



### This booklet contains:

- Tax Credit Forms
- Fiduciary Tax Forms
- Withholding 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, 2017. If you use the**

**amounts from your 2018 federal tax return to complete your Arizona return and the Legislature does not adopt the 2018 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 2018 conformity.

# QUICK AND EASY ACCESS TO TAX HELP AND FORMS

## PERSONAL COMPUTER



You may use a personal computer and modem to get the forms and information you need at [www.azdor.gov](http://www.azdor.gov), including:

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



## PHONE

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

## Did You Know?

Tax software does all the hard work 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
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**Phoenix**  
1600 West Monroe Street  
Phoenix, AZ 85007

**Tucson**  
400 West Congress  
Tucson, AZ 85701



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

# Notice

As a rule, the starting point for your Arizona income tax return is your federal taxable income. This is the case for 2018, except for changes Congress made to the federal tax code during 2017 and 2018 and how the changes affect how you figure your federal taxable income.

When federal changes are made that impact the computation of federal taxable income, the Arizona starting point will change unless the Arizona legislature adopts those changes. The legislature will address this issue during its 2019 session. Because the Department of Revenue must publish these forms before this matter will be addressed by the legislature, the forms were drafted assuming federal changes will be adopted. When the agency went to print, Arizona had not yet adopted any federal tax law changes made after January 1, 2017.

**What does this mean to you? It means that if any of the federal law changes made in 2017 and 2018 apply to your 2018 return, you can opt to file your 2018 return using one of the following methods:**

1. You can wait and file your 2018 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 2018 return assuming that the federal law changes will be adopted. The 2018 tax forms make this assumption.

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

- If Arizona adopts those changes, you do not have to do anything more.
  - If Arizona does not adopt all those changes, you may need to amend your 2018 Arizona return. Your amended return will have to show the difference between the Arizona law and the federal law. If this happens, we will post more details on our Conformity to IRC webpage 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 2018 return and you file and pay the required amended return by the extended due date of your 2019 return.
3. You can file your 2018 return assuming that we will not adopt the federal law changes. If you opt for this method, you will have to do the following:
    - You will have to research all of the federal changes made after January 1, 2017.
    - You will have to figure out if any of those changes apply to you.
    - You will have figure out how to make adjustments for those changes on your return.

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

- If Arizona does not adopt those changes, you do not have to do anything more.
- If Arizona adopts those changes, you may need to amend your 2018 Arizona return. Your amended return will have to show the difference between what you reported and what you should have reported. If this happens, we will post more details on our Conformity to IRC webpage <https://azdor.gov/legal/conformity-irc>.

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**Include with the taxpayer's return.**

For the calendar year 2018 or fiscal year beginning MM,DD,2018 and ending MM,DD,YYYY.

Name as shown on Form 99T, 120, 120A, 120S, or 120X

Employer Identification Number

**Part 1 Nonrefundable Tax Credits Available**  
Enter total available nonrefundable tax credits.

	(a) Current Year Credit	(b) Available Carryover	(c) Total Available Credit (a) + (b)
1 Enterprise Zone Credit ..... from Form 304 ▶	1		00
2 Environmental Technology Facility Credit..... from Form 305 ▶	2		00
3 Military Reuse Zone Credit ..... from Form 306 ▶	3		00
4 Credit for Increased Research Activities..... from Form 308 ▶	4		00
5 Pollution Control Credit..... from Form 315 ▶	5		00
6 Credit for Taxes Paid for Coal Consumed in Generating Electrical Power ..... from Form 318 ▶	6		00
7 Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets ..... from Form 319 ▶	7		00
8 Credit for Employment of TANF Recipients ..... from Form 320 ▶	8		00
9 Agricultural Pollution Control Equipment Credit ..... from Form 325 ▶	9		00
10 Credit for Donation of School Site ..... from Form 331 ▶	10		00
11 Credit for Employment by a Healthy Forest Enterprise ..... from Form 332 ▶	11		00
12 Credit for Employing National Guard Members..... from Form 333 ▶	12		00
13 Credit for Corporate Contributions to School Tuition Organizations ..... from Form 335 ▶	13		00
14 Credit for Solar Energy Devices – Commercial and Industrial Applications ..... from Form 336 ▶	14		00
15 Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students With Disabilities ..... from Form 341 ▶	15		00
16 Renewable Energy Production Tax Credit..... from Form 343 ▶	16		00
17 Credit for New Employment..... from Form 345 ▶	17		00
18 Additional Credit for Increased Research Activities for Basic Research Payments ..... from Form 346 ▶	18		00
19 Credit for Renewable Energy Investment and Production for Self-Consumption by International Operations Centers ..... from Form 351 ▶	19		00
20 Reserved for future use ..... ▶	20		
<b>21 Total available nonrefundable tax credits:</b> Add lines 1 through 20 .....	<b>21</b>		<b>00</b>



## 2018 Nonrefundable Corporate Tax Credits and Recapture

**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 click on *Reports & Legal Research* then click on *Legal Research* and select a document and a category type from the drop down menus.

**Publications**

To view or print the department's publications, go to our website and click on *Reports & Legal Research*. Then click on *Publications*.

### General Instructions

Arizona Form 300 may only be used by corporate taxpayers or exempt organizations with unrelated business taxable income (UBTI). Individual taxpayers must use Arizona Form 301 to claim tax credits.

Corporate taxpayers and exempt organizations with UBTI use this form to summarize their total available nonrefundable tax credits, to determine the application of the available nonrefundable tax credits, and to calculate their tax liability related to the recapture of tax credits.

The credits are available to an exempt organization that is subject to corporate income tax on UBTI. The credit must result from the activities that generate UBTI.

**NOTE:** *You must include Form 300 and the corresponding credit form(s) for which you computed your credit(s) with your income tax return. Use Arizona Form 300 to:*

- Summarize your total available nonrefundable tax credits.
- Determine the application of the available tax credits.
- Summarize your tax liability related to recapture of tax credits.
- Claim any available credit carryover.

*Form 300 is not required to be included with your return to claim the following refundable credits. You must, however, include the completed refundable credit form with your tax return.*

- The refundable portion of the Credit for Increased Research Activities (Form 308), or
- The Credit for Qualified Facilities (Form 349).

### Specific Instructions

Enter the taxpayer name and employer identification number (EIN) as shown on Arizona Form 99T, 120, 120A, 120S, or 120X. 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, an exempt organization with UBTI, or

an S corporation is the EIN. Taxpayers that fail to include their TIN may be subject to a penalty.

### Part 1 - Nonrefundable Tax Credits Available

Complete Part 1 to determine the total amount of available nonrefundable tax credits. The available tax credit amount for a particular credit is the total of the current taxable year's credit and any available credit carryovers from prior taxable years. On lines 1 through 20, enter the available tax credit amount for each of the credits listed.

#### Line 1 - Enterprise Zone Credit

Column (a): Do not enter an amount.  
Column (b): Enter the amount from Form 304, line 6.  
Column (c): Enter the amount from column (b).

#### Line 2 - Environmental Technology Facility Credit

Column (a): Enter the amount from Form 305, line 38.  
Column (b): Enter the amount from Form 305, line 39.  
Column (c): Enter the amount from Form 305, line 40.

#### Line 3 - Military Reuse Zone Credit

Column (a): Do not enter an amount.  
Column (b): Enter the amount from Form 306, line 7.  
Column (c): Enter the amount from column (b).

#### Line 4 - Credit for Increased Research Activities

*If you are claiming a refund of 75% of current year's excess credit:*

Column (a): Enter the amount from Form 308, line 38(c).  
Column (b): Enter "0". No carry forward of any amount is allowed from the year of the refund.  
Column (c): Enter the amount from column (a).

*If you are NOT claiming a refund of 75% of current year's excess credit:*

Column (a): Enter the amount from Form 308, line 60.  
Column (b): Enter the amount from Form 308, line 61.  
Column (c): Enter the amount from Form 308, line 62.

#### Line 5 - Pollution Control Credit

Column (a): Enter the amount from Form 315, line 27.  
Column (b): Enter the amount from Form 315, line 28.  
Column (c): Enter the amount from Form 315, line 29.

#### Line 6 - Credit for Taxes Paid for Coal Consumed in Generating Electrical Power

Column (a): Enter the amount from Form 318, line 11.  
Column (b): Enter the amount from Form 318, line 12.  
Column (c): Enter the amount from Form 318, line 13.

#### Line 7 - Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets

Column (a): Do not enter an amount.  
Column (b): Enter the amount from Form 319, line 12.  
Column (c): Enter the amount from column (b).

**Line 8 - Credit for Employment of TANF Recipients**

Column (a): Enter the amount from Form 320, line 25.  
 Column (b): Enter the amount from Form 320, line 26.  
 Column (c): Enter the amount from Form 320, line 27.

**Line 9 - Agricultural Pollution Control Equipment Credit**

Column (a): Enter the amount from Form 325, line 27.  
 Column (b): Enter the amount from Form 325, line 28.  
 Column (c): Enter the amount from Form 325, line 29.

**Line 10 - Credit for Donation of School Site**

Column (a): Enter the amount from Form 331, line 19.  
 Column (b): Enter the amount from Form 331, line 20.  
 Column (c): Enter the amount from Form 331, line 21.

**Line 11 - Credit for Employment by a Healthy Forest Enterprise**

Column (a): Enter the amount from Form 332, line 59.  
 Column (b): Enter the sum of lines 60 and 61 from Form 332.  
 Column (c): Enter the amount from Form 332, line 62.

**Line 12 - Credit for Employing National Guard Members**

Column (a): Enter the amount from Form 333, line 17.  
 Column (b): Enter the amount from Form 333, line 18.  
 Column (c): Enter the amount from Form 333, line 19.

**Line 13 - Credit for Corporate Contributions to School Tuition Organizations**

Column (a): Enter the amount from Form 335, line 20.  
 Column (b): Enter the amount from Form 335, line 21.  
 Column (c): Enter the amount from Form 335, line 22.

**Line 14 - Credit for Solar Energy Devices - Commercial and Industrial Applications**

Column (a): Enter the amount from Form 336, line 34.  
 Column (b): Enter the amount from Form 336, line 35.  
 Column (c): Enter the amount from Form 336, line 36

**Line 15 - Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students With Disabilities**

Column (a): Enter the amount from Form 341, line 20.  
 Column (b): Enter the amount from Form 341, line 21.  
 Column (c): Enter the amount from Form 341, line 22.

**Line 16 - Renewable Energy Production Tax Credit**

Column (a): Enter the amount from Form 343, line 14.  
 Column (b): Enter the amount from Form 343, line 15.  
 Column (c): Enter the amount from Form 343, line 16.

**Line 17 - Credit for New Employment**

Column (a): Enter the amount from Form 345, line 22.  
 Column (b): Enter the amount from Form 345, line 23.  
 Column (c): Enter the amount from Form 345, line 24.

**Line 18 - Additional Credit for Increased Research Activities for Basic Research Payments**

Column (a): Enter the amount from Form 346, line 20.  
 Column (b): Enter the amount from Form 346, line 21.  
 Column (c): Enter the amount from Form 346, line 22.

**Line 19 - Credit for Renewable Energy Investment and Production for Self-Consumption by International Operations Centers**

Column (a): Enter the amount from Form 351, line 31.  
 Column (b): Enter the amount from Form 351, line 32.  
 Column (c): Enter the amount from Form 351, line 33.

**Line 20 - Reserved for Future Use**

**Line 21 - Total Available Nonrefundable Tax Credits**

Add lines 1 through 20. Enter the total. This is the total amount of all nonrefundable tax credits available for use by the taxpayer.

**Part 2 - Application of Nonrefundable Tax Credits and Recapture**

Complete Part 2 to figure any recapture. Also complete Part 2 to determine which tax credits you will use and the portion of the available tax credit amount from Part 1 that you will use for a particular tax credit.

**Note for a partner in a partnership:** Partnerships with corporate partners or exempt organization partners with UBTI must notify those partners if a credit that the partnership passed through must be recaptured. The partnership should provide the amount of recapture to its partners. Each relevant credit form has a section devoted to this purpose. The partner must then include any of these recapture amounts in the amount of recapture it computes on Form 300.

**Note for an exempt organization that is a shareholder in an S corporation:** S corporations with exempt organization shareholders must notify those shareholders if a credit that the S corporation passed through must be recaptured. The S corporation should provide the amount of recapture to its shareholders. Each relevant credit form has a section devoted to this purpose. The exempt organization shareholder with UBTI must then include any of these recapture amounts in the amount of recapture it computes on Form 300.

**Line 22 - Current Year's Tax From Tax Return**

Enter the amount of tax as follows:

If you filed Form:	See page:	Line number:
99T	1	6
120	1	16
120A	1	8
120S	1	12
120X	1	16, column (c)

**Line 23 - Tax From Recapture of Environmental Technology Facility Credit**

Enter the amount of tax from recapture of the environmental technology facility credit on Form 305, Part 5, line 21.

**Line 24 - Tax From Recapture of Credits for Employment by a Healthy Forest Enterprise**

Enter the total amount of tax from recapture of the credits for healthy forest enterprises from Form 332, Part 10, line 40 and from Form 332, Part 11, line 46; or use the following worksheet to calculate the amount to enter on Form 300, line 24.

Healthy Forest Recapture Tax Worksheet	
1. Enter the tax from recapture of the employment credit from Form 332, Part 10, line 40.	
2. Enter the tax from recapture of the training credit from Form 332, Part 11, line 46.	
3. Add the amounts on line 1 and line 2. Enter the total here and on Form 300, line 24.	

**Line 25 - Tax From Recapture of Credit For Qualified Facilities**

Enter the amount of tax from recapture of the credit for qualified facilities from Form 349, Part 7, line 19.

**Line 26 - Tax From Recapture of Credit for Renewable Energy Investment and Production for Self-Consumption by International Operations Centers**

Enter the amount of tax from recapture of the credit for renewable energy investment and production for self-consumption by manufacturers from Form 351, Part 2, line 24.

**Line 27 - Recapture Total**

Add lines 23 through 26. Enter the total. Also, enter the total on your income tax form, as follows:

If you filed Form:	See page:	Line number:
99T	1	7
120	1	17
120A	1	9
120S	1	13
120X	1	17, column (c)

**Line 28 - Subtotal of Tax**

Add lines 22 and 27. Enter the total. This is the maximum amount to which the total amount of nonrefundable tax credits used by the taxpayer may be applied.

**Nonrefundable Tax Credits Used This Taxable Year**

The total amount of nonrefundable tax credits used by the taxpayer cannot exceed the amount entered on line 28. In order for the taxpayer to determine which tax credit(s) to claim and the amount to claim for a particular tax credit, the taxpayer must consider any limitations on the allowable amount of a particular tax credit and whether the unused portion of a particular tax credit may be carried forward.

**Line 29 - Enterprise Zone Credit**

This credit has been repealed and is in the carryforward period. The unused portion of this tax credit may be carried forward for up to five succeeding taxable years, provided the business remains in the former enterprise zone. If the business relocates outside of the former enterprise zone, the carryover of the tax credit is lost. Enter the amount used.

**Line 30 - Environmental Technology Facility Credit**

The unused portion of this tax credit may be carried forward for 15 succeeding taxable years. If the taxpayer is subject to the tax related to recapture of this tax credit for the facility, the carryover of the tax credit is reduced by the percentages listed in Form 305 instructions.

The portion of the available credit amount from Form 300, Part 1, line 2 that may be used by the taxpayer is limited to 75% of the amount of tax entered on line 28. Enter the amount used.

**Line 31 - Military Reuse Zone Credit**

The unused portion of this tax credit may be carried forward for five succeeding taxable years if the business remains in the military reuse zone. If the business relocates outside of the military reuse zone, the carryover of the tax credit is lost. Enter the amount used.

**Line 32 - Credit for Increased Research Activities**

The unused portion of this tax credit may be carried forward for 15 succeeding taxable years. Enter the total amount used.

**NOTE:** *If you qualify for, and are claiming, a 75% refund of your excess credit for the current year, enter only the nonrefundable portion of the current year's credit from Form 308, Part 7, line 38c. Enter the refundable portion of the credit (the amount from Form 308, Part 7, line 42) on Form 99T, line 12; or Form 120, line 22; or Form 120A, line 14; or Form 120S, line 18; or Form 120X, line 22c. Carry forwards from previous years of the credit for increased research activities will carry over to the following year, provided the credit is within the 15-year carry forward period.*

**Line 33 - Pollution Control Credit**

The unused portion of this tax credit may be carried forward for five succeeding taxable years. Enter the amount used.

**Line 34 - Credit for Taxes Paid for Coal Consumed in Generating Electrical Power**

The unused portion of this tax credit may be carried forward for five succeeding taxable years. Enter the amount used.

**Line 35 - Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets**

The unused portion of this tax credit may be carried forward for five succeeding taxable years. Enter the amount used.

**Line 36 - Credit for Employment of TANF Recipients**

The unused portion of this tax credit may be carried forward for five succeeding taxable years. Enter the amount used.

**Line 37 - Agricultural Pollution Control Equipment Credit**

The unused portion of this tax credit may be carried forward for five succeeding taxable years. Enter the amount used.

**Line 38 - Credit for Donation of School Site**

The unused portion of this tax credit may be carried forward for five succeeding taxable years. Enter the amount used.

**Line 39 - Credit for Employment by a Healthy Forest Enterprise**

The unused portion of these tax credits may be carried forward for five succeeding taxable years. Enter the amount used.

**Line 40 - Credit for Employing National Guard Members**

The unused portion of this tax credit may be carried forward for five succeeding taxable years. Enter the amount used.

**Line 41 - Credit for Corporate Contributions to School Tuition Organizations**

The unused portion of this tax credit may be carried forward for five succeeding taxable years. Enter the amount used.

**Line 42 - Credit for Solar Energy Devices - Commercial and Industrial Applications**

The unused portion of this tax credit may be carried forward for five succeeding taxable years. Enter the amount used.

**Line 43 - Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students with Disabilities**

The unused portion of this tax credit may be carried forward for five succeeding taxable years. Enter the amount used.

**Line 44 - Renewable Energy Production Tax Credit**

The unused portion of this tax credit may be carried forward for five succeeding taxable years. Enter the amount used.

**Line 45 - Credit for New Employment**

The unused portion of this tax credit may be carried forward for five succeeding taxable years. Enter the amount used.

**Line 46 - Additional Credit for Increased Research Activities for Basic Research Payments**

The unused portion of this tax credit may be carried forward for five succeeding taxable years. Enter the amount used.

**Line 47 - Credit for Renewable Energy Investment and Production for Self-Consumption by International Operations Centers**

The unused portion of this tax credit may be carried forward for five succeeding taxable years. Enter the amount used.

**Line 48 - Reserved for Future Use**

**Line 49 - Total Nonrefundable Tax Credits Used**

Add lines 29 through 48. Enter the total. This amount cannot exceed the amount entered on line 28. Enter the amount from this line on your income tax form, as follows:

If you filed Form:	See page:	Line number:
99T	1	9
120	1	19
120A	1	11
120S	1	15
120X	1	19, column (c)

**Include with your return.**

For the calendar year 2018 or fiscal year beginning MM,DD,2018 and ending MM,DD,YYYY.

Your Name as shown on Form 140, 140PY, 140NR or 140X	Your Social Security Number
Spouse's Name as shown on Form 140, 140PY, 140NR or 140X (if a joint return)	Spouse's Social Security Number

**Part 1 Nonrefundable Individual Tax Credits Available:** Enter total available tax credits.

		(a) Current Year Credit	(b) Available Carryover	(c) Total Available Credit (a) + (b)
1 Enterprise Zone Credit ..... Form 304 ▶	1			00
2 Environmental Technology Facility Credit..... Form 305 ▶	2			00
3 Military Reuse Zone Credit..... Form 306 ▶	3			00
4 Credit for Increased Research Activities – Individuals..... Form 308-I ▶	4			00
5 Credit for Taxes Paid to Another State or Country..... Form 309 ▶	5			00
6 Credit for Solar Energy Devices ..... Form 310 ▶	6			00
7 Agricultural Water Conservation System Credit ..... Form 312 ▶	7			00
8 Pollution Control Credit..... Form 315 ▶	8			00
9 Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets ..... Form 319 ▶	9			00
10 Credit for Employment of TANF Recipients..... Form 320 ▶	10			00
11 Credit for Contributions to Qualifying Charitable Organizations.. Form 321 ▶	11			00
12 Credit for Contributions Made or Fees Paid to Public Schools.... Form 322 ▶	12			00
13 Credit for Contributions to Private School Tuition Organizations Form 323 ▶	13			00
14 Agricultural Pollution Control Equipment Credit ..... Form 325 ▶	14			00
15 Credit for Donation of School Site ..... Form 331 ▶	15			00
16 Credit for Employment by Healthy Forest Enterprises ..... Form 332 ▶	16			00
17 Credit for Employing National Guard Members..... Form 333 ▶	17			00
18 Credit for Business Contributions by an S Corporation to School Tuition Organization - Individual ..... Form 335-I ▶	18			00
19 Credit for Solar Energy Devices – Commercial and Industrial Applications..... Form 336 ▶	19			00
20 Credit for Investment in Qualified Small Businesses..... Form 338 ▶	20			00
21 Credit for Donations to the Military Family Relief Fund ..... Form 340 ▶	21			00
22 Credit for Business Contributions by an S Corporation to School Tuition Organizations for Displaced Students or Students with Disabilities - Individual ..... Form 341-I ▶	22			00
23 Renewable Energy Production Tax Credit..... Form 343 ▶	23			00
24 Credit for New Employment..... Form 345 ▶	24			00
25 Additional Credit for Increased Research Activities for Basic Research Payments ..... Form 346 ▶	25			00
26 Credit for Contributions to Certified School Tuition Organization (for contributions that exceed the allowable credit on Arizona Form 323). Form 348 ▶	26			00
27 Credit for Renewable Energy Investment and Production for Self-Consumption by International Operations Centers ..... Form 351 ▶	27			00
28 Credit for Contributions to Qualifying Foster Care Charitable Organizations ..... Form 352 ▶	28			00
29 Reserved .....	29			
<b>30 Total available nonrefundable tax credits:</b> Add lines 1 through 28 .....	<b>30</b>			<b>00</b>

Continued on page 2 →



**You must include Form 301 and the corresponding credit forms on which you computed your credit(s) with your individual income tax return.**

Your Name (as shown on page 1)	Your Social Security Number
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<b>Part 2 Application of Tax Credits and Recapture:</b> Enter tax, recapture tax, and tax credits used this taxable year.			
31 Tax from Form 140, line 47; or Form 140PY, line 58; or Form 140NR, line 58; or Form 140X, line 35 .....	31		00
32 Tax from recapture of Environmental Technology Facility Credit from Form 305, Part 5, line 21 .....	32	00	
33 Tax from recapture of Credits for Healthy Forest Enterprises from Form 332, Part 10, line 40, and Part 11, line 46 .....	33	00	
34 Tax from recapture of Credit for Qualified Facilities from Form 349, Part 7, line 19 .....	34	00	
35 Tax from recapture of Credit for Renewable Energy Investment and Production for Self-Consumption by International Operations Centers from Form 351, Part 2, line 24 .....	35	00	
36 Recapture Total: Add lines 32 through 35. Enter here and on Form 140, line 48; or Form 140PY, line 59; or Form 140NR, line 59; or Form 140X, line 36 .....	36		00
37 Subtotal: Add lines 31 and 36 .....	37		00
38 Family Income Tax Credit from Form 140, line 50; or Form 140PY, line 61; or Form 140X, line 38 .....	38		00
39 Subtract line 38 from line 37. Enter the difference. If less than zero, enter "0" .....	39		00

**Nonrefundable Tax Credits Used This Taxable Year:** Enter amounts actually used from Part 1.

40 Enterprise Zone Credit .....	40		00
41 Environmental Technology Facility Credit (not to exceed 75% of line 37) .....	41		00
42 Military Reuse Zone Credit .....	42		00
43 Credit for Increased Research Activities – Individuals .....	43		00
44 Credit for Taxes Paid to Another State or Country .....	44		00
45 Credit for Solar Energy Devices .....	45		00
46 Agricultural Water Conservation System Credit .....	46		00
47 Pollution Control Credit .....	47		00
48 Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets .....	48		00
49 Credit for Employment of TANF Recipients .....	49		00
50 Credit for Contributions to Qualifying Charitable Organizations .....	50		00
51 Credit for Contributions Made or Fees Paid to Public Schools .....	51		00
52 Credit for Contributions to Private School Tuition Organizations .....	52		00
53 Agricultural Pollution Control Equipment Credit .....	53		00
54 Credit for Donation of School Site .....	54		00
55 Credit for Employment by Healthy Forest Enterprises .....	55		00
56 Credit for Employing National Guard Members .....	56		00
57 Credit for Business Contribution by an S Corporation to School Tuition Organization - Individual .....	57		00
58 Credit for Solar Energy Devices – Commercial and Industrial Applications .....	58		00
59 Credit for Investment in Qualified Small Businesses .....	59		00
60 Credit for Donations to the Military Family Relief Fund: Enter the smaller of Form 301, Part 1, line 21 or Part 2, line 37 .....	60		00
61 Credit for Business Contributions by an S Corporation to School Tuition Organizations for Displaced Students or Students with Disabilities - Individual .....	61		00
62 Renewable Energy Production Tax Credit .....	62		00
63 Credit for New Employment .....	63		00
64 Additional Credit for Increased Research Activities for Basic Research Payments .....	64		00
65 Credit for Contributions to Certified School Tuition Organization (for contributions that exceed the maximum allowable credit on Arizona Form 323) .....	65		00
66 Credit for Renewable Energy Investment and Production for Self-Consumption by International Operations Centers .....	66		00
67 Credit for Contributions to Qualifying Foster Care Charitable Organizations .....	67		00
68 Reserved .....	68		
69 <b>Total Tax Credits Used:</b> Add lines 40 through 67. <b>Total cannot be more than line 39.</b> Enter this amount on Form 140, line 51; or Form 140PY, line 62; or Form 140NR, line 61; or Form 140X, line 39 .....	69		00



**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 click on *Reports and Legal Research* 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 and click on *Reports and Legal Research* then click on *Publications*.

**General Instructions**

You must complete and include Arizona Form 301 with your Arizona income tax return to claim nonrefundable tax credits unless you meet one of the exceptions listed under *When Form 301 is Not Required*. Use this form to:

- Summarize your total available nonrefundable tax credits.
- Determine the application of the available tax credits.
- Summarize your tax liability related to recapture of tax credits.
- Claim *any* available credit carryover.

**When Form 301 is Not Required**

You are not required to complete and include Form 301 with your tax return to *only* claim any of the following credits:

- Family Income Tax Credit (from the worksheet in your income tax form instructions),
- Property Tax Credit (Arizona Form 140PTC),
- Increased Excise Tax Credit (from the worksheet in your income tax form instructions or Arizona Form 140ET),
- The refundable portion of the Increased Research Activities Credit (Arizona Form 308-I),
- The credit for Qualified Facilities (Arizona Form 349).

**Line-by-Line Instructions**

Enter your name and Social Security Number (SSN) as shown on Arizona Forms 140, 140PY, 140NR, or 140X.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for an individual is the taxpayer's SSN or an Internal Revenue Service (IRS) individual taxpayer identification number (ITIN). Taxpayers that fail to include their identification number may be subject to a penalty.

**Part 1: Nonrefundable Individual Tax Credits Available**

Complete Part 1 to determine the total amount of *available* nonrefundable tax credits. The available tax credit amount for a particular credit is the total of the current taxable year's credit and any unused credit carryovers available from prior taxable years.

On lines 1 through 28 complete columns (a), (b) and (c) for each of the following credits available to you this taxable year.

**Line 1 - Enterprise Zone Credit**

Column (a): Do not enter an amount here.  
Column (b): Enter the amount from Form 304, line 6.  
Column (c): Enter the amount from column (b).

**Line 2 - Environmental Technology Facility Credit**

Column (a): Enter the amount from Form 305, line 38.  
Column (b): Enter the amount from Form 305, line 39.  
Column (c): Enter the amount from Form 305, line 40.

**Line 3 - Military Reuse Zone Credit**

Column (a): Do not enter an amount here.  
Column (b): Enter the amount from Form 306, line 7.  
Column (c): Enter the amount from column (b).

**Line 4 - Credit for Increased Research Activities - Individuals**

If you are claiming a refund of 75% of current year's excess credit:

Column (a): Enter the amount from Form 308-I, line 28(c).  
Column (b): Enter "0". No carry forward of any amount is allowed from the year of the refund.  
Column (c): Enter the amount from column (a).

If you are not claiming a refund of 75% of current year's excess credit:

Column (a): Enter the amount from Form 308-I, line 51.  
Column (b): Enter the sum of lines 52 from Form 308-I.  
Column (c): Enter the amount from Form 308-I, line 53.

**Line 5 - Credit for Taxes Paid to Another State or Country**

Column (a): Enter the amount from Form 309, line 17.  
Column (b): Do not enter an amount here.  
Column (c): Enter the amount from column (a).

**Line 6 - Credit for Solar Energy Devices**

Column (a): Enter the amount from Form 310, line 16.  
Column (b): Enter the amount from Form 310, line 17.  
Column (c): Enter the amount from Form 310, line 18.

**Line 7 - Agricultural Water Conservation System Credit**

Column (a): Enter the amount from Form 312, line 17.  
Column (b): Enter the amount from Form 312, line 18.  
Column (c): Enter the amount from Form 312, line 19.

**Line 8 - Pollution Control Credit**

Column (a): Enter the amount from Form 315, line 27.

Column (b): Enter the amount from Form 315, line 28.

Column (c): Enter the amount from Form 315, line 29.

**Line 9 - Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets**

Column (a): Do not enter an amount here.

Column (b): Enter the amount from Form 319, line 12.

Column (c): Enter the amount from column (b).

**Line 10 - Credit for Employment of TANF Recipients**

Column (a): Enter the amount from Form 320, line 25.

Column (b): Enter the amount from Form 320, line 26.

Column (c): Enter the amount from Form 320, line 27.

**Line 11 - Credit for Contributions to Qualifying Charitable Organizations**

Column (a): Enter the amount from Form 321, line 20.

Column (b): Enter the amount from Form 321, line 21.

Column (c): Enter the amount from Form 321, line 22.

**Line 12 - Credit for Contributions Made or Fees Paid to Public Schools**

Column (a): Enter the amount from Form 322, line 20.

Column (b): Enter the amount from Form 322, line 21.

Column (c): Enter the amount from Form 322, line 22.

**Line 13 - Credit for Contributions to Private School Tuition Organizations**

Column (a): Enter the amount from Form 323, line 20.

Column (b): Enter the amount from Form 323, line 21.

Column (c): Enter the amount from Form 323, line 22.

**Line 14 - Agricultural Pollution Control Equipment Credit**

Column (a): Enter the amount from Form 325, line 27.

Column (b): Enter the amount from Form 325, line 28.

Column (c): Enter the amount from Form 325, line 29.

**Line 15 - Credit for Donation of School Site**

Column (a): Enter the amount from Form 331, line 19.

Column (b): Enter the amount from Form 331, line 20.

Column (c): Enter the amount from Form 331, line 21.

**Line 16 - Credit for Employment by Healthy Forest Enterprises**

Column (a): Enter the amount from line 59 from Form 332.

Column (b): Enter the sum of lines 60 and 61 from Form 332.

Column (c): Enter the amount from Form 332, line 62.

**Line 17 - Credit for Employing National Guard Members**

Column (a): Enter the amount from Form 333, line 17.

Column (b): Enter the amount from Form 333, line 18.

Column (c): Enter the amount from Form 333, line 19.

**Line 18 - Credit for Business Contributions by an S Corporation to School Tuition Organizations - Individual**

Column (a): Enter the amount from Form 335-I, line 19.

Column (b): Enter the amount from Form 335-I, line 20.

Column (c): Enter the amount from Form 335-I, line 21.

**Line 19 - Credit for Solar Energy Devices - Commercial and Industrial Applications**

Column (a): Enter the amount from Form 336, line 34.

Column (b): Enter the amount from Form 336, line 35.

Column (c): Enter the amount from Form 336, line 36.

**Line 20 - Credit for Investment in Qualified Small Businesses**

Column (a): Enter the amount from Form 338, line 9.

Column (b): Enter the amount from Form 338, line 10.

Column (c): Enter the amount from Form 338, line 11.

**Line 21 - Credit for Donations to the Military Family Relief Fund**

Column (a): Enter the amount from Form 340, line 6.

Column (b): Do not enter an amount here.

Column (c): Enter the amount from column (a).

**Line 22 - Credit for Business Contributions by an S Corporation to School Tuition Organizations for Displaced Students or Students with Disabilities - Individual**

Column (a): Enter the amount from Form 341-I, line 19.

Column (b): Enter the amount from Form 341-I, line 20.

Column (c): Enter the amount from Form 341-I, line 21.

**Line 23 - Renewable Energy Production Tax Credit**

Column (a): Enter the amount from Form 343, line 14.

Column (b): Enter the amount from Form 343, line 15.

Column (c): Enter the amount from Form 343, line 16.

**Line 24 - Credit for New Employment**

Column (a): Enter the amount from Form 345, line 22.

Column (b): Enter the amount from Form 345, line 23.

Column (c): Enter the amount from Form 345, line 24.

**Line 25 - Additional Credit for Increased Research Activities for Basic Research Payments**

Column (a): Enter the amount from Form 346, line 20.

Column (b): Enter the amount from Form 346, line 21.

Column (c): Enter the amount from Form 346, line 22.

**Line 26 - Credit for Contributions to Certified School Tuition Organization (for contributions that exceed the allowable credit on Arizona Form 323)**

Column (a): Enter the amount from Form 348, line 23.

Column (b): Enter the amount from Form 348, line 24.

Column (c): Enter the amount from Form 348, line 25.

**Line 27 - Credit for Renewable Energy Investment and Production for Self-Consumption by International Operations Centers**

Column (a): Enter the amount from Form 351, line 31.

Column (b): Enter the amount from Form 351, line 32.

Column (c): Enter the amount from Form 351, line 33.

**Line 28 - Credit for Contributions to Qualifying Foster Care Charitable Organizations**

Column (a): Enter the amount from Form 352, line 20.  
 Column (b): Enter the amount from Form 352, line 21.  
 Column (c): Enter the amount from Form 352, line 22.

**Line 29 - Reserved**

Do not enter an amount on line 29.

**Line 30- Total Available Tax Credits**

For column (c), add lines 1 through 28. Enter the total. This is the total amount of all nonrefundable tax credits, except the family income tax credit, *available* for your use.

**Part 2: Application of Tax Credits and Recapture**

Complete Part 2 to figure any recapture. Also, complete Part 2 to determine which tax credits you will use and the portion of the available credit amount from Part 1 that you will use for a particular tax credit.

**Line 31 -**

Enter the amount of tax from your income tax form.

If you file Form:	Enter the amount from line:
140	47
140PY	58
140NR	58
140X	35

**Line 32 -**

Enter the amount of tax from recapture of the Environmental Technology Facility credit from Form 305, Part 5, line 21.

**Line 33 -**

Enter the amount of tax from recapture of the credits for Healthy Forest Enterprises. Use the following worksheet to calculate the amount of recapture to enter on line 33.

Healthy Forest Recapture Tax Worksheet	
1. Enter the tax from recapture of the <u>employment</u> credit from Form 332, Part 10, line 40.	
2. Enter the tax from recapture of the <u>training</u> credit from Form 332, Part 11, line 46.	
3. Add lines 1 and line 2. Enter the total here and on Form 301, line 33.	

**Line 34 -**

Enter the amount of tax from recapture of the credit for Qualified Facilities from Form 349, Part 7, line 19.

**Line 35 -**

Enter the amount of tax from recapture of the credit for Renewable Energy Investment and Production for Self-Consumption by International Operations Centers from Form 351, Part 2, line 24.

**Line 36 - Recapture Total**

Add lines 32 through 35. Enter the total here and on your income tax form.

If you file Form:	Enter the amount on line:
140	48
140PY	59
140NR	59
140X	36

**Line 37 -**

Add lines 31 and 36. Enter the total here.

**Line 38 - Family Income Tax Credit**

If you claimed a family income tax credit, enter the amount of family income tax credit claimed on your income tax form.

If you file Form:	Enter the amount from line:
140	50
140PY	61
140X	38
Nonresidents filing Form 140NR; enter "0" on line 38.	

**Line 39 -**

Subtract line 38 from line 37. Enter the difference. **If less than zero, enter "0".**

**Nonrefundable Tax Credits Used This Taxable Year**

The total amount of tax credits you use cannot exceed the amount entered on line 39. In order for you to determine which tax credit(s) to use and the amount to use for a particular tax credit, you must consider any limitations on the allowable amount of a particular tax credit and whether you may carry the unused portion of a particular tax credit forward.

**Line 40 - Enterprise Zone Credit**

You may carry the unused portion of this tax credit forward for five succeeding taxable years. See Form 304 for more information. Enter the amount used.

**Line 41 - Environmental Technology Facility Credit**

You may carry the unused portion of this tax credit forward for 15 succeeding taxable years. If the taxpayer is subject to the tax related to recapture of this tax credit for the facility, the carryover of the tax credit is reduced by the percentages listed in Form 305 instructions.

The portion of the available credit amount from Part 1, line 2, that you may use is limited to 75% of the amount of tax entered on line 37. See Form 305 for details. Enter the amount used.

**Line 42 - Military Reuse Zone Credit**

You may carry the unused portion of this tax credit forward for five succeeding taxable years if the business remains in the military reuse zone. You lose the carryover if the business

relocates outside of the military reuse zone. See Form 306 for details. Enter the amount used.

#### **Line 43 - Credit for Increased Research Activities - Individuals**

The unused portion of this tax credit may be carried forward for 15 succeeding taxable years. See Form 308-I for details. Enter the amount used.

**NOTE:** If you qualify for and are claiming a 75% refund of your excess credit for the current year, enter *only* the nonrefundable portion of the current year's credit here (from Form 308-I, Part 5, line 28c). Enter the refundable portion of the credit (the amount from Form 308-I, Part 5, line 32) on Form 140, line 58; or Form 140NR, line 66; or Form 140PY, line 68; or Form 140X, line 43.

Carry forwards from previous years of the credit for increased research activities will carry over to the following year, provided the credit is within the 15 year carry forward period.

#### **Line 44 - Credit for Taxes Paid to Another State or Country**

There is no carry forward of the unused portion of this tax credit. See Form 309 for details. Enter the amount used.

#### **Line 45 - Credit for Solar Energy Devices**

You may carry the unused portion of this credit forward for five succeeding taxable years. See Form 310 for details. Enter the amount used. Nonresidents filing Form 140NR; enter "0".

#### **Line 46 - Agricultural Water Conservation System Credit**

You may carry the unused portion of this tax credit forward for five succeeding taxable years. See Form 312 for details. Enter the amount used.

#### **Line 47 - Pollution Control Credit**

You may carry the unused portion of this credit forward for five succeeding taxable years. See Form 315 for details. Enter the amount used.

#### **Line 48 - Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets**

You may carry the unused portion of this tax credit forward for five succeeding taxable years. See Form 319 for details. Enter the amount used.

#### **Line 49 - Credit for Employment of TANF Recipients**

You may carry the unused portion of this tax credit forward for five succeeding taxable years. See Form 320 for details. Enter the amount used.

#### **Line 50 - Credit for Contributions to Qualifying Charitable Organizations**

You may carry the unused portion of this tax credit forward for five succeeding taxable years. See Form 321 for details. Enter the amount used.

#### **Line 51 - Credit for Contributions Made or Fees Paid to Public Schools**

You may carry the unused portion of this tax credit forward for five succeeding taxable years. See Form 322 for details. Enter the amount used.

#### **Line 52 - Credit for Contributions to Private School Tuition Organizations**

You may carry the unused portion of this tax credit forward for five succeeding taxable years. See Form 323 for details. Enter the amount used.

#### **Line 53 - Agricultural Pollution Control Equipment Credit**

You may carry the unused portion of this tax credit forward for five succeeding taxable years. See Form 325 for details. Enter the amount used.

#### **Line 54 - Credit for Donation of School Site**

You may carry the unused portion of this tax credit forward for five succeeding taxable years. See Form 331 for details. Enter the amount used.

#### **Line 55 - Credit for Employment by Healthy Forest Enterprises**

You may carry the unused portion of this tax credit forward for five succeeding taxable years. See Form 332 for details. Enter the amount used.

#### **Line 56 - Credit for Employing National Guard Members**

You may carry the unused portion of this tax credit forward for five succeeding taxable years. See Form 333 for details. Enter the amount used.

#### **Line 57 - Credit for Business Contributions by an S Corporation to School Tuition Organizations - Individual**

You may carry the unused portion of this tax credit forward for five succeeding taxable years. See Form 335-I for details. Enter the amount used.

#### **Line 58 - Credit for Solar Energy Devices - Commercial and Industrial Applications**

You may carry the unused portion of this tax credit forward for five succeeding taxable years. See Form 336 for details. Enter the amount used.

#### **Line 59 - Credit for Investment in Qualified Small Businesses**

You may carry the unused portion of this tax credit forward for three succeeding taxable years. See Form 338 for details. Enter the amount used.

#### **Line 60 - Credit for Donations to the Military Family Relief Fund**

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

The amount of the credit that you may use is limited to the amount of your tax liability. See Form 340 for details. Enter the smaller of the amount entered on Form 301, Part 1, line 21 or on Form 301, Part 2, line 37.

**Line 61 - Credit for Business Contributions by an S Corporation to School Tuition Organizations for Displaced Students or Students with Disabilities - Individual**

You may carry the unused portion of this tax credit forward for five succeeding taxable years. See Form 341-I for details. Enter the amount used.

**Line 62 - Renewable Energy Production Tax Credit**

You may carry the unused portion of this tax credit forward for five succeeding taxable years. See Form 343 for details. Enter the amount used.

**Line 63 - Credit for New Employment**

You may carry the unused portion of this tax credit forward for five succeeding taxable years. See Form 345 for details. Enter the amount used.

**Line 64 - Additional Credit for Increased Research Activities for Basic Research Payments**

You may carry the unused portion of this tax credit forward for five succeeding taxable years. See Form 346 for details. Enter the amount used.

**Line 65 - Credit for Contributions to Certified School Tuition Organization (for contributions that exceed the allowable credit on Arizona Form 323)**

You may carry the unused portion of this tax credit forward for five succeeding taxable years. See Form 348 for details. Enter the amount used.

**Line 66 - Credit for Renewable Energy Investment and Production for Self-Consumption by International Operations Centers**

You may carry the unused portion of this tax credit forward for five succeeding taxable years. See Form 351 for details. Enter the amount used.

