

2015 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.

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).

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 Individual Income Tax Ruling, ITR 94-10, at www.azdor.gov.

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 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 deducting gambling losses while claiming a subtraction for Arizona lottery winnings.
- You are claiming a credit for any amount allowed as a charitable contribution.

PART 1

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.

Do not include any medical and dental expenses paid from your Arizona Long-Term Health Care Savings Account (AZLTHSA).

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.

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 2015 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.

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 - 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.

If you claimed a credit for any charitable contribution, do not include any contribution for which you claimed a tax credit.

For Example: (table continued on next page)		
If you claimed a credit on AZ 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 Organization - 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 Organization - Individual	

If you claimed a private school tuition credit on your 2014 return for a contribution that you made during 2015 (see AZ Forms 323 and 348), you must exclude this deduction on your 2015 Arizona return, even though you claimed the credit on your 2014 Arizona return.

If you are claiming a credit on your 2015 return for a contribution made during 2016 (see Arizona Forms 322, 323 and 348), you must exclude this deduction on your 2016 return, even though you are claiming the credit on your 2015 return.

Lines 5 through 9 - Casualty and Theft Losses

Enter the casualty loss(es) allowable on federal Form 1040, Schedule A, **after** applying the 10% federal adjusted gross income limitation and the \$100 per loss floor.

Line 6 -

Enter the casualty loss(es) allowable on federal Form 4684 **before** applying the 10% federal adjusted gross income limitation and the \$100 per loss floor.

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.

Line 8 -

Divide the amount on line 7 by the amount on line 6. Enter the result in decimal form. You must round your answer to **three** decimal places.

Line 9 -

Multiply line 5 by the ratio on line 8 and enter the result.

Lines 10 through 15 - Job Expenses and Other Miscellaneous Expenses

Enter the amount of miscellaneous expenses subject to the 2% federal adjusted gross income limitation allowable on federal Form 1040, Schedule A, before applying the limitation.

Lines 11 through 14 -

Complete lines 11 through 14 as instructed on Form 140PY, Schedule A(PYN).

Do not include on line 11 any amount that is allocable to income excluded from your Arizona taxable income. Such amounts would include employee business expenses attributable to income excluded from your Arizona taxable income.

When entering the ratio on line 12, you must round your answer to **three** decimal places.

Line 15 -

Enter the amount of other allowable miscellaneous expenses not subject to the 2% federal adjusted gross income limitation that you incurred and paid while an Arizona resident.

Also enter the amount of other allowable miscellaneous expenses not subject to the 2% federal adjusted gross income limitation from Arizona sources that you incurred and paid during the part of the year while a nonresident.

Lines 16 through 20 – Gambling Losses

Skip lines 16 through 20 if not deducting gambling losses.

Line 16 -

Enter the amount of wagering losses included on line 15, Form 140PY Schedule A(PYN).

Line 17 -

Enter the total gambling winnings included in your Arizona gross income.

Line 18 -

Enter the Arizona lottery subtraction from Form 140PY, page 2, line 44.

Line 19 -

Maximum allowable gambling loss deduction. Subtract the amount on line 18 from the amount on line 17.

Line 20 -

If the amount on line 19 is less than the amount on line 16, subtract line 19 from line 16. Otherwise, enter zero (0).

Line 21 -

If you completed lines 16 through 20, subtract line 20 from line 15. If you skipped lines 16 through 20, enter the amount from line 15 here.

Line 22 -

Add lines 14 and 21.

Lines 23 through 28 – Subtotal Itemized Deductions

Complete lines 23 through 28 as instructed on Form 140PY, Schedule A(PYN).

When entering the ratio on line 26, you must round your answer to **three** decimal places.

PART 2 –

Portion of Itemized Deductions Allowable for the Part of the Year While a Nonresident

Line 29 -

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 reduce the amount on line 29 by amounts paid from an AZLTHSA.

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 30 -

Enter any amount of medical and dental expenses included on line 29 that were paid from your AZLTHSA.

Lines 31 through 40 -

Complete lines 31 through 40 as instructed on Form 140PY, Schedule A(PYN).

Line 41 -

You cannot claim both a deduction and a credit for the same charitable contributions. Enter the amount of charitable contributions for which you are taking a credit.

For Example:		
If you claimed a credit on AZ Form:	For:	You must make an entry here 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 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	
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If you claimed a private school tuition credit on your 2014 return for a contribution that you made during 2015 (see Arizona Form 323 and 348), you must make this adjustment on your 2015 return, even though you claimed the credit on your 2014 return.

If you are claiming a credit on your 2015 return for contributions made during 2016 (see Arizona Forms 322, 323 and 348), you must make this adjustment on your 2016 return, even though you are claiming the credit on your 2015 return.

Lines 42 through 50 - Adjusted Itemized Deductions

Complete lines 42 through 50 as instructed on Form 140PY, Schedule A(PYN).

Line 51 -

Complete the following worksheet to determine what income ratio to enter on line 51.

Worksheet						
1. Arizona source income	Amount					
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 26.						
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 51. You must round your answer to three decimal places. Do not enter more than 1.000	<table border="1" style="width: 100px; height: 30px;"> <tr> <td style="width: 20px;"></td> <td style="width: 20px;"></td> <td style="width: 20px; text-align: center;">.</td> <td style="width: 20px;"></td> <td style="width: 20px;"></td> </tr> </table>			.		
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Lines 52 and 53 -

Complete lines 52 and 53 as instructed on Form 140PY, Schedule A(PYN).