extended due date of its return. Partners that are not individuals or estates and trusts may not participate in this election. Partners who are individuals or estates and trusts who opt out of this election also may not participate in this election.

For additional information, see the instructions for Form 165.

## Bipartisan Budget Act of 2015 (P.L. 114-74)

For taxable years beginning after December 31, 2017, partnerships must elect NOT to participate in the federal imputed underpayment assessment program. Only those partnerships that issue 100 or fewer statements under Section 6031(b) of the Internal Revenue Code with respect to its partners may elect not to participate.

- If a partnership is issued a federal imputed underpayment adjustment by the IRS, that partnership must file the federal changes to Arizona using Arizona Form 165PA.
- If a partnership does not receive a federal imputed underpayment assessment from the IRS, it will file its federal changes to Arizona on an amended Arizona Form 165.

## Electronic Filing of Partnership Tax Returns

*Electronic filing of Arizona partnership income tax returns is required for the 2022 taxable year.* Please see the department’s website at <https://azdor.gov> for a list of approved software vendors.

Any partnership that is required to file its income tax return electronically may apply to the director for an annual waiver from the electronic filing requirement. The waiver may be granted and renewed for one subsequent year if any of the following apply:

- The partnership has no computer.
- The partnership has no internet access.
- Any other circumstance considered to be worthy by the director.

Waivers are granted on an annual basis and expire at the end of the requested tax year. Waivers must be renewed each calendar year. If a waiver is not renewed, you will be subject to statutory electronic filing and payment requirements at the expiration of your waiver.

To request a waiver, submit Arizona Form 292, *Electronic Filing and Payment Waiver Application*, to the department. Arizona Form 292 is available at:

<https://azdor.gov/forms/other-forms/electronic-filing-and-payment-waiver-application>.

A waiver is not required if the partnership tax return cannot be electronically filed for reasons beyond the taxpayer’s control, including situations in which the taxpayer was instructed by either the Internal Revenue Service or the Arizona Department of Revenue to file by paper.

Please contact the department at [azefile@azdor.gov](mailto:azefile@azdor.gov) if you need assistance in electronically submitting your Arizona partnership tax return.

*Partnerships filing their partnership return electronically* must electronically submit Schedule(s) K-1 and K-1(NR) to the department.

*Partnerships filing their partnership return by paper* may submit Schedule(s) K-1 and K-1(NR) to the department by CD, DVD, flash drive (Optical Media), or by paper.

## Change to MSP Election

Effective for taxable years beginning from and after December 31, 2019, the Multistate Service Provider election includes sales from services or *sales from intangibles* in its calculation. This includes sales derived from credit and charge card receivables, including fees, merchant discounts, interchanges, interest and related revenue. See the instructions for the MSP for additional information.

## Changes to Tax Credits

### Credits Repealed

- The Environmental Technology Facility Credit, claimed on Form 305, has been repealed for taxable years beginning from and after December 31, 2021.
- The Employment Credit for Healthy Forest Enterprises, claimed on Form 332, has been repealed for taxable years beginning from and after December 31, 2021.

### New Tax Credit

- Affordable Housing Tax Credit - A.R.S. § 43-1163 provides for a nonrefundable credit for projects in Arizona that qualify for the federal low-income housing tax credit under Section 42 of the IRC. For more information, refer to the instructions for Form 354.

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**Part 2 - Calculation of Partnership Tax to be Paid at the Entity Level**

**Complete only if the Partnership answered "Yes" to Question A on page 1.**

**Calculation of the income attributable to partners:**

- 8 Enter the amount from line 5. 8  00
- 9 Add lines E1 and E4 in column (c) of Schedule E. Enter the total. This is the total of the ownership shares for all **resident** individual partners and all resident estate and trust partners that did not opt out of the partnership's **election to pay tax at the entity level.** (See Instructions)..... 9
- 10 Multiply line 8 by line 9. Enter the result. **This is the partnership income attributable to resident individual partners and resident trust and estate partners that did not opt out of the partnership's election to pay tax at the entity level.** ..... 10  00
- 11 Add lines E2 and E5 in column (c) of Schedule E. Enter the total. This is total of the ownership shares for all nonresident individual partners and all nonresident estate and trust partners that did not opt out of the partnership's election to pay tax at the entity level. (See Instructions)..... 11
- 12 Multiply line 8 by line 11. Enter the result. **This is the partnership income attributable to nonresident individual partners and nonresident trust and estate partners that did not opt out of the partnership's election to pay tax at the entity level.** ..... 12  00
- 13 Enter the amount from line E3, column (c) of Schedule E. This is the total of the ownership shares for all part-year resident partners that did not opt out of the partnership's election to pay tax at the entity level. (See Instructions) ..... 13
- 14 Multiply line 8 by line 13. Enter the result. This is the partnership income attributable to part-year resident partners that did not opt out of the partnership's election to pay tax at the entity level..... 14  00
- 14A Enter the portion of line 14 that all part-year residents earned while residents of Arizona.** ..... 14A  00
- 14B Enter the portion of line 14 that all part-year residents earned while nonresidents of Arizona.**..... 14B  00

*NOTE: The total of lines 14A and 14B must equal the amount reported on line 14.*

- 15 Enter the amount from line E7, column (c) of Schedule E. This is the total of the ownership shares for all partners that opted out of the partnership's election to be taxed at the entity level and all entity partners that **are not eligible** to make the election. (See Instructions)..... 15
- 16 Multiply line 8 by line 15. Enter the result. **This is the partnership income attributable to partners that opted out of the partnership's election to pay tax at the entity level and to entities that are not eligible to make that election.** ..... 16  00

**Calculation of the tax attributable to partners that did not opt out of the PTE election:**

- 17 Add line 10 and line 14A. Enter the total. .... 17  00
- 18 Multiply the amount on line 17 by the PTE tax rate, 2.98% (0.0298) Enter the result. **This is the amount of the tax attributable to resident partners and part-year resident partners (during the period of residency) that did not opt out of the partnership election to pay tax at the entity level** ..... 18  00
- 19 Add line 12 and line 14B. Enter the total. .... 19  00
- 20 Enter the Arizona apportionment ratio from Schedule C or Schedule ACA..... 20
- 21 Multiply the amount on line 19 by line 20. Enter the result. .... 21  00
- 22 Multiply the amount on line 21 by the PTE tax rate, 2.98% (0.0298). Enter the result. **This is the amount of the tax attributable to nonresident partners and part-year resident partners (during the period of nonresidency) that did not opt out of the partnership election to pay tax at the entity level.**..... 22  00

**Calculation of the Partnership's PTE Tax, Interest and Penalties:**

- 23 Add line 18 and line 22. Enter the total. **This is the total amount of tax owed by the Partnership**..... 23  00
- 24 Extension payment made with Form 120/165EXT ..... 24  00
- 25 Estimated Tax Payments ..... 25  00
- 26 Total tax payments. Add line 24 and line 25. Enter the total. For amended returns, see the instructions. .... 26  00
- 27 Balance of tax due. If line 23 is greater than line 26, subtract line 26 from line 23. Enter the difference. Skip line 28 ..... 27  00
- 28 Overpayment of PTE Tax: If line 26 is greater than line 23, subtract line 23 from line 26. Enter the difference..... 28  00
- 29 Penalty and interest ..... 29  00
- 30 Estimated tax underpayment penalty. If Form 220/PTE is included, check box  30  00
- 31 Total Tax and Penalties Due: See instructions ..... 31  00
- 32 **OVERPAYMENT of Tax** See instructions..... 32  00



Name (as shown on page 1)	EIN
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**SCHEDULE D Partner Information**

Complete Schedule D for all partners in the partnership. If the partnership has more than 10 partners, include additional schedules as necessary.

	(a) Partner Name	(b) Street Address	(d) Partner Tax Identification Number	(e) Resident (R) Nonresident (N) Part-Yr Res (P) Estate/Trust (E) Other Entity (O)	(f) Partner's Ownership Percentage	(g) Distributive Share of Income Page 1, Line 5
		(c) City, State ZIP				
D1						
D2						
D3						
D4						
D5						
D6						
D7						
D8						
D9						
D10						
Include additional sheets as necessary						

**SCHEDULE E Summary of Partner Information -- See Instructions**

	(a) Partner Consent to PTE Election	(b) Partner Count	(c) Partners' Ownership Share
E1	Individual resident partners who did not opt out of the election.....		
E2	Individual nonresident partners who did not opt out of the election. ....		
E3	Individual part-year resident partners who did not opt out of the election. ....		
E4	Resident estate and trust partners who did not opt out of the election. ....		
E5	Nonresident estate & trust partners who did not opt out of the election.....		
E6	Add lines E1 through E5. Enter the totals. These are the totals for the partners who did not opt out of the PTE election. ....		
E7	Partners that opted out of the election or are excluded from making the election .....		
E8	Total partner count and total partnership ownership share. Add lines E6 and E7 in columns (b) and (c). Enter the totals. (Column (c) should equal 1.000000.) .....		

**SCHEDULE F Schedule of Tax Payments Applied to Partnership PTE Tax Liability**

	(a) Payment Date	(b) Estimated Tax Payment	(c) Extension Payment
F1	MM DD YY	00	00
F2	MM DD YY	00	00
F3	MM DD YY	00	00
F4	MM DD YY	00	00
F5	MM DD YY	00	00
F6	MM DD YY	00	00
F7	Total Tax Payments	00	00

**SCHEDULE G Business Information**

**G1. Describe briefly the nature and location(s) of the partnership's Arizona business activities:**

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**G2. Describe briefly the nature and location(s) of the partnership's business activities outside of Arizona:**

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<b>Declaration</b>	I, the undersigned partner of the partnership for which this return is made, declare under penalty of perjury, that this return, including the accompanying schedules and statements, has been examined by me and is to the best of my knowledge and belief, a correct and complete return, made in good faith, for the taxable year stated pursuant to the income tax laws of the State of Arizona.		
<b>Please Sign Here</b>	PARTNER'S SIGNATURE	DATE	TITLE
	PARTNER'S PRINTED NAME		
<b>Paid Preparer's Use Only</b>	PAID PREPARER'S SIGNATURE	DATE	PAID PREPARER'S TIN
	PAID PREPARER'S PRINTED NAME		
	FIRM'S NAME (OR PAID PREPARER'S NAME, IF SELF-EMPLOYED)		FIRM'S EIN
	FIRM'S STREET ADDRESS		FIRM'S TELEPHONE NUMBER
	CITY	STATE	ZIP CODE

**This form must be e-filed unless the partnership has a waiver or is exempt from e-filing.  
See instructions for details.**

**Adjustment of Partnership Income From Federal to Arizona Basis Continued**

**SCHEDULE A: Additions to Partnership Income**

**A3 Additions related to Arizona tax credits:**

A Agricultural Water Conservation System Credit .....	<b>A</b>	00
B Credit for Taxes Paid for Coal Consumed in Generating Electrical Power.....	<b>B</b>	00
C Credit for Employment of TANF Recipients.....	<b>C</b>	00
D Agricultural Pollution Control Equipment Credit:		
1 Excess Federal Depreciation or Amortization.....	<b>D1</b>	00
2 Excess in Federal Adjusted Basis.....	<b>D2</b>	00
E Total Additions Related to Arizona Tax Credits:		
Enter this amount on page 1, Schedule A, line A3 .....	<b>E</b>	00

**A4 Other additions to partnership income:**

A Positive Partnership Income Adjustment .....	<b>A</b>	00
B Federal Depreciation of Child Care Facilities .....	<b>B</b>	00
C Expenditures for the Americans with Disabilities Act.....	<b>C</b>	00
D Total Other Additions to Partnership Income		
Enter this amount on page 1, Schedule A, line A4.....	<b>D</b>	00

**SCHEDULE B: Subtractions From Partnership Income**

**B5 Other subtractions from partnership income:**

A Negative Partnership Income Adjustment .....	<b>A</b>	00
B Mine Exploration Expenses.....	<b>B</b>	00
C Interest on Federally Taxable Arizona Obligations Evidence by Bonds.....	<b>C</b>	00
D Wood Stoves, Wood Fireplaces or Gas-Fired Fireplaces .....	<b>D</b>	00
E Expenses Related to Certain Federal Credits:		
1 Work Opportunity Credit .....	<b>E1</b>	00
2 Empowerment Zone Employment Credit.....	<b>E2</b>	00
3 Credit for Employer-Paid Social Security Taxes on Employee Cash Tips .....	<b>E3</b>	00
4 Indian Employment Credit .....	<b>E4</b>	00
F Expenditures for the Americans with Disabilities Act.....	<b>F</b>	00
G Marijuana Establishments Only (see instructions)		
Disallowed Federal Expenses.....	<b>G</b>	00
H Total Other Subtractions from Partnership Income		
Enter this amount on page 1, Schedule B, line B5.....	<b>H</b>	00

**2022 Arizona Partnership Income Tax Return**

**For information or help, call one of the numbers listed:**

Phoenix (602) 255-3381  
 From area codes 520 and 928, toll-free (800) 352-4090

**Tax forms, instructions, and other tax information**

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

**Income Tax Procedures and Rulings**

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website and select *Reports & Legal Research* from the main menu, then click on *Legal Research* and select a Document Type and a Category from the drop down menus.

**Publications**

To view or print the department's publications, go to our website, select *Reports & Legal Research* from the main menu, and click on *Publications* in the left hand column.

**General Instructions**

**Who Must Use Arizona Form 165**

File Arizona Form 165 for every domestic partnership including syndicates, groups, pools, joint ventures, and every foreign partnership (syndicate, pool, etc.) required to file an Arizona Partnership Income Tax Return.

**Disaster Relief for Out-of-State Businesses**

If an out-of-state partnership is in Arizona on a temporary basis solely for the purpose of performing disaster recovery from a declared disaster during a disaster period, it may not be required to file, remit, withhold or pay state or local (income) tax. See the department's publication, Pub. 720, *Disaster Recovery Tax Relief* to determine if the taxpayer qualifies.

**NOTE:** *A partnership that has no Arizona income, deductions or credits for taxable year 2022 is not required to file a partnership return for that year.*

**Entity Classification under the Federal "Check-the-Box Rules"**

The federal tax classification of an entity under the federal "check-the-box rules" determines the entity's classification for Arizona tax purposes. Refer to the department's ruling, PTR 97-1, *Federal "Check-The-Box Rules" on Elective Tax Classification*, for further information.

**Limited Liability Companies**

A limited liability company (LLC) that is classified as a partnership for federal income tax purposes must file Arizona Form 165.

A single-member LLC that is disregarded as an entity for federal income tax purposes is treated as a branch or division of its owner, and is included in the tax return of its owner. Refer to the department's ruling, PTR 97-2, *Limited Liability Companies*, for further information.

**Marijuana Establishments, Marijuana Testing Facilities, Dual Use Licensees and Nonprofit Medical Marijuana Dispensaries**

- A partnership licensed by the Arizona Department of Health Services (ADHS) as a Marijuana Establishment (Adult Use) or as a Marijuana Testing Facility (Adult Use), must file an

Arizona Partnership Income Tax Return – Arizona Form 165 to report the income and expenses of its operations for the taxable year.

- A partnership licensed by ADHS as a Dual Use Licensee (Dual Use) that elected to operate on a for-profit basis, must file an Arizona Form 165 to report the income and expenses of ALL its operations for the taxable year.
- A partnership licensed by ADHS as a Dual Licensee that did not elect to operate on a for-profit basis, must file Arizona Form 99M to report the income and expenses from the NMMD portion of its operations, and file Arizona 165. The Dual Licensee that did not elect to operate on a for-profit basis must also complete Arizona Form 165 Schedules K-1 and K-1(NR) and provide copies of each partner's respective K-1 or K-1(NR) to the partner as the partners are not exempt from Arizona income tax.
- A partnership registered by ADHS as a Nonprofit Medical Marijuana Dispensary **only**, must file Arizona Form 99M AND Arizona Form 165 to report the income and expenses from its operation as an NMMD. The NMMD must also complete Arizona Form 165 Schedules K-1 and K-1(NR) and provide copies of each partner's respective K-1 or K-1(NR) to the partner as the partners are not exempt from Arizona income tax.

**Partnerships Making the Pass-Through Entity Election**

For taxable years beginning from and after December 31, 2021, the partners of a business that is taxed at the federal level as a partnership may consent to have its flow-through (or pass-through) income taxed at the entity level in Arizona. The Arizona PTE income tax is assessed at a rate of 2.98% of the income attributable to the partnership's resident partners and the income derived from sources within Arizona attributable to the nonresident partners.

The PTE election must be made by the partnership no later than the due date or extended due date of its Arizona income tax return, Arizona Form 165.

**NOTE:** *If the PTE election is not made on a timely-filed original return (Arizona Form 165), including extensions, the PTE election will be denied and all related tax payments made will be refunded to the partnership.*

A partnership that intends to make this election must notify all partners who are individuals or estates and trusts (eligible partners) of the intent to make this election. Each eligible partner has the right to opt out of this election. The notice must allow each eligible partner at least 60 days after receiving the notice to exercise the right to opt out of the election. If the eligible partner does not respond, that partner will be included in the election.

Partners that are not individuals or estates and trusts (ineligible partners) may not participate in this election. Partners who are individuals or estates and trusts who opt out of this election also may not participate in this election.

If the partnership making this election does not pay the tax owed to the department, the department may collect the tax owed by the partnership from its eligible partners based on the proportionate share of income attributable to each eligible partner for Arizona tax purposes.

Partnerships whose taxable income for the previous year exceeds \$150,000 must make payments of estimated tax. Estimated tax

payments are due April 15<sup>th</sup>, June 15<sup>th</sup>, and September 15<sup>th</sup> of the current taxable year and January 15<sup>th</sup> of the year following the close of the taxable year. (For taxable years that do not begin January 1<sup>st</sup>, the due dates for estimated tax payments are the 15<sup>th</sup> day of the 4<sup>th</sup>, 6<sup>th</sup>, and 9<sup>th</sup> months of the current taxable year and the 15<sup>th</sup> day of the 1<sup>st</sup> month following the close of the taxable year.)

### Records

Every partnership should maintain books and records substantiating information reported on the return and keep these documents for inspection. See the department's ruling, (GTR) 96-1, *Electronic Data Processing*, for more information about record retention requirements.

### IRC § 7519 - Required Payments

Taxpayers cannot deduct the federal required payments on their Arizona tax returns as an ordinary and necessary business expense or otherwise.

### Rounding Dollar Amounts

Partnerships must round amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.

#### Examples:

*Partnership A (A) reports federal taxable income of \$15,000. A has no Arizona additions to, or subtractions from, federal taxable income. Its apportionment ratio is .326954. A multiplies the federal taxable income by the apportionment ratio. The result is \$4,904.31. Partnership A rounds the result to \$4,904.00.*

*Partnership W (W) reports a federal taxable loss of (\$27,000). W has no Arizona additions to, or subtractions from, its federal taxable loss. Its apportionment ratio is .005946. W multiplies its federal loss of (\$27,000) by the apportionment ratio. The result is an Arizona loss of (\$160.54). Partnership W rounds the result to (\$161.00).*

*Partnership Z (Z) reports a federal taxable loss of (\$500). Z has no Arizona additions to, or subtractions from, federal taxable income. Its apportionment ratio is .075000. Z multiplies its federal loss of (\$500) by the apportionment ratio. The result is an Arizona loss of (\$37.50). Partnership Z rounds the result to (\$38.00).*

### Timely filing of returns

- The department determines the timeliness of an electronically filed tax return by the date of the electronic postmark. If the taxpayer and the electronic return preparer or the electronic return transmitter are in different time zones, it is the taxpayer's time zone, as determined by the taxpayer's address, that controls the timeliness of the electronically filed return. When a return has been electronically received on the host system of more than one electronic return preparer or electronic return transmitter during its ultimate transmission to the department, the return shall be deemed filed and received by the department on the date of the earliest electronic postmark.
- The department determines the timeliness of a tax return by the postmark or other official mark of the United States Mail stamped on the envelope in which the return is mailed. See the department's ruling, GTR 16-1, *Timely*

### *Filing of Income or Withholding Tax Return Through the United States Mail.*

- The department will accept proof of mailing from a private delivery service included in the Internal Revenue Service (IRS) list of designated private delivery services. Contact the private delivery service for information regarding how to obtain written proof of mailing.
- If the due date for the return falls on a Saturday, Sunday, or a legal holiday, the return is considered timely filed if it is post-marked the next business day. See the department's ruling, GTR 16-2, *Timely Filing of Income or Withholding Tax Return – Holidays and Weekends*.

**IMPORTANT:** *All partnership returns are due on or before the 15<sup>th</sup> day of the third month following the close of the taxable year.*

### Extension of Time to File a Return

- A request for an extension of time to file an Arizona partnership return **must** be submitted by the original due date of the return.
- The extension request can be made by filing an Arizona extension request, Arizona Form 120/165EXT, or by filing a federal extension.
- You may file Form 120/165EXT electronically or by mail. If mailing, submit Form 120/165EXT to:  
Arizona Department of Revenue  
P O Box 29079  
Phoenix, AZ 85035-9079
- If the original return is filed under extension, do not include a copy of the extension with your return. However, make sure to check the extension box 82E on page 1 of your return.

**Partnerships filing Composite Returns:** *Use Arizona Form 204 to request an extension of time to file a composite return on Arizona Form 140NR for qualifying nonresident individual partners.*

### Filing Original Returns

- Returns are due by the 15th day of the third month following the close of the taxable year.
- A partnership filing a short-period return must file the return by the 15th day of the 3rd month after the short-period ends.
- If the partnership has a valid federal or Arizona extension, the return is due by the extended due date.
- If the return is filed under extension, check box 82E on page 1 of the return.
- If the original due date or extended due date for the return falls on a Saturday, Sunday, or a legal holiday, the return is considered timely filed if it is post-marked the next business day. See the department's ruling, GTR 16-2, *Timely Filing of Income or Withholding Tax Return – Holidays and Weekends*.
- The department requests that partnerships include a copy of their "as-filed" federal Form 1065 and all its schedules and attachments with their Arizona return.
- Submit the return to the department electronically unless the partnership has been granted a waiver pursuant to A.R.S. §43-323(F), or has been directed to file a paper return by the IRS or by the department.
- The return must be signed by a partner of the partnership.



- Do not submit a blank Arizona return with a copy of the federal return. Partnerships must:
  - Furnish complete data,
  - Answer all questions on the return,
  - Complete all applicable schedules, and,
  - Include all appropriate supplementary schedules.
- You must electronically submit Arizona Form 165 unless you have one of the following:
  - A federal waiver from electronically filing your federal return.
  - You meet one of the federal exemptions from electronically filing your federal return.
  - You received an Arizona filing waiver.
  - You meet one of the Arizona exemptions from electronically filing your Arizona return.
  - You have been directed by the IRS or the department to paper file your return.
- If you have been granted a waiver from electronically filing Arizona Form 165, or you are not required to e-file your return, mail the return to:
 

Arizona Department of Revenue  
P.O. Box 52153  
Phoenix, AZ 85072-2153
- The department requests that partnerships include a copy of their “as-filed” federal Form 1065 and all its schedules and attachments with their Arizona return.

### Taxable Year Covered by Return

The partnership must have the same taxable year for Arizona purposes as it has for federal purposes.

File the 2022 Arizona Form 165 for calendar year 2022, and fiscal years that begin in 2022 and end in 2023. Indicate whether the taxable year is a calendar year or a fiscal year. If the return is for a fiscal year, indicate the beginning and ending dates for the year in the space(s) provided at the top of page 1.

The 2022 Arizona Form 165 can also be used if the partnership has a tax year of less than 12 months that begins and ends in 2023 and the 2023 Arizona Form 165 is not available at the time the partnership is required to file its return. The partnership must show its 2023 year on the 2022 Arizona Form 165 and take into account any tax law changes that are effective for tax years beginning after December 31, 2022. If submitting the 2022 Arizona Form 165 for a 2023 short-period return, submit a paper-filed return. Do not submit this short-period return electronically.

### Filing Amended Returns

Partnerships that are subject to the BBA centralized partnership regime (BBA) must submit Arizona Form 165PA to report changes to their federal return either as the result of a federal imputed underpayment assessment and (amended) returns for which an administrative adjustment request (AAR) was filed by the partnership.

Partnerships that made the election to opt out of the BBA for taxable year 2022 must use an amended Arizona Form 165 to report changes to their federal return.

Electronic filing of amended partnership returns (Arizona Form 165) for the 2022 taxable year is available. Partnerships that filed their amended federal return electronically must submit their Arizona amended return electronically.

Partnerships that had a waiver, or were directed to file a paper by the IRS or the department, submit the amended return to the address indicated below.

- Any partnership that files an amended return with the IRS must file an Arizona amended return on Arizona Form 165 within 90 days of final determination of the federal amended return by the IRS.
- When submitting an amended Arizona Form 165, check the box labeled “Amended” in the upper right corner of page 1.
- Partnerships must report changes or corrections of the partnership’s taxable income by the IRS or as a result of renegotiation of a contract or subcontract with the United States to the department.
- Within 90 days after the final determination of the change or correction, the partnership must:
  - File a copy of the final determination with the department, concede the accuracy of the determination or state any errors, and request that the department recompute the tax owed Arizona, or,
  - File an amended return as required by the department.
- The partnership must provide sufficient information for the department to recompute the partnership’s Arizona taxable income based on the Revenue Agent Report changes.
- The department may require the partnership to file an amended return if the department does not have the necessary information to recompute the tax owed to Arizona.
- If the amended return is due to federal changes, either an RAR or an amended return, please include a copy of the amended return or RAR with the amended return.
- If the amended federal return was filed electronically, submit the Arizona amended return electronically. If the amended federal return was filed as a paper return, or if electronic filing is unavailable, mail Arizona Form 165 to:

**Arizona Department of Revenue**  
**PO Box 52153**  
**Phoenix, AZ 85072-2153**

- Amended returns not based on federal changes should include any schedules, forms, and/or statements that are necessary to fully explain and substantiate the change(s).
- File an amended 2022 Arizona Form 165 to amend only taxable year 2022. File amended returns for prior years on the respective amended Arizona Form 165 for those taxable years.

**NOTE:** Do not use this form to report changes from the filing of an amended federal Form 1065 if the partnership is subject to the BBA centralized audit regime. Report any federal imputed underpayment assessment resulting from an audit or from filing an administrative adjustment request (AAR) on Arizona Form 165PA.

### Electronic Filing of Partnership Tax Returns

**Electronic filing of Arizona partnership income tax returns is required for the 2022 taxable year.** Please see the department’s website at <https://azdor.gov/e-services/approved-vendors> for a list of approved software vendors.

### Which Partnerships Are Not Required to Electronically File (e-file) Their Arizona Partnership Income Tax Return?

- Partnerships that cannot e-file their federal return cannot e-file their Arizona return.
- Any partnerships that was granted a federal waiver from filing its federal return is not required to e-file its Arizona return.
- Any partnerships having a federal exemption from electronically filing its federal return is not required to e-file its Arizona return.
- Any partnerships having an Arizona filing waiver or an Arizona exemption is not required to e-file its Arizona return.
- A partnership submitting the 2022 Arizona Form 165 for a 2023 short period return, submit a paper filed return. Do NOT submit this short period return electronically.
- Any partnership that has been directed to file a paper return by the IRS or by the department.
- Due to system constraints, the department’s computer system can handle an electronically filed return up to 20MB is size. The department requests that returns in excess of 20MB be filed as a paper return.

**Requesting an Electronic Filing Waiver**

Any partnership who is required to file its income tax return electronically may apply to the director for an annual waiver from the electronic filing requirement. The waiver may be granted, which may be renewed for one subsequent year, if any of the following apply:

- The partnership has no computer.
- The partnership has no internet access.
- Any other circumstance considered to be worthy by the director.

Waivers are granted on an annual basis and expire at the end of the requested tax year. Waivers must be renewed each calendar year. If a waiver is not renewed, you will be subject to statutory electronic filing requirements at the expiration of your waiver.

To request a waiver, submit Arizona Form 292, *Electronic Filing and Payment Waiver Application*, to the department. Arizona Form 292 is available at:

<https://azdor.gov/forms/other-forms/electronic-filing-and-payment-waiver-application>.

A waiver is not required if the partnership tax return cannot be electronically filed for reasons beyond the taxpayer’s control, including situations in which the taxpayer was instructed by either the Internal Revenue Service or the Arizona Department of Revenue to file by paper.

Please contact the department at [azefile@azdor.gov](mailto:azefile@azdor.gov) if you need assistance in electronically submitting your Arizona partnership tax return. If your return has been rejected, please include the Arizona submission ID and the form type (Form 165) in your correspondence.

**Submitting Arizona Form 165 Schedule(s) K-1 and Arizona Form 165 Schedule(s) K-1(NR)**

Schedules K-1 and K-1(NR) [Notice] are an integral part of the partnership return. File one copy of each partner’s Notice with the partnership return. Provide each partner with a copy of their completed Notice. Retain a copy of each completed Notice for the partnership’s records.

For calendar year filers, check the box, “calendar year 2022.” For fiscal year filers, check the box, “fiscal year” and enter the

beginning and ending dates for the fiscal year. If this is a short-period return, indicate the beginning and ending dates for the short period.

**NOTE:** See pages 16 and 18 for instructions on completing Arizona Form 165, Schedule(s) K-1 and K-1(NR).

**Partnerships filing their partnership return electronically** must electronically submit Schedule(s) K-1 and K-1(NR) to the department.

**NOTE:** Due to system constraints, the department’s computer system can handle an electronically filed return up to 20 MB in size. This accommodates a partnership’s return and approximately 11,000 Arizona Form 165 Schedule(s) K-1 and/or K-1(NR) [Schedules K-1 and K-1(NR)]. Partnerships submitting Arizona Form 165 with more than 11,000 Schedules K-1 and/or K-1(NR) **must file a paper return**. The department requests those partnerships submit their Schedules K-1 and/or K-1(NR) by CD, DVD, or flash drive. Please refer to the section below, “OPTIONAL REPORTING FORMAT...” for additional information.

**Partnerships filing their partnership return by paper** may submit Schedule(s) K-1 and K-1(NR) to the department by CD, DVD, flash drive (Optical Media), or by paper. Partnerships choosing to submit Schedules K-1 and K-1(NR) using Optical Media, see the information presented below.

**OPTIONAL REPORTING FORMAT for Schedule(s) K-1 and Schedule(s) K-1(NR) required to be included with Arizona Form 165:** The department will accept a hard copy spreadsheet that contains all the requested information, or the information may be submitted on electronic media as a Microsoft Excel spreadsheet on a CD, DVD or flash drive (Optical Media). The document submitted by Optical Media must be Microsoft Windows compatible.

Partnerships submitting the information on Optical Media should secure it in a hard case and include it with the tax return. The Schedule(s) K-1 and Schedule(s) K-1(NR) submitted on Optical Media are part of the income tax return and are subject to the sworn statement on the return that they are correct to the best of the signer’s knowledge and belief.

The Optical Media should be labeled with the partnership’s name, employer identification number (EIN), taxable year and Arizona Form 165, Schedule K-1/K-1(NR). Partnerships may password protect the Optical Media and email the password separately to [MediaLibrarian@azdor.gov](mailto:MediaLibrarian@azdor.gov). Include “Arizona Form 165, Schedule K-1/K-1(NR)” in the subject line of the email. In the body of the email, include the same information that is on the label. If the Optical Media is password protected, include the email address the password originated from on the label of the Optical Media.

Mail the Optical Media to:

Arizona Department of Revenue  
 Attention: Media Librarian  
 P.O. Box 52153  
 Phoenix, AZ 85072-2153

**The department will not return or copy any media.**

**CAUTION:** The partnership substitutes the Optical Media at its own risk and understands that the information may need to be

*provided to the department again at a later date if it is not accessible by the department for any reason.*

### Payment of Tax, Penalties, and Interest

The entire amount of tax, penalties, and interest is due by the original due date of the return.

### Payment by Electronic Funds Transfer

Partnerships making the PTE election with a tax liability of \$500 or more for the 2022 taxable year must pay their tax liability by Electronic Funds Transfer (EFT).

**NOTE:** *If a partnership was required to pay its 2022 tax liability by EFT, it must also pay any additional tax due from an amended return by EFT.*

### Requesting a Waiver From the EFT Requirement

A partnership may apply to the director for an annual waiver from the electronic payment requirement. The application must be received by December 31 of each year. The director may grant the waiver if any of the following applies:

- The partnership has no computer.
- The partnership has no internet access.
- Any other circumstance considered to be worthy by the director exists, including:
  - The partnership has a sustained record of timely payments, and,
  - No delinquent tax account with the department.

To request a waiver, submit Arizona Form 292, *Electronic Filing and Payment Waiver Application*, to the department. Arizona Form 292 is available at:

<https://azdor.gov/forms/other-forms/electronic-filing-and-payment-waiver-application>.

**NOTE:** *A taxpayer who is required to pay by EFT but who fails to do so is subject to a penalty of 5% of the amount of the payment not made by EFT. See A.R.S. § 42-1125(O).*

*For additional information on electronic funds transfer, refer to A.R.S. § 42-1129 and the related Arizona Administrative Code rules (A.A.C. R15-10-301 through R15-10-307) for detailed information.*

### How to Make EFT Payments

Partnerships making an EFT payment from a checking or savings account or by credit card are no longer required to register with the department prior to making EFT payments for tax year 2022. Visit AZTaxes.gov, click “Make a Corporation/S Corporation/Partnership Payment” and follow the prompts.

- **Electronic payment from checking or savings account/e-check/ACH Debit.**

Payments can be made electronically from a checking or savings account. Go to: [www.AZTaxes.gov](http://www.AZTaxes.gov), click “Make a Corporation/S Corporation/Partnership Payment”, follow the prompts, and choose the e-check option. Follow the prompts to make your payment.

There is no fee to use this method. This payment method will debit the amount from the specified checking or savings account on the date specified. **When an electronic payment is made from a checking or savings account, a**

**confirmation number will be generated. Please keep this confirmation number as proof of payment.**

- **Online credit card payment.**

Payments can be made by American Express, Discover, MasterCard, or Visa credit cards. Go to: [www.AZTaxes.gov](http://www.AZTaxes.gov), click “Make a Corporation/S Corporation/Partnership Payment”, follow the prompts, and choose the credit card option. This will take you to the website of the credit card payment service provider. Follow the prompts to make your payment.

The service provider will charge a fee based on the amount of the tax payment. The service provider will disclose the amount of the fee during the transaction and you will be given the option to continue or cancel. **If you accept the fee and complete the credit card transaction, a confirmation number will be generated. Please keep this confirmation number as proof of payment.**

- **Partnerships may also make EFT payment by ACH Credit.** Partnerships wishing to pay by ACH credit must register with the department before their ACH payment will be accepted.

To register to make ACH Credit payments, complete Arizona Form number 10366, *Electronic Funds Transfer (EFT) Disclosure Agreement for ACH Credit filers*, available here: <https://azdor.gov/forms/other-forms/electronic-funds-transfer-ef-disclosure-agreement-ach-credit-filers>. Complete the form as instructed. Submit the completed form at least ten business days before the first anticipated transaction as it may take that long to process the application.

Fax the completed form to the department at (602) 771-9913. You may also email the completed form to the department at: [electronicfundstransfer@azdor.gov](mailto:electronicfundstransfer@azdor.gov). If you have not received your approval within one week, you may direct follow-up inquiries to: [electronicfundstransfer@azdor.gov](mailto:electronicfundstransfer@azdor.gov). Once the application is processed, you will receive additional information to present to your bank to make the ACH Credit payment.

Your payment will be electronically transferred into the department’s account, normally the next business day. Consult with your bank for the timeframe required to make timely payments. You may be charged a service fee.