**Line 67 - Credit for Contributions to Qualifying Foster Care Charitable Organizations**

You may carry the unused portion of this tax credit forward for five succeeding taxable years. See Form 352 for details. Enter the amount used.

**Line 68 - Reserved**

Do not enter an amount on line 68.

**Line 69 - Total Tax Credits Used**

Add lines 40 through 67 and enter the total here.

**This amount cannot exceed the amount entered on Form 301, line 39.**

Enter the amount from this line on your income tax form.

If you file Form:	Enter the amount on line:
140	51
140PY	62
140NR	61
140X	39

**Credit Carryover Worksheet**

To figure how much of a credit carryover that you will have for next year, complete the carryover worksheet on the next page.

Keep the worksheet with your records and use the information to complete your 2019 return that you will file in 2020. If you have more than four credit types available, use your own worksheet. Make sure the additional worksheet has the same information as this worksheet.

**Credit Carryover Worksheet**

Keep this worksheet with your records. Use this information to complete your 2019 credit forms that you will file in 2020.

<b>(a) Credit Type</b>		<b>(b) Carryover?</b>		<b>(c) Credit Available for 2018</b>	<b>(d) Credit Used for 2018</b>	<b>(e) Carryover Available for 2019</b>
<p>On lines 1 through 4 below, enter the form number of the credit(s) available to you for 2018.</p>		<p>May the unused portion from the credit listed in column (a) be carried forward? (See the applicable credit form for carry forward information.)</p> <p><b>Check either yes or no.</b></p> <p>If the answer is no, do not complete columns (c) through (e) for that line.</p>		<p>On lines 1 through 4 below, enter the amount of each credit <i>available</i> to you for 2018.</p> <p>Take these amounts from Form 301, lines 1 through 28.</p>	<p>On lines 1 through 4 below, enter the amount of each credit <i>used</i> for 2018.</p> <p>Take these amounts from Form 301, lines 40 through 67.</p>	<p>For each line on which you have entered an amount, subtract the amount in column (d) from the amount in column (c). This is the amount of each credit that you may carryover to 2018, providing the credit carryover may be carried to 2019.</p> <p>Use this figure when completing the appropriate carryover amount(s) on the 2019 credit form(s).</p>
1.				.00	.00	.00
2.				.00	.00	.00
3.				.00	.00	.00
4.				.00	.00	.00

**Include with your return.**

For the calendar year 2018 or fiscal year beginning [M, M, D, D, 2, 0, 1, 8] and ending [M, M, D, D, Y, Y, Y, Y].

Name as shown on Form 140, 140PY, 140NR, 140X, 120, 120A, 120S, or 120X	Social Security or Employer Identification Number
---	---

**Available Credit Carryover**

<b>1</b> <u>Taxable year</u>		
<b>2</b> <u>Original credit amount</u>		00
<b>3</b> <u>Amount previously used</u>		00
<b>4</b> <u>Tentative carryover: Subtract line 3 from line 2</u>		00
<b>5</b> <u>Amount unallowable: See instructions</u>		00
<b>6</b> <u>Available carryover: Subtract line 5 from line 4</u> <ul style="list-style-type: none"> <li>• <i>Individuals: Also enter this amount on Form 301, line 1, column (b).</i></li> <li>• <i>C corporations, S corporations that elected to claim this credit at the corporate level, and exempt organizations with UBTI: Also enter this amount on Form 300, line 1, column (b)</i></li> </ul>		00

**2018 Enterprise Zone Credit**

**CONTACTS FOR ENTERPRISE ZONE CREDIT**

**Arizona Commerce Authority**

Website: [www.azcommerce.com](http://www.azcommerce.com)

Program Manager (602) 845-1200

**Department of Revenue**

•Tax forms and instructions •Information and assistance

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

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

**General Instructions**

This credit provided nonrefundable individual and corporate income tax credits for net increases in qualified employment positions by a business located in a former enterprise zone.

The last year an Enterprise Zone Credit could be established was taxable year 2013. The unused portion of valid enterprise zone credits may be carried forward for the remainder of the five-year carry forward period.

**Specific Instructions**

Complete the name and taxpayer identification number section at the top of the form. Indicate the period covered by the taxable year. Include the completed form and all supporting documentation with the tax return.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for a corporation, S corporation, or a partnership is the taxpayer's employer identification number. The TIN for an individual is the taxpayer's Social Security Number or an Internal Revenue Service individual taxpayer identification number. Taxpayers that fail to include their taxpayer identification number may be subject to a penalty.

**NOTE – To claim this credit carryover:**

- **Individual taxpayers** - Complete this credit form and Arizona Form 301. Include both completed forms with your return.
- **C Corporations, S corporations that elected to claim this credit at the corporate level, and exempt organizations with UBTI** - Complete this credit form and Arizona Form 300. Include both completed forms with your return.

**Available Credit Carryover**

Complete this form if you have a carryforward of this credit from the past five years. (You will have a credit carryforward only if your allowable enterprise zone credit was greater than your tax liability for those same five years.) If you do not have a carryforward of this credit, do not complete this form.

PARTNERSHIPS AND S CORPORATIONS THAT ELECTED TO PASS THE CREDIT THROUGH TO THEIR SHAREHOLDERS: A partnership or an S corporation that passed the credit through to its partners or shareholders must furnish each partner or shareholder with a statement indicating that the business is still located in the former enterprise zone.

**Line 1 -**

Enter the taxable year from which you are carrying over the credit.

**Line 2 -**

Enter the credit originally computed for that taxable year.

**Line 3 -**

Enter the amount of the credit from that taxable year already used.

**Line 4 -**

Subtract the amount on line 3 from the amount on line 2. Enter the difference.

**Line 5 -**

Enter the amount of the credit that is disallowed because the business is no longer located at the location that formerly was in an enterprise zone.

**Line 6 -**

Subtract the amount entered on line 5 from line 4. Enter the difference. This is the total enterprise zone credit carryover available.

*Individuals* - enter this amount on Arizona Form 301, Part 1, line 1, column (b).

*C Corporations, S corporations that claimed this credit at the corporate level, and exempt organizations with UBTI* - enter this amount on Arizona Form 300, Part 1, line 1, column (b).



*Include with your return.*

For the calendar year 2018 or fiscal year beginning   M  M  D  D  2  0  1  8   and ending   M  M  D  D  Y  Y  Y  Y  .

Name as shown on Form 140, 140PY, 140NR, 140X, 99T, 120, 120A, 120S, 120X, or 165	Social Security or Employer Identification Number
---	---

Certification number from the former Arizona Department of Commerce: \_\_\_\_\_

**Part 1 Schedule of Cost of Equipment or Property Used in Construction of a Facility for Current Year and Current Taxable Year's Credit Calculation**

1 Start date of facility's initial construction.....	1	M M D D Y Y Y Y
--	---	-----------------

	(a) Description of Equipment or Property		(b) Cost
1A			00
1B			00
1C			00
1D			00
1E			00
1F			00
1G			00
1H			00
1I	Total of lines 1A through 1H.....		00
1J	Total from additional worksheets.....		00
2	Add lines 1I and 1J. Enter the total. This is a total of all current year property on which this credit is claimed.....	<b>2</b>	00
3	Multiply line 2, column (b), by 10%. Enter the result. ....	<b>3</b>	00
4	Enter the amount of this credit passed through from partnerships on Form(s) 305-P, Part 1, line 3(c).....	<b>4</b>	00
5	Enter the amount of this credit passed through from S corporations on Form(s) 305-S, Part 1, line 3(c).....	<b>5</b>	00
6	Add lines 3 through 5. Enter the total. This is the current taxable year's Environmental Technology Facility Credit.....	<b>6</b>	00

Continued on page 2 →

Name (as shown on page 1)	EIN
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**Part 2 Recapture of Environmental Technology Facility Credit**

7a Certification number: _____				
7b Date facility was placed in service.....	7b			
8 Date facility ceased to operate as an environmental manufacturing, producing or processing facility .....	8			
9 Enter total credit determined in prior years for this facility.....	9			00
10 See instructions for the recapture percentage to enter.....	10			%
11 Multiply line 9 by the percentage on line 10. Enter the result. This is the amount of the credit to be recaptured from taxpayer operations.....	11			00
12 Enter the partner's portion of this credit subject to recapture from Form(s) 305-P, Part 2, line 7.....	12			00
13 Enter the S corporation shareholder's portion of this credit subject to recapture from Form(s) 305-S, Part 2, line 7 .....	13			00
14 Add lines 11 through 13. Enter the total. This is the total amount of the Environmental Technology Facility Credit to be recaptured for the current taxable year. Also, enter this amount on Part 5, line 18. ....	14			00

**Part 3 Partnerships**

A partnership claiming this credit **must** pass it through to its partners.

- Complete Form 305-P for each partner.
- Provide a completed copy of Form 305-P to each partner.
- Include a copy of each completed Form 305-P with your tax return.
- Keep a copy of each completed Form 305-P for your records.
- Do not complete Parts 4 through 7 of this form.

**Part 4 S Corporation Credit Election and Shareholder's Share of Credit and Credit Recapture**

15 The S corporation has made an irrevocable election for the taxable year ending |M|M|D|D|Y|Y|Y|Y| to (check only one box):

15a  Claim the environmental technology facility credit, as shown on Part 1, line 6, column (b) (for the taxable year indicated above);

**OR**

15b  Pass the environmental technology facility credit, as shown on Part 1, line 6, column (b) (for the taxable year indicated above) through to its shareholders.

Signature	Title	Date
-----------	-------	------

If passing the credit through to the shareholders, complete Form 305-S for each shareholder.

- Provide a copy of completed Form 305-S to each shareholder.
- Include a copy of each Form 305-S completed with your tax return.
- Keep a copy of each completed Form 305-S for your records.

Continued on page 3 →

**Part 5 Credit Recapture Summary**

**16** Enter the taxable year(s) in which you claimed a credit or credit carryover for the facility that has ceased to operate as an environmental manufacturing, producing or processing facility:

\_\_\_\_\_

**17** Enter the total amount of credit originally determined for the facility.....

<b>17</b>		00
-----------	--	----

**18** Enter the total amount of credit to be recaptured from Part 2, line 14.....

<b>18</b>		00
-----------	--	----

**19** Subtract line 18 from line 17 and enter the difference. This is the amount of credit allowable for the facility that has ceased to operate as an environmental manufacturing, producing or processing facility.....

<b>19</b>		00
-----------	--	----

**20** Enter the total amount of credit on line 17 that you used on prior years' returns.....

<b>20</b>		00
-----------	--	----

**21** Subtract line 20 from line 19 and enter the difference.....

<b>21</b>		00
-----------	--	----

If the difference is POSITIVE:

- *This is the amount of Environmental Technology Facility Credit carryover you have remaining for use in future years.*
- Adjust the amounts in Part 6, lines 22 through 36, column (d) so the total amount on line 37 equals the amount of the credit carryover remaining for use in future years. See instructions.

If the difference is NEGATIVE:

- *This is the amount of Environmental Technology Facility Credit you must recapture.*
- Adjust the amounts in Part 6, lines 22 through 36 column (d) to "0". There is no carryover amount for this credit. See instructions.
- *Individuals:* Enter this amount as a POSITIVE number on Form 301, Part 2, line 32.
- *C corporations, S corporations that claimed this credit at the corporate level, and exempt organizations with UBTI:* Enter this amount as a POSITIVE number on Form 300, Part 2, line 23.

**Part 6 Available Credit Carryover**

	(a) Taxable Year	(b) Original Credit Amount	(c) Amount Previously Used, Expired or Recaptured	(d) Available Carryover: Subtract column (c) from column (b).
<b>22</b>		00	00	00
<b>23</b>		00	00	00
<b>24</b>		00	00	00
<b>25</b>		00	00	00
<b>26</b>		00	00	00
<b>27</b>		00	00	00
<b>28</b>		00	00	00
<b>29</b>		00	00	00
<b>30</b>		00	00	00
<b>31</b>		00	00	00
<b>32</b>		00	00	00
<b>33</b>		00	00	00
<b>34</b>		00	00	00
<b>35</b>		00	00	00
<b>36</b>		00	00	00
<b>37</b>	Total Available Carryover: Add lines 22 through 36 in column (d). Enter the total.....			<b>37</b> 00

Continued on page 4 →

Name (as shown on page 1)

EIN

**Part 7 Total Available Credit**

<p><b>38</b> Current year's credit:</p> <ul style="list-style-type: none"> <li>• <i>Individuals, C corporations, S corporations electing to claim this credit at the corporate level, or exempt organizations with UBTI:</i> Enter the amount from Part 1, line 6, column (b).</li> <li>• <i>Individuals:</i> Enter this amount on Form 301, Part 1, line 2, column (a).</li> <li>• <i>C corporations, S corporations electing to claim this credit at the corporate level, and exempt organizations with UBTI:</i> Enter this amount on Form 300, Part 1, line 2, column (a)</li> <li>• <i>Partnerships:</i> Enter "0".</li> <li>• <i>S corporations electing to pass this credit through to its shareholders:</i> Enter "0".....</li> </ul>	<b>38</b>		00
<p><b>39</b> Available credit carryover from Part 6, line 37, column (d):</p> <ul style="list-style-type: none"> <li>• <i>Individuals:</i> Enter this amount on Form 301, Part 1, line 2, column (b).</li> <li>• <i>C corporations, S corporations electing to claim this credit at the corporate level, and exempt organizations with UBTI:</i> Enter this amount on Form 300, Part 1, line 2, column (b) .....</li> </ul>	<b>39</b>		00
<p><b>40 Total available credit:</b> Add lines 38 and 39. Enter the total.</p> <ul style="list-style-type: none"> <li>• <i>Individuals:</i> Enter the total on Form 301, Part 1, line 2, column (c).</li> <li>• <i>C corporations, S corporations electing to claim this credit at the corporate level, and exempt organizations with UBTI:</i> Enter the total on Form 300, Part 1, line 2, column (c) .....</li> </ul>	<b>40</b>		00

For the calendar year 2018 or fiscal year beginning MM,MM,DD,DD 2,0,1,8 and ending MM,MM,DD,DD Y,Y,Y,Y.

**Partnerships:**

- Complete Form 305-P for each partner in the partnership **except for** trust or estate partners. However, a partnership ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.
- Provide a copy of the completed form to each partner.
- Keep a copy of each completed Form 305-P for your records.
- Include a copy of each completed Form 305-P with your partnership return.

**Partners:**

- Use this form to complete your own Form 305.
- Include this completed form with your return.
- Keep a copy of this form and certificate for your records.

**NOTE:** If you file your tax return on a calendar year basis but this entity files a return on a fiscal year basis (see above), claim this credit on your tax return for the year in which this entity's fiscal year ends.

**Part 1 Distribution of the Credit**

Complete Part 1 to distribute the credit to each partner in the partnership.

<b>1</b>	(a) Partnership Name	(b) Employer Identification Number (EIN)	(c) Certification Number
<b>2</b>	(a) Partner Name	(b) Taxpayer Identification Number (TIN)	
<b>3a</b>	Partnership credit amount from Form 305, Part 1, line 6.....	<b>3a</b>	\$ <input type="text"/> 00
<b>3b</b>	Partner's ownership percentage.....	<b>3b</b>	<input type="text"/> %
<b>3c</b>	Multiply the amount on line 3a by the percentage on line 3b. Enter the result. This is the partner's portion of the credit.....	<b>3c</b>	\$ <input type="text"/> 00

**Partners:**

The amount reported on line 3c is your portion of this credit. Enter the amount from line 3c on Part 1, line 4 of your own Form 305 to claim this credit.

**Part 2 Notification of Credit Recapture**

Complete Part 2 to notify each partner in the partnership of their share of the credit to be recaptured.

<b>4</b>	(a) Partnership Name	(b) Employer Identification Number (EIN)	
<b>5</b>	(a) Partner Name	(b) Taxpayer Identification Number (TIN)	
<b>6</b>	(a) Certification Number that was Terminated or Revoked	(b) Date the Certification was Terminated or Revoked <u>MM,MM,DD,DD</u> Y,Y,Y,Y	
<b>7</b>	Partner's portion of the credit subject to recapture.....	<b>7</b>	\$ <input type="text"/> 00

**Partners:**

The amount reported on line 7 is your portion of this credit to be recaptured. Enter the amount from line 7 on Part 2, line 12 of your own Form 305.

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**2018 Environmental Technology Facility Credit**

**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 click on *Reports & Legal Research* then click on *Legal Research* and select a document and a category type from the drop down menus.

**Publications**

To view or print the department's publications, go to our website and click on *Reports & Legal Research*. Then click on *Publications*.

**General Instructions**

A nonrefundable tax credit is available for expenses incurred in constructing a qualified environmental technology manufacturing, producing or processing facility. The credit is equal to 10% of the amount spent during the taxable year to construct the facility, including land acquisition, improvements, building improvements, machinery and equipment. The amount of credit used cannot exceed 75% of the Arizona income tax liability for the taxable year as determined without applying the credit.

If the allowable tax credit exceeds 75% of the taxes otherwise due on the return, or if there are no taxes due, the amount of the credit not used to offset taxes may be carried forward for not more than fifteen taxable years as a credit against subsequent years' income tax liabilities.

The former Arizona Department of Commerce identified and certified new facilities of qualified environmental technology manufacturers, producers and processors for purposes of the credit. The certification program ran through June 30, 1996. The certification may be assigned or transferred to one or more successor taxpayers, manufacturers, producers or processors that have acquired and continue to operate a facility that was used to meet the qualifying conditions listed below and that continues to be used predominantly for those purposes.

To qualify, an environmental technology manufacturer, producer, or processor must locate or make an additional capital investment in a facility in this state that:

- Is used predominantly to do any of the following:
  - Sort, store, prepare, convert, fabricate, manufacture, or otherwise process finished products consisting of at least 90% recycled materials.
  - Prepare, fabricate, manufacture, or otherwise process finished products that are powered exclusively with solar or other specific renewable energy.
  - Prepare, fabricate, manufacture, or otherwise process raw material or intermediate product

exclusively through a hydro-metallurgical process where at least 85% of the process solution used to produce the finished product is recycled on site for additional production.

- Fabricate or manufacture finished paper products that consist of at least 80% recycled material.
- Costs, or is expected to cost, an aggregate of at least 20 million dollars of new capital investment in this state within five years after construction begins or commencement of installation of improvements.

You may claim a credit with respect to new qualifying construction within ten years after the start of the facility's initial construction. You qualify for the credit if you own or lease the facility or any component of the facility for a term of five or more years. A credit is not allowed for any amount spent more than ten years after the start of the facility's initial construction.

You can only claim the credit for items that are depreciable or amortizable assets. You must subtract the amount of your credit from your basis in those assets. You may still take depreciation or amortization of your remaining Arizona basis in the assets.

Co-owners of a business, including partners in a partnership and shareholders of an S corporation, may each claim only the *pro rata* share of the credit allowed based on the ownership interest. The total of the credits allowed all such owners may not exceed the amount that would have been allowed for a sole owner of the business.

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

**NOTE – To claim this credit:**

- **Individual taxpayers** - Complete this credit form and Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture. Include both completed forms with your tax return.
- **C Corporations, S corporations claiming this credit at the corporate level, and exempt organizations with UBTI** - Complete this credit form and Arizona Form 300, Nonrefundable Corporate Tax Credits and Recapture. Include both completed forms with your tax return.
- **S corporations electing to pass this credit through to its shareholders** - Complete this credit form and Arizona Form 300, Nonrefundable Corporate Tax Credits and Recapture. Also, complete Form 305-S for each shareholder of the S corporation. Provide each shareholder a copy of his or her completed Form 305-S. Include Form 300, Form 305, and one copy of each completed Form 305-S with your tax return.
- **Partnerships** - Complete this credit form. Also, complete Form 305-P for each partner of the partnership. Provide each partner a copy of his or her completed Form 305-P. Include Form 305 and one copy of each completed Form 305-P with your tax return.

**Credit Recapture**

If either of the following circumstances occurs with respect to a qualified environmental technology manufacturing, producing or processing facility, the tax imposed for the taxable year shall be increased by the full amount of all credits previously allowed with respect to that facility:

- The taxpayer abandons construction before the facility is placed in service.
- Before the facility is placed in service, the taxpayer changes plans so that the facility no longer qualifies as an environmental technology manufacturing, producing or processing facility.

If a qualified environmental technology facility ceases to operate as an environmental manufacturing, producing or processing facility at some time during the first five years it has been in operation, you must recapture part of the credit.

Any credit recapture will affect any carryover you may have on that credit. If you have to recapture 100% of the credit, you will have no credit carryover. If you have to recapture a portion of the credit, you have to recapture the same portion of the carryover. How to figure the recapture of a portion of your credit is discussed in the specific instructions that follow.

**Specific Instructions**

- Indicate the period covered by the taxable year.
- Enter the taxpayer's name and taxpayer identification number in the spaces provided.
- Enter the certification number from the former Arizona Department of Commerce.

**NOTE:**

- *All returns, statements, or other documents filed with the department must have the taxpayer's Employer Identification Number (EIN) or taxpayer identification number (TIN) indicated on them.*
- *Taxpayers who fail to include their EIN or TIN may be subject to a penalty.*

**Part 1 - Schedule of Cost of Equipment or Property Used in Construction of Facility for Current Year and Current Taxable Year's Credit Calculation**

**Line 1-**

Enter the date the facility's initial construction was started.

**Lines 1A through 1H -**

**Column (a)**, describe the expenses incurred in constructing the new facility during the current year. Such items would include land purchased or improved, building construction initiated or improved, or equipment or machinery installed or placed in use. If additional space is needed, include a separate sheet.

**Column (b)**, enter the cost of the equipment or property listed in column (a).

**Line 1I -**

Add lines 1A through 1H. Enter the total.

**Line 1J -**

Enter the cost of equipment or property from additional schedules in column (b).

**Line 2 -**

Add line 1I and line 1J of column (b). Enter the total. This is the total cost of equipment or property used in construction of an environmental technology facility for the taxable year.

**Line 3 -**

Multiply line 2, column (b) by 10%. Enter the result.

**Line 4 -**

Enter the amount of this credit passed through from partnerships on Form(s) 305-P, line 3(c). If you received a pass through of this credit from more than one partnership, add the amounts on line 3(c) of all Forms 305-P and enter the total.

**Line 5 -**

Enter the amount of this credit passed through from S corporations on Form(s) 305-S, line 3(c). If you received a pass through of this credit from more than one S corporation, all the amounts on line 3(c) of all Forms 305-S and enter the total.

**Line 6 -**

Add lines 3 through 5. Enter the total. This is the current taxable year's Environmental Technology Facility Credit.

**Part 2 - Recapture of Environmental Technology Facility Credit**

If the facility has been in operation for five years or more, you do not have to recapture credits you have already used to offset your tax liability. If it ceased to operate as required before five years have passed, you must recapture the credit you used by taking the total of all environmental technology facility credits you received before, and multiply it by a percentage. The percentage depends on how long the facility had been operating as an environmental manufacturing, producing or processing facility.

**Line 7a -**

Enter the Certification Number that was terminated or revoked.

**Line 7b -**

Enter the date the facility was placed in service.

**Line 8 -**

Enter the date the facility ceased to operate as an environmental manufacturing, producing or processing facility.

**Line 9 -**

Enter the total amount of the credit you were previously allowed to claim in prior years for this facility.

**Line 10 -**

Enter the recapture percentage based on the number of years between when the facility was placed in service and when it ceased to meet the credit requirements. See the table below to determine the recapture percentage.

How long between the time the facility was placed in service and the time it ceased to meet the credit requirements?	Recapture percentage
Less than one year	100 %
At least one year, but less than two years	80 %
At least two years, but less than three years	60 %
At least three years, but less than four years	40 %
At least four years, but less than five years	20 %

**Line 11 -**

Multiply line 9 by the percentage on line 10. Enter the result. This is the amount of credit recapture from taxpayer operations.

**Line 12 -**

Enter your portion of this credit subject to recapture from Form 305-P, Part 2, line 7.

**Line 13 -**

Enter your portion of this credit subject to recapture from Form 305-S, Part 2, line 7.

**Line 14 -**

Add lines 11 through 13. Enter the total. This is the amount of the Environmental Technology Facility Credit subject to recapture for the current taxable year.

Also, enter this amount in Part 5, line 18.

**Part 3 - Partnerships**

A partnership claiming this credit *must* pass it through to its partners. Skip to the instructions for completing Form 305-P on page 8.

- Complete Form 305-P for each partner.
- Provide each partner with a completed copy of their Form 305-P.
- Include a copy of each completed Form 305-P with your tax return.
- Keep a copy of each completed Form 305-P for your records.
- Do not complete the remainder of this form.

Each partner is entitled to only a *pro rata* share of each credit based on the partner's ownership interest in the partnership. The total of each credit allowed to all partners may not exceed the amount that would have been allowed for a sole owner.

**NOTE:** *Trusts and estates which are partners in a partnership are not eligible to claim this credit. However, the share of a partnership owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of this credit.*

**Part 4 - S Corporation Credit Election and Shareholder's Share of Credit and Credit Recapture**

**Lines 15, 15a, & 15b - S Corporation Credit Election**

The S corporation must complete line 15 and line 15a or line 15b. The S corporation must make an irrevocable election either to claim the current taxable year credit at the corporate level or to pass the credit through to its shareholders. The S corporation election is made by:

- Entering the date the S corporation's taxable year ends in the box provided on line 15.
- Checking the box on line 15a electing to claim the current taxable year credit at the corporate level; or
- Checking the box on line 15b electing to pass the current taxable year credit through to its shareholders.

**NOTE:** *The election statement must be signed by one of the officers of the S corporation who is also a signatory to Arizona Form 120S.*

If the S corporation elects to claim the credit at the corporate level, continue to Part 5.

If the S corporation elects to pass this credit through to its shareholders, proceed to the instructions for completing Form 305-S on page 10.

If passing this credit through to the shareholders:

- Complete Form 305-S for each shareholder.
- Provide each shareholder with a completed copy of their Form 305-S.
- Include a copy of each completed Form 305-S with your tax return.
- Keep a copy of each completed Form 305-S for your records.

Each S corporation shareholder is entitled to only a *pro rata* share of pass-through credit based on ownership interest in the S corporation. The total of the credit allowed to all shareholders may not exceed the amount that would have been allowed for a sole owner.

**NOTE:** *Trusts and estates which are shareholders of an S corporation are not eligible to claim this credit. However, the share of an S corporation owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of this credit.*

**Part 5 - Credit Recapture Summary**

**NOTE:** *If you are a partnership or S corporation that passed the credit through to partners or shareholders, do not complete Part 5. You will report the recapture to the partners or shareholders on either Form 305-P or Form 305-S.*

Use lines 16 through 21 to determine how much of your previously claimed credit must be recaptured, and how much, if any, credit carryover remains.

**Line 16 -**

Enter the taxable year(s) in which you claimed a credit or credit carryover for the facility that has ceased to operate as an environmental manufacturing, producing or processing facility.

**Line 17 -**

Enter the total amount of credit originally determined for the facility.

**Line 18 -**

Enter the total amount of the credit to be recaptured from Part 2, line 14.

**Line 19 -**

Subtract line 18 from line 17. Enter the difference. This is the amount of credit allowable for the facility that has ceased to operate as an environmental manufacturing, producing or processing facility.

**Line 20 -**

Enter the total amount of credit on line 17 that you used on prior years' returns.

**Line 21 -**

Subtract line 20 from line 19. Enter the difference.

If the difference is **POSITIVE**:

- *This is the amount of Environmental Technology Facility Credit carryover you have remaining for use in future years.*
- Adjust the amounts in Part 6, lines 22 through 36 column (d) so the total amount on line 37 equals the amount of the credit carryover remaining for use in future years.

If the difference is **NEGATIVE**:

- *This is the amount of Environmental Technology Facility Credit you must recapture.*
- Adjust the amounts in Part 6, lines 22 through 36, column (d), to "0". There is no carryover amount remaining for this credit.
- *Individuals:* Also, enter this amount as a POSITIVE number on Form 301, Part 2, line 32.
- *C Corporations, S corporations that claimed this credit at the corporate level, and exempt organizations with UBTI:* Enter this amount as a POSITIVE number on Form 300, Part 2, line 23.

For additional guidance, refer to Examples 1 and 2 following the instructions for line 37.

**Part 6 - Available Credit Carryover**

You may carry forward the amount of the unused environmental technology facility credit for a period not to exceed fifteen taxable years, provided the facility remains a qualified environmental technology manufacturing, producing or processing facility. (See the *Credit Recapture* section on page 2 for information on retaining your qualification as a qualified environmental technology facility.)

Complete lines 22 through 36 if you claimed the credit on a prior year's return and your credit was more than 75% of your tax to determine whether you have any allowable credit remaining, even if you have to recapture some of it.

**S corporations**, if this credit was claimed at the corporate level in a prior taxable year and there is a carryover amount available, complete Part 6.

**Lines 22 through 36 -**

1. Enter the applicable taxable years in column (a).
2. Enter the amount of the original environmental technology facility credit for each taxable year in column (b).
3. Enter the amount of the credit for each taxable year that was previously used, expired or recaptured in column (c).
4. Subtract the amount in column (c) from the amount in column (b).
5. Enter the difference in column (d).

**Line 37 -**

Add the amounts entered in column (d) for lines 22 through 36. Enter the total. This is the total available credit carryover.

**EXAMPLE 1 (In this example, line 21 is positive):**

Environmental Technology Facility A (A) claimed the Environmental Technology Facility Credit on Form 305 for taxable years 2015 through 2017. The amount of credit claimed each year was \$1,000; the total credit claimed is \$3,000. A used \$1,500 of its environmental technology facility credit, leaving it with a credit carryover of \$1,500 as of taxable year ending 2017.

During 2018, A was notified by the department it was subject to a recapture of 60% of the credit claimed, or \$ 900.

A completes Part 5 of its Form 305 and finds that line 21 is **positive**. This means A still has a carryover of the environmental technology facility credit in the amount of \$600.

At the end of taxable year 2017, A had an available environmental technology facility credit carryover amount of \$1,500, shown on the schedule below (from Part 6 of its 2016 taxable year Form 305):

(a) Taxable Year	(b) Original Credit Amount	(c) Amount Previously Used	(d) Available Credit Carryover
2015	1,000	500	500
2016	1,000	500	500
2017	1,000	500	500
<b>Total Available Carryover:</b>			<b>1,500</b>

Following the instructions for lines 22 through 36, A adjusts Part 6, Available Environmental Technology Facility Credit Carryover, for the recapture of \$900. Part 6 of its 2018 taxable year Form 305 is shown below:

(a) Taxable Year	(b) Original Credit Amount	(c) Amount Previously Used, Expired, or Recaptured	(d) Available Credit Carryover
2015	1,000	1,000	0
2016	1,000	900	100
2017	1,000	500	500
<b>Total Available Carryover</b>			<b>600</b>

- A increased its 2015 Amount Previously Used (Or Recaptured) by \$500. This eliminated its credit carryover from 2015.
- A increased its 2016 Amount Previously Used (Or Recaptured) by \$400. This reduced its credit carryover for 2016 from \$500 to \$100.
- A's 2017 Available Environmental Technology Facility Credit Carryover remains unchanged.
- A has \$600 of Available Environmental Technology Facility Credit Carryover it may use on its 2018 taxable year tax return.

**EXAMPLE 2 (In this example, line 21 is negative):**

Environmental Technology Facility B (B) claimed the Environmental Technology Facility Credit on Form 305 for taxable years 2015 through 2017. The amount of credit claimed each year was \$1,000; the total credit claimed is \$3,000. During those years, B used \$2,500 of its environmental technology facility credit, leaving it with a credit carryover of \$500 as of taxable year ending 2017.

During 2018, B was notified by the department it was subject to a recapture of 60% of the credit claimed, or \$ 900.

B completes Part 5 of its Form 305 and finds that line 21 is **negative**. This means B has no carryover of the environmental technology facility credit and must report \$400 as a recapture on Form 300, Part 2, line 27, or Form 301, Part 2, line 36. (See line 21 for instructions).

At the end of taxable year 2017, B had an available environmental technology facility credit carryover amount of \$500, shown on the schedule below (from Part 5 of its 2016 taxable year Form 305):

(a) Taxable Year	(b) Original Credit Amount	(c) Amount Previously Used	(d) Available Credit Carryover
2015	1,000	1,000	0
2016	1,000	1,000	0
2017	1,000	500	500
<b>Total Available Carryover:</b>			<b>500</b>

Following the instructions for lines 22 through 36, B adjusts Part 6 for the recapture of \$900. Part 6 of its 2018 taxable year Form 305 is shown below:

(a) Taxable Year	(b) Original Credit Amount	(c) Amount Previously Used Expired or Recaptured	(d) Available Credit Carryover
2015	1,000	1,000	0
2016	1,000	1,000	0
2017	1,000	1,000	0
<b>Total Available Carryover</b>			<b>0</b>

No adjustment is needed for 2015.

No adjustment is needed for 2016.

B increased its 2017 Amount Previously Used (Or Recaptured) by \$500. This eliminated its Environmental Technology Facility Credit carryover for 2017.

B has no credit carryover of the Environmental Technology Facility Credit.

**Part 7 - Total Available Credit****Line 38 -**

*Individuals, C Corporations, S corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI* - enter the current year's environmental technology facility credit from Part 1, line 6, column (b).

*Partnerships* - enter "0".

*S corporations that passed the current year credit through to shareholders* - enter "0".

*Individuals* - Also, enter this amount on Form 301, Part 1, line 2, column (a).

*C Corporations, S corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI* - Also, enter this amount on Form 300, Part 1, line 2, column (a).

**Line 39 -**

Enter the amount of available credit carryover from Part 6, line 37, column (d).

*Individuals* - Also, enter this amount on Form 301, Part 1, line 2, column (b).

*C Corporations, S corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI* - Also, enter this amount on Form 300, Part 1, line 2, column (b).

**Line 40 -**

Add lines 38 and 39. This is the total available environmental technology facility credit that may be applied to the current taxable year's tax liability. Any amount in excess of 75% of the current year's tax liability must be carried forward to the next taxable year.

*Individuals* - Enter the total. Also, enter the total on Form 301, Part 1, line 2, column (c).

*C Corporations, S corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI* - Enter the total. Also, enter the total on Form 300, Part 1, line 2, column (c).

## Form 305-P, Distribution to Partners of a Partnership

Enter the taxable year end for which this credit is being passed through to your partners.

Complete Form 305-P for each partner of the partnership, *except for* trust or estate partners. However, a partnership ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.

The partnership must furnish each partner with their completed copy of Form 305-P, including additional schedules as needed.

**NOTE:** *Form 305-P is used to distribute the partnership's share of this credit to its partners, or it is used to notify the partners of the amount of the credit to be recaptured.*

### Part 1 - Distribution of the Credit

To distribute the credit to the partners of the partnership complete lines 1 through 3c.

#### Line 1 -

- a) Enter the partnership name.
- b) Enter the partnership's EIN.
- c) Enter the Certification Number for the facility from the former Arizona Department of Commerce.

#### Line 2 -

- a) Enter the partner's name.
- b) Enter the partner's TIN.

#### Lines 3a, 3b, and 3c -

- a) Enter the amount of this credit from Form 305, Part 1, line 6 for which this partnership was approved.
- b) Enter the partner's ownership percentage.
- c) Multiply line 3(a) by line 3(b) and enter the result.

**This is the partner's portion of this credit.**

### Part 2 - Notification of Credit Recapture

To notify the partners of the amount of the credit that must be recaptured (complete lines 4 through 7):

#### Line 4 -

- a) Enter the partnership name.
- b) Enter the partnership EIN.

#### Line 5 -

- a) Enter the partner's name.
- b) Enter the partner's TIN.

#### Line 6 -

- a) Enter the Certification Number that was terminated or revoked.
- b) Enter the date the Certification Number was terminated or revoked.

#### Line 7 -

Enter the total amount of the credit(s) previously passed through to the partner for the facility(ies) whose certification was terminated or revoked.

**This is the partner's portion of the credit subject to recapture.**



**RECAPTURE OF THIS CREDIT PASSED THROUGH TO PARTNERS OF A PARTNERSHIP**

If you passed this credit through to your partners in a previous tax year and then received a notice from the Arizona Department of Revenue that your credit is subject to recapture during this year, you must pass the amount(s) subject to recapture through to your partners that received the credit.

This credit was passed through to your partners based on their ownership percentage (per year). The recapture amount is based on a percentage of the total credit passed through to all partners. You will receive a notice of recapture from the department indicating the percentage of this credit that is subject to recapture. You must notify your shareholders of their portion of this amount.

To notify your partners of their respective amount(s) of this credit that is subject to recapture from them:

1. Determine the amount of credit passed through to each partner for all years of the credit,
2. Multiply the amount on 1 (above) by the recapture percentage (provided by Arizona Department of Revenue),
3. Complete Part 2 of Form 305-P for each partner informing him/her of the amount of this credit subject to recapture.

**Example:**

Partnership claimed this credit for four years, 1 through 4. Each year, Partnership claimed this credit in the amount of \$100,000. The total credit passed through to its partners was \$400,000.

During the time Partnership claimed this credit, it had 5 Partners:

- Partner A owned 20% of Partnership for each year, 1 through 5
- Partner B owned 20% of Partnership for each year 1 through 5
- Partner C owned 20% of Partnership for years 1 through 3; in year 4, Partner C sold his ownership percentage of Partnership to Partner D
- Partner D owned 20% of Partnership for years 1 through 3; for years 4 and 5, Partner D owned 40% of Partnership
- Partner E owned 20% of Partnership for each year 1 through 5.

During year 5, Partnership received a notice from the Department indicating 40%, or \$160,000 of its credit is subject to recapture.

Using the 305-P forms it completed for years 1 through 4, Partnership determined it passed through the following amounts of credits to each of its partners for these years:

<b>Partner</b>	<b>Total Credit Passed Through</b>
Partner A	\$ 80,000
Partner B	\$ 80,000
Partner C	\$ 60,000
Partner D	\$ 100,000
Partner E	\$ 80,000
<b>Total Credit</b>	<b>\$ 400,000</b>

Multiplying each Partner’s amount of credit “passed through” by the recapture percentage, 40%, Partnership determined the credit amount(s) subject to recapture for each individual Partner is:

<b>Partner:</b>	<b>Credit Amount</b>	<b>Recapture %</b>	<b>Subject to Recapture</b>
Partner A	\$ 80,000	40%	\$ 32,000
Partner B	\$ 80,000	40%	\$ 32,000
Partner C	\$ 60,000	40%	\$ 24,000
Partner D	\$ 100,000	40%	\$ 40,000
Partner E	\$ 80,000	40%	\$ 32,000
<b>Total Credit</b>	<b>\$400,000</b>	<b>40%</b>	<b>\$ 160,000</b>

Partnership completed Form 305-P informing each partner of the amount of this credit that is subject to recapture.

## Form 305-S, Distribution to Shareholders of an S Corporation

Enter the taxable year end for which this credit is being passed through to your shareholders.

Complete Form 305-S for each shareholder of the S corporation, *except for* trust or estate shareholders. However, an S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.

The S corporation must furnish each shareholder with a completed copy of Form 305-S, including additional schedules as needed.

**NOTE:** *Form 305-S is used to distribute the S corporation's share of this credit to its shareholders, or it is used to notify the shareholders of the amount of the credit to be recaptured.*

### Part 1 - Distribution of the Credit

To distribute the credit to the S corporation shareholders complete lines 1 through 3c.

#### Line 1 -

- a) Enter the S corporation name.
- b) Enter the S corporation's Employer Identification Number (EIN).
- c) Enter the Certification Number for the facility from the former Arizona Department of Commerce.

#### Line 2 -

- a) Enter the shareholder's name.
- b) Enter the shareholder's TIN.

#### Lines 3a, 3b, and 3c -

- a) Enter the amount of this credit from Form 305, Part 1, line 6 for which the S corporation was approved.
- b) Enter the shareholder's ownership percentage.
- c) Multiply line 3(a) by line 3(b) and enter the result.

**This is the shareholder's portion of this credit.**

### Part 2 - Notification of Credit Recapture

To notify the shareholders of the amount of the credit that must be recaptured (complete lines 4 through 7):

#### Line 4 -

- a) Enter the S corporation name.
- b) Enter the S corporation EIN.

#### Line 5 -

- a) Enter the shareholder's name.
- b) Enter the shareholder's TIN.

#### Line 6 -

- a) Enter the Certification Number that was terminated or revoked.
- b) Enter the date the Certification Number was terminated or revoked.

#### Line 7 -

Enter the total amount of the credit(s) previously passed through to the shareholder for the facility(ies) whose certification was terminated or revoked.

**This is the shareholder's portion of the credit subject to recapture.**

**RECAPTURE OF THIS CREDIT PASSED THROUGH TO SHAREHOLDERS OF AN S CORPORATION**

If you passed this credit through to your shareholders in a previous tax year and then received a notice from the Arizona Department of Revenue that your credit is subject to recapture during this year, you must pass the amount(s) subject to recapture through to your shareholders who received the original credit.

This credit was passed through to your shareholders based on their ownership percentage (per year). The recapture amount is based on a percentage of the total credit passed through to all shareholders. You will receive a notice of recapture from the department indicating the percentage of this credit that is subject to recapture. You must notify your shareholders of their portion of this amount.

To notify your shareholders of their respective amount(s) of this credit that is subject to recapture from them:

1. Determine the amount of credit passed through to each shareholder for all years of the credit.
2. Multiply the amount on 1 (above) by the recapture percentage (provided by Arizona Department of Revenue).
3. Complete Part 2 of Form 305-S for each shareholder informing him/her of the amount of this credit subject to recapture.

**Example:**

*S Corporation claimed this credit for four years, 1 through 4. Each year, S Corporation claimed this credit in the amount of \$100,000. The total credit passed through to its shareholders was \$400,000.*

*During the time S Corporation claimed this credit, it had 5 shareholders:*

- *Shareholder A owned 20% of S Corporation for each year, 1 through 5*
- *Shareholder B owned 20% of S Corporation for each year 1 through 5*
- *Shareholder C owned 20% of S Corporation for years 1 through 3; in year 4, Shareholder C sold his ownership percentage of S Corporation to Shareholder D*
- *Shareholder D owned 20% of S Corporation for years 1 through 3; for years 4 and 5, Shareholder D owned 40% of Partnership*
- *Shareholder E owned 20% of Partnership for each year 1 through 5.*

*During year 5, S Corporation received a notice from the Department indicating 40%, or \$160,000 of its credit is subject to recapture.*

*Using the 305-S forms it completed for years 1 through 5, S Corporation determined it passed through the following amounts of credits to each of its shareholders for these years:*

<b>Shareholder</b>	<b>Total Credit Passed Through</b>
Shareholder A	\$ 80,000
Shareholder B	\$ 80,000
Shareholder C	\$ 60,000
Shareholder D	\$ 100,000
Shareholder E	\$ 80,000
<b>Total Credit</b>	<b>\$ 400,000</b>

*Multiplying each shareholder’s amount of credit “passed through” by the recapture percentage, 40%; S Corporation determined the credit amount(s) subject to recapture for each shareholder is:*

<b>Shareholder:</b>	<b>Credit Passed Through</b>	<b>Recapture %</b>	<b>Shareholder Credit Subject to Recapture</b>
Shareholder A	\$ 80,000	40%	\$ 32,000
Shareholder B	\$ 80,000	40%	\$ 32,000
Shareholder C	\$ 60,000	40%	\$ 24,000
Shareholder D	\$ 100,000	40%	\$ 40,000
Shareholder E	\$ 80,000	40%	\$ 32,000
<b>Total Credit</b>	<b>\$ 400,000</b>	<b>40%</b>	<b>\$ 160,000</b>

*S Corporation completed Form 305-S informing each shareholder of the amount of this credit that is subject to recapture.*

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**Include with your return.**

For the calendar year 2018 or fiscal year beginning [M, M, D, D, 2, 0, 1, 8] and ending [M, M, D, D, Y, Y, Y, Y].

Name as shown on Form 140, 140PY, 140NR, 140X, 99T, 120, 120A, 120S, 120X, or 165	Social Security or Employer Identification Number
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<b>Available Credit Carryover</b>		(a)		(b)		(c)		(d)		(e)	
<b>1</b>	Taxable year .....										
<b>2</b>	Original credit amount		00		00		00		00		00
<b>3</b>	Amount previously used.....		00		00		00		00		00
<b>4</b>	Tentative carryover: Subtract line 3 from line 2.....		00		00		00		00		00
<b>5</b>	Amount unallowable: See instructions.....		00		00		00		00		00
<b>6</b>	Available carryover: Subtract line 5 from line 4.....		00		00		00		00		00
<b>7</b>	Total Available Carryover • <i>Individuals:</i> Also enter this amount on Form 301, Part 1, line 3, column (b). • <i>C Corporations, S corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI:</i> Also enter this amount on Form 300, Part 1, line 3, column (b).....								<b>7</b>		00

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**2018 Military Reuse Zone Credit**

**CONTACTS FOR MILITARY REUSE ZONE CREDIT**

**Arizona Commerce Authority**

•Application forms •Military Reuse Zone program guidelines

Website: [www.azcommerce.com](http://www.azcommerce.com)

Program Manager (602) 845-1200

**Department of Revenue**

•Tax forms and instructions •Information and assistance

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

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

**General Instructions**

This credit provided nonrefundable individual and corporate income tax credits for net increases in employment of full-time employees by a taxpayer in a military reuse zone. The employees must have been engaged primarily in providing aviation or aerospace services, or in manufacturing, assembling, or fabricating aviation or aerospace products.

**NOTE:** *Taxable year 2017 was the last year a taxpayer could establish this credit. The unused portion of valid Military Reuse Zone credits may be carried forward for the remainder of the five-year carry forward period.*

**Specific Instructions**

Complete the name and taxpayer identification number section at the top of the form. Indicate the period covered by the taxable year. Include the completed form and all supporting documentation with the tax return.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for a C Corporation, S corporation, or a partnership is the taxpayer's employer identification number. The TIN for an individual is the taxpayer's Social Security Number or an Internal Revenue Service individual taxpayer identification number. Taxpayers that fail to include their TIN may be subject to a penalty.

**NOTE – To claim this credit carry forward:**

- **Individual taxpayers** - Complete this credit form and Arizona Form 301. Include both completed forms with your return.
- **C Corporations, S corporations that elected to claim this credit at the corporate level, and exempt organizations with UBTI** - Complete this credit form and Arizona Form 300. Include both completed forms with your return.

**Available Credit Carryover**

Complete the table on this form if you have a carryforward of this credit from the past five years. (You will have a credit carryforward only if your allowable Military Reuse Zone Credit was greater than your tax liability for those same five years.) If you do not have a carryforward of this credit, do not complete this form.

Provided it maintained its businesses in the military reuse zone, a taxpayer may carry forward the amount of the unused military reuse zone credit for a period not to exceed five taxable years. If the taxpayer moved its business outside of the military reuse zone or the military reuse zone is terminated, the carryover of the tax credit is lost. If a portion of the taxpayer's business is moved outside of the military reuse zone, the portion of the carryforward attributable to that portion of the business is lost.

**Line 1 -**

Enter the taxable year(s) from which you are carrying over the credit in columns (a) through (e).

**Line 2 -**

Enter the credit originally computed for that taxable year.

**Line 3 -**

Enter the amount of the credit previously used from that taxable year.

**Line 4 -**

Subtract line 3 from line 2. Enter the difference.

**Line 5 -**

Enter the amount of credit that is disallowed because the business is no longer located in the military reuse zone or the zone has been terminated.

**Line 6 -**

Subtract line 5 from line 4. Enter the difference.

**Line 7**

Add the amounts in columns (a) through (e) on line 6. Enter the total. This is the total military reuse zone credit carryover for the current taxable year.

*Individuals* – enter the amount from line 7 column (e) on Form 301, Part 1, line 3, column (b).

*C Corporations, S corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI* – enter the amount from line 7 column (e) on Form 300, Part 1, line 3, column (b).

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Name (as shown on page 1)	EIN
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**Part 3 Current Taxable Year's Credit Passed Through From Partnerships**

28 Enter the total amount of this credit received from all Form(s) 308-P, Part 2, line 4. Include copies of those forms with your return.....	<b>28</b>		00
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**Part 4 Total Current Taxable Year Credit for Increased Research Activities**

29 <b>Total Credit:</b> Add line 27 and line 28. Enter the total. This is your current year's total credit for increased research activities. <ul style="list-style-type: none"> <li>• <i>Partnerships:</i> Enter this amount on Part 2, line 3 of the partner's Form 308-P.</li> <li>• <i>S corporations passing this credit through to its shareholders:</i> Enter this amount on Part 2, line 3 of the shareholder's Form 308-S.....</li> </ul>			00
	<b>29</b>		00

**Part 5 Partnerships and S Corporations Only**

**Determining Maximum Refund Amount to be Passed Through**

30 Enter the amount of your current year credit from Part 4, line 29.....			00
31 Multiply line 30 by 75%. Enter the result .....			00
32 Enter the amount of your maximum refundable credit from Part 1, line 2a2 .....	<b>32</b>	00	
33 Enter the total maximum refundable credits received from partnerships on Form(s) 308-P, Part 3, line 6 .....	<b>33</b>	00	
34 Add line 32 and line 33. Enter the total. This is the maximum refundable credit for this taxable year .....	<b>34</b>		00
35 Enter the lesser of line 31 or line 34. <b>This is the maximum refund amount to be passed through to partners or shareholders</b> .....	<b>35</b>		00

**Partnerships:**

Partnerships qualifying for this credit must pass it through to their partners. When passing this credit through to your partners, complete Form 308-P for each partner.

- Provide a completed copy of Form 308-P to each partner.
- Include a copy of each completed Form 308-P with your tax return.
- Keep a copy of each completed Form 308-P for your records.

**Part 6 S Corporation Credit Election and Shareholder's Share of the Credit**

S corporations may elect to pass this credit through to its shareholders, or it may choose to keep it and apply it to its tax liability generated at the S corporation level.

36 The S corporation has made an irrevocable election for the taxable year ending MM, DD, YYYY to:

(check only one box):

- 36a  Claim the credit for increased research and development as shown on Part 4, line 29 (for the taxable year indicated above);  
**OR**  
36b  Pass the credit through to its shareholders as shown on Part 4, line 29 (for the taxable year indicated above) through to its shareholders.

\_\_\_\_\_  
Signature Title Date

If passing the credit through to the shareholders, complete Form 308-S for each individual shareholder.

- Provide a copy of each completed Form 308-S to each shareholder.
- Include a copy of each completed Form 308-S with your tax return.
- Keep a copy of each completed Form 308-S for your records.
- If the S corporation passed the current year credit through to its shareholders **AND** it has carryovers of this credit from prior years, skip Part 7, and complete the remainder of this form as appropriate. Enter "0" on Part 10, line 60.

Name (as shown on page 1)	EIN
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**Part 7 Refundable Portion of the Taxpayer's Current Taxable Year's Excess Credit**

Complete Part 7 ONLY if you checked "Yes" in Part 1, line 2 or 4.

<b>37</b> Current taxable year's credit: Enter the amount from Part 4, line 29 .....			<b>37</b>		00
<b>38a</b> Enter the current year's tax, including recapture amounts, from Form 99T, line 8; or Form 120, line 18; or Form 120A, line 10; Form 120S, line 14; or Form 120X, line 18(c).....	<b>38a</b>			00	
<b>38b</b> Nonrefundable tax credits: Enter the amount of nonrefundable tax credits from Form 300, Part 1, line 21 less the amount (if any) on Form 300, Part 1, line 4, column (c).....	<b>38b</b>			00	
<b>38c</b> Current taxable year's credit for increased research activities that will be used to offset the current taxable year's tax liability: Subtract line 38b from line 38a and enter the difference. If the difference is zero or more, enter it on Part 10, line 60; also enter it on Form 300, Part 1, line 4, column (a), and Form 300, Part 2, line 32. If less than zero, enter "0" .....			<b>38c</b>		00
<b>39</b> Current taxable year's excess credit: Subtract line 38c from line 37 and enter the difference. If less than zero, enter "0", because no refund is available .....			<b>39</b>		00
<b>40</b> Tentative refundable credit: Multiply line 39 by 75% (.75). Enter the result.....			<b>40</b>		00

**Maximum refundable credit: See instructions.**

<b>41a</b> Enter the maximum refundable credit amount authorized by ACA from Part 1, line 2a2 .....	<b>41a</b>			00	
<b>41b</b> Enter the partner's maximum refundable credit amount from Form 308-P, Part 3, line 6. If this credit was passed through to you from more than one partnership, total the amounts indicated on Forms 308-P, Part 3, line 6. ....	<b>41b</b>			00	
<b>41c</b> Add the amounts on lines 41a and 41b. Enter the total here .....			<b>41c</b>		00
<b>42 Refundable Credit:</b> Enter the lesser of line 40 or line 41c. Also enter this amount on Form 99T, line 12; or Form 120, line 22; or Form 120A, line 14; Form 120S, line 18; or Form 120X, line 22(c).....			<b>42</b>		00

Complete Part 8 if you have carryovers from prior years. If you elect to receive a refund of 75% of the excess credit, you cannot carry forward any amount from the year of the refund.

**Part 8 Available Credit Carryover**

	(a) Taxable Year	(b) Original Credit Amount	(c) Amount Previously Used or Expired	(d) Available Carryover: Subtract column (c) from column (b).
<b>43</b>		00	00	00
<b>44</b>		00	00	00
<b>45</b>		00	00	00
<b>46</b>		00	00	00
<b>47</b>		00	00	00
<b>48</b>		00	00	00
<b>49</b>		00	00	00
<b>50</b>		00	00	00
<b>51</b>		00	00	00
<b>52</b>		00	00	00
<b>53</b>		00	00	00
<b>54</b>		00	00	00
<b>55</b>		00	00	00
<b>56</b>		00	00	00
<b>57</b>		00	00	00
<b>58</b> Total Available Carryover: Add lines 43 through 57 in column (d). Enter the total.....			<b>58</b>	00

Name (as shown on page 1)	EIN
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**Part 9 Limitation of Credit Carryover**

If you completed Part 7 and are receiving a refund, do not complete Part 9.

If you have credit carryovers from tax years 2003 and after, complete this section. If you do not, skip this section and go directly to Part 10. The amount of credit carryover from years 2003 and after that you can use is limited. Complete this schedule to determine how much of this carryover you may be able to use to offset this year's tax liability.

59a Current year's tax liability: Enter the amount from Form 300, Part 2, line 28.....	<b>59a</b>		00	
59b Current taxable year's credit: Enter the amount from Part 4, line 29 of this form.....	<b>59b</b>		00	
59c Subtract line 59b from line 59a. If the difference is zero or less, enter "0". This is the amount of this year's tax liability to which you may apply your credit carryovers.....	<b>59c</b>		00	
59d Enter the total of your credit carryovers from Part 8, line 58, column (d) .....	<b>59d</b>		00	
59e Enter the lesser of line 59c or line 59d. This is the amount of credit carryovers you can use to offset this year's tax liability.....	<b>59e</b>		00	

**Part 10 Total Available Nonrefundable Credit**

60 Current year's credit: If you completed Part 7 and are receiving a refund, enter the amount from Part 7, line 38c. If you are not receiving a refund, enter the amount from Part 4, line 29. Partnerships and S corporations that passed the current year credit through to partners or shareholders, enter "0". • Also enter this amount on Form 300, Part 1, line 4, column (a) .....	<b>60</b>		00	
61 Credit carryover: If you completed Part 7 and are receiving a refund, enter "0". Otherwise, enter the credit carryover from Part 9, line 59e. • Also enter this amount on Form 300, Part 1, line 4, column (b) .....	<b>61</b>		00	
62 Total available credit: Add lines 60 and 61. Enter the total. • Also enter this amount on Form 300, Part 1, line 4, column (c) .....	<b>62</b>		00	

For the calendar year 2018 or fiscal year beginning [M,M,D,D|2,0,1,8] and ending [M,M,D,D|Y,Y,Y,Y].

**Partnership:**

- Complete Form 308-P for each partner in the partnership **except for** trust or estate partners. However, a partnership ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.
- Include a copy of each completed Form 308-P with your partnership return.
- Provide a copy of the completed form and the certification received from the Arizona Commerce Authority (if Part 3 is completed) to each partner.
- Keep a copy of each completed Form 308-P for your records.

**Partners:**

- Use this form to complete your own Form 308.
- If Part 3 is completed, include this completed form and a copy of the certification received from the Arizona Commerce Authority with your return.
- Keep a copy of this form and certification for your records.

**Part 1 Partnership and Partner Information**

<b>1</b>	(a) Partnership Name	(b) Employer Identification Number (EIN)	
<b>2</b>	(a) Partner Name	(b) Taxpayer Identification Number (TIN)	(c) Proportionate Share %

**Part 2 Distribution of the Credit**

<b>3</b>	Enter the total amount of partnership's research and development credit from Part 4, line 29 of the partnership's Form 308.....	<b>3</b>	\$	00
<b>4</b>	Multiply line 3 by the partner's proportionate share shown in line 2(c). Enter the result. This is the partner's portion of the partnership research and development credit.....	<b>4</b>	\$	00

**Individual Partners:** Enter the amount from line 4 on your Form 308-I, Part 3, line 24.  
**Corporate or Other Partners:** Enter the amount from line 4 on your Form 308, Part 3, line 28.

**Part 3 Distribution of the Maximum Refundable Portion of the Credit**

Has the partnership listed above received a certificate from the Arizona Commerce Authority?  Yes  No

- If "Yes", include a copy of the certificate and proceed to question 5.
- If "No", **STOP!** There is no refundable portion of the research and development credit to be passed through.

<b>5</b>	Enter the maximum refund amount from Part 5, line 35 of the partnership's Form 308.....	<b>5</b>	\$	00
<b>6</b>	Multiply line 5 by the partner's proportionate share shown in line 2(c). Enter the result. This is the partner's portion of the maximum refundable research and development credit available for this year.....	<b>6</b>	\$	00

**Individual Partners:** Enter the amount from line 6 on your Form 308-I, Part 5, line 31b.  
**Corporate or Other Partners:** Enter the amount from line 6 on your Form 308, Part 7, line 41b.  
**Partners who are Partnerships or S corporations:** Enter the amount from line 6 on your Form 308, Part 5, line 33.

**NOTE:** If you file your tax return on a calendar year basis but this entity files a return on a fiscal year basis (see above), claim this credit on your tax return for the year in which this entity's fiscal year ends.

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For the calendar year 2018 or fiscal year beginning [M,M,D,D]2,0,1,8 and ending [M,M,D,D]Y,Y,Y,Y.

**S corporation:**

- Complete Form 308-S for each shareholder in the S corporation **except for** trust or estate shareholders. However, an S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.
- Include a copy of each completed Form 308-S with your S corporation return.
- Provide a copy of the completed form and the certification received from the Arizona Commerce Authority (if Part 3 is completed) to each shareholder.
- Keep a copy of each completed Form 308-S for your records.

**Shareholders:**

- Use this form to complete your own Form 308-I.
- If Part 3 is completed, include this completed form and a copy of the certification received from the Arizona Commerce Authority with your return.
- Keep a copy of this form and certification for your records.

**Part 1 S corporation and Shareholder Information**

<b>1</b>	(a) S corporation Name	(b) Employer Identification Number (EIN)	
	(a) Shareholder Name	(b) Social Security Number (SSN)	(c) Proportionate Share %

**Part 2 Distribution of the Credit**

<b>3</b>	Enter the total amount of the S corporation's research and development credit from Part 4 line 29 of the S corporation's Form 308.....	<b>3</b>	\$		00
<b>4</b>	Multiply line 3 by the shareholder's proportionate share shown in line 2(c). Enter the result. This is the shareholder's portion of the S corporation research and development credit.....	<b>4</b>	\$		00

**Shareholders:** Enter the amount from line 4 on your Form 308-I, Part 3, line 25.

**Part 3 Distribution of the Maximum Refundable Portion of the Credit**

Has the S corporation listed above received a certificate from the Arizona Commerce Authority?  Yes  No

- If "Yes", include a copy of the certificate and proceed to question 5.
- If "No", **STOP!** There is no refundable portion of the research and development credit to be passed through.

<b>5</b>	Enter the maximum refund amount from Part 5, line 35 of the S corporation's Form 308. ....	<b>5</b>	\$		00
<b>6</b>	Multiply line 5 by the shareholder's proportionate share shown in line 2(c). Enter the result. This is the shareholder's portion of the maximum refundable research and development credit available for this year.....	<b>6</b>	\$		00

**Shareholders:** Enter the amount from line 6 on your Form 308-I, Part 5, line 31c.

**NOTE:** If you file your tax return on a calendar year basis but this entity files a return on a fiscal year basis (see above), claim this credit on your tax return for the year in which this entity's fiscal year ends.

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**2018 Credit for Increased Research Activities**

**CONTACTS FOR REFUND OF CREDIT FOR INCREASED RESEARCH ACTIVITIES**

**Arizona Commerce Authority**

- Application forms
- Program guidelines

Website: [www.azcommerce.com](http://www.azcommerce.com)

Program Manager (602) 845-1200

**CONTACTS FOR NONREFUNDABLE CREDIT FOR INCREASED RESEARCH ACTIVITIES**

**Arizona Department of Revenue**

- Tax forms and instructions
- Information and assistance

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

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

**General Instructions**

**NOTE:** Form 308 is used by taxpayers that are C Corporations, S corporations, exempt organizations with unrelated business taxable income (UBTI), or partnerships. Individual taxpayers must use Form 308-I.

Arizona Revised Statute § 43-1168 provides a corporate income tax credit for increased research activities in a taxable year.

- This credit is available to corporate taxpayers, corporate partners, exempt organizations subject to corporate income tax on unrelated business taxable income (UBTI), or S corporation shareholders.
  - An exempt organization may utilize this credit only if it results from activities that generate UBTI.
  - An S corporation may claim this credit against income Arizona is taxing at the corporate level, or it may make an irrevocable election to pass this credit through to its shareholders.
  - A partnership must pass this credit through to its partners.
  - If two or more taxpayers, including shareholders of an S corporation or partners in a partnership, share in the eligible expenses, each taxpayer is eligible to claim a proportionate share of the credit.
- This credit is allowed in an amount computed pursuant to Internal Revenue Code (IRC) § 41 with the following exceptions:
  - Qualified research includes only research conducted in Arizona. The term "qualified research," for purposes of the Arizona tax credit, means qualified research, as defined in IRC § 41, that is conducted in Arizona and basic research, as defined in IRC § 41, which is conducted in Arizona.
  - The amount of the credit is based on the federal regular credit computation method for Arizona qualified research expenses and Arizona basic research payments. Taxpayers cannot use the federal alternative credit computation method.

- The allowable current taxable year credit is a percentage of:
  - The excess, if any, of the Arizona qualified research expenses for the taxable year, over the base amount; and
  - The Arizona basic research payments.
- The termination provisions of IRC § 41 do not apply.
- If the allowable expenses do not exceed \$2,500,000, the allowable credit is 24% of this amount. If the allowable expenses exceed \$2,500,000, the allowable credit amount is \$600,000 plus 15% of the amount of expenses over \$2,500,000, subject to certain limitations.
- A portion of the current year's excess credit may be refundable if you qualify.

**Corporate Taxpayers:** *If two or more members of a unitary group or an Arizona affiliated group incur qualifying expenses, the individual members of the group are not considered separate taxpayers. When a combined return or a consolidated return is filed, the unitary group or the Arizona affiliated group is considered a single taxpayer.*

**REFUNDABLE PORTION OF THE CURRENT YEAR'S EXCESS CREDIT**

If you qualify, and if the current taxable year's credit for increased research activities exceeds your income tax liability, a portion of the excess credit may be refundable to you. To qualify to receive this refund:

- You must have less than 150 full-time employees.
- You must apply to the Arizona Commerce Authority (ACA) and receive a Certificate of Qualification (Certificate) to be eligible to receive a refund.
- The refund amount is the lesser of:
  - Seventy-five percent of the excess credit, or
  - The maximum refund amount indicated on the Certificate; any additional amount is waived.

The excess credit is the current year's credit less the current year's tax liability. The 75% refund is only available for the current year's excess credit for increased research activities.

The election to make this credit refundable must be made when you originally file your tax return to claim the current year's credit.

If two or more taxpayers, including shareholders of an S corporation or partners in a partnership, share in the eligible expenses, each taxpayer is eligible to claim a proportionate share of the refund. An S corporation must apply for the Certificate on behalf of its shareholders. A partnership must apply for the Certificate on behalf of its partners.

**NOTE:** *The refund of this credit is calculated after your tax liability. You must calculate all of your other credits before you can determine the current year's excess credit for Increased Research Activities.*

**CARRYOVER OF UNUSED CREDIT**

If your current taxable year's credit exceeds your tax liability, and you did not elect to receive a refund of 75% of the excess, you may carry forward the unused portion of your credit to the next 15 consecutive taxable years. Due to various law changes, the amount you may carry forward, and

how you may apply those amounts, differ depending on the tax year in which it was earned.

If you received a refund of 75% of the excess credit, you do not have any excess amount to carryforward for this year. Any carryover amounts from previous taxable years must be carried over to the next taxable year, subject to the fifteen-year carryover period and annual limitations on the use of those carryovers.

**NOTE – To claim this credit:**

- **C Corporations, S corporations claiming this credit at the corporate level, and exempt organizations with UBTI, complete this credit form and Arizona Form 300, Nonrefundable Corporate Tax Credits and Recapture. Include both completed forms with your tax return.**
- **S corporations electing to pass this credit through to its shareholders, complete this credit form and Arizona Form 300, Nonrefundable Corporate Tax Credits and Recapture. Also, complete Form 308-S for each shareholder of the S corporation. Provide each shareholder a copy of his or her completed Form 308-S. Include Form 300, Form 308, and one copy of each completed Form 308-S with your tax return.**
- **Partnerships, complete this credit form. Also, complete Form 308-P for each partner of the partnership. Provide each partner a copy of his or her completed Form 308-P. Include Form 308 and one copy of each completed Form 308-P with your tax return.**
- **Individuals, complete Form 308-I, Credit for Increased Research Activities – Individuals. Also, complete Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture. Include both forms with your tax return.**

## Specific Instructions

Complete the name and employer identification number (EIN) section at the top of the form. Indicate the period covered by the taxable year. Include the completed form with the tax return.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for a corporation, an exempt organization with UBTI, an S corporation or a partnership is the taxpayer's EIN. Taxpayers that fail to include their TIN may be subject to a penalty.

### Part 1 - Qualification for the Credit

#### Line 1 -

Did you have qualified research expenses for this taxable year?

- a. If you have qualified research expenses for this taxable year and you intend to claim this credit, check the box labeled, "Yes."
- b. If you did not have qualified research expenses for this tax year, check the box labeled, "No." Go to line 3.

#### Line 2 -

Is this credit refundable?

- a. If this credit is refundable, check the box labeled, "Yes." Provide the information requested on lines 2a1 and 2a2.
- b. If this credit is not refundable, check the box labeled, "No."

#### Line 3 -

Are you claiming a pass through of this credit from a partnership?

- If you are claiming a pass through of this credit from a partnership, check the box labeled, "Yes."
- If you are not claiming a pass through of this credit, check the box labeled, "No."

#### Line 4 -

Is this pass through credit refundable?

- If the pass through credit you received is refundable, check the box labeled, "Yes."
- If the pass through credit you received is not refundable, check the box labeled, "No."

**NOTE:** If an exempt organization receives a pass through of this credit from an S corporation, enter that information on lines 3 and 4.

#### Lines 5 through 7 -

Follow the instructions on lines 5 through 7 to determine if you qualify for this credit and to help you complete the remainder of this form.

### Part 2 - Current Taxable Year's Credit Calculation

**Corporate taxpayers (excluding S corporations, personal holding companies, and service organizations):** Begin computing your current year's credit on line 8.

**All other taxpayers:** Begin computing your current year's credit on line 12.

#### Line 8 -

Enter the amount you paid to a qualified university, scientific research organization, or grant organization for basic research conducted in Arizona.

**NOTE:** You must have a written contract with the organization to include these payments in the calculation.

#### Line 9 -

Enter your base period amount based on your Arizona research activity. Refer to IRC § 41(e) for a definition of base period amount.

**NOTE:** The amount reported on line 10, up to the amount reported on line 8, is not eligible for the basic research credit. However, it can be treated as contract research expenses on line 14.

#### Line 10 -

If line 8 is greater than line 9, subtract line 9 from line 8. Enter the difference. If line 9 is greater than line 8, enter "0".

#### Line 11 -

Enter total wages paid or incurred for qualified services performed in Arizona. Do not include the amount of wages

paid to employees that were used in the calculation of the federal work opportunity credit.

**NOTE:** *Wages include any wages paid or incurred to an employee for qualified services performed in Arizona.*

*Qualified services are: (1) engaging in qualified research; or (2) engaging in the direct supervision, or the direct support of research activities conducted in Arizona that are defined as qualified research.*

*Qualified research is an investigation undertaken to discover information that is technological in nature. Its application must be intended for use in developing a new or improved business component.*

#### **Line 12 -**

Enter the cost of supplies paid or incurred for use in conducting qualified research in Arizona. Supplies include expenditures for any tangible property, other than land or improvements to land, and property of a character subject to the allowance for depreciation.

#### **Line 13 -**

Enter the amount paid or incurred to rent or lease the right to use computers in conducting qualified research in Arizona.

#### **Line 14 -**

Enter the total of:

- (a) Seventy-five percent of any amount paid or incurred for qualified research performed in Arizona by a qualified research consortium on the taxpayer's behalf. "Qualified research consortium" is any qualifying organization as defined in IRC § 41(b)(3)(C)(ii). Also, include 75% of that portion of line 8, basic research payments, paid to a qualified research consortium that does not exceed the line 9 base amount.
- (b) Sixty-five percent of any amount paid or incurred for qualified research performed in Arizona on the taxpayer's behalf, other than such amounts paid to a qualified research consortium. Prepaid contract research expenses are considered paid in the year the research is actually done. Also include 65% of that portion of line 9, basic research payments, that does not exceed the line 10 base amount, other than amounts paid to a qualified research consortium.

**NOTE:** *If you made basic research payments to an Arizona university under the jurisdiction of the Arizona Board of Regents, you may be entitled to an additional credit. See Arizona Form 346 for details.*

#### **Line 15 -**

Add the amounts on lines 11 through 14. Enter the total.

#### **Line 16 -**

Enter the average annual Arizona gross receipts for the four taxable years preceding the taxable year for which the credit is being determined (the credit year). You may be required to annualize gross receipts for any short taxable year.

If 2018 is the first year you are in business, your average annual Arizona gross receipts for the preceding taxable years is zero. If you have been in business in Arizona for less than

four taxable years prior to the credit year, the average is the sum of annual Arizona gross receipts of the applicable period, divided by the number of taxable years.

*Example:* DEF Corporation began business in Arizona in 2016. Its annual Arizona gross receipts for 2016 were \$100,000. Its annual Arizona gross receipts for 2017 were \$200,000. Therefore, DEF Corporation's average annual Arizona gross receipts for the 2018 credit year is \$150,000 ([\$100,000 plus \$200,000] divided by 2).

#### **Line 17 -**

##### **Fixed-base percentage**

Use the same type of formulas to compute your fixed-base percentage for Arizona as you would for computing your federal fixed-base percentage. The difference is that you use Arizona qualified research expense and gross receipts amounts instead of federal amounts. Other than that, the calculations are the same. Round off the percentage to the nearest one, one hundredth of one percent (four decimal places).

If the percentage computation involves *de minimis* amounts of gross receipts and qualified expenses in a taxable year, or short taxable years are involved, the amounts may be annualized or disregarded. Refer to IRC §§ 41(c)(3) and 41(f)(4) for details.

##### **Existing firms and start-up companies**

Arizona's definition of whether an organization is an existing firm or a start-up company is the same as the federal definition, except on an Arizona basis:

- **Existing firms** - An existing firm is one that had both Arizona gross receipts and Arizona qualified research expenses for at least three taxable years beginning after December 31, 1983, and before January 1, 1989. The fixed-base percentage is the ratio that the aggregate Arizona qualified research expenses for all taxable years beginning after 1983 and before 1989, bears to the aggregate Arizona gross receipts for such taxable years.
- **Start-up companies** - A start-up company is one that had both Arizona gross receipts and Arizona qualified research expenses either: 1) for the first time in a taxable year beginning after December 31, 1983, or, 2) for fewer than three taxable years beginning after 1983 and before 1989.

If the percentage computation involves *de minimis* amounts of gross receipts and qualified expenses in a taxable year, or short taxable years are involved, the amounts may be annualized or disregarded. Refer to IRC §§ 41(c)(3) and 41(f)(4) for details.

**NOTE:** *The maximum percentage that can be entered on line 20 is 16% (.1600).*

#### **Lines 18 and 19**

Read and follow the directions on the form.

#### **Line 20 -**

Multiply line 15 by 50%. Enter the result. The base amount cannot be less than 50% of the current year

qualified research expenses. This rule applies to both existing and start-up companies.

**Line 21 -**

Enter the lesser of line 19 or line 20.

**Line 22 -**

Add lines 10 and 21. Enter the total.

**NOTE:**

- If line 22 is \$2,500,000 or less, complete line 23 and skip lines 24 through 27.
- If line 22 is more than \$2,500,000, skip line 23 and complete lines 24 through 27.

**Lines 23 through 26 -**

The amount of expenses you have determines the amount of current year credit you are eligible to claim. To determine your proper credit amount, complete lines 23 through 26 as instructed on the form.

**Line 27 -**

Enter the amount from line 23 or 26.

**Part 3 – Total Current Year’s Credit Passed Through From Partnerships****Line 28 -**

Enter the total amount you received as a pass through from Form(s) 308-P, Part 2, line 4. If you received a pass through of this credit from more than one partnership, include a schedule providing this information for each partnership. Include a copy of each Form 308-P you received with your return.

**Part 4 – Total Current Year’s Credit for Increased Research Activities****Line 29 -**

Add line 27 and line 28. Enter the total. This is your current year’s total credit for increased research activities.

- *Partnerships*, enter this amount on Part 2, line 3 of the partner’s Form 308-P.
- *S corporations passing this credit through to its shareholders*, enter this amount on Part 2, line 3 of the shareholder’s Form 308-S.
- *All others*, go to Part 7.

**Part 5 - Partnerships and S Corporations Only Determining Maximum Refund Amount to be Passed Through to Partners or Shareholders****Line 30 -**

Enter the amount of your current year credit from Part 4, line 29.

**Line 31 -**

Multiply line 30 by 75%. Enter the result.

**Line 32 -**

Enter the amount of your maximum refundable credit from Part 1, line 2a2.

**Line 33 -**

Enter the total maximum refundable credit(s) from any pass through entities from Form(s) 308-P, Part 3, line 6.

**Line 34 -**

Add lines 32 and 33 and enter the total. This is the maximum refundable credit you have for this taxable year.

**Line 35 -**

Enter the lesser of line 31 or line 34. **This is the maximum refund amount your partners or shareholders may claim for this taxable year.**

Each partner or shareholder is entitled to a proportionate share of the credit.

The total of the credit allowed to all partners or shareholders may not exceed the amount that would have been allowed for a sole owner.

Partnerships claiming this credit must pass it through to their partners. Go to the instructions for completing Form 308-P on page 7.

**NOTE:** *Trusts and estates which are partners in a partnership are not eligible to claim this credit. However, the share of a partnership owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.*

**Part 6 - S Corporation Credit Election and Shareholder’s Share of the Credit****Lines 36, 36a, & 36b - S Corporation Credit Election**

The S corporation must complete line 36 and line 36a or 36b. The S corporation must make an irrevocable election either to claim the current taxable year credit at the corporate level or to pass the current taxable year credit through to its shareholders. The S corporation election is made by:

- Entering the date the S corporation taxable year ends in the box provided on line 36.
- Checking the box on line 36a electing to claim the current taxable year credit at the corporate level; or,
- Checking the box on line 36b electing to pass the current taxable year credit through to its shareholders.
- The election statement must be signed by an officer of the S corporation who is also a signatory to Arizona Form 120S.

If the S corporation elects to claim the credit at the corporate level, continue to Part 7.

If the S corporation elects to pass this credit through to its shareholders, proceed to the instructions for completing Form 308-S on page 7.

If passing this credit through to the shareholders:

- Complete Form 308-S for each shareholder.
- Provide a copy of completed Form 308-S to each shareholder.
- File a copy of each completed Form 308-S with your tax return.
- Keep a copy of each completed Form 308-S for your records.

Each S corporation shareholder is entitled to only a *pro rata* share of pass-through credit based on ownership interest in the S corporation. The total of the credit allowed to all shareholders may not exceed the amount that would have been allowed for a sole owner.

**NOTE:** *Trusts and estates which are shareholders of S corporations, are not eligible to claim this credit. However, the share of an S corporation owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.*

### Part 7 – Refundable Portion of Your Current Taxable Year’s Excess Credit

Complete Part 7 **ONLY** if you checked the “Yes” box on Part 1, line 2 and/or line 4 and elected to receive a refund of 75% of your excess credit. Otherwise, skip to Part 8.

**NOTE:** *If you are an individual receiving a pass through of this credit from a partnership or an S corporation, you must complete Form 308-I to claim your refund of this credit.*

The excess credit is the current taxable year's credit for increased research activities less the current taxable year's tax liability. Carryovers of the credit for increased research activities from previous taxable years will carryover for possible use in the next taxable year, provided they do not expire this taxable year.

#### Line 37 -

Enter the amount of the current taxable year's credit from Part 4, line 29.

#### Line 38a -

Enter the current taxable year's tax, including recapture, from Form 99T, line 8; or Form 120, line 18; or Form 120A, line 10; or Form 120S, line 14; or Form 120X, line 18(c).

#### Line 38b -

Enter the amount of nonrefundable tax credits from Form 300. Subtract the amount on Form 300, Part 1, line 4, column (c) from the amount on Form 300, Part 1, line 21. Enter the difference.

#### Line 38c -

Subtract line 38b from line 38a. Enter the difference. If the difference is zero or more, also enter it on Part 10, line 60; also enter it on Form 300, Part 1, line 4, column (a), and Form 300, Part 2, line 32. If the difference is less than zero, enter “0.”

#### Line 39 -

Subtract line 38c from line 37. Enter the difference. If the difference is less than zero, enter “0”; no refund is available for this taxable year.

#### Line 40 -

Multiply line 39 by 75% and enter the result. This is your tentative refundable credit.

### Maximum Refundable Credit

#### Line 41a -

Enter the maximum refundable credit amount authorized by the ACA from Part 1, line 2a2.

#### Line 41b -

Enter the partner’s maximum refundable credit amount from Form 308-P, Part 3, line 6. If this credit was passed through to you from more than one partnership, total the amounts on Forms 308-P, Part 3, line 6. Enter the total.

#### Line 41c -

Add the amounts on lines 41a and 41b. Enter the total.

#### Line 42 -

Enter the lesser of line 40 or line 41c. Enter this amount on Form 99T, line 12; or Form 120, line 22; or Form 120A, line 14; or Form 120S, line 18; or Form 120X, line 22(c). On the same line, be sure to check box 308 indicating you are claiming a refundable credit for increased research activities.

### CREDIT CARRYOVERS

**NOTE:** *If you have credit carryovers from taxable years prior to 2018, complete Part 8. If you are receiving a refund, do not complete Part 9. If you do not have carryovers from taxable years prior to 2018, skip to Part 10.*

*The credit for increased research activities may be carried forward to offset your tax liability of the next fifteen (15) years.*

#### Allowable Credit Carryover

There are limitations on how much of your carryover you can use to offset this year’s tax. Complete Part 9 to determine the proper carryover amounts.

If you have other credits, your usable amount of credit from increased research activities may be limited further. You will be applying these limitations when you complete Form 300, *Nonrefundable Corporate Tax Credits and Recapture*.

#### Part 8 - Available Credit Carryover

Use Part 8 to compute your available credit carryover.

**S corporations**, *if this portion of the credit was claimed at the corporate level in a prior taxable year and there is a carryover amount available, complete Part 8.*

#### Lines 43 through 57 -

Complete lines 43 through 57, columns (a) through (d) to compute the total of all your carryovers from tax years after 2002.

#### Line 58 -

Add the amount in column (d) of lines 43 through 57. Enter the total.

**REMINDER:** *If you received a refund of this credit for any prior taxable year, no carryover of this credit is available from those years. In this case, enter “0” in column (d) for those tax years.*

**Part 9 - Limitation of Credit Carryover**

**NOTE:** If you completed Part 7 and are receiving a refund, do not complete Part 9.

The total amount of your credit carryforward cannot be more than your current year's income tax liability minus this current year's credit for increased research activities.

Use lines 59a through 59e to calculate the amount of carryovers that you can use. Complete those lines as instructed on the form.

**Part 10 - Total Available Nonrefundable Credit**

Complete this section to compute the total available nonrefundable credit for the taxable year. The total available nonrefundable credit is the sum of the credit for the current taxable year's increased research activities and the available credit carryover(s).

**Line 60 - Current year's credit**

*C Corporations, S corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI:*

- If you completed Part 7 and are receiving a refund, enter the amount from Part 7, line 38c.
- If you are not receiving a refund, enter the amount from Part 4, line 29.
- Also, enter this amount on Form 300, Part 1, line 4, column (a).

*Partnerships, enter "0".*

*S corporations that passed the current year credit through to shareholders, enter "0".*

**NOTE:** If you qualify for and are claiming a 75% refund of your excess credit for the current year, enter **only** the nonrefundable portion of the current year's credit from, Part 7, line 38c.

*Enter the refundable portion of the credit (the amount from Part 7, line 42) on Form 99T, line 12; or Form 120, line 22; or Form 120A, line 14; or Form 120S, line 18; or Form 120X, line 22(c).*

*Carry forwards from previous years of the credit for increased research activities will carry over to the following year, provided the credit is within the 15-year carry forward period.*

**Line 61 - Credit Carryover**

*C Corporations, S corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI:*

- If you completed Part 7 and are receiving a refund, enter "0".
- If you are not receiving a refund, enter your credit carryover amount from Part 9, line 59e.
- Also, enter this amount on Form 300, Part 1, line 4 column (b).

**Line 62 - Total Available Credit**

*C Corporations, S corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI:*

- Add the amounts from lines 60 and 61. This is the total available credit for increased research activities that may be applied to the current taxable year's tax liability.
- Enter the total and on Form 300, Part 1, line 4, column (c).

## Form 308-P, Distribution to Partners of a Partnership

Enter the taxable year from which this credit is being passed through to your partners.

Complete Form 308-P for each partner of the partnership, *except for* trust or estate partners. However, a partnership ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.

The partnership must furnish each partner with their completed copy of Form 308-P, including additional schedules as needed.

### Part 1 - Partnership and Partner Information

#### Line 1 -

Enter the partnership name and EIN in the spaces provided.

#### Line 2 -

Enter the partner's name, EIN or Social Security Number (SSN), and proportionate share of the credit in the spaces provided.

### Part 2 - Distribution of the Credit Passed Through

#### Line 3 -

Enter the total amount of the partnership's credit for increased research and development from Form 308, Part 4, line 29.

#### Line 4 -

Multiply line 3 by the amount reported on line 2(c). Enter the result. This is the partner's proportionate share of the credit.

### Part 3 - Distribution of the Maximum Refundable Portion of the Credit Passed Through to Partners

#### Line 5 -

Enter the maximum refund amount from Part 5, line 35 of the partnership's Form 308.

#### Line 6 -

Multiply line 5 by the amount reported on line 2(c). Enter the result. This is the partner's proportionate share of the maximum refundable amount of the credit.

*Individual partners will use this form to complete their own Form 308-I.*

*All other partners will use this form to complete their own Form 308.*

## Form 308-S, Distribution to Shareholders of an S Corporation

Enter the taxable year from which this credit is being passed through to your shareholders.

Complete Form 308-S for each shareholder of the S corporation, *except for* trust or estate partners. However, an S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.

The S corporation must furnish each shareholder with his or her completed copy of Form 308-S, including additional schedules as needed.

### Part 1 - S corporation and Shareholder Information

#### Line 1 -

Enter the S corporation name and EIN in the spaces provided.

#### Line 2 -

Enter the shareholder's name, SSN, and proportionate share of the credit in the spaces provided.

### Part 2 - Distribution of the Credit Passed Through

#### Line 3 -

Enter the total amount of the S corporation's credit for increased research and development from Form 308, Part 4, line 29.

#### Line 4 -

Multiply line 3 by the amount reported on line 2(c). Enter the result. This is the shareholder's proportionate share of the credit.

### Part 3 - Distribution of the Maximum Refundable Portion of the Credit Passed Through to Shareholders

#### Line 5 -

Enter the maximum refund amount from Part 5, line 35 of the S corporation's Form 308.

#### Line 6 -

Multiply line 5 by the amount reported on line 2(c). Enter the result. This is the shareholder's proportionate share of the maximum refundable amount of the credit.

*Individual shareholders will use this form to complete their own Form 308-I.*

*Shareholders that are exempt organizations with UBTI, use this form to complete your own Form 308.*

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**Include with your return.**

For the calendar year 2018 or fiscal year beginning MM, DD, 2018 and ending MM, DD, YYYY.