**NOTE:** *Partnerships using a foreign bank account to make EFT payments cannot make EFT payments by ACH Debit. The department does not accept ACH Debit payments from a foreign bank account. If the Partnership wishes to make payment from a foreign bank account by EFT, the payment MUST be made by ACH Credit. See the instructions for ACH Credit above to register and make ACH Credit payments.*

### Estimated Tax Payments

Partnerships making the Pass-Through Entity election to pay tax on its pass-through income must make Arizona estimated payments if their PTE income for the previous was in excess of \$150,000 for the taxable year. All Partnerships making the PTE election are required to make four PTE estimated payments. Those payments are due by the 15<sup>th</sup> day of the 4<sup>th</sup>, 6<sup>th</sup>, and 9<sup>th</sup> months of the taxable year. The 4<sup>th</sup> required payment is due by the 15<sup>th</sup> day of the 1<sup>st</sup> month following the close of the taxable year

Partnerships that fail to make the required estimated tax payments are subject to a penalty on any estimated tax payment which is late or underpaid.

The Arizona required annual payment of estimated tax for a partnership is the **smaller** of:

- Ninety percent of the Partnership's Arizona tax liability for the *current* taxable year; or
- One hundred percent of the portion of the *prior* taxable year's Arizona tax.

Complete Arizona Form 120/PTE-W to compute the estimated payments for 2022.

**NOTE:** Taxpayers required to make estimated payments via EFT that fail to do so are subject to a penalty of 5% of the amount of the payment not made by EFT. See A.R.S. § 42-1125(O).

For additional information on electronic funds transfer, refer to A.R.S. § 42-1129 and the related Arizona Administrative Code rules (A.A.C. R15-10-301 through R15-10-307) for detailed information.

## Penalties

### A. Late Filing Penalty

Without a valid federal or Arizona extension, a return filed after the original due date is subject to the late filing penalty. A return filed after its extended due date is also subject to the late filing penalty. The late filing penalty is 2.98% (.045) of the amount of tax required to be shown on the return. The penalty period is each month or fraction of a month between the due date of the return and the date the taxpayer filed the return. The maximum penalty is 25% of the tax found to be remaining due.

### B. Extension Underpayment Penalty

The S Corporation must pay 90% of the tax liability reported on its return by the original due date of the return. If it does not, the extension underpayment penalty is charged on any late or underpaid extension payments. The extension underpayment penalty is 0.5% (.005) of the tax not paid for each 30-day period or fraction of a 30-day period between the original due date and the date the tax is paid. The maximum penalty is 25% of the unpaid tax. Taxpayers subject to the extension underpayment penalty are not subject to the late payment penalty described in C below.

### C. Late Payment Penalty

The late payment penalty is charged on any amount shown as tax on a return that is not paid by the due date. The late payment penalty is 0.5% (.005) of the unpaid tax for each month or fraction of a month that the tax remains unpaid, not to exceed 10% of the unpaid tax.

**NOTE:** If more than one of the penalties described in A, B, or C apply, the maximum combined penalty is 25%.

**Amended Return Filers:** If you voluntarily file an amended return and pay the additional tax due when you file your amended return, the department will not assess the late payment penalty.

Exceptions are:

- The taxpayer is under audit by the department.
- The amended return was filed on demand or request by the department.

Refer to the department's ruling, CTR 09-1, *When do Penalties Apply to an Income Tax Return Filed Under an Extension*, regarding the application of penalties to returns filed under extension.

### D. Information Return Penalty

This form is an information return when no tax liability is due. The penalty for failing to file, filing late (including extensions) or filing an incomplete information return is \$100 for each month, or fraction of a month that the failure continues, up to a maximum penalty of \$500.

- If the partnership is not making the PTE election, it may be subject to the Information Return Penalty.
- If the partnership is making the PTE election and a portion of its partners opt out of its PTE election, it may be subject to the Information Return Penalty.
- If the partnership is making the PTE election and all partners do not opt out of its PTE election, it is not subject to the Information Return Penalty.

### E. Underpayment of Estimated Tax Penalty

The department imposes the underpayment of estimated tax penalty on any late payment or underpayment of a required installment of estimated tax. Refer to Arizona Form 220/PTE, *Underpayment of Estimated Tax by Corporations*, for further details.

- The partnership must complete Arizona Form 220/PTE if it made its estimated tax payments based on either the annualized income installment or adjusted seasonal installment methods, or if it is a large corporation that computed its first required installment based on the S Corporation's tax liability for the prior taxable year. This is required even if no penalty is due.
- The partnership does not have to complete Arizona Form 220/PTE if the partnership made its estimated tax payments in four equal installments based on an amount equal to either 90% of the current taxable year's tax liability or 100% of the prior year's tax liability. "Tax liability" means the liability reduced by any refundable tax credits and the claim of right adjustment, if applicable.

The department will compute the estimated tax underpayment penalty based on either of these methods and notify the partnership of any amount due.

### F. Failure to Pay by Electronic Funds Transfer

Corporations that anticipate a tax liability of \$500 or more for the taxable year must pay their tax liability by Electronic Funds Transfer (EFT).

Corporations required to pay their tax liability by EFT that fail to do so may be subject to a penalty equal to five percent (5%) of the amount of the payment not made by EFT.

### G. Interest

The department charges interest on any portion of the tax not paid by the due date. The department compounds interest annually and applies it in the same manner and at the same time as prescribed by the IRS. The Arizona rate of interest for both underpayments and overpayments for all taxpayers is the federal underpayment rate.

On January 1 of each year, the department adds any interest outstanding as of that date to the principal amount of the tax. It is then a part of the principal amount of the tax and accrues interest until paid.

## Specific Instructions

For calendar year filers, check the box, “calendar year 2022.” For fiscal year filers, check the box, “fiscal year” and enter the beginning and ending dates for the fiscal year. If this is a short-period return, indicate the beginning and ending dates for the short-period.

Type or print the required information in the name, address, and information boxes on the top of page 1. Include the Business Telephone Number (with area code), and the Business Activity Code (NAICS Code) from the partnership’s federal return.

If the taxpayer has a foreign address, enter the information in the following order: city, province or state, and country. Follow the country’s practice for entering the postal code. **Do not abbreviate the country’s name.**

Enter the partnership’s EIN. Partnerships that fail to include their EIN may be subject to a penalty. All returns, statements, or other documents filed with the department must have the partnership’s EIN indicated on them.

### Box 68

- Check Box “A” if this is the partnership’s first return filed to Arizona.
- Check Box “B” if the partnership changed its name during the tax year.
- Check Box “C” if the partnership changed its address during the tax year.

### Box 82E

Check this box if this return is being filed under extension.

### Line A

If the partnership is making the Pass-Through Entity (PTE) election to pay Arizona income tax on its flow-through income at the entity level, check “Yes”. If the partnership is not making the PTE election, check “No”.

### Line B

If the partnership operates using a different name (Doing Business As), enter that DBA.

### Line C

Enter the date the partnership began its business operations.

### Line D

If this partnership is an Arizona-only partnership check “Yes”. If not, check “No”.

### Line E

- If this is the partnership’s final return to Arizona using this EIN, check “Yes.”
- If this is not the partnership’s final return to Arizona using this EIN, check “No.”

### Line F

- Check the box indicating the method the partnership is using to apportion its income to Arizona:
  - Check Box 1, if the partnership used the Air Carrier Apportionment. Complete Arizona Form ACA and include it with this return.
  - Check Box 2, if the partnership used the Standard apportionment formula.
  - Check Box 3, if the partnership used the Sales Factor Only apportionment formula.

- If the partnership is not required to apportion its income to Arizona, leave this line blank.

### Line G

- Check this box only if the partnership elected to be treated as a Multistate Service Provider (MSP) by completing Arizona Schedule MSP and including it with this return. Check the appropriate box, 1 through 5, to indicate the year of the taxpayer’s election cycle.
- If the partnership did not elect multistate service provider treatment, leave this line blank.

### Line H

- If the partnership filed 2020 and 2021 Arizona partnership returns, check “Yes.”
- If the partnership did not file 2020 and 2021 Arizona partnership returns, check “No.” Enter the reason for not filing Arizona partnership returns on the line below.

### Line I

- If the partnership filed amended federal partnership returns for prior years, check “Yes.” List the tax years on the line below.
- If the partnership did not file amended federal partnership returns for prior years, check “No.”

### Line J

- If the IRS made adjustments to any federal income tax return the partnership filed that were not reported to the department, check the box labeled, “Yes.” List the years not reported on the line below. Submit these adjustments separately to the department using the address indicated on Arizona Form 165.
- If the partnership has reported adjustments made to its previously filed federal Forms 1065 by the IRS, check “No.”

### Line K

Enter the name and complete location of the person or entity responsible for maintaining the partnership’s books and records.

### Line L

Will a composite return be filed on Arizona Form 140NR?

- If the partnership is not making the PTE election, it may file a composite return for its nonresident partners.
- If the partnership is making the PTE election and a portion of its nonresident partners opt out of its PTE election, it may file a composite return only for those nonresident partners provided all qualifying criteria for the composite return are met, including having a minimum of 10 nonresident partners included in the composite return.
- If the partnership is making the PTE election and all its nonresident partners do not opt out of the PTE election, it may not file a composite return.

Check “Yes” if a composite return will be filed on Arizona Form 140NR. If not, check “No.”

**NOTE:** For additional information, see the instructions for Form 140NR on how to complete a composite return.

**Marijuana Establishments Only**

**Line M**

- Check Box 1 if the partnership is licensed by ADHS as an Adult Use only establishment,
- Check Box 2 if the partnership is licensed by ADHS as a Dual Licensee that has elected to operate on a for-profit basis, or
- Check Box 3 if the partnership is licensed by ADHS Dual Licensee that has not elected to operate on a for-profit basis, or
- Check Box 4 if the partnership is registered with ADHS as an NMMD only.

**Line N**

If a box on Line M is checked, enter the registry identification number issued by ADHS for that marijuana establishment.

**Adjustment of Partnership Income From Federal to Arizona Basis**

**Line 1 - Federal Ordinary Business and Rental Income**

Enter the total of ordinary income (loss) from trade or business activities, rental real estate activities, and other rental activities from the federal Form 1065, Schedule K.

**Schedule A - Additions to Partnership Income**

**Line A1 - Total Federal Depreciation**

Enter the total amount of depreciation deducted on the federal return.

**Line A2 - Non-Arizona Municipal Bond Interest**

Enter interest income received from any state or municipal obligations (other than Arizona) credited to or earned by the partnership during the taxable year. Reduce the amount of interest income by the amount of any interest on indebtedness and other related expenses incurred or continued to purchase or carry those obligations that were not otherwise deducted or subtracted in the computation of Arizona gross income. Do not include interest from obligations specifically exempt from Arizona income tax, nor any related expenses.

**Line A3 - Additions Related to Arizona Tax Credits**

Enter on line A3 the following additions to partnership income that are related to Arizona tax credits. Complete the worksheet for Schedule A, line A3 on page 6 of the return before entering the total. If you enter an amount on line A3, include the worksheet with your return.

**A. Agricultural Water Conservation System Credit**

Enter the total amount of expenses used to calculate the allowable credit claimed on Arizona Form 312 for this taxable year.

**B. Credit for Taxes Paid for Coal Consumed in Generating Electrical Power in Arizona**

Enter the amount of expenses deducted pursuant to the IRC for which the partnership claimed the credit for taxes paid for coal consumed in generating electrical power in Arizona. The addition is required for the amount of Arizona transaction privilege taxes and Arizona use taxes included in the computation of federal taxable income for which the Arizona credit is claimed on Arizona Form 318.

**C. Credit for Employment of Temporary Assistance for Needy Families (TANF) Recipients**

Enter the amount of wage expenses deducted pursuant to the IRC for which the taxpayer claimed the TANF credit on Arizona Form 320.

**D. Agricultural Pollution Control Equipment Credit**

• **Excess Federal Depreciation or Amortization**

Enter the excess of depreciation or amortization computed on the federal basis of the property for which a credit was taken, or that is pollution control equipment for which a credit was taken before taxable year 2022, over depreciation or amortization computed on the Arizona adjusted basis of the property. Make this adjustment for the property for which the partnership elected to claim a tax credit on Arizona Form 325 in a current or prior taxable year.

• **Excess in Federal Adjusted Basis**

Enter the amount by which the federal adjusted basis of the property for which a credit was taken, or that is pollution control for which a credit was taken before taxable year 2022, exceeds the Arizona adjusted basis of the property. Make this adjustment if the property for which the partnership elected to claim a tax credit on Arizona Form 325 in a prior taxable year was sold or otherwise disposed of during this taxable year.

**E. Total Additions Related to Arizona Income Tax Credits**

Add lines A through F. Enter the total. Also, enter the total on Page 1, line A3.

**Line A4 - Other Additions to Partnership Income**

Enter the following "other additions" to the partnership income. Complete the worksheet for Schedule A, line A4 on page 6 of the return before entering the total. If you enter an amount on line A4, include the worksheet with your return.

**A. Positive Partnership Income Adjustment**

Make this adjustment if this partnership is a partner of another partnership.

If the partnership received Arizona Form 165 Schedule K-1(NR), and the net amount on line 17 is positive, enter the amount from column (a). If the partnership received more than one Arizona Form 165, Schedule K-1(NR), total the amounts from line 17, column (a) and enter that total on line A4.

If the net amount on Arizona Form 165 Schedule K-1(NR), line 17 is negative, enter the amount from column (a) on Schedule B, line B5. See the instructions for Schedule B, line B5 on page 11 for additional information.

**Arizona Form 165PA Schedule K-1(NR):** *If this partnership received Arizona Form 165PA Schedule K-1(NR) for this taxable year, and the amount on line 3, is positive, file an amended Arizona Form 165 for this taxable year. Enter the positive amount from line 3 of the 165PA Schedule K-1(NR) on line A4. Complete the amended return. Provide amended Arizona Form 165 Schedule(s) K-1 and K-1(NR) to the partners. Submit the amended Arizona Form 165 and the amended Arizona Form 165 Schedule(s) K-1 and K-1(NR) to the department.*

**B. Federal Depreciation of Child Care Facilities**

Arizona's statutes, which allow special amortization for the cost of day care facilities, are no longer applicable to partnerships.

However, if the partnership elected to claim the special amortization under Arizona's former statutory provisions, the partnership must continue to amortize these items in accordance with those provisions. Therefore, the partnership must make the same additions to and subtractions from Arizona gross income that Arizona's former statutory provisions required. If this applies to the partnership, enter the amount of depreciation deducted for these items on the federal partnership return.

**C. Expenditures for the Americans with Disabilities Act**

If a subtraction is or has been taken in the current or a prior taxable year for the full amount of eligible access expenditures paid or incurred to comply with the Americans with Disabilities Act of 1990 or Title 41, chapter 9, article 8, enter any amount of eligible access expenditures that is recognized under the internal revenue code, including any amount that is amortized and that is included in computing Arizona taxable income for the current taxable year.

**Line 2 - Total Additions to Partnership Income**

Add lines A1 through A4. Enter the total.

**Line 3 - Subtotal**

Add lines 1 and 2. Enter the total.

**Schedule B - Subtractions From Partnership Income**

**Line B1 - Recalculated Arizona Depreciation For Current Year**

For assets placed in service in taxable years beginning before December 31, 2012, enter the total amount of depreciation allowable pursuant to IRC § 167(a) for the taxable year calculated as if the taxpayer had elected not to claim bonus depreciation for eligible properties for federal purposes.

For assets placed in service in taxable years beginning from and after December 31, 2012 through December 31, 2013, the amount of the subtraction for these assets depends on the method used to compute the depreciation for assets. See the department's procedure, ITP 16-2, *Procedure for Individuals who Claim Federal and/or Arizona Bonus Depreciation*.

For assets placed in service in taxable years beginning from and after December 31, 2013 through December 31, 2015, enter the total amount of depreciation allowable pursuant to IRC § 167(a) for the taxable year calculated as if the bonus depreciation is 10% of the amount of federal bonus depreciation pursuant to IRC § 168(k). See the department's procedure, ITP 16-2, *Procedure for Individuals who Claim Federal and/or Arizona Bonus Depreciation*.

For assets placed in service in taxable years beginning from and after December 31, 2015 through December 31, 2016, enter the total amount of depreciation allowable pursuant to IRC § 167(a) for the taxable year calculated as if the bonus depreciation is 55% of the amount of federal bonus depreciation pursuant to IRC § 168(k).

For assets placed in service in taxable years beginning after December 31, 2016, enter the total amount of depreciation allowable pursuant to IRC § 167(a) for the taxable year calculated as if the bonus depreciation had been the full amount of federal bonus depreciation pursuant to IRC § 168(k).

Add all amounts together and enter the total on line B1.

**NEW Arizona Bonus Depreciation:** For more information and examples of how to calculate Arizona bonus depreciation, see the department's procedure, ITP 16-2, *Procedure for Individuals who Claim Federal and/or Arizona Bonus Depreciation*, before completing line B1.

**Line B2 - Basis Adjustment for Property Sold or Otherwise Disposed of During the Taxable Year**

With respect to property that is sold or otherwise disposed of during the taxable year by a taxpayer who has complied with the requirement to add back all depreciation with respect to that property on tax returns for all taxable years beginning from and after December 31, 1999, enter the amount of depreciation that has been allowed pursuant to IRC § 167(a) to the extent that the amount has not already reduced Arizona taxable income in the current or prior years. The effect of this is to allow a subtraction for the difference in basis for any asset for which bonus depreciation has been claimed on the federal return.

**Line B3 - Interest from U.S. Government Obligations**

Enter the interest income received from U.S. obligations included on the federal Form 1065, Schedule K, exempt from state income taxes under federal law.

**NOTE:** *Not all obligations associated with the federal government are obligations of the federal government. Obligations of the Government National Mortgage Association (GNMA) or the Federal National Mortgage Association (FNMA) are not obligations of the U.S. government and, therefore, are taxable to Arizona.*

See the department's ruling, ITR 06-1, *Obligations of the United States Government, Federal Agencies, and United States Territories, for a listing of qualifying U.S. obligations.*

**Line B4 - Agricultural Crops Charitable Contribution**

Enter the amount of the allowable subtraction for qualified crop contributions made during the taxable year to one or more Arizona tax-exempt charitable organizations for use in Arizona. Refer to the department's procedure, ITP 12-1, *Establishing an Income Tax Subtraction for Agricultural Crops Contributed to Charitable Organizations*, for information on how to determine if the contribution qualifies for the subtraction.

**Line B5 - Other Subtractions from Partnership Income**

Enter the following "other subtractions" from partnership income. Complete the worksheet for Schedule B, line B5 on page 6 of the return before entering the total. If you enter an amount on line B5, include the worksheet with your return.

**A. Negative Partnership Income Adjustment**

Make this adjustment if the partnership is a partner in another partnership.

If the partnership received Arizona Form 165, Schedule K-1(NR) and the net amount on line 17 is negative, enter the amount from column (a) as a positive number on line B5. If the partnership received more than one Arizona Form 165 Schedule (K-1(NR)), total the amounts from line 17, column (a) and enter that total on line B5 as a positive number.

If the net amount on Arizona Form 165, Schedule K-1(NR), line 17 is positive, enter the amount from column (a) on

Schedule A, line A4. See the instructions for Schedule A, line A4 on page 10 for additional information.

**Arizona Form 165PA Schedule K-1(NR):** *If this partnership received Arizona Form 165PA Schedule K-1(NR) for this taxable year, and the amount on line 3 is negative, file an amended Arizona Form 165 for this taxable year. Enter the negative amount from line 3 of the 165PA Schedule K-1(NR) as a positive number on line B5. Complete the amended return. Provide amended Arizona Form 165, Schedule(s) K-1 and K-1(NR) to the partners. Submit the amended Arizona Form 165 and the amended Arizona Form 165 Schedule(s) K-1 and K-1(NR) to the department.*

**B. Mine Exploration Expenses**

Arizona no longer has special mine exploration expense provisions for partnerships. Arizona now conforms to the federal treatment of mine exploration expenses. However, if the partnership deferred exploration expenses under Arizona's former provisions, the partnership may subtract such deferred expenses. The partnership claims the subtraction on a ratable basis as the units of produced ores or minerals discovered or explored as a result of such expenditures are sold. Enter the amount of such deferred exploration expenses.

**C. Interest on Federally Taxable Arizona Obligations Evidenced by Bonds**

Enter the amount of interest income received on obligations of the State of Arizona, or any of its political subdivisions, evidenced by bonds, that is included on the federal Form 1065, Schedule K. Omit interest income received on obligations of the State of Arizona, or any of its political subdivisions, exempt from federal taxation and not included in the partnership's federal distributive income.

**D. Wood Stoves, Wood Fireplaces or Gas-Fired Fireplaces**

Enter the amount allowed by A.R.S. § 43-1027 for the cost of *converting* an existing wood fireplace to a qualified wood stove, wood fireplace, or gas-fired fireplace on property located in Arizona.

**E. Expenses Related to Certain Federal Tax Credits**

Enter the amount of wages or salaries paid or incurred by the taxpayer for the taxable year not deducted in computing Arizona gross income if the taxpayer received the following federal credits:

- The Work Opportunity Credit,
- The Empowerment Zone Employment Credit,
- The Credit for Employer-Paid Social Security Taxes on Employee Cash Tips, and/or
- The Indian Employment Credit.

**F. Expenditures for the Americans with Disabilities Act**

Enter the amount of expenditures paid or incurred during the taxable year to comply with the Americans with Disabilities Act of 1990 or A.R.S. Title 41, chapter 9, article 8 by retrofitting real property that was originally placed in service at least ten years before the current taxable year. (See A.R.S. §§ 43-1122 and 43-1124).

“Eligible business access expenditures” include reasonable and necessary amounts paid or incurred to:

- Remove any barriers that prevent a business from being accessible to or usable by individuals with disabilities.

- Provide qualified interpreters or other methods of making audio materials available to hearing-impaired individuals.
- Provide qualified readers, taped texts and other effective methods of making visually delivered materials available to individuals with visual impairments.
- Acquire or modify equipment or devices for individuals with disabilities.
- Provide other similar services, modifications, materials or equipment.

**NOTE:** *A taxpayer who has been cited for noncompliance with the Americans with Disabilities Act of 1990 or Title 41, Chapter 9, Article 8 by either federal or state enforcement officials is ineligible for a subtraction under this section for any expenditure required to cure the cited violation.*

**G. Marijuana Establishments Only**

*Disallowed Federal Expenses*

- If the partnership is licensed by ADHS as a Marijuana Establishment or as a Marijuana Testing Facility, enter the amount of disallowed federal expenses from *Arizona Schedule DFE, Disallowed Federal Expenses for Marijuana Establishments*.
- If the partnership is licensed by ADHS as a **Dual Licensee that has made the election to operate on a for-profit basis**, enter the amount of disallowed federal expenses from *Arizona Schedule DFE, Disallowed Federal Expenses for Marijuana Establishments*.
- If the partnership is licensed by ADHS as a **Dual Licensee that has not made the election to operate on a for-profit basis**, leave blank.
- If the partnership is registered by ADHS as an **NMMD**, leave blank.

**F. Total Other Subtractions from Partnership Income**

Add lines A through G. Enter the total. Also, enter the total on Page 1, line B5.

**Line 4 - Total Subtractions from Partnership Income**

Add lines B1 through B5. Enter the total.

**Line 5 - Partnership Income Adjusted to Arizona Basis**

Subtract line 4 from line 3. Enter the difference. This is the partnership income adjusted to an Arizona basis.

**Line 6 - Net Adjustment of Partnership Income from Federal to Arizona Basis**

Subtract line 1 from line 5. Enter the difference. This is the adjustment of partnership income from federal to Arizona basis that will be reported on Arizona Form 165 Schedule K-1 or Schedule K-1(NR) for each partner.

**Line 7 - Penalty for Late Filing or Incomplete Filing**

**Partnerships that did not make the PTE election**, this is an information return. If it is incomplete or it is filed late (including extension) it is subject to a penalty of \$100 per month or fraction of a month during which the failure continues, up to a maximum of \$500. If this return is incomplete or it is filed late, enter the amount of the penalty. If this return is not incomplete or filed late, skip Part 2, complete Schedules C through G as necessary.



**Partnerships that made the PTE election and a portion of its partners opted out of its PTE election**, this is an information return. If it is incomplete or it is filed late (including extension) it is subject to a penalty of \$100 per month or fraction of a month during which the failure continues, up to a maximum of \$500. If this return is incomplete or it is filed late, enter the amount of the penalty. Continue to Part 2, line 8.

**Partnerships that made the PTE election and all partners did not opt out of its PTE election**, this is not an information return. Continue to Part 2, line 8.

If this penalty is assessed, make checks payable to the Arizona Department of Revenue. Include the partnership's EIN on the front of the check or money order. Include the check or money order with the return. Mail the check and the return to:

Arizona Department of Revenue  
PO Box 52153  
Phoenix, AZ 85072-2153

**Part 2 - Calculation of Partnership Tax to be Paid at the Entity Level**

Partnerships making the PTE election, complete Part 2. All others, leave blank and skip to Schedule C.

**Calculation of the Income Attributable to the Partners**

**NOTE for Lines 9, 11, 13, and 15:** *Enter the amounts from Schedule E on these lines as a decimal carried out to 6 digits to the right of the decimal. An ownership percentage of 6.54% would be 0.065400. An ownership percentage of 100% would be 1.000000.*

**Line 8**

Enter the amount from line 5.

**Line 9**

Add lines E1 and E4 in column (c) of Schedule E. Enter the total. This is the ownership percentage for all resident individual partners and all resident trust and estate partners that did not opt out of the partnership's PTE election to pay tax at the entity level.

**Line 10**

Multiply line 8 by line 9. Enter the result. This is the partnership income attributable to resident individual partners and resident trust and estate partners that did not opt out of the partnership's PTE election to pay tax at the entity level.

**Line 11**

Add lines E2 and E5 in column (c) of Schedule E. Enter the total. This is the ownership percentage for all nonresident individual partners and nonresident estate and trust partners that did not opt out of the partnership's election to pay tax at the entity level.

**Line 12**

Multiply line 8 by line 11. Enter the result. This is the partnership income attributable to nonresident individual partners and nonresident trust and estate partners that did not opt out of the partnership's PTE election to pay tax at the entity level.

**Line 13**

Enter the percentage from line E3, column (c) of Schedule E. This is the ownership percentage for all part-year resident partners that did not opt out of the partnership's PTE election to pay tax at the entity level.

**Line 14**

Multiply line 12 by line 13. Enter the result. This is the partnership attributable to part-year resident partners that did not opt out of the partnership's PTE election to pay tax at the entity level.

**Line 14A**

Enter the portion of line 14 that all part-year resident partners earned while residents of Arizona.

**Line 14B**

Enter the portion of line 14 that all part-year resident partners earned while nonresidents of Arizona.

**Line 15**

Enter the percentage from line E7, column (c) of Schedule E. This is the ownership percentage for all partners that opted out of the partnership's PTE election to pay tax at the entity level and all partners that are not eligible to make the election.

**Line 16**

Multiply line 8 by line 15. Enter the result. This is the partnership income attributable to partners that opted out of the partnership's PTE election to pay tax at the entity level and to entities that are not eligible to make that election.

**Calculation of the Tax Attributable to Partners That Did Not Opt Out of the PTE Election**

**Line 17**

Add line 10 and line 14A. Enter the total. If the total is less than zero, "0", enter "0".

**Line 18**

Multiply the amount on line 17 by the PTE tax rate, 2.98% (0.0298). Enter the result. This is the amount of the tax attributable to resident partners and part-year resident partners (during the period of residency) that did not opt out of the partnership's PTE election to pay tax at the entity level. Distribute this amount to each resident partner that did not opt out of the partnership's PTE election based on that resident partner's share of the partnership income that is taxable in Arizona.

**Line 19**

Add line 12 and line 14B. Enter the total. If the total is less than zero "0", enter "0".

**Line 20 – Arizona Apportionment Ratio  
Multistate Partnerships Only**

Compute the Arizona apportionment ratio on Schedule C (for non-air carrier partnerships) on Schedule Air Carrier Apportionment (ACA) (for qualified air carrier partnerships). Enter the average apportionment ratio on line 20. Carry out the decimal to six places.

**NOTE:** If line 20 is "0.000000", the partnership is considered to have no Arizona nexus.

If line 20 is blank or "1.000000", the partnership is considered to be 100% Arizona (taxable entirely within Arizona).

**Line 21**

Multiply the amount on line 19 by the decimal on line 20. Enter the result.

**Line 22**

Multiply the amount on line 21 by the PTE tax rate, 2.98% (0.0298). Enter the result. This is the amount of the tax attributable to nonresident partners and part-year resident partners (during the period of nonresidency) that did not opt out of the partnership's PTE election to pay tax at the entity level. Distribute this amount to each nonresident partner that did not opt out of the partnership's PTE election based on that nonresident partner's share of the partnership income that is taxable in Arizona.

**Calculation of the Partnership's PTE Tax, Interest and Penalties**

**Line 23**

Add line 18 and line 22. Enter the total. This is the amount of PTE tax owed by the partnership.

**Line 24**

Enter the Extension Payment made with Form 120/165EXT or online.

**Line 25**

Enter the total amount Estimated Tax Payments from Schedule F, line F7, column (b).

**Line 26**

**Original Returns:** Add lines 24 and 25. Enter the total.

**Amended Returns:** Enter the total amount of tax payments made for the taxable year. Compute the total as follows:

- Add the amounts entered on lines 24 and 25;
- Add the amount of a payment sent with the original return (if any);
- Add the amount of any payments made after the original return was filed; and
- Subtract the amount of any overpayment of PTE tax (from the original return, line 28) and the total amount of any overpayments from an Arizona Department of Revenue correction notice, a prior amended return, or an audit.

Include a schedule with your return.

Do not include or enter the amount of any penalties or interest paid.

**Line 27**

If line 23 is greater than line 26, subtract line 26 from line 23. Enter the difference. Skip line 28.

**Line 28**

If line 26 is greater than line 23, subtract line 23 from line 26. Enter the difference.

**Line 29**

Partnerships making the PTE election to pay tax at the entity level may be subject to penalties and interest. The partnership may

choose to calculate any penalty and interest due as a result of late filing, late payment of tax, or extension underpayment of tax. Interest is calculated on the amount shown on line 24 at the prevailing rate. The interest period is from the original due date of the return to the payment date. See the "Penalties and Interest" section beginning on page 3 of these instructions.

**NOTE:** Partnerships making the PTE election to pay tax at the entity level are not subject to the Information Return Penalty.

**Line 30**

Partnerships making the PTE election to pay tax at the entity level may be subject to the Estimated Tax Underpayment Penalty.

The partnership does not have to complete Arizona Form 220/PTE, *Underpayment of Estimated Tax by Corporations*, if it made its estimated tax payments based on either of the following methods:

- An amount equal to 90% of the current taxable year's tax liability (reduced by refundable tax credits and claim of right adjustments, if applicable), paid in four equal installments; or
- An amount equal to 100% of the taxpayer's tax liability (reduced by refundable tax credits and claim of right adjustments, if applicable) for the prior taxable year, paid in four equal installments.

The department will compute the estimated tax underpayment penalty based on either of these methods and notify the taxpayer of any amount due. If the taxpayer elects to have the department compute the penalty, do not check box 30A or enter an amount on line 30.

The taxpayer **must** complete Arizona Form 220/PTE, even though no penalty is due, if it made its estimated tax payments based the annualized income installment method.

Enter the total penalty from Arizona Form 220/PTE, Part C, line 37. Include the completed Arizona Form 220/PTE with the return **and** check box 30.

See the instructions for Arizona Form 220/PTE for detailed information.

**Line 31**

If the partnership has a tax due on line 27, add line 27, line 29, and line 30. Enter the total.

**Line 32**

If the partnership has an overpayment of tax on line 28, subtract the sum of line 29 and line 30 from line 28. Enter the difference. If the difference is less than zero, enter the amount on line 31 as a positive number.

**Schedule C - Apportionment Formula**

**NOTE:** Qualifying multistate air carriers are required to use revenue miles, and cannot use Schedule C on this return. Multistate air carriers must use Schedule ACA, which is a separate form available on the department's website: <https://azdor.gov/forms/corporate-tax-forms/air-carrier-apperionment>. See Schedule ACA for more information.

Any partnership that has income from business activity that is taxable both within and without Arizona must allocate and apportion its net income. The partnership must allocate and

apportion its net income according to UDITPA, A.R.S. §§ 43-1131 through 43-1150.

A partnership that has income from business activity taxable in more than one state is a *multistate partnership*.

A partnership that has income from business activity taxable entirely within Arizona is a *wholly Arizona partnership*.

**ARIZONA APPORTIONMENT METHODS**

There are three apportionment methods for multistate partnership income tax returns filed to Arizona: (1) air carrier apportionment; (2) standard apportionment; and (3) sales factor only apportionment.

Air carriers are required to use revenue miles. All other taxpayers may select either the standard or the sales factor only apportionment method.

**1. Air Carrier Apportionment**

An air carrier is required to use revenue miles to calculate its apportionment ratio. Check Box 1 on line F of page 1, fill out Schedule ACA, and include it with your return. Do not complete Schedule C.

**2. Standard Apportionment**

All non-air carrier taxpayers are allowed to continue to use Arizona’s standard apportionment formula, which double-weights the sales factor. Check Box 2 on line F of page 1 and complete Schedule C using the number on the left-hand side of line C3e, column A, to double-weight the sales factor. Divide the total ratio by four.

**3. Sales Factor Only Apportionment**

All non-air carrier taxpayers may use Arizona’s sales factor only apportionment formula, which is determined by dividing Arizona Sales by Everywhere Sales. Check Box 3, on line F of page 1, complete Schedule C, Section C3, “Sales Factor”, lines a through f.

**NON-APPORTIONABLE INCOME**

Apportionment factors generating non-apportionable or nontaxable income are not to be included in the calculation of the apportionment ratio.

**ADMINISTRATIVE RELIEF REQUESTS**

A.R.S. § 43-1148 provides administrative relief if the allocation and apportionment provisions of UDITPA do not fairly represent the extent of the taxpayer’s business activity in this state. The taxpayer may petition for or the department may require, in respect to all or any part of the taxpayer’s business activity, if reasonable:

- Separate accounting, except with respect to an Arizona affiliated group, as defined in A.R.S. § 43-947.
- The exclusion of any one or more of the factors.
- The inclusion of one or more additional factors that will fairly represent the taxpayer’s business activity in this state.
- The employment of any other method to effectuate an equitable allocation and apportionment of the taxpayer’s income, other than disallowance of a properly elected consolidated return.

A.R.S. § 43-1148 permits a departure from the allocation and apportionment provisions only in limited cases. A.R.S. § 43-1148 may be invoked only if unusual fact situations

produce incongruous results under the apportionment and allocation provisions. Taxpayers seeking such relief should submit a letter to the Corporate Income Tax Audit Section 60 days prior to the filing of the return setting forth the relief that is requested and the justification for the relief. Please include a contact phone number and email address with your request.

The department normally makes such determinations only upon audit of the taxpayer. Such a detailed examination of the specific facts and circumstances reveals whether such unusual fact situations and incongruous results exist.

**COMPUTING THE APPORTIONMENT RATIO**

When computing the factors of the apportionment ratio, carry the result out to six places after the decimal. If the seventh place after the decimal is five or more, round the sixth decimal place up to the next higher digit. If the seventh place after the decimal is less than five, leave the sixth place decimal as it is.

**Example #1:**

Arizona Amount	<u>123,456</u>
Everywhere Amount	789,654
Factor	.1563418

The seventh digit after the decimal is “8”. Since “8” is greater than “5,” the sixth digit after the decimal is increased to the next higher digit, “2”.

The factor rounded to six decimal places is .156342.

**Example #2:**

Total Ratio	<u>.179865</u>
Divided by	4
Apportionment Ratio	.0449662

The seventh digit after the decimal is “2”. Since “2” is less than “5”, the sixth digit after the decimal remains “6”. No increase to the sixth digit after the decimal is made.

The apportionment ratio rounded to six decimal places is .044966.