Name as shown on Form 140, 140PY, 140NR or 140X	Social Security Number
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Individuals must complete this form to claim the credit for increased research activities. Do not complete Form 308. Complete this form if the taxpayer has:

- (a) a current taxable year's credit from the taxpayer's sole proprietorship; OR
- (b) a current taxable year's credit passed through from an S corporation or a partnership; OR
- (c) a carryover of unused credit from taxable year(s) 2003 and after.

**Part 1 Qualification for the Credit**

<p>1 Did your sole proprietorship have qualified research expenses for the tax year indicated above? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p style="padding-left: 20px;">a If "Yes" and you are claiming the Arizona Credit for Increased Research Activities, go to line 2.</p> <p style="padding-left: 20px;">b If "No", go to line 3.</p> <p>2 Is this credit refundable? ..... <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p style="padding-left: 20px;">a If "Yes":</p> <p style="padding-left: 40px;">1 Include a copy of the certification you received from the Arizona Commerce Authority (ACA).</p> <p style="padding-left: 40px;">2 Enter the maximum refund amount authorized by the ACA here and on line 31a.....</p> <p style="padding-left: 20px;">b If "No", go to line 3.</p> <p>3 Are you claiming a pass through of this credit from a partnership or S corporation? ..... <input type="checkbox"/> Yes <input type="checkbox"/> No (If you are claiming a pass through of this credit from more than one partnership and/or S corporation, include copies of all Form(s) 308-P and/or Form(s) 308-S you received.)</p> <p>4 Is this pass through credit refundable?..... <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>5 If you answered "Yes" to the question on line 1, go to Part 2.</p> <p>6 If you answered "No" to the question on line 1 and "Yes" to the question on line 3, go to Part 3.</p> <p>7 If you answered "No" to the question on line 1 and "No" to the question on line 3, complete this form ONLY if you have credit carryovers. Go to Part 6. Otherwise, <b>STOP! YOU ARE NOT ELIGIBLE TO CLAIM THIS CREDIT.</b></p>	<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td style="width:10%;"></td> <td style="width:80%;"></td> <td style="width:10%; text-align: right;">00</td> </tr> <tr> <td style="text-align: center;"><b>2a2</b></td> <td></td> <td style="text-align: right;">00</td> </tr> </table>			00	<b>2a2</b>		00
		00					
<b>2a2</b>		00					

**Part 2 Current Taxable Year's Credit Calculation (Sole Proprietorships Only)**

8 Wages for qualified services (do not include wages used in figuring the federal work opportunity credit).....	8		00		
9 Cost of supplies.....	9		00		
10 Rental or lease cost of computers.....	10		00		
11 Contract research expenses: See instructions.....	11		00		
12 Total research expenses: Add lines 8 through 11. Enter the total.....	12		00		
13 Average annual Arizona gross receipts: See instructions.....	13		00		
14 Fixed-base percentage [not more than 16% (.1600)]: See instructions.....	14	.			
15 Base amount: Multiply line 13 by the percentage on line 14. Enter the result.....			15		00
16 Subtract line 15 from line 12. Enter the difference. If less than zero, enter "0".....			16		00
17 Multiply line 12 by 50% (.50). Enter the result.....			17		00
18 Enter the lesser of line 16 or line 17.....			18		00
<ul style="list-style-type: none"> <li>• If line 18 is \$2,500,000 or less, complete line 19 and skip lines 20 through 22.</li> <li>• If line 18 is more than \$2,500,000, skip line 19 and complete lines 20 through 22.</li> </ul>					
19 Multiply line 18 by 24% (.24). Enter the result.....			19		00
20 Subtract \$2,500,000 from line 18. Enter the difference.....	20		00		
21 Multiply line 20 by 15% (.15). Enter the result.....	21		00		
22 Add \$600,000 to line 21. Enter the total.....			22		00
23 Enter the amount from line 19 or line 22 here.....			23		00

Continued on page 2 →

Name (as shown on page 1)	SSN
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**Part 3 Current Taxable Year's Credit Passed Through From S Corporations and Partnerships**

24 Enter the total amount of this credit passed through from partnerships on Form 308-P, Part 2, line 4. ....	24		00
25 Enter the total amount of this credit passed through from S corporations on Form 308-S, Part 2 line 4. ....	25		00

**Part 4 Total Current Taxable Year's Credit for Increased Research Activities**

26 <b>Total Credit:</b> Add lines 23 through 25. Enter the total. <b>This is your current year's total credit for increased research activities</b> .....	26		00
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**Part 5 Refundable Portion of the Current Taxable Year's Excess Credit**

Only complete Part 5 if you checked "Yes" in Part 1, line 2, or Part 1, line 4.

27 Total current taxable year's credit: Enter the amount from Part 4, line 26.....	27		00
28a Subtotal of tax: Enter the amount from Form 140, line 49; or Form 140PY, line 60; or Form 140NR, line 60; or Form 140X, line 37.....	28a		00
28b Nonrefundable tax credits: Enter the amount of nonrefundable tax credits from Form 301, Part 1, line 30 less the amount (if any) on Form 301, Part 1, line 4, column (c).....	28b		00
28c Current taxable year's credit for increased research activities that will be used to offset the current taxable year's tax liability: Subtract line 28b from line 28a and enter the difference. If the difference is zero or more, enter it on Part 8, line 51; also enter it on Form 301, Part 1, line 4, column (a), and on Form 301, Part 2, line 43. If the difference is less than zero, enter "0" .....	28c		00
29 Current taxable year's excess credit: Subtract line 28c from line 27 and enter the difference. If less than zero, enter "0", because no refund is available .....	29		00
30 Tentative refundable credit: Multiply line 29 by 75% (.75). Enter the result.....	30		00

**Maximum refundable credit: See instructions.**

31a Enter the maximum refundable credit amount authorized by the ACA from Part 1, line 2a2 for the credit you earned .....	31a		00
31b Enter the partner's maximum refundable credit amount from Form 308-P, Part 3, line 6. ....	31b		00
31c Enter the shareholder's maximum refundable credit from Form 308-S, Part 3, line 6. ....	31c		00
31d Add the amounts on lines 31a through 31c. Enter the total here .....	31d		00
32 <b>Refundable Credit:</b> Enter the lesser of line 30 or line 31d. See instructions .....	32		00

Complete Part 6 if you have carryovers from prior years. If you elect to receive a refund of 75% of the excess credit, you cannot carry forward any amount from the year of the refund.

Name (as shown on page 1)	SSN
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**Part 6 Available Credit Carryover**

	(a) Taxable Year	(b) Original Credit Amount	(c) Amount Previously Used	(d) Available Carryover: Subtract column (c) from column (b).
33	2003	00	00	00
34	2004	00	00	00
35	2005	00	00	00
36	2006	00	00	00
37	2007	00	00	00
38	2008	00	00	00
39	2009	00	00	00
40	2010	00	00	00
41	2011	00	00	00
42	2012	00	00	00
43	2013	00	00	00
44	2014	00	00	00
45	2015	00	00	00
46	2016	00	00	00
47	2017	00	00	00
48	Total Available Carryover: Add lines 33 through 47 in column (d). Enter the total.....			<b>48</b> 00

**Part 7 Limitation of Credit Carryovers**

If you completed Part 5 and are receiving a refund, do not complete Part 7.

LIMITATION OF CREDIT CARRYOVER: Complete Part 7 to determine which credit carryovers you may claim. Also, complete Part 7 to figure the total of all of your available credit carryover from Part 6, line 48, column (d) that you may claim this year.

49a Current year's liability: Enter the amount from Form 301, Part 2, line 39.....	<b>49a</b>	00
49b Current year's total credit: Enter the amount from Part 4, line 26 .....	<b>49b</b>	00
49c Subtract line 49b from line 49a. If the difference is zero or less, enter "0" .....	<b>49c</b>	00
50 Enter the lesser of Part 6, line 48, column (d) or line 49c. This is the amount of carryover that you may use.....	<b>50</b>	00

**Part 8 Total Available Nonrefundable Credit**

51 Current year's credit: If you completed Part 5 and are receiving a refund, enter the amount from Part 5, line 28c. Otherwise, enter the amount from Part 4, line 26. • Also enter this amount on Form 301, line 4, column (a) .....	<b>51</b>	00
52 If you completed Part 5 and are receiving a refund, enter "0". Otherwise, enter the carryover from Part 7, line 50. • Also enter this amount on Form 301, line 4, column (b) .....	<b>52</b>	00
53 <b>Total available credit:</b> Add lines 51 and 52. Enter the total. • Also enter this amount on Form 301, Part 1, line 4, column (c) .....	<b>53</b>	00

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**2018 Credit for Increased Research Activities - Individuals**

**CONTACTS FOR REFUND OF CREDIT FOR INCREASED RESEARCH ACTIVITIES**

**Arizona Commerce Authority**

- Application forms
- Program guidelines

Website: [www.azcommerce.com](http://www.azcommerce.com)

Program Manager (602) 845-1200

**CONTACTS FOR NONREFUNDABLE CREDIT FOR INCREASED RESEARCH ACTIVITIES**

**Arizona Department of Revenue**

- Tax forms and instructions
- Information and assistance

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

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

**General Instructions**

**NOTE:** Form 308-I is used only by individual taxpayers. C corporations, S corporations, exempt organizations with unrelated business taxable income, and partnerships must use the 2018 Form 308.

Arizona Revised Statute § 43-1074.01 provides an individual income tax credit for increased research activities in a taxable year.

- The Arizona tax credit for individuals is allowed in an amount computed pursuant to Internal Revenue Code (IRC) § 41 with the following exceptions:
  - Qualified research includes only research conducted in Arizona. The term "qualified research", for purposes of the Arizona tax credit, means qualified research, as defined in IRC § 41, that is conducted in Arizona.
  - The amount of the credit is based on the federal regular credit computation method for Arizona qualified research expenses. Taxpayers cannot use the federal alternative credit computation method. The allowable current taxable year credit is a percentage of the excess, if any, of the Arizona qualified research expenses for the taxable year over the base amount.
- The termination provisions of IRC § 41 do not apply.
- For 2018, if the allowable expenses do not exceed \$2,500,000, the allowable credit is 24% of this amount. If the allowable expenses exceed \$2,500,000, the allowable credit amount is \$600,000 plus 15% of the amount of expenses over \$2,500,000.
- If two or more taxpayers, including shareholders of an S corporation or partners in a partnership, share in the eligible expenses, each taxpayer is eligible to receive a proportionate share of the credit.
- A portion of the current year's excess credit may be refundable if you qualify.

**REFUNDABLE PORTION OF THE CURRENT YEAR'S EXCESS CREDIT**

If you qualify, *and* if the current taxable year's credit for increased research activities exceeds your income tax liability, a portion of the excess credit may be refundable to you. To qualify to receive this refund:

- You must have less than 150 full-time employees.
- You must apply to the Arizona Commerce Authority (ACA) and receive a Certificate of Qualification (Certificate) to be eligible to receive a refund.
- The refund amount is the lesser of:
  - Seventy-five percent of the excess credit, or
  - The maximum refund amount indicated on the Certificate; any additional amount is waived.

The excess credit is the current year's credit less the current year's tax liability. The 75% refund is only available for the current year's excess credit for increased research activities.

The election to make this credit refundable must be made when you originally file your tax return to claim the current year's credit.

If two or more taxpayers, including shareholders of an S corporation or partners in a partnership, share in the eligible expenses, each taxpayer is eligible to claim a proportionate share of the refund. An S corporation must apply for the Certificate on behalf of its shareholders. A partnership must apply for the Certificate on behalf of its partners.

**NOTE:** The refund of this credit is calculated after your tax liability. You must calculate all of your other credits before you can determine the current year's excess credit.

**CARRYOVER OF UNUSED CREDIT**

If your current taxable year's credit exceeds your tax liability, and you did not receive a refund of the excess, you may carry forward the unused portion of your credit to the next 15 consecutive taxable years. Due to various law changes, the amount you may carry forward, and how you may apply those amounts, differ depending on the tax year in which it was earned.

If you receive a refund of 75% of the excess credit, you do not have any excess amount to carry forward for this year. Any carryover amounts from previous taxable years must be carried over to the next taxable year, subject to the 15-year carryover period and annual limitations on the use of those carryovers.

If you have other nonrefundable tax credits that you are using to reduce your tax liability, you may not be able to use all of your credit for increased research activities to reduce your tax this year. You will be applying these limitations when you complete Arizona Form 301, *Nonrefundable Individual Tax Credits and Recapture*.

**DO YOU HAVE TO MAKE OTHER ADJUSTMENTS TO ARIZONA GROSS INCOME OR TO THE ARIZONA TAX CREDIT FOR INCREASED RESEARCH ACTIVITIES?**

- If you claim an Arizona credit for increased research activities for the taxable year, Arizona statutes do not require you to make an addition to Arizona gross income

for the amount of qualified research expenses equal to the amount of the allowable Arizona credit.

- If you claim a reduced federal credit for increased research expenses and claim the Arizona credit for increased research activities, Arizona statutes do not require you to reduce the Arizona credit for increased research activities in a manner similar to the federal reduction method.
- If you reduce the amount of the deduction for qualified research activities in the computation of federal adjusted gross income, Arizona statutes do not allow you to take a subtraction from Arizona gross income for the amount of the expense reduction.
- If you adjust the federal asset basis of capitalized research expenses and reduce the amount of amortization deductible in the computation of federal adjusted gross income, Arizona statutes do not allow you to take a subtraction from Arizona gross income for additional amortization.

**NOTE – To claim this credit:**

- *Individual taxpayers, complete this credit form and Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture. Include both completed forms with your tax return.*

**Specific Instructions**

Complete the name and Social Security Number (SSN) section at the top of the form. Indicate the period covered by the taxable year. Include the completed form with the tax return.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for an individual is the taxpayer’s SSN or an Internal Revenue Service individual taxpayer identification number. Taxpayers that fail to include their TIN may be subject to a penalty.

**Part 1 - Qualification for the Credit**

**Line 1 -**

Did your sole proprietorship have qualified research expenses for this taxable year?

- a. If your sole proprietorship had qualified research expenses for this taxable year and you intend to claim this credit, check the box labeled, “Yes.”
- b. If your sole proprietorship did not have qualified research expenses for this taxable year, check the box labeled, “No.” Go to line 3.

**Line 2 -**

Is this credit refundable?

- a. If this credit is refundable, check the box labeled, “Yes.” Provide the information requested on lines 2a1 and 2a2.
- b. If this credit is not refundable, check the box labeled, “No.”

**Line 3 -**

Are you claiming a pass through of this credit from a partnership or from an S corporation?

- If you are claiming a pass through of this credit from a partnership or from an S corporation, check the box labeled, “Yes.”
- If you are not claiming a pass through of this credit, check the box labeled, “No.” Go to line 5.

**Line 4 -**

Is this pass through credit refundable?

- If the pass through credit you received is refundable, check the box labeled, “Yes.”
- If the pass through credit you received is not refundable, check the box labeled, “No.”

**Lines 5 through 7 -**

Follow the instructions on lines 5 through 7 to determine if you qualify for this credit and to help you complete the remainder of this form.

**Part 2 - Current Taxable Year's Credit Calculation (Sole Proprietorships Only)**

*NOTE: Complete this part only if you operate a business as a sole proprietorship and your sole proprietorship incurred qualified research expenses during the taxable year. If you received your credit as the result of a pass through, go to Part 3.*

**Line 8 -**

Enter total wages paid or incurred for qualified services performed in Arizona. Do not include the amount of wages paid to employees that were used in the calculation of the federal work opportunity credit.

*NOTE: Wages include any wages paid or incurred to an employee for qualified services performed in Arizona.*

*Qualified services are: (1) engaging in qualified research; or, (2) engaging in the direct supervision, or the direct support of research activities conducted in Arizona that are defined as qualified research.*

*Qualified research is an investigation undertaken to discover information that is technological in nature. Its application must be intended for use in developing a new or improved business component.*

**Line 9 -**

Enter the cost of supplies paid or incurred for use in conducting qualified research in Arizona. Supplies include expenditures for any tangible property other than land or improvements to land and property of a character subject to the allowance for depreciation.

**Line 10 -**

Enter the amount paid or incurred to rent or lease the right to use computers in conducting qualified research in Arizona.

**Line 11 -**

Enter the total of:

- (a) Seventy-five percent of any amount paid or incurred for qualified research performed in Arizona by a qualified research consortium on your sole proprietorship’s behalf. "Qualified research consortium" is any qualifying organization as defined in IRC § 41(b)(3)(C)(ii).
- (b) Sixty-five percent of any amount paid or incurred for qualified research performed in Arizona on your sole

proprietorship's behalf, other than such amounts paid to a qualified research consortium. Prepaid contract research expenses are considered paid in the year the research is actually done.

**NOTE:** *If your contract research expenses were made to an Arizona university under the jurisdiction of the Arizona Board of Regents and qualify as basic research payments, you may be entitled to an additional credit. See Form 346 for details.*

**Line 12 -**

Add lines 8 through 11. Enter the total.

**Line 13 -**

Enter the average annual Arizona gross receipts for the four taxable years preceding the taxable year for which the credit is being determined (the credit year). You may be required to annualize gross receipts for any short taxable year.

If 2018 is the first year you are in business, the average annual Arizona gross receipts for the preceding taxable years is zero. If you have been in business in Arizona for less than four taxable years prior to the credit year, then the average is the sum of annual Arizona gross receipts of the applicable period, divided by the number of taxable years.

*Example:* DEF Corporation began business in Arizona in 2016. Its annual Arizona gross receipts for 2016 were \$100,000. Its annual Arizona gross receipts for 2017 were \$200,000. Therefore, DEF Corporation's average annual Arizona gross receipts for the 2018 credit year is \$150,000 ([\$100,000 plus \$200,000] divided by 2).

**Line 14 -**

**Fixed-base percentage**

Use the same type of formulas to compute your fixed-base percentage for Arizona as you would for computing your federal fixed-base percentage. The difference is that you use Arizona qualified research expense and gross receipts amounts instead of federal amounts. Other than that, the calculations are the same. Round off the percentage to the nearest one, one hundredth of one percent (four decimal places).

If the percentage computation involves *de minimis* amounts of gross receipts and qualified expenses in a taxable year or short taxable years are involved, the amounts may be annualized or disregarded. Refer to IRC §§ 41(c)(3) and 41(f)(4) for details.

**Existing firms and start-up companies**

Arizona's definition of whether an organization is an existing firm or a start-up company is similar to the federal definition, except on an Arizona basis:

- **Existing firms** - An existing firm is one that had both Arizona gross receipts and Arizona qualified research expenses for at least three taxable years beginning after December 31, 1983, and before January 1, 1989. The fixed-base percentage is the ratio that the aggregate Arizona qualified research expenses for all taxable years beginning after 1983 and before 1989, bears to the aggregate Arizona gross receipts for such taxable years.
- **Start-up companies** - A start-up company is one that had both Arizona gross receipts and Arizona qualified

research expenses either: (1) for the first time in a taxable year beginning after December 31, 1983, or, (2) for fewer than three taxable years beginning after 1983 and before 1989.

<b>Fixed-Base Percentages for Taxable Years Beginning After 1993 in Which Start-Up Companies Incurred Arizona Qualified Research Expenses</b>	
<i>Taxable Year After 1993</i>	<i>Percentages for Taxable Years After 1993</i>
1st through 5th	3%
6th	Divide the aggregate Arizona qualified research expenses for 4th and 5th taxable years by the aggregate Arizona gross receipts for 4th and 5th taxable years. Multiply the result by 1/6 (.1667).
7th	Divide the aggregate Arizona qualified research expenses for 5th and 6th taxable years by the aggregate Arizona gross receipts for 5th and 6th taxable years. Multiply the result by 1/3 (.3333).
8th	Divide the aggregate Arizona qualified research expenses for 5th through 7th taxable years by the aggregate Arizona gross receipts for 5th through 7th taxable years. Multiply the result by 1/2 (.50).
9th	Divide the aggregate Arizona qualified research expenses for 5th through 8th taxable years by the aggregate Arizona gross receipts for 5th through 8th taxable years. Multiply the result by 2/3 (.6667).
10th	Divide the aggregate Arizona qualified research expenses for 5th through 9th taxable years by the aggregate Arizona gross receipts for 5th through 9th taxable years. Multiply the result by 5/6 (.8333).
All years after 10th	Divide the aggregate Arizona qualified research expenses for any 5 taxable years selected by the taxpayer from among the 5th through 10th taxable years by the aggregate Arizona gross receipts for the selected taxable years.

If the percentage computation involves *de minimis* amounts of gross receipts and qualified expenses in a taxable year or short taxable years are involved, the amounts may be annualized or disregarded. Refer to IRC §§ 41(c)(3) and 41(f)(4) for details.

**NOTE:** *The maximum percentage that can be entered on line 14 is 16% (.1600).*

**Line 15 -**

Multiply line 13 by the percentage on line 14. Enter the result.

**Line 16 -**

Subtract line 15 from line 12. Enter the difference. If less than zero, enter "0".

**Line 17 -**

Multiply line 12 by 50%. Enter the result. The base amount cannot be less than 50% of the current year qualified research expenses. This rule applies both to existing and start-up companies.

**Line 18 -**

Enter the lesser of line 16 or line 17.

**NOTE:**

- If line 18 is \$2,500,000 or less, complete line 19 and skip lines 20 through 22.
- If line 18 is more than \$2,500,000, skip line 19 and complete lines 20 through 22.

**Lines 19 through 23 -**

The amount of expenses you have determines the amount of current year credit you are eligible to claim. To determine your proper credit amount, complete lines 19 through 23 as instructed on the form.

**Part 3 – Current Taxable Year’s Credit Passed Through from S Corporations and Partnerships**

**NOTE:** If you received a pass through of this credit from more than one partnership and/or S corporation, total the amounts received from all Form(s) 308-P and/or Form(s) 308-S on a separate schedule and include it with this form. Include a copy of each Form 308-P and/or Form 308-S you received with your return.

**Line 24 -**

Enter the total amount of this credit passed through from partnerships on Form 308-P, Part 2, line 4.

**Line 25 -**

Enter the total amount of this credit passed through from S corporations on Form 308-S, Part 2, line 4.

**Part 4 - Total Current Taxable Year’s Credit for Increased Research Activities****Line 26 -**

Add lines 23 through 25. Enter the total. **This is your current year’s total credit for increased research activities.**

**Part 5 - Refundable Portion of the Current Taxable Year's Excess Credit**

Complete Part 5 **ONLY** if you checked the “Yes” box on line 2 or on line 4 and elected to receive a refund of 75% of your excess credit.

If you checked the “No” box on line 2 and/or line 4, and you elect *not* to receive a refund of 75% of your excess credit, skip to Part 6.

The excess credit is the current taxable year's credit for increased research activities less the current taxable year's tax liability. Carryovers of the credit for increased research activities from previous taxable years will carry over for possible use in the next taxable year, provided they do not expire this taxable year.

**NOTE:** If you complete Part 5 and are receiving a refund, do not complete Part 7.

**Line 27 -**

Enter the amount from Part 4, line 26.

**Line 28a -**

Enter the amount from Form 140, line 49; or Form 140PY, line 60; or Form 140NR, line 60; or Form 140X, line 37.

**Line 28b -**

Enter the current year’s nonrefundable tax credits from Form 301, Part 1, line 30 excluding the credit or carryovers for increased research activities on Form 301, Part 1, line 4, column (c).

**Line 28c -**

Subtract line 28b from line 28a. Enter the difference. If the difference is zero or more, enter it on Part 8, line 51; also enter it on Form 301, Part 1, line 4, column (a), and Form 301, Part 2, line 43. If the difference is less than zero, enter “0”. This is the current year’s credit for increased research activities that will be used to offset the current taxable year’s tax liability.

**Line 29 -**

Subtract the amount on line 28c from line 27. Enter the difference. If the result is less than zero, enter “0”, because no refund is available.

**Line 30 -**

Multiply the amount on line 29 by 75% and enter the result. This is your tentative refundable credit.

**Maximum Refundable Credit****Line 31a -**

Enter the maximum refundable credit amount authorized by the ACA for the credit you earned from Part 1, line 2a2.

**NOTE for lines 31b and 31c:** If you received a pass through of this credit from more than one partnership and/or S corporation, total the maximum refundable amounts on a separate schedule and include it with this form.

**Line 31b -**

Enter the partner’s maximum refundable credit amount from Form 308-P, Part 3, line 6, or from Form 308-S, Part 3, line 6. If this credit was passed through to you from more than one partnership, total the amounts indicated on Form(s) 308-P, Part 3, line 6. Enter the total.

**Line 31c -**

Enter the shareholder’s maximum refundable credit amount from Form 308-S, Part 3, line 6. If this credit was passed through to you from more than one S corporation, total the amounts indicated on Form(s) 308-S, Part 3, line 6. Enter the total.

**Line 31d -**

Add the amounts on lines 31a through 31c. Enter the total.

**Line 32 – Refundable Credit**

Enter the lesser of line 30 or line 31d. Complete Part 6 if you have carryovers from prior taxable years.

Enter this amount on Form 140, line 58; or Form 140PY, line 68; or Form 140NR, line 66; or Form 140X, line 43. On the same line, be sure to check box 308-I indicating you are claiming a refundable credit for increased research activities.



## CREDIT CARRYOVERS

**NOTE:** *If you have credit carryovers from taxable years prior to 2018, complete Part 6. If you are receiving a refund, do not complete Part 6. If you do not have carryovers from taxable years prior to 2018, skip to Part 7.*

*The credit for increased research activities may be carried forward to offset your tax liability of the next fifteen years.*

### Allowable Credit Carryover

There are limitations on how much of your carryover you can use to offset this year's tax. How much you can use depends on the year from which the carryover arose. In Part 8 you will apply those limitations to determine the proper carryover amounts.

If you have other credits, your usable amount of credit from increased research activities may be limited further. You will be applying these limitations when you complete Form 301, *Nonrefundable Individual Tax Credits and Recapture*.

### Part 6 - Available Credit Carryover

Use Part 6 to compute the carryover of the credit for increased research activities from taxable years beginning on or after January 1, 2003.

#### Lines 33 through 47 -

In column (b), enter the credit originally computed for taxable years 2003 and subsequent years. In column (c), enter the amount that has already been used. Subtract the amount in column (c) from column (b) and enter the difference in column (d).

#### Line 48 -

Add the amounts on lines 33 through 47 in column (d). Enter the total. This is the total credit carryover available.

**REMINDER:** *If you received a refund of this credit for any prior taxable year, no carryover of the credit is available from those years. In this case, enter "0" in column (d) for those tax years.*

### Part 7 - Limitation of Credit Carryovers

Use Part 7 to figure the limitations on use of credit carryovers. Complete lines 49a through 50 if you claimed the credit on a prior year return and the credit was more than your tax.

**NOTE:** *If you completed Part 5 and are receiving a refund, do not complete Part 7.*

*LIMITATION FOR CREDIT CARRYOVERS FROM TAXABLE YEARS BEGINNING ON OR AFTER JANUARY 1, 2003.* The amount of credit carryover from taxable years beginning on or after January 1, 2003, is only limited by the amount by which your current year's tax liability exceeds your current year's credit for increased research activities.

#### Line 49a -

Enter your tax liability from Form 301, Part 2, line 39.

#### Line 49b -

Enter the current year's total credit from Part 4, line 26.

#### Line 49c -

Subtract line 49b from line 49a and enter the difference. If the difference is zero or less, enter "0".

#### Line 50 -

Enter the lesser of Part 6, line 48, column (d), or line 49c. This is the amount of carryover you may use to reduce your current year's Arizona tax liability.

### Part 8 - Total Available Nonrefundable Credit

Complete this section to compute the total available credit for the taxable year. The total available credit is the sum of the current taxable year's credit for increased research activities and the available credit carryover(s).

#### Line 51 - Current Year's Credit

If you completed Part 5 and are receiving a refund, enter the amount from Part 5, line 28c. Otherwise, enter the amount from Part 4, line 26. This is the current taxable year's credit for increased research activities. Also, enter the total on Form 301, Part 1, line 4, column (a).

**NOTE:** *If you qualify for, and are claiming a 75% refund of your excess credit for the current year, enter only the nonrefundable portion of the current year's credit from Form 308-I, Part 5, line 28c. Enter the refundable portion of the credit (the amount from Form 308-I, Part 5, line 32) on Form 140, line 58; or Form 140NR, line 66; or Form 140PY, line 68; or Form 140X, line 43.*

*Carry forwards from previous years of this credit will carry over to the following year, provided this credit is within the 15-year carry forward period.*

*Do not enter any carry over amount(s) on line 52.*

#### Line 52 - Credit Carryover

If you completed Part 5 and are receiving a refund, enter "0". Otherwise, enter the amount from Part 7, line 50. This is the amount of credit carryover that you may use to reduce your current year's Arizona tax liability. Also, enter this amount on Form 301, Part 1, line 4 column (b).

#### Line 53 - Total Available Credit

Add the amounts on lines 51 and 52. Enter the total. This is the total available credit for increased research activities that may be applied to your current taxable year's tax liability. Also, enter the total on Form 301, Part 1, line 4, column (c).

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### Schedule of Income Allocation

Complete this schedule only if you are an Arizona resident who is also considered to be a resident of another state under the laws of that other state (dual resident); otherwise skip this schedule. See pages 2 and 9 of the instructions.

	(a) Amount reported on your 2018 federal return	(b) Amount entered in column (a) reported on your 2018 Form 140	(c) Amount entered in column (a) reported on your 2018 return filed to your statutory state of residence	(d) Amount entered in column (c) that would be sourced to your statutory state of residence as income of a nonresident of that state
<b>1</b> Wages, salaries, tips, etc.....	\$ 00	\$ 00	\$ 00	\$ 00
<b>2</b> Interest.....	\$ 00	\$ 00	\$ 00	\$ 00
<b>3</b> Dividends.....	\$ 00	\$ 00	\$ 00	\$ 00
<b>4</b> Business income or (loss) from federal Schedule C.....	\$ 00	\$ 00	\$ 00	\$ 00
<b>5</b> Gains or (losses) from federal Schedule D.....	\$ 00	\$ 00	\$ 00	\$ 00
<b>6</b> Rents, royalties, partnerships, estates, trusts, small business corporations from federal Schedule E	\$ 00	\$ 00	\$ 00	\$ 00
<b>7</b> Other income reported on your federal return .....	\$ 00	\$ 00	\$ 00	\$ 00
<b>8</b> Total Income: Add lines 1 through 7 .	\$ 00	\$ 00	\$ 00	\$ 00
<b>9</b> Other federal adjustments: List on lines 9a through 9c:				
<b>9a</b>	\$ 00	\$ 00	\$ 00	\$ 00
<b>9b</b>	\$ 00	\$ 00	\$ 00	\$ 00
<b>9c</b>	\$ 00	\$ 00	\$ 00	\$ 00
<b>9d</b> Total adjustments: Add lines 9a through 9c for each column .....	\$ 00	\$ 00	\$ 00	\$ 00
<b>10</b> Adjusted Gross Income: Subtract line 9d from line 8 for each column....	\$ 00	\$ 00	\$ 00	\$ 00

## 2018 Credit for Taxes Paid to Another State or Country

**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 click on *Reports and Legal Research* 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 and click on *Reports and Legal Research* then click on *Publications*.

### Purpose of Form

Use Arizona Form 309 to figure your credit for taxes paid to Arizona and another state or country on the same income. If claiming a credit for more than one state or country, complete a separate Form 309 for **each** state or country.

**NOTE:** *Individuals claiming this credit must also complete Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture, and include Form 301 and Form(s) 309 with your tax return to claim this credit.*

*Estates and Trusts claiming a credit for taxes paid to another state or country are not required to completed Forms 301 and 309. See the instructions for Arizona Form 141AZ for requirements to claim this credit.*

If you are not sure what amounts you should enter on Form 309, see the department's procedure, ITP 08-1, *Procedure for Calculating Credit for Taxes Paid to Another State or Country by Arizona Resident Individuals*.

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

Complete this form only if you meet the following:

1. You are filing a 2018 Arizona income tax return.
  2. You paid a **net** income tax to another qualified state or country for 2018.
- If you are claiming a credit for taxes paid to another state, payroll taxes withheld from income do not constitute a net income tax. Having tax withheld from your pay by Arizona and another state does not by itself qualify you for this credit. You must file a net income tax return to the other state.
  - If you are claiming a credit for taxes paid to another country, a net income tax paid to another country includes

those taxes that qualify for a credit under Internal Revenue Code (IRC) §§ 901 and 903.

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

**You may not claim this credit for the following:**

- income taxes paid to any city or county, and
- interest or penalties paid to another state or country.

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

### Application of Credit

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

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

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

### Arizona Resident

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

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

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

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

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

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

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

## Nonresident

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

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

### Arizona nonresidents who file resident returns with the following states qualify for the credit.

- California, Indiana, Oregon, and Virginia

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

## Part-Year Residents

For that part of the year you were a resident of Arizona, follow the instructions for residents.

For that part of the year you were an Arizona nonresident, follow the instructions for nonresidents.

## Dual Resident

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

You may claim the credit as a dual resident if you meet the following:

1. You are filing a 2018 full-year Arizona resident income tax return.
2. You are considered to be a resident of another state under the laws of that other state.
3. You paid a **net** income tax to that other state.

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

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

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

## Required Forms

Upon request by the department, the taxpayer shall provide the following as proof for claiming the credit.

- Copy of other state or country's tax return.  
*If the other country does not require a taxpayer to file a tax return, provide documentation showing amount of tax imposed and paid.*
- Proof of payment.
- Statement showing conversion rate for taxes paid to other country.

## Line-by-Line Instructions

Enter your name and Social Security Number (SSN) as shown on Arizona Forms 140, Form 140NR, Form 140PY, or Form 140X.

Make sure that every return, statement, or document that you file with the department has your SSN. Failing to include the proper numbers may subject you or your preparer to a penalty. Make sure that all of the required identification numbers are clear and correct. Your return may take longer to process if identification numbers are missing, incorrect, or unclear.

*If your name appears first on the return, make sure your SSN is the first number listed.*

## Part 1 - Computation of Income Subject to Tax by Both Arizona and the Other State or Country During 2018

If you are claiming a credit for income taxes paid to another state, enter in the space provided, the two-letter abbreviation for that state. See the last page of these instructions for a list of state abbreviations.

If you are claiming a credit for income taxes paid to another country, enter the name of that country on the line provided.

In order for income to be taxed by both Arizona and another state or country, the following must exist.

### For an Arizona resident:

1. The same income must be taxed by both Arizona and the other state or country.
2. The income must have its source within the other state or country.

### For a nonresident:

1. The same income must be taxed by both Arizona and the other state or country.
2. The income must have its source within Arizona.

**Lines 1 through 6 -**

Provide a breakdown of your income which is subject to tax in both Arizona and the other state or country. Complete lines 1 through 5 separately for each income item listed in columns (a) through (c). If you have more than three items of income from the other state or country for which you are claiming the credit, complete additional schedules.

**NOTE:** *If you are an Arizona resident who is also considered to be a resident of another state under the laws of that other state, complete the Schedule of Income Allocation, on page 2 of Form 309 before you complete Part 1, lines 1 through 6 of Form 309.*

**Line 1 -**

Identify the income item from which the income subject to tax in both Arizona and the other state or country is derived. If you have more than one income item, complete column(s) (b) and (c), as necessary. Examples of such income are business income, partnership income, wages, etc. Enter an item in column (a) only if your Arizona adjusted gross income and the adjusted gross income of the return filed with the other state or country includes the income from that item.

If you are an Arizona resident and also considered to be a resident of another state, enter the income item and amount from column (d) of the *Schedule of Income Allocation*.

If you are claiming a credit for taxes paid to another country, and that country withheld at the source, and you are not required to file a return with that country, enter the item of income from which the foreign taxes were withheld.

**Line 2 -**

Enter the amount of income from the item listed on line 1 reportable to both Arizona and the other state or country. This is the amount of income derived from that item which you must include in the income reported to both Arizona and the other state or country.

**Line 3 -**

Enter that portion of income on line 2 included in your Arizona adjusted gross income. This amount is that portion of the amount of income included on line 2 that is also included in your Arizona gross income adjusted by any additions or subtractions related to that income required under Arizona law.

**For example**, during the tax year, Taxpayer A, a full-year Arizona resident, had Schedule C business income of \$50,000 from State P. This \$50,000 of Schedule C income is reportable to both Arizona and to State P.

For federal purposes, Taxpayer A included the \$50,000 in federal adjusted gross income, but also reduced that Schedule C business income by ½ of the self-employment tax related to that income (\$3,532) and by the amount of self-employed health insurance deduction (\$6,000). Therefore, only \$40,468 [ $\$50,000 - (\$3,532 + \$6,000)$ ] of the \$50,000 Schedule C income is included in Taxpayer A's Arizona gross income.

Arizona law requires no further additions or subtractions related to this Schedule C income included in Taxpayer A's Arizona gross income. Therefore, the amount of Schedule C income included in Taxpayer A's Arizona adjusted gross income would be \$40,468. Taxpayer A would enter \$40,468 on line 3.

**Line 4 -**

Enter that portion of income on line 2 which is included in the other state or country's equivalent of Arizona adjusted gross income. If you are a full-year Arizona resident filing a nonresident return to the other state or country, this would be the other state or country's income computed under the equivalent of Arizona Revised Statute (A.R.S.) § 43-1094 (adjusted gross income of a nonresident). In other words, the income computed as if only source income were included, and then adjusted by any additions or subtractions related to that income required under the other state or country's law.

**For example**, during the tax year, Taxpayer A, a full-year Arizona resident, had Schedule C business income of \$50,000 from State P. This \$50,000 of Schedule C income is reportable to both Arizona and to State P.

For federal purposes, Taxpayer A included the \$50,000 in federal adjusted gross income, but also reduced that Schedule C business income by ½ of the self-employment tax related to that income (\$3,532) and by the amount of self-employed health insurance deduction (\$6,000). Taxpayer A was required to make these same adjustments on the return filed to State P. Therefore, only \$40,468 [ $\$50,000 - (\$3,532 + \$6,000)$ ] of the \$50,000 Schedule C income is included in State P's equivalent of Arizona gross income.

Additionally, State P law allows Taxpayer A to subtract an additional \$2,000 of depreciation related to the Schedule C income. Therefore, the amount of Schedule C income included in State P's equivalent of Arizona adjusted gross income would be \$38,468 ( $\$40,468 - \$2,000$ ). Taxpayer A would enter \$38,468 on line 4.

**NOTE:** *If you are claiming a credit for taxes paid to another country, and that country withheld at the source, and you are not required to file a return with that country, enter the amount of income subject to tax in that foreign country.*

**Line 5 -**

Enter the smaller of the amount entered on line 3 or line 4. This is the amount of income from that item which is subject to tax by both Arizona and the other state or country.

**Line 6 -**

Add line 5, columns (a) through (c). This is the total income subject to tax in both Arizona and the other state or country.

If less than zero, enter "0." In this case, there is no income that is subject to tax in both Arizona and the other state or country. You cannot claim a credit for taxes paid to the other state or country.

Enter the amount from Part 1, line 6, on Part 2, line 8, and also on Part 2, line 13.

**NOTE:** *The amounts on lines 2 through 5 may be the same. However, differences may occur due to the application of the other state's law. See the following example.*

**The following example illustrates how to complete lines 1 through 6 of Arizona Form 309. If you are an Arizona resident who is also considered to be a resident of another state under the laws of that other state, see the example following the instructions for the *Schedule of Income Allocation* for an example of how to complete lines 1 through 6 of Form 309.**

**EXAMPLE:**

**Facts:**

Mr. and Mrs. M are Arizona residents. Mr. M is an active duty military member who is stationed in State X. Mr. M receives wages from the military and from a part-time job in State X. Mr. and Mrs. M receive rental income from property in Arizona. During the taxable year for which the credit is being claimed, Mr. and Mrs. M received the following income.

Mr. M's military wages	\$ 15,000
Mr. M's part-time employment wages	\$ 10,000
Rental income from AZ property	<u>\$ 20,000</u>
Total Income	\$ 45,000

As Reported on State X Return		As Reported on Arizona Return	
Federal adjusted gross income	\$ 45,000	Federal adjusted gross income	\$ 45,000
Less non-state X income (military & rental income)	\$ (35,000)	Less subtractions from income (military income of \$15,000 and dependent exemption of \$2,300)	\$ (17,300)
Less subtraction for second job income	\$ (1,000)	Arizona adjusted gross income	\$ 27,700
State X adjusted gross income	\$ 9,000		

Mr. and Mrs. M must include Mr. M's part-time employment wages of \$10,000 in both the Arizona gross income and the State X's equivalent of Arizona gross income. Therefore, the amount of wage income reportable to both Arizona and State X is \$10,000. For Arizona purposes, there are no additions or subtractions related to that \$10,000 wage income included in Arizona gross income, so the entire \$10,000 of wage income is included in Arizona adjusted gross income. However, under State X law, \$1,000 of the \$10,000 wage income is subtracted from State X's equivalent of Arizona adjusted gross income, so only \$9,000 of that \$10,000 is included in State X's equivalent of Arizona adjusted gross income. Mr. and Mrs. M complete lines 1 through 6 of Form 309 as follows:

	(a) wages
1. Description of income items	
2. Amount of income from item listed on line 1, reportable to both Arizona and the other state or country.	\$10,000
3. Portion of income on line 2 included in Arizona adjusted gross income.	\$10,000
4. Portion of income included on line 2 included in the other state or country's equivalent of Arizona adjusted gross income.	\$ 9,000
5. Income subject to tax by both Arizona and the other state or country. Enter the smaller of the amount entered on line 3 or 4.	\$ 9,000
6. Total income subject to tax in both Arizona and the other state or country.	\$ 9,000



**Part 2 - Computation of Other State or Country Tax Credit**

**Line 7 -**

Enter your Arizona tax liability less any credits. However, do not reduce your Arizona tax liability by the other state tax credit.

For 2018, your Arizona tax liability prior to tax credits can be found on the following line number.	
Arizona Form	Line Number
140	47
140PY	58
140NR	58
140X	35

**NOTE:** *If you are taking other tax credits, you must reduce your Arizona tax by the amount of those other tax credits. For the purpose of this computation, be sure to reduce your Arizona tax by both refundable and nonrefundable credits.*

**Line 8 -**

Enter amount from Part 1, line 6.

**Line 9 - Entire Income Upon Which Arizona Tax is Imposed**

Enter your entire income upon which Arizona tax is imposed. This is the Arizona adjusted gross income excluding allowable exemptions for age 65 or over, blind, dependents, or qualifying parents and grandparents.

Use the appropriate worksheet below to figure your entire income upon which Arizona tax is imposed.

Worksheet for Arizona Residents	
1. Enter the amount from Arizona Form 140, line 43.	
2. Enter the total amount from Arizona Form 140, lines 39 through 42.	
3. Add the amount on lines 1 and 2. Enter the total here and on line 9 of Form 309.	

Worksheet for Arizona Nonresidents	
1. Enter the amount from Arizona Form 140NR, line 54.	
2. Enter the amount from Form 140NR, line 53.	
3. Add the amounts on lines 1 and 2. Enter the total here and on line 9 of Form 309.	

Worksheet for Arizona Part-Year Residents With No Arizona Source Income for the Period of the Year in Which You Were an Arizona Nonresident	
1. Enter the amount from Arizona Form 140PY, line 54.	
2. Enter the amount from Form 140PY, line 53.	
3. Add the amounts on lines 1 and 2. Enter the total here and on line 9 of Form 309.	

**Part-Year Residents With Arizona Source Income for the Period of the Year in Which You Were an Arizona Nonresident**

If you have Arizona source income for the period of the year in which you were an Arizona nonresident, you must separately determine the amount of Arizona adjusted gross income for the period in which you were a resident and the amount of Arizona adjusted gross income for the period in which you were a nonresident. These figures are not separately stated on any particular line on your Arizona Form 140PY.

**Lines 10 and 11 -**

Follow the instructions on the form for lines 10 and 11.

**Line 12 -**

Enter the amount of income tax paid to the other state or country. Do not include federal income taxes or any taxes paid to a city or county. Also, do not include any amount paid to the other state or foreign country for penalty or interest. Amounts of tax paid or accrued to a foreign country do not include amounts that are reasonably certain to be refunded, credited, rebated, abated, or forgiven. Also enter the name of the other state or country to which income tax was paid.

**Line 13 -**

Enter the amount from Part 1, line 6.

**Line 14 - Entire Income Upon Which Other State or Country's Income Tax is Imposed**

Enter the entire income upon which the other state or country's income tax is imposed. This is the other state or country's equivalent of Arizona adjusted gross income, but does not include exemptions allowable under the equivalent of Arizona Revised Statute (A.R.S.) § 43-1023. Such income must include items of income and loss, but not exemptions and itemized or standard deductions. Such income must also be adjusted by any additions or subtractions required under the other state's law which relate to the income from sources within the other state. This amount may not be shown on a specific line of the return filed with the other state.

If you are claiming a credit for taxes paid to another country, and that country withheld at the source, and you are not required to file a return with that country, enter the amount of income subject to tax in that foreign country.

**NOTE FOR ARIZONA RESIDENTS ONLY:** *Since the other state can only tax a nonresident on income which is sourced to that state, the entire income upon which the other state's income tax is imposed includes only income sourced to that other state under its income tax laws. Source income is generally income derived from property located within a state or from an activity carried on within a state when the income recipient is a nonresident.*

**NOTE:** *You may not be able to take the entire income upon which the other state or country's tax is imposed from a specific line on the return filed to the other state or country. If you must determine this amount, include a schedule.*

**The example beginning on page 7** illustrates how an Arizona resident figures the entire income subject to tax in the other state or country.

If you have questions concerning what amount to enter on line 14, call one of the phone numbers listed at the beginning of these instructions.

**Lines 15 and 16**

Follow the instructions on the form for lines 15 and 16.

**Line 17 -**

Enter the smaller of line 11 or line 16. If this is the only state or country for which you are claiming a credit, also enter this amount on Arizona Form 301, Part 1, line 5, column (a).

If you are claiming a credit for more than one state or country, make a separate computation for each. Enter the total from all Arizona Forms 309 on Arizona Form 301, Part 1, line 5, column (a).

**EXAMPLE**

**The following example will illustrate how to figure a credit for taxes paid to another state.**

**Facts:** Mr. and Mrs. F are Arizona residents who derive income from a farm in State XY. During the taxable year for which the credit is being claimed, Mr. and Mrs. F had the following income.

Interest income	\$ 38,000
Dividend income	\$ 4,000
Farm income from State XY	<u>\$ 16,000</u>
Total income	<u>\$ 58,000</u>

**As Reported on Arizona Return**

Federal adjusted gross income	\$ 58,000
Less dependent exemption \$2,300	(2,300)
Arizona adjusted gross income	\$ 55,700
Itemized deductions	(12,000)
Personal exemptions	(6,600)
Arizona taxable income	37,100
Arizona tax	1,009
Credit for Contributions to Public Schools	(300)
Arizona tax liability	709

As Reported on State XY Return		As Reported on State XY Income Allocation Schedule		
			<i>Column A</i> Income from federal return	<i>Column B</i> Income from Column A from State XY sources
1. Federal adjusted gross income	\$ 58,000			
2. Plus State XY additions	0	1. Wages		
3. Less State XY subtractions	0	2. Interest	38,000	
4. State XY adjusted gross income	<u>\$ 58,000</u>	3. Dividends	4,000	
5. Itemized Deductions	(11,000)	4. Farm Income	16,000	16,000
6. Exemptions	(3,000)	5. Capital Gains		
7. State XY taxable income	\$ 44,000	6. Rents, Sub S, Royalties, Partnership		
8. State XY tax	1,760	7. Other Income		
9. Percentage from Income Allocation Schedule	0.2759	8. Total income	58,000	16,000
10. State XY tax on income sourced to State XY. Multiply line 8 by line 9.	\$ 486	9. Tax proration Divide line 8 Column B by Line 8, Column A	16,000/58,000 = .2759	

**Credit Computation:**

Mr. and Mrs. F complete Arizona Form 309 as follows:

**Arizona Form 309**

**Part I - Computation of Income Subject to Tax by Both Arizona and the Other State or Country**

	(a) Farm income	(b)
1. Description of income item(s)		
2. Amount of income from item listed on line 1, reportable to both Arizona and the other state or country.	\$16,000	
3. Portion of income on line 2 included in Arizona adjusted gross income.	\$16,000	
4. Portion of income on line 2 included in State XY's equivalent of Arizona adjusted gross income.	\$16,000	
5. Income subject to tax by both Arizona and the other state or country. Enter the lesser of amount entered on line 3 or line 4.	\$16,000	
6. *Total income subject to tax in both Arizona and the other state or country.		\$16,000

**Part II - Computation of Other State or Country Tax Credit**

7. **Arizona tax liability less any credits (except other state tax credit).....	7	709	
8. Amount from Part 1, line 6 .....	8	16,000	
9. ***Entire income upon which Arizona income tax is imposed .....	9	58,000	
10. Divide the amount on line 8 by the amount on line 9 (cannot be greater than 1) .....	10	.2759	
11. Multiply the amount on line 7 by the decimal on line 10.....	11	196	
12. Income tax paid to State XY (tax less credits) .....	12	486	
13. Amount from Part 1, line 6 .....	13	16,000	
14. ****Entire income upon which State XY income tax is imposed .....	14	16,000	
15. Divide the amount on line 13 by the amount on line 14 (cannot be greater than 1) .....	15	1.0000	
16. Multiply the amount on line 12 by the decimal on line 15.....	16	486	
17. Other state or country tax credit. Enter the lesser of line 11 or line 16 .....	17	196	

**\* Lines 1 through 6 - Income subject to tax in both Arizona and State XY**

Mr. and Mrs. F must report State XY farm income of \$16,000 in both Arizona gross income and State XY's equivalent of Arizona gross income. There are no additions or subtractions related to the \$16,000 farm income required under either Arizona law, or State XY law. Therefore, \$16,000 of farm income is included in Arizona adjusted gross income and \$16,000 of farm income is included in State XY's equivalent of Arizona adjusted gross income.

**\*\*Line 7 - Arizona tax liability**

For the purpose of the credit, Mr. and Mrs. F compute the Arizona tax liability as follows:

Arizona tax	\$1,009
Less public school tax credit	(300)
Arizona tax liability	\$ 709

**\*\*\*Line 9 - Entire income upon which Arizona tax is imposed**

For the purpose of the credit, Mr. and Mrs. F compute the entire income upon which Arizona tax is imposed as follows:

Arizona adjusted gross income	\$55,700
Plus dependent, blind, age 65 or over, and qualifying parent and grandparent exemptions	<u>2,300</u>
Entire income upon which Arizona income tax is imposed	<u>\$58,000</u>

**\*\*\*\*Line 14 - Entire income upon which State XY tax is imposed**

This is the entire income upon which State XY's tax is imposed. This is State XY's equivalent of Arizona adjusted gross income for these individuals. Since these individuals are nonresidents of State XY, State XY's equivalent of Arizona adjusted gross income (not including exemptions and standard or itemized deductions), includes only that income which is sourced to State XY. It should be

noted that in this case, the entire income upon which State XY's income tax is imposed had to be determined. This amount was not separately shown on a specific line of the State XY return, since State XY computes its tax on the total income and then prorates that tax to reflect the tax attributable to income derived from sources within State XY. For the purpose of the credit, Mr. and Mrs. F compute the entire income upon which State XY's tax is imposed as follows:

Mr. and Mrs. F's Farm income sourced to State XY (State XY's equivalent of Arizona adjusted gross income) computed under A.R.S. § 43-1094).....	\$16,000
Plus State XY's equivalent of Arizona's dependent exemptions.....	<u>0</u>
Entire income upon which State XY tax is imposed.....	<u>\$16,000</u>

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**Form 309, Page 2 – Schedule of Income Allocation Instructions**

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Complete page 2, *Schedule of Income Allocation*, **only** if you are a full-year Arizona resident who is also considered a resident of another state under the laws of that other state.

All other taxpayers skip page 2, *Schedule of Income Allocation*.

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

Because the credit allowed for a full-year Arizona resident that is also considered to be a resident of another state is for taxes paid to that other state on income sourced to that other state, you must complete the *Schedule of Income Allocation*, before you can complete lines 1 through 6 of Form 309.

This schedule allocates income between income sourced to the other state and income from everywhere else that is taxable to the other state. Complete column (a) before completing columns (b) through (d). On lines 1 through 10 of column (a), for each line, enter the amounts reported on your federal income tax return. In column (b), enter the amounts listed in column (a) that are included in income reported on your Arizona return. In column (c), enter the amounts listed in column (a) that are included in income reported on the return filed with the other state. In column (d), enter the amounts listed in column (c) that would be sourced to the other state if you were a nonresident of that state filing a nonresident return to that state.

**The following example illustrates how to complete Form 309 for an Arizona resident who is also considered to be a resident of another state under the laws of that other state.**

**EXAMPLE**

**Facts:**

Mr. and Mrs. R are Arizona residents who are temporarily living and working in State Z. They will be there for one year and then they will return to Arizona. During the current taxable year, Mr. and Mrs. R have been living and working in State Z for 10 and one-half months. Because Mr. and Mrs. R have been living in State Z for more than 183 days during the tax year, State Z considers Mr. and Mrs. R to be residents of State Z and taxes all of their income from the time they moved to State Z. Because Mr. and Mrs. R are Arizona residents who are temporarily out of Arizona, they are still full-year Arizona residents for Arizona income tax purposes and must file a full-year Arizona income tax return and include all income for the taxable year, wherever derived. For the taxable year, Mr. and Mrs. R have the following income.

Mr. R's wages from employment in Arizona	\$ 15,000
Mr. R's wages from employment in State Z	\$ 42,000
Mrs. R's wages from employment in State Z	\$ 5,000
Interest income	\$ 5,000
Rental income from AZ property	<u>\$ 20,000</u>
Total income	<u>\$ 87,000</u>

As Reported on State Z Return		As Reported on Arizona Return	
Wages (Mr. R's State Z wages \$42,000 + Mrs. R's State Z wages \$5,000)	\$ 47,000	Federal adjusted gross income	\$ 87,000
Interest income received after moving to State Z	4,375	Less subtractions from income (dependent exemption \$2,300)	(2,300)
Rental income from Arizona property received after moving to State Z	17,500	Arizona adjusted gross income	\$ 84,700
State Z gross income	68,875	Arizona itemized deductions	(12,000)
Plus additions to income	0	Arizona personal exemption	(6,600)
Less subtractions (dependent \$4,000)	( 4,000)	Arizona taxable income	\$ 66,100
State Z adjusted gross income	\$ 64,875	Arizona tax	\$ 1,905
State Z itemized deductions	( 9,500)		
State Z personal exemptions	( 7,500)		
State Z taxable income	\$ 47,875		
State Z tax	\$ 2,154		

Before Mr. and Mrs. R can complete Form 309, they must complete the *Schedule of Income Allocation* on page 2 of Form 309. This will help Mr. and Mrs. R determine the income that is taxable in both Arizona and State Z that would be sourced to State Z if Mr. and Mrs. R were filing a nonresident return to State Z.

Schedule of Income Allocation				
	(a) Reported on your 2018 federal return	(b) Amount Entered in column (a) Reported on Your 2018 Form 140	(c) Amount Entered in column (a) Reported on Your Return Filed to Your Statutory State of Residence	(d) Amount Entered in column (c) That Could be Sourced to Your Statutory State of Residence as Income of a Nonresident of that State
1. Wages, salaries, tips, etc.	62,000	62,000	47,000	47,000
2. Interest	5,000	5,000	4,375	0
3. Dividends				
4. Business income (or loss) from federal Schedule C				
5. Gains (or losses) from federal Schedule D				
6. Rents, royalties, partnerships, estates, trusts, small business corporations from federal Schedule E	20,000	20,000	17,500	0
7. Other income reported on your federal return				
8. Total income: <i>Add lines 1 through 7</i>	87,000	87,000	68,875	47,000
9a. Other federal adjustments. <i>List</i>				
9b.				
9c.				
9d. Total adjustments. <i>Add lines 9a through 9c for each column.</i>	0	0	0	0
10. Adjusted gross income. <i>Subtract the sum of amounts entered on line 9d from line 8.</i>	87,000	87,000	68,875	47,000

If Mr. and Mrs. R had filed a nonresident return to State Z, they would have reported \$47,000 of wage income to State Z as State Z source income. Therefore, when Mr. and Mrs. R complete Form 309, they would complete lines 1 through 6 as follows:

Part I	(a)	(b)
1. Description of Income Items	Wages	
2. Amount of income from item listed on line 1, reportable to both Arizona and State Z.	\$47,000	
3. Portion of income on line 2 included in Arizona adjusted gross income.	\$47,000	
4. Portion of income on line 2 included in State Z's equivalent of Arizona adjusted gross income.	\$47,000	
5. Income subject to tax by both Arizona and State Z. Enter the smaller of line 3 or line 4.	\$47,000	
6. *Total income subject to tax in both Arizona and State Z.	\$47,000	

<b>Part II – Computation of Other State or Country Tax Credit</b>		
7. Arizona tax liability less any credits (except other state tax credit).....	7	1,905
8. Amount from Part 1, line 6.....	8	47,000
9. ** Entire income upon which Arizona income tax is imposed.....	9	87,000
10. Divide the amount on line 8 by the amount on line 9 (cannot be greater than 1).....	10	.5402
11. Multiply the amount on line 7 by the decimal on line 10.....	11	1,029
12. Income tax paid to State Z (tax less credits).....	12	2,154
13. Amount from Part 1, line 6.....	13	47,000
14. ***Entire income upon which State Z's income tax is imposed.....	14	68,875
15. Divide the amount on line 13 by the amount on line 14 (cannot be greater than 1).....	15	.6824
16. Multiply the amount on line 12 by the decimal on line 15.....	16	1,470
17. Other state or country tax credit. Enter the smaller of line 11 or line 16.....	17	1,029

**\* Lines 1 through 6 – Income subject to tax in both Arizona and State XY**

Before completing lines 1 through 6, Mr. and Mrs. R must complete page 2 of Arizona Form 309, *Schedule of Income Allocation*. Even though Mr. and Mrs. R must report wage income, interest income and rental income to State Z, only the wage income earned for services performed in State Z would be sourced to State Z if State Z were taxing Mr. and Mrs. R as nonresidents. Therefore, when Mr. and Mrs. R complete the *Schedule of Income Allocation*, Mr. and Mrs. R indicate that only \$47,000 of wages would be sourced to State Z as income of a nonresident of State Z.

Mr. and Mrs. R must report State Z wages of \$47,000 in Arizona gross income and \$47,000 of State Z wages in State Z's equivalent of Arizona gross income. There are no additions or subtractions related to the \$47,000 of State Z wages required under either Arizona law, or State Z law. Therefore, \$47,000 of State Z wage income is included in Arizona adjusted gross income and \$47,000 of State Z wage income is included in State Z's equivalent of Arizona adjusted gross income.

**\*\*Line 9 – Entire income upon which Arizona tax is imposed**

For the purpose of the credit, Mr. and Mrs. R compute the entire income upon which Arizona tax is imposed as follows:

Arizona adjusted gross income	\$ 84,700
Plus dependent, blind, age 65 or over, and qualifying parent and grandparent exemptions	<u>2,300</u>
Entire income upon which Arizona income tax is imposed	<u>\$ 87,000</u>

**\*\*\*Line 14 – Entire income upon which State Z tax is imposed**

This is the entire income upon which State Z tax is imposed. This is State Z's equivalent of Arizona adjusted gross income for these individuals. For the purpose of the credit, Mr. and Mrs. R compute the entire income upon which State Z tax is imposed as follows:

State Z's equivalent of Arizona adjusted gross income	\$ 64,875
State Z's equivalent of Arizona's dependent exemptions	<u>4,000</u>
Entire income upon which State Z's tax is imposed	<u>\$ 68,875</u>

**List of State Abbreviations**

State		State		State		State	
Alabama	AL	Indiana	IN	Mississippi	MS	Oklahoma	OK
Arkansas	AR	Iowa	IA	Missouri	MO	Oregon	OR
California	CA	Kansas	KS	Montana	MT	Pennsylvania	PA
Colorado	CO	Kentucky	KY	Nebraska	NE	Rhode Island	RI
Connecticut	CT	Louisiana	LA	New Jersey	NJ	South Carolina	SC
Delaware	DE	Maine	ME	New Mexico	NM	Utah	UT
Georgia	GA	Maryland	MD	New York	NY	Vermont	VT
Hawaii	HI	Massachusetts	MA	North Carolina	NC	Virginia	VA
Idaho	ID	Michigan	MI	North Dakota	ND	West Virginia	WV
Illinois	IL	Minnesota	MN	Ohio	OH	Wisconsin	WI

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**Include with your return.**

For the calendar year 2018 or fiscal year beginning MM,DD,2018 and ending MM,DD,YYYY.

Your Name as shown on Form 140, 140PY or 140X	Your Social Security Number
Spouse's Name as shown on Form 140, 140PY or 140X (if a joint return)	Spouse's Social Security Number

**Part 1 Current Year's Credit**

NOTE: The cumulative credit for all solar energy devices installed at the same residence cannot exceed \$1,000.

1 Address of residence where you installed the solar energy device for which you are claiming the credit:

Number and street: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ ZIP Code: \_\_\_\_\_

2 Cost of the solar energy device installed during the current taxable year at the residence listed on line 1	2		00
3 Multiply the amount on line 2 by 25% (.25) .....	3		00
4 Enter the smaller of line 3 or \$1,000.....	4		00
5 Enter the amount of credit from prior taxable years (1995 through 2017) for other solar energy devices installed at the residence listed on line 1.....	5		00
6 Add line 4 and line 5.....	6		00
7 Enter the smaller of line 6 or \$1,000.....	7		00
8 Subtract line 5 from line 7.....	8		00
9 Current Year's Credit: Enter the smaller of line 4 or line 8. In most cases, if you are married filing a separate return, you must enter one-half (½) of the smaller of line 4 or line 8. See instructions .....	9		00

**Part 2 Carryover from Prior Taxable Years**

	(a) Taxable Year from which you are carrying the credit	(b) Original Credit Amount  (See note below line 15)	(c) Amount Previously Used	(d) Available Carryover:  Subtract column (c) from column (b).
10	2013	00	00	00
11	2014	00	00	00
12	2015	00	00	00
13	2016	00	00	00
14	2017	00	00	00
15	Total Available Carryover: Add lines 10 through 14, column (d).....			00

NOTE: For amounts entered in column (b), do not enter the cost of the device, **enter the original credit amount**. This amount cannot exceed \$1,000. If you are claiming an additional credit amount from a second Arizona home, see Note on page 1 of the general instructions.

**Part 3 Total Available Credit**

16 Current year's credit: Enter the amount from Part 1, line 9. Also, enter this amount on <i>Arizona Form 301, Part 1, line 6, column (a)</i> .....	16		00
17 Available credit carryover from Part 2, line 15, column (d). Also, enter this amount on <i>Arizona Form 301, Part 1, line 6, column (b)</i> .....	17		00
18 Total Available Credit: Add line 16 and line 17. Also, enter this amount on <i>Arizona Form 301, Part 1, line 6, column (c)</i> .....	18		00

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## 2018 Credit for Solar Energy Devices

**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 click on *Reports and Legal Research* 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 and click on *Reports and Legal Research* then click on *Publications*.

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### General Instructions

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

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

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

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

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

To be eligible for this credit, you must be an Arizona resident who is not a dependent of another taxpayer.

A solar energy device is a system or series of mechanisms which collect and transfer solar generated energy and which are designed primarily to:

- provide heating,
- provide cooling,
- produce electrical power,
- produce mechanical power,
- provide solar daylighting, or

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

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

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

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

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

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

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

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

- Conventional plumbing components - water softeners, drinking water systems, etc., even if they are provided (free or otherwise) as part of the system.
- Conventional controls - load controllers, programmable thermostats, etc., even if they are provided (free or otherwise) as part of the system.
- Conventional heating/cooling systems - air conditioners, heat pumps, evaporative coolers, furnaces, regardless of efficiency.
- Conventional windows and window treatments - dual-pane, low-e, shade screens, reflective and dark coatings, awnings, interior shades, drapes, and blinds.
- Conventional skylights.
- Appliances (all voltages) - refrigerators, lights, fans, TVs, etc., unless they are manufactured specifically for photovoltaic systems.
- Fans - ceiling, window, attic, interior, etc., unless they are manufactured specifically for photovoltaic applications.
- Paint - ceramic, reflective roof coatings.
- Insulation (includes "outsulation") and radiant barrier.
- Weather stripping, caulking.
- Misting systems.
- Vegetation - shade trees, shrubs, grass.
- Solar energy cars.
- A solar hot water heater plumbing stub out that was installed by the builder of a house or dwelling unit before title was conveyed to the taxpayer.

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

**Line-by-Line Instructions**

Enter your name and Social Security Number (SSN) as shown on Arizona Forms 140, 140PY, or 140X.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for an individual is the taxpayer's SSN or an Internal Revenue Service (IRS) individual taxpayer identification number (ITIN).

Taxpayers that fail to include their identification number may be subject to a penalty.

**Part 1 - Current Year's Credit**

Use lines 1 through 9 to figure your credit for the current tax year.

**Line 1 -**

Enter the address of the residence where you installed the solar energy device for which you are claiming the credit.

**Line 2 -**

Enter the cost of the solar energy device. The cost of installing the device may be included in the cost of the device.

**Lines 3 and 4 -**

Follow the instructions on the form for lines 3 and 4.

**Line 5 -**

If you claimed a credit for another solar energy device you installed during a prior taxable year (1995 through 2017), at the same residence listed on line 1, enter the total amount of allowable credit for that prior tax year or years.

**Lines 6 through 8 -**

Follow the instructions on the form for lines 6 through 8.

**Line 9 - Current Year's Credit**

Enter the smaller of line 4 or line 8.

If you are married filing a separate return, but you could have filed a joint return, you may take only one-half of the total credit that you and your spouse would have been allowed to take on a joint return. In this case, enter one-half of the smaller of line 4 or line 8.

**Part 2 - Carryover from Prior Taxable Years**

**Lines 10 through 15 -**

Use Part 2 to figure your total available credit carryover from taxable years 2013 through 2017.

Complete lines 10 through 15 if you claimed this credit on a return for one of these years and the credit was more than your tax.

- In column (b), enter the credit **originally** computed for the taxable year listed in column (a). Do not enter the cost of the device. The amount entered in column (b) cannot be more than \$1,000.
- In column (c), enter the amount of the credit from that taxable year which you have already used.
- In column (d), subtract the amount in column (c) from the amount in column (b) and enter the difference.
- Add the amounts entered on lines 10 through 14 in column (d).

Enter the total on line 15, column (d).

**Part 3 - Total Available Credit**

**Lines 16 through 18 -**

Use lines 16 through 18 to figure your total available credit for 2018.

**Line 16 -**

Enter the amount from Part 1, line 9. Also, enter this amount on Form 301, line 6, column (a).

**Line 17 -**

Enter the amount of available carryover from Part 2, line 15, column (d). Also, enter this amount on Form 301, line 6, column (b).

**Line 18 - Total Available Credit**

Add line 16 and line 17. Enter the total. Also, enter this amount on Form 301, line 6, column (c).

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Include with your return.

For the calendar year 2018 or fiscal year beginning [M,M|D,D|2,0,1,8] and ending [M,M|D,D|Y,Y,Y,Y].

Your Name as shown on Form 140, 140PY, 140NR, 140X, 120S or 165	Your Social Security or Employer Identification Number
Spouse's Name as shown on Form 140, 140PY, 140NR, 140X (if a joint return)	Spouse's Social Security Number

Part 1 Qualifying Water Conservation System

- 1 Do you have a conservation plan on file and in effect with the United States Department of Agriculture Soil Conservation Service?..... 1  Yes  No

If the answer to question 1 is "No," STOP! You cannot claim this credit. You must have a qualified conservation plan on file and in effect with the United States Department of Agriculture Soil Conservation Service?

If the answer to question 1 is "Yes," enter the following:

2a Date filed ..... 2a [M,M|D,D|Y,Y,Y,Y]

2b Location of Soil Conservation Office ..... 2b \_\_\_\_\_

- 3 Check a box below and indicate the type of change or system installed.

System Changes:

- Unlined field ditch to concrete lined ditch
- Unlined field ditch to underground pipeline
- Unlined field ditch to gated pipes
- Sloping unlevelled surface field to slope on precise grade
- Sloping surface irrigated field to level basin
- Sloping field with surface irrigation to sprinkler
- Surface or sprinkler to trickle (above ground)
- Surface or sprinkler to subsurface trickle (below ground)
- Increasing the size of field ditch to provide larger head
- Unused runoff water to tailwater recovery system
- Other - Please describe: \_\_\_\_\_

Your Name (as shown on page 1)	Your Social Security or Employer Identification Number
--------------------------------	--

**Part 2 Calculation of the Current Taxable Year's Credit**

4 Total amount of qualifying expenses for current taxable year .....	<b>4</b>		00	
5 Total amount of reimbursement.....	<b>5</b>		00	
6 Net amount of qualifying expenses: Subtract line 5 from line 4.....	<b>6</b>		00	
7 Current taxable year's credit: Multiply line 6 by 75% (.75) .....	<b>7</b>			00
8 Current taxable year's pass-through credit from Partnership: Enter the amount from Form 312-P, line 1. If you received more than one Form 312-P, add all amounts on line 1 and enter the total.....	<b>8</b>			00
9 Current taxable year's pass-through credit from S corporation: Enter the amount from Form 312-S, line 2. If you received more than one Form 312-S, add all amounts on line 2 and enter the total .....	<b>9</b>			00
<b>10 Total Current Year's Credit:</b> Add lines 7, 8, and 9.....	<b>10</b>			00

**NOTE: An individual cannot take a subtraction for the same expenses for which a credit is claimed.**

- An individual claiming his or her own current year credit (line 7) must include the net amount of qualifying expenses entered on line 6, on his or her Arizona individual income tax return, under "*Additions to Income.*"
- An individual shareholder claiming a current year pass-through credit (line 9) from an S corporation must include the pro rata share of the net amount of qualifying expenses from Form 312-S, line 1, on his or her Arizona individual income tax return, under "*Other Additions to Income.*"

**Part 3 Available Credit Carryover**

	(a) Taxable Year from which you are carrying the credit	(b) Original Credit Amount	(c) Amount Previously Used	(d) Available Carryover: Subtract column (c) from column (b).
<b>11</b>	2013	00	00	00
<b>12</b>	2014	00	00	00
<b>13</b>	2015	00	00	00
<b>14</b>	2016	00	00	00
<b>15</b>	2017	00	00	00
<b>16</b>	Total Available Carryover: Add lines 11 through 15, column (d) .....			00

**Part 4 Total Available Credit**

17 Current year's credit: Enter the amount from Part 2, line 10. Also, enter this amount on <i>Arizona Form 301, Part 1, line 7, column (a)</i> .....	<b>17</b>		00
18 Available credit carryover: Enter the amount from Part 3, line 16, column (d). Also, enter this amount on <i>Arizona Form 301, Part 1, line 7, column (b)</i> .....	<b>18</b>		00
19 Total Available Credit: Add line 17 and line 18. Also, enter this amount on <i>Arizona Form 301, Part 1, line 7, column (c)</i> .....	<b>19</b>		00





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For the calendar year 2018 or fiscal year beginning   M  M  D  D  |  2  0  1  8   and ending   M  M  D  D  |  Y  Y  Y  Y  .

S Corporation Name	Employer Identification Number
--------------------	--------------------------------

**S Corporation:**

- Complete Form 312-S for each individual shareholder.
- Provide a copy of the completed Form 312-S to the shareholder.
- Include a copy of Form 312 and a copy of each Form 312-S with your Form 312.
- Keep one copy for your records.

**Individual Shareholder:**

- Use this form to complete your Form 312.
- Include Form 312-S along with your own Form 312 with your return.
- Keep a copy for your records.

**NOTE:** If you file your income tax return on a calendar year basis (January 1, 2018 – December 31, 2018) but the S corporation passing the credit files its return on a fiscal year basis, claim this credit on your income tax return for the year in which the S corporation’s fiscal year ends. For example, if the S corporation’s tax year ends in February 2019, claim this credit on your 2019 tax return.

Shareholder’s Name	Social Security Number	Ownership Interest

<b>1</b> Individual shareholder’s pro rata share of qualifying expenses based on ownership interest from Form 312, Part 2, line 6 .....	<b>1</b>	00
<b>2</b> Individual shareholder’s pro rata share of current year’s credit based on ownership interest from Form 312, Part 2, line 10 .....	<b>2</b>	00

*This is the amount of your pass-through credit from the S corporation listed above.*

**Individual shareholder:**

- Enter the amount from Form 312-S, line 2, on your own Form 312, Part 2, line 9.  
If you are claiming a pass-through credit from more than one S corporation, add all amounts from Forms 312-S and enter the total on Form 312, Part 2, line 9.
- An individual cannot take a subtraction for the same expenses for which a credit is claimed. If you are claiming this pass-through credit, you must include the amount reported on Form 312-S, line 1, on your Arizona individual income tax return, under “*Other Additions to Income.*”

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**2018 Agricultural Water Conservation System Credit**

**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 click on *Reports and Legal Research* 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 and click on *Reports and Legal Research* then click on *Publications*.

**Purpose of Form**

**NOTE:** You *must* also complete Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture, and include Forms 301 and 312 with your tax return to claim this credit.

Arizona law allows a nonrefundable tax credit for the purchase and installation of an agricultural water conservation system. Complete Form 312 to claim this nonrefundable credit.

**To Qualify for the Credit:**

- The system must be primarily designed to substantially conserve water on land that the taxpayer or taxpayer's tenant uses to:
  - produce crops, fruits, or other agricultural products; **or**
  - raise, harvest, or grow trees; **or**
  - sustain livestock.
- The expense must be consistent with a conservation plan that the taxpayer has filed and that is in effect with the United States Department of Agriculture Soil Conservation Service.

The credit is equal to 75% of the qualifying expenses incurred during the taxable year.

**Who May Claim this Credit?**

This credit is available to individuals *only*. A partnership may not claim this credit, but may pass the credit through to partners who are individuals, S corporations and other partnerships. A corporation, including an S corporation, may not claim this credit. However, an S corporation may pass the credit through to its individual shareholders.

Individual co-owners of a business, including individual partners in a partnership and individual shareholders of an S corporation, may each claim only a pro rata share of the credit, based on ownership interest. The total of the credits allowed all

owners may not exceed the amount that would have been allowed for a sole owner of the business.

**A partnership passing the current year's credit** through to its individual partners must do the following:

- Complete Part 1 and Part 2, lines 1 through 10.
- Complete Form 312-P, *Agricultural Water Conservation System Credit - Distribution to Partners*, for each partner and provide the partner with a copy of Form 312-P.

Form 312-P is available on the department's website. Instructions for completing Form 312-P are included at the end of these instructions, beginning on page 3.

The partner will use Form 312-P to complete their own Form 312 to claim the *pro rata* share of the credit or another Form 312-P, if applicable.

- Include Forms 312 and 312-P with its tax return.
- Keep a copy of Forms 312 and 312-P for its record.

**An S corporation passing the current year's credit** through to its individual shareholders must do the following:

- Complete Part 1 and Part 2, lines 1 through 10.
- Complete Form 312-S, *Agricultural Water Conservation System Credit - Distribution to Individual shareholders of an S Corporation*, for each individual shareholder and provide the shareholder with a copy of Form 312-S.

Form 312-S is available on the department's website. Instructions for completing Form 312-S are included at the end of these instructions, beginning on page 3.

The individual shareholder will use Form 312-S to complete their own Form 312 to claim the *pro rata* share of the credit.

- Include Forms 312 and 312-S with its tax return.
- Keep a copy of Forms 312 and 312-S for its record.

**Individual taxpayers claiming his or her own current year's credit** for expenses he or she paid during the taxable year to purchase and install an agricultural water conservation system in this state must do the following:

- Complete Part 1, Part 2 and Part 4.
- Complete Part 3, if claiming an unused credit carryover amount from a prior tax year.
- Include Form 312 with the income tax return, when filed.

**Individual taxpayers claiming a pass-through credit** for the current tax year from a partnership and/or an S corporation must do the following:

- Complete Part 2, line 8 and/or line 9, using the information provided by the S corporation on Form 312-S or the Partnership on Form 312-P.
- Complete Part 3, if claiming an unused credit carryover amount from a pass-through credit from a prior tax year.
- Include Form 312, Forms 312-S and/or 312-P, with the income tax return, when filed.

**NOTE:** To claim a credit, the individual taxpayer *must* also complete Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture, and include it with his or her tax return.

If the allowable tax credit exceeds the taxes otherwise due, or if there are no taxes due, you may carry the unused credit forward for a period not to exceed the next five taxable years.

A taxpayer cannot take a subtraction for the same expenses for which a credit is claimed.

**For example:** If the taxpayer had \$10,000 of qualifying expenses (Part 2, line 6), the credit would be \$7,500 (Part 2, line 7) and the add-back would be \$10,000. The individual would include \$10,000 on the Arizona individual income tax return under "Additions to Income." An individual shareholder claiming a pass-through credit would add-back his or her pro rata share of the qualifying expenses on the individual income tax return under "Other additions to income." The amount the shareholder is required to add-back is reported by the S corporation on Form 312-S, line 1.

## Form Instructions

Type or print the required information in the name and taxpayer identification number section at the top of the form. Indicate the period covered by the taxable year. Include the completed form with the income tax return.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for a partnership or an S corporation is the taxpayer's employer identification number (EIN). The TIN for an individual is the taxpayer's Social Security Number (SSN) or an Internal Revenue Service (IRS) individual taxpayer identification number (ITIN). Taxpayers that fail to include their identification number may be subject to a penalty.

### Part 1 - Qualifying Water Conservation System

#### Lines 1 through 3 -

On lines 1 through 3, enter the information relating to the water conservation system purchased and installed for which the credit is being claimed.

If the system is not one of the systems or system changes listed, check the "other" box. Give a detailed description of the system and an explanation of how it qualifies for the credit.

### Part 2 - Calculation of the Current Taxable Year's Credit

#### Lines 4 through 10 -

##### Line 4 -

Enter the total amount of expenses relating to the water conservation system spent in the current taxable year.

##### Line 5 -

Enter the amount of any reimbursement received for expenses relating to the water conservation system.

#### Lines 6 and 7 -

Complete these lines as instructed on the form.

##### Line 8 -

If you are claiming a pass-through credit from a partnership, enter the amount from Form 312-P, line 1.

##### Line 9 -

If you are claiming a pass-through credit from an S corporation, enter the amount from Form 312-S, line 2.

##### Line 10 -

Add lines 7, 8, and 9. Enter the total. This is your current taxable year's credit.

### Part 3 - Available Credit Carryover

#### Lines 11 through 16 -

Calculate the total available carryover of the agricultural water conservation credit from tax years 2013 through 2017 in Part 3, lines 11 through 16. Complete these lines if you claimed the credit on a prior taxable year's tax return and the credit was more than your tax.

In column (b) enter the credit originally computed for the taxable year listed in column (a).

In column (c) enter the amount of the credit from that taxable year which you have already used.

In column (d) subtract the amount in column (c) from the amount in column (b) and enter the difference.

Add the amounts entered on lines 11 through 15 in column (d).

Enter the total on line 16, column (d).

### Part 4 - Total Available Credit

#### Lines 17 through 19 -

##### Line 17 -

Enter the amount from Part 2, line 10. Also, enter this amount on Form 301, line 7, column (a).

##### Line 18 -

Enter the amount of available credit carryover from Part 3, line 16, column (d). Also, enter this amount on Form 301, line 7, column (b).

##### Line 19 -

Add line 17 and line 18. Enter the total. Also, enter this amount on Form 301, line 7, column (c).

This is the total available credit that may be applied to the current taxable year's tax liability.

## Form 312-P, Agricultural Water System Credit - Distribution to Partners

**NOTE:** Form 312-P is available on the department's website.

### Instructions for Partnerships passing the credit to partners

- Enter the name of the partnership and employer identification number at the top of Form 312-P.
- In the space provided, enter the partner's name, social security or employer identification number, and ownership percentage.

Each partner is entitled to a *pro rata* share of the credit, based on its ownership percentage.

#### Line 1 -

Enter the partners' pro rata share of the current year's credit based on ownership interest from Form 312, Part 2, line 10.

### Instructions for Partners receiving Form 312-P

- Enter the amount from Form 312-P, line 1, on your own Form 312, Part 2, line 8.

If you are claiming a pass-through credit from more than one partnership, add all amounts from Forms 312-P and enter the total on Form 312, Part 2, line 8.

- If the partner is an S corporation it must also complete a separate Form 312-S for each individual shareholder identifying the shareholder's pro rata share of qualifying expenses and pass-through credit amount.
- If the partner is another partnership, it must complete a separate Form 312-P for each partner that is an individual, S corporation or other partnership identifying the partner's pro rata share of the pass-through credit amount.

**NOTE:** If you file your income tax return on a calendar year basis (January 1, 2018 – December 31, 2018) but the partnership or S corporation passing the credit files its return on a fiscal year basis, claim the pass-through credit on your income tax return for the year in which the Partnership or S corporation's fiscal year ends. For example, if the partnership or S corporation's tax year ends in February 2019, claim this credit on your 2019 tax return.

## Form 312-S, Agricultural Water System Credit - Distribution to Individual Shareholders of an S Corporation

**NOTE:** Form 312-S is available on the department's website.

### Instructions for S corporations passing the credit to individual shareholders

- Enter the name of the S corporation and employer identification number at the top of Form 312-P.
- In the space provided, enter the individual shareholder's name, social security number, and ownership percentage.

Each individual shareholder is entitled to a *pro rata* share of the credit, based on his or her ownership percentage.

#### Line 1 -

Enter the individual shareholder's pro rata share of qualifying expenses based on ownership interest from Form 312, Part 2, line 6.

#### Line 2 -

Enter the individual shareholder's pro rata share of current year's credit based on ownership interest from Form 312, Part 2, line 10.

### Instructions for Individual Shareholders receiving Form 312-S

- Enter the amount from Form 312-S, line 2, on your own Form 312, Part 2, line 9.

If you are claiming a pass-through credit from more than one S corporation, add all amounts from Forms 312-S and enter the total on Form 312, Part 2, line 9.

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**Include with your return.**

For the calendar year 2018 or fiscal year beginning MMDD, 2018 and ending MMDD, YYYY.

Name as shown on Form 140, 140PY, 140NR, 140X, 99T, 120, 120A, 120S, 120X or 165

Social Security or Employer Identification Number

**Part 1 Schedule of Equipment and Current Taxable Year's Credit Calculation**

If additional space is needed, include a separate schedule.

	(a) Date Qualifying Property Placed in Service or Expected to be Placed in Service	(b) Description	(c) Total Cost Incurred During the Taxable Year for Qualifying Property used to Reduce Pollution	
1	MMDDYY			00
2	MMDDYY			00
3	MMDDYY			00
4	MMDDYY			00
5	MMDDYY			00
6	MMDDYY			00
7	MMDDYY			00
8	MMDDYY			00
9	MMDDYY			00
10	MMDDYY			00
11	Add lines 1 through 10 in column (c). Enter the total.....		<b>11</b>	00
12	Enter the total from additional schedule(s), if applicable .....		<b>12</b>	00
13	Total cost of pollution control equipment incurred during the taxable year: Add lines 11 and 12. Enter the total .....		<b>13</b>	00
14	Multiply line 13 by 10% (.10). Enter the result.....		<b>14</b>	00

**Part 2 Credit Passed Through From Partnerships or S Corporations**

15	Enter the total amount of this credit passed through from partnerships on Form(s) 315-P, Part 2, line 4..	<b>15</b>	00
16	Enter the total amount of this credit passed through from S corporations on Form(s) 315-S, Part 2, line 4	<b>16</b>	00

**Part 3 Total Current Year Credit**

17	Add lines 14 through 16. Enter the total .....	<b>17</b>	00
18	Maximum Credit Allowed .....	<b>18</b>	500,000 00
19	Enter the lesser of line 17 or line 18. This is the total credit for the current year.....	<b>19</b>	00

In order to calculate Arizona depreciation or amortization, a taxpayer who elects to claim this credit under A.R.S. §§ 43-1081 or 43-1170 shall reduce the basis of the pollution control equipment by the amount of the credit claimed.

**Part 4 Partnerships Passing Through the Credit**

Partnerships qualifying for this credit must pass it through to their partners. When passing this credit through to your partners, complete Form 315-P for each partner.

- Provide a completed copy of Form 315-P to each partner.
- Include a copy of each completed Form 315-P with your tax return.
- Keep a copy of each completed Form 315-P for your records.

Continued on page 2 →

Name (as shown on page 1)	EIN
---------------------------	-----

**Part 5 S Corporation Credit Election and Shareholder's Share of the Credit**

20 The S corporation has made an irrevocable election for the taxable year ending MM, DD, YYYY to (check only one box):

- 20a  Claim the pollution control credit as shown in Part 3, line 19 (for the taxable year indicated above);  
**OR**  
 20b  Pass the pollution control credit as shown in Part 3, line 19 (for the taxable year indicated above) through to its shareholders.

\_\_\_\_\_  
 Signature Title Date

If passing this credit through to your shareholders, complete Form 315-S for each individual shareholder.