**SCHEDULE ACA - AIR CARRIER APPORTIONMENT FORMULA (MULTISTATE AIR CARRIERS ONLY)**

A.R.S. § 43-1139 requires a taxpayer that is a qualifying air carrier to use revenue miles to apportion its business income to Arizona. The taxpayer must be engaged in air commerce. “Air commerce” means transporting persons or property for hire by aircraft in interstate, intrastate, or international transportation.

Check the box labeled “AIR CARRIER” on line F of page 1 of the return. Do not complete Schedule C on page 3 of the return.

Complete Schedule ACA and include with the return. Schedule ACA is available on the department’s website at: <http://www.azdor.gov/FORMS/Corporate.aspx>.

**NON-AIR CARRIER APPORTIONMENT FORMULA (MULTISTATE PARTNERSHIPS ONLY)**

Non-air carrier multistate partnerships have the opportunity to choose one of two apportionment formulas for calculating the apportionment ratio:

- The standard apportionment formula or
- The sales factor only apportionment formula.

Check the box on line F of page 1 of the return to indicate which apportionment formula, "STANDARD," or "Sales Factor Only," will be used to calculate the apportionment ratio on the partnership's return. Whichever apportionment method is indicated, the partnership must complete the apportionment ratio using that formula. The partnership cannot use "STANDARD" to calculate one portion of the ratio, and "Sales Factor Only" to calculate another portion of the ratio.

For the standard apportionment ratio, the numerator of the fraction is the property factor plus the payroll factor plus two times the sales factor. The denominator of the fraction is four.

For taxable years beginning after December 31, 2016, Sales Factor Only Apportionment replaced the enhanced apportionment ratio. The numerator is Arizona sales. The denominator is Everywhere sales. The property factor and the payroll factor are not included in this computation.

### **Line C1 - Property Factor – Standard Apportionment**

**Partnerships electing "SALES FACTOR ONLY APPORTIONMENT" – leave blank.**

The Property Factor is a fraction that represents the average value of the partnership's property owned or rented and used in Arizona to the total average value of the partnership's property owned or rented and used during the tax period.

The value of tangible personal property and real property owned by the partnership is its original cost. The partnership normally determines the average value of its owned property by averaging the values at the beginning and ending of the tax period. Property used to generate non-apportionable or nontaxable income is not included in the property factor.

The value of tangible personal property and real property rented by the partnership is eight times its net annual rental rate. The net annual rental rate is the annual rental rate paid by the partnership for rented property, less the aggregate annual subrental rates paid by subtenants of the partnership. The partnership automatically achieves averaging for rented property by the method of determining the net annual rental rate of such property.

For a discussion of the treatment of computer software in the property factor, refer to the department's ruling, CTR 01-2 *How Does a Taxpayer Filing an Arizona Corporate Income Tax Return Determine Whether Computer Software is Included in the Property Factor*.

Report real property situated and tangible personal property permanently located in Arizona as property within Arizona. Attribute the value of mobile property to Arizona based on the total time that the property was within Arizona.

#### **Partnerships Electing "STANDARD APPORTIONMENT"**

Divide the numerator of the property factor by the denominator. Express the ratio as a decimal carried out to six places. (The property factor may not exceed 1.0.) Enter the result on line C1c, Column C.

**Partnerships Electing "SALES FACTOR ONLY APPORTIONMENT," leave line C1, Columns A through C, blank.**

*For additional information on the property factor, refer to:*  
A.R.S. §§ 43-1140 through 43-1142  
A.A.C. R15-2D-601 through R15-2D-607 and R15-2D-902  
CTR 01-2, *How Does a Taxpayer Filing an Arizona Corporate Income Tax Return Determine Whether Computer Software is Included in the Property Factor*

### **Line C2 - Payroll Factor – Standard Apportionment**

**Partnerships electing "SALES FACTOR ONLY APPORTIONMENT" – leave blank.**

The Payroll Factor is a fraction that represents the compensation paid in Arizona by the partnership to the total compensation paid by the partnership during the tax period.

Report the salaries, wages, or other compensation of officers, employees, etc., as within Arizona if the performance of their services occurs entirely in Arizona. This rule applies regardless of where payment is made or control exercised. This rule also applies regardless of whether the performance of the services is partly or wholly in connection with the apportionable business carried on outside the state or in interstate or foreign commerce. Payroll used to generate non-apportionable or nontaxable income is not included in the payroll factor.

Allocate the compensation of officers and employees who perform services partly within and partly without Arizona to this state when:

- The services performed outside of Arizona are incidental to the employee's service within Arizona;
- The employee's base of operation is in Arizona;
- The employee has no base of operation in any state but the direction or control of the employee is from Arizona; or,
- The employee has no base of operation in any state and there is no direction or control from a state in which the employee performs some part of his services, but the employee's residence is in Arizona.

#### **Partnerships Electing "STANDARD APPORTIONMENT"**

Divide the numerator of the payroll factor by the denominator. Express the ratio as a decimal carried out to six (6) places. (The payroll factor may not exceed 1.0) Enter the result on line C2, Column C.

**Partnerships Electing "SALES FACTOR ONLY APPORTIONMENT," leave line C2, Columns A through C, blank.**

*For additional information on the payroll factor, refer to:*

A.R.S. §§ 43-1143, 43-1144  
A.A.C. R15-2D-701 through R15-2D-705

### **Line C3 - Sales Factor**

The Sales Factor is a fraction that represents the total sales of the taxpayer in Arizona to the total sales of the taxpayer during the tax period.

"Sales" includes all gross receipts from transactions and activities in the course of the regular trade or business that produce income. Gross receipts from non-apportionable or nontaxable income are not included in the sales factor.

Sales of tangible personal property is determined on a destination sales basis. Sales of real property is determined based on the location of the property. Generally, sales of other than tangible

personal property is determined based on the location where the income producing activity occurs. Service income is determined based on the location of the income producing activity, *unless* the taxpayer elected to be treated as a Multistate Service Provider (MSP). (See the box below for a description of an MSP.)

**PARTNERSHIPS THAT QUALIFY AS MULTISTATE SERVICE PROVIDERS ELECTING TO SOURCE SALES FROM SERVICES AND FROM DESIGNATED INTANGIBLES TO ARIZONA USING MARKET SALES**

Partnerships that qualify as a Multistate Service Provider (MSP) may elect to treat sales from services and from designated intangibles as being sourced to Arizona based on market sales.

[NOTE: For purposes of the Multistate Service Provider Election and Computation, sales from designated intangibles means sales derived from credit and charge card receivables, including fees, merchant discounts, interchanges, interest and related revenue [A.R.S. § 43-1147(E)(3)(a)]. **The sale of any other intangible may not be included in the calculation of this election.**]

Multistate partnerships complete Schedule MSP to determine if they qualify as an MSP. If the partnership qualifies, and wishes to make the election, the completed Schedule MSP must be included with the partnership's original, timely-filed, tax return. (The election to be treated as an MSP cannot be made on an amended return.) Once made, the election is binding for five years. For each year of the election period, Schedule MSP must be completed by the partnership to source sales from services and from designated intangibles to Arizona. Once Schedule MSP is completed, the partnership can compute the sales factor.

Partnerships that qualify and want to make the election should:

- Ensure the completed Schedule MSP is included with the return.
- Ensure the box on line H of the return is checked. Ensure the box indicating the year of the partnership's election cycle is checked.
- Enter on line C3b, Column A, the Arizona sales from services and from designated intangibles from the completed Schedule MSP, line B.
- Complete the calculation of the sales factor following the instructions for the partnership's choice of the "STANDARD" or "SALES FACTOR ONLY" apportionment formula.

**Partnerships qualifying as an MSP, and electing to be treated as an MSP**

Enter the Arizona sales from services and from designated intangibles on line C3b from the completed Schedule MSP, line B.

**Partnerships not making the election to be treated as an MSP**

- Leave line C3b blank.
- Include Arizona sales from services on line C3c.

**Partnerships Electing "STANDARD APPORTIONMENT"**

- Check the box on line F of the return labeled "STANDARD."
- Multiply the numerator of the sales factor by two. Divide that result by the denominator. Express the ratio as a decimal carried out to six places. (The sales factor may not exceed 2.0.) Enter the result on line C3f, Column C.

**Partnerships Electing "SALES FACTOR ONLY APPORTIONMENT"**

- Check the box on line F of the return labeled "SALES FACTOR ONLY."
- Divide the numerator (Arizona sales) by the denominator (Everywhere sales). Express the ratio as a decimal carried out to six places. (The sales factor may not exceed 1.0) Enter the result. Also, enter the result Arizona Form 165, Schedule K-1(NR), Part 1, column (b).

For more information on the sales factor, refer to:  
 A.R.S. §§ 43-1145 through 43-1147  
 A.A.C. R15-2D-801 through R15-2D-807, and R15-2D-903  
 CTR 02-2, Apportionment of Installment Sale Gain  
 CTR 07-1, Inclusion of Short Term Investments in the Sales Factor

**Line C4 – Total Ratio**

**Partnerships Electing "STANDARD APPORTIONMENT"**

Add the amounts in Column C of lines C1c, C2, and C3f, and enter the total.

**Partnerships Electing "SALES FACTOR ONLY APPORTIONMENT,"** leave this line blank.

**Line C5 - Average Apportionment Ratio – Standard Apportionment**

**NOTE:** Partnerships must exclude a factor if both the numerator and the denominator of a factor are zero. Do not exclude a factor if the numerator of the factor is zero and the denominator of that factor is greater than zero. See A.A.C. R15-2D-901(B).

**Partnerships Electing "STANDARD APPORTIONMENT"**

If either the property or the payroll factor is excluded, determine the average ratio by dividing the total ratio by three. If the sales factor is excluded, determine the average ratio by dividing the total ratio by two. If two of the factors are excluded, the remaining factor, without respect to any weighting, is the apportionment ratio.

**Partnerships Electing "STANDARD APPORTIONMENT"**

Divide the total ratio, line C4, Column C, by four. Express the ratio as a decimal carried out to six places. Enter the average ratio. Also, enter the average ratio on Form 165, Schedule K-1(NR), Part 1, column (b).

**Partnerships Electing "SALES FACTOR ONLY APPORTIONMENT,"** leave this line blank.

**NOTE:** If line C5 is "0.000000", the partnership is considered to have no Arizona nexus.

If line C5 is blank or "1.000000", the partnership's income is considered to be sourced entirely within Arizona.

**Schedule D - Partner Information**

Enter the requested information for each partner. If the partnership has more than 10 partners, include additional schedules as necessary.

**NOTE:**

**Column (d),** enter the partner's Tax Identification Number (TIN) with no dashes. For an individual partner, enter the partner's social security number (SSN) or individual taxpayer identification number (ITIN). For all other partners, enter the partner's EIN.

If the partner is an IRA, enter the TIN of the custodian of the IRA. Do not enter the TIN of the person for whom the IRA is maintained. **Do not truncate the partner's TIN.**

**Column (e),** enter "R" for resident, "N" for nonresident, "P" for part-year resident, "E" for estate or trust, and "O" for other entity (i.e. corporation, partnership, etc.).

**Column (f),** enter the partner's percentage of the capital amount at year end. (This is the percentage of the undivided interest in partnership assets and liabilities the partner would receive if the partnership were to be liquidated at year end.) Enter the ownership percentage as a number carried out to six places after the decimal. For a partner with a 1% ownership share, enter the partner's ownership percentage as .010000.

**Column (g),** enter the partner's pro rata share of the partnership income adjusted to the Arizona basis (from page 1, line 5). If the partnership operating agreement specifies that revenue and expenses be specially allocated to each partner, enter the net amount of that allocation. If income (loss) is allocated to the partners based on ownership percentage, multiply the amount on page 1, line 5 by the partner's ownership percentage and enter the result.

**Schedule E – Summary of Partner Information**

Partnerships making the PTE election, complete Schedule E. All others, skip to Schedule G.

Schedule E summarizes the partner information presented in Schedule D. The information summarized here is used to complete Part 2 of this return.

**NOTE:** For column (c), enter the partners' ownership share as a decimal carried out to six decimal places. For example, for an ownership percentage of 20%, enter the partners' ownership percentage as .200000. An ownership percentage of 100% would be 1.000000.

**Lines E1 – E5**

Enter the following information in columns (b) and (c) for lines E1 through E5:

- Column (b) – Enter the count of partners described in column (a),
- Column (c) – Enter the total ownership share for the partners described in column (a).

**Line E6**

Add the amounts in columns (b) and (c) of lines E1 through E5 and enter the totals in the respective columns. Column (b) is the total number of partners that did not opt out of the PTE election. Column (c) is the total ownership share of those same partners.

**Line E7**

Enter the total number of partners that opted out of the PTE election or are excluded from making the PTE election in column (b). Enter the total ownership percentage (as a decimal) of those same partners in column (c). Enter the percentage in column (c) in Part 2, line 15.

**Line E8**

Add lines E6 and E7 in columns (b) and (c). Enter the totals in the respective columns (b) and (c). Column (b) is the total number of partners in the partnership. Column (c) should total 1.000000000.

**Schedule F – Schedule of Tax Payments Applied to Partnership PTE Tax Liability**

Partnerships making the PTE election, complete Schedule F. All others, skip to Schedule G.

Use this schedule to list any partnership estimated PTE tax payments and PTE extension payments made which the partnership is applying to this return. Include additional sheets if necessary.

- Enter the total amount of "Extension Payments" on page 2, line 24.
- Enter the total amount of "Estimated Payments" on page 2, line 25.

**NOTE:** The total extension payments and estimated payments reported on this schedule must equal the amounts reported on page 2, lines 24 and 25, respectively.

**Schedule G - Business Information**

If the partnership has income from business activity taxable entirely within Arizona, complete question G1.

If the partnership has income from business activity taxable within and without Arizona, complete questions G1 and G2.

**Certification**

One of the partners must sign the return. If receivers, trustees in bankruptcy, or assignees are in control of the property or business of the organization, such receivers, trustees, or assignees must sign the return.

**Paid preparers:** Sign and date the return. Complete the firm name and address lines (the paid preparer's name and address, if self-employed).

Paid preparers must provide a Tax Identification Number (TIN). Paid preparers that fail to include their TIN may be subject to a penalty.

The TIN for a paid preparer may be one of the following:

- The preparer's PTIN,
  - The EIN for the business,
- The individual preparer's social security number (SSN), if self-employed.

**Arizona Form 165, Schedule K-1  
Partnership Instructions**

**Partnerships that did not make the PTE Election OR partnerships that made the PTE Election but have partners not participating in that election<sup>1</sup>:** Complete Arizona Form 165 Schedule K-1 for all resident and part-year resident individual partners and all resident estate partners and resident trust partners (including IRAs and other retirement interests) not participating in the PTE Election. Complete Arizona Form 165, Schedule K-1(NR) for all other partners not participating in the PTE Election.

**Partnerships making the PTE Election whose partners are participating in the PTE Election<sup>2</sup>:** Complete Arizona Form 165 Schedule K-1 for all resident individual partners, all resident estate partners and all resident trust partners (including IRA's and other retirement interests) who did not opt out of the PTE Election.

For all part-year resident individual partners who did not opt out of the partnership's PTE Election, complete Form 165, Schedule K-1 **AND** Form 165, Schedule K-1(NR) for each part-year individual partner.

- Complete Form 165, Schedule K-1 to report that partner's apportioned share of the partnership's adjustment of income from federal to Arizona basis, PTE tax credit and PTE tax paid while the partner was a resident of Arizona.
- Complete Form 165, Schedule K-1(NR) to report that partner's apportioned share of the partnership's PTE income, the partnership's adjustment of income from federal to Arizona basis, PTE tax credit and PTE tax paid while the partner was NOT a resident of Arizona.

Complete Arizona Form 165, Schedule K1(NR) for all other partners who did not opt out of the PTE Election.

**NOTE:** A partnership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the owner (of the grantor trust)

A partnership share that is owned by a grantor that elected to be taxed as a trust for federal income tax purposes is treated as owned by a trust.

A partnership share that is owned by an IRA (or other retirement plan interest) is treated as owned by a trust.

A partnership share that is owned by a single-member LLC that is disregarded for federal income tax purposes is treated as owned by the member.

Type or print the required information in the name, address, and information boxes on the top of Arizona Form 165, Schedule K-1. Indicate whether the partnership's taxable year is a calendar year or a fiscal year; if a fiscal year, indicate the period covered by the taxable year on the schedule. Indicate whether this is an original or an amended schedule.

<sup>1</sup> Partners not participating in the PTE Election include those partners who are not individuals or estate or trust partners, and those individuals, estates or trusts who opted out of the partnership's PTE Election.

<sup>2</sup> Partners who are participating in the PTE Election include those partners who are individual, estates or trusts who did NOT opt out of the partnership's PTE Election.

**Truncating the partner's TIN on Schedule K-1.**

The partnership may truncate a partner's identifying number on the Arizona Form 165 Schedule K-1 it sends to the partner. Truncation is not permitted on Schedule E of Arizona Form 165. The partnership cannot truncate its own TIN on any form. To truncate, where permitted, follow the guidelines established by the IRS.

**Part 1 - Arizona Partnership Adjustment**

Complete Part 1, lines 1 through 3 as instructed on the form.

**Part 2 - Net Capital Gain (Loss) from Investment in a Qualified Small Business – Information Schedule**

Arizona allows individuals, estates, and trusts a subtraction from Arizona gross income for any net capital gain derived from investment in a qualified small business if:

- The gain is included in:
  - The individual taxpayer's federal adjusted gross income, or,
  - The estate or trust's federal taxable income.
- The business in which the S corporation invested is determined to be a qualified small business by the Arizona Commerce Authority.

A partner that is a pass-through entity (estate or trust) will need this information to:

- Calculate its subtraction, or,
- Complete Arizona Form 141AZ, Schedule K-1 or Schedule K-1(NR), for each beneficiary.

Complete Arizona Form 165, Schedule K-1, Part 2 to provide information to:

- The resident and part-year resident individual partner to calculate the subtraction for net capital gain from investment in a qualified small business.
- The resident estate or trust partner to:
  - Calculate the subtraction for net capital gain from investment in a qualified small business; or,
  - Complete Arizona Form 141AZ, Schedule K-1 or Schedule K-1(NR) for each beneficiary.

Complete Arizona Form 165, Schedule K-1, Part 2, line 4, and Part 4, line 7 if the partner's federal Schedule K-1 (Form 1065) includes any net capital gain (loss) from investment in a qualified small business. If Part 2, line 4, is zero, enter "0" on Part 4, line 7.

Do NOT complete Arizona Form 165, Schedule K-1, Part 2, line 4 and Part 4, line 7 if the partner's federal Schedule K-1 (Form 1065) does not include any net capital gain (loss) from investment in a qualified small business.

**Part 3 - Net Capital Gain (Loss) From the Exchange of Legal Tender – Information Schedule**

For taxable years beginning from and after December 31, 2017, Arizona allows individuals, estates, trusts and corporations an exclusion for any net capital gain included in Arizona gross income that is derived from the exchange of one kind of legal tender for another kind of legal tender.

A partner that is a pass-through entity (estate or trust) will need this information to:

- Calculate its subtraction, or,

- Complete the Arizona Form 141AZ, Schedule K-1 or Schedule K-1(NR), for each beneficiary.

Complete Arizona Form 165 Schedule K-1, Part 3 to provide information to:

- The resident and part-year resident individual partner to calculate the exclusion for any net capital gain (loss) derived from the exchange of one kind of legal tender for another kind of legal tender.
- The resident estate or trust partner to:
  - Calculate the exclusion for net capital gain (loss) derived from the exchange of one kind of legal tender for another kind of legal tender, or,
  - Complete Arizona Form 141AZ Schedule K-1 or Schedule K-1(NR) for each beneficiary.

Complete Arizona Form 165 Schedule K-1, Part 3, line 5 and Part 4, line 8, if the partner's federal Schedule K-1 (Form 1065) includes any net capital gain (loss) from the exchange of one kind of legal tender for another kind of legal tender. If Part 3, line 5 is zero, enter "0" on Part 4, line 8.

Do NOT complete Arizona Form 165 Schedule K-1, Part 3, line 5 and Part 4, line 8, if the partner's federal Schedule K-1 (Form 1065) does not include any net capital gain (loss) from the exchange of one kind of legal tender for another kind of legal tender.

#### Part 4 - Net Long-Term Capital Gain Subtraction – Information Schedule

Arizona allows individuals, estates, and trusts a subtraction from Arizona gross income for a percentage of any net long-term capital gain if:

- The asset was acquired after December 31, 2011.
- The gain is included in:
  - The individual's federal adjusted gross income, or,
  - The estate or trust's federal taxable income.

In addition:

- Only include net long-term gains if the partnership can verify the asset was acquired after December 31, 2011.
- If the partnership cannot verify the asset was acquired after December 31, 2011, treat it as a capital gain asset acquired before January 1, 2012.

A partner that is a pass-through entity (estate or trust) will need this information to:

- Calculate its subtraction; or,
- Complete Arizona Form 141AZ, Schedule K-1, or Schedule K-1(NR) for each beneficiary.

Complete Part 4 (if line 6 is applicable) of Arizona Form 165, Schedule K-1 as instructed on the form. Do NOT complete Part 4 if the partner's federal Schedule K-1 (Form 1065) does not include any net capital gain (loss).

Complete Arizona Form 165, Schedule K-1, Part 4 to provide information to:

- The resident or part-year resident individual partner to calculate the subtraction for net long-term capital gain for assets acquired after December 31, 2011.
- The resident estate or trust partner to:
  - Calculate the subtraction for long-term capital gain for assets acquired after December 31, 2011; or,

- Complete Arizona Form 141AZ Schedule K-1 or Schedule K-1(NR) for each beneficiary.

A worksheet is provided at the end of these instructions to assist the partnership in determining the amount(s) to include on each partner's Arizona Form 165, Schedule K-1, Part 4, lines 6 through 8.

#### Part 5 – Partner's Share of the Partnership's Pass-Through Entity Election

For taxable years beginning from and after December 31, 2021, Arizona allows partnerships to elect to become a Pass-Through Entity (PTE) and pay tax at the entity level on its pass-through income. Complete Part 5 if the partnership is making the election to pay tax at the entity level on its pass-through income.

Complete lines 9 through 11 for all resident and part-year resident shareholders that did not opt out of the partnership's election to pay tax at the entity level.

Complete three copies of Arizona Form 165, Schedule K-1 for each partner. File one copy of each partner's Arizona Form 165, Schedule K-1 with the partnership's Arizona Form 165. Provide all partners with a copy of their Arizona Form 165, Schedule K-1. Keep a copy for the partnership's records.

#### Arizona Form 165 Schedule K-1(NR) - Partnership Instructions

**Partnerships not making the PTE Election or that have partners who are not participating in the PTE Election<sup>3</sup>:** Complete Arizona Form 165 Schedule K-1 for all nonresident individuals, all nonresident estate partners and all nonresident trust partners (including IRA's and other retirement interests) not participating in the PTE Election. Complete Arizona Form 165, Schedule K-1 for all other partners not participating in the PTE Election.

**Partnerships making the PTE Election whose partners are participating in the PTE Election<sup>4</sup>:** Complete Arizona Form 165 Schedule K-1 for all nonresident individual partners, all nonresident estate partners and all nonresident trust partners (including IRA's and other retirement interests) who did not opt out of the partnership's PTE Election.

For all part-year resident individual partners who did not opt out of the partnership's PTE Election, complete Form 165, Schedule K-1 **AND** Form 165, Schedule K-1(NR) for each part-year individual partner.

- Complete Form 165, Schedule K-1 to report that partner's apportioned share of the partnership's adjustment of income from federal to Arizona basis, PTE tax credit and PTE tax paid while the partner was a resident of Arizona.
- Complete Form 165, Schedule K-1(NR) to report that partner's share of the partnership's PTE income, the

<sup>3</sup> Partners not participating in the PTE Election include those partners who are not individuals or estate or trust partners, and those individuals, estates or trusts who opted out of the partnership's PTE Election.

<sup>4</sup> Partners who are participating in the PTE Election include those partners who are individual, estates or trusts who did NOT opt out of the partnership's PTE Election.



partnership's adjustment of income from federal to Arizona basis, PTE tax credit and PTE tax paid while the partner was NOT a resident of Arizona.

Complete Arizona Form 165, Schedule K1 for all other partners who did not opt out of the PTE Election.

**NOTE:** A partnership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the owner (of the grantor trust).

A partnership share that is owned by a grantor that elected to be taxed as a trust for federal income tax purposes is treated as owned by a trust.

A partnership share that is owned by an IRA (or other retirement plan interest) is treated as owned by a trust.

A partnership share that is owned by a single-member LLC that is disregarded for federal income tax purposes is treated as owned by the member.

Type or print the required information in the name, address, and information boxes on the top of the Arizona Form 165, Schedule K-1(NR). Indicate whether the partnership's taxable year is a calendar year or a fiscal year; if a fiscal year, indicate the period covered by the taxable year on the schedule. Indicate whether this is an original or an amended schedule.

**Truncating the partner's TIN on Schedule K-1(NR).**

The partnership may truncate a partner's identifying number on the Arizona Form 165 Schedule K-1(NR) it sends to the partner. Truncation is not permitted on Schedule E of Arizona Form 165. The partnership cannot truncate its own TIN on any form. To truncate, where permitted, follow the guidelines established by the IRS.

**Part 1 and Part 2 - Distributive Share Items**

**Column (a) - Distributive Share Amount**

**Wholly Arizona partnerships** - In column (a), enter the distributive share amount for each line item from federal Form 1065, Schedule K-1. On Part 2, line 15, enter the adjustment of partnership income from federal to Arizona basis (Arizona Form 165, page 1, line 6) multiplied by the partner's percentage of gain or loss.

**NOTE FOR CORPORATE PARTNERS:** Leave Part 1 blank. Complete Part 2, Part 3 and Part 4 of Arizona Form 165 Schedule K-1(NR).

**Multistate partnerships** - Apportion all business income of a multistate partnership by the use of the apportionment formula. Nonbusiness income of a multistate partnership is nonapportionable and specifically allocable to a particular state.

"Business income" under the transactional test means income arising from transactions and activity in the regular course of the taxpayer's trade or business. Business income under the functional test includes income from tangible and intangible property if the acquisition, management, and disposition of the property constitute integral parts of the taxpayer's regular trade or business operations.

"Nonbusiness income" means all income other than business income.

**In column (a)**, enter the partner's distributive share of the multistate partnership's income (loss) that is subject to apportionment.

The multistate partnership must compute the partner's distributive share of the partnership's income that is subject to apportionment. Make this computation by subtracting the partner's distributive share of the multistate partnership's nonbusiness income from the partner's total distributive share amount of the partnership's income. The multistate partnership must attach a computation schedule that details the following, for each line item:

- The partner's distributive share amount from federal Form 1065, Schedule K-1, or from the adjustment of partnership income from federal to Arizona basis (Arizona Form 165, page 1, line 6).
- The partner's distributive share amount of the partnership's nonapportionable or allocable income.
- The partner's distributive share of the partnership's income that is subject to apportionment. Refer to A.R.S. §§ 43-1134 through 43-1138 for the methods of allocating certain types of nonbusiness income.

**NOTE:** For corporate partners, apply this computation only for the amount to be entered on Part 2, line 15. Do not complete Part 1.

**Column (b) - Arizona Apportionment Ratio**

**Wholly Arizona partnerships** - Enter 100 percent.

**Multistate partnerships** - Enter the average ratio amount from Arizona Form 165, Schedule C, line C5, Column C, or from Schedule ACA, line 3. (Refer to Schedule ACA or Schedule C instructions.)

**Column (c) - Arizona Source Income**

**Wholly Arizona partnerships** - Enter the amount from column (a).

**Multistate partnerships** - Attach a schedule that details (for each line item) the following computation:

1. The partner's distributive share of the partnership's income subject to apportionment multiplied by the average ratio in column (b).
2. The partner's distributive share of the partnership's income (loss) which is specifically allocable to Arizona.
3. The total of the amounts computed in steps 1 and 2 that is to be entered in column (c).

**NOTE:** A.R.S. §§ 43-1134 through 43-1138 specify the methods for allocating certain types of income to Arizona. Do not include the amount of any nonbusiness income allocable to another state in the total entered in column (c).

**All partnerships** - Column (c) is the partner's Arizona source income from the partnership. Partners should refer to Arizona Form 165, Schedule K-1(NR), instructions for information on completing their Arizona returns.

**Part 3 - Net Capital Gain (Loss) from Investment in a Qualified Small Business – Information Schedule**

Arizona allows individuals, estates, and trusts a subtraction from Arizona gross income for any net capital gain derived from investment in a qualified small business if:

- The gain is included in:

- The individual's federal adjusted gross income, or
- The estate or trust's federal taxable income
- The business in which the partnership invested is determined to be a qualified small business by the Arizona Commerce Authority.

A partner that is a pass-through entity (estate or trust) will need this information to:

- Calculate its subtraction for the estate or trust, or
- Complete Arizona Form 141AZ, Schedule K-1, or Schedule K-1(NR), for each beneficiary.

Complete Arizona Form 165, Schedule K-1, Part 3 to provide information to:

- The resident or part-year resident individual partner to calculate its subtraction for net capital gain from investment in a qualified small business.
- The resident estate partner or resident trust partner to:
  - Calculate its subtraction for net capital gain from investment in a qualified small business, or,
  - Complete Arizona Form 141AZ, Schedule K-1, or Schedule K-1(NR) for each beneficiary so the beneficiary can calculate its subtraction for net capital gain from investment in a qualified small business.

Complete Arizona Form 165, Schedule K-1(NR), Part 3, line 16, and Part 5, line 19, if the partner's federal Schedule K-1 (Form 1065) includes any net capital gain (loss) from investment in a qualified small business. If Part 3, line 16, is zero, enter "0" on Part 5, line 19.

Do NOT complete Arizona Form 165, Schedule K-1(NR), Part 3, line 16, and Part 5, line 19 if the partner's federal Schedule K-1 (Form 1065) does not include any net capital gain (loss) from investment in a qualified small business.

#### **Part 4 - Net Capital Gain (Loss) From the Exchange of Legal Tender – Information Schedule**

For taxable years beginning from and after December 31, 2017, Arizona allows individuals, estates, trusts and corporations an exclusion for any net capital gain included in Arizona gross income that is derived from the exchange of one kind of legal tender for another kind of legal tender.

A partner that is a pass-through entity (estate or trust) will need this information to:

- Calculate its subtraction, or,
- Complete the Arizona Form 141AZ, Schedule K-1 or Schedule K-1(NR), for each beneficiary.

Complete Arizona Form 165, Schedule K-1(NR) Part 4, line 17, and Part 5, line 20 if the partner's federal Schedule K-1 (Form 1065) includes any net capital gain (loss) from the exchange of one kind of legal tender for another kind of legal tender. If Part 4, line 17, is zero, enter "0" on Part 5, line 20.

Do NOT complete Arizona Form 165 Schedule K-1(NR), Part 4, line 17 or Part 5, line 20 if the partner's federal Schedule K-1 (Form 1065) does not include any net capital gain (loss) from the exchange of one kind of legal tender for another kind of legal tender.

#### **Part 5 - Net Long-Term Capital Gain Subtraction – Information Schedule**

Arizona allows individuals, estates, and trusts a subtraction from Arizona gross income for a percentage of any net long-term capital gain if:

- The asset was acquired after December 31, 2011.
- The gain is included in:
  - The individual's federal adjusted gross income, or,
  - The estate or trust's federal taxable income.

In addition:

- Only include net long-term gains if the partnership can verify the asset was acquired after December 31, 2011.
- If the partnership cannot verify the asset was acquired after December 31, 2011, treat it as a capital gain asset acquired before January 1, 2012.

A partner that is a pass-through entity (estate, trust, S corporation, or partnership) will need this information to:

- Calculate its subtraction, or,
- Complete:
  - Arizona Form 141AZ, Schedule K-1, or Schedule K-1(NR) for each beneficiary; or,
  - Arizona Form 120S, Schedule K-1, or Schedule K-1(NR) for each shareholder; or,
  - Arizona Form 165, Schedule K-1, or Schedule K-1(NR) for each partner.

Complete Arizona Form 165, Schedule K-1(NR), Part 5, lines 18 through 20 (if applicable) if the partner's federal Schedule K-1 (Form 1065) includes capital gain (loss).

Do NOT complete Arizona Form 165, Schedule K-1(NR), Part 5, lines 18 through 20 if the partner's federal Schedule K-1 (Form 1065) does not include any capital gain (loss).

Complete Arizona Form 165, Schedule K-1(NR), Part 5 to provide information to:

- The nonresident individual partner to calculate its subtraction for net long-term capital gain for assets acquired after December 31, 2011.
- The nonresident estate partner or nonresident trust partner to:
  - Calculate its subtraction for net long-term capital gain for assets acquired after December 31, 2011,
  - Complete Form, 141AZ Schedule K-1, or Schedule K-1(NR) for each beneficiary so each beneficiary can calculate its subtraction for net long-term capital gain for assets acquired after December 31, 2011.

#### **Part 6 – Partner's Share of the Partnership's Pass-Through Entity Tax Credit**

For taxable years beginning from and after December 31, 2021, Arizona allows partnerships to elect to become a Pass-Through Entity (PTE) and pay tax at the entity level on its pass-through income. Complete Part 6 if the partnership is making the election to pay tax at the entity level on its pass-through income.

Complete lines 21 through 23 for all nonresident individual or estate or trust partners that did not opt out of the partnership's election to pay tax at the entity level.

For the partnership partner or S corporation partner, Arizona Form 165 Schedule K-1(NR), Part 5, provides information so the partner

can provide information to each partner or shareholder to provide to lower tiered partners or shareholders.

For the C corporation partner, Arizona Form 165, Schedule K-1(NR), Part 5, is informational only.

A worksheet is provided at the end of these instructions to assist the partnership in determining the amounts to include on each nonresident partner's Arizona Form 165, Schedule K-1(NR), Part 5, lines 18 through 20.

Complete three copies of Arizona Form 165, Schedule K-1(NR) for each partner. File one copy of each partner's Arizona Form 165, Schedule K-1(NR), with the partnership's Arizona Form 165. Provide all partners with a copy of their Arizona Form 165, Schedule K-1(NR). Retain a copy for the partnership's records.

**Information on Filing Composite Returns on Arizona Form 140NR for Qualifying Nonresident Partners**

Arizona law requires an individual resident or nonresident to file his or her own income tax return. The Arizona Department of Revenue will accept a composite return on Arizona Form 140NR for qualifying nonresident individual partners of a partnership that opted out of the partnership's PTE election.

**NOTE:** *A composite return cannot be filed with fewer than ten participating members.*

*A partnership making the PTE election cannot file a composite return on behalf of its nonresident partners that did not opt out of the Partnership's PTE election.*

Refer to the department's ruling, *ITR 16-2, Composite Individual Income Tax Returns* for information regarding the requirements for filing a composite return on Arizona Form 140NR.

The *Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired After December 31, 2011*, is below.

**Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired After December 31, 2011**

Original return  Amended return

Net long-term capital gain (loss) as reported on federal Schedule D (or other form/schedule) <u>and</u> included in the distributive share amount.		(a)	(b)	(c)
Enter the total net long-term capital gain (loss) from the following forms in each applicable column. See instructions below the worksheet.		Net long-term capital gain (loss)	Net long-term capital gain (loss) included in column (a) from assets acquired <b>before</b> January 1, 2012	Net long-term capital gain (loss) included in column (a) from assets acquired <b>after</b> December 31, 2011
1	Long-term capital gain (loss) reported on federal Schedule D from Form(s) 8949. Combine the amounts and enter the total.	1		
2	Form(s) 6252 <i>Installment Sale Income</i>	2		
3	Form(s) 8824 <i>Like-Kind Exchanges</i>	3		
4	Pass-through from Estate, Partnership, and/or Trust – from Arizona Form 141AZ or Arizona Form 165 Schedule K-1 or Schedule K-1(NR).	4		
5	Any other long-term capital gain (loss)	5		
6	<b>Net long-term capital gain (loss).</b> Add lines 1 through 5 in each column, and enter the total.  For each partner, enter the distributive share of the amounts from line 6 on Arizona Form 165 Schedule K-1 or Arizona Form 165 Schedule K-1(NR).	6		

## Worksheet Instructions

### Purpose of the Worksheet

A subtraction is available for a percentage of any net long-term capital gain that is from an investment in an asset acquired after December 31, 2011, and included in an individual taxpayer's federal adjusted gross income or the federal taxable income of an estate or trust.