- Provide a completed copy of Form 315-S to each shareholder.
- Include a copy of each completed Form 315-S with your tax return.
- Keep a copy of each completed Form 315-S for your records.

**If you claimed this credit and there is a carryover of this credit from the past 5 taxable years, complete Part 6. If not, go to Part 7.**

**Part 6 Available Credit Carryover**

	(a) Taxable Year	(b) Original Credit Amount	(c) Amount Previously Used or Expired	(d) Available Carryover: Subtract column (c) from column (b).
21		00	00	00
22		00	00	00
23		00	00	00
24		00	00	00
25		00	00	00
26	Total Available Carryover: Add lines 21 through 25 in column (d). Enter the total.....			<b>26</b> 00

**Part 7 Total Available Credit**

27 Current year's credit: • <i>Individuals, C corporations, S corporations claiming this credit at the corporate level, or exempt organizations with UBTI:</i> Enter the amount from Part 3, line 19. • <i>Individuals:</i> Also enter this amount on Form 301, Part 1, line 8, column (a). • <i>Partnerships:</i> Enter "0". • <i>S corporations that passed the credit through to shareholders:</i> Enter "0". • <i>C corporations, S corporations claiming this credit at the corporate level, and exempt organizations with UBTI:</i> Also enter this amount on Form 300, Part 1, line 5, column (a) .....	<b>27</b>	00
28 Enter the available credit carryover from line 26, column (d). • <i>Individuals:</i> Also enter this amount on Form 301, Part 1, line 8, column (b). • <i>C corporations, S corporations claiming this credit at the corporate level, and exempt organizations with UBTI:</i> Also enter this amount on Form 300, Part 1, line 5, column (b) .....	<b>28</b>	00
29 <b>Total available credit:</b> Add line 27 and line 28. Enter the total. • <i>Individuals:</i> Also enter the total on Form 301, Part 1, line 8, column (c). • <i>C corporations, S corporations claiming this credit at the corporate level, and exempt organizations with UBTI:</i> Also enter the total on Form 300, Part 1, line 5, column (c) .....	<b>29</b>	00

For the calendar year 2018 or fiscal year beginning [M,M|D,D|2,0,1,8] and ending [M,M|D,D|Y,Y,Y,Y].

**Partnerships:**

- Complete Form 315-P for each partner of the partnership **except for** trust or estate partners. However, a partnership ownership share that is owned by a grantor trust that is disregarded for federal purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.
- Provide a copy of this completed form to each partner.
- Keep a copy of each completed Form 315-P for your records.
- Include a copy of each completed Form 315-P with your partnership return.

**Partners:**

- Use this form to complete your own Form 315.
- Include a copy of this completed form with your return.
- Keep a copy of this form for your records.

**NOTE:** If you file your tax return on a calendar year basis but this entity files a return on a fiscal year basis (see above), claim this credit on your tax return for the year in which this entity's fiscal year ends.

**Part 1 Partnership and Partner Information**

<b>1</b>	(a) Partnership Name	(b) Employer Identification Number (EIN)	
<b>2</b>	(a) Partner Name	(b) Taxpayer Identification Number (TIN)	(c) Ownership Percentage %

**Part 2 Distribution of the Credit**

<b>3</b> Enter the partnership credit amount from Form 315, Part 3, line 19 .....	<b>3</b>		00
<b>4</b> Multiply the amount on line 3 by the partner's ownership percentage shown on line 2(c). Enter the result. This is the partner's portion of the credit.....	<b>4</b>		00

**Partners:**

The amount reported on line 4 is your portion of this credit. The amount on line 4 should be included on your own Form 315, Part 2, line 15.

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For the calendar year 2018 or fiscal year beginning   M  /  M  /  D   | 2, 0, 1, 8 and ending   M  /  M  /  D   |   Y  ,   Y  ,   Y  .

**S Corporations:**

- Complete Form 315-S for each shareholder of the S corporation **except for** trust or estate shareholders. However, an S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.
- Provide a copy of this completed form to each shareholder.
- Keep a copy of each completed Form 315-S for your records.
- Include a copy of each completed Form 315-S with your S corporation return.

**Shareholders:**

- Use this form to complete your own Form 315.
- Include a copy of this completed form with your return.
- Keep a copy of this form for your records.

**NOTE:** If you file your tax return on a calendar year basis but this entity files a return on a fiscal year basis (see above), claim this credit on your tax return for the year in which this entity's fiscal year ends.

**Part 1 S Corporation and Shareholder Information**

1	(a) S corporation Name	(b) Employer Identification Number (EIN)	
2	(a) Shareholder Name	(b) Taxpayer Identification Number (TIN)	(c) Ownership Percentage %

**Part 2 Distribution of the Credit**

3	Enter the S corporation credit amount from Form 315, Part 3, line 19.....	3	00
4	Multiply the amount on line 3 by the shareholder's ownership percentage shown on line 2(c). Enter the result. This is the shareholder's portion of the credit .....	4	00

**Shareholder:**

The amount reported on line 4 is your portion of this credit. The amount on line 4 should be included on your own Form 315, Part 2, line 16.

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**2018 Pollution Control Credit**

**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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**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 click on *Reports & Legal Research* then click on *Legal Research* and select a document and a category type from the drop down menus.

**Publications**

To view or print the department's publications, go to our website and click on *Reports & Legal Research*. Then click on *Publications*.

**General Instructions**

Arizona Revised Statutes §§ 43-1081 and 43-1170 provide nonrefundable individual and corporate income tax credits for expenses incurred during the taxable year to purchase real or personal property that is used within Arizona in the taxpayer's trade or business to control or prevent pollution. The amount of the credit is equal to 10% of the purchase price, limited to a maximum credit of \$500,000 in a taxable year.

**Qualifying property includes** a structure, building, installation, excavation, machine, equipment, and any attachment to, or addition to, or reconstruction, replacement, or improvement of that property. Property eligible for the tax credit includes only that portion of the property directly used, constructed, or installed in Arizona to prevent, monitor, or reduce air, water, or land pollution that results from the taxpayer's direct operating activities in conducting a trade or business in this state. The property must meet or exceed rules or regulations adopted for this purpose by the United States Environmental Protection Agency, the Arizona Department of Environmental Quality, or a political subdivision of Arizona.

**Amounts that qualify for the credit** must be includible in the taxpayer's adjusted basis for the property. The adjusted basis of any property for which the taxpayer has claimed a credit must be reduced by the amount of credit claimed for that property.

If the allowable tax credit exceeds the taxes otherwise due or, if there are no taxes due, the amount of the credit not used to offset taxes may be carried forward for not more than five taxable years as a credit against subsequent years' income tax liabilities.

The pollution control equipment credit claimed on Form 315 is in lieu of the agricultural pollution control credit claimed on Form 325 with respect to the same equipment or expense.

Co-owners of a business, including partners in a partnership and shareholders of an S corporation, may each claim only the *pro rata* share of the credit allowed based on the ownership interest. The total of the credits allowed all such

owners may not exceed the amount that would have been allowed for a sole owner of the business.

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

**NOTE – To claim this credit:**

- **Individual taxpayers**, complete this credit form and Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture. *Include both completed forms with your tax return.*
- **C Corporations, S corporations claiming this credit at the corporate level, and exempt organizations with UBTI**, complete this credit form and Arizona Form 300, Nonrefundable Corporate Tax Credits and Recapture. *Include both completed forms with your tax return.*
- **S corporations electing to pass this credit through to its shareholders**, complete this credit form and Arizona Form 300, Nonrefundable Corporate Tax Credits and Recapture. *Also, complete Form 315-S for each shareholder of the S corporation. Provide each shareholder a copy of his or her completed Form 315-S. Include Form 300, Form 315, and one copy of each completed Form 315-S with your tax return.*
- **Partnerships**, complete this credit form. *Also, complete Form 315-P for each partner of the partnership. Provide each partner a copy of his or her completed Form 315-P. Include Form 315 and one copy of each completed Form 315-P with your tax return.*

**Specific Instructions**

Complete the name and taxpayer identification number (TIN) section at the top of the form. Indicate the period covered by the taxable year. Include the completed form with the tax return.

All returns, statements, and other documents filed with the department require a TIN. The TIN for a corporation, an exempt organization with UBTI, an S corporation, or a partnership is the taxpayer's employer identification number (EIN). The TIN for an individual is the taxpayer's Social Security Number (SSN) or an Internal Revenue Service individual taxpayer identification number (ITIN). Taxpayers that fail to include their TIN may be subject to a penalty.

**Part 1 - Schedule of Equipment and Current Taxable Year's Credit Calculation**

**Lines 1 through 10 -**

**Column (a):** Enter the date that the qualifying property was placed in service or the date it is expected to be placed in service in Arizona.

**Column (b):** Enter a brief description of the property used in the taxpayer's business in Arizona to control or prevent pollution.

**Column (c):** Enter the total cost incurred during the taxable year for qualifying property used to reduce pollution. For additional information, see the definition of "Qualifying property" in column 1 of this page.

If there are more than 10 items of qualifying property, complete additional schedules. Include the completed schedules with Form 315.

**Line 11 -**

Add lines 1 through 10 in column (c) and enter the total.

**Line 12 -**

Enter the total amounts in column (c) from additional schedules.

**Line 13 -**

Add lines 11 and 12. Enter the total. This is the total cost of pollution control equipment incurred during this taxable year.

**Line 14 -**

Multiply line 13 by 10% (.10) and enter the result.

## Part 2 - Credit Passed Through From Partnerships or S Corporations

**NOTE:** *If you received a pass through of this credit from more than one partnership and/or S corporation, total the amounts received from all Form(s) 315-P and/or Form(s) 315-S and enter the amount. Include a copy of each Form 315-P and/or Form 315-S you received with your return.*

**Line 15 -**

Enter the total amount of this credit passed through from partnerships on Form(s) 315-P, line 4.

**Line 16 -**

Enter the total amount of this credit passed through from S corporations on Forms(s) 315-S, line 4.

## Part 3 - Total Current Year Credit

**Line 17 -**

Add lines 14 through 16. Enter the total.

**Line 18 - Maximum Credit Allowed**

The maximum amount of credit you may claim in a taxable year is \$500,000.

**Line 19 -**

Enter the lesser of line 17 or line 18. This is your maximum current year credit for pollution control.

**Partnerships** - continue to Part 4.

**S Corporations passing this credit through to its shareholders** - skip to Part 5.

**All others** - go to Part 6.

## Part 4 - Partnerships Passing Through the Credit

Partnerships qualifying for this credit must pass it through to its partners. Proceed to the instructions on page 4 for completing Form 315-P.

Each partner is entitled to only a *pro rata* share of the credit based on the partner's ownership interest in the partnership. The total of the credit allowed to all partners may not exceed the amount that would have been allowed for a sole owner.

**NOTE:** *Trusts and estates which are partners in a partnership are not eligible to claim this credit. However, the share of a partnership owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.*

## Part 5 - S Corporation Credit Election and Shareholder's Share of the Credit

### Lines 20, 20a, & 20b - S Corporation Credit Election

The S corporation must complete line 20 and line 20a or line 20b. The S corporation must make an irrevocable election either to claim the current taxable year credit at the corporate level or to pass the credit through to its shareholders. The S corporation election is made by:

- Entering the date the S corporation taxable year ends in the box provided on line 20.
- Checking the box on line 20a electing to claim the current taxable year credit at the corporate level; or,
- Checking the box on line 20b electing to pass the current taxable year credit through to its shareholders.
- The election statement must be signed by an officer of the S corporation who is also a signatory to Arizona Form 120S.

If the S corporation elects to claim the credit at the corporate level, continue to Part 6.

If the S corporation elects to pass this credit through to its shareholders, proceed to the instructions for completing Form 315-S on page 4.

Each S corporation shareholder is entitled to only a *pro rata* share of pass-through credit based on ownership interest in the S corporation. The total of the credit allowed to all shareholders may not exceed the amount that would have been allowed for a sole owner.

**NOTE:** *Trusts and estates which are shareholders of an S corporation are not eligible to claim these credits. However, the share of a S corporation owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of these credits.*

## Part 6 - Available Credit Carryover

Complete Part 6 only if you claimed this credit for prior taxable years and the credit exceeded the Arizona income tax liability for those taxable years.

**S corporations, if this credit was claimed at the corporate level in a prior taxable year and there is a carryover amount available, complete Part 6.**

### Lines 21 through 25 -

Enter the applicable taxable year(s) in column (a) on lines 21 through 25. In column (b), enter the credit originally computed for that taxable year. In column (c), enter the amount of the credit from that taxable year which was previously used or expired. Subtract the amount in column (c) from column (b) and enter the difference in column (d).



**Line 26 -**

Add the amounts entered on lines 21 through 25 in column (d). Enter the total on line 26, column (d). This is the total pollution control credit carryover available for the current taxable year.

**Part 7 - Total Available Credit****Line 27 -**

*Individuals, C Corporations, S corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI* - enter the current year's credit from Part 3, line 19.

*Partnerships*, enter "0".

*S corporations that elected to pass the current year credit through to shareholders* - enter "0".

*Individuals* - also enter this amount on Form 301, Part 1, line 8, column (a).

*C Corporations, S corporations that elected to claim this credit at the corporate level, and exempt organizations with UBTI* - also enter this amount on Form 300, Part 1, line 5, column (a).

This is your current taxable year's pollution control credit.

**Line 28 -**

Enter the amount from Part 6, line 26, column (d). This is your total available credit carryover.

*Individuals* - Also, enter this amount on Form 301, Part 1, line 8, column (b).

*C Corporations, S corporations that elected to claim this credit at the corporate level, and exempt organizations with UBTI* - Also, enter this amount on Form 300, Part 1, line 5, column (b).

**Line 29 -**

Add line 27 and line 28. This is the total available pollution control credit that may be applied to the current taxable year's tax liability.

*Individuals* - enter the total. Also, enter the total on Form 301, Part 1, line 8, column (c).

*C Corporations, S corporations that elected to claim this credit at the corporate level, and exempt organizations with UBTI* - enter the total. Also, enter the total on Form 300, Part 1, line 5, column (c).

## Form 315-P, Distribution to Partners of a Partnership

Enter the taxable year for which this credit is being passed through to your partners.

Complete Form 315-P for each partner of the partnership, *except for* trust or estate partners. However, a partnership ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.

The partnership must furnish each partner with their completed copy of Form 315-P, including additional schedules as needed.

### Part 1 – Partnership and Partner Information

#### Line 1 –

Enter the partnership's name and EIN in the spaces provided.

#### Line 2 –

Enter the partner's name and EIN, TIN, or SSN, and ownership percentage in the spaces provided.

### Part 2 – Distribution of the Credit

#### Line 3 –

Enter the total amount of the partnership's pollution control credit from Form 315, Part 3, line 19.

#### Line 4 -

Multiply the amount on line 3 by the partner's ownership percentage shown on line 2(c). Enter the result. This is the partner's portion of the credit.

*Each partner will use this form to complete their own Form 315.*

## Form 315-S, Distribution to Shareholders of an S Corporation

Enter the taxable year for which this credit is being passed through to your shareholders.

Complete Form 315-S for each shareholder of the S corporation, *except for* trust or estate shareholders. However, an S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.

The S corporation must furnish each shareholder with a completed copy of Form 315-S, including additional schedules as needed.

### Part 1 – S corporation and Shareholder Information

#### Line 1 –

Enter the S corporation's name and EIN in the spaces provided.

#### Line 2 –

Enter the shareholder's name and EIN, TIN, or SSN, and ownership percentage in the spaces provided. If the shareholder is an exempt organization with UBTI, enter the exempt organization's name, EIN, and ownership percentage.

### Part 2 - Distribution of the Credit

#### Line 3 –

Enter the total amount of the S corporation's pollution control credit from Form 315, Part 3, line 19.

#### Line 4 -

Multiply the amount on line 3 by the shareholder's ownership percentage shown on line 2(c). Enter the result. This is the shareholder's portion of the credit.

*Each shareholder will use this form to complete their own Form 315.*

*Complete Form 318-1 on page 2 before completing Form 318 on page 1.*

For the calendar year 2018 or fiscal year beginning MM,DD,YY (2,0,1,8) and ending MM,DD,YY,YY.

Name as shown on Form 99T, 120, 120A, 120S, 120X or 165

Employer Identification Number

**Part 1 Current Taxable Year's Credit Calculation**

<b>1</b>	Total amount paid by the seller or purchaser as transaction privilege tax or use tax for coal sold to the taxpayer to be consumed in the generation of electrical power in Arizona. Enter total amount from included Form(s) 318-1, line 13, column (d) .....	<b>1</b>		<b>00</b>
<b>2</b>	Current year's taxable credit from taxpayer's operations. Multiply line 1 by 30%. Enter the result .....	<b>2</b>		<b>00</b>
<b>3</b>	Enter the amount of this credit passed through from partnerships on Form 318-P, line 3c.....	<b>3</b>		<b>00</b>
<b>4</b>	Add line 2 and line 3. Enter the total. This is the current taxable year's Credit for Taxes Paid for Coal Consumed in Generating Electrical Power. ....	<b>4</b>		<b>00</b>

**Part 2 Corporate Partner's Share of Credit**

A partnership claiming this credit must pass it through to its corporate partners.

- Complete Form 318-P for each corporate partner.
- Provide a completed copy of Form 318-P to each corporate partner.
- File a copy of each completed Form 318-P with your tax return.
- Keep a copy of each completed Form 318-P for your records.

**NOTE:** *This credit is not available to individual partners of a partnership or to individual shareholders of an S corporation.*

**Part 3 Available Credit Carryover**

	(a) Taxable Year	(b) Original Credit Amount	(c) Amount Previously Used	(d) Available Carryover: Subtract column (c) from column (b).
<b>5</b>			<b>00</b>	<b>00</b>
<b>6</b>			<b>00</b>	<b>00</b>
<b>7</b>			<b>00</b>	<b>00</b>
<b>8</b>			<b>00</b>	<b>00</b>
<b>9</b>			<b>00</b>	<b>00</b>
<b>10</b>	Total Available Carryover: Add lines 5 through 10 in column (d). Enter the total.....			<b>00</b>

**Part 4 Total Available Credit**

<b>11</b>	Current taxable year's credit: • <i>C Corporations, and S corporations electing to claim this credit at the corporate level:</i> Enter the amount from Part 1, line 4. • Also, enter this amount on <i>Form 300, Part 1, line 6, column (a)</i> .....	<b>11</b>		<b>00</b>
<b>12</b>	Available credit carryover: • <i>C Corporations, and S corporations electing to claim this credit at the corporate level:</i> Enter the amount from Part 3, line 10, column (d). • Also, enter this amount on <i>Form 300, Part 1, line 6, column (b)</i> .....	<b>12</b>		<b>00</b>
<b>13</b>	<b>Total available credit:</b> • <i>C Corporations, and S corporations electing to claim this credit at the corporate level:</i> Add lines 11 and 12. Enter the total. • Also, enter this amount on <i>Form 300, Part 1, line 6, column (c)</i> .....	<b>13</b>		<b>00</b>

**Form 318-1** **Qualifying Coal Purchases** **2018**

<b>Section A - Vendor 1 Name</b>	Vendor 1 Arizona TPT or Use Tax Number
<b>Section B - Taxpayer Name</b>	Taxpayer Arizona TPT or Use Tax Number

(a) Month	(b) Type of Tax: TPT or Use	(c) Coal Price Before Tax	(d) Amount of Tax Paid	(e) Total Amount
1	<input type="checkbox"/> TPT <input type="checkbox"/> Use		00	00
2	<input type="checkbox"/> TPT <input type="checkbox"/> Use		00	00
3	<input type="checkbox"/> TPT <input type="checkbox"/> Use		00	00
4	<input type="checkbox"/> TPT <input type="checkbox"/> Use		00	00
5	<input type="checkbox"/> TPT <input type="checkbox"/> Use		00	00
6	<input type="checkbox"/> TPT <input type="checkbox"/> Use		00	00
7	<input type="checkbox"/> TPT <input type="checkbox"/> Use		00	00
8	<input type="checkbox"/> TPT <input type="checkbox"/> Use		00	00
9	<input type="checkbox"/> TPT <input type="checkbox"/> Use		00	00
10	<input type="checkbox"/> TPT <input type="checkbox"/> Use		00	00
11	<input type="checkbox"/> TPT <input type="checkbox"/> Use		00	00
12	<input type="checkbox"/> TPT <input type="checkbox"/> Use		00	00
<b>13 TOTAL: Add lines 1 through 12 .....</b>			00	00

<b>Section A - Vendor 2 Name</b>	Vendor 2 Arizona TPT or Use Tax Number
<b>Section B - Taxpayer Name</b>	Taxpayer Arizona TPT or Use Tax Number

(a) Month	(b) Type of Tax: TPT or Use	(c) Coal Price Before Tax	(d) Amount of Tax Paid	(e) Total Amount
1	<input type="checkbox"/> TPT <input type="checkbox"/> Use		00	00
2	<input type="checkbox"/> TPT <input type="checkbox"/> Use		00	00
3	<input type="checkbox"/> TPT <input type="checkbox"/> Use		00	00
4	<input type="checkbox"/> TPT <input type="checkbox"/> Use		00	00
5	<input type="checkbox"/> TPT <input type="checkbox"/> Use		00	00
6	<input type="checkbox"/> TPT <input type="checkbox"/> Use		00	00
7	<input type="checkbox"/> TPT <input type="checkbox"/> Use		00	00
8	<input type="checkbox"/> TPT <input type="checkbox"/> Use		00	00
9	<input type="checkbox"/> TPT <input type="checkbox"/> Use		00	00
10	<input type="checkbox"/> TPT <input type="checkbox"/> Use		00	00
11	<input type="checkbox"/> TPT <input type="checkbox"/> Use		00	00
12	<input type="checkbox"/> TPT <input type="checkbox"/> Use		00	00
<b>13 TOTAL: Add lines 1 through 12 .....</b>			00	00

**If there are more than two vendors, complete additional Form(s) 318-1.**

For the calendar year 2018 or fiscal year beginning [M, M, D, D] 2, 0, 1, 8 and ending [M, M, D, D] Y, Y, Y, Y.

**Partnerships:**

- Complete Form 318-P for each corporate partner in the partnership.
- Provide a copy of the completed form to each partner.
- Keep a copy of each completed Form 318-P for your records.
- Include a copy of each completed Form 318-P with your partnership return.

**Corporate Partners:**

- Use this form to complete your own Form 318.
- Include this completed form with your return.
- Keep a copy of this form for your records.

**Individual taxpayers are not eligible to claim this credit.**

**NOTE:** If you file your tax return on a calendar year basis but this entity files a return on a fiscal year basis (see above), claim this credit on your tax return for the year in which this entity's fiscal year ends.

**Distribution of the Credit**

Complete this section to distribute the credit to each corporate partner in the partnership.

<b>1</b>	(a) Partnership Name	(b) Employer Identification Number (EIN)	
	(a) Corporate Partner's Name	(b) Taxpayer Identification Number (TIN)	
<b>3a</b>	Partnership credit amount from Form 318, Part 1, line 4.....	<b>3a</b> \$	00
	<b>3b</b> Corporate Partner's ownership percentage.....	<b>3b</b>	%
	<b>3c</b> Multiply the amount on line 3a by the percentage on line 3b. Enter the result. This is the Corporate Partner's portion of the credit .....	<b>3c</b> \$	00

**Corporate Partners:**

The amount reported on line 3c is your portion of this credit. Enter the amount from line 3c on Part 1, line 3 of your own Form 318 to claim this credit.

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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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**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 click on *Reports & Legal Research* then click on *Legal Research* and select a document and a category type from the drop down menus.

**Publications**

To view or print the department's publications, go to our website and click on *Reports & Legal Research*. Then click on *Publications*.

**General Instructions**

This credit provides a nonrefundable corporate income tax credit equal to 30% 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 (TPT) 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.

The tax credit is in lieu of a deduction for the taxes paid for which the credit is claimed. An addition to Arizona gross income is required for the amount of Arizona TPT and Arizona use taxes included in the computation of federal taxable income for which the Arizona tax credit is claimed.

For example, a taxpayer that paid \$50,000 in TPT for coal consumed in the generation of electrical power in Arizona would receive a credit of \$15,000 ( $\$50,000 \times 30\% = \$15,000$ ). The addition to Arizona gross income would be \$50,000.

The tax credit is available only to corporate taxpayers. A partnership may pass this credit through only to its corporate partners. An S corporation may claim this credit, or the S corporation may elect to pass this credit through only to its exempt organization shareholders. (If the S corporation elects to pass this credit through to its exempt organization shareholders, complete Form 318-P for each exempt organization shareholder.)

**Individual taxpayers are not eligible to claim this credit.**

Co-owners of a business, including corporate partners of a partnership may each claim only the *pro rata* share of the credit allowed based on the ownership interest. The *pro rata* share that would be distributed to non-eligible partners or shareholders is lost. The total of the credits allowed all such owners may not exceed the amount that would have been allowed for a sole owner of the business.

If the allowable tax credit exceeds the taxes otherwise due, or if there are no taxes due, the amount of the credit not used to

offset taxes may be carried forward for not more than five consecutive taxable years as a credit against subsequent years' income tax liability.

**NOTE – To claim this credit:**

- **C Corporations, S corporations claiming this credit at the corporate level, and exempt organizations with UBTI** - Complete this credit form and Arizona Form 300, Nonrefundable Corporate Tax Credits and Recapture. Include both completed forms with your tax return.
- **Partnerships** - Complete this credit form. Also, complete Form 318-P for each corporate partner of the partnership. Provide each corporate partner a copy of its completed Form 318-P. Include Form 318 and one copy of each completed Form 318-P with your tax return.
- **Individual taxpayers are not eligible to claim this credit.**

**Specific Instructions**

Complete the name and employer identification number (EIN) section at the top of the form. Indicate the period covered by the taxable year. Include the completed form with the tax return.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for a corporation, an exempt organization with UBTI, an S corporation or a partnership is the taxpayer's EIN. Taxpayers that fail to include their TIN may be subject to a penalty.

**Part 1 - Current Taxable Year's Credit Calculation**

**Form 318-1 -**

Complete Form 318-1 before completing Part 1, line 1.

**FORM 318-1**

Use Form 318-1 to list qualifying coal purchases for the taxable year in two situations:

1. Purchases from vendors that passed the Arizona TPT through to the taxpayer as an added charge or purchases from vendors that collected the Arizona use tax from the taxpayer; and
2. Purchases from vendors for which the taxpayer paid the Arizona use tax to the department.

**Situation 1:** List the qualifying coal purchases *by vendor* for situation 1 above. If the taxpayer has purchased coal from more than two vendors, additional Form(s) 318-1 must be completed to list the qualifying coal purchases for the taxable year. Complete section A to list the vendor name and the vendor's Arizona TPT or use tax number. Do not complete section B.

**NOTE:** *The Arizona TPT must be shown as an added charge on the vendor's invoice. If the vendor collects the Arizona use tax from the taxpayer, the tax must be shown as a separate charge on the vendor's invoice. If the amount is not shown as a separate charge, the taxpayer cannot claim that amount.*

**Situation 2:** List the qualifying coal purchases *from all vendors* for situation 2 above. Complete section B to list the taxpayer's Arizona TPT or use tax number. If the taxpayer paid use tax to the department for purchases from more than two vendors, complete additional Form(s) 318-1. Do not complete section A.

**NOTE:** *If the taxpayer pays the Arizona use tax directly to the department, the taxpayer must document the amount of tax paid for each invoice.*

**Column (a):** On lines 1 through 12, enter the applicable month of the taxable year.

**Column (b):** On lines 1 through 12, check the box to indicate the type of tax, "TPT" or "Use" paid.

**Column (c):** On lines 1 through 12, enter the total amount of qualifying coal purchases for that month. Do not include the amount of tax paid in the total.

**Column (d):** On lines 1 through 12, enter the total amount of tax paid for that month.

**Column (e):** On lines 1 through 12, enter the total of columns (c) and (d).

Proceed to Form 318, Part 1, line 1.

## FORM 318

### Part 1 – Current Taxable Year's Credit Calculation

#### Line 1 -

Enter the total from all completed Form(s) 318-1, line 13, column (d).

#### Line 2 -

Multiply line 1 by 30%. Enter the result. This is the current taxable year's credit from taxpayer operations.

#### Line 3 -

Enter the credit passed through from partnerships on Form 318-P, line 3c.

#### Line 4 -

Add lines 2 and 3. Enter the total. This is the current taxable year's Credit for Taxes Paid for Coal Consumed in Generating Electrical Power.

### Part 2 - Corporate Partner's Share of Credit

A partnership claiming this credit *must* pass it through to its corporate partners. Complete a Form 318-P for each corporate partner.

- Provide a copy of the completed Form 318-P to each corporate partner.
- Include a copy of each completed Form 318-P with your tax return.
- Keep a copy of each completed Form 318-P for your records.
- Do not complete the remainder of this form.

Each corporate partner is entitled to only a *pro rata* share of the credit based on the corporate partner's ownership interest in the partnership. The total of the credit allowed to all corporate partners may not exceed the amount that would have been allowed for a sole owner.

### Part 3 - Available Credit Carryover

Complete Part 3 only if the allowable credit for prior taxable years exceeded the Arizona income tax liability for those taxable years. Calculate the total available carryover of the credit on Part 3, lines 5 through 9.

#### Lines 5 through 9 -

Enter the applicable taxable year(s) in column (a) on lines 5 through 9. Enter the amount of the original tax credit for each taxable year in column (b). Enter the amount of the credit for each taxable year that has been taken in previous taxable years in column (c). Subtract column (c) from column (b) and enter the difference in column (d).

#### Line 10 -

Add the amounts entered on lines 5 through 9, column (d). Enter the total. This is the total available credit carryover available for the current taxable year.

### Part 4 - Total Available Credit

#### Line 11 -

*C Corporations, S corporations electing to claim the credit at the corporate level, and exempt organizations with UBTI* - enter the current taxable year's credit from Part 1, line 4.

*Partnerships* - enter "0".

Also, enter this amount on Form 300, Part 1, line 6, column (a).

#### Line 12 -

*C Corporations, S corporations electing to claim the credit at the corporate level, and exempt organizations with UBTI* - enter the amount from Part 3, line 10, column (d). This is the total available credit carryover.

Also, enter this amount on Form 300, Part 1, line 6, column (b).

#### Line 13 -

*C Corporations, S corporations electing to claim the credit at the corporate level, and exempt organizations with UBTI* - add line 11 and line 12. Enter the total. This is the total available credit that may be applied to the current taxable year's tax liability.

Also, enter this amount on Form 300, Part 1, line 6, column (c).



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**Form 318-P,  
Distribution to Corporate Partners of a  
Partnership**

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Enter the taxable year for which this credit is being passed through to your partners.

Complete Form 318-P for each corporate partner of the partnership.

The partnership must furnish each partner with their completed copy of Form 349-P, including additional schedules as needed.

**Distribution of the Credit**

**To distribute the credit to the corporate partners of the partnership (complete lines 1 through 3):**

**Line 1**

- a) Enter the partnership name.
- b) Enter the partnership's EIN.

**Line 2**

- a) Enter the corporate partner's name.
- b) Enter the corporate partner's EIN.

**Line 3**

- a) Enter the amount of this credit from Form 318, Part 1, line 4 for which this partnership was approved.
- b) Enter the corporate partner's ownership percentage.
- c) Multiply line 3(a) by line 3(b) and enter the result.

**This is the corporate partner's portion of this credit.**

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Include with your return.

For the calendar year 2018 or fiscal year beginning MM, DD, 2018 and ending MM, DD, Y, Y, Y, Y.  
 Name as shown on Form 140, 140PY, 140NR, 140X, 99T, 120, 120A, 120S, 120X or 165 \_\_\_\_\_ Social Security or  
 Employer Identification Number \_\_\_\_\_

**Part 1 Available Credit Carryover for Taxpayer as Builder of House or Dwelling Unit**

	(a)	(b)	(c)	(d)	(e)
1 Taxable year .....					
2 Original credit amount	00	00	00	00	00
3 Amount previously used .....	00	00	00	00	00
4 Net Carryover Amount: Subtract line 3 from line 2 .....	00	00	00	00	00
5 Total Available Carryover: Add columns (a) through (e) on line 4. Enter the total. ....				5	00

**Part 2 Available Credit Carryover for Taxpayer as Purchaser or Transferee of House or Dwelling Unit**

	(a) Taxable Year	(b) Original Credit Amount	(c) Amount Previously Used	(d) Available Carryover: Subtract column (c) from column (b).
6		00	00	00
7		00	00	00
8		00	00	00
9		00	00	00
10		00	00	00
11 Total Available Carryover: Add lines 6 through 10 in column (d). Enter the total. ....				11 00

**Part 3 Total Available Credit**

12 Total available credit carryover: Add line 5 and line 11. Enter the total. **This is the total available credit.**  
 • *Individuals:* Also, enter this amount on Form 301, Part 1, line 9, column (b).  
 • *C Corporations, S corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI:* Also, enter this amount on Form 300, Part 1, line 7, column (b). ....

	<b>12</b>	00
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Phoenix (602) 255-3381  
From area codes 520 and 928, toll-free (800) 352-4090

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**Publications**

To view or print the department's publications, go to our website and click on *Reports & Legal Research*. Then click on *Publications*.

**General Instructions**

This credit provided nonrefundable individual and corporate income tax credits for the installation of solar hot water heater plumbing stub outs and electric vehicle recharge outlets in houses or dwelling units constructed by the taxpayer. **The houses or dwelling units must be located in Arizona.**

Taxable year 2017 was the last year a taxpayer could establish the Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets. The unused portion of valid credits for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets may be carried forward for the remainder of the five-year carryforward period.

**NOTE – To claim this credit carry forward:**

- **Individual taxpayers**, complete this credit form and Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture. Include both completed forms with your tax return.
- **C Corporations, S corporations claiming this credit at the corporate level, and exempt organizations with UBTI**, complete this credit form and Arizona Form 300, Nonrefundable Corporate Tax Credits and Recapture. Include both completed forms with your tax return.

**Specific Instructions**

Complete the name and taxpayer identification number (TIN) section at the top of the form. Indicate the period covered by the taxable year. Include the completed form with the tax return.

All returns, statements, and other documents filed with the department require a TIN. The TIN for a corporation, an exempt organization with UBTI, an S corporation, or a partnership is the taxpayer's employer identification number (EIN). The TIN for an individual is the taxpayer's Social Security Number (SSN) or an Internal Revenue Service individual taxpayer identification number. Taxpayers that fail to include their TIN may be subject to a penalty.

**Part 1 - Available Credit Carryover for the Taxpayer as Builder of the House or Dwelling Unit**

Complete Part 1 only if the allowable credit for prior taxable years exceeded the Arizona income tax liability for those taxable years.

**S corporations**, if this credit was claimed at the corporate level in a prior taxable year and there is a carryover amount available, complete Part 1.

**Line 1 – Taxable Year**

In columns (a) through (e), enter the applicable taxable years.

**Line 2 – Original Credit Amount**

In columns (a) through (e), enter the amount of the original tax credit earned for that taxable year.

**Line 3 – Amount Previously Used or Expired**

In columns (a) through (e), enter the amount of the tax credit for the taxable year that has been previously used or that has expired.

**Line 4 – Net Carryover Amount**

In columns (a) through (e), subtract the amount on line 3 from the amount on line 2. Enter the difference in the applicable columns.

**Line 5 – Total Available Carryover for Taxpayer as Builder of House or Dwelling Unit**

Add the amounts in columns (a) through (e) of line 4. Enter the total in column (e).

*This is the total available credit carryover for the current taxable year for the taxpayer that built the house or dwelling unit.*

**Part 2 - Available Credit Carryover for Taxpayer as Purchaser or Transferee of House or Dwelling Unit**

Complete Part 2 only if the allowable credit for prior taxable years exceeded the Arizona income tax liability for those taxable years.

**S corporations**, if this credit was claimed at the corporate level in a prior taxable year and there is a carryover amount available, complete Part 2.

**Lines 6 through 10 –**

Complete lines 6 through 10 as follows:

- Enter the applicable tax years in column (a).
- Enter the amount of the credit originally computed for that taxable year in column (b).
- Enter the amount of the credit from that taxable year that has already been used in column (c).
- Subtract column (c) from column (b). Enter the difference.

**Line 11 –**

Add lines 6 through 10 in column (d). Enter the total.

*This is the total credit carryover for the taxpayer as purchaser or transferee of the house or dwelling unit.*

**Part 3 - Total Available Credit Carryover****Line 12 – Total Available Credit Carryover**

Add lines 5 and 11. Enter the total.

*Individuals:* Also, enter the total on Form 301, Part 1, line 9, column (b).

*C Corporations, S corporations that elected to claim this credit at the corporate level, and exempt organizations with UBTI:* Also, enter the total on Form 300, Part 1, line 7, column (b).

**Include with your return.**

For the calendar year 2018 or fiscal year beginning [M,M|D,D|2,0,1,8] and ending [M,M|D,D|Y,Y,Y,Y].

Your Name as shown on Form 140, 140NR, 140PY, 140X, 99T, 120, 120A, 120S, 120X or 165	Your Social Security or Employer Identification Number
Spouse's Name as shown on Form 140, 140NR, 140PY, 140X (if a joint return)	Spouse's Social Security Number

**Part 1 Business Information**

- 1 Business name: \_\_\_\_\_
- 2 Business location: \_\_\_\_\_  
\_\_\_\_\_
- 3 Employer Identification Number: \_\_\_\_\_

**Part 2 Net Increase in Qualified Employment Positions**

4 Average number of qualified employment positions during the current taxable year.....	<b>4</b>	
5 Average number of qualified employment positions during the immediately preceding taxable year ..	<b>5</b>	
6 Net increase in the number of qualified employment positions: Subtract line 5 from line 4 .....	<b>6</b>	
7 Number of positions on line 6 that are eligible for any other income tax credit under Arizona law .....	<b>7</b>	
8 Maximum number of positions eligible for the credit: Subtract line 7 from line 6.....	<b>8</b>	

**Part 3 Qualifying New Employees**

9 New employees hired during the year .....	<b>9</b>	
10 Qualified new employees .....	<b>10</b>	
11 Maximum number of qualifying net new employees: Enter the smaller of line 8 or line 10.....	<b>11</b>	

**Part 4 Credit Calculation for Qualified Employees**

	(a) No. of Qualifying Employees	(b) Qualifying Wages	(c) Percentage	(d) Allowable Credit	
12 Qualifying Net New Employees..... 12		\$ 00	25%	\$	00
13 Previously Qualified Employees in the Second Year of Continuous Employment.... 13		\$ 00	33.33%	\$	00
14 Previously Qualified Employees in the Third Year of Continuous Employment..... 14		\$ 00	50%	\$	00
15 Current year's <b>pass-through amounts</b> from all <b>Partnership(s)</b> : Enter the total amount from Form(s) 320-P. <i>See instructions</i> ..... 15		\$ 00		\$	00
16 Current year's <b>pass-through amounts</b> from all <b>S corporation(s)</b> : Enter the total amount from Form(s) 320-S. <i>See instructions</i> ..... 16		\$ 00		\$	00
17 <b>Total Current Year's Credit:</b> For each column (a), (b), and (d), add lines 12 through 16, and enter the total for each column..... 17		\$ 00		\$	00

**Note: Do not take a subtraction for the same wage expense for which a credit is claimed.**

- **Individuals:** If you are claiming a current year's credit you **must** add-back on your tax return, under *Other Additions to Income*, the total net amount of qualifying wage expenses entered on line 17, column (b).
- **C Corporations, Partnerships and Exempt organizations with UBTI:** If you are claiming a current year's credit you must add-back on your tax return, under *Additions related to Arizona tax credits*, the total net amount of qualifying wage expenses entered on line 17, column (b).
- **S corporations:** If you are passing the current year's credit to your shareholders you must report, on each shareholder's Form 320-S, Part 3, line 5, the net amount of qualifying wage expenses enter on line 17, column (b).

Continued on page 2 →

Your Name (as shown on page 1)	Your Social Security or Employer Identification Number
--------------------------------	--

**Part 5 Partner's Share of Credit**

Partnerships:

- Do not complete Part 7 and 8 of Form 320.
- Complete Form 320-P separately for each partner.
- Furnish each partner with a copy of Form 320-P.

**Part 6 S Corporation Credit Election and Shareholder's Share of Credit**

18 The S corporation has made an irrevocable election for the taxable year ending: MM,MM,DD,YY,YY,YY  
to (check only one box):

- (a)  Claim the credit for employment of TANF recipients, as shown on Part 4, line 17, column (d) for the taxable year mentioned above;  
OR  
(b)  Pass the credit for employment of TANF recipients, as shown on Part 4, line 17, column (d) for the taxable year mentioned above, through to its shareholders.

\_\_\_\_\_  
Signature Title Date

- If box (a) is checked, continue to Part 7.
- If box (b) is checked:
  - Complete a separate Form 320-S for each shareholder.
  - Furnish each shareholder with a copy of Form 320-S
  - S corporations that have a carryover available from a credit in a prior year **must** complete Part 7; and Part 8, lines 26 and 27. If no carryover is available do not complete Part 7 and Part 8.

**Part 7 Available Credit Carryover**

	(a) Taxable Year from which you are carrying the credit	(b) Original Credit Amount	(c) Amount Previously Used	(d) Available Carryover: Subtract column (c) from column (b).
19	2013	00	00	00
20	2014	00	00	00
21	2015	00	00	00
22	2016	00	00	00
23	2017	00	00	00
24	Total Available Carryover: Add lines 19 through 23, column (d).....			00

**Part 8 Total Available Credit**

<b>25</b>	Current year's credit: • Individuals, C corporations, S corporations that are claiming the credit, or exempt organizations with UBTI: Enter the amount from Part 4, line 17, column (d). • Individuals: Also, enter this amount on <i>Arizona Form 301, Part 1, line 10, column (a)</i> . • C corporations, S corporations that are claiming the credit, and exempt organizations with UBTI: Also, enter this amount on <i>Arizona Form 300, Part 1, line 8, column (a)</i> .....	<b>25</b>	00
<b>26</b>	Available carryover: Enter the amount from Part 7, line 24, column (d). • Individuals: Also, enter this amount on <i>Arizona Form 301, Part 1, line 10, column (b)</i> . • C corporations, S corporations that are claiming the credit, and exempt organizations with UBTI: Also, enter this amount on <i>Arizona Form 300, Part 1, line 8, column (b)</i> .....	<b>26</b>	00
<b>27</b>	Total Available Credit: Add lines 25 and 26 and enter the total. • Individuals: Also, enter on <i>Arizona Form 301, Part 1, line 10, column (c)</i> . • C corporations, S corporations that are claiming the credit, and exempt organizations with UBTI: Also, enter this amount on <i>Arizona Form 300, Part 1, line 8, column (c)</i> .....	<b>27</b>	00



Your Name (as shown on Form 320 page 1)

Your Social Security or Employer Identification Number

Page \_\_\_\_\_ of \_\_\_\_\_

**Form 320-1**

**Qualifying Employees**

**2018**

	(a) Employee's Name	(b) Social Security Number	(c) Date of Hire	(d) Was this employee an Arizona resident on date of hire?	(e) Was this employee receiving TANF benefits on date of hire?
1				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
2				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
3				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
4				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
5				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
6				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
7				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
8				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
9				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
10				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
11				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
12				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
13				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
14				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
15				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
16				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
17				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
18				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
19				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
20				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
21				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
22				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
23				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
24				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
25				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No

If you have more than 25 qualifying employees, complete additional schedules and include behind this page.