To take the allowable subtraction, the taxpayer must know whether the capital gain (loss) is considered short-term or long-term. Only the net long-term capital gain from assets acquired after December 31, 2011, is used to compute the allowable subtraction. For more information about determining whether a gain (loss) is short-term or long-term, see federal Publication 544 at [www.irs.gov](http://www.irs.gov).

**NOTE:** *If you cannot verify that the capital gain is from the sale of an asset acquired after December 31, 2011, then the capital gain should be treated as a capital gain asset acquired before January 1, 2012.*

*An asset acquired by gift or inheritance is considered acquired on the date it was acquired by the gift-giver or the deceased individual.*

### Who Should Complete the Worksheet?

The partnership can use this worksheet to calculate each partner's distributive share of the net long-term capital gain (loss) included in Schedule K of federal Form 1065 for assets purchased after December 31, 2011.

Do not complete this worksheet if any of the following apply:

- The partnership does not have any capital gain (loss) to report for the current tax year; or
- The partnership does not have any net capital gain (loss) from asset(s) acquired after December 31, 2011, to report for the current tax year; or
- All of the partners are C corporations that have not made an election to be taxed under Subchapter S of the IRC.

Keep the completed worksheet for the partnership's records.

### Columns (a) through (c)

- Column (a) is the total amount of net long-term capital gain (loss) reported on federal Schedule D or other federal forms/schedules.
- Column (b) is the amount of the net long-term capital gain (loss) included in column (a) for assets acquired **before** January 1, 2012.
- Column (c) is the amount of the net long-term capital gain (loss) included in column (a) for assets acquired **after** December 31, 2011.

### Lines 1 through 5 - Capital Gain (Loss) Reported on Federal Schedule D

Enter the long-term capital gain (loss) from each federal form listed that was reported on the partnership's federal Schedule D and included on Schedule K of federal Form 1065.

### Line 6 - Net Long-Term Capital Gain (Loss)

For each column, add the amounts on lines 1 through 5 and enter the total.

For each partner, enter the distributive share of the amounts in each column on line 6 of the worksheet on Parts 2, 3, and 4 of Arizona Form 165, Schedule K-1, or on Parts 3, 4 and 5 of Arizona Form 165, Schedule K-1(NR).

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Corporate partners must use Form 165 Schedule K-1(NR).

For the  calendar year 2022 or  fiscal year beginning MM/DD/2022 and ending MM/DD/20YY.

**CHECK ONE:**  Original  Amended

Partner's Tax Identification Number	Partnership's Employer Identification Number (EIN)
Partner's Name	Partnership's Name
Partner's Address – number and street or rural route	Partnership's Address – number and street or rural route
Partner's City, Town or Post Office      State    ZIP Code	Partnership's City, Town or Post Office      State    ZIP Code

**Pass-Through Entity Election:**

Did the partnership make the Pass-Through Entity (PTE) Election?  Yes  No

If the partnership made the PTE Election, did this partner consent to that election?  Yes  No

Partner's Percentage of:	Beginning of Year	End of Year
Profit sharing .....	%	%
Loss sharing .....	%	%
Ownership of capital .....	%	%
Type of partner (individual, trust, or estate).		

**Part 1 Arizona Partnership Adjustment**

1 Adjustment of partnership income from federal to Arizona basis from Form 165, page 1, line 6 ...	1	00
2 Partner's percentage of profit or loss (expressed as a decimal).....	2	.
3 Partner's distributive share of the adjustment of partnership income from federal to Arizona basis. Multiply line 1 by line 2 .....	3	00

**Part 2 Net Capital Gain (Loss) From Investment in a Qualified Small Business – Information Schedule**

If the partner's federal Schedule K-1 (Form 1065) does not include any net capital gain (loss) from investment in a qualified small business as determined by the Arizona Commerce Authority, the partnership is not required to complete Part 2.

Pro Rata Share Items	Distributive Share Amount
4 Net capital gain (loss) from investment in a qualified small business .....	4

**Part 3 Net Capital Gain (Loss) From the Exchange of Legal Tender – Information Schedule**

If the partner's federal Schedule K-1 (Form 1065) does not include any net capital gain (loss) from the exchange of legal tender, the partnership is not required to complete Part 3.

Pro Rata Share Items	Distributive Share Amount
5 Net capital gain (loss) from the exchange of legal tender .....	5

Name of Partnership (as shown on page 1)	EIN
--	-----

**Part 4 Net Long-Term Capital Gain Subtraction – Information Schedule**

If the partner's federal Schedule K-1 (Form 1065) does not include any net long-term capital gain (loss), the partnership is not required to complete Part 4.

Pro Rata Share Items From federal Form 1065, Schedule K-1	(a) Distributive Share Amount	(b) Net long-term capital gain (loss) included in column (a) from assets acquired before January 1, 2012	(c) Net long-term capital gain (loss) included in column (a) from assets acquired after December 31, 2011
<b>6</b> Total Net long-term capital gain (loss) ..... <b>6</b>			

**ADDITIONAL INFORMATION:**

<b>7</b> Net long-term capital gain (loss) from investment in a qualified small business (amount already included in line 6, column (c)) ..... <b>7</b>			
<b>8</b> Net long-term capital gain (loss) from the exchange of legal tender (amount already included in line 6, column (c)) ..... <b>8</b>			

**Part 5 Partner's Share of the Partnership's Pass-Through Entity Election**

If the partner consented to the partnership's election to be a Pass-Through Entity (PTE), complete Part 5. Otherwise, leave blank.

Partner's Pro Rata Share of PTE Election	Partner's Distributive Share
<b>9</b> Partner's pro-rata share of the PTE Tax Credit. <i>Individuals</i> , enter this amount on Form 355, Part 1, line 1. <i>Estates and trusts</i> , see the instructions for Form 141AZ, line 19, to claim this credit ..... <b>9</b>	
<b>10</b> Partner's pro-rata share of the Arizona PTE Taxes paid in 2022 for taxable year 2022. <i>Individuals</i> , add this amount back on Form 140, page 5, line P, or Form 140PY, page 5, line O, or Form 140-SBI, line 25, or Form 140PY-SBI, line 25. <i>Estates and trusts</i> , add this amount back on Form 141AZ, Schedule B, line B3 ..... <b>10</b>	
<b>11</b> Partner's pro-rata share of comparable PTE Taxes from other states paid in 2022 for taxable year 2022. <i>Individuals</i> , add this amount back on Form 140, page 5, line P, or Form 140PY, page 5, line O, or Form 140-SBI, line 25, or Form 140PY-SBI, line 25, or <i>Estates and trusts</i> , add this amount back on Form 141AZ, Schedule B, line B3 ..... <b>11</b>	



**Instructions for Partners**

**Part 1 - Arizona Partnership Adjustment**

The partnership is required to adjust its income from a federal to Arizona basis. Line 3 of Arizona Form 165 Schedule K-1, is your share of that adjustment. Report the amount from line 3 on your Arizona tax return following the instructions below.

**Resident Individuals**

- If line 3 is a positive number, enter the amount on Arizona Form 140, page 1, line 16.
- If line 3 is a negative number, enter the amount on Arizona Form 140, page 1, line 27.

**Part-Year Resident Individuals**

- If line 3 is a positive number, enter that portion of line 3 allocable to partnership income taxable by Arizona on Arizona Form 140PY, line 31.
- If line 3 is a negative number, enter that portion of line 3 allocable to partnership income taxable by Arizona on Arizona Form 140PY, line 44.

**Resident Estates or Resident Trusts**

- If line 3 is a positive number, enter the amount on Arizona Form 141AZ, Schedule B, line B3.
- If line 3 is a negative number, enter the amount on Arizona Form 141AZ, Schedule B, line B9.

**Part 2 - Net Capital Gain (Loss) From Investment in a Qualified Small Business – Information Schedule**

Arizona allows individuals, estates and trusts a subtraction from Arizona gross income for any net capital gain derived from investment in a qualified small business if:

- The gain is included in:
  - The individual's federal adjusted gross income, or
  - The estate or trust's federal taxable income
- The business in which the partnership invested is determined to be a qualified small business by the Arizona Commerce Authority.

A partner that is a pass-through entity (estate or trust) will need this information to:

- Calculate the subtraction for the estate or trust, or
- Complete Arizona Form 141AZ, Schedule K-1 or Schedule K-1(NR), for each beneficiary.

**Line 4**

Line 4, column (a) is your share of net capital gain (loss) from investment in a qualified small business. See the instructions for Forms 140, 140PY, or 141AZ to determine if you qualify to take this subtraction.

**Part 3 - Net Capital Gain (Loss) From the Exchange of Legal Tender – Information Schedule**

For taxable years beginning from and after December 31, 2017, Arizona allows the exclusion from gross income the amount of net capital gain (loss) derived from the exchange of one kind of legal tender for another kind of legal tender.

- (a) "Legal tender" means a medium of exchange, including specie, that is authorized by the United States Constitution or Congress for the payment of debts, public charges, taxes and dues.
- (b) "Specie" means coins having precious metal content.

**Line 5**

Line 5 is your share of the net capital gain (loss) derived from the exchange of one kind of legal tender for another. A net capital gain is reported as a positive number. A net capital loss is reported as a negative number.

**Part 4 - Net Long-Term Capital Gain Subtraction - Information Schedule**

Arizona allows individuals, estates, and trusts a subtraction from Arizona gross income for a percentage of any net long-term capital gain if:

- The gain arises from assets acquired after December 31, 2011.
- The gain must be included in:
  - The individual's federal adjusted gross income, or
  - The estate or trust's federal taxable income.

In addition:

- Only include net long-term gains if you can verify the asset was acquired after December 31, 2011.
- If you cannot verify the asset was acquired after December 31, 2011, treat it as a capital gain asset acquired before January 1, 2012.
- An asset acquired by gift or inheritance is considered acquired on the date it was acquired by the gift-giver, or the deceased.

A partner that is a pass-through entity (estate or trust) will need this information to:

- Calculate the subtraction for the estate or trust, or
- Complete Arizona Form 141AZ, Schedule K-1, or Schedule K-1(NR), for each beneficiary.

**Line 6**

Line 6, column (c), is your share of net long-term capital gain (loss) from assets acquired after December 31, 2011.

**Line 7**

Line 7, column (c) is your share of the partnership's net long-term capital gain from investment in a qualified small business that is included in the amount on line 6, column (c). *The amount on line 7 cannot be included in your subtraction for any net long-term capital gain from assets acquired after December 31, 2011.*

For more information, see the instructions for Arizona Form 140, Arizona Form 140PY, or Arizona Form 141AZ.

**Line 8**

Line 8, column (c) is your share of the partnership's net long-term capital gain (loss) from the exchange of one form of legal tender for another that is included in the amount on line 6 column (c). *The amount on line 8, column (c) cannot be included in your subtraction for any net long-term capital gain from assets acquired after December 31, 2011.*

## Worksheet for Long-Term Capital Gain Subtraction for Assets Acquired After December 31, 2011 (Worksheet)

To determine if you qualify to claim a subtraction from income on your Arizona tax return:

- **Full-year resident partners**, use the amounts on line 6, line 7, column (c), and line 8, column (c) to figure the allowable subtraction on the Worksheet included in the instructions for Arizona Form 140.
- **Part-year resident partners**, use the amounts on line 6, line 7, column (c), and line 8, column (c) that are included in your Arizona gross income to figure the allowable subtraction on the Worksheet included in the instructions for Arizona Form 140PY.
- **Resident estate or trust partners**, use the amounts on line 6, line 7, column (c), and line 8, column (c) to complete the Worksheet included in the instructions for Arizona Form 141AZ. If the resident estate or trust distributed the gain (loss) to the beneficiaries, the Worksheet will assist the estate or trust in completing the *Net Long-Term Capital Gain Subtraction – Information Schedule* on Arizona Form 141AZ, Schedule K-1, or Schedule K-1(NR) for each beneficiary.

## Part 5 – Shareholder’s Portion of the S Corporation’s Pass-Through Entity Election

If the S Corporation is making the election to pay tax at the entity level on its pass-through income AND you as the resident or part-year resident individual or estate and trust shareholder did not opt out of that election, Part 5 provides you with your pro-rata share of the pass-through credit.

### Line 9

Line 9 is your pro-rata share of the S Corporation’s PTE Tax Credit.

*Individuals*, enter this amount on Credit Form 355, Part 1, line 1.

*Estates and trusts*, see the instructions for Form 141AZ, line 19 to claim this credit.

### Line 10

Line 10 is your pro-rata share of the S Corporation’s Arizona PTE Taxes paid in 2022 for taxable year 2022.

*Individuals*, add this amount back on Form 140, page 5, line P, or Form 140PY, page 5, line O, or Form 140-SBI, line 25, or Form 140PY-SBI, line 25.

*Estates and trusts*, add this amount back on Form 141AZ, Schedule B, line B3.

### Line 11

Line 11 is your pro-rata share of comparable PTE Taxes from other states paid in 2022 for taxable year 2022.

*Individuals*, add this amount back on Form 140, page 5, line P, or Form 140PY, page 5, line O, or line Form 140-SBI, line 25, or Form 140PY-SBI, line 25.

*Estates and trusts*, add this amount back on Form 141AZ, Schedule B, line B3.

**All corporate partners must use this schedule.**

For the  calendar year 2022 or  fiscal year beginning MM, DD, 2022 and ending MM, DD, 20, Y, Y.

**CHECK ONE:**  Original  Amended

Partner's Tax Identification Number	Partnership's Employer Identification Number (EIN)
Partner's Name	Partnership's Name
Partner's Address – number and street or rural route	Partnership's Address – number and street or rural route
Partner's City, Town or Post Office                      State    ZIP Code	Partnership's City, Town or Post Office                      State    ZIP Code

**Pass-Through Entity Election:**

Did the partnership make the Pass-Through Entity (PTE) Election?  Yes  No

If the partnership made the PTE Election, did this partner consent to that election?  Yes  No

<b>Partner's Percentage of:</b>	<b>Beginning of Year</b>	<b>End of Year</b>
Profit sharing .....	%	%
Loss sharing .....	%	%
Ownership of capital .....	%	%
Type of partner (individual, trust, estate, IRA, corporate, or partnership) .....		

<b>Part 1: Distributive Share Items From federal Form 1065, Schedule K-1</b>	(a) Distributive Share Amount	(b) Arizona Apportionment Ratio	(c) Arizona Source Income	Form 140NR Filers: Enter the amount in column (c) on:
1 Ordinary income (loss) from trade or business activities.....				
2 Net income (loss) from rental real estate activities...				
3 Net income (loss) from other rental activities .....				
4 Total: Add lines 1, 2, and 3 .....				Line 21
5 Interest.....				Line 16
6 Dividends.....				Line 17
7 Royalties.....				Line 21
8 Net short-term capital gain (loss).....				Line 20
9 Net long-term capital gain (loss).....				Line 20
10 Guaranteed payments to partner.....				
11 Net IRC Section 1231 gain (loss) .....				Line 20
12 Other income (loss): include schedule .....				Line 22
13 IRC Section 179 expense.....				Line 21
14 Other deductions: include schedule .....				

<b>Part 2: Partner's Distributive Share of the Adjustment of Partnership Income From federal to Arizona Basis</b>	(a) Distributive Share Amount	(b) Arizona Apportionment Ratio	(c) Arizona Source Income	Form 140NR Filers: Enter the amount in column (c) on:
15 Adjustment of partnership income from federal to Arizona basis from Form 165, page 1, line 6.....				Line 29 or 41

NOTE: Corporate partners see Form 120 or Form 120A instructions for information on reporting the amount from line 15.

Name of Partnership (as shown on page 1)	EIN
--	-----

**Part 3 Net Capital Gain (Loss) From Investment in a Qualified Small Business – Information Schedule**

If the partner's federal Schedule K-1 (Form 1065) does not include any net capital gain (loss) from investment in a qualified small business as determined by the Arizona Commerce Authority, the partnership is not required to complete Part 3.

Pro Rata Share Items	(a) Distributive Share Amount	(b) Arizona Apportionment Ratio	(c) Arizona Source Income
16 Net capital gain (loss) from investment in a qualified small business..... 16			

**Part 4 Net Capital Gain (Loss) From the Exchange of Legal Tender – Information Schedule**

If the partner's federal Schedule K-1 (Form 1065) does not include any net capital gain (loss) from the exchange of legal tender, the partnership is not required to complete Part 4.

Pro Rata Share Items	(a) Distributive Share Amount	(b) Arizona Apportionment Ratio	(c) Arizona Source Income
17 Net capital gain (loss) from the exchange of legal tender..... 17			

**Part 5 Net Long-Term Capital Gain (Loss) Subtraction – Information Schedule**

If the partner's federal Schedule K-1 (Form 1065) includes capital gain (loss), complete lines 18 through 20. If the partner's federal Schedule K-1 (Form 1065) does not include any capital gain (loss), the partnership is not required to complete Part 5.

Pro Rata Share Items From federal Form 1065, Schedule K-1	(a) Distributive Share Amount Enter the total of the amounts on page 1, line 9, column (a), and line 11, column (a).	(b) Arizona Source Income Enter the total of the amounts on page 1, line 9, column (c), and line 11, column (c).	(c) Net long-term capital gain (loss) included in column (b) from assets acquired before January 1, 2012	(d) Net long-term capital gain (loss) included in column (b) from assets acquired after December 31, 2011
18 Total net long-term capital gain (loss)..... 18				

**ADDITIONAL INFORMATION:**

19 Net long-term capital gain (loss) from investment in a qualified small business (amount already included in line 18, column (d)) ..... 19				
20 Net long-term capital gain (loss) from the exchange of legal tender (amount already included in line 18, column (d))..... 20				

**Part 6 Partner's Share of the Partnership's Pass-Through Entity Tax Credit**

If the partner consented to the partnership's election to be a Pass-Through Entity, complete Part 6. Otherwise, leave blank.

Partner's Pro Rata Share of PTE Election	Partner's Distributive Share
21 Partner's pro-rata share of the PTE Tax Credit. <i>Individuals</i> , enter this amount on Form 355, Part 1, line 1. <i>Estates and trusts</i> , see the instructions for Form 141AZ, line 19, to claim this credit ..... 21	
22 Partner's pro-rata share of the Arizona PTE Taxes paid in 2022 for taxable year 2022. <i>Individuals</i> , add this amount back on Form 140NR, page 5, line K, or Form 140NR-SBI, line 24. <i>Estates and trusts</i> , add this amount back on Form 141AZ, Schedule B, line B3. .... 22	
23 Partner's pro-rata share of comparable PTE Taxes from other states paid in 2022 for taxable year 2022. <i>Individuals</i> , add this amount back on Form 140NR, page 5, line K, or Form 140NR-SBI, line 24. <i>Estates and trusts</i> , add this amount back on Form 141AZ, Schedule B, line B3. .... 23	

**Instructions for Partners**

**Part 1 - Distributive Share Items from Federal Form 1065, Schedule K-1**

Column (c) is your Arizona source income.

- If you are a nonresident individual, use the line numbers on Schedule K-1(NR) to report the amounts in column (c) on your Arizona Form 140NR.
- If you are a nonresident trust or nonresident estate, add lines 4 through 16, column (c), and enter the total on Arizona Form 141AZ, page 2, Schedule A.

If Arizona Form 165 Schedule K-1(NR) shows a loss, you may only claim such losses on your Arizona nonresident return to the extent:

- Those losses are included in:
  - The federal adjusted gross income of an individual, or,
  - The federal taxable income of a trust or an estate.
- The loss is **not** considered to be a passive activity loss for federal purposes. (If it is, the loss will be treated as a passive activity loss for Arizona purposes.)

If the partnership passes through to you a passive activity loss derived from Arizona sources:

- Do not begin the Arizona return with the amounts shown in column (c) of Arizona Form 165 Schedule K-1(NR).
- You must first determine if any portion of the loss has been limited on your federal return due to federal passive activity loss rules.

In addition:

- Only the amount of passive activity loss derived from Arizona sources will be allowed on the Arizona return.
- Any portion of the passive activity loss not allowed on the federal return due to passive activity loss limitations will be limited on the Arizona return.
- That portion of the passive activity loss derived from Arizona sources required to be carried forward for federal purposes will be carried forward for Arizona purposes.

**NOTE:** *The amount of Internal Revenue Code (IRC) § 179 expense deductible is limited to the Arizona portion of the amount deducted on federal Form 1040, Schedule E.*

**Part 2 - Partner's Distributive Share of the Adjustment of Partnership Income from Federal to Arizona Basis**

**Line 15**

**Nonresident Individuals, Estates and Trusts:**

Line 15 reflects the amount of partnership income which must be adjusted to determine the difference between Internal Revenue Code § 702(a)(8) and Arizona Revised Statutes § 43-1401(2).

If the amount on line 15, column (c) is a positive number:

- Individual partners, enter this amount as an "other addition to income" on Arizona Form 140NR, line 32.
- Estates or trusts, enter this amount as an "other addition" on Arizona Form 141AZ, page 2, line B3.

If the amount on line 15, column (c) is a negative number:

- Individual partners, enter this amount as an "other subtraction from income" on Arizona Form 140NR, line 45.
- Estates or trusts, enter this amount as an "other subtraction" on Arizona Form 141AZ, page 2, line B9.

**Corporate partners:**

- If the amount on line 15 is positive, enter the amount from line 15, column (a) on Schedule A, line A8 of Form(s) 120 or 120A.
- If the amount on line 15 is negative, enter the amount from line 15, column (a) on Schedule B, line B10 of Form(s) 120 or 120A.

**Partnerships that are partners:**

- If the amount on line 15 is positive, enter the amount from line 15, column (a) on Schedule A, line A4 of Arizona Form 165.
- If the amount on line 15 is negative, enter the amount from line 15, column (a) on Schedule B, line B5 of Arizona Form 165.

**Part 3 - Net Capital Gain (Loss) from Investment in a Qualified Small Business – Information Schedule**

Arizona allows individuals, estates and trusts a subtraction from Arizona gross income for any net capital gain derived from investment in a qualified small business if:

- The gain is included in:
  - The individual's federal adjusted gross income, or
  - The federal taxable income of the estate or trust.
- The business in which the partnership invested is determined to be a qualified small business by the Arizona Commerce Authority.

Although the subtraction is only available to individuals, estates and trusts, a partner that is a pass-through entity (estate, partnership, S corporation, or trust) will need this information to calculate the subtraction for the estate or trust, or to complete:

- Arizona Form 141AZ, Schedule K-1 or Schedule K-1(NR), for each beneficiary;
- Arizona Form 120S, Schedule K-1 or Schedule K-1(NR), for each shareholder; or,
- Arizona Form 165, Schedule K-1 or Schedule K-1(NR), for each partner.

**Line 16**

The amount on line 16, column (c), is your share of net capital gain (loss) from investment in a qualified small business that is apportioned to Arizona. To determine if you qualify to claim this subtraction from your Arizona tax return, see the instructions for Arizona Form 140NR or Arizona Form 141AZ.

## Part 4 - Net Capital Gain (Loss) from the Exchange of Legal Tender - Information Schedule

For taxable years beginning from and after December 31, 2017, Arizona allows the exclusion from gross income the amount of net capital gain (loss) derived from the exchange of one kind of legal tender for another kind of legal tender.

- (a) "Legal tender" means a medium of exchange, including specie, that is authorized by the United States Constitution or Congress for the payment of debts, public charges, taxes and dues.
- (b) "Specie" means coins having precious metal content.

### Line 17

The amount on line 17, column (c) is your share of net capital gain (loss) from the exchange of legal tender that is apportioned to Arizona.

## Part 5 - Net Long-Term Capital Gain Subtraction – Information Schedule

Arizona allows a subtraction from Arizona gross income for a percentage of any net long-term capital gain if:

- The gain arises from assets acquired **after** December 31, 2011,
- The gain is included in:
  - The individual taxpayer's federal adjusted gross income, or,
  - The federal taxable income of the estate or trust.

In addition,

- Only include net long-term gains if you can verify the asset was acquired after December 31, 2011.
- If you cannot verify the asset was acquired after December 31, 2011, treat it as a capital gain asset acquired before January 1, 2012.
- An asset acquired by gift or inheritance is considered acquired on the date it was acquired by the gift-giver, or the deceased.

Although the subtraction is only available to individuals, estates and trusts, a partner that is a pass-through entity (estate, partnership, S corporation, or trust) will need this information to:

- Calculate the subtraction for the estate or trust, or
- To complete:
  - Arizona Form 141AZ, Schedule K-1, or Schedule K-1(NR), for each beneficiary;
  - Arizona Form 120S, Schedule K-1, or Schedule K-1(NR), for each shareholder; or
  - Arizona Form 165, Schedule K-1, or Schedule K-1(NR), for each partner.

### Line 18

Line 18, column (d) is your share of net long-term capital gain (loss) from assets acquired after December 31, 2011.

### Line 19

Line 19 is your share of the partnership's net long-term capital gain from investment in a qualified small business that is included in the amount on line 18, column (d). *The amount on line 19 cannot be included in your subtraction for any net long-term capital gain from assets acquired after December 31, 2011.*

For more information, see the instructions for Arizona Form 140PY or Arizona Form 141AZ.

### Line 20

Line 20 is your share of the partnership's net long-term capital gain (loss) from the exchange of legal tender that is included in the amount on line 18, column (d). *The amount on line 20 cannot be included in your subtraction for any net long-term capital gain from the exchange of legal tender from assets acquired after December 31, 2011.*

## Worksheet for Long-Term Capital Gain Subtraction for Assets Acquired After December 31, 2011 (Worksheet)

To determine if you qualify to claim a subtraction from income on your Arizona personal income tax return:

- **Nonresident partner**, complete the worksheet included in the instructions for Arizona Form 140NR. Use only the amount of Arizona-sourced, net long-term capital gain (loss) entered on line 19, column (d), and line 20, column (d) to figure the subtraction on the Worksheet included in the instructions for Arizona Form 140NR
- **Nonresident Estate or Trust partner**, use only the amount of Arizona-sourced, net long-term capital gain (loss) entered on line 19, column (d), and line 20, column (d) to complete the Worksheet included in the instructions for Arizona Form 141AZ.
  - If the net long-term capital gain (loss) in Part 4 and Part 5 is distributed to the beneficiaries, the Worksheet will assist the estate or trust in completing the *Net Long-Term Capital Gain Subtraction – Information Schedule*, on Arizona Form 141AZ Schedule K-1, or Schedule K-1(NR) for each beneficiary,
- **Partnership or S corporation partner**, use only the amount of Arizona-sourced, net long-term capital gain (loss) entered on line 19 column (d), and line 20 column (d) to figure the subtraction on the Worksheet. The Worksheet will assist the partnership or S corporation in completing the *Net Long-Term Capital Gain Subtraction – Information Schedule*, on:
  - Arizona Form 165 Schedule K-1 or Schedule K-1(NR), for each partner, or
  - Arizona Form 120S, Schedule K-1 or Schedule K-1(NR) for each shareholder.
- **C Corporation or Exempt Organization partner**, this subtraction is not allowed for a C corporation or an exempt organization. The information in Part 5 is informational only and is not required to be reported by the C corporation or the exempt organization.

**Part 6 - Partner's Share of the Partnership's Pass-Through Entity Tax Credit**

If the partnership is making the election to pay tax at the entity level on its pass-through income ***AND*** you as the nonresident individual or estate and trust partner did not opt out of that election, Part 6 provides you with your *pro-rata* share of the pass-through credit.

**Line 21**

Line 21 is your share of the pro-rata share of the partnership's PTE Tax Credit.

Individuals, enter this amount on Credit Form 355, Part 1, line 1.

Estates and trusts, see the instructions for Form 141AZ, line 19 to claim this credit.

**Line 22**

Line 22 is your pro-rata share of the partnership's Arizona PTE taxes paid in 2022 for taxable year 2022.

*Individuals*, add this amount back on Form 140NR, page 5, line K or Form 140NR-SBI, line 24.

*Estates and trusts*, add this amount back on Form 141AZ, Schedule B, line B3.

**Line 23**

Line 23 is the partner's pro-rata share of comparable PTE Taxes paid from other states in 2022 for taxable year 2022.

*Individuals*, add this amount back on Form 140NR, page 5, line K or Form 140NR-SBI, line 24.

*Estates and trusts*, add this amount back on Form 141AZ, Schedule B, line B3.

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For the  calendar year 2022 or  fiscal year beginning          2, 0, 2, 2 and ending          2, 0, Y, Y.

Business Telephone Number (with area code)	Name	
Business Activity Code (from federal Form 1065)	Address – number and street or PO Box	Employer Identification Number (EIN)
	City, Town or Post Office	State      ZIP Code

**This form is ONLY for partnerships that are subject to the BBA centralized partnership audit regime and received a federal imputed underpayment assessment or filed an administrative adjustment request.**

**REVENUE USE ONLY. DO NOT MARK IN THIS AREA.**

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**Part 1 Required Information**

Complete this section to notify the Arizona Department of Revenue of a notice of Federal Imputed Underpayment Assessment.

- A Date of final determination by the IRS or date AAR submitted:          Y, Y, Y, Y
- B Add 90 days to the date on line A. This is the Arizona due date:          Y, Y, Y, Y  
See instructions.

**81** PM

**66** RCVD

**NOTE:** If the Arizona due date falls on a Saturday, Sunday, or a legal holiday, this return is considered timely filed if it is post-marked the next business day.

- C The federal tax was:
  - C1  Paid by the partnership - the partnership must pay the Arizona tax due.
  - C2  Passed through to the partners - answer the questions on line D.
- D If box C2 is checked, will this return be filed with the department by the Arizona due date on line B, **and will** all 165PA Schedule(s) K-1 and/or 165PA Schedule(s) K-1(NR) be provided to the department and to the partners by the same date? **NOTE:** If this return is being filed after the date on line B, you must check the box on line D2 and pay the Arizona tax due.
  - D1  If "Yes", the partnership shall pass through the Arizona partnership adjustment to its partners.
  - D2  If "No", the partnership **must** pay the Arizona tax due.

**Part 2 Arizona Partnership Adjustment**

1 Federal adjustment to items of income or the gain, loss or deduction on which the federal imputed underpayment was based. ( <b>DO NOT</b> include changes to federal credits.).....	<b>1</b>		00
2 Positive change in net Arizona additions and subtractions due to the federal adjustments on line 1. See instructions .....	<b>2</b>		00
3 Add line 1 and line 2. Enter the total.....	<b>3</b>		00
4 Negative change in net Arizona additions and subtractions due to the federal adjustments on line 1. See instructions ...	<b>4</b>		00
5 Subtract line 4 from line 3. Enter the difference. This is your net Arizona adjustments to items of income, or the gain, loss or deduction of your partnership (Arizona partnership adjustment) .....	<b>5</b>		00

- If the amount on line 5 is greater than zero, and either box C1 or D2 is checked, continue to Part 3.
- All others, complete and mail the appropriate notices to the partners [165PA Schedule K-1 and/or 165PA Schedule K-1(NR)]. Do not complete Part 3. Complete Parts 4 and 5. File this form, including copies of the notices sent to the partners.
- **NOTE:** If the amount on line 5 is zero, notices to the partners are not necessary.

**Part 3 Calculation of the Partnership's Tax Liability (Complete only if Box C1 or Box D2 is checked.)**

6 Enter the amount from line 5 .....	<b>6</b>		00
7 Enter the nonapportionable or allocable amounts included in line 6 .....	<b>7</b>		00
8 Subtract line 7 from line 6. Enter the difference. This is the amount subject to apportionment.....	<b>8</b>		00
9 Enter the Arizona apportionment ratio. See instructions.....	<b>9</b>	.	
10 Multiply the amount on line 8 by the ratio on line 9. Enter the result. ....	<b>10</b>		00
11 Enter the portion of line 7 allocated to Arizona.....	<b>11</b>		00
12 Add line 10 and line 11. Enter the total. If less than zero, enter "0".....	<b>12</b>		00
13 Multiply the amount on line 12 by the tax rate, 4.5%. Enter the result. ....	<b>13</b>		00
14 Penalty and interest. See instructions .....	<b>14</b>		00
15 <b>TOTAL DUE from the partnership:</b> Add line 13 and line 14. Enter the total. Make check payable to Arizona Department of Revenue .....	<b>15</b>		00

Continued on page 2 →



Name (as shown on page 1)	EIN
---------------------------	-----

**Part 6 Certification**

<b>Declaration</b>	I, the undersigned partner of the partnership for which this return is made, declare under penalty of perjury, that this return, including the accompanying schedules and statements, has been examined by me and is to the best of my knowledge and belief, a correct and complete return, made in good faith, for the taxable year stated pursuant to the income tax laws of the State of Arizona.															
<b>Please Sign Here</b>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-bottom: 1px solid black; width: 45%;">PARTNER'S SIGNATURE</td> <td style="border-bottom: 1px solid black; width: 20%;">DATE</td> <td style="border-bottom: 1px solid black; width: 35%;">TITLE</td> </tr> <tr> <td colspan="3" style="border-bottom: 1px solid black; padding-top: 10px;">PARTNER'S PRINTED NAME</td> </tr> </table>	PARTNER'S SIGNATURE	DATE	TITLE	PARTNER'S PRINTED NAME											
PARTNER'S SIGNATURE	DATE	TITLE														
PARTNER'S PRINTED NAME																
<b>Paid Preparer's Use Only</b>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-bottom: 1px solid black; width: 55%;">PAID PREPARER'S SIGNATURE</td> <td style="border-bottom: 1px solid black; width: 20%;">DATE</td> <td style="border-bottom: 1px solid black; width: 25%;">PAID PREPARER'S TIN</td> </tr> <tr> <td colspan="3" style="border-bottom: 1px solid black; padding-top: 5px;">PAID PREPARER'S PRINTED NAME</td> </tr> <tr> <td colspan="2" style="border-bottom: 1px solid black; padding-top: 5px;">FIRM'S NAME (OR PAID PREPARER'S NAME, IF SELF-EMPLOYED)</td> <td style="border-bottom: 1px solid black; padding-top: 5px;">FIRM'S EIN</td> </tr> <tr> <td colspan="2" style="border-bottom: 1px solid black; padding-top: 5px;">FIRM'S STREET ADDRESS</td> <td style="border-bottom: 1px solid black; padding-top: 5px;">FIRM'S TELEPHONE NUMBER</td> </tr> <tr> <td style="border-bottom: 1px solid black; padding-top: 5px;">CITY</td> <td style="border-bottom: 1px solid black; padding-top: 5px;">STATE</td> <td style="border-bottom: 1px solid black; padding-top: 5px;">ZIP CODE</td> </tr> </table>	PAID PREPARER'S SIGNATURE	DATE	PAID PREPARER'S TIN	PAID PREPARER'S PRINTED NAME			FIRM'S NAME (OR PAID PREPARER'S NAME, IF SELF-EMPLOYED)		FIRM'S EIN	FIRM'S STREET ADDRESS		FIRM'S TELEPHONE NUMBER	CITY	STATE	ZIP CODE
PAID PREPARER'S SIGNATURE	DATE	PAID PREPARER'S TIN														
PAID PREPARER'S PRINTED NAME																
FIRM'S NAME (OR PAID PREPARER'S NAME, IF SELF-EMPLOYED)		FIRM'S EIN														
FIRM'S STREET ADDRESS		FIRM'S TELEPHONE NUMBER														
CITY	STATE	ZIP CODE														

*Include the partnership's notice of federal imputed underpayment assessment with this return.*  
**Mail to: Arizona Department of Revenue, PO Box 52153, Phoenix, AZ 85072-2153**

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# 2022 Arizona Partnership Adjustment - Federal Imputed Underpayment Assessment

# Arizona Form 165PA

## For information or help, call one of the numbers listed:

Phoenix (602) 255-3381  
From area codes 520 and 928, toll-free (800) 352-4090

## Tax forms, instructions, and other tax information

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

## Income Tax Procedures and Rulings

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website and select *Reports & Legal Research* from the main menu, then click on *Legal Research* and select a Document Type and a Category from the drop down menus.

## Publications

To view or print the department's publications, go to our website, select *Reports & Legal Research* from the main menu, and click on *Publications* in the left hand column.

## General Instructions

### Who Must Use Arizona Form165PA

Partnerships subject to the BBA centralized partnership audit regime (BBA) and must submit Arizona Form 165PA to report changes to their federal return. This includes returns for which an imputed underpayment assessment was received from the IRS and (amended) returns for which an administrative adjustment request (AAR) was filed by the partnership.

The department requests that BBA partnerships include a copy of their federal imputed underpayment assessment or their AAR with Arizona Form165PA.

**NOTE:** When filing Arizona Form165PA, include any correlative adjustments required to be made. **Do not include changes to federal credits.**

Partnerships that opted out of the BBA centralized partnership audit regime for taxable year 2022 must submit an amended Arizona Form 165 to report changes to their federal return.

Arizona only changes – not resulting from a federal imputed underpayment assessment or an AAR, (i.e. changes to apportionment, or changes to credits claimed) are reported by filing Arizona Form 165 and checking the "Amended Return" box.

### Records

Every partnership should maintain books and records substantiating information reported on the return and keep those documents for inspection. See the department's ruling, GTR 96-1, *Electronic Data Processing*, for more information about record retention requirements.

Partnerships passing through ("pushing out") the Arizona adjustments to their partners should complete three copies of each partner's Arizona Form165PA Schedule K-1 or Arizona Form165PA Schedule K-1(NR) (Notice). File a copy of each partner's completed Notice with the partnership's Arizona Form165PA. Provide all partners with a copy of their completed Notice. Retain a copy of each completed Notice for the partnership's records.

**NOTE:** Use Arizona Form165PA Schedule K-1 for all resident and part-year resident individual partners, resident estate partners, and resident trust partners.

Use Arizona Form165PA Schedule K-1(NR) for all nonresident partners, nonresident estate partners, nonresident trust partners, partnerships that are partners in the partnership, and all corporate partners.

### Rounding Dollar Amounts

Partnerships must round amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.

### Examples:

*Partnership A (A) reports federal taxable income of \$15,000. A has no Arizona additions to, or subtractions from, federal taxable income. Its apportionment ratio is .326954. A multiplies the federal taxable income by the apportionment ratio. The result is \$4,904.31. Partnership A rounds the result to \$4,904.00.*

*Partnership W (W) reports a federal taxable loss of (\$27,000). W has no Arizona additions to, or subtractions from, its federal taxable loss. Its apportionment ratio is .005946. W multiplies its federal loss of (\$27,000) by the apportionment ratio. The result is an Arizona loss of (\$160.54). Partnership W rounds the result to (\$161.00).*

*Partnership Z (Z) reports a federal taxable loss of (\$500). Z has no Arizona additions to, or subtractions from, federal taxable income. Its apportionment ratio is .075000. Z multiplies its federal loss of (\$500) by the apportionment ratio. The result is an Arizona loss of (\$37.50). Partnership Z rounds the result to (\$38.00).*

### Penalties and Interest

#### A. Late Filing Penalty

A return filed after the original due date is subject to the late filing penalty unless the taxpayer has a valid federal or Arizona extension. A return filed after its extended due date is also subject to the late filing penalty. The late filing penalty is 4.5% (.045) of the amount of tax required to be shown on the return. The penalty period is each month or fraction of a month between the due date of the return and the date the taxpayer filed the return. The maximum penalty is 25% of the tax found to be remaining due.

#### B. Late Payment Penalty

The late payment penalty is charged on any amount shown as tax on a return that is not paid by the due date. The late payment penalty is 0.5% (.005) of the unpaid tax for each month or fraction of a month that the tax remains unpaid, not to exceed 10% of the unpaid tax.

**NOTE:** For taxable years beginning after December 31, 2016, if you voluntarily file Arizona Form165PA and pay the additional tax due when you file the return, or your partners voluntarily file their appropriate amended return(s) and pay their portion of the additional tax, the department will not assess the late payment penalty. Exceptions are:

- The taxpayer is under audit by the department.
- The amended return was filed on demand or request by the department.

**NOTE:** Penalties will be assessed from the IRS date of final determination plus 90 days. (The Arizona due date on Arizona Form 165PA, Part 1, line B.)

### C. Interest

The department charges interest on any portion of the tax not paid by the due date. The department compounds interest annually and applies it in the same manner and at the same time as the IRS. The Arizona rate of interest for both underpayments and overpayments for all taxpayers is the federal underpayment rate.

**NOTE:** Interest will be assessed from the due date of the original Arizona Form 165 to the payment date. The due date is the 15th day of the 3rd month following the close of the taxable year.

On January 1 of each year, any interest outstanding as of that date is added to the principal amount of the tax. It is then a part of the principal amount of the tax and accrues interest until paid.

### Payment of Tax

Make checks payable to the Arizona Department of Revenue. Mail your check and the return to the address on the bottom of Arizona Form 165PA.

## Specific Instructions

Submit the 2022 Arizona Form 165PA to report a federal imputed underpayment for tax year 2022 or an AAR filed to adjust your 2022 federal return. If the federal imputed underpayment or AAR is for another taxable year, submit Arizona Form 165PA for that taxable year.

For calendar year filers, check the box, "calendar year 2022." For fiscal year filers, check the box, "fiscal year" and enter the beginning and ending dates for the fiscal year.

Type or print the required information in the name, address, and information boxes on the top of page 1. If the partnership has a foreign address, enter the information in the following order: city, province or state, and country. Follow the country's practice for entering the postal code.

### Do not abbreviate the country's name.

Enter the partnership's employer identification number (EIN). Partnerships that fail to include their EIN may be subject to a penalty.

## Part 1 – Required Information

### Line A

Enter the date the IRS made its final determination or the date the AAR was filed with the IRS.

### Line B

Add 90 days to the date on Line A. (The 90-day period begins on the day after the date the IRS makes its final determination.) This is the Arizona due date for Arizona Form 165PA.

**NOTE:** If the Arizona due date falls on a Saturday, Sunday, or a legal holiday, the return is considered timely filed if it is post-marked the next business day. See the department's ruling, GTR 16-2, Timely Filing of Income or Withholding Tax Return – Holidays and Weekends, for additional information.

**EXAMPLE:** ABC Partnership (ABC) is audited by the IRS for its calendar year end 12/31/2022. The federal imputed underpayment is finalized on August 31, 2022.

ABC adds 90 days to the date its federal imputed underpayment was finalized - the result is November 29, 2022. The due date for ABC to submit its Arizona Form 165PA is November 29, 2022. If it chooses to pass the Arizona partnership adjustment through to its partners, it must also provide the 165PA, Schedule(s) K-1 and K-1(NR) to the department and to each partner by that same date, November 29, 2022.

### Line C

Check the box corresponding to how the federal tax was resolved:

- Check box C1 if the federal tax was paid by the partnership. The partnership must pay the Arizona tax due. Complete this form and file it to the department.
- Check box C2 if the federal tax was passed through to the partners. Answer the questions on line D.

### Line D

If box C2 is checked, will this return be filed with the department by the Arizona due date on line B, **and** will all Form(s) 165PA Schedule K-1s and 165PA Schedule K-1(NR)s be provided to the department and to the partners by that same date?

**NOTE:** If this return is being filed after the date on line B, you must check the box on line D2 and pay the Arizona tax due.

- Check box D1 if the answer to the question on line D is "Yes." If box D1 is checked, the partnership shall pass through the Arizona adjustment to its partners.
  - Complete Parts 2, 4, and 5 of this form.
  - Prepare the appropriate Form(s) 165PA Schedule K-1 and/or Form(s) 165PA Schedule K-1(NR) for the department, the partners, and for the partnership's records.
  - Provide a completed copy of the appropriate Arizona Form 165PA Schedule K-1, or Arizona Form 165PA Schedule K-1(NR) to each partner.
  - Mail this completed form to the department, include a completed copy of each Arizona Form 165PA Schedule K-1, and/or Arizona Form 165PA Schedule K-1(NR).
- Check box D2 if the answer to the question on line D2 is "No." If box D2 is checked, the partnership **must** pay the Arizona tax due. Complete this form and mail it to the department.

**Part 2 – Arizona Partnership Adjustment**

**NOTE:** Report only the adjustments to income or the gain, loss or deduction on which the imputed underpayment assessment was based. Do NOT include the adjustments made on the imputed underpayment assessment with amounts previously reported on an original, or amended, Arizona Form165.

**Line 1**

Enter the federal adjustment to items of income or the gain, loss or deduction on which the federal imputed underpayment of the partnership was based. **DO NOT INCLUDE** changes to federal credits.

**Line 2**

Enter the positive change in net Arizona additions and subtractions due to the federal adjustments on line 1. (See the **NOTE** box and **EXAMPLES** following line 4 for additional information.)

**Line 3**

Add line 1 and line 2. Enter the total.

**Line 4**

Enter the negative change in net Arizona additions and subtractions to the federal adjustments on line 1. (See the **NOTE** box the **EXAMPLES #1 and #2** below for additional information.)

**NOTE:** Changes in the additions to, or in the subtractions from, gross income due to the federal imputed underpayment must be reported to Arizona. (See the instructions for Arizona Form165, pages 4 through 7, for a description of the additions and subtractions to be reported.)

Report only the **net change** to the additions and subtractions resulting from the federal adjustments.

Compute the additions and subtractions as they should have been reported.

- Subtract the “as reported” additions from the corrected additions.
- Subtract the “as reported” subtractions from the corrected subtractions.
- Subtract the net difference in subtractions from the net difference in additions.
  - If the result is a positive number, report that amount on Part 2, line 2.
  - If the result is a negative number, report that amount, as a **positive** number, on Part 2, line 4.

**EXAMPLES**

**Example #1:**

Partnership Z (Z) received an imputed underpayment assessment (audit) indicating adjustments to income of \$45,000 (there were no changes to federal credits). Z reports this increase to income on Part 2, line 1 of its Arizona Form165PA.

In analyzing the Arizona additions and subtractions, Z finds the audit changed \$15,000 of interest income from Non-Arizona Municipal Interest Income (Non AZ Muni) to US Interest Income. Z also under-reported its interest income by \$5,000 in income from US T bills due to a timing difference.

Using a separate worksheet, Z makes the following changes to its originally reported Arizona taxable income by completing Arizona Form165PA as follows:

- Z reduces its “As Reported” Non AZ Muni Interest Income by \$15,000
- Z increases its “As Reported” US Interest Income by \$20,000 (\$15,000 in US Interest Income originally reported as Non AZ Muni Interest, and \$5,000 in US Interest Income that was originally not reported).

	Corrected	As Reported	Net Change
<b>Additions:</b>			
Federal Depreciation	50,000	50,000	-
Non AZ Muni Interest	100,000	115,000	(15,000)
AZ Basis Adjustment	25,000	25,000	-
<b>A Total Additions</b>	<b>175,000</b>	<b>190,000</b>	<b>(15,000)</b>
<b>Subtractions:</b>			
AZ Re-Calculated Depreciation	65,000	65,000	-
US Interest	95,000	75,000	20,000
<b>B Total Subtractions</b>	<b>160,000</b>	<b>140,000</b>	<b>20,000</b>
<b>C Net Additions (Subtractions) {A - B = C}</b>	<b>15,000</b>	<b>50,000</b>	<b>(35,000)</b>

The change in net Arizona additions and subtractions is a negative \$35,000 (-\$15,000 - \$20,000). Z reports the net negative change as a positive number on Part 2, line 4 of Arizona Form165PA.

**Example #2:**

Partnership S (S) received an imputed underpayment assessment (audit) indicating audit adjustments to income of \$150,000 (there were no changes to federal credits). S reports this increase to income on Part 2, line 1 of its Arizona Form165PA.

In analyzing the Arizona additions and subtractions, S finds the audit changed \$25,000 of interest income from US Interest to Non AZ Muni Interest. S also over-reported its interest income by \$7,000 in income from US T Bills due to a timing difference.

Using a separate worksheet, S makes the following changes to its originally reported Arizona taxable income by completing Arizona Form165PA as follows:

- S increases its "As Reported" Non AZ Muni Income by \$25,000
- S decreases its "As Reported" US Interest Income by \$32,000 (\$25,000 in income that should have been reported as Non Arizona Municipal Interest Income, and \$7,000 in US Interest Income that was reported prematurely).

	Corrected	As Reported	Net Change
<b>Additions:</b>			
Federal Depreciation	50,000	50,000	-
Non AZ Muni Interest	90,000	65,000	25,000
<b>A Total Additions</b>	<b>140,000</b>	<b>115,000</b>	<b>25,000</b>
<b>Subtractions:</b>			
AZ Re-Calculated Depreciation	65,000	65,000	-
US Interest	83,000	115,000	(32,000)
<b>B Total Subtractions</b>	<b>148,000</b>	<b>180,000</b>	<b>(32,000)</b>
<b>C Net Additions (Subtractions) {A - B = C}</b>	<b>(8,000)</b>	<b>(65,000)</b>	<b>57,000</b>

The change in net Arizona additions and subtractions is a positive \$57,000 [\$25,000 – (-\$32,000)]. S reports the net positive change on Part 2, line 2 of Arizona Form165PA.

**Line 5**

Subtract line 4 from line 3. Enter the difference. This is your net Arizona adjustment to items of income or the gain, loss or deduction of your partnership – the "Arizona Partnership Adjustment."

- If the amount on line 5 is greater than zero **and** either box C1 or D2 is checked, continue to Part 3.
- All others, complete and mail the appropriate notices to the partners (Arizona Form165PA Schedule(s) K-1 and/or Arizona Form165PA Schedule(s) K-1(NR)). Do not complete Part 3. Complete Parts 4 and 5. File this form, including copies of the notices sent to the partners.

**NOTE:** If the amount on line 5 is zero, notices to the partners are not necessary.

**Part 3 – Calculation of the Partnership's Tax Liability**

If line 5 is greater than zero and either box C1 or box D2 is checked, complete Part 3. Otherwise, skip to Part 4.

**Line 6**

Enter the amount from line 5.

**Line 7**

Enter all nonapportionable or allocable amounts included in line 6.

**NOTE:** Apportionable income, or "Business income," under the transactional and functional tests means income arising from transactions and activity in the regular course of the taxpayer's trade or business, and includes income from tangible and intangible property if the acquisition, management, and disposition of the property constitute integral parts of the taxpayer's regular trade or business operations. Refer to Arizona Revised Statutes (A.R.S.) § 43-1131(1).

Nonapportionable income, or "Nonbusiness income," means all income other than business income. Refer to A.R.S. § 43-1131(4).

Nonbusiness income is nonapportionable and specifically allocable to a particular state.

**Line 8**

Subtract line 7 from line 6. Enter the difference. This is the amount subject to apportionment.



**Line 9**

Enter the partnership's Arizona apportionment ratio.

**NOTE:** See the instructions for Arizona Form165, pages 7 through 10, for information on calculating the partnership's Arizona apportionment ratio.

Generally, this will be the Arizona apportionment ratio from the partnership's originally filed Arizona Form165, Schedule C, line C5, for the Standard Apportionment Ratio, or Arizona Form165, Schedule C, line C3f, column (c) for Sales Factor Only Apportionment. However, changes resulting from the federal audit may affect the partnership's apportionment ratio. If the apportionment ratio is modified, enter the corrected apportionment ratio. Include a schedule detailing the changes with your return.

**NOTE:** Do not include apportionment factors generating nonapportionable or non-taxable income in the calculation of the apportionment ratio.

**Line 10**

Multiply the amount on line 8 by the ratio on line 9. Enter the result.

**Line 11**

Enter the portion of line 7 allocated to Arizona. See the **NOTE** box following the instructions for line 7 for information about allocating income to Arizona.

**Line 12**

Add line 10 and line 11. Enter the total. If less than zero, enter "0".

**Line 13**

Multiply the amount on line 12 by the tax rate, 4.5%. Enter the result. **This is the amount of tax owed by the partnership.**

**Line 14**

Enter the amount of penalty and interest owed.

You may choose to calculate penalties and interest due. Penalties are assessed for late filing or late payment of tax. See *Penalties* on page 1 of these instructions for more information.

**Interest is calculated on the amount shown on line 13 at the prevailing federal interest rate.** The interest period is from the due date of the original Arizona Form165 to the payment date. (See *Interest* on page 1 of these instructions for more information.)

**NOTE:** You may choose not to calculate penalties or interest owed. If you do not calculate penalties and/or interest owed, the department will calculate the penalties (if applicable) and interest owed, and bill you for the total amount.

**Line 15**

Add line 13 and line 14. Enter the total. **This is the total due from the partnership.**

Make checks payable to the Arizona Department of Revenue. Include your EIN on the front of the check. Include your check with the return.

**Complete Parts 4 and 5.****Part 4 – Explanation of Changes**

Explain the changes made in this return. If additional space is needed, prepare a schedule (in the same format) labeled "Part 4 – Explanation of Changes" and include the schedule with this Arizona Form165PA. Include any necessary supporting documentation with the return.

**Part 5 – Partner Information**

Enter the requested information for each partner. If the partnership has more than 8 partners, include additional schedules as necessary.

**NOTE:**

**Column (d),** enter the partner's Tax Identification Number (TIN) with no dashes. For an individual partner, enter the partner's social security number (SSN) or individual taxpayer identification number (ITIN). For all other partners, enter the partner's EIN. If the partner is an IRA, enter the TIN of the custodian of the IRA. Do not enter the TIN of the person for whom the IRA is maintained. **Do not truncate the partner's TIN.**

**Column (e),** enter the partner's percentage of the capital amount at year end. (This is the percentage of the undivided interest in partnership assets and liabilities the partner would receive if the partnership were to be liquidated at year end.) Enter the ownership percentage as a number with 2 digits to the left of the decimal and 6 digits to the right. For a partner with a 1% ownership share, enter the partner's ownership percentage as 01.000000.

**Column (f),** enter the partner's pro rata share of the partnership's income adjusted to the Arizona basis from page 1, line 5.

**Column (g),** enter "R" for resident, "N" for Nonresident, or "O" for other entity (i.e. corporation, partnership, etc.).

**Part 6 – Certification**

One of the partners must sign the return. If receivers, trustees in bankruptcy, or assignees are in control of the property or business of the organization, such receivers, trustees, or assignees must sign the return.

**Paid preparers:** Sign and date the return. Complete the firm name and address lines (the paid preparer's name and address, if self-employed).

Paid preparers must provide a Tax Identification Number (TIN). Paid preparers that fail to include their TIN may be subject to a penalty.

The TIN for a paid preparer may be one of the following:

- The preparer's PTIN,
- The EIN for the business,
- The individual preparer's social security number (SSN), if self-employed.

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**Do NOT use to distribute Partner's Share of Income from Form 165.  
 Corporate partners must use Form 165PA, Schedule K-1(NR).**

For the  calendar year 2022 or  fiscal year beginning   M  M  D  D  2  0  2  2   and ending   M  M  D  D  2  0  Y  Y  .

**CHECK ONE:**  Original     Amended    *Check only if Form 165PA, Schedule K-1 for the same year was previously provided to this partner.*

Partner's Identifying Number	Partnership's Employer Identification Number (EIN)
Partner's Name	Partnership's Name
Partner's Address – number and street or rural route	Partnership's Address – number and street or rural route
Partner's City, Town or Post Office                      State    ZIP Code	Partnership's City, Town or Post Office                      State    ZIP Code

- 1 Enter the date the IRS made its final determination .....   M  M  D  D  Y  Y  Y  Y
- 2 If the "Amended" box above is checked, enter the date the **original** Form 165PA was previously filed .....   M  M  D  D  Y  Y  Y  Y

**Partner's Portion of the Arizona Partnership Adjustment**

3 Partner's portion of the Arizona partnership adjustment. .... 

3		00
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**Instructions for Partners**

You received this document because the Internal Revenue Service (IRS) recently audited a partnership, of which you are a partner. Pursuant to IRS regulations, that partnership passed through the assessment it received to its partners. The partnership prepared this document to assist you in reporting your share of the Arizona adjustment on your amended Arizona state income tax return. Submit your 2022 Arizona amended return to the department within 150 days of the date on line 1 (add 150 days to the date on line 1). **(NOTE: If the due date falls on a Saturday, Sunday, or a legal holiday, the return is considered timely filed if it is post-marked the next business day.)** Report the amount indicated as the Arizona Partnership Adjustment by following the instructions provided.

**NOTE:** If you file your tax return on a calendar year basis, but this partnership files a return on a fiscal year basis (see above), report this amount on your amended tax return for the calendar year in which this partnership's fiscal year ends.

**If the "Original" box is checked:** The "Partner's portion of the Arizona partnership adjustment" is in **addition** to the amount that was passed through by the partnership on Form 165, Schedule K-1. **Do not replace the original amount.**

**If the "Amended" box is checked:** The "Partner's portion of the Arizona partnership adjustment" **replaces** the amount previously passed through on Form 165PA, Schedule K-1.

**RESIDENT AND PART-YEAR RESIDENT INDIVIDUAL PARTNERS:**

- If the amount of the partner's portion of the Arizona partnership adjustment is **positive**, include that amount on Form 140X, line 19, *Additions to Income*.
- If the amount of the partner's portion of the Arizona partnership adjustment is **negative**, include that amount on Form 140X, line 22, *Subtractions from Income*, as a positive number.

**RESIDENT ESTATE AND TRUST PARTNERS:**

- If the amount of the partner's portion of the Arizona partnership adjustment is **positive**, include that amount on an amended Form 141AZ, Schedule B, line B3, *Other Additions to Federal Taxable Income*.
- If the amount of the partner's portion of the Arizona partnership adjustment is **negative**, include that amount on an amended Form 141AZ, Schedule B, line B9, *Other Subtractions from Federal Taxable Income*, as a positive number.

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**Instructions for Partnerships**

Complete Arizona Form 165PA Schedule K-1, for:

- All resident partners,
- All part-year resident individual partners,
- All resident estate partners, and
- All resident trust partners.

Complete Arizona Form 165PA Schedule K-1(NR) for all other partners.

**Complete Schedule K-1 Using Arizona Form 165PA**

Type or print the required information in the name, address, and information boxes on the top Arizona Form 165PA Schedule K-1. Indicate whether the partnership's taxable year is a calendar year or a fiscal year; if a fiscal year, indicate the period covered by the taxable year on the schedule.

Check the box to indicate this is an "Original" Arizona Form 165PA Schedule K-1.

**NOTE:** The amount reported on an "Original" Arizona Form 165PA, Schedule K-1 is in addition to any other amounts reported on the partner's Arizona income tax return.

**Line 1**

Enter the date the Internal Revenue Service (IRS) made its final determination.

**Line 2**

Leave this line blank.

**Partner's Portion of the Arizona Partnership Adjustment**

**Line 3**

Multiply the amount on line 5 of Arizona Form 165PA by the partner's percentage of the Arizona partnership adjustment. (See **NOTE** below) Enter the result. This is the partner's portion of the Arizona partnership adjustment. **If the amount is less than zero, use brackets to indicate the negative amount.**

**NOTE:**

Generally, the partner's percentage of the partnership adjustment will be the partner's ownership percentage.

In cases in which one or more of the partners of the partnership are tax-exempt organizations, the portion of the adjustment related to the tax-exempt organization(s) is already removed from the federal adjustment. Therefore, the remaining partners' portion of the Arizona partnership adjustment cannot be determined by multiplying each partner's ownership percentage by the Arizona partnership adjustment.

To determine each remaining partner's percentage of the Arizona partnership adjustment, subtract the percentage of the partnership owned by the tax-exempt organization(s) from 100%. This determines the percentage of the partnership not owned by tax-exempt organizations. Then, divide each remaining partner's ownership percentage of the partnership by the partnership percentage not owned by tax-exempt organizations.

**EXAMPLE:**

Partnership XYZ is owned by 10 partners. Each partner owns the indicated percentage of XYZ:

<b>Partner</b>	<b>Ownership %</b>
A	19.10%
B	6.20%
C	4.10%
D	3.25%
E	32.25%
F	17.30%
G	3.75%
H	3.90%
I	1.70%
J	8.45%
<b>Total</b>	<b>100.00%</b>

Partner A is a tax-exempt organization and owns 19.10% of the partnership.

To determine the remaining partners portion of the Arizona partnership adjustment begin by:

- Subtracting Partner A's ownership percentage from 100% (100% - 19.10% = 80.9%).
- Divide each remaining partner's ownership by 80.9% to determine each partner's portion of the Arizona partnership adjustment. Partner B's portion of the Arizona adjustment is 7.66% of the total. (Partner B owns 6.2% of XYZ; 6.2%/80.9% = 7.66%.) Continue this process for all remaining partners.

After excluding the tax-exempt partner, Partner A, each remaining partner's share of the Arizona Adjustment is:

<b>Partner</b>	<b>AZ Adjustment %</b>
A	0.00%
B	7.66%
C	5.07%
D	4.02%
E	39.86%
F	21.38%
G	4.64%
H	4.82%
I	2.10%
J	10.44%
<b>Total</b>	<b>100.00%</b>

Multiply each remaining partner's AZ Adjustment % by the amount of the Arizona partnership adjustment. Enter that amount as the "Partner's portion of the Arizona partnership adjustment" on each partner's Arizona Form 165PA Schedule K-1, line 3 or Arizona Form 165PA Schedule K-1(NR), line 3.

**Complete Schedule K-1 Using Arizona Form 165PA-X**

Type or print the required information in the name, address, and information boxes on the top of the Arizona Form 165PA Schedule K-1. Indicate whether the partnership's taxable year is a calendar year or a fiscal year; if a fiscal year, indicate the period covered by the taxable year on the schedule.

- If box A1 on Arizona Form 165PA-X is checked and the amount on Part 2, line 5 of that form is negative, check the box labeled “Original” at the top of Arizona Form 165PA, Schedule K-1.
- If box A2 on Arizona Form 165PA-X is checked and the amount on Part 4, line 19 of that form is zero, check the box labeled “Amended” at the top of Arizona Form 165PA, Schedule K-1.

**NOTE:**

- *The amount reported on an “Original” Arizona Form 165PA Schedule K-1 is in addition to any other amounts reported on the partner’s Arizona income tax return.*
- *The amount reported on an “Amended” Arizona Form 165PA Schedule K-1 replaces the amount from the previously provided Arizona Form 165PA Schedule K-1.*

**Line 1**

Enter the date the IRS made its final determination.

**Line 2**

If the “Amended” box is checked, enter the date the *original* Arizona Form 165PA was previously filed.

**Partner’s Portion of the Arizona Partnership Adjustment****Line 3**

Enter the partner’s portion of the Arizona partnership adjustment:

- If the box labeled “Original” on this form is checked, multiply the amount on Part 2, line 5 of Arizona Form 165PA-X by the partner’s percentage of the amended Arizona partnership adjustment. Enter the result.
- If the box labeled, “Amended” on this form is checked, multiply the amount on Part 4, line 17 of Arizona Form 165PA-X by the partner’s percentage of the amended Arizona partnership adjustment. Enter the result.

If the partnership has tax-exempt partners, see the **NOTE** and **EXAMPLE** boxes on page 1 for a discussion on how to exclude a tax-exempt partner from the Arizona partnership adjustment.

**Do NOT use to distribute Partner's Share of Income from Form 165.  
 Corporate partners must use this schedule.**

For the  calendar year 2022 or  fiscal year beginning   M  M  D  D  2  0  2  2   and ending   M  M  D  D  2  0  Y  Y  .

**CHECK ONE:**  Original     Amended *Check only if Form 165PA, Schedule K-1(NR) for the same year was previously provided to this partner.*

Partner's Identifying Number	Partnership's Employer Identification Number (EIN)
Partner's Name	Partnership's Name
Partner's Address – number and street or rural route	Partnership's Address – number and street or rural route
Partner's City, Town or Post Office                      State    ZIP Code	Partnership's City, Town or Post Office                      State    ZIP Code

- 1 Enter the date the IRS made its final determination.....   M  M  D  D  Y  Y  Y  Y
- 2 If the "Amended" box above is checked, enter the date the **original** Form 165PA was previously filed.....   M  M  D  D  Y  Y  Y  Y

**Partner's Portion of the Arizona Partnership Adjustment**

3 Partner's portion of the Arizona partnership adjustment .....	<b>3</b>		00
4 Partnership's Arizona apportionment ratio.....	<b>4</b>	.	
5 Multiply line 3 by the ratio on line 4. Enter the result. This is the Partner's Arizona source partnership adjustment. ....	<b>5</b>		00

**Instructions for Partners**

You received this document because the Internal Revenue Service (IRS) recently audited a partnership, of which you are a partner. Pursuant to IRS regulations, that partnership passed through the assessment it received to its partners. The partnership prepared this document to assist you in reporting your share of the Arizona adjustment on your amended Arizona state income tax return. Submit your 2022 Arizona amended return to the department within 150 days of the date on line 1 (add 150 days to the date on line 1). **(NOTE: If the due date falls on a Saturday, Sunday, or a legal holiday, the return is considered timely filed if it is post-marked the next business day.)** Report the amount indicated as the Arizona Partnership Adjustment by following the instructions provided.

**NOTE:** If you file your tax return on a calendar year basis, but this partnership files a return on a fiscal year basis (see above), report this amount on your amended tax return for the calendar year in which this partnership's fiscal year ends.

**If the "Original" box is checked:** The amount on line 3 is in **addition** to the amount that was passed through by the partnership on Form 165, Schedule K-1(NR). **Do not replace the original amount.**

**If the "Amended" box is checked:** The amount on line 3 **replaces** the amount previously passed through on Form 165PA, Schedule K-1(NR).

**ADDITIONAL PARTNER INSTRUCTIONS ON REVERSE**

**NONRESIDENT INDIVIDUAL PARTNERS:**

- If line 5 is **positive**, include that amount on Form 140X, line 19, *Additions to Income*.
- If line 5 is **negative**, include that amount on Form 140X, line 22, *Subtractions from Income*, as a positive number.

**NONRESIDENT ESTATE AND TRUST PARTNERS:**

- If line 5 is **positive**, include that amount on an amended Form 141AZ, Schedule B, line B3, *Other additions to federal taxable income*.
- If line 5 is **negative**, include that amount on an amended Form 141AZ, Schedule B, line B9, *Other subtractions from federal taxable income*, as a positive number.

**PARTNERSHIPS THAT ARE PARTNERS:**

- If line 3 is **positive**, include that amount on an amended Form 165, Schedule A, line A4, *Other Additions to Partnership Income*.
- If line 3 is **negative**, include that amount on an amended Form 165, Schedule B, line B5, *Other subtractions from partnership income*, as a positive number.

**CORPORATE PARTNERS FILING FORM 120X:****• ALL CORPORATIONS**

- o If the amount on line 3 is **positive**, include that amount on Form 120X, Schedule D, line D8, *Other additions to federal taxable income*.
- o If the amount on line 3 is **negative**, include that amount on Form 120X, Schedule E, line E10, *Other subtractions from federal taxable income*, as a positive number.

**• Is the partnership income business income or nonbusiness income to the corporate partner?**

- o Refer to the following Corporate Tax Rulings:
  - CTR 94-2, *Filing Requirement for Corporate Partner in Arizona Partnership*
  - CTR 94-1, *Threshold Percentage of Ownership Requirements for Partnerships*
  - CTR 93-10, *Apportionment Factor Representation for Corporations Whose Only Activity in Arizona are Tiered Partnerships*
  - CTR 93-9, *Corporate Filing Requirements Relating to Tiered Partnerships*

**• If the partnership income is business income to the corporate partner:**

- o No additional adjustments are necessary.

**• If the partnership income is nonbusiness income to the corporate partner:**

- o If this adjustment contains nonapportionable or allocable amounts, include the nonapportionable or allocable portion of the amount reported on line 3 of this schedule, on Form 120X, page 1, line 7.
- o If this adjustment contains amounts allocable to Arizona, include the allocable portion of the amount reported on line 5 of this schedule, on Form 120X, page 1, line 11.



# 2022 Nonresident and Out-of-State Partner's Share of Partnership Federal Imputed Underpayment

# Arizona Form 165PA Schedule K-1(NR)

## Instructions for Partnerships

Complete Arizona Form 165PA Schedule K-1(NR) for:

- All nonresident partners,
- All nonresident estate partners,
- All nonresident trust partners,
- All partnerships that are partners in the partnership, and
- All corporate partners.

Complete Arizona Form 165PA Schedule K-1 for all other partners.

### Complete Schedule K-1(NR) Using Arizona Form 165PA

Type or print the required information in the name, address, and information boxes on the top of Arizona Form 165PA Schedule K-1(NR). Indicate whether the partnership's taxable year is a calendar year or a fiscal year; if a fiscal year, indicate the period covered by the taxable year on the schedule.

Check the box to indicate this is an "Original" Arizona Form 165PA Schedule K-1(NR).

**NOTE:** The amount reported on an "Original" Arizona Form 165PA Schedule K-1(NR) is in addition to any other amounts reported on the partner's Arizona income tax return.

#### Line 1

Enter the date the Internal Revenue Service (IRS) made its final determination.

#### Line 2

Leave this line blank.

### Partner's Portion of the Arizona Partnership Adjustment

#### Line 3

Multiply the amount on line 5 of Arizona Form 165PA by the partner's percentage of the Arizona partnership adjustment. (See NOTE below.) Enter the result. This is the partner's portion of the Arizona partnership adjustment. **If the amount is less than zero, use brackets to indicate the negative amount.**

#### NOTE:

Generally, the partner's percentage of the partnership adjustment will be the partner's ownership percentage.

In cases in which one or more of the partners of the partnership are tax-exempt organizations, the portion of the adjustment related to the tax exempt organization(s) is already removed from the federal adjustment. Therefore, the remaining partners' portion of the Arizona partnership adjustment cannot be determined by multiplying each partner's ownership percentage by the Arizona partnership adjustment.

To determine each remaining partner's percentage of the Arizona partnership adjustment, subtract the percentage of the partnership owned by the tax-exempt organization(s) from 100%. This determines the percentage of the partnership not owned by tax-exempt organizations. Then, divide each remaining partner's ownership percentage of the partnership by the partnership percentage not owned by tax-exempt organizations.

#### EXAMPLE:

Partnership XZY is owned by 10 partners. Each partner owns the indicated percentage of XZY:

<u>Partner</u>	<u>Ownership %</u>
A	19.10%
B	6.20%
C	4.10%
D	3.25%
E	32.25%
F	17.30%
G	3.75%
H	3.90%
I	1.70%
J	8.45%
<b>Total</b>	<b>100.00%</b>

Partner A is a tax-exempt organization and owns 19.10% of the partnership.

To determine the remaining partners portion of the Arizona partnership adjustment begin by:

- Subtracting Partner A's ownership percentage from 100% (100% - 19.10% = 80.9%).
- Divide each remaining partner's ownership by 80.9% to determine each partner's portion of the Arizona partnership adjustment. Partner B's portion of the Arizona adjustment is 7.66% of the total. (Partner B owns 6.2% of XZY; 6.2%/80.9% = 7.66%) Continue this process for all remaining partners.

After excluding the tax-exempt partner, Partner A, each remaining partner's share of the Arizona Adjustment is:

<u>Partner</u>	<u>AZ Adjustment %</u>
A	0.00%
B	7.66%
C	5.07%
D	4.02%
E	39.86%
F	21.38%
G	4.64%
H	4.82%
I	2.10%
J	10.44%
<b>Total</b>	<b>100.00%</b>

Multiply each remaining partner's AZ Adjustment % by the amount of the Arizona partnership adjustment. Enter that amount as the "Partner's portion of the Arizona partnership adjustment" on each partner's Arizona Form 165PA Schedule K-1, line 3 or Arizona Form 165PA Schedule K-1(NR), line 3.