Your Name (as shown on Form 320, page 1)

Your Social Security or Employer Identification Number

Page \_\_\_\_\_ of \_\_\_\_\_

**Form 320-2**

**Qualifying Employees for Which You are Claiming a Credit**

**2018**

	(a) Employee's Name	(b) Social Security Number	(c) Type of Employee Check the appropriate box. This employee is a:			(d) Total Wages Paid to the Employee During the Current Taxable Year Less Wages Subsidized as Provided by A.R.S. §46-299	(e) Maximum Allowable Wages: Enter the lesser of column (d) or the maximum allowed below.		
			(c1) 1 <sup>st</sup> Year Employee	(c2) 2 <sup>nd</sup> Year Employee	(c3) 3 <sup>rd</sup> Year Employee		(e1) Year 1 \$2000	(e2) Year 2 \$3000	(e3) Year 3 \$3000
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"/>				
11			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
12									

**TOTAL:**

- For column (c), add the number of employees in each column (c1), (c2) and (c3), and enter the total for each column on line 12.
- For columns (d) and (e), add the amounts in each column and enter the total for each column on line 12..... **12**

If you have more than 11 qualifying employees for which you are claiming a credit, complete additional schedules and include behind this page.

For the calendar year 2018 or fiscal year beginning   M  M  D  D  |  2  ,  0  ,  1  ,  8   and ending   M  M  D  D  |  Y  ,  Y  ,  Y  ,  Y  .

**Partnership:**

- Complete Form 320-P for each partner in the partnership **except for** trust or estate partners. However, a partnership ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by grantor. The grantor may claim his or her share of the credit.
- Provide a copy of the completed form and certification received from the Arizona Department of Revenue to each partner.
- Include a copy of each Form 320-P with your partnership return.
- Keep a copy of each completed 320-P for your records.

**Partner:**

- Use this form to complete *your own* Form 320.
- Include a copy of this form with your return.
- Keep a copy of this form for your records.

**NOTE:** If you file your tax return on a calendar year basis but this entity files a return on a fiscal year basis (see above), claim this credit on your tax return for the year in which the partnership's fiscal year ends.

**Part 1 Partnership and Partner Information**

<b>1</b>	(a) Partnership Name	(b) Employer Identification Number (EIN)
<b>2</b>	(a) Partner Name	(b) Taxpayer Identification Number (TIN) (c) Partner Ownership % %

**Part 2 Distribution of the Credit**

<b>3</b> Enter the amount of the partnership's credit from Form 320, Part 4, line 17, column (d).....	<b>3</b>		00
<b>4</b> Multiply line 3 by the percentage on line 2(c). Enter the result..... This is the partner's <i>pro rata share</i> of the credit. <i>Partners:</i> Enter this amount on <i>your own</i> Form 320, Part 4, line 15, column (d).	<b>4</b>		00

**Part 3 Partner's Share of Qualifying Wage Expense**

<b>5</b> Enter the amount of the partnership's total qualifying wage expense from Form 320, Part 4, line 17, column (b).....	<b>5</b>		00
<b>6</b> Multiply line 5 by the percentage on line 2(c). Enter the result..... This is the partner's <i>pro rata share</i> of the qualifying wage expense. <i>Partners:</i> Enter this amount on <i>your own</i> Form 320, Part 4, line 15, column (b).	<b>6</b>		00

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For the calendar year 2018 or fiscal year beginning MM,DD,2018 and ending MM,DD,YYYY.

**S corporation:**

- Complete Form 320-S for each shareholder in the S corporation **except for** trust or estate shareholders. However, a S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by grantor. The grantor may claim his or her share of the credit.
- Provide a copy of the completed form and certification received from the Arizona Department of Revenue to each shareholder.
- Include a copy of each Form 320-S with your S corporation return.
- Keep a copy of each completed 320-S for your records.

**Shareholder:**

- Use this form to complete *your own* Form 320.
- Include a copy of this form with your return.
- Keep a copy of this form for your records.

**NOTE:** If you file your tax return on a calendar year basis but this entity files a return on a fiscal year basis (see above), claim this credit on your tax return for the year in which the S corporation's fiscal year ends.

**Part 1 S corporation and Shareholder Information**

<b>1</b>	(a) S corporation Name	(b) Employer Identification Number (EIN)	
	(a) Shareholder Name	(b) Taxpayer Identification Number (TIN)	(c) Shareholder Ownership % %

**Part 2 Distribution of the Credit**

<b>3</b>	Enter the amount of the S corporation's credit from Form 320, Part 4, line 17, column (d) .....			00
<b>4</b>	Multiply line 3 by the percentage on line 2(c). Enter the result..... This is the shareholder's portion of the credit. <i>Shareholders:</i> Enter this amount on <i>your own</i> Form 320, Part 4, line 16, column (d).			00

**Part 3 Shareholder's Share of Qualifying Wage Expense**

<b>5</b>	Enter the amount of the S corporation's total qualifying wage expense from Form 320, Part 4, line 17, column (b).....			00
<b>6</b>	Multiply line 5 by the percentage on line 2(c). Enter the result..... This is the shareholder's <i>pro rata</i> share of the qualifying wage expense. <i>Shareholders:</i> Enter this amount on <i>your own</i> Form 320, Part 4, line 16, column (b).			00

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## 2018 Credit for Employment of TANF Recipients

**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 click on *Reports and Legal Research* 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 and click on *Reports and Legal Research* then click on *Publications*.

### General Instructions

**Individuals:** *You must also complete Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture, and include Forms 301 and 320 with your tax return to claim this credit.*

**Corporate taxpayers including S corporations claiming this credit and exempt organizations with unrelated business taxable income:** *You must also complete Arizona Form 300, Nonrefundable Corporate Tax Credits and Recapture, and include Forms 300 and 320 with your tax return to claim this credit.*

**Partnerships** *passing the credit through to its partners must also complete and include a separate Form 320-P for each partner receiving a pass-through credit.*

**S corporations** *passing the credit through to its shareholders must also complete and include a separate Form 320-S for each shareholder receiving a pass-through credit.*

Arizona law provides a nonrefundable credit for employers that employ recipients of Temporary Assistance for Needy Families (TANF).

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

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

The credit for employing TANF recipients is equal to:

1. One-fourth of the taxable wages paid to each qualified employee in the first year or partial year of employment, not to exceed \$500 per net new employee.

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

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

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

You cannot take a wage expense deduction for the same wages for which you claim a credit for state tax purposes.

- **Individuals:** If you are claiming a current year's credit you **must** add-back, on your tax return under *Other Additions to Income*, the total net amount of qualifying wage expenses entered on line 17, column (b).
- **C corporations, Partnerships and Exempt organizations with UBTI:** If you are claiming a current year's credit you **must** add-back, on your tax return under *Additions related to Arizona tax credits*, the total net amount of qualifying wage expenses entered on line 17, column (b).
- **S corporations:** If you are passing the current year's credit to your shareholders you must report, on each shareholder's Form 320-S, Part 3, line 5, the net amount of qualifying wage expense entered in Part 4, line 17, column (b).

**A partnership passing the current year's credit** through to its partners **must** do the following:

1. Complete Parts 1 through 4, and 6.
2. Complete Arizona Form 320-P, *Credit for Employment of TANF Recipients - Distribution to Partners*, for each partner and provide the partner with a copy of their completed Form 320-P.
  - Form 320-P is available on the department's website.
  - Instructions for Form 320-P are included at the end of these instructions on page 6.
  - The partner will use Form 320-P to complete their own Form 312 to claim.
3. Include Forms 320 and 320-P with its tax return.
4. Keep a copy of Forms 320 and 320-P for its record.

**An S corporation passing the current year's credit** through to its shareholders **must** do the following:

1. Complete Parts 1 through 5.
2. Complete Arizona Form 320-S, *Credit for Employment of TANF Recipients - Distribution to Shareholders*, for each shareholder and provide the shareholder with a copy of their completed Form 320-S.
  - Form 320-S is available on the department's website.
  - Instructions for Form 320-S are included at the end of these instructions on page 7.

- The shareholder will use Form 320-S to complete their own Form 320.
3. Include Forms 320 and 320-S with its tax return.
  4. Keep a copy of Forms 320 and 320-S for its record.

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

**Line-by-Line Instructions**

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for an individual is the taxpayer’s Social Security Number (SSN) or an Internal Revenue Service (IRS) individual taxpayer identification number (ITIN). The TIN for a corporation or partnership is the employer identification number (EIN). Taxpayers that fail to include their identification number may be subject to a penalty.

Enter your name and SSN, TIN or EIN as shown on your Arizona income tax form (Forms 140, 140PY, 140NR, 140X, 99T, 120, 120A, 120S, 120X, or 165).

**Part 1 - Business Information**

**Lines 1 through 3 -**

On lines 1, 2, and 3, enter the name, address, and EIN of the business that employs qualifying employees.

**Part 2 - Net Increase in Qualified Employment Positions**

**Lines 4 and 5 -**

This credit is based on net increases in qualified employment positions. You must determine the net increase in the number of qualified positions by comparing the average number of qualified employment positions during the taxable year with the immediately preceding taxable year. This comparison is based on the report that you submit to the Arizona Department of Economic Security for unemployment purposes. The worksheet following the instructions for line 5 is provided to help you determine the average number of qualified positions for lines 4 and 5.

**Line 4 -**

Enter the average number of qualified employment positions during the current taxable year.

A qualified employment position is a position that meets **all** of the following.

- The position must be classified as full-time employment.
- The position must provide health insurance coverage if the employer offers the coverage to other employees not on TANF.
- The position must provide compensation at least equal to the minimum wage or a wage comparable to that paid other employees not receiving TANF in the same job classification.

- The position must be listed on the report that you submit to the Arizona Department of Economic Security for unemployment purposes.

**Line 5 -**

Enter the average number of qualified employment positions during the immediately preceding taxable year. If the business is a newly established business, the business would not have any qualified employment positions during the immediately preceding taxable year. A newly established business would have zero average employment positions during the immediately preceding taxable year. This business would enter “0” on line 5.

If the business is an established business, the business must figure the average qualified employment positions of the immediately preceding taxable year using the worksheet below. Line 15 of the *Immediately Preceding Taxable Year* column is the amount you should enter on line 5.

Complete the worksheet to determine the average employment. On lines 1 through 12, enter the number of qualifying employment positions the business had during each month of the current taxable year and the immediately preceding taxable year.

	<b>Line 4</b> Current Taxable Year	<b>Line 5</b> Immediately Preceding Taxable Year
1. January		
2. February		
3. March		
4. April		
5. May		
6. June		
7. July		
8. August		
9. September		
10. October		
11. November		
12. December		
13. Total. <i>Add lines 1 through 12.</i>		
14. Enter the total number of months during the taxable year in which you were in business.		
15. Average - <i>Divide line 13 by line 14. Do not round the quotient.</i>		



**Line 6 - Net Increase in the Number of Qualified Employment Positions**

Subtract line 5 from line 4. If this amount is less than one, enter "0". If this amount contains a decimal, round **down** to the next whole number. This is your net increase in qualified employment positions.

**NOTE:** *If the amount shown on line 6 is zero or less, you may not claim this credit for qualified employees hired during the year.*

**Line 7 -**

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

On line 7, enter the number of positions on line 6 that are eligible for any other income tax credit under Arizona law.

**Line 8 -**

Subtract line 7 from line 6. This is the maximum number of new employment positions for which you may claim a credit for employees in their first year of employment.

**Part 3 - Qualifying New Employees****Line 9 -**

Enter the total number of new employees hired during the year.

**Line 10 - Qualified New Employees**

Enter the number of employees shown on line 9 who are qualified employees.

A qualified employee is an employee who meets **all** of the following criteria:

- The employee is a resident of Arizona.
- The employee was a recipient of TANF at the time he or she was hired. The employer should obtain documentation from the employee substantiating that the employee was a TANF recipient on the date of hire.
- The employee was employed for at least ninety days during the first taxable year. An employee hired with less than 90 days left in the taxable year is considered a new employee in the next taxable year. Periods when the employee's wages are subsidized under A.R.S. § 46-299 cannot be counted as employment time.
- The employee was not employed by the taxpayer within 12 months before the current date of hire.

**Line 11 - Maximum Number of Qualifying Net New Employees**

Enter the smaller of line 8 or line 10. This is the maximum number of qualifying net new employees for which you may claim a credit.

**Part 4 - Credit Calculation for Qualified Employees****Lines 12 through 17 and Form 320-1 and Form 320-2**

**IMPORTANT:** *Before completing Part 4, lines 12 through 17 of Form 320, complete Form 320-1, and Form 320-2.*

**Form 320-1 Qualifying Employees**

List each employee who is a qualified employee. List each employee's name and SSN. Also, list the date each employee was hired. You must also answer the questions in columns (d) and (e).

**Form 320-2 Qualifying Employees for Which You are Claiming a Credit**

List each qualifying employee from Form 320-1 for whom you are taking the credit. List the employees' names and SSNs. Complete columns (c) through (e), as instructed on the form.

**Form 320****Line 12 - Column (a)**

Enter the number of qualifying net new employees from Form 320-2, line 12, column (c1).

**NOTE:** *The maximum number of qualifying net new employees entered on line 12, column (a), cannot exceed the number of qualified net new employees entered on line 11 (Part 3).*

**Line 12 - Column (b)**

Enter the maximum allowable wages for all of your qualifying first year employees from Form 320-2, line 12, column (e1).

**Line 12 - Column (d)**

Multiply the amount entered on line 12, column (b), by the percent shown on line 12, column (c). Enter the result on line 12, column (d). This is the allowable credit for qualifying net new employees.

**Line 13 - Column (a)**

Enter the total number of previously qualified employees in the second year of continuous employment from Form 320-2, line 12, column (c2).

**NOTE:** *The maximum number of previously qualified employees in the second year of continuous employment entered on line 13, column (a), cannot exceed the number of qualified net new employees entered on the 2017 Form 320, line 11 (Part 3).*

Arizona's statutes do not require that the employee who is claimed in the second year of continuous employment be the same employee who was claimed in the first year of employment. Therefore, if one of the originally claimed net new employees leaves employment in year two, the business can claim the second year credit for another previously qualified employee who is in the second year of continuous employment.

**Line 13 - Column (b)**

Enter the maximum allowable wages for all previously qualified employees in the second year of continuous employment, from Form 320-2, line 12, column (e2).

**Line 13 - Column (d)**

Multiply the amount shown on line 13, column (b), by the percent shown on line 13, column (c). Enter the result on

line 13, column (d). This is the allowable credit for previously qualified employees in their second year of continuous employment.

#### Line 14 - Column (a)

Enter the total number of previously qualified employees in the third year of continuous employment from Form 320-2, line 12, column (c3).

**NOTE:** *The maximum number of previously qualified employees in the third year of continuous employment entered on line 14, column (a), cannot exceed the number of qualified net new employees entered on the 2016 Form 320, line 11 (Part 3).*

Arizona's statutes do not require that the employee who is claimed in the third year of continuous employment be the same employee who was claimed in the second year of employment. Therefore, if one of the originally claimed net new employees leaves employment in year three, the business can claim the third year credit for another previously qualified employee who is in the third year of continuous employment.

#### Line 14 - Column (b)

Enter the maximum allowable wages for all previously qualified employees in the third year of continuous employment from Form 320-2, line 12, column (e3).

#### Line 14 - Column (d)

Multiply the amount shown on line 14, column (b), by the percent shown on line 14, column (c). Enter the result on line 14, column (d). This is the allowable credit for previously qualified employees in their third year of continuous employment.

#### Lines 15 and 16 - Pass-through credit from Partnerships and S corporations

*Only complete line 15 if you received Arizona Form 320-P from a partnership passing through the credit.*

*Only complete line 16 if you received Form 320-S from an S corporation passing through the credit.*

#### Line 15 - Column (b)

Enter your pro rata share of the partnership's qualifying wage expense from Form 320-P, Part 3, line 6.

#### Line 15 - Column (d)

Enter your pro rata share of the partnership's credit from Form 320-P, Part 2, line 4.

#### Line 16 - Column (b)

Enter your pro rata share of the S corporation's qualifying wage expense from Form 320-S, Part 3, line 6.

#### Line 16 - Column (d)

Enter your pro rata share of the S corporation's credit from Form 320-S, Part 2, line 4.

#### Line 17- Columns (a), (b), and (d)

- Add amounts in column (a) on lines 12, 13 and 14 enter the total in column (a) on line 17.

The amount entered is the total number of qualified employees for which you are claiming the credit.

- Add the amounts in column (b) on lines 12, through 16; enter the total in column (b) on line 17.

The amount entered on line 17, column (b) is the total net amount of qualifying wages.

- Add the amounts in column (d) on lines 12 through 16; enter the total in column (d) on line 17.

The amount entered on line 17, column (d), is the total allowable credit for qualified employees for the current taxable year.

### Part 5 - S Corporation Credit Election and Shareholder's Share of Credit

#### Line 18 and Boxes (a) and (b)

The S corporation must complete this portion of the Form 320 in order for the S corporation or its shareholders to claim this credit. The S corporation must make an irrevocable election either to claim the credit (check box a) or to pass the credit through to its shareholders (check box b).

Each shareholder may claim only a pro rata share of the credit based on the shareholder's ownership interest in the S corporation.

The election statement must be signed by one of the officers of the S corporation who is also a signatory to the Arizona Form 120S.

- If box (a) is checked, continue to Part 7.
- If box (b) is checked:
  - Complete a separate Form 320-S for each shareholder
  - Furnish each shareholder with a copy of their completed Form 320-S.
  - S corporations that have a carryover available from a credit claimed in a prior year **must** complete Part 7 and Part 8, lines 26 and 27.

### Part 6 - Partner's Share of Credit

Each partner may claim only a pro rata share of the credit based on the partner's ownership interest in the partnership.

Partnerships

- Complete Form 320, Parts 1 through 4. *Do not complete Parts 7 and 8 of Form 320.*
- Complete Form 320-P for each partner.
- Furnish each partner with a copy of their completed Form 320-P.

### Part 7 - Available Credit Carryover

#### Lines 19 through 24 -

Use Part 7 to figure your total available credit carryover from tax years 2013 through 2017. Complete lines 19 through 24 if you claimed the credit on a prior year return and the credit was more than your tax.

- In column (b), enter the credit originally computed for the taxable year listed in column (a).
- In column (c), enter the amount of the credit from that taxable year which you have already used.

- Subtract the amount in column (c) from column (b) and enter the difference in column (d).
- Add the amounts entered on lines 19 through 23 in column (d).

Enter the total on line 24, column (d).

## Part 8 - Total Available Credit

### Line 25 - Current Year's Credit

Individuals, C corporations, S corporations claiming the credit, and exempt organizations with UBTI: Enter the amount from Part 4, line 17, column (d).

- Individuals: Also, enter this amount on Form 301, line 10, column (a).
- Corporations, including S corporations that are claiming the credit and exempt organizations with UBTI: Also, enter this amount on Form 300, line 8, column (a).

### Line 26 - Available Credit Carryover

Enter the amount from Part 7, line 24, column (d).

- Individuals: Also, enter this amount on Form 301, line 10, column (b).
- Corporations, including S corporations that are claiming the credit and exempt organizations with UBTI: Also, enter this amount on Form 300, line 8, column (b).

### Line 27 - Total Available Credit

Add lines 25 and 26. Enter the total.

- Individuals: Also, enter this amount on Form 301, line 10, column (c).
- Corporations, including S corporations that are claiming the credit and exempt organizations with UBTI: Also, enter this amount on Form 300, line 8, column (c).

**NOTE:** *You cannot take a deduction for the same wage expense for which a credit is claimed.*

If you are claiming this credit, you must include the amount from Part 4, line 17, column (b), on your Arizona income tax return.

- **Individuals:** If you are claiming a current year's credit, you **must** add-back on your tax return, under *Other Additions to Income*, the total net amount of qualifying wage expenses entered on line 17, column (b).
- **Corporations, Partnerships and Exempt organizations with UBTI:** If you are claiming a current year's credit you **must** add-back on your tax return, under *Additions related to Arizona tax credits*, the total net amount of qualifying wage expenses entered on line 17, column (b).
- **S corporations:** If you are passing the current year's credit to your shareholders you must report, on each shareholder's Form 320-S, Part 3, line 5, the net amount of qualifying wage expense entered in Part 4, line 17, column (b).

## Form 320-P, *Credit for Employment of TANF Recipients - Distribution to Partners*

**NOTE:** *Form 320-P is available on the department's website.*

### Instructions for Partnerships passing the credit to partners

#### Part 1 – Partnership and Partner Information

##### Line 1 (a) and (b) -

In the space provided, enter the name of the partnership and employer identification number.

##### Line 2 (a) and (b) -

In the space provided, enter the partner's name, social security or employer identification number, and ownership percentage.

Each partner is entitled to a *pro rata* share of the credit, based on its ownership percentage.

#### Part 2 - Distribution of Credit

##### Line 3 -

Enter the partnership's current year's credit from Form 320, Part 4, line 17, column (d).

##### Line 4 -

Multiply line 3 by the ownership percentage on line 2(c) and enter the result. This is the partner's *pro rata* share of the pass-through credit.

Partners: Enter this amount on *your own* Form 320, Part 4, line 15, column (d).

#### Part 3 - Partner's share of Qualifying Wage Expense

##### Line 5 -

Enter the total amount of qualifying wage expense used to compute the credit from Form 320, Part 4, line 17, column (b).

##### Line 6 -

Multiply line 5 by the percentage on line 2(c) and enter the result. This is the partner's *pro rata* share of the qualifying wage expense.

Partners: enter this amount on your own Form 320, Part 4, line 15, column (b).

### Instructions for Partners receiving Form 320-P

- Enter the amount from Form 320-P, line 4, on *your own* Form 320, in Part 4, on line 15, column (d).

If you are claiming a pass-through credit from more than one partnership, add all amounts from Forms 320-P, line 4, and enter the total on Form 320, in Part 4, on line 15, column (d).

- If the partner is another partnership, it must complete a separate Form 320-P for each partner identifying the partner's *pro rata* share of the pass-through credit amount and qualifying wage expense.
- If the partner is an S corporation and the S corporation elects to pass through the credit to its shareholders, it must also complete a separate Form 320-S for each shareholder identifying the shareholder's *pro rata* share of credit amount and qualifying wage expense.
- If the partner is a C corporation, S corporation (electing to claim the credit), or an exempt organization with UBTI, it must complete its own Form 320 to claim the credit.

**NOTE:** If you file your income tax return on a calendar year basis (January 1, 2018 – December 31, 2018) but the partnership passing the credit files its return on a fiscal year basis, claim the pass-through credit on your income tax return for the year in which the partnership's fiscal year ends. For example, if the partnership's tax year ends in February 2019, claim this credit on your 2019 tax return.

**Form 320-S, Credit for Employment of TANF Recipients - Distribution to Shareholders**

**NOTE:** Form 320-S is available on the department's website.

**Instructions for S corporations passing the credit to shareholders**

**Part 1 – S corporation and Shareholder Information**

**Line 1 (a) and (b) -**

In the space provided, enter the name of the S corporation and employer identification number.

**Line 2 (a) and (b) -**

In the space provided, enter the shareholder's name, social security or employer identification number, and ownership percentage.

Each shareholder is entitled to a *pro rata* share of the credit, based on its ownership percentage.

**Part 2 - Distribution of Credit**

**Line 3 -**

Enter the S corporation's current year's credit from Form 320, Part 4, line 17, column (d).

**Line 4 –**

Multiply line 3 by the ownership percentage on line 2(c) and enter the result. This is the shareholder's *pro rata* share of the qualifying wage expense.

**Part 3 - Shareholder's share of Qualifying Wage Expense**

**Line 5 -**

Enter the total amount of qualifying wage expense used to compute the credit from Form 320, Part 4, line 17, column (b).

**Line 6 -**

Multiply line 5 by the percentage on line 2(c) and enter the result. This is the shareholder's *pro rata* share of the qualifying wage expense.

Shareholders: enter this amount on *your own* Form 320, Part 4, line 16, column (b).

**Instructions for shareholders receiving Form 320-S**

- Enter the amount from Form 320-S, line 4, on *your own* Form 320, Part 4, line 16, column (d).  
If you are claiming a pass-through credit from more than one S corporation, add all amounts from Forms 320-S and enter the total on Form 320, Part 4, line 16, column (d).
- Enter the amount from Form 320-S, line 6, on your own Form 320, Part 4, line 16, column (b).

**NOTE:** If an individual shareholder claims the credit, the shareholder is required to add back the *pro-rata* portion of the total wage expense used to compute the allowable current year credit.

**For example:**

Arizona Form 320 line:	Qualifying Wages
12. Net new employees	\$15,000
13. Second-year employees	\$27,000
14. Third-year employees	<u>\$38,000</u>
Total Qualifying Wages	<u>\$80,000</u>
A shareholder has a 20% pro-rata share. The amount the S Corporation would enter on Form 320-S, line 6, for this shareholder is \$16,000 (\$80,000 X 20%).	

**NOTE:** If you file your income tax return on a calendar year basis (January 1, 2018 - December 31, 2018) but S corporation passing the credit files its return on a fiscal year basis, claim the pass-through credit on your income tax return for the year in which the S corporation's fiscal year ends. For example, if the S corporation's tax year ends in February 2019, claim this credit on your 2019 tax return.

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*Include with your return.*

For the calendar year 2018 or fiscal year beginning MM,DD,2018 and ending MM,DD,YYYY.

Your Name as shown on Form 140, 140NR, 140PY or 140X	Your Social Security Number
Spouse's Name as shown on Form 140, 140NR, 140PY or 140X (if joint return)	Spouse's Social Security Number

**Part 1 Current Year's Credit**

**A. Cash contributions made January 1, 2018, through December 31, 2018.**

- If you are married and filing separate returns, be sure to include **all** cash contributions made by you and your spouse.
- **Do not** include those cash contributions for which you or your spouse claimed a credit on the 2017 tax return.
- **Do not include cash contributions made to qualifying foster care charitable organizations.** Those contributions must be claimed on Arizona Form 352.
- If you made cash contributions to more than three qualifying charitable organizations, complete the Continuation Sheet on page 3 and include it with the credit form.

(a) Qualifying Charity Code	(b) Name of Qualifying Charity to which you made cash contributions	(c) Cash Contribution
1		00
2		00
3		00
4	If you made contributions to more than three qualifying charitable organizations, enter the amount from line 4h of the Continuation Sheet, otherwise enter "0" .....	4 00
5	Total contributions made to qualifying charitable organizations during 2018: Add lines 1 through 4, column (c).....	5 00

**B. Cash contributions made January 1, 2019, through April 15, 2019, for which you or your spouse are claiming a credit on the 2018 tax return.**

- If you are married and filing separate returns, be sure to include **all** cash contributions made by you and your spouse.
- **Do not include cash contributions made to qualifying foster care charitable organizations.** Those contributions must be claimed on Arizona Form 352.
- If you made cash contributions to more than three qualifying charitable organizations, complete the Continuation Sheet on page 3 and include it with the credit form.

(a) Qualifying Charity Code	(b) Name of Qualifying Charity to which you made cash contributions	(c) Cash Contribution
6		00
7		00
8		00
9	If you made contributions to more than three qualifying charitable organizations, enter the amount from line 9h of the Continuation Sheet, otherwise enter "0" .....	9 00
10	Total contributions made to qualifying charitable organizations January 1, 2019, through April 15, 2019, for which you are claiming a credit on the 2018 tax return: Add lines 6 through 9, column (c) ..	10 00
11	Add lines 5 and 10. Enter the total. ....	11 00
12	Single taxpayers or heads of household, enter \$400. Married taxpayers, enter \$800. ....	12 00
13	Total current year's credit: Enter the smaller of line 11 or line 12. In most cases, if you are married filing a separate return, enter one-half of the smaller of line 11 or line 12. See instructions. ....	13 00

Continued on page 2 →

Your Name (as shown on page 1)	Your Social Security Number
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**Part 2 Available Credit Carryover**

	(a) Taxable Year from which you are carrying the credit	(b) Original Credit Amount	(c) Amount Previously Used	(d) Available Carryover: Subtract column (c) from column (b).
<b>14</b>	2013	00	00	00
<b>15</b>	2014	00	00	00
<b>16</b>	2015	00	00	00
<b>17</b>	2016	00	00	00
<b>18</b>	2017	00	00	00
<b>19</b>	Total Available Carryover: Add lines 14 through 18, column (d).....			00

**Part 3 Total Available Credit**

<b>20</b>	Current year's credit: Enter the amount from Part 1, line 13. Also, enter this amount on <i>Arizona Form 301, Part 1, line 11, column (a)</i> .....	<b>20</b>	00
<b>21</b>	Available credit carryover from Part 2, line 19, column (d). Also, enter this amount on <i>Arizona Form 301, Part 1, line 11, column (b)</i> .....	<b>21</b>	00
<b>22</b>	Total Available Credit: Add line 20 and line 21. Also, enter this amount on <i>Arizona Form 301, Part 1, line 11, column (c)</i> .....	<b>22</b>	00



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

**AZ Form 321- Credit for Contributions to  
Qualifying Charitable Organizations  
Continuation Sheet**

**Part 1 - Continued**      **Current Year's Credit**

*If you need more space to list all qualifying charitable organizations, complete additional sheets and enter those totals on the appropriate line(s) on page 1.*

**A. Cash contributions made January 1, 2018, through December 31, 2018.**

	(a) Qualifying Charity Code	(b) Name of Qualifying Charity to which you made cash contributions	(c) Cash Contribution
4a	_ _ _ _ _ _ _		00
4b	_ _ _ _ _ _ _		00
4c	_ _ _ _ _ _ _		00
4d	_ _ _ _ _ _ _		00
4e	_ _ _ _ _ _ _		00
4f	_ _ _ _ _ _ _		00
4g	_ _ _ _ _ _ _		00
4h Add all amounts in column (c) and enter the total. Also, enter this amount on page 1, line 4.....			00

**B. Cash contributions made January 1, 2019, through April 15, 2019.**

	(a) Qualifying Charity Code	(b) Name of Qualifying Charity to which you made cash contributions	(c) Cash Contribution
9a	_ _ _ _ _ _ _		00
9b	_ _ _ _ _ _ _		00
9c	_ _ _ _ _ _ _		00
9d	_ _ _ _ _ _ _		00
9e	_ _ _ _ _ _ _		00
9f	_ _ _ _ _ _ _		00
9g	_ _ _ _ _ _ _		00
9h Add all amounts in column (c) and enter the total. Also, enter this amount on page 1, line 9.....			00

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# 2018 Credit for Contributions To Qualifying Charitable Organizations

## 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 click on *Reports and Legal Research* 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 and click on *Reports and Legal Research* then click on *Publications*.

## General Instructions

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

Arizona law provides a credit for cash contributions made to certain qualifying charitable organizations (charities) that provide assistance to residents of Arizona who either:

- receive Temporary Assistance of Needy Families (TANF) benefits,
- are low income residents of Arizona, or
- are children who have a chronic illness or physical disability.

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

If you made cash contributions to a qualifying foster care charitable organization, you **must** complete Form 352 to claim a credit for those contributions.

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

A cash contribution for which a credit is claimed and that is made on or before the fifteenth day of the fourth month following the close of the taxable year may be applied to either the current or preceding taxable year and is considered to have been made on the last day of that taxable year.

For calendar year filers, credit eligible cash contributions made to qualifying charities from January 1, 2019, to April 15, 2019, may be claimed as a tax credit on either the 2018 or 2019 Arizona income tax return.

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

If you claim this credit in 2018 for a cash contribution made from January 1, 2019, to April 15, 2019, you must make an adjustment on your Arizona Form 140 Schedule A, 140PY Schedule A(PY) or A(PYN), or 140NR Schedule A(NR), filed in 2019.

The maximum amount of credit that a taxpayer can establish for the current taxable year is \$400 for single taxpayers or heads of household. For married taxpayers filing a joint return, the maximum amount of credit that a taxpayer can establish for the current taxable year is \$800. In most cases, for married taxpayers who file separate returns, each spouse may claim only **one-half** (½) of the total credit that would have been allowed on a joint return up to \$400.

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

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

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

In this case, 100% of the contribution to a specific qualifying charity or to a specific fund of the UCO must be distributed to a qualifying charity that is certified by the department.

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

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

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

## What is a Qualifying Charitable Organization?

A qualifying charity is a charity that is exempt from federal income tax under Internal Revenue Code (IRC) § 501(c)(3).

A qualifying charity is also a charity that is a designated community action agency that receives Community Services Block Grant Program money under the United States Code, Title 42, Section 9901.

The charity must spend at least 50% of its budget on services to Arizona residents who:

- receive TANF benefits,
- are low income Arizona residents, or
- are chronically ill or physically disabled children.

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

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

To qualify, a charity must provide the department with written certification that it meets the criteria to be considered a qualifying charity.

To see a list of the qualifying charities, visit our website and click on *Tax Credits* and select *Contributions to QCOs and QFCOs*.

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

For Arizona tax credit purposes, the department assigns a code (a 5 digit identification number) to each qualifying charitable organization and the UCO fund (for example: 23456). If your donation receipt did not include the charity’s code, the department’s list of qualifying charities includes the code assigned to each charity and the UCO fund code.

Be sure to enter the code number, in column (a), for each qualifying charity for which you and your spouse made cash contributions.

**Line-by-Line Instructions**

Enter your name and Social Security Number (SSN) as shown on Arizona Forms 140, 140PY, 140NR, or 140X.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for an individual is the taxpayer’s SSN or an Internal Revenue Service (IRS) individual taxpayer identification number (ITIN). Taxpayers that fail to include their identification number may be subject to a penalty.

**Part 1 - Current Year’s Credit**

**A. Cash contributions made January 1, 2017, through December 31, 2017**

**Lines 1, 2 and 3 -**

**NOTE:** *If you are married and filing separate returns, be sure to include all cash contributions made by you and your spouse.*

Enter the following for each qualifying charity you or your spouse made cash contributions from January 1, 2018, through

December 31, 2018, for which you or your spouse are claiming a credit on the 2018 tax return:

- Column (a): the five digit code number of the qualifying charity or the UCO fund code (for example: 23456);
- Column (b): the name of the qualifying charity or the UCO fund name; and
- Column (c): the amount of cash contributions made from January 1, 2018, through December 31, 2018.

*Do not include those cash contributions that you or your spouse made from January 1, 2018, through April 17, 2018, for which you or your spouse claimed a credit on the 2017 tax return.*

**NOTE:** *For contributions made to an Umbrella Charitable Organization, the Qualifying Charitable Organization Code and name of the qualifying charity are reported on the tax form. If a fund is designated, the Umbrella Charitable Organization Fund Code and the name of the fund are reported on the tax form.*

If you made cash contributions to more than three qualifying charities, complete the Continuation Sheet on page 3 of the form and include it with the credit form.

**Line 4 -**

Enter the amount from line 4h of the Continuation Sheet; otherwise enter “0”.

**Line 5 -**

Add lines 1 through 4, column (c) and enter the total.

**B. Cash contributions made January 1, 2019, through April 15, 2019, for which you or your spouse are claiming a credit on the 2018 tax return**

**Lines 6, 7, and 8 -**

**NOTE:** *If you are married and filing separate returns, be sure to include all cash contributions made by you and your spouse.*

Enter the following for each qualifying charity you or your spouse made cash contributions from January 1, 2019, through April 15, 2019, for which you or your spouse are claiming a credit on your 2018 tax return:

- Column (a): the five digit code number of the qualifying charity or the UCO fund code (for example: 23456);
- Column (b): the name of the qualifying charity or the UCO fund name; and
- Column (c): the amount of cash contributions made from January 1, 2019, through April 15, 2019.

**NOTE:** *For contributions made to an Umbrella Charitable Organization, the Qualifying Charitable Organization Code and name of the qualifying charity are reported on the tax form. If a fund is designated, the Umbrella Charitable Organization Fund Code and the name of the fund are reported on the tax form.*

If you made cash contributions to more than three qualifying charities, complete the Continuation Sheet on page 3 of the form and include it with the credit form.

**Line 9**

Enter the amount from line 9h of the Continuation Sheet; otherwise enter "0".

**Line 10 -**

Add lines 6 through 9, column (c). Enter the total.

**Line 11 -**

Add lines 5 and 10. Enter the total.

**Line 12 -**

Single taxpayers and taxpayers filing as head of household enter \$400. Married taxpayers enter \$800.

**Line 13 – Total Current Year’s Credit**

Enter the smaller of line 11 or line 12.

If you are married filing a separate return, but you could have filed a joint return, you may take only ½ of the total credit that you and your spouse would have been allowed to take on a joint return, up to a maximum of \$400. In this case, enter ½ of the smaller of line 11 or line 12.

**Part 2 - Available Credit Carryover**

**NOTE:** *If you have a carryover amount from a prior year for cash contributions made to a qualifying foster care charitable organization for which you claimed a credit on Form 321, you **must** claim that carryover amount on Form 321.*

**Lines 14 through 19 -**

Use lines 14 through 19 to figure your total available credit carryover from taxable years 2013 through 2017. Complete lines 14 through 19 if you claimed this credit on a return for one of these years and the credit was more than your tax.

**NOTE:** *You may carry over only that portion of the credit that you do not apply to tax. You cannot carry over any amount that you gave that was more than the maximum amount allowed as a credit.*

**For example:** During 2018, Mary, a single person, gave \$600 to a qualified charity. For 2018, Mary is allowed a maximum credit of \$400. Mary’s 2018 tax is \$250. Mary can apply \$250 of the credit to her 2018 tax liability and carryover \$150 of the unused \$400 credit to 2019.

Mary cannot claim any credit for the \$200 gift that was more than the allowable credit (\$600 minus allowable credit of \$400).

- In column (b), enter the credit originally computed for that taxable year listed in column (a).
- In column (c), enter the amount of the credit from that taxable year which you have already used.
- In column (d), subtract the amount in column (c) from column (b) and enter the difference.
- Add the amounts entered on lines 14 through 18 in column (d). Enter the total on line 19, column (d).

**Part 3 - Total Available Credit****Lines 20 through 22 -**

Use lines 20 through 22 to figure your total available credit for the taxable year.

**Line 20 -**

Enter the amount from Part 1, line 13. Also, enter this amount on Arizona Form 301, Part 1, line 11, column (a).

**Line 21 -**

Enter the amount from Part 2, line 19, column (d). Also, enter this amount on Form 301, Part 1, line 11, column (b).

**Line 22 - Total Available Credit**

Add line 20 and line 21. Enter the total. Also, enter this amount on Form 301, Part 1, line 11, column (c).

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Include with your return.

- Do not use this form for contributions to private school tuition organizations.
- Use Form 323 for contributions to private school tuition organizations.

For the calendar year 2018 or fiscal year beginning [M, M, D, D] 2, 0, 1, 8 and ending [M, M, D, D] Y, Y, Y, Y.

Your Name as shown on Form 140, 140NR, 140PY or 140X	Your Social Security Number
Spouse's Name as shown on Form 140, 140NR, 140PY or 140X (if joint return)	Spouse's Social Security Number

**Part 1 Current Year's Credit**

**A. Cash contributions made or fees paid January 1, 2018, through December 31, 2018.**

- If you are married and filing separate returns, be sure to include **all** cash contributions made or fees paid by you and your spouse.
- Do **not** include those cash contributions or fees paid for which you or your spouse claimed a credit on the 2017 tax return.
- If you made cash contributions or paid fees to more than three public schools, complete the Continuation Sheet on page 3 and include it with the credit form.

	(a) Public School CTDS Code	(b) Name of <u>Public</u> School to which you made contributions or paid fees:	(c) School District Name <i>or</i> Charter Holder Name	(d) Cash Contribution Made or Fees Paid
1	[ ]			00
2	[ ]			00
3	[ ]			00
4	If you made contributions or paid fees to more than three public schools, enter the amount from line 4h of the Continuation Sheet, otherwise enter "0" .....			4 00
5	Total contributions made or fees paid to public schools during 2018: Add lines 1 through 4, column (d).....			5 00

**B. Cash contributions made or fees paid January 1, 2019, through April 15, 2019, for which you or your spouse are claiming a credit on the 2018 tax return.**

- If you are married and filing separate returns, be sure to include **all** cash contributions made by you and your spouse.
- If you made cash contributions or paid fees to more than three public schools, complete the Continuation Sheet on page 3 and include it with the credit form.

	(a) Public School CTDS Code	(b) Name of <u>Public</u> School to which you made contributions or paid fees:	(c) School District Name <i>or</i> Charter Holder Name	(d) Cash Contribution Made or Fees Paid
6	[ ]			00
7	[ ]			00
8	[ ]			00
9	If you made contributions or paid fees to more than three public schools, enter the amount from line 9h of the Continuation Sheet, otherwise enter "0" .....			9 00
10	Total contributions made or fees paid January 1, 2019, through April 15, 2019, for which you are claiming a credit on the 2018 tax return: Add lines 6 through 9, column (d) .....			10 00
11	Add lines 5 and 10. Enter the total .....			11 00
12	Single taxpayers or heads of household, enter \$200. Married taxpayers, enter \$400 .....			12 00
13	Total current year's credit: Enter the smaller of line 11 or line 12. In most cases, if you are married filing a separate return, enter one-half of the smaller of line 11 or line 12. See instructions .....			13 00

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

**Part 2 Available Credit Carryover**

	(a) Taxable Year from which you are carrying the credit	(b) Original Credit Amount	(c) Amount Previously Used	(d) Available Carryover: Subtract column (c) from column (b).
<b>14</b>	2013	00	00	00
<b>15</b>	2014	00	00	00
<b>16</b>	2015	00	00	00
<b>17</b>	2016	00	00	00
<b>18</b>	2017	00	00	00
<b>19</b>	Total Available Carryover: Add lines 14 through 18, column (d).....			00

**Part 3 Total Available Credit**

<b>20</b>	Current year's credit: Enter the amount from Part 1, line 13. Also, enter this amount on <i>Arizona Form 301, Part 1, line 12, column (a)</i> .....	<b>20</b>	00
<b>21</b>	Available credit carryover from Part 2, line 19, column (d). Also, enter this amount on <i>Arizona Form 301, Part 1, line 12, column (b)</i> .....	<b>21</b>	00
<b>22</b>	Total Available Credit: Add line 20 and line 21. Also, enter this amount on <i>Arizona Form 301, Part 1, line 12, column (c)</i> .....	<b>22</b>	00





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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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**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 click on *Reports and Legal Research* 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 and click on *Reports and Legal Research* then click on *Publications*.