**Line 4**

Enter the partnership's Arizona apportionment ratio.

**NOTE:**

*Generally, this will be the Arizona apportionment ratio from the partnership's originally filed Arizona Form 165, Schedule C, line C5, for the Standard Apportionment Ratio, or Arizona Form 165, Schedule C, line C3f, column (c) for Sales Factor Only Apportionment. However, changes resulting from the federal audit may affect the partnership's apportionment ratio. If the apportionment ratio is modified, enter the corrected apportionment ratio. Include a schedule detailing the changes with your return.*

*See the instructions for Arizona Form 165, pages 7 through 10, for information on calculating the partnership's Arizona apportionment ratio.*

**NOTE:** *Apportionment factors generating nonapportionable or non-taxable income are not included in the calculation of the apportionment ratio.*

**Line 5**

Multiply the amount on line 3 by the ratio on line 4. Enter the result. This is the partner's Arizona source partnership adjustment.

**Complete Schedule K-1(NR) Using Arizona Form 165PA-X**

Type or print the required information in the name, address, and information boxes on the top of the Arizona Form 165PA, Schedule K-1(NR). Indicate whether the partnership's taxable year is a calendar year or a fiscal year; if a fiscal year, indicate the period covered by the taxable year on the schedule.

- If box A1 on Arizona Form 165PA-X is checked and the amount on Part 2, line 5 of that form is negative, check the box labeled "Original" at the top of Arizona Form 165PA Schedule K-1(NR).
- If box A2 on Arizona Form 165PA-X is checked and the amount on Part 4, line 19 of that form is zero, check the box labeled "Amended" at the top of Arizona Form 165PA Schedule K-1(NR).

**NOTE:**

- *The amount reported on an "Original" Arizona Form 165PA Schedule K-1(NR) is in addition to any other amounts reported on the partner's Arizona income tax return.*
- *The amount reported on an "Amended" Arizona Form 165PA Schedule K-1(NR) replaces the amount from the previously provided Arizona Form 165PA Schedule K-1(NR).*

**Line 1**

Enter the date the IRS made its final determination.

**Line 2**

If the "Amended" box is checked, enter the date the *original* Arizona Form 165PA was previously submitted.

**Partner's Portion of the Arizona Partnership Adjustment**

**Line 3**

Enter the partner's portion of the Arizona partnership adjustment:

- If the box labeled "Original" on this form is checked, multiply the amount on Part 2, line 5 of Arizona Form 165PA-X by the partner's percentage of the amended Arizona partnership adjustment. Enter the result.
- If the box labeled, "Amended" on this form is checked, multiply the amount on Part 4, line 17 of Arizona Form 165PA-X by the partner's percentage of the amended Arizona partnership adjustment. Enter the result.

If the partnership has tax-exempt partners, see the **NOTE** and **EXAMPLE** boxes on page 1 for a discussion of how to exclude a tax-exempt partner from the Arizona partnership adjustment.

**Line 4**

Enter the partnership's Arizona apportionment ratio.

**NOTE:**

*Generally, this will be the Arizona apportionment ratio from the partnership's originally filed Arizona Form 165, Schedule C, line C5, for the Standard Apportionment Ratio, or Arizona Form 165, Schedule C, line C3f, column (c) for Sales Factor Only Apportionment. However, changes resulting from the federal audit may affect the partnership's apportionment ratio. If the apportionment ratio is modified, enter the corrected apportionment ratio on line 4. Include a schedule detailing the changes with your return.*

*See the instructions for Arizona Form 165, pages 7 through 10, for information on calculating the partnership's Arizona apportionment ratio.*

**NOTE:** *Apportionment factors generating nonapportionable or non-taxable income are not included in the calculation of the apportionment ratio.*

**Line 5**

Multiply the amount on line 3 by the ratio on line 4. Enter the result. This is the partner's Arizona source partnership adjustment.

For the  calendar year 2022 or  fiscal year beginning MM,DD,2022 and ending MM,DD,20YY.

Business Telephone Number (with area code)	Name	
	Address – number and street or PO Box	
Business Activity Code (from federal Form 1065)	Employer Identification Number (EIN)	
	City, Town or Post Office	State ZIP Code

**This form is ONLY for partnerships to amend a previously filed Arizona Form 165PA.**

REVENUE USE ONLY. DO NOT MARK IN THIS AREA.

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**Part 1 Required Information**

- A** On the original Form 165PA:
- A1**  The tax was paid by the partnership.
  - A2**  The Arizona partnership adjustment was passed through to the partners.
- B** Enter the date the original Form 165PA was previously filed: MM,DD,YY,YY

81 PM

66 RCVD

**Part 2 Amendment to Previously Filed Arizona Partnership Adjustment**

1	Amended federal adjustment to items of income or the gain, loss or deduction on which the federal imputed underpayment was based. (DO NOT include changes to federal credits.)	1	00
2	Amended positive change in net Arizona additions and subtractions due to federal adjustments on line 1 (see inst.)	2	00
3	Add line 1 and line 2. Enter the total.	3	00
4	Amended negative change in net Arizona additions and subtractions due to federal adjustments on line 1 (see inst.)	4	00
5	Subtract line 4 from line 3. Enter the difference. This is your amended net Arizona adjustment to items of income, or the gain, loss or deduction of your partnership (Amended Arizona partnership adjustment)	5	00

**Part 3 Amendment to Tax Liability Paid by the Partnership**

Complete Part 3 if box A1 is checked. (The previous tax due was paid by the partnership.)

6	Amended Arizona partnership adjustment. • If the amount from Part 2, line 5 is zero, or greater than zero, enter the amount from Part 2, line 5. Continue to line 7. • If the amount from Part 2, line 5 is less than zero, enter "0". Skip to line 12 and enter "0". Report the amount on Part 2, line 5 to the partners.	6	00
7	Enter the nonapportionable or allocable amounts included in line 6.	7	00
8	Subtract line 7 from line 6. Enter the difference. This is the amount subject to apportionment.	8	00
9	Enter the Arizona apportionment ratio (see instructions). <u>9</u> .		
10	Multiply the amount on line 8 by the ratio on line 9. Enter the result.	10	00
11	Enter the portion of line 7 allocated to Arizona.	11	00
12	Add line 10 and line 11. Enter the total. If the total is less than zero, enter "0".	12	00
13	Multiply the amount on line 12 by the tax rate, 4.5%. Enter the result.	13	00
14	Enter the amount of tax previously paid by the partnership.	14	00
15	<b>OVERPAYMENT by the partnership:</b> If line 14 is greater than line 13, subtract line 13 from line 14. Enter the difference. Also, enter this amount on Part 5, line 27.	15	00
16	<b>TAX OWED by the partnership:</b> If line 13 is greater than line 14, subtract line 14 from line 13. Enter the difference. Also, enter this amount on Part 5, line 28.	16	00

Continued on page 2 →



2022 Amendment to Arizona Form 165PA

**For information or help, call one of the numbers listed:**  
Phoenix (602) 255-3381  
From area codes 520 and 928, toll-free (800) 352-4090

**Tax forms, instructions, and other tax information**  
If you need tax forms, instructions, and other tax information, go to the department’s website at [www.azdor.gov](http://www.azdor.gov).

**Income Tax Procedures and Rulings**  
These instructions may refer to the department’s income tax procedures and rulings for more information. To view or print these, go to our website and select *Reports & Legal Research* from the main menu, then click on *Legal Research* and select a Document Type and a Category from the drop down menus.

**Publications**  
To view or print the department’s publications, go to our website, select *Reports & Legal Research* from the main menu, and click on *Publications* in the left hand column.

**General Instructions**

**Who May Use Arizona Form 165PA-X**

Use this form only to correct a previously filed Arizona Form 165PA or a previously filed Arizona Form 165PA-X.  
Do NOT use this form to report any other changes to your original Arizona Form 165 for taxable year 2022. Use Arizona Form 165 and check the box labeled “Amended” to file an amended return for all other changes to the partnership’s Arizona income tax return for taxable year 2022.

**Records**

Every partnership should maintain books and records substantiating information reported on the return and keep those documents for inspection. See the department’s ruling, *GTR 96-1* for more information about record retention requirements.  
Partnerships passing through (pushing out) the changes in their Arizona adjustments to their partners should complete three copies of each partner’s Arizona Form 165PA Schedule K-1 or Arizona Form 165PA Schedule K-1(NR) (Notice). File a copy of each partner’s completed Notice with the partnership’s Arizona Form 165PA-X. Provide all partners with a copy of their completed Notice. Retain a copy of each completed Notice for the partnership’s records.

**NOTE:** Use Arizona Form 165PA Schedule K-1 for all resident and part-year resident individual partners, resident estate partners, and resident trust partners.  
Use Arizona Form 165PA Schedule K-1(NR) for all nonresident partners, nonresident estate partners, nonresident trust partners, partnerships that are partners in the partnership, and all corporate partners.

**Rounding Dollar Amounts**

Partnerships must round amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.

**Examples:**  
*Partnership A (A) reports federal taxable income of \$15,000. A has no Arizona additions to, or subtractions from, federal taxable income. Its apportionment ratio is .326954. A multiplies the federal taxable income by the apportionment ratio. The result is \$4,904.31. Partnership A rounds the result to \$4,904.00.*  
*Partnership W (W) reports a federal taxable loss of (\$27,000). W has no Arizona additions to, or subtractions from, its federal taxable loss. Its apportionment ratio is .005946. W multiplies its federal loss of (\$27,000) by the apportionment ratio. The result is an Arizona loss of (\$160.54). Partnership W rounds the result to (\$161.00).*  
*Partnership Z (Z) reports a federal taxable loss of (\$500). Z has no Arizona additions to, or subtractions from, federal taxable income. Its apportionment ratio is .075000. Z multiplies its federal loss of (\$500) by the apportionment ratio. The result is an Arizona loss of (\$37.50). Partnership Z rounds the result to (\$38.00).*

**Interest**

The department charges interest on any portion of the tax not paid by the due date. The department compounds interest annually and applies it in the same manner and at the same time as the Internal Revenue Service (IRS). The Arizona rate of interest for both underpayments and overpayments for all taxpayers is the federal underpayment rate.

**NOTE:** Interest will be assessed from the due date of the original return, Arizona Form 165. The due date for the original return is 15th day of the 3rd month following the close of the taxable year.

On January 1 of each year, any interest outstanding as of that date is added to the principal amount of the tax. It is then a part of the principal amount of the tax and accrues interest until paid.

**Payment of Tax**

Make checks payable to the Arizona Department of Revenue. Mail the return and your check to the address on the bottom of Arizona Form 165PA-X.

**Specific Instructions**

For calendar year filers, check the box, “calendar year 2022.” For fiscal year filers, check the box, “fiscal year” and enter the beginning and ending dates for the fiscal year.  
Type or print the required information in the name, address, and information boxes on the top of page 1. If the partnership has a foreign address, enter the information in the following order: city, province or state, and country. Follow the country’s practice for entering the postal code.  
**Do not abbreviate the country’s name.**  
Enter the partnership’s employer identification number (EIN). Partnerships that fail to include their EIN may be subject to a penalty.

**Part 1 – Required Information****Line A**

Check the box corresponding to how the Arizona adjustments were handled on the originally filed Arizona Form 165PA:

- Check box A1 if the tax due to Arizona was paid by the partnership.
- Check box A2 if the Arizona adjustment was passed through to the partners.

**Line B**

Enter the date the original Arizona Form 165PA, or the previously filed Arizona Form 165PA-X, was filed to the department.

**Part 2 – Amendment to Previously Filed Arizona Partnership Adjustment**

**NOTE:** *Arizona Form 165PA-X amends the amounts reported on the originally filed 165PA, or the previously filed 165PA-X. Report all amounts as they should have been submitted on the previously filed return.*

**Line 1**

Enter the amended federal adjustment to items of income, or the gain, loss or deduction on which the federal imputed underpayment of the partnership was based. **Do not include changes to federal credits.**

**Line 2**

Enter the amended positive change in net Arizona additions and subtractions due to the federal adjustments on line 1. (See the **NOTE** box and **EXAMPLES** following line 4 for additional information.)

**Line 3**

Add line 1 and line 2. Enter the total.

**Line 4**

Enter the amended negative change in net Arizona additions and subtractions due to the federal adjustments on line 1 as a positive number. (See the **NOTE** box and **EXAMPLES** below for additional information.)

**NOTE:** *Changes in the additions to, or in the subtractions from, gross income due to the imputed underpayment assessment must be reported to Arizona. (See the instructions for Arizona Form 165, pages 4 through 7, for a description of the additions and subtractions to be reported.)*

*Report only the **net change** to the additions and subtractions resulting from the federal adjustments.*

*Compute the additions and subtractions as they should have been reported.*

- *Subtract the “as reported” additions from the corrected additions.*
- *Subtract the “as reported” subtractions from the corrected subtractions.*
- *Subtract the net difference in subtractions from the net difference in additions.*
  - *If the result is a positive number, report that amount on Part 2, line 2.*
  - *If the result is a negative number, report that amount, as a **positive** number, on Part 2, line 4.*

**EXAMPLES****Example #1:**

Partnership Z (Z) received an imputed underpayment assessment (audit) indicating adjustments to income of \$45,000 (excluding changes to federal credits). Z filed Arizona 165PA timely to report this amount.

After filing Arizona Form 165PA, Z discovers it failed to include changes to the Arizona additions and subtractions made by the audit: \$15,000 of interest income was incorrectly reported as Non Arizona Municipal Interest Income (Non AZ Muni). The audit changed this amount to US Interest Income. Z prepares Arizona Form 165PA-X to correct its previously filed Arizona Form 165PA. As before, Z reports the adjustments to income of \$45,000 on Part 2, line 1 of Arizona Form 165PA-X.

Using a separate worksheet, Z makes the following changes to its previously reported Arizona taxable income to be reported on Arizona Form 165PA-X:

- Z reduces its “As Reported” Non AZ Muni Interest Income by \$15,000
- Z increases its “As Reported” US Interest Income by \$15,000

		Corrected	As Reported	Net Change
	<b>Additions:</b>			
	Federal Depreciation	50,000	50,000	-
	Non AZ Muni Interest	100,000	115,000	(15,000)
	AZ Basis Adjustment	25,000	25,000	-
<b>A</b>	<b>Total Additions</b>	<b>175,000</b>	<b>190,000</b>	<b>(15,000)</b>
	<b>Subtractions:</b>			
	AZ Re-Calculated Depreciation	65,000	65,000	-
	US Interest	95,000	80,000	15,000
<b>B</b>	<b>Total Subtractions</b>	<b>160,000</b>	<b>145,000</b>	<b>15,000</b>
<b>C</b>	<b>Net Additions (Subtractions) {A - B = C}</b>	<b>15,000</b>	<b>45,000</b>	<b>(30,000)</b>

The change in net Arizona additions and subtractions is a negative \$30,000 (-\$15,000 - \$15,000). Z reports the net negative change as a *positive* number on Part 2, line 4 of Arizona Form 165PA-X.

**Example #2:**

Partnership S (S) received an imputed underpayment assessment (audit) indicating adjustments to income of \$150,000 (there were no changes to federal credits). S filed Arizona 165PA timely to report this amount.

After filing Arizona Form 165PA, S discovers it failed to include changes to the Arizona additions and subtractions made by the audit: \$25,000 of interest income was incorrectly reported as US Interest Income. The audit changed it to Non AZ Muni. S prepares Arizona Form 165PA-X to correct its previously filed Arizona Form 165PA. As before, S reports the adjustment to income of \$150,000 on Part 2, line 1 of Arizona Form 165PA-X.

Using a separate worksheet, S makes the following changes to its previously reported Arizona taxable income to be reported on Arizona Form 165PA-X:

- S increases its Non AZ Muni Income by \$25,000
- S decreases its US Interest Income by \$25,000

	Corrected	As Reported	Net Change
<b>Additions:</b>			
Federal Depreciation	50,000	50,000	-
Non AZ Muni Interest	90,000	65,000	25,000
<b>A Total Additions</b>	<b>140,000</b>	<b>115,000</b>	<b>25,000</b>
<b>Subtractions:</b>			
AZ Re-Calculated Depreciation	65,000	65,000	-
US Interest	90,000	115,000	(25,000)
<b>B Total Subtractions</b>	<b>155,000</b>	<b>180,000</b>	<b>(25,000)</b>
<b>C Net Additions (Subtractions) {A - B = C}</b>	<b>(15,000)</b>	<b>(65,000)</b>	<b>50,000</b>

The change in net Arizona additions and subtractions is a positive \$50,000 [\$25,000 – (-\$25,000)]. S reports the net positive change on Part 2, line 2 of Arizona Form 165PA-X

**Line 5**

Subtract line 4 from line 3. Enter the difference. This is the partnership’s amended net adjustment to items of income, gain, loss or deduction of the partnership – the “Amended Arizona Partnership Adjustment.”

**Part 3 – Amendment to Tax Liability Paid by the Partnership**

Complete Part 3 only if box A1 is checked. The previous Arizona tax due was paid by the partnership.

**Line 6**

Amended Arizona partnership adjustment.

- If the amount from Part 2, line 5 is greater than or equal to zero, enter the amount from Part 2, line 5. Continue to line 7.
- If the amount from Part 2, line 5 is less than zero, enter “0”. Skip to line 12 and enter “0”. Also, report the amount on Part 2, line 5 to the partners.

**Line 7**

Enter the nonapportionable or allocable amount(s) included in line 6.

**NOTE:** Apportionable income, or "Business income," under the transactional and functional tests means income arising from transactions and activity in the regular course of the taxpayer's trade or business, and includes income from tangible and intangible property if the acquisition, management, and disposition of the property constitute integral parts of the taxpayer's regular trade or business operations. Refer to Arizona Revised Statutes (A.R.S.) § 43-1131(1).

Nonapportionable income, or "Nonbusiness income," means all income other than business income. Refer to A.R.S. § 43-1131(4).

Nonbusiness income is nonapportionable and specifically allocable to a particular state.



**Line 8**

Subtract line 7 from line 6. Enter the difference. This is the amount subject to apportionment.

**Line 9**

Enter the partnership's Arizona apportionment ratio.

**NOTE:** See the instructions for Arizona Form 165, pages 7 through 10, for information on calculating the partnership's Arizona apportionment ratio.

Generally, this will be the Arizona apportionment ratio from the partnership's originally filed Arizona Form 165 Schedule C, line C5, for the Standard Apportionment Ratio, or Arizona Form 165, Schedule C, line C3f, column (c) for Sales Factor Only Apportionment. However, changes resulting from the federal audit may affect the partnership's apportionment ratio. If the apportionment ratio is modified, enter the corrected apportionment ratio. Include a schedule detailing the changes with your return.

**NOTE:** Do not include apportionment factors generating nonapportionable or non-taxable income in the calculation of the apportionment ratio.

**Line 10**

Multiply the amount on line 8 by the ratio on line 9. Enter the result.

**Line 11**

Enter the portion of line 7 allocated to Arizona. See the **NOTE** box following the instructions for line 7 for information about allocating income to Arizona.

**Line 12**

Add line 10 and line 11. Enter the total. If the total is less than zero, enter "0".

**Line 13**

Multiply the amount on line 12 by the tax rate, 4.5%. Enter the result.

**Line 14**

Enter the amount of tax previously paid by the partnership from the originally submitted Arizona Form 165PA, Part 3, line 13, or from a previously submitted Arizona Form 165PA-X, Part 3, line 13 or Part 4, line 26.

**Line 15**

If line 14 is greater than line 13, subtract line 13 from line 14. Enter the difference. This is the amount of tax overpaid by the partnership. Also, enter this amount on Part 5, line 27.

**Line 16**

If line 13 is greater than line 14, subtract line 14 from line 13. Enter the difference. This is the amount of tax owed by the partnership. Also, enter this amount on Part 5, line 28.

## Part 4 – Amendment to the Arizona Partnership Adjustment Previously Passed Through to the Partners on Arizona Form 165PA Schedule K-1, or Arizona Form 165PA Schedule K-1(NR)

Complete Part 4 only if box A2 is checked. The previous Arizona partnership adjustment was passed through to the partners.

**Line 17**

Enter the amount from Part 2, line 5.

**Line 18**

Enter the net Arizona partnership adjustment from Part 2, line 5 of the originally filed Arizona Form 165PA or from Part 2, line 5 of the previously submitted Arizona Form 165PA-X.

**Line 19**

Subtract line 18 from line 17. Enter the difference. If the difference is less than zero, enter "0" and report the amount on line 17 to the partners on an amended Arizona Form 165PA, Schedule K-1 or Arizona Form 165PA, Schedule K-1(NR). Skip to line 26 and enter "0". Also, enter "0" on Part 5, line 28.

**Line 20**

Enter the nonapportionable or allocable amounts included on line 19.

See the **NOTE** box following the instructions for line 7 for information about nonapportionable or allocable amounts of income.

**Line 21**

Subtract line 20 from line 19. Enter the difference. This is the amount subject to apportionment.

**Line 22**

Enter the partnership's Arizona apportionment ratio.

See the **NOTE** box following the instructions for Part 3, line 9 for information about calculating Arizona's apportionment ratio.

**Line 23**

Multiply the amount on line 21 by the ratio on line 22. Enter the result.

**Line 24**

Enter the portion of line 20 allocated to Arizona.

See the **NOTE** box following the instructions for Part 3, line 7 for information about allocating income to Arizona.

**Line 25**

Add line 23 and line 24. Enter the total. If the total is less than zero, enter "0".

**Line 26**

Multiply the amount on line 25 by the tax rate, 4.5%. Enter the result. *This is the amount of additional Arizona tax owed by the partnership.*

**Part 5 – Summary of Amended Tax Liability****Line 27 – Refund**

Enter the amount from Part 3, line 15. **This is the refund to the partnership.**

**Line 28 – Tax Due**

Enter the amount from Part 3, line 16, or from Part 4, line 26.

**Line 29 – Interest**

Enter the amount of interest owed. *Interest is calculated on the amount shown on line 28 at the prevailing (federal interest) rate.* The interest period is from the due date of the original Arizona Form 165 to the payment date. (See *Interest* on page 1 of these instructions for more information.)

**NOTE:** *You may choose not to calculate any interest owed. If you do not calculate the interest owed, the department will calculate it and bill you for it.*

**Line 30 – Total Due from the Partnership**

Add line 28 and line 29. Enter the total. ***This is the total due from the partnership.***

Make checks payable to the Arizona Department of Revenue. Include your EIN on the front of the check. Include your check with the return.

**Part 6 – Explanation of Changes to the Previously Filed Arizona Form 165PA or Arizona Form 165PA-X**

Explain the changes made in this return. If additional space is needed, prepare a schedule labeled “*Part 6 – Explanation of Changes*” and include the schedule with this Arizona Form 165PA-X. Include any necessary supporting documentation with the return.

**Part 7 – Certification**

One of the partners must sign the return. If receivers, trustees in bankruptcy, or assignees are in control of the property or business of the organization, such receivers, trustees, or assignees must sign the return.

**Paid preparers:** Sign and date the return. Complete the firm name and address lines (the paid preparer’s name and address, if self-employed).

Paid preparers must provide a Tax Identification Number (TIN). Paid preparers that fail to include their TIN may be subject to a penalty.

The TIN for a paid preparer may be one of the following:

- The preparer’s PTIN,
- The EIN for the business,
- The individual preparer’s social security number (SSN), if self-employed.

**Include with the corporation's return.**

Partnerships and S Corporations that made the Pass-Through Entity (PTE) election, check here:  See instructions.

For the  calendar year 2022 or  fiscal year beginning MM/DD/2022 and ending MM/DD/20YY.

Name as shown on Form 99T, 120, 120A, 120S, 165 (for partnerships making the PTE election)	Employer Identification Number (EIN)
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In most cases, the taxpayer DOES NOT HAVE TO FILE Form 220/PTE. (See Part A below for exceptions.) The department will compute any penalty due and bill the taxpayer. (If the taxpayer does not have to file Form 220/PTE, the form may still be used to compute the penalty. Enter the amount of the penalty on the estimated tax underpayment penalty line of the taxpayer's return. Do not check the box on that line of the return or include Form 220/PTE with the return.)

**Part A Reasons for Filing Form 220/PTE**

Check the boxes below that apply to the taxpayer. If any box is checked, the taxpayer must file Form 220/PTE with the taxpayer's tax return, even though no penalty is due. See page 2 of the instructions.

- 1  The taxpayer is using the annualized income installment method. (Available to partnerships or S Corporations that made the PTE election.)
- 2  The taxpayer is using the adjusted seasonal installment method. (Not available to partnerships or S Corporations that made the PTE election.)
- 3  **Forms 120 and 120A only:** The taxpayer is a "large corporation" computing its first required installment based on the prior taxable year's tax liability.
- 4  **Form 120S, S Corporations subject to tax at the federal level:** The taxpayer is computing its required annual payment based on an amount equal to the **sum** of:
  - (a) ninety percent of the portion of the current taxable year's liability attributable to built-in gains income or certain capital gains income; **plus**
  - (b) one hundred percent of the portion of the prior taxable year's tax liability attributable to excess net passive income.

**Part B Calculation of Underpayment**

<b>5</b> Enter the 2022 Arizona tax liability from Form 99T, line 11 less line 12; or Form 120, line 21 less line 22; or Form 120A, line 13 less line 14; or Form 120S, line 19 less line 20, or Form 165, line 23. Taxpayers with a claim of right tax calculation see instructions.....	<b>5</b>			00
<b>6 REQUIRED ANNUAL PAYMENT:</b>				
<b>a</b> Enter 90% of line 5.....	<b>6a</b>			00
<b>b</b> Forms 99T, 120, 120A, enter the tax as shown on the 2021 return: See instructions.....	<b>6b</b>			00
<b>c</b> S Corporations subject to tax at the federal level: See instructions.....	<b>6c</b>			00
<b>d Partnerships and S Corporations that made the PTE election:</b> See instructions.....	<b>6d</b>			00
<b>e</b> Forms 99T, 120, 120A: Enter the smaller of line 6a or line 6b. <b>Partnerships and S Corporations that made the PTE election, See instructions.</b> S Corporations subject to tax at the federal level that <b>did not make the PTE election:</b> Enter the smaller of line 6a or line 6c.....	<b>6e</b>			00
		(a)	(b)	(c)
<b>7 Installment due dates:</b> In columns (a) through (d), enter the 15th day of the 4th, 6th, 9th, and 12th months of the taxable year. PTE's see instructions.....	<b>7</b>	M,M,D,D,Y,Y	M,M,D,D,Y,Y	M,M,D,D,Y,Y
<b>8 Required installments:</b> If the box on line 1 and/or line 2 above is checked, enter the amounts from Schedule A, Part 3, line 48. If the box on line 3 above is checked (but not the box on line 1 or line 2), see the instructions for line 8 to determine the amount to enter. If the box on line 4 above is checked, or if none of these boxes are checked, enter 25% of line 6e in each column.....	<b>8</b>			
<b>9</b> Enter the estimated tax paid or credited for each period (see the instructions). <b>For column (a) only:</b> Skip lines 10 through 12. Enter the amount from line 9 on line 13.....	<b>9</b>			
<b>Complete lines 10 through 16 of each column before completing the next column.</b>				
<b>10 For columns (b) through (d) only:</b> Enter the amount, if any, from line 16 of the preceding column.....	<b>10</b>			
<b>11 For columns (b) through (d) only:</b> Add lines 9 and 10. Enter the total.....	<b>11</b>			
<b>12 For columns (b) through (d) only:</b> Add the amounts on lines 14 and 15 of the preceding column. Enter the total.....	<b>12</b>			
<b>13 For columns (b) through (d) only:</b> Subtract line 12 from line 11. Enter the difference. If zero or less, enter "0".....	<b>13</b>			
<b>14 For columns (b) and (c) only:</b> If the amount on line 13 is zero, subtract line 11 from line 12. Enter the difference. Otherwise, enter "0".....	<b>14</b>			
<b>15 Underpayment:</b> If line 13 is less than or equal to line 8, subtract line 13 from line 8. Enter the difference. Then, go to line 10 of the next column (see instructions page 4). Otherwise, go to line 16.....	<b>15</b>			
<b>16 Overpayment:</b> If line 8 is less than line 13, subtract line 8 from line 13. Enter the difference. Then, go to line 10 of the next column.....	<b>16</b>			

**Part C Penalty Calculation**

	(a)	(b)	(c)	(d)		
<b>17 Forms 120 and 120A:</b> Enter the date of payment or the 15th day of the 4th month after the close of the taxable year, whichever is earlier. <b>Forms 120S:</b> Use 3rd month instead of 4th month. <b>PTE's:</b> Use 3rd month instead of 4th month. <b>Form 99T:</b> Use 5th month instead of 4th month.....						
<b>18</b> Number of days from due date of installment on line 7 to the date shown on line 17.....	<b>17</b> M M D D Y Y	M M D D Y Y	M M D D Y Y	M M D D Y Y		
<b>19</b> Number of days on line 18 after 4/15/2022 and before 7/1/2022 ....	<b>18</b> Days:	Days:	Days:	Days:		
<b>20</b> Underpayment on line 15 × $\frac{\text{Number of days on line 19}}{365} \times 4\%$ .....	<b>19</b> Days:	Days:	Days:	Days:		
<b>21</b> Number of days on line 18 after 6/30/2022 and before 10/1/2022 ..	<b>20</b>					
<b>22</b> Underpayment on line 15 × $\frac{\text{Number of days on line 21}}{365} \times 5\%$ .....	<b>21</b> Days:	Days:	Days:	Days:		
<b>23</b> Number of days on line 18 after 9/30/2022 and before 1/1/2023 ....	<b>22</b>					
<b>24</b> Underpayment on line 15 × $\frac{\text{Number of days on line 23}}{365} \times *%$ .....	<b>23</b> Days:	Days:	Days:	Days:		
<b>25</b> Number of days on line 18 after 12/31/2022 and before 4/1/2023 ..	<b>24</b>					
<b>26</b> <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td>Underpayment on line 15</td></tr><tr><td>+ compounding, if applicable</td></tr></table> × $\frac{\text{Number of days on line 25}}{365} \times *%$	Underpayment on line 15	+ compounding, if applicable	<b>25</b> Days:	Days:	Days:	Days:
Underpayment on line 15						
+ compounding, if applicable						
<b>27</b> Number of days on line 18 after 3/31/2023 and before 7/1/2023 ....	<b>26</b>					
<b>28</b> <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td>Underpayment on line 15</td></tr><tr><td>+ compounding, if applicable</td></tr></table> × $\frac{\text{Number of days on line 27}}{365} \times *%$	Underpayment on line 15	+ compounding, if applicable	<b>27</b> Days:	Days:	Days:	Days:
Underpayment on line 15						
+ compounding, if applicable						
<b>29</b> Number of days on line 18 after 6/30/2023 and before 10/1/2023 ..	<b>28</b>					
<b>30</b> <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td>Underpayment on line 15</td></tr><tr><td>+ compounding, if applicable</td></tr></table> × $\frac{\text{Number of days on line 29}}{365} \times *%$	Underpayment on line 15	+ compounding, if applicable	<b>29</b> Days:	Days:	Days:	Days:
Underpayment on line 15						
+ compounding, if applicable						
<b>31</b> Number of days on line 18 after 9/30/2023 and before 1/1/2024 .....	<b>30</b>					
<b>32</b> <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td>Underpayment on line 15</td></tr><tr><td>+ compounding, if applicable</td></tr></table> × $\frac{\text{Number of days on line 31}}{365} \times *%$	Underpayment on line 15	+ compounding, if applicable	<b>31</b> Days:	Days:	Days:	Days:
Underpayment on line 15						
+ compounding, if applicable						
<b>33</b> Number of days on line 18 after 12/31/2023 and before 3/15/2024	<b>32</b>					
<b>34</b> <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td>Underpayment on line 15</td></tr><tr><td>+ compounding, if applicable</td></tr></table> × $\frac{\text{Number of days on line 33}}{365} \times *%$	Underpayment on line 15	+ compounding, if applicable	<b>33</b> Days:	Days:	Days:	Days:
Underpayment on line 15						
+ compounding, if applicable						
<b>35</b> Add lines 20, 22, 24, 26, 28, 30, 32, and 34. Enter the total. ....	<b>34</b>					
<b>36 Penalty Limitation:</b> In columns (a) through (d), enter the smaller of Part B, line 15 × 10% OR the amount from Part C, line 35.....	<b>35</b>					
<b>37 Penalty:</b> Add columns (a) through (d) of line 36. Enter the total here and on Form 99T, line 22; or Form 120, line 29; or Form 120A, line 21; or Form 120S, line 25 .....	<b>36</b>					
			<b>37</b>	<b>00</b>		

\* Percentage rate to be announced

<b>SCHEDULE A</b>	<b>Annualized Income Installment Method and/or Adjusted Seasonal Installment Method Under IRC § 6655(e)</b>
<b>Part 1</b>	<b>Annualized Income Installment Method (Available to partnerships or S Corporations making the PTE election.)</b>

		(a)	(b)	(c)	(d)
<b>1</b> Annualization periods: See instructions.....	<b>1</b>	First _____ Months	First _____ Months	First _____ Months	First _____ Months
<b>2</b> Enter taxable income for each annualization period.....	<b>2</b>				
<b>3</b> Annualization amounts: See instructions.....	<b>3</b>				
<b>4</b> Annualized taxable income: Multiply line 2 by line 3. Enter the result.....	<b>4</b>				
<b>5</b> Multiply the amount in each column on line 4 by 4.9%. (PTE's use 2.98% tax rate) Enter the result. ....	<b>5</b>				
<b>6</b> Enter tax from recapture of tax credits for each payment period. See instructions.....	<b>6</b>				
<b>7</b> Subtotal tax: Add lines 5 and 6. Enter the total.....	<b>7</b>				
<b>8</b> For each period, enter the amount of nonrefundable tax credits. See instructions .....	<b>8</b>				
<b>9</b> Arizona tax liability: Subtract line 8 from line 7. Enter the difference. If zero or less, enter "0".....	<b>9</b>				
<b>10</b> Refundable tax credits: See instructions .....	<b>10</b>				
<b>11</b> Claim of right adjustment: See instructions.....	<b>11</b>				
<b>12</b> Net liability: Subtract the sum of line 10 and line 11 from line 9. Enter the difference. If zero or less, enter "0" .....	<b>12</b>				
<b>13</b> Applicable percentage.....	<b>13</b>	22.5%	45%	67.5%	90%
<b>14</b> Multiply line 12 by line 13. Enter the result. ....	<b>14</b>				
<b>15</b> Add the amounts in all preceding columns from page 4, Part 3, line 48. See instructions.....	<b>15</b>				
<b>16 Annualized income installments:</b> Subtract line 15 from line 14. Enter the difference. If zero or less, enter "0" .....	<b>16</b>				

<b>Part 2</b>	<b>Adjusted Seasonal Installment Method (Not available to partnerships or S Corporations making the PTE election.)</b>
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**CAUTION:** Use this method only if the base period percentage of any 6 consecutive months is at least 70%. See the instructions for more information.

		(a)	(b)	(c)	(d)
<b>17</b> Enter taxable income for the following periods:		First 3 Months	First 5 Months	First 8 Months	First 11 Months
<b>a</b> Taxable year beginning in 2019.....	<b>17a</b>				
<b>b</b> Taxable year beginning in 2020.....	<b>17b</b>				
<b>c</b> Taxable year beginning in 2021.....	<b>17c</b>				
<b>18</b> Enter taxable income for each period for taxable year beginning in 2022.....	<b>18</b>				

Continued on page 4 →

Part 2 (continued)	(a)	(b)	(c)	(d)
	First 4 Months	First 6 Months	First 9 Months	Entire Year
<b>19</b> Enter taxable income for the following periods:				
<b>a</b> Taxable year beginning in 2019.....	<b>19a</b>			
<b>b</b> Taxable year beginning in 2020.....	<b>19b</b>			
<b>c</b> Taxable year beginning in 2021.....	<b>19c</b>			
<b>20</b> Divide the amount in each column on line 17a by the amount in column (d) on line 17a. Enter the result.....	<b>20</b>			
<b>21</b> Divide the amount in each column on line 17b by the amount in column (d) on line 17b. Enter the result.....	<b>21</b>			
<b>22</b> Divide the amount in each column on line 17c by the amount in column (d) on line 17c. Enter the result.....	<b>22</b>			
<b>23</b> Add lines 20 through 22. Enter the total.....	<b>23</b>			
<b>24</b> Divide line 23 by three (3). Enter the result.....	<b>24</b>			
<b>25</b> Divide line 18 by line 24. Enter the result.....	<b>25</b>			
<b>26</b> Multiply the amount in each column on line 25 by 4.9%. Enter the result.....	<b>26</b>			
<b>27</b> Divide the amount in each column on line 19a by the amount in column (d) on line 19a. Enter the result.....	<b>27</b>			
<b>28</b> Divide the amount in each column on line 19b by the amount in column (d) on line 19b. Enter the result.....	<b>28</b>			
<b>29</b> Divide the amount in each column on line 19c by the amount in column (d) on line 19c. Enter the result.....	<b>29</b>			
<b>30</b> Add columns (a) through (c) of lines 27 through 29. Enter the total.....	<b>30</b>			
<b>31</b> Divide columns (a) through (c) of line 30 by three (3). Enter the result.....	<b>31</b>			
<b>32</b> Multiply the amount in columns (a) through (c) of line 26 by the amount in the corresponding column of line 31. Enter the result. In column (d), enter the amount from line 26, column (d).....	<b>32</b>			
<b>33</b> Enter tax from recapture of tax credits for each payment period. See instructions.....	<b>33</b>			
<b>34</b> Subtotal tax: Add line 32 and line 33. Enter the total.....	<b>34</b>			
<b>35</b> For each period, enter the amount of nonrefundable tax credits. See instructions.....	<b>35</b>			
<b>36</b> Arizona tax liability: Subtract line 35 from line 34. Enter the difference. If zero or less, enter "0".....	<b>36</b>			
<b>37</b> Refundable tax credits: See instructions.....	<b>37</b>			
<b>38</b> Claim of right adjustment: See instructions.....	<b>38</b>			
<b>39</b> Net liability: Subtract the sum of line 37 and line 38 from line 36. Enter the difference. If zero or less, enter "0".....	<b>39</b>			
<b>40</b> Multiply line 39 by 90%. Enter the result.....	<b>40</b>			
<b>41</b> Add the amounts in all preceding columns from Part 3, line 48. See instructions.....	<b>41</b>			
<b>42 Adjusted seasonal installments:</b> Subtract line 41 from line 40. Enter the difference. If zero or less, enter "0".....	<b>42</b>			

Part 3	(a)	(b)	(c)	(d)
Required Installments	First Installment	Second Installment	Third Installment	Fourth Installment
<b>43</b> If only one of the above parts is completed, enter the amount in each column from line 16 or line 42. (If both parts are completed, enter the <b>lesser</b> of the amounts in each column from line 16 or line 42.).....	<b>43</b>			
<b>44</b> Enter 25% of line 6e in each column. <b>NOTE:</b> "Large corporations", see the instructions to determine the amount to enter.....	<b>44</b>			
<b>45</b> Enter the amount from line 47 of this schedule for the preceding column.....	<b>45</b>			
<b>46</b> Add line 44 and line 45. Enter the total.....	<b>46</b>			
<b>47</b> If line 46 is more than line 43, subtract line 43 from line 46. Enter the difference. Otherwise, enter "0".....	<b>47</b>			
<b>48 Required Installments:</b> Enter the <b>lesser</b> of line 43 or line 46 here and on page 1, Part B, line 8.....	<b>48</b>			

# 2022 Underpayment of Estimated Tax by Corporations & Pass-Through Entities

# Arizona Form 220/PTE

## For information or help, call one of the numbers listed:

Phoenix (602) 255-3381  
From area codes 520 and 928, toll-free (800) 352-4090

## Tax forms, instructions, and other tax information

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

## Income Tax Procedures and Rulings

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website and select *Reports & Legal Research* from the main menu, then click on *Legal Research* and select a Document Type and a Category from the drop down menus.

## Publications

To view or print the department's publications, go to our website, select *Reports & Legal Research* from the main menu, and click on *Publications* in the left hand column.

## General Instructions

### Purpose of Form

C corporations, exempt organizations with unrelated business taxable income (UBTI) and S Corporations subject to tax at the federal level and filing Arizona Forms 99T, 120, 120A, and 120S use Arizona Form 220/PTE to determine if they are subject to a penalty for underpayment of their Arizona estimated tax liability, and if so, the amount of the penalty.

Partnerships and S Corporations making the Pass-Through Entity (PTE) election to pay Arizona income tax at the entity level also use Arizona Form 220/PTE to determine if they are subject to a penalty for underpayment of their Arizona estimated tax liability, and if they are, to calculate the amount of the penalty.

The taxpayer's Arizona estimated tax liability is determined as follows: [income tax plus tax from recapture of tax credits] less [nonrefundable tax credits and any refundable tax credits].

### CLAIM OF RIGHT ADJUSTMENT (FORMS 120 AND 120A):

A taxpayer that computes its tax liability under the claim of right provisions should base its estimated tax liability on the net tax liability computed under the claim of right provisions.

### Who is Subject to the Underpayment Penalty

C corporations, exempt organizations with UBTI, and S Corporations subject to tax at the federal level (but NOT making the PTE election), may be subject to the underpayment penalty if their Arizona taxable liability<sup>1</sup> for the year is \$1,000 or more AND they did not timely pay at least the smaller of:

- The tax shown on their 2022 Arizona income tax return; or,
- The tax shown on their 2021 Arizona income tax return (if they filed a 2021 return reporting an Arizona income tax AND the return was for a full 12 months).

**NOTE:** a "large corporation" can base only its first required installment on the prior year's return.

*For additional information, see Section A in the right column or Section B on page 2 of these instructions.*

<sup>1</sup> Arizona tax liability is determined as follows: [income tax plus tax from the recapture of credits] less [nonrefundable tax credits plus any refundable credits].

Partnerships and S Corporations making the PTE election may be subject to the underpayment penalty if their Arizona taxable income for the previous year exceeds \$150,000 AND they did not timely pay at least the smaller of:

- The tax shown on their 2022 Arizona income tax return; or,
- The tax shown on their 2021 Arizona income tax return (if it filed a 2021 return reporting an Arizona income tax AND the return was for a full 12 months).

*For additional information, see Sections C and D on page 2 of these instructions.*

Arizona tax liability can be found on Arizona Form 99T, page 1, line 11 (reduced by any refundable tax credit, if applicable); or Arizona Form 120, page 1, line 21 (reduced by any refundable tax credit and the claim of right adjustments, if applicable); or Arizona Form 120A, page 1, line 13 (reduced by any refundable tax credit and claim of right adjustments, if applicable); or Arizona Form 120S, page 1, line 19 (reduced by any refundable tax credit, if applicable); or Arizona Form 165, page 2, line 23.

**NOTE:** *In these instructions, "return" generally refers to the taxpayer's<sup>2</sup> original return. However, an amended return is considered the original return if the amended return is filed by the due date (including extensions) of the original return. Refer to the department's ruling, CTR 02-1, Amended Return's Effect on the Estimated Payment Underpayment Penalty, for further information.*

**A. C corporations and exempt organizations with UBTI Filing Forms 99T, 120, and 120A:** Generally, the corporation or exempt organization is subject to the penalty if the tax shown on the taxpayer's 2022 Arizona tax return is \$1,000 or more and it did not timely pay at least the **smaller** of:

- Ninety percent of the tax (reduced by any refundable tax credit and the claim of right adjustments, if applicable) shown on its current taxable year return (2022), OR,
- One hundred percent of the tax shown on its prior year return (2021) (reduced by any refundable tax credit and the claim of right adjustments, if applicable). The taxpayer must have filed a 2021 return showing at least some amount of tax and the return must have been filed for a period of 12 full months. However, a "large corporation"<sup>3</sup> may base only its first required installment on the prior taxable year's tax.

**NOTE FOR CORPORATIONS FILING ARIZONA FORM 120: A unitary group of corporations filing a combined return** must make its estimated tax payments on a combined basis. Therefore, a unitary group, as a single taxpayer, must compute

<sup>2</sup> For purposes of these instructions, "taxpayer" refers to C corporations, exempt organizations with UBTI, S Corporations subject to tax at the federal level, or partnerships or S Corporations making the PTE election.

<sup>3</sup> A "Large Corporation" is defined as: "... a corporation or unitary group of corporations if the corporation, or a predecessor corporation, had federal taxable income of \$1 million or more for any of the immediately preceding 3 taxable years, excluding any federal net operating loss or capital gains carryback or carryovers." A.R.S § 43-582(C).

the underpayment of estimated tax penalty on a combined basis if its Arizona tax liability for the taxable year is \$1,000 or more.

**NOTE FOR CORPORATIONS FILING ARIZONA FORM 120: An Arizona affiliated group filing an Arizona consolidated return** pursuant to Arizona Revised Statutes (A.R.S.) § 43-947 must make its estimated tax payments on a consolidated basis. Therefore, an Arizona affiliated group, as a single taxpayer, must compute the underpayment of estimated tax penalty on a consolidated basis if its Arizona tax liability for the taxable year is \$1,000 or more.

**B. S Corporations subject to tax at the federal level and NOT making the PTE election:**

Generally, the S Corporation is subject to the penalty if the tax shown on the taxpayer's 2022 Arizona tax return is \$1,000 or more and it did not timely pay at least the **smaller** of:

- Ninety percent of the tax (reduced by any refundable tax credit, if applicable) shown on its 2022 return, OR
- If the taxpayer's 2021 return was filed for a period of twelve months, an amount of tax equal to the sum of:
  - Ninety percent of the tax (reduced by any refundable tax credit, if applicable) shown on its 2022 return, **OR**
  - One hundred percent of the portion of the 2021 Arizona tax liability that is attributable to net passive income.

**C. Partnerships and S Corporations Making the PTE Election:**

Partnerships and S Corporations making the PTE election must make estimated tax payments if their Arizona taxable income for the previous taxable year exceeds \$150,000. The amount of payments of estimated tax must be an amount that reasonably reflects the PTE's Arizona income tax liability that will be unpaid at the end of the taxable year. The amount must be paid in 4 equal installments on or before the due dates established by the internal revenue code and shall total:

- At least 90% of the tax due for the current taxable year, or,
- One hundred percent (100%) of the tax due for the previous taxable year.

Partnerships and S Corporations making the PTE election that do not pay the estimated tax required on or before the prescribed due dates shall be assessed a penalty on the unpaid amount. [See A.R.S. 42-1125(Q).] Penalties or interest shall not be assessed or collected if either of the following applies:

- The estimated tax payments are allowable exceptions under section 6654 of the internal revenue code; or,
- The Arizona income tax liability due on the PTE's return is less than \$1,000.

**D. S Corporations subject to tax at the federal level AND making the PTE Election:**

S Corporations subject to tax at the federal level **AND** that are making the PTE election must separately compute the underpayment penalty for the income generating the federal tax liability and the PTE income. **NOTE:** compute the underpayment penalty for the income generating the federal liability using the corporate tax rate, 4.9%, and the required due dates for the PTE required payments. (See the instructions for Arizona Form 120/PTE-W for details.)

Compute the underpayment penalty for the income generating the PTE tax liability using the PTE rate, 2.98% and the due dates for the PTE required payments.

Total the amounts of the underpayment penalty for each type of income and enter the total underpayment penalty on Form 220. Include all workpapers with the return.

**NOTE:** *The underpayment penalty is calculated separately for each installment due date. Therefore, the taxpayer may owe a penalty for an earlier installment due date, even if later "catch-up" payments were made for the earlier installment due date underpayment.*

*A taxpayer may be subject to the underpayment penalty even if the taxpayer is due a refund when its return is filed.*

*A taxpayer may be able to reduce or eliminate the penalty by using the annualized income installment method or the adjusted seasonal installment method.*

**Who Must Complete This Form**

A taxpayer **DOES NOT HAVE TO COMPLETE** Arizona Form 220, *Underpayment of Estimated Tax by Corporations*, if the taxpayer made estimated tax payments based on either of the following methods:

- *All taxpayers:* An amount equal to 90 percent of the current taxable year's tax liability (reduced by any refundable tax credit and the claim of right adjustments, if applicable), paid in four equal installments; or
- *C corporations and exempt organizations filing Arizona Form(s) 99T, 120, and 120A:* An amount equal to 100 percent of the taxpayer's tax liability (reduced by any refundable tax credit and the claim of right adjustments, if applicable) for the prior taxable year, paid in four equal installments. A "large corporation" may not use this method.

The department will compute the estimated tax penalty based on either of these methods and notify the taxpayer of any amount due.

A taxpayer **MUST COMPLETE** Arizona Form 220, even though no penalty is due, if it made its estimated tax payments based on any of the following methods:

- *All taxpayers:* The annualized income installment method; **or**
- *All taxpayers:* The adjusted seasonal installment method; **or**
- *Arizona Forms 120 and 120A:* The taxpayer is a "large corporation" that computed its first required installment based on the taxpayer's tax liability for the prior taxable year; **or**
- *Arizona Form 120S:* An amount, paid in four equal installments, that is equal to the sum of:
  - Ninety percent of the portion of the current taxable year's Arizona tax liability that is attributable to built-in gains income or certain capital gains income; **plus**
  - One hundred percent of the portion of the prior taxable year's Arizona tax liability that is attributable to excess net passive income.



**How to Use This Form**

Check the applicable boxes in Part A. Complete Part B to determine if the taxpayer has an underpayment for any of the four installment due dates. If the taxpayer has an underpayment on line 15 [column (a), (b), (c), or (d)], complete Part C to calculate the penalty.

If the taxpayer is required to complete Arizona Form 220, include the completed Arizona Form 220/PTE with the taxpayer's Arizona tax return. Check the box on Arizona Form 99T, page 1, line 22; Arizona Form 120, page 1, line 29; Arizona Form 120A, page 1, line 21; or Arizona Form 120S, page 1, line 27, to indicate Arizona Form 220/PTE is included with the return.

**Specific Instructions**

Complete the name and employer identification number (EIN) section at the top of the form. If filing on a fiscal year, indicate the period covered by the taxable year.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for a corporation is the corporation's EIN. Taxpayers that fail to include their TIN may be subject to a penalty.

Partnerships and S Corporations making the Pass-Through election to pay tax at the entity level, check the box at the top of the form.

**Part A - Reasons for Filing Arizona Form 220**

**Lines 1 and 2 - Annualized Income Installment Method and/or Adjusted Seasonal Installment Method**

If the taxpayer's income varied during the taxable year because, for example, it operates its business on a seasonal basis, it may be able to lower the amount of one or more required installments by using the annualized income installment method or the adjusted seasonal installment method.

Use Arizona Form 220, Schedule A, to compute one or more required installments. If Schedule A is used for any payment due date, it must be used for all payment due dates.

Use Schedule A to calculate the amount of each required installment and to select the lesser of:

- The annualized income installment; or
- The adjusted seasonal installment (if applicable); or
- The regular installment (25% of the required annual payment) increased by any reduction recaptured under Internal Revenue Code (IRC) § 6655(e)(1)(B).

Follow the steps below to determine which parts of Arizona Form 220, Schedule A, to complete.

- If the taxpayer is using only the annualized income installment method, check the box on Part A, line 1 and complete Schedule A, Parts 1 and 3.
- If the taxpayer is using only the seasonal installment method, check the box on Part A, line 2 and complete Schedule A, Parts 2 and 3.

- If the taxpayer is using both methods, check the boxes on Part A, lines 1 and 2 and complete all three parts of Schedule A.
- *All taxpayers:* In each column on line 8, enter the amounts from the corresponding column of line 48 of Schedule A. Include a copy of Schedule A with Arizona Form 220.

**NOTE:** *Partnerships and S Corporations that made the PTE election may use the Annualized Income Installment Method to compute their required installments. Partnerships and S Corporations that made the PTE election may NOT use the Adjusted Seasonal Installment Method to compute their required installments.*

**Line 3 - Large Corporations (Arizona Forms 120 and 120A)**

"Large corporation" means a corporation or unitary group of corporations, if the corporation, or a predecessor corporation, had federal taxable income of one million dollars or more for any of the immediately preceding three taxable years, excluding any federal net operating loss or capital loss carrybacks or carryovers. An Arizona affiliated group filing an Arizona consolidated return is treated as a single corporation for purposes of applying the large corporation definition.

If the taxpayer is a large corporation, check the box on Part A, line 3. If applicable, check the box(es) on line 1 and/or line 2. Complete Schedule A, Parts 1, 2, and 3, as discussed above.

**Line 4 - S Corporations Subject to Tax at the Federal Level (Arizona Form 120S)**

If the taxpayer is an S corporation, check the box on Part A, line 4. Complete Part B.

**Part B - Calculation of Underpayment**

S Corporations that are subject to tax at the federal level and that have made the PTE election must separately compute their Arizona tax liability

**Line 5 - Arizona Tax Liability**

Enter the 2022 Arizona tax liability from Arizona Form 99T, line 11 less line 12; or Arizona Form 120, line 21 less line 22; or Arizona Form 120A, line 13 less line 14; or Arizona Form 120S, line 19 less line 20, or Form 165, line 23.

**CLAIM OF RIGHT ADJUSTMENT (ARIZONA FORMS 120 AND 120A):**

Taxpayers computing the Arizona tax liability under the claim of right provisions should use the Arizona tax liability reduced by those provisions for purposes of computing underpayment of estimated tax. Enter the Claim of Right adjustment.

**Line 6 - Required Annual Payment**

The Arizona required annual payment of estimated tax is the smaller of:

- *All taxpayers* - ninety percent of the taxpayer's Arizona tax liability (reduced by any refundable tax credit and the claim of right adjustments, if applicable) for the current taxable year; **or**
- *Arizona Forms 99T, 120, and 120A* - one hundred percent of the taxpayer's Arizona tax liability (reduced by any

refundable tax credit and the claim of right adjustments, if applicable) for the prior taxable year.

- *S Corporations subject to tax at the federal level not making the PTE election* - an amount equal to the sum of:
  - Ninety percent of the portion of the current taxable year's Arizona tax liability that is attributable to built-in gains income or certain capital gains income; **plus**
  - One hundred percent of the portion of the prior taxable year's Arizona tax liability that is attributable to excess net passive income.
- *S Corporations subject to tax at the federal level AND making the PTE Election* – an amount equal to the sum of:
  - (a) *ninety percent of the portion of the current taxable year's Arizona tax liability that is attributable to built-in gains income or certain capital gains income plus*
  - (b) *one hundred percent of the portion of the prior taxable year's Arizona tax liability that is attributable to excess net passive income, **PLUS***
  - (c) *100% of the PTE tax shown on the return for the previous taxable year.*
- *Partnerships and S Corporations making the PTE election* – one hundred percent of the PTE's Arizona tax liability for the prior taxable year.

**NOTE:** *An S Corporation subject to tax at the federal level and that made the PTE election must separately compute the required annual payment for its income subject to tax at the federal level and its PTE income. After computing each required minimum payment, add the amounts. That total is the S Corporation's required minimum payment for the taxable year.*

**Line 6a - (All Taxpayers, including partnerships and S Corporations that made the PTE election)**

Multiply line 5 by 90%. Enter the result on line 6a.

**Line 6b - (Arizona Forms 99T, 120, and 120A)**

Determine the amount of the taxpayer's Arizona tax liability from the prior taxable year (reduced by any refundable tax credit and the claim of right adjustments, if applicable). Enter the net amount on line 6b.

DO NOT COMPLETE THIS LINE IF: (1) a return was not filed for the taxable year showing at least some amount of tax liability (an amount greater than zero), OR (2) the 2021 taxable year was a period of less than twelve months. Skip line 6b and enter the amount from line 6a on line 6e.

**Line 6c - (Arizona Form 120S)**

Enter an amount on line 6c that is the sum of:

- Ninety percent of the portion of the 2022 Arizona tax liability that is attributable to built-in gains income or certain capital gains income; **plus**
- One hundred percent of the portion of the 2021 Arizona tax liability that is attributable to excess net passive income.

DO NOT COMPLETE THIS LINE IF: the 2021 taxable year was a period of less than twelve months. Skip line 6c and enter the amount from line 6a on line 6e.

**Line 6d – Partnerships and S Corporations that made the PTE Election**

Determine the amount of the taxpayer's Arizona tax liability from the prior taxable year (reduced by any refundable tax credit and the claim of right adjustments, if applicable). Enter the net amount on line 6d.

**Line 6e – (All Taxpayers)**

*Arizona Forms 99T, 120, 120A* - enter the smaller of line 6a or line 6b (if an amount was entered on line 6b).

*Partnerships that made the PTE Election* – enter the amount from line 6d.

*Arizona Form 120S* - enter the smaller of line 6a or line 6c (if an amount was entered on line 6c).

*S Corporations subject to tax at the federal level and that made the PTE election*, add line 6d and the smaller of 6a or line 6c.. Enter the total.

**NOTE for lines 7 through 16:** Complete all lines in each column before completing the next column.

**Line 7 - Installment Due Dates**

Enter the installment due dates<sup>4</sup> for the estimated payments.

- C corporations, exempt organizations with UBTI, and S Corporations subject to tax at the federal level that did NOT make the PTE election are required to make their Arizona estimated tax payments by the 15<sup>th</sup> day of the 4<sup>th</sup>, 6<sup>th</sup>, 9<sup>th</sup>, and 12<sup>th</sup> months of the taxable year.
- Short period returns: Enter the installment due dates and the number of installments required by the Internal Revenue Service.
- Partnerships or S Corporations that made the PTE election are required to make their Arizona estimated tax payments by the 15<sup>th</sup> day of the 4<sup>th</sup>, 6<sup>th</sup>, and 9<sup>th</sup> months of the taxable year. The fourth and final payment is due on or before the 15<sup>th</sup> day of the 1<sup>st</sup> month following the close of the taxable year.

**NOTE:** *For the 2022 taxable year for partnerships and S Corporations making the PTE election, the first and second required installment payment has been waived.*

- S Corporations that are subject to tax at the federal level AND that made the PTE election shall make their Arizona estimated tax payments by the 15<sup>th</sup> day of the 4<sup>th</sup>, 6<sup>th</sup>, and 9<sup>th</sup> months of the taxable year. The fourth and final payment is due on or before the 15<sup>th</sup> day of the 1<sup>st</sup> month following the close of the taxable year.

**Line 8 - Required Installments**

- If the box on line 1 and/or line 2 is checked, enter the amounts from Schedule A, Part 3, line 48.
- If the box on line 3 is checked, see the instructions for "Large Corporations" below for the amounts to enter.
- If box 4 is checked, or if none of the boxes are checked, enter 25% of the amount on line 6e.

<sup>4</sup> For the 2022 taxable year for partnerships and S Corporations making the PTE election, the first and second required installment payment has been waived.

**Instructions for "Large Corporations" - Arizona Forms 120 and 120A**

**A.** If the box on line 3 (but not the box on line 1 or line 2) is checked, follow the instructions below to compute the amount to enter on Part B, line 8.

- If line **6a** is **less than** line **6b**, enter 25% of line 6a in columns (a) through (d) of line 8.
- If line **6b** is **less than** line **6a**:
  - Enter 25% of line 6b in column (a) of line 8.
  - Determine the amount to enter in column (b) of line 8 as follows:
    - (i) Subtract line 6b from line 6a,
    - (ii) Add the result to the amount on line 6a, and
    - (iii) Multiply the total in (ii) above by 25%.
  - Enter 25% of line 6a in columns (c) and (d) of line 8.

**B.** If the box on line 3 **and** the box on line 1 and/or line 2 is checked, follow the instructions below to determine the amounts to enter on Schedule A, Part 3, line 44, columns (a) through (d). Complete the remainder of the lines in Part 3 of Schedule A. Enter the amounts from Schedule A, Part 3, line 48, columns (a) through (d) on Part B, line 8, columns (a) through (d).

- If Part B, line **6a** is **less than** line **6b**, enter 25% of line 6a in columns (a) through (d) of Schedule A, Part 3, line 44.
- If Part B, line **6b** is **less than** line **6a**:
  - Enter 25% of line 6b in column (a) of Schedule A, Part 3, line 44.
  - Determine the amount to enter in column (b) of Schedule A, Part 3, line 44 as follows:
    - (i) Subtract line 6b from line 6a,
    - (ii) Add the result to the amount on line 6a, and
    - (iii) Multiply the total in (ii) above by 25%.
  - Enter 25% of line 6a in columns (c) and (d) of Schedule A, Part 3, line 44.
- Complete the remainder of the lines on Schedule A, Part 3.
- Enter the amounts from Schedule A, Part 3, line 48, columns (a) through (d) on Part B, line 8, columns (a) through (d).

**Line 9 - Estimated Tax Paid or Credited**

Enter the estimated tax payments made by the taxpayer for its taxable year.

The department will apply the payment of a required installment in the order in which the installments are required to be paid, regardless of the installment to which the payment pertains.

Include any overpayment of tax from the taxpayer's 2021 Arizona tax return that the taxpayer elected to apply to its 2022 Arizona estimated tax.

**NOTE:** For column (a) only, skip lines 10 through 12. Enter the amount from line 9 on line 13.

**Column (a)** Enter payments made by the 15th day of the fourth month.

**Column (b)** Enter payments made after the 15th day of the fourth month through the 15th day of the sixth month.

**Column (c)** Enter payments made after the 15th day of the sixth month through the 15th day of the ninth month.

**Column (d)** Enter payments made after the 15th day of the ninth month through the 15th day of the 12th month. (PTE's enter the payments made after the 15<sup>th</sup> day of the ninth month through the last day of the taxable year.)

**Lines 10 through 14**

Read and follow the instructions on the form.

**Line 15 - Underpayment**

If line 13 is less than or equal to line 8, subtract line 13 from line 8. Enter the difference. If this amount is greater than zero, complete Part C to calculate the underpayment penalty. Otherwise, continue to line 16.

**Line 16 - Overpayment**

If line 8 is less than line 13, subtract line 8 from line 13 and enter the difference. Enter the on line 10, columns (b) through (d).

**Part C - Penalty Calculation**

**NOTE:** Do not round amounts or components you use in the calculation for Part C, lines 20, 22, 24, 26, 28, 30, 32, 34, and 36 to the nearest whole dollar.

Round the total penalty on line 37, to the nearest whole dollar.

The underpayment of estimated tax penalty is imposed on any required installment of estimated tax that is late or underpaid. The penalty is equal to the interest that would accrue under A.R.S. § 42-1123 on the amount not paid for the period of nonpayment. The maximum penalty is 10% of the amount not paid. The Arizona interest rate is the federal underpayment rate for the calendar quarter in which the underpayment occurred.

**NOTE for lines 17 through 37:** Complete all lines in each column before completing the next column.

**Lines 17 through 36**

Complete Part C, lines 17 through 36 to determine the underpayment penalty for any underpayment of a required installment for the period of nonpayment.

- Apply the applicable rate to each underpayment. The penalty is computed for the number of days the underpayment remained unpaid, or until the original due date of the return, whichever is earlier.
- If the taxpayer made more than one payment of a required installment, include a separate computation for each payment.

**Line 37 - Penalty**

Add columns (a) through (d) on line 36. Enter the total. Also, enter the total on Arizona Form 99T, line 22, or Arizona Form 120, line 29, or Arizona Form 120A, line 21, Arizona Form 120S, line 27, or Arizona Form 165, line 30.

**NOTE FOR COMPOUND PENALTY AMOUNT:** *The penalty is compounded annually (on January 1 of each year) on any underpayment of an installment outstanding as of that date. The compound penalty amount is added to the principal amount of the underpayment. The amount added to the principal accrues penalty until the underpayment is paid or until the original due date of the return, whichever is earlier.*

**Arizona Form 220/PTE, Schedule A**

**Part 1 - Annualized Income Installment Method**

*Partnerships and S Corporations making the PTE election may utilize the Annualized Income Installment Method to calculate their required installment if their income is expected to vary during the taxable year.*

*Partnerships and S Corporations making the PTE election may NOT use the Adjusted Seasonal Installment Method to calculate their required installment payments.*

**NOTE for Schedule A, lines 1 through 16:** Complete all lines in each column before completing the next column.

- *C corporations, exempt organizations with UBTI, and S Corporations subject to tax at the federal level NOT making the PTE election, follow the directions here and on the form.*
- **Partnerships and S Corporations making the PTE election**, compute the required minimum payment using the PTE tax rate, 2.98%, and the PTE due dates for the required minimum payment.
- *S Corporations subject to tax at the federal level and that made the PTE election that elect to use the Annualized Income Installment Method* to compute their required minimum payments *shall* separately compute their required minimum payments for the income generating the federal tax liability, and for the income generating the PTE tax liability. When computing the required minimum payments for the income generating the federal tax liability, the S Corporation shall use the corporate tax rate, 4.9%, and the due dates for the PTE required minimum payments. Total the required minimum payments, and the underpayment penalty, for both sources of income for each quarter. That amount is the amount of the S Corporation’s minimum required estimated tax payment.

**Line 1 - Annualization Periods**

Enter the annualization period that the taxpayer is using in the space on line 1, columns (a) through (d), respectively.

Arizona Forms 120, 120A, and 120S				
Option	1st Installment	2nd Installment	3rd Installment	4th Installment
Standard option	3	3	6	9
Option 1	2	4	7	10
Option 2	3	5	8	11

Arizona Form 99T				
Option	1st Installment	2nd Installment	3rd Installment	4th Installment
Standard option	2	3	6	9
Option 1	2	4	7	10

Pass-Through Entities <sup>5</sup>			
1st Installment	2nd Installment	3rd Installment	4th Installment
3	5	8	12

**Line 2 – Taxable Income for each Annualization Period**

Enter the taxable income for each annualization period indicated in columns (a) through (d).

**Line 3 - Annualization Amounts**

Enter the annualization amounts for the option used on line 1 in columns (a) through (d), respectively.

Arizona Forms 120, 120A, and 120S				
Option	1st Installment	2nd Installment	3rd Installment	4th Installment
Standard option	4	4	2	1.33333
Option 1	6	3	1.71429	1.2
Option 2	4	2.4	1.5	1.09091

Arizona Form 99T				
Option	1st Installment	2nd Installment	3rd Installment	4th Installment
Standard option	6	4	2	1.33333
Option 1	6	3	1.71429	1.2

Pass-Through Entities			
1st Installment	2nd Installment	3rd Installment	4th Installment
4.0	2.4	1.5	1.0

**Line 4 - Annualized Taxable Income**

Multiply columns (a) through (d) of line 2 by columns (a) through (d) of line 3. Enter the result in each column.

**Line 5 - Calculate the Tax**

**C corporations, exempt organizations with UBTI, and S Corporations subject to tax at the federal level and NOT making the PTE election:**

Multiply columns (a) through (d) of line 4 by 4.9%. Enter the result in each column.

**Partnerships and S Corporations making the PTE election:**

Multiply columns (a) through (d) of line 4 by 2.98%. Enter the result in each column.

<sup>5</sup> Annualization Period is computed by dividing 12 months by the Annualization Amounts found on federal Form 2221.

**S Corporations subject to tax at the federal level AND are making the PTE election:**

Separately compute the tax on income subject to tax at the federal level and the tax on the PTE income. Enter the total amounts of tax in each column. Include your worksheets with Form 220.

**NOTE:** Calculate the tax on the amount in each column using the instructions for taxable year 2022 for: Arizona Form 99T, line 6; or Arizona Form 120, line 16; or Arizona Form 120A, line 8; Arizona Form 120S, line 12, or Arizona Form 165, line 23.

**Line 6 - Tax From Recapture of Tax Credits**

Enter the amount of tax due from the recapture of credits from Arizona Form 300, Part 2, line 26 for each payment period [columns (a) through (d)]. Credits subject to recapture include:

- The credit for Qualified Facilities claimed on Arizona Form 349,
- The credit for Renewable Energy Investment and Production for Self-consumption by International Operations Centers claimed on Arizona Form 351, and,
- The Affordable Housing Tax Credit claimed on Arizona Form 354.

**Line 7 - Subtotal Tax**

Add the amounts in columns (a) through (d) of line 5 with the amounts in columns (a) through (d) of line 6. Enter the totals in the corresponding column.

**Line 8 - Nonrefundable Tax Credits**

Enter the total amount of nonrefundable tax credits to which the taxpayer is entitled because of events that occurred during the months shown in the column headings used to calculate annualized taxable income. Calculate this amount using the instructions for taxable year 2022 for: Arizona Form 99T, line 9; or Arizona Form 120, line 19; or Arizona Form 120A, line 11; or Arizona Form 120S, line 15.

**Line 9 – Arizona Tax Liability**

Subtract the amounts in columns (a) through (d) of line 8 from the amounts in columns (a) through (d) of line 7. Enter the difference in the corresponding column. If the difference is zero or less, enter “0”.

**Line 10 - Refundable Tax Credits**

Enter the total amount of refundable tax credits to which the taxpayer is entitled because of events that occurred during the months shown in the column headings used to calculate annualized taxable income. Calculate this amount using the instructions for taxable year 2022 for: Arizona Form 99T, line 12; or Arizona Form 120, line 22; or Arizona Form 120A, line 14; or Arizona Form 120S, line 20.

**Line 11 - Claim of Right Adjustment (Arizona Forms 120 and 120A)**

A taxpayer that computes its tax liability under the claim of right provisions should base its estimated tax liability on the net tax liability computed under the claim of right provisions.

**Line 12 - Net Liability**

Subtract the sum of columns (a) through (d) of line 10 and columns (a) through (d) of line 11 from columns (a) through

(d) of line 9. Enter the difference in each column. If the difference is zero or less, enter “0”.

**Line 14 – Multiply Line 12 by Line 13**

Multiply the amounts in columns (a) through (d) of line 12 by the percentage in columns (a) through (d) of line 13. Enter the result in the corresponding column.

**Line 15 - Cumulative Installments**

Do not enter an amount in column (a). Enter the amounts from columns (b) through (d) of Part 3, line 48 in columns (b) through (d).

**Line 16 - Annualized Income Installments**

Read and follow the instructions on the form.

**Part 2 - Adjusted Seasonal Installment Method**

**NOTE:** This method of computing required minimum payments is not available to partnerships and S Corporations that made the PTE election.

Complete Part 2 only if your base period percentage for any 6 consecutive months of your tax year equals or exceeds 70%. Figure the base period percentage using the 6 month period in which you normally receive the largest part of your taxable income.

**NOTE for Part 2, lines 17 through 42:** Complete all lines in each column before completing the next column.

The taxpayer’s base period percentage for any period of 6 consecutive months is the average of the three percentages figured by dividing the taxable income for the corresponding 6 consecutive month period in each of the 3 preceding tax years by the taxable income for each of their respective tax years.

**EXAMPLE:** A calendar year taxpayer receives the largest part of its taxable income during the 6-month period from April through September. To compute its base period percentage for this 6-month period in 2022, the taxpayer figures its taxable income for each April through September period in 2019, 2020, and 2021. It then divides the taxable income for each April through September period by the total taxable income for that particular tax year. The resulting percentages are 65% for April - September 2019, 75% for April - September 2020, and 70% for April - September 2021. Because the average of 65%, 75%, and 70% is 70%, the base period percentage for April through September 2022 is 70%. Therefore, the taxpayer qualifies for the adjusted seasonal installment method.

**Lines 17 through 25**

Read and follow the instructions on the form.

**Line 26 - Calculate the Tax**

Multiply columns (a) through (d) of line 25 by 4.9%. Enter the result in each column.

**NOTE:** Refer to the instructions for taxable year 2022 for: Arizona Form 99T, line 6; or Arizona Form 120, line 16; or Arizona Form 120A, line 8; or Arizona Form 120S, line 19.

**Lines 27 through 32**

Read and follow the instructions on the form.

**Line 33 - Tax From Recapture of Tax Credits**

Enter the amount of tax due from recapture of the following credits for each payment period in each column (a) through (d):

- The credit for Qualified Facilities claimed on Arizona Form 349,
- The credit for Renewable Energy Investment and Production for Self-Consumption by International Operations Centers claimed on Arizona Form 351, and,
- The Affordable Housing Tax Credit claimed on Arizona Form 354

**Line 34 - Subtotal Tax**

Add the amounts in columns (a) through (d) of line 32 to the amounts in line 33. Enter the total in the corresponding column.

**Line 35 - Nonrefundable Tax Credits**

Enter the total amount of nonrefundable tax credits to which the taxpayer is entitled because of events that occurred during the months shown in the column headings above line 17.

Calculate this amount using the instructions for taxable year 2022 for: Arizona Form 99T, line 9; or Arizona Form 120, line 19; or Arizona Form 120A, line 11; or Arizona Form 120S, line 15.

**Line 36 - Arizona Tax Liability**

Subtract the amounts in columns (a) through (d) of line 35 from the amounts in columns (a) through (d) of line 34. Enter the difference in the corresponding column. If the difference in any column is zero or less than zero, enter "0".

**Line 37 - Refundable Tax Credits**

Enter the total amount of refundable tax credits to which the taxpayer is entitled because of events that occurred during the months shown in the column headings above line 17. Calculate this amount using the instructions for Arizona Form 99T, line 12; or Arizona Form 120, line 22; or Arizona Form 120A, line 14; or Arizona Form 120S, line 18.

**Line 38 - Claim of Right Adjustment (Arizona Forms 120 and 120A):**

A taxpayer that computes its tax liability under the claim of right provisions should base its estimated tax liability on the net tax liability computed under the claim of right provisions. Enter the Claim of Right adjustment.

**Line 39 - Net Liability**

Subtract the sum of the amounts in columns (a) through (d) of lines 37 and line 38 from the amount in columns (a) through (d) of line 36. Enter the difference the corresponding column. If the difference in any column is zero or less than zero, enter "0".

**Line 40 – Enter Result**

Multiply columns (a) through (d) of line 39 by 90%. Enter the result in each column.

**Line 41 - Cumulative Installments**

Do not enter an amount in column (a). Enter the amounts from columns (a) through (c) of Part 3, line 48, in columns (b) through (d) of this line.

**Line 42 - Adjusted Seasonal Installments**

Subtract the amounts in columns (a) through (d) of line 41 from the amount in columns (a) through (d) of line 40. Enter the difference in the corresponding column. If the difference in any column is zero or less than zero, enter "0".

**Part 3 - Required Installments**

**NOTE for Part 3, lines 43 through 48:** Complete all lines in each column before completing the next column.

**Line 43**

- If Part 1 or Part 2 is completed, enter the amount in columns (a) through (d) of line 16 or line 42.
- If Part 1 and Part 2 are completed, enter the lesser of columns (a) through (d) of line 16, or columns (a) through (d), of line 42.

**Line 44**

Enter 25% of line 6e in each column.

**NOTE:** "Large corporations" see the instructions for line 8 to determine the amount to enter in columns (a) through (d).

**Line 45**

Do not enter an amount in column (a). For columns (b) through (d), enter the amounts from line 47, columns (a) through (c).

**Line 46**

Add the amounts in columns (a) through (d) of line 44 and the amounts in columns (a) through (d) of line 45. Enter the totals in the corresponding column.

**Line 47**

If the amounts in columns (a) through (d) of line 46 are greater than the amounts in columns (a) through (d) of line 43, subtract the amounts in columns (a) through (d) of line 43 from the amounts in columns (a) through (d) of line 46. Enter the difference in the corresponding column. Otherwise, enter "0".

**Line 48 - Required Installments**

Enter the lesser of the amounts in columns (a) through (d) of line 43 or the amounts in columns (a) through (d) of line 46 in each column and in columns (a) through (d) of Part B, line 8.



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Include this schedule with the tax return.

For the calendar year 2022 or fiscal year beginning MMDD, 2022 and ending MMDD, 20YY.

Name as shown on Form 99T, 120, 120S, 120X, or 165 Employer Identification Number (EIN)

- 1. Initial year of this election cycle: Beginning MMDD, YYYY and ending MMDD, YYYY
2. Indicate year of election cycle: Year 1 Year 2 Year 3 Year 4 Year 5

PART A Multistate Service Provider Qualification (Complete Part A only in Year One of the Election Cycle.)

A1 Sales from services or designated intangibles (see page 1 of the instructions) with the benefit of the services or designated intangibles received outside Arizona A1
A2 Total sales everywhere (including sales from services and designated intangibles) A2
A3 Divide line A1 by line A2 (carry the quotient to six decimal places) A3

- A4 Is line A3 more than 0.850000?
Yes. You qualify to make the election. Skip lines A5 and A6. Go to Part B.

By completing and including Schedule MSP with the current tax return, taxpayer is making an irrevocable election pursuant to A.R.S. § 43-1147(B). This election is binding for five consecutive taxable years beginning with the first taxable year to which the election applies.

- No. Go to line A5.

- A5 Are you a regionally accredited institution of higher education with at least one university campus in Arizona that has more than 2,000 students residing on campus?

- Yes. You qualify to make the election. Skip line A6. Go to Part B.

By completing and including Schedule MSP with the current tax return, taxpayer is making an irrevocable election pursuant to A.R.S. § 43-1147(B). This election is binding for five consecutive taxable years beginning with the first taxable year to which the election applies.

- No. Go to line A6.

- A6 Are you an employer that has more than 2,000 employees in this state and derive more than 85% of your sales from support services provided to a regionally accredited institution of higher education? See the instructions for more information.

- Yes. You qualify to make the election. Go to Part B.

By completing and including Schedule MSP with the current tax return, taxpayer is making an irrevocable election pursuant to A.R.S. § 43-1147(B). This election is binding for five consecutive taxable years beginning with the first taxable year to which the election applies.

- No. You do not qualify to make the election. Stop here.

PART B Sales From Services in Arizona

B Enter the amount of Arizona market sales from services or designated intangibles (see page 1 of instructions) B 00

- Form 99T filers, also enter this amount on Schedule A, line A3b, column A; or
Form 120 filers, also enter this amount on Schedule E, line E3b, column A; or
Form 120S filers, also enter this amount on Schedule A, line A3b, column A; or
Form 120X filers, also enter this amount on Schedule A, line A3b, column A; or
Form 165 filers, also enter this amount on Schedule C, line C3b, column A.

Submit this completed Form MSP with your timely filed original return to make the MSP election.

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## 2022 Multistate Service Provider Election and Computation

**For information or help, call one of the numbers listed:**

Phoenix (602) 255-3381  
From area codes 520 and 928, toll-free (800) 352-4090

**Tax forms, instructions, and other tax information**

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

**Income Tax Procedures and Rulings**

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website and select *Reports & Legal Research* from the main menu, then click on *Legal Research* and select a Document Type and a Category from the drop down menus.

**Publications**

To view or print the department's publications, go to our website, select *Reports & Legal Research* from the main menu, and click on *Publications* in the left hand column.

### General Instructions

**Purpose of Schedule**

A multistate service provider may elect to treat sales from services and **designated intangibles** as being in Arizona based on market sales prescribed under Arizona Revised Statutes (A.R.S.) § 43-1147.

**NOTE:** *For purposes of the Multistate Service Provider (MSP) Election and Computation, sales from **designated intangibles** means sales derived from credit and charge card receivables, including fees, merchant discounts, interchanges, interest and related revenue [A.R.S. § 43-1147(3)(a)]. **The sale of any other intangible may not be included in the calculation of this election.***

The election is effective retroactively for the entire taxable year on which the election is made. The election is binding on the taxpayer for five consecutive taxable years beginning with the first taxable year to which the election applies. The election remains in effect even if the taxpayer no longer meets the percentage threshold to qualify as a multistate service provider during that time. To continue with the election after the five consecutive taxable years, the taxpayer must meet the qualifications to be considered a multistate service provider and renew the election for another five consecutive taxable years.

Complete Schedule MSP, Part A, in the first year of the election cycle to determine if you qualify to be treated as a multistate service provider and to make the election. Complete Part B in each taxable year of the election cycle to report the sales from services and designated intangibles in Arizona.

**Who Should Make the Election**

Taxpayers who want to make an election to be treated as a multistate service provider under A.R.S. § 43-1147 must file this schedule with the current tax year's return.

**NOTE:** *By completing and including Schedule MSP with the current tax return, the taxpayer is making an irrevocable election pursuant to A.R.S. § 43-1147(B). This election is binding for five consecutive taxable years beginning with the first taxable year to which the election applies.*

**How to Make the Election**

The election must be made on the taxpayer's timely filed **original** income tax return, including extensions. The taxpayer must include the completed Schedule MSP with the tax return for the year when election is made and in the four subsequent taxable years that the taxpayer is bound by the election.

To continue with the election after the expiration of the five consecutive taxable years, the taxpayer must meet the qualification to be considered a multistate service provider and renew the election for another five consecutive taxable years by completing and including this schedule with the timely filed tax return.

**Termination of Election**

During the election cycle, the election may be terminated as follows:

- Without the permission of the department on the acquisition or merger of the taxpayer, or,
- With the permission of the department before the expiration of five consecutive taxable years.

**Rounding Dollar Amounts**

- Do not round the amounts on lines A1, A2, and A3.
- Round the amount on line B to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.

### Specific Instructions

Enter the taxpayer's name and taxpayer identification number at the top of the form. Indicate the period covered by the taxable year. Include the completed schedule with the tax return.

All returns, statements, and other documents filed with the department require a Tax Identification Number (TIN). The TIN for a corporation, S corporation, exempt organization with UBTI, or a partnership is its EIN. Organizations that fail to include their TIN may be subject to a penalty.

**Initial year of this election cycle.** Enter the tax year during which the election was initially made.

**Indicate year of election cycle.** Check the box, 1 through 5, to indicate the year of the taxpayer's election cycle.

**Part A – Multistate Service Provider Qualification**

*Complete Part A only in the first year of each election cycle. Do not round amounts in Part A.*

**Line A1 – Sales from Services and Designated Intangibles with the Benefit of the Services Received Outside Arizona**

Enter sales from services and designated intangibles (sales derived from credit and charge card receivables, including fees, merchant discounts, interchanges, interest and related revenue) provided to purchasers who receive the benefit of the service or the designated intangible outside Arizona in the taxable year of election. Include sales made by all members who are required to file a combined report and all members of an affiliated group included in a consolidated return.

**Line A2 – Total Sales Everywhere (Including Sales from Services and Designated Intangibles)**

Enter total sales (including sales from services and designated intangibles) both inside and outside Arizona. Exclude sales to students receiving educational services at campuses physically located in Arizona. Sales to students receiving educational services means tuition and fees required for enrollment and fees required for courses of instruction, transcripts, and graduation. In general, total sales everywhere on line A2 is the same as the total sales from the apportionment schedule, column B minus the sales to students receiving educational services at campuses physically located in Arizona (if applicable).

**Line A3**

Divide line A1 by line A2. Enter the result. Carry the quotient to six decimal places.

**Line A4**

A taxpayer that derives more than 85% of its sales from services and designated intangibles provided to purchasers who receive the benefit of the service or the designated intangible outside Arizona in the taxable year of the election and that includes all taxpayers required to file a combined return or that includes all members of an affiliated group in a consolidated return may elect to be an MSP.

- If the taxpayer meets this criteria, check “Yes.” Go to Part B. Skip Lines A5 and A6. Include the completed Form MSP with your timely-filed original return to make the MSP election.
- If the taxpayer does not meet this criteria, check “No.” Go to Line A5.

**Line A5**

A taxpayer that is a regionally accredited institution of higher education with at least one university campus in Arizona that has more than 2,000 students residing on campus and includes all taxpayers required to file a combined report or that includes all members of an affiliated group in a consolidated return may elect to be an MSP.

- If the taxpayer meets this criteria, check “Yes.” Go to Part B. Skip Line A6. Include the completed Form MSP with your timely-filed original return to make the MSP election.
- If the taxpayer does not meet this criteria, check “No.” Go to Line A6.

**Line A6**

An employer that has more than 2,000 employees in Arizona and derives more than 85% of its sales from support services provided to a regionally accredited institution of higher education that includes all taxpayers required to file a combined report or that includes all members of an affiliated group in a consolidated return may elect to be an MSP. The election is limited to the treatment of sales for support services for which the payment is a percentage of the sales for educational services generated by a regionally accredited institution of higher learning. The benefit of support services

is deemed received at the billing address of the student to which the services relate.

- If the taxpayer meets this criteria, check “Yes.” Go to Part B. Include the completed Schedule MSP with your timely-filed original return to make the MSP election.
- If the taxpayer does not meet this criteria, check “No.” **Stop. The taxpayer does not qualify to make the election.**

**Part B – Computation of Sales from Services and Designated Intangibles in Arizona**

Complete Part B in each taxable year of the election cycle.

**NOTE:** *The exclusion of sales to students receiving educational services from the calculation in Part A does not apply to the calculation in Part B.*

**Line B – Arizona Market Sales from Services and Designated Intangibles**

Enter the total sales from services and designated intangibles (sales derived from credit and charge card receivables, including fees, merchant discounts, interchanges, interest and related revenue) for which the purchaser received the benefit of the service or the designated intangible in Arizona.

“Received the benefit of the service in Arizona” means the services or the designated intangibles are received by the purchaser in Arizona. If the state where the sales from services or designated intangibles are received cannot be readily determined, the sales of services or designated intangibles are considered to be received at the home of the customer or, in the case of a business, the office of the customer from which the services and the designated intangibles were ordered in the regular course of the customer’s trade or business. If the ordering location cannot be determined, the services and the designated intangibles are considered to be received at the home or office of the customer to which the services were billed or the sales of designated intangibles were initiated. For the multistate service provider qualified under line A6, the benefit of support services is deemed received at the billing address of the student to which the services relate.

**Enter the amount from line B on:**

- Form 99T, Schedule A, line A3b, column A; or
- Form 120, Schedule E, line E3b, column A; or
- Form 120S, Schedule A, line A3b, column A; or
- Form 120X, Schedule A, line A3b, column A; or
- Form 165, Schedule C, line C3b, column A.

**Include this form with your return.**

For the calendar year 2022 or fiscal year beginning MM/DD/2022 and ending MM/DD/20YY.

Name as shown on Form 120, 120A or 120X

Employer Identification Number

If you compute your current year's tax under Arizona's claim of right provisions pursuant to Arizona Revised Statute § 43-1130.01, complete this schedule computing the prior year(s) tax reduction and explaining the amounts restored. See instructions for details. For more information on Arizona's claim of right provisions, see Corporate Income Tax Procedure, CTP 16-1.

**Part 1 General Information**

<b>1</b> Enter the <b>total</b> amount of <b>all income</b> that you <b>repaid</b> during the 2022 tax year that was held under claim of right ..... <i>If the amount on line 1 is \$3,000 or less, STOP. You do not qualify to compute a credit for amounts paid back under a claim of right.</i>	<b>1</b>		00
<b>2</b> Was the total amount repaid in 2022 from income that was reported in more than one prior tax year? <i>If you answered "Yes", you must complete and include with your 2022 tax return a separate Claim of Right form for each prior taxable year. See instructions for completing more than one Claim of Right form.</i>	<b>2</b>	Yes <input type="checkbox"/>	No <input type="checkbox"/>
<b>3</b> List all prior tax years that included income that was repaid in 2022 and held under claim of right:			
<b>3a</b>	<b>3b</b>	<b>3c</b>	<b>3d</b>
<b>3e</b>	<b>3f</b>		
MM/DD/YYYY	MM/DD/YYYY	MM/DD/YYYY	MM/DD/YYYY
<b>4</b> Did you take a deduction instead of a credit for the claim of right on your 2022 federal income tax return? <i>If you answered "Yes", you must include the amount on line 1 as an "Other Addition to Income" on Form 120, Schedule A, line A8, or Form 120A, Schedule A, line A8, or Form 120X, Schedule D, line D8.</i>	<b>4</b>	Yes <input type="checkbox"/>	No <input type="checkbox"/>

**Part 2 Decrease in Prior Year's Tax**

<b>5</b> Prior tax year.....	<b>5</b>		MM/DD/YYYY
<b>6</b> Enter the amount of tax from the Arizona tax return filed for the prior tax year. See instructions .....	<b>6</b>		00
<b>7</b> For the year listed on line 5, refigure your tax for the prior tax year without including the income that you repaid in 2022. Enter that amount here .....	<b>7</b>		00
<b>8</b> Subtract line 7 from line 6. Enter the difference. This is your claim of right credit for the current tax year. Also enter this amount on: • Form 120, line 24, box 24(b) • Form 120A, line 16, box 16(b) • Form 120X, line 23(b).....	<b>8</b>		00

*If you are completing more than one Claim of Right form, add all amounts on line 8 and enter the total on your tax return.*

**Part 3 Explanation of your claim of right for the prior tax year entered on line 5. Show how you figured the amounts entered in Part 2. If more space is needed, continue on page 2 or provide your own schedule.**

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**For information or help, call one of the numbers listed:**  
 Phoenix (602) 255-3381  
 From area codes 520 and 928, toll-free (800) 352-4090

**Tax forms, instructions, and other tax information**  
 If you need tax forms, instructions, and other tax information, go to the department’s website at [www.azdor.gov](http://www.azdor.gov).

**Income Tax Procedures and Rulings**  
 These instructions may refer to the department’s income tax procedures and rulings for more information. To view or print these, go to our website and select *Reports & Legal Research* from the main menu, then click on *Legal Research* and select a Document Type and a Category from the drop down menus.

**Publications**  
 To view or print the department’s publications, go to our website, select *Reports & Legal Research* from the main menu, and click on *Publications* in the left hand column.

## What is a Claim of Right?

Generally, a claim of right is when:

- A taxpayer received income during a prior tax year, and reported that income on the tax return filed for that prior tax year; *and*
- Then has to repay that income in a future tax year.

**Example:** A corporation received sales commissions during 2018. In 2022, the corporation received a letter from the payer stating there was a mistake and the commission it received during 2018 was more than the corporation should have received. The corporation must now pay the overpaid amount back.

For information regarding which types of income qualifies or does not qualify for a claim or right, see federal *Publication 525* at [www.irs.gov](http://www.irs.gov).

## How does the Claim of Right work?

For federal income tax purposes, you may take a deduction for the repayment of an amount included in income under a claim of right, *or* claim a credit. When the amount repaid was \$3,000 or less, you may be able to deduct the amount repaid from your income for the year in which you repaid it. Or, if the amount you repaid is more than \$3,000, you may be able to claim a credit against your tax for the year in which you repaid it.

For Arizona income tax purposes, the Arizona claim of right provisions only apply in cases where the **total** amount repaid during the year was more than \$3,000. In this case, you cannot take a deduction, but must claim a “credit.”

When you figure whether the amount you repaid was more or less than \$3,000, you must consider the **total** amount being repaid during the year. Each instance of repayment is not considered separately. The total repayment amount may include income from just one prior tax year or multiple prior tax years.

## Who Must Complete an Arizona Claim of Right Form?

If you figure your 2022 income tax under Arizona’s claim of right provisions, complete an *Arizona Claim of Right - Corporate* form and include it with your 2022 income tax return. You **must** complete and include a separate form for each prior tax year for which you figured a tax reduction (decrease).

For more information on Arizona’s Claim of Right provisions and examples of how to compute the decrease in tax for a prior taxable year (or years), see the department’s procedure, CTP 16-1, *Procedure for Corporations That Restore Substantial Amounts Held Under a Claim of Right*.

## Completing the Form

### How to Complete an Arizona Claim of Right Form

- If the total amount repaid during 2022 was from income that was reported in only **one prior tax year**, you must complete Parts 1, 2, and 3.
- If the total amount repaid during 2022 was from income that was reported in **more than one prior tax year**:
  - For the earliest tax year, complete Parts 1, 2, and 3.
  - For all other years, only complete Parts 2 and 3.

**For example**, if the total amount repaid was from income reported in tax years 2018, 2019, and 2020, complete Parts 1, 2, and 3 for tax year 2018. *Be sure to enter the total income that was repaid for all prior tax years when completing Part 1, line 1, for taxable year 2018.*

  - For tax years 2019 and 2020, only complete Parts 2 and 3.

### Part 1 - General Information

#### Line 1

Enter the **total** amount of **all income** that you **repaid** during the 2022 tax year that was included in income under a claim of right.

**CAUTION:** *If the amount on line 1 is \$3,000 or less, STOP. You do not qualify to figure a credit for amounts paid back under a claim of right.*

#### Line 2

Check “Yes” if the total amount repaid in 2022 was from income that was reported in **more** than one prior tax year.

If you checked “Yes,” you **must** complete and include with your 2022 tax return a separate Claim of Right form for **each** prior taxable year. See the instructions under *How to Complete an Arizona Claim of Right Form* for more than one tax year.

#### Line 3

List each prior taxable year end that included income that was repaid in 2022 and included in income under claim of right.

**Line 4**

If you took a deduction on your federal return instead of claiming a credit, check the box, "Yes."

You cannot take both a deduction and claim a credit on your Arizona return for the amounts repaid and included in income under a claim of right. Because the deduction is included in the computation of your federal taxable income, you must add back the amount of the income entered on line 1 as an "Other Addition to Income" on your income tax return. Enter this amount on:

- Form 120, Schedule A, line A8; or
- Form 120A, Schedule A, line A8; or
- Form 120X, Schedule D, line D8.

**Part 2 - Decrease in Prior Year's Tax****Line 5**

Enter the prior taxable year end for which you are completing this form. If you are completing more than one form for the current tax year, complete Part 2 for each separate tax year.

**Line 6**

Enter the amount of tax from the Arizona return filed for the tax year listed on line 5.

**Line 7**

For the tax year listed on line 5, refigure your tax for the tax year listed on line 5 without including the income that you repaid in 2022.

**Line 8**

Subtract line 7 from line 6 and enter the difference.

This is your claim of right credit for the current tax year. Enter the amount shown on line 8 on your income tax return.

- Form 120, line 24, box 24b; or
- Form 120A, line 16, box 16b; or
- Form 120X, line 23, box 23b.

If you are completing more than one Claim of Right form, add all amounts on line 8 and enter the total on your tax return.

**Part 3 - Explanation**

Complete Part 3 explaining your claim of right. Show how you figured the amounts in Part 2. If more space is needed, continue on page 2 of the form or provide your own schedule.

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**How do I file a Claim of Right form?**


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Complete and include the *Arizona Claim of Right - Corporate* form with your tax return when filed.

If you fail to complete and include this form with your tax return, your claim may be denied. Keep a copy for your record.

If you are completing more than one Claim of Right form, include all forms with your tax return.



*Include with your return.*

For the  calendar year 2022 or  fiscal year beginning [M,M|D,D|2,0,2,2] and ending [M,M|D,D|Y,Y,Y,Y].

Complete this schedule only if you are licensed by the Arizona Department of Health Services as a Marijuana Establishment, Marijuana Testing Facility, or are a Dual Licensee that elected to operate on a for-profit basis.

Name as shown on Form 120, 120A, 120S, 120X, 140, 140NR, 140PY, 141, 140-SBI, 140NR-SBI, 140PY-SBI, 140X-SBI, or 165	Social Security Number/Employer Identification Number
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ADHS Registration Identification Number

Disallowed Federal Expenses		Amount
1	Compensation of Officers.....	1 00
2	Wages and Salaries .....	2 00
3	Repairs and Maintenance.....	3 00
4	Bad Debts.....	4 00
5	Rental or Lease Expense .....	5 00
6	Taxes and Licenses.....	6 00
7	Interest Expense.....	7 00
8	Depreciation & Section 179 Expense (include schedule).....	8 00
9	Depletion .....	9 00
10	Advertising.....	10 00
11	Guaranteed Payments to Partners.....	11 00
12	Pension & Profit-Sharing Plans .....	12 00
13	Employee Benefit Programs.....	13 00
14	Other Expenses (include schedule).....	14 00
15	Reserved for Future Use .....	15
16	Total Disallowed Federal Expenses: Add lines 1 through 14. Enter the total (see instructions below). If the total is less than zero, enter "0".....	16 00

**Instructions:**

- **Individuals/Sole Proprietors filing Arizona Form 140**, enter this amount in Other Subtractions on page 6, line P.  
**Individuals/Sole Proprietors filing Arizona Form 140PY**, enter this amount in Other Subtractions on page 6, line U.  
**Individuals/Sole Proprietors filing Arizona Form 140NR**, enter this amount in Other Subtractions on page 6, line K.  
**Individuals/Sole Proprietors filing Arizona Form 140X**, include this amount on line 25.
- **Individuals/Sole Proprietors filing Arizona Form 140-SBI**, enter this amount on line 46.  
**Individuals/Sole Proprietors filing Arizona Form 140PY-SBI**, enter this amount on line 43.  
**Individuals/Sole Proprietors filing Arizona Form 140NR-SBI**, enter this amount .on line 43.  
**Individuals/Sole Proprietors filing Arizona Form 140X-SBI**, enter this amount .on line 46.
- **C Corporations filing Arizona Form 120**, enter this amount on page 5, Schedule B, line B10, line O1.  
**C Corporations filing Arizona Form 120A**, enter this amount on page 3, Schedule B, line B10, line M1.  
**C Corporations filing Arizona Form 120X**, enter this amount on page 5, Schedule B, line B10, line O1.
- **S Corporations with Arizona resident shareholders**, enter this amount on Arizona Form 120S, Schedule K-1, line 6 for each Arizona resident shareholder.  
**S Corporations with nonresident shareholders**, enter this amount on Arizona Form 120S, Schedule K-1(NR), line 19 for each nonresident shareholder.
- **Partnerships**, enter this amount on page 4 of Arizona Form 165, Schedule B, line B5, line G.
- **Trusts and Estates filing Arizona Form 141**, enter this amount on Schedule B, line B9.

**Do not complete this schedule if you are a Nonprofit Medical Marijuana Dispensary only  
or are a Dual Licensee that has not made the for-profit election.**

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# 2022 Disallowed Federal Expense Schedule for Marijuana Establishments

# Arizona Schedule DFE

## For information or help, call one of the numbers listed:

Phoenix (602) 255-3381  
From area codes 520 and 928, toll-free (800) 352-4090

## Tax forms, instructions, and other tax information

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

## Income Tax Procedures and Rulings

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website and select *Reports & Legal Research* from the main menu, then click on *Legal Research* and select a Document Type and a Category from the drop down menus.

## Publications

To view or print the department's publications, go to our website, select *Reports & Legal Research* from the main menu, and click on *Publications* in the left hand column.

## General Instructions

**NOTE:** Do not complete this form if you are a nonprofit medical marijuana dispensary only or are a Dual Licensee that did not make the 'for-profit' election.

### Purpose and Use of the Form

Internal Revenue Code (IRC) 280E disallows all deductions or credits for any amount paid or incurred in carrying on any trade or businesses that consist of illegally trafficking in a Schedule I or II controlled substance.

Arizona law permits taxpayers licensed by the Arizona Department of Health Services (ADHS) as a marijuana establishment, marijuana testing facility, or a dual licensee that elects to operate on a for-profit basis to subtract all ordinary and necessary expenses paid or incurred during the taxable year from federal adjusted gross income or federal taxable income to compute Arizona adjusted gross income or Arizona taxable income.

C corporations, S Corporations, partnerships, limited liability companies, trusts and estates, or sole proprietors licensed by ADHS operating as a marijuana establishment, marijuana testing facility or a dual licensee that made the election to operate on a for-profit basis, complete *Arizona Schedule DFE, Disallowed Federal Expenses for Marijuana Establishments* and include with your tax return.

**NOTE:** Dual Licensees that did not make the election to operate on a for-profit basis who wish to make that election, contact the Arizona Department of Health Services to make that election.

## Specific Instructions

For calendar year filers, check the box, "calendar year 2022." For fiscal year filers, check the box, "fiscal year" and enter the beginning and ending dates for the fiscal year. If this is a short-period return, indicate the beginning and ending dates of the short-period.

Enter the name and Social Security Number or EIN as indicated on Form 120, 120A, 120S, 120X, 140, 140NR, 140PY, 141, or 165.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for an individual is their social security number. For all others, the TIN is their EIN. Taxpayers that fail to include their TIN may be subject to a penalty.

Enter the ADHS Registration Identification Number of the business.

**NOTE:** When completing this schedule, report only ordinary and necessary expenses paid or incurred during the taxable year that would have been deductible at the federal level if the taxpayer's business had not been governed by IRC 280E. **Do not include any amounts included in the calculation of Cost of Goods Sold.**

### Line 1 – Compensation of Officers

Enter deductible officers' compensation. Do not include compensation deductible elsewhere on the tax return.

### Line 2 – Salaries and Wages

Enter the total salaries and wages paid for the tax year. Do not include salaries and wages deductible elsewhere on the tax return.

**NOTE:** If the taxpayer provided taxable fringe benefits to its employees, do not deduct as wages the amount allocated for depreciation and other expenses reported on line 7 or line 12 of this schedule.

### Line 3 – Repairs and Maintenance

Enter the cost of repairs and maintenance not claimed elsewhere on the tax return that do not add to the value of the property or prolong its life.

### Line 4 – Bad Debts

Enter the total debts that became worthless in whole or in part during the taxable year.

**NOTE:** A taxpayer that uses the cash method of accounting cannot claim a bad debt deduction unless the amount was previously included in income.

### Line 5 – Rents

Enter the total amount of rent or lease payments made for property used in your business during the taxable year. Sole Proprietors, this includes the rental or leasing of vehicles, machinery, and equipment, or other business property.

### Line 6 – Taxes and Licenses

Enter the total amount of taxes paid or accrued during the taxable year. Do not include:

- Federal income taxes
- Foreign or US Possession income taxes if a foreign tax credit is claimed
- Taxes not imposed on the business
- Taxes, including state or local sales taxes that are paid or incurred in connection with an acquisition or disposition of property

- Taxes assessed against local benefits that increase the value of the property assessed
- Taxes deducted elsewhere on the tax return, i.e. those taxes included in the cost of goods sold.

### Line 7 – Interest Expense

Enter the total amount of interest expense paid or incurred during the taxable year. Do not deduct the following interest:

- Interest on indebtedness incurred or continued to purchase or carry obligations if the interest is wholly exempt from income tax.
- For cash basis taxpayers, prepaid interest allocable to years following the current tax year.
- Interest and carrying charges on straddles.
- Interest on debt allocable to the production of designated property by a business for its own use or for sale.
- Interest paid or incurred on any portion of an underpayment arising from an understatement arising from an undisclosed listed transaction or an undisclosed reportable avoidance transaction entered into in tax years beginning after October 22, 2004.

### Line 8 – Depreciation and Section 179 Expense

Enter the total amount of depreciation and the cost of certain property that the business elected to expense under section 179 from Form 4562.

### Line 9 – Depletion

Enter the total amount of depletion that occurred during the taxable year.

### Line 10 – Advertising

Enter the total amount of advertising expense paid or incurred for the taxable year.

### Line 11 – Guaranteed Payments to Partners

Partnerships enter the total amount of guaranteed payments made to partners, if any, during the taxable year.

### Line 12 – Pension & Profit-Sharing Plans

Enter the deduction for contributions to qualified pension, profit sharing or other funded compensation plans.

### Line 13 – Employee Benefit Programs

Enter the total contributions to employee benefit programs not claimed elsewhere on the tax return that are not an incidental part of a pension, profit sharing plan included on line 11.

### Line 14 – Other Expenses

Enter the total of all other deductions that are not deductible elsewhere on the tax return. Include a schedule of all other expenses not deducted elsewhere. Sole Proprietors, this includes such items as Insurance, Travel and Meals, Utilities, Legal and Professional Services, Office Expense, and Car and Truck Expense.

### Line 15 – Reserved for Future Use

### Line 16 – Total Disallowed Federal Expenses

Add lines 1 through 14. Enter the total. If the total is less than zero, enter “0”.

#### Individuals/Sole Proprietors

- Individuals/Sole proprietors that ***did not make the Small Business Income election***, filing Arizona Form 140 that are licensed by ADHS as a marijuana establishment, marijuana testing facility, or a dual licensee that made the “for profit” election, enter this amount in Other Subtractions on page 6, line P.
- Individuals/Sole proprietors that ***did not make the Small Business Income election***, filing Arizona Form 140PY that are licensed by ADHS as a marijuana establishment, marijuana testing facility, or a dual licensee that made the “for profit” election, enter this amount in Other Subtractions on page 6, line U.
- Individuals/Sole proprietors that ***did not make the Small Business Income election***, filing Arizona Form 140NR that are licensed by ADHS as a marijuana establishment, marijuana testing facility, or a dual licensee that made the “for profit” election, enter this amount in Other Subtractions on page 6, line K.
- Individuals/Sole Proprietors that ***did not make the Small Business Income election***, filing Arizona Form 140X that are licensed by ADHS as a marijuana establishment, marijuana testing facility, or a dual licensee that made the “for profit” election, enter this amount include this amount on line 25.
- Individuals/Sole Proprietors that ***made the Small Business Income election***, filing Arizona Form 140 that are licensed by ADHS as a marijuana establishment, marijuana testing facility, or a dual licensee that made the “for profit” election, enter this on line 46.
- Individuals/Sole Proprietors that ***made the Small Business Income election***, filing Arizona Form 140PY-SBI that are licensed by ADHS as a marijuana establishment, marijuana testing facility, or a dual licensee that made the “for profit” election, enter this amount on line 43.
- Individuals/Sole Proprietors that ***made the Small Business Income election***, filing Arizona Form 140NR-SBI that are licensed by ADHS as a marijuana establishment, marijuana testing facility, or a dual licensee that made the “for profit” election, enter this amount on line 43.
- Individuals/Sole Proprietors that ***made the Small Business Income election***, filing Arizona Form 140X-SBI that are licensed by ADHS as a marijuana establishment, marijuana testing facility, or a dual licensee that made the “for profit” election, enter this on line 46

***C Corporations***

- C corporations filing Arizona Form 120 that are licensed by ADHS as a marijuana establishment, marijuana testing facility, or a dual licensee that made the “for profit” election, enter this amount on the worksheet for Schedule B, line B10, on page 5 of Form 120, line O1.
- C corporations filing Arizona Form 120A that are licensed by ADHS as a marijuana establishment, marijuana testing facility, or a dual licensee that made the “for profit” election, enter this amount on the worksheet for Schedule B, line B10, on page 3 of Form 120A, line M1.
- C corporations filing Arizona Form 120X that are licensed by ADHS as a marijuana establishment, marijuana testing facility, or a dual licensee that made the “for profit” election, enter this amount on the worksheet for Schedule B, line B10, on page 5 of Form 120, line O1.

***S Corporations***

- S Corporations that are licensed by ADHS as a marijuana establishment, marijuana testing facility or a dual licensee that made the “for-profit” election, ***with Arizona resident shareholders***, enter this amount on Form 120S Schedule K-1, line 6 for each resident shareholder.
- S Corporations that are licensed by ADHS as a marijuana establishment, marijuana testing facility or a dual licensee that made the “for-profit” election, ***with nonresident shareholders***, enter this amount on Form 120S, Schedule K-1(NR), line 19 for each nonresident shareholder.

***Partnerships***

- Partnerships that are licensed by ADHS as a marijuana establishment, marijuana testing facility or a dual licensee that made the “for-profit” election, enter this amount on Form 165, Schedule B line B5, on page 4, line G.

***Trusts and Estates filing Fiduciary returns***

- ***Trusts and estates filing Arizona Form 141*** that are licensed by ADHS as a marijuana establishment, marijuana testing facility, or a dual licensee that made the “for profit” election, enter this amount on Form 141AZ, Schedule B, line B9.

**Include this completed schedule with your return.**

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