**General Instructions**

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

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

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

The credit is equal to the amount of cash contributed or the amount of fees paid up to the maximum amount allowed. The maximum amount of credit that a taxpayer can establish for the current taxable year for contributions or fees paid is \$200 for single taxpayers or heads of household. For married taxpayers filing a joint return, the maximum amount of credit that can be established for the current taxable year is \$400. In most cases, for married taxpayers who file separate returns, each spouse may claim only **one-half** (½) of the credit that would have been allowed on a joint return.

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

A cash contribution for which a credit is claimed and that is made on or before the fifteenth day of the fourth month following the close of the taxable year may be applied to

either the current or preceding taxable year and is considered to have been made on the last day of that taxable year.

For calendar year filers, credit eligible cash contributions made or fees paid to a public school from January 1, 2019, to April 15, 2019, may be used as a tax credit on either the 2018 or the 2019 Arizona income tax return.

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

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

If you claim this credit in 2018 for contributions made from January 1, 2019, to April 15, 2019, you must make an adjustment on your Arizona Form 140 Schedule A, 140PY Schedule A(PY) or A(PYN), or 140NR Schedule A(NR) filed in 2019.

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

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

- standardized testing for college credit or readiness offered by a widely recognized and accepted educational testing organization,
- the career and technical education industry certification assessment,
- preparation courses and materials for standardized testing,
- cardiopulmonary resuscitation training,
- extracurricular activities, or
- character education programs.

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

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

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

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

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

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

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

- use of band uniforms;
- use of equipment or uniforms for varsity athletics;
- use of scientific laboratory equipment or materials; and
- in-state or out-of-state trips that are solely for competitive events.

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

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

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

- a nongovernmental school;
- a pre-school;
- a community college;
- a university; or
- a public school located outside of Arizona.

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

- name of the public school,
- name and number of the school district,
- name of the taxpayer,
- amount paid or contributed,
- date paid or contributed, and
- description of the activity for which the contributions were made or the fees were paid.

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

### What is an Arizona Public School CTDS Code?

The Arizona Department of Education uses a coding system (CTDS) to identify Arizona public and charter schools. CTDS is a nine (9) digit number and stands for *County Code, Type Code, District Code & Site Number*.

For the purpose of claiming Arizona's tax credit for contributions made or certain fees paid to a qualifying public

school, you must provide this code on the tax credit form, in column (a), for each qualifying school you or your spouse made cash contributions or paid certain fees.

For example, a public school with a CTDS code of 01-23-45-678 would be entered (c) as 012345678 (*do not* include spaces or dashes).

You may obtain the CTDS code by visiting Arizona Department of Education's public school search webpage at [www.ade.az.gov/edd](http://www.ade.az.gov/edd) or you may find the list on the our website at [www.azdor.gov/tax-credits/public-school-tax-credit](http://www.azdor.gov/tax-credits/public-school-tax-credit) under *Resources for Taxpayers*.

## Line-by-Line Instructions

Enter your name and Social Security Number (SSN) as shown on Arizona Forms 140, 140PY, 140NR, or 140X.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN).

The TIN for an individual is the taxpayer's SSN or an Internal Revenue Service (IRS) individual taxpayer identification number (ITIN). Taxpayers that fail to include their identification number may be subject to a penalty.

### Part 1 - Current Year's Credit

#### A. Cash contributions made January 1, 2018, through December 31, 2018

##### Lines 1, 2 and 3 -

**NOTE:** *If you are married and filing separate returns, be sure to include all cash contributions or fees paid by you and your spouse.*

Enter the following for each Arizona public school you or your spouse made cash contributions or paid fees from January 1, 2018, through December 31, 2018:

- Column (a): the public school CTDS code;
- Column (b): the name of the public school or charter school for which you made contributions for paid fees;
- Column (c): the school district name or charter holder.
- Column (d): the amount of cash contributions or fees paid to the school during 2018.

*Do not include those contributions made or fees paid from January 1, 2018, through April 17, 2018, for which you or your spouse claimed a credit on the 2017 tax return.*

If you made cash contributions or paid fees to more than three public schools or charter schools, complete the Continuation Sheet on page 3 of the form and include it with the credit form.

##### Line 4 -

Enter the amount from line 4h of the Continuation Sheet; otherwise enter "0".

##### Line 5 -

Add lines 1 through 4, column (d) and enter the total.

**B. Cash contributions made January 1, 2019, through April 15, 2019, for which you or your spouse are claiming a credit on the 2018 tax return**

**Lines 6, 7, and 8 -**

**NOTE:** *If you are married and filing separate returns, be sure to include all cash contributions or fees paid by you and your spouse.*

Enter the following for each Arizona public school for which you or your spouse made cash contributions or paid fees from January 1, 2019, through April 15, 2019, for which you or your spouse are claiming a credit on your 2018 tax return.

- Column (a): the public school CTDS code;
- Column (b): the name of the public school or charter school for which you made contributions for paid fees;
- Column (c): the school district name or charter holder.
- Column (d) the amount of cash contributions made or fees paid to the school from January 1, 2019, through April 15, 2019.

If you made cash contributions or paid fees to more than three public schools or charter schools, complete the Continuation Sheet on page 3 of the form and include it with the credit form.

**Line 9 -**

Enter the amount from line 9h of the Continuation Sheet; otherwise enter "0".

**Line 10 -**

Add lines 6 through 9, column (d). Enter the total.

**Line 11 -**

Add lines 5 and 10. Enter the total.

**Line 12 -**

Single taxpayers and taxpayers filing as head of household enter \$200. Married taxpayers enter \$400.

**Line 13 - Current Year's Credit**

Enter the smaller of line 11 or line 12. If you are married filing a separate return, but you could have filed a joint return, you may take only **one-half** (½) of the total credit that you and your spouse would have been allowed to take on a joint return, up to a maximum of \$200. In this case, enter ½ of the smaller of line 11 or line 12.

**Part 2 - Available Credit Carryover**

**Lines 14 through 19 -**

Use lines 14 through 19 to figure your total available credit carryover from taxable years 2013 through 2017. Complete lines 14 through 19 if you claimed this credit on a return for one of these years and the allowable credit was more than your tax.

**NOTE:** *You may carry over only that portion of the credit that you do not apply to tax. You cannot carry over any amount that you contributed or paid that was more than the amount allowed as a credit.*

**For example,** during 2018, John, a single person, paid \$400 to School A for extracurricular activity fees for John's child. For 2018, John is allowed a credit of \$200. John's 2018 tax is \$100. John applied \$100 credit to his tax liability and may carryover \$100 of the unused \$200 credit to 2018. John cannot claim any credit for the \$200 fee he paid that was more than the allowable credit (\$400 minus allowable credit of \$200).

- In column (b), enter the credit originally computed for that taxable year listed in column (a).
- In column (c), enter the amount of the credit from that taxable year which you have already used.
- In column (d), subtract the amount in column (c) from column (b) and enter the difference.
- Add the amounts entered on lines 14 through 18 in column (d). Enter the total on line 19, column (d).

**Part 3 - Total Available Credit**

**Lines 20 through 22 -**

Use lines 20 through 22 to figure your total available credit for 2018.

**Line 20 -**

Enter the amount from Part 1, line 13. Also, enter this amount on Form 301, Part 1, line 12, column (a).

**Line 21 -**

Enter the amount from Part 2, line 19, column (d). Also, enter this amount on Form 301, Part 1, line 12, column (b)

**Line 22 - Total Available Credit**

Add lines 20 and 21. Enter the total. Also, enter this amount on Form 301, Part 1, line 12, column (c).

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*Include with your return.*

- Do not use this form for cash contributions or fees paid to a public school.
- Use Form 322 for cash contributions or fees paid to public schools.

For the calendar year 2018 or fiscal year beginning |M| |M| |D| |D| |2| |0| |1| |8| and ending |M| |M| |D| |D| |Y| |Y| |Y| |Y|.

Your Name as shown on Form 140, 140NR, 140PY or 140X	Your Social Security Number
Spouse's Name as shown on Form 140, 140NR, 140PY or 140X (if joint return)	Spouse's Social Security Number

**Part 1 Current Year's Credit**

**A. Cash contributions made January 1, 2018, through December 31, 2018.**

- If you are married and filing separate returns, be sure to include **all** cash contributions made by you and your spouse.
- Do not include those contributions for which you or your spouse claimed a credit on the 2017 tax return.
- If you made cash contributions to more than three private school tuition organizations, complete the Continuation Sheet on page 3 and include it with the credit form.

	(a) Name of <u>Private</u> School Tuition Organizations to which you made cash contributions:	(b) Street Address	(c) City, State	(d) Cash Contribution Made
1				00
2				00
3				00
4	If you have made contributions to more than three <u>private</u> school tuition organizations, enter the amount from line 4h of the Continuation Sheet, otherwise enter "0" .....			4 00
5	Total contributions made to <u>private</u> school tuition organizations during 2018: Add lines 1 through 4, column (d).....			5 00

**B. Cash contributions made January 1, 2019, through April 15, 2019, for which you or your spouse are claiming a credit on the 2018 tax return.**

- If you are married and filing separate returns, be sure to include **all** cash contributions made by you and your spouse.
- If you made cash contributions to more than three private school tuition organizations, complete the Continuation Sheet on page 3 and include it with the credit form.

	(a) Name of <u>Private</u> School Tuition Organizations to which you made cash contributions:	(b) Street Address	(c) City, State	(d) Cash Contribution Made
6				00
7				00
8				00
9	If you have made contributions to more than three <u>private</u> school tuition organizations, enter the amount from line 9h of the Continuation Sheet, otherwise enter "0" .....			9 00
10	Total contributions made to <u>private</u> school tuition organizations January 1, 2019, through April 15, 2019, for which you are claiming a credit on the 2018 return: Add lines 6 through 9, column (d).....			10 00
11	Add lines 5 and 10. Enter the total .....			11 00
12	Single taxpayers or heads of household, enter \$555. Married taxpayers, enter \$1,110 .....			12 00
13	Total current year's credit: Enter the smaller of line 11 or line 12. In most cases, if you are married filing a separate return, enter one-half of the smaller of line 11 or line 12. See instructions .....			13 00

You **may** be able to claim an additional credit for excess contributions made to school tuition organizations. Complete Part 4, on page 2 of this form. **See Arizona Form 348** for more information.

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

**Part 2 Available Credit Carryover**

	(a) Taxable Year from which you are carrying the credit	(b) Original Credit Amount	(c) Amount Previously Used	(d) Available Carryover: Subtract column (c) from column (b).
14	2013	00	00	00
15	2014	00	00	00
16	2015	00	00	00
17	2016	00	00	00
18	2017	00	00	00
19	Total Available Carryover: Add lines 14 through 18, column (d) .....			00

**Part 3 Total Available Credit**

20 Current year's credit: Enter the amount from Part 1, line 13. Also, enter this amount on <i>Arizona Form 301, Part 1, line 13, column (a)</i> .....	<b>20</b>		00
21 Available credit carryover from Part 2, line 19, column (d). Also, enter this amount on <i>Arizona Form 301, Part 1, line 13, column (b)</i> .....	<b>21</b>		00
22 Total Available Credit: Add lines 20 and 21. Also, enter this amount on <i>Arizona Form 301, Part 1, line 13, column (c)</i> .....	<b>22</b>		00

**Part 4 Do I Have Excess Contributions Available to Claim on Arizona Form 348?**

23 Total contributions made during the taxable year: • Single taxpayers; head of household; and married taxpayers filing joint; enter the amount from Part 1, line 11. • Married taxpayers filing separate; enter one-half of the amount from Part 1, line 11 .....	<b>23</b>		00
24 Maximum credit allowed on Form 323: • Single taxpayers; and heads of household; enter \$555. • Married taxpayers filing joint; enter \$1,110. • Married taxpayers filing separate; enter \$555 .....	<b>24</b>		00
25 Excess contributions: Subtract line 24 from line 23 and enter the difference. If less than zero, enter "0." If the amount on line 25 is more than zero, you have excess contributions available and may claim a credit on Form 348 for those contributions. If the amount on line 25, is "0," you do not have any excess contributions available to claim on Form 348 .....	<b>25</b>		00



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

**AZ Form 323- Credit for Contributions  
to Private School Tuition Organizations  
Continuation Sheet**

**Part 1 - Continued**    **Current Year's Credit**

*If you need more space to list all private school tuition organizations, complete additional sheets and enter those totals on the appropriate line(s) on page 1.*

**A. Cash contributions made January 1, 2018, through December 31, 2018.**

	(a) Name of <u>Private</u> School Tuition Organizations to which you made cash contributions:	(b) Street Address	(c) City, State	(d) Cash Contribution Made
<b>4a</b>				00
<b>4b</b>				00
<b>4c</b>				00
<b>4d</b>				00
<b>4e</b>				00
<b>4f</b>				00
<b>4g</b>				00
<b>4h</b> Add all amounts in column (d) and enter the total. Also, enter this amount on page 1, line 4.....				<b>00</b>

**B. Cash contributions made January 1, 2019, through April 15, 2019.**

	(a) Name of <u>Private</u> School Tuition Organizations to which you made cash contributions:	(b) Street Address	(c) City, State	(d) Cash Contribution Made
<b>9a</b>				00
<b>9b</b>				00
<b>9c</b>				00
<b>9d</b>				00
<b>9e</b>				00
<b>9f</b>				00
<b>9g</b>				00
<b>9h</b> Add all amounts in column (d) and enter the total. Also, enter this amount on page 1, line 9.....				<b>00</b>

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From area codes 520 and 928, toll-free (800) 352-4090

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**Publications**

To view or print the department's publications, go to our website and click on *Reports and Legal Research* then click on *Publications*.

**General Instructions**

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

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

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

The credit is equal to the amount of cash contributed up to the maximum amount allowed. For 2018, the maximum amount of credit that a taxpayer can establish for the current taxable year is \$555 for single taxpayers or heads of household. For married taxpayers that file a joint return, the maximum credit that can be established for the current taxable year is \$1,110. In most cases, for married taxpayers who file separate returns, each spouse may claim only **one-half** (½) of the credit that would have been allowed on a joint return.

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

A cash contribution for which a credit is claimed and that is made on or before the fifteenth day of the fourth month following the close of the taxable year may be applied to either the current or preceding taxable year and is considered to have been made on the last day of that taxable year.

For calendar year filers, eligible cash contributions made to a private STO from January 1, 2019, to April 15, 2019, may be used as a tax credit on either the 2018 or 2019 Arizona income tax return.

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

A private STO is an organization that meets **all** of the following:

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

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

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

- hearing impairment,
- visual impairment,
- developmental delay,
- preschool severe delay, or
- speech and/or language impairment.

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

To qualify for the credit all cash contributions must be made to a certified STO. To determine if your cash contributions made in 2018 and/or 2019, qualify for this credit, you should verify that the STO you made a contribution to is certified. For a list of STOs certified to receive cash contributions for the individual income tax credit, see the department's website.

Your cash contribution to the STO will not qualify for the credit if you designate the cash contribution for the direct benefit of your dependent. For Arizona purposes, "dependent" has the same meaning provided in § 152 of the IRC. For purpose of this credit, it does not matter if you qualify to take the dependent deduction.

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

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

If you claim this credit in 2018 for a cash contribution made from January 1, 2019, to April 15, 2019, you must make an adjustment on your Arizona Form 140 Schedule A, Form 140PY Schedule A(PY) or A(PYN), or Form 140NR Schedule A(NR) filed in 2019.

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

- name and address of the STO,
- name of the taxpayer,
- amount paid,
- date paid, and
- the tax year for which you will claim the contribution.

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

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

## Line-by-Line Instructions

Enter your name and Social Security Number (SSN) as shown on Arizona Forms 140, 140PY, 140NR, or 140X.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for an individual is the taxpayer's SSN or an Internal Revenue Service (IRS) individual taxpayer identification number (ITIN). Taxpayers that fail to include their identification number may be subject to a penalty.

### Part 1 - Current Year's Credit

**NOTE:** *If you are married and filing separate returns, be sure to include all cash contributions made by you and your spouse.*

#### A. Cash contributions made January 1, 2018, through December 31, 2018

##### Lines 1, 2, and 3 -

Enter the following for each private STO to which you made contributions from January 1, 2018, through December 31, 2018, and for which you are claiming a current year's credit on your return.

- name of the private STO,
- street address of the private STO,

- location (city and state) of the private STO, and
- the amount of cash contributions made from January 1, 2018, through December 31, 2018.

**NOTE:** *Do not include those cash contributions that you made from January 1, 2018, through April 17, 2018, for which you claimed a credit on your 2017 tax return.*

If you made cash contributions to more than three private STOs, complete the Continuation Sheet. The schedule should show the same information required on lines 1, 2, and 3 for each of the additional STOs to which you made cash contributions.

##### Line 4 -

Enter the amount from line 4h of the Continuation Sheet; otherwise enter "0".

##### Line 5 -

Add lines 1 through 4, column (d) and enter the total.

#### B. Cash contributions made January 1, 2019, through April 15, 2019, for which you or your spouse are claiming a credit on the 2018 tax return

**NOTE:** *If you are married and filing separate returns, be sure to include all cash contributions made by you and your spouse.*

##### Lines 6, 7, and 8 -

Enter the following for each private STO to which you made contributions from January 1, 2019, through April 15, 2019, for which you are claiming a credit on your 2018 tax return.

- name of the private STO,
- street address of the private STO,
- location (city and state) of the private STO, and
- the amount of contributions made from January 1, 2019, through April 15, 2019.

If you made cash contributions to more than three private STOs, complete the Continuation Sheet on page 3 of the form and include it with the credit form.

##### Line 9 -

Enter the amount from line 9h of the Continuation Sheet; otherwise enter "0".

##### Line 10 -

Add lines 6 through 9, column (d). Enter the total.

##### Line 11 -

Add lines 5 and 10. Enter the total.

##### Line 12 -

Single taxpayers and taxpayers filing as head of household, enter \$555. Married taxpayers enter \$1,110.

#### Line 13 - Current Year's Credit

Enter the smaller of line 11 or line 12. If you are married filing a separate return, but you could have filed a joint return, you may take only one-half of the total credit that you and your spouse would have been allowed to take on a joint return, up to a maximum of \$555 each. In this case, enter one-half (1/2) of the smaller of line 11 or line 12.

**NOTE:** *If you made contributions that total more than the allowable current year's credit on Form 323, you may claim a credit on Arizona Form 348 for some or all of the contributions that exceed the maximum allowable amount. To determine if you have excess contributions available to claim a credit on Form 348, complete Part 4 of Form 323. For additional information see Form 348.*

**Part 2 - Available Credit Carryover**

**Lines 14 through 19 -**

Use lines 14 through 19 to figure your total available credit carryover from taxable years 2013 through 2017. Complete lines 14 through 19 if you claimed this credit on a return for one of these years and the credit was more than your tax.

**NOTE:** *You may carry over only that portion of the credit that you do not apply to tax. You cannot carry over any amount that you gave that was more than the amount allowed as a credit. See the example at the end of these instructions.*

- In column (b) enter the credit originally computed for that taxable year listed in column (a).
- In column (c) enter the amount of the credit from that taxable year which you have already used.
- Subtract the amount in column (c) from column (b) and enter the difference in column (d).
- Add the amounts entered on lines 14 through 18 in column (d).

Enter the total on line 19, column (d).

**Part 3 - Total Available Credit**

**Line 20 -**

Enter the amount from Part 1, line 13. Also, enter this amount on Form 301, Part 1, line 13, column (a).

**Line 21 -**

Enter the amount from Part 2, line 19, column (d). Also, enter this amount on Form 301, Part 1, line 13, column (b).

**Line 22 -**

Add line 20 and line 21. Enter the total. Also, enter this amount on Form 301, Part 1, line 13, column (c).

**Part 4 - Do I Have Excess Contributions Available to Claim on Arizona Form 348?**

Complete Part 4, lines 23 through 25, to determine if you have excess contributions available to claim a credit on Arizona Form 348, *Contributions to Certified School Tuition Organization – Individuals*.

**NOTE:** *Married taxpayers filing a separate return - be sure to enter **one-half** (½) of the total amount of contributions made during the taxable year by you **and** your spouse on line 9.*

**Line 23 -**

Enter the total amount of contributions made during the taxable year:

- Single taxpayers, heads of household and married taxpayers filing a joint return; enter the total amount from Part 1, line 11.
- Married taxpayers filing separate; enter one-half (½) of the total amount from Part 1, line 11.

**Line 24 -**

Enter the maximum credit allowed on Form 323:

- Single taxpayers and heads of household; enter \$555.
- Married taxpayers filing joint; enter \$1,110.
- Married taxpayers filing separate; enter \$555.

**Line 25 – Excess Contributions:**

Subtract line 24 from line 23 and enter the difference. If less than zero, enter “0”.

If the amount on line 25 is more than zero, you have excess contributions available and may claim a credit on Form 348 for those contributions.

If the amount on line 25 is “0,” you do not have any excess contributions available to claim on Form 348.

**EXAMPLE:** During 2018, Mary, a single person, gave \$1,400 to a private STO. For 2018, Mary is allowed a maximum credit on Form 323 of \$555. Mary’s 2018 tax liability is \$400. Mary may apply \$400 of the \$555 credit claimed on Form 323 against her 2018 tax liability. Mary may carryover the unused credit of \$155 to her 2019 income tax return. Mary may not claim a credit on Form 323 for the \$845 gift that was more than the allowable credit (\$1,400 minus allowable credit of \$555).

However, Mary may claim a credit on Arizona Form 348 for the contribution made to the private STO that was more than the \$555 allowable credit. The credit Mary may claim on Form 348 cannot exceed the maximum credit allowed on that form.

To compute that credit, Mary must complete Form 348 in addition to Form 323. Mary must also complete Arizona Form 301. For 2018, Mary would compute her available credit for Form 323 as follows.

2018 total contribution made to STOs		\$1,400
2018 maximum allowable credit claimed on Form 323		\$ 555
Mary’s 2018 tax liability	\$ 400	
Less: available tax credit - Form 323	\$ 400	
Balance of tax	\$ 0	
Carryover available for 2019 from Form 323 (\$555 minus \$400)	\$ 155	
Contribution available to calculate the allowable credit on Form 348 (\$1,400 minus \$555). Mary must complete Arizona Form 348 to figure that credit.		\$ 845

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*Include with your return.*

For the calendar year 2018 or fiscal year beginning MM,DD,2018 and ending MM,DD,YYYY.

Name as shown on Form 140, 140PY, 140NR, 140X, 99T, 120, 120A, 120S, 120X or 165	Social Security or Employer Identification Number
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**Part 1 Schedule of Equipment and Current Taxable Year's Credit Calculation**

If additional space is needed, include a separate schedule.

(a)	(b)	(c)	
Date Qualifying Agricultural Property Placed in Service or Expected to be Placed in Service	Description	Total Cost Incurred During the Taxable Year for Qualifying Agricultural Property used to Reduce Pollution	
1	MMDDYY		00
2	MMDDYY		00
3	MMDDYY		00
4	MMDDYY		00
5	MMDDYY		00
6	MMDDYY		00
7	MMDDYY		00
8	MMDDYY		00
9	MMDDYY		00
10	MMDDYY		00
11	Add lines 1 through 10 in column (c). Enter the total.....	11	00
12	Enter the total from additional schedule(s), if applicable.....	12	00
13	Total cost of pollution control equipment incurred during the taxable year: Add lines 11 and 12. Enter the total.....	13	00
14	Multiply line 13 by 25% (.25). Enter the result.....	14	00

**Part 2 Credit Passed Through From Partnerships or S Corporations**

15	Enter the total amount of the credit passed through from partnerships on Form 325-P, Part 2, line 4.....	15	00
16	Enter the total amount of the credit passed through from S corporations on Form 325-S, Part 2, line 4...	16	00

**Part 3 Total Current Year Credit**

17	Add lines 14 through 16. Enter the total.....	17	00
18	Maximum Credit Allowed.....	18	25,000 00
19	Enter the lesser of line 17 or line 18. This is the total credit for the current year.....	19	00

In order to calculate Arizona depreciation or amortization, a taxpayer who elects to claim this credit under A.R.S. §§ 43-1081.01 or 43-1170.01 shall reduce the basis of the agricultural pollution control equipment by the amount of the credit claimed.

**Part 4 Partnerships Passing Through the Credit**

Partnerships qualifying for this credit must pass it through to their partners. When passing this credit through to your partners, complete Form 325-P for each partner.

- Provide a copy of completed Form 325-P to each partner.
- Include a copy of each completed Form 325-P with your tax return.
- Keep a copy of each completed Form 325-P for your records.

Continued on page 2 →

Name (as shown on page 1)	TIN
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**Part 5 S Corporation Credit Election**

20 The S corporation has made an irrevocable election for the taxable year ending MM, DD, YYYY to (check only one box):

- 20a  Claim the agricultural pollution control credit as shown on Part 3, line 19 (for the taxable year indicated above);  
**OR**  
 20b  Pass the agricultural pollution control credit as shown on Part 3, line 19 (for the taxable year indicated above) through to its shareholders.

\_\_\_\_\_  
 Signature Title Date

If passing this credit through to your shareholders, complete Form 325-S for each individual shareholder.

- Provide a copy of completed Form 325-S to each shareholder.
- Include a copy of each completed Form 325-S with your tax return.
- Keep a copy of each completed Form 325-S for your records.

**If you claimed this credit and there is a carryover of this credit from the past 5 taxable years, complete Part 6. If not, go to Part 7.**

**Part 6 Available Credit Carryover**

	(a) Taxable Year	(b) Original Credit Amount	(c) Amount Previously Used or Expired	(d) Available Carryover: Subtract column (c) from column (b).
21		00	00	00
22		00	00	00
23		00	00	00
24		00	00	00
25		00	00	00
26	Total Available Carryover: Add lines 21 through 25 in column (d). Enter the total.....			26 00

**Part 7 Total Available Credit**

27 Current year's credit: • <i>Individuals, C Corporations, S corporations claiming this credit at the corporate level, or exempt organizations with UBTI:</i> Enter the amount from Part 3, line 19. • <i>Individuals:</i> Also, enter this amount on Form 301, Part 1, line 14, column (a). • <i>Partnerships:</i> Enter "0". • <i>S corporations that passed the credit through to shareholders:</i> Enter "0". • <i>C Corporations, S corporations claiming this credit at the corporate level, and exempt organizations with UBTI:</i> Also, enter this amount on Form 300, line 9, column (a) .....	<b>27</b>	00
28 Enter the available credit carryover from Part 6, line 26, column (d): • <i>Individuals:</i> Also, enter this amount on Form 301, Part 1, line 14, column (b). • <i>C Corporations, S corporations claiming this credit at the corporate level, and exempt organizations with UBTI:</i> Also, enter this amount on Form 300, line 9, column (b) .....	<b>28</b>	00
29 <b>Total available credit:</b> Add line 27 and line 28. Enter the total. • <i>Individuals:</i> Also enter the total on Form 301, Part 1, line 14, column (c). • <i>C Corporations, S corporations claiming this credit at the corporate level, and exempt organizations with UBTI:</i> Also, enter the total on Form 300, line 9, column (c) .....	<b>29</b>	00



For the calendar year 2018 or fiscal year beginning   M  M  D  D  |  2  0  1  8   and ending   M  M  D  D  |  Y  Y  Y  Y  .

**Partnerships:**

- Complete Form 325-P for each partner in the partnership **except for** trust or estate partners. However, a partnership ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.
- Provide a copy of the completed form to each partner.
- Keep a copy of each completed Form 325-P for your records.
- Include a copy of each completed Form 325-P with your partnership return.

**Partners:**

- Use this form to complete your own Form 325.
- Include this completed form with your return.
- Keep a copy of this form for your records.

**NOTE:** If you file your tax return on a calendar year basis but this entity files a return on a fiscal year basis (see above), claim this credit on your tax return for the year in which this entity's fiscal year ends.

**Part 1 Partnership and Partner Information**

<b>1</b>	(a) Partnership Name	(b) Employer Identification Number (EIN)
<b>2</b>	(a) Partner Name	(b) Taxpayer Identification Number (TIN) (c) Ownership Percentage %

**Part 2 Distribution of the Credit**

<b>3</b> Enter the partnership credit amount from Form 325, Part 3, line 19. ....	<b>3</b>		00
<b>4</b> Multiply the amount on line 3 by the partner's ownership percentage shown on line 2(c). Enter the result. This is the partner's portion of the credit.....	<b>4</b>		00

**Partners:**

The amount reported on line 4 is your portion of this credit. The amount on line 4 should be included on your own Form 325, Part 2, line 15.

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For the calendar year 2018 or fiscal year beginning   M  M  D  D  |  2  0  1  8   and ending   M  M  D  D  |  Y  Y  Y  Y  .

**S Corporations:**

- Complete Form 325-S for each shareholder of the S corporation **except for** trust or estate shareholders. However, an S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.
- Provide a copy of the completed form to each shareholder.
- Keep a copy of each completed Form 325-S for your records.
- Include a copy of each completed Form 325-S with your S corporation return.

**Shareholders:**

- Use this form to complete your own Form 325.
- Include this completed form with your return.
- Keep a copy of this form for your records.

**NOTE:** If you file your tax return on a calendar year basis but this entity files a return on a fiscal year basis (see above), claim this credit on your tax return for the year in which this entity's fiscal year ends.

**Part 1 S Corporation and Shareholder Information**

<b>1</b>	(a) S corporation Name	(b) Employer Identification Number (EIN)
<b>2</b>	(a) Shareholder Name	(b) Taxpayer Identification Number (TIN) (c) Ownership Percentage %

**Part 2 Distribution of the Credit**

<b>3</b> Enter the S corporation credit amount from Form 325, Part 3, line 19 .....	<b>3</b>		00
<b>4</b> Multiply the amount on line 3 by the shareholder's ownership percentage shown on line 2(c). Enter the result. This is the shareholder's portion of the credit .....	<b>4</b>		00

**Shareholder:**

The amount reported on line 4 is your portion of this credit. The amount on line 4 should be included on your own Form 325, Part 2, line 16.

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**2018 Agricultural Pollution Control Equipment Credit**

**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 click on *Reports & Legal Research* then click on *Legal Research* and select a document and a category type from the drop down menus.

**Publications**

To view or print the department's publications, go to our website and click on *Reports & Legal Research*. Then click on *Publications*.

**General Instructions**

Arizona Revised Statutes §§ 43-1081.01 and 43-1170.01 provide nonrefundable individual and corporate income tax credits for expenses that a taxpayer incurred during the taxable year to purchase agricultural pollution control equipment.

The amount of the credit is equal to 25% of the cost of the property. The maximum credit that a taxpayer may claim in a taxable year is \$25,000.

The Agricultural Pollution Control Equipment Credit claimed on Form 325 is in lieu of the Pollution Control Credit claimed on Form 315 with respect to the same equipment or expense.

Co-owners of a business, including partners in a partnership and shareholders of an S corporation, may each claim only the *pro rata* share of the credit allowed based on the ownership interest. The total of the credits allowed all such owners may not exceed the amount that would have been allowed for a sole owner of the business.

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

**To Qualify for the Credit:**

- The taxpayer must be involved in the commercial production of livestock, livestock products or agricultural, horticultural, viticultural or floricultural crops or products; AND
- The taxpayer must purchase tangible personal property that is primarily used in the taxpayer's trade or business in Arizona to control or prevent pollution.
  - Property eligible for the tax credit includes only that portion of the property directly used, constructed, or installed in Arizona to prevent, monitor, or reduce air, water, or land pollution.
  - Qualifying property includes a portion of a structure, building, installation, excavation, machine, equipment, or device, and any attachment to, or addition to, or reconstruction, replacement, or improvement of that property.

**Amounts that qualify for the credit** must be includible in the taxpayer's adjusted basis for the property. The adjusted basis of any property for which the taxpayer has claimed a credit must be reduced by the amount of credit claimed for that property.

If the allowable tax credit exceeds the taxes otherwise due or, if there are no taxes due, the amount of the credit not used to offset taxes may be carried forward for not more than five taxable years as a credit against subsequent years' income tax liabilities.

**NOTE – To claim this credit:**

- **Individual taxpayers**, complete this credit form and Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture. Include both completed forms with your tax return.
- **C Corporations, S corporations claiming this credit at the corporate level, and exempt organizations with UBTI**, complete this credit form and Arizona Form 300, Nonrefundable Corporate Tax Credits and Recapture. Include both completed forms with your tax return.
- **S corporations electing to pass this credit through to its shareholders**, complete this credit form and Arizona Form 300, Nonrefundable Corporate Tax Credits and Recapture. Also, complete Form 325-S for each shareholder of the S corporation. Provide each shareholder a copy of his or her completed Form 325-S. Include Form 300, Form 325, and one copy of each completed Form 325-S with your tax return.
- **Partnerships**, complete this credit form. Also, complete Form 325-P for each partner of the partnership. Provide each partner a copy of his or her completed Form 325-P. Include Form 325 and one copy of each completed Form 325-P with your tax return.

**Specific Instructions**

Complete the name and taxpayer identification number (TIN) section at the top of the form. Indicate the period covered by the taxable year. Include the completed form with the tax return.

All returns, statements, and other documents filed with the department require a TIN. The TIN for a corporation, an exempt organization with UBTI, an S corporation, or a partnership is the taxpayer's employer identification number (EIN). The TIN for an individual is the taxpayer's Social Security Number (SSN) or an Internal Revenue Service individual taxpayer identification number. Taxpayers that fail to include their TIN may be subject to a penalty.

**Part 1 - Schedule of Equipment and Current Taxable Year's Credit Calculation**

**Lines 1 through 10 -**

**Column (a):** Enter the date the qualifying agricultural property was placed in service or the date it is expected to be placed in service in Arizona.

**Column (b):** Enter a brief description of the Arizona property used in the taxpayer's business to control or prevent pollution.

**Column (c):** Enter the total cost incurred during the taxable year for qualifying agricultural property used to reduce pollution. For additional information, see the section "To Qualify for the Credit" in column 1 of this page.

If there are more than 10 items of qualifying property, complete additional schedules. Include the completed schedules with Form 325.

**Line 11 -**

Add lines 1 through 10 in column (c) and enter the total.

**Line 12 -**

Enter the total cost of equipment from additional schedules.

**Line 13 -**

Add lines 11 and 12 and enter the total. This is the total cost of agricultural pollution control equipment incurred during this taxable year.

**Line 14 -**

Multiply line 13 by 25%. Enter the result.

**Part 2 – Credit Passed Through From Partnerships or S Corporations**

**NOTE:** *If you received a pass through of this credit from more than one partnership and/or S corporation, total the amounts received from all Forms 325-P and/or 325-S and enter the total. Include a copy of each Form 325-P and/or Form 325-S you received with your return.*

**Line 15 -**

Enter the total amount of the credit passed through from partnerships on Form(s) 325-P, line 4.

**Line 16 -**

Enter the total amount of the credit passed through from S corporations on Form(s) 325-S, line 4.

**Part 3 - Total Current Year Credit**

**Line 17 -**

Add lines 14 through 16. Enter the total.

**Line 18 - Maximum Credit Allowed**

The maximum credit amount allowed for this credit is \$25,000.

**Line 19 -**

Enter the lesser of line 17 or line 18. This is your maximum current year credit for agricultural pollution control equipment.

**Partnerships - continue to Part 4.**

**S Corporations passing this credit through to its shareholders - skip to Part 5.**

**All others - skip to Part 6.**

**Part 4 - Partnerships Passing Through the Credit**

Partnerships claiming this credit must pass it through to its partners. Proceed to the instructions on page 4 for completing Form 325-P.

Each partner is entitled to only a *pro rata* share of the credit based on the partner's ownership interest in the partnership. The total of the credit allowed to all partners may not exceed the amount that would have been allowed for a sole owner.

**NOTE:** *Trusts and estates which are partners in a partnership are not eligible to claim this credit. However, the share of a partnership owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.*

**Part 5 - S Corporation Credit Election and Shareholder's Share of the Credit**

**Lines 20, 20a, & 20b – S Corporation Credit Election**

The S corporation must complete line 20 and line 20a or line 20b. The S corporation must make an irrevocable election either to claim the current taxable year credit at the corporate level or to pass the credit through to its shareholders. The S corporation election is made by:

- Entering the date the S corporation taxable year ends in the box provided on line 20.
- Checking the box on line 20a electing to claim the current taxable year credit at the corporate level; or,
- Checking the box on line 20b electing to pass the current taxable year credit through to its shareholders.
- The election statement must be signed by an officer of the S corporation who is also a signatory to Arizona Form 120S.

If the S corporation elects to claim the credit at the corporate level and has a credit carryforward from prior taxable years, continue to Part 6.

If the S corporation elects to pass this credit through to its shareholders, proceed to the instructions for completing Form 325-S on page 4.

Each S corporation shareholder is entitled to only a *pro rata* share of pass-through credit based on ownership interest in the S corporation. The total of the credit allowed to all shareholders may not exceed the amount that would have been allowed for a sole owner.

**NOTE:** *Trusts and estates which are shareholders of S corporations, are not eligible to claim this credit. However, the share of an S corporation owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.*

If the S corporation passes the credit through to its shareholders, it must notify each shareholder of the shareholder's *pro rata* share of the adjustment to income required by the difference between the federal depreciable

basis and the Arizona depreciable basis of the property for which the credit is claimed. The S corporation must also notify the shareholder of the shareholder's *pro rata* share of any difference in gain or loss on the sale or other disposition of the property due to the difference in basis.

### Part 6 - Available Credit Carryover

Complete Part 6 only if you claimed this credit for prior taxable years and the credit exceeded your Arizona income tax liability for those taxable years.

**S corporations**, if this credit was claimed at the corporate level in a prior taxable year and there is a carryover amount available, complete Part 6.

#### Lines 21 through 25 -

Enter the taxable years from which the credit is carried over in column (a) on lines 21 through 25. In column (b), enter the credit originally computed for that taxable year. In column (c), enter the amount of the credit from that taxable year which was previously used or expired. Subtract the amount in column (c) from the amount in column (b) and enter the difference in column (d).

#### Line 26 -

Add the amounts entered on lines 21 through 25 in column (d). Enter the total on line 26, column (d).

## Part 7 - Total Available Credit

### Line 27 -

*Individuals, C Corporations, S corporations electing to claim this credit at the corporate level, and exempt organizations with UBTI* - enter the current year's credit from Part 3, line 19.

*Individuals* - Also, enter this amount on Form 301, Part 1, line 14, column (a).

*C Corporations, S corporations electing to claim this credit at the corporate level* - also, enter this amount on Form 300, Part 1, line 9, column (a).

*Partnerships* - enter "0".

*S corporations that elected to pass the current year credit through to shareholders*, enter "0".

### Line 28 -

*Individuals, C Corporations, S corporations that elected to claim this credit at the corporate level, and exempt organizations with UBTI* - enter the amount from Part 6, line 26, column (d). This is the total available credit carryover.

*Individuals* - Also, enter this amount on Form 301, Part 1, line 14, column (b).

*C Corporations, S corporations that elected to claim this credit at the corporate level, and exempt organizations with UBTI* - Also, enter this amount on Form 300, Part 1, line 9, column (b).

### Line 29 -

*Individuals, C Corporations, S corporations electing to claim this credit at the corporate level, and exempt organizations with UBTI* - add line 27 and line 28. Enter the total. This is the total available agricultural pollution control equipment credit that may be applied to the current taxable year's tax liability.

*Individuals* - Also, enter the total on Form 301, Part 1, line 14, column (c).

*C Corporations, S corporations that elected to claim this credit at the corporate level, and exempt organizations with UBTI* - Also, enter the total on Form 300, Part 1, line 9, column (c).

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## Form 325-P, Distribution to Partners of a Partnership

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Enter the taxable year from which this credit is being passed through to your partners.

Complete Form 325-P for each partner of the partnership *except for* trust or estate partners. However, a partnership ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.

The partnership must furnish each partner with their completed copy of Form 325-P, including additional schedules as needed.

### Part 1 – Partnership and Partner Information

#### Line 1 –

Enter the partnership name and EIN in the spaces provided.

#### Line 2 –

Enter the partner's name, EIN, TIN, or SSN, and ownership percentage in the spaces provided.

### Part 2 – Distribution of the Credit

#### Line 3 –

Enter the total amount of the partnership's credit for Agricultural Pollution Control Equipment from Form 325, Part 3, line 19.

#### Line 4 –

Multiply the amount on line 3 by the partner's ownership percentage shown on line 2(c). Enter the result. This is the partner's portion of this credit.

*Each partner will use this form to complete their Form 325.*

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## Form 325-S, S Corporation Distribution to Shareholders of an S Corporation

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Enter the taxable year from which this credit is being passed through to your shareholders.

Complete Form 325-S for each shareholder *except for* trust or estate shareholders. However, an S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.

The S corporation must furnish each shareholder with their completed copy of Form 325-S, including additional schedules as needed.

### Part 1 – S Corporation and Shareholder Information

#### Line 1 –

Enter the S corporation name and EIN in the spaces provided.

#### Line 2 –

Enter the Shareholder's name, EIN, TIN, or SSN, and ownership percentage in the spaces provided.

### Part 2 – Distribution of the Credit

#### Line 3 –

Enter the total amount of the S corporation's credit for Agricultural Pollution Control Equipment Form 325, Part 3, line 19.

#### Line 4 –

Multiply the amount on line 3 by the shareholder's ownership percentage shown on line 2(c). Enter the result. This is the shareholder's portion of the credit.

*Each shareholder will use this form to complete their own Form 325.*



**Include with your return.**

For the calendar year 2018 or fiscal year beginning MM,DD,2018 and ending MM,DD,YYYY.

Name as shown on Form 140, 140PY, 140NR, 140X, 99T, 120, 120A, 120S, 120X or 165	Social Security or Employer Identification Number
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The donated real property and improvements must be located in Arizona. The credit is in lieu of a deduction for the donation of the property for which the credit is claimed. See instructions.

**Part 1 Donated Property Information and Current Taxable Year's Credit Calculation**

		PROPERTY 1	PROPERTY 2	PROPERTY 3
1 Arizona county in which the property is located ...	<b>1</b>			
2 Parcel number of property.....	<b>2</b>			
3 Date of property conveyance.....	<b>3</b>			
4 Recording number of property conveyance.....	<b>4</b>			
5 Value of property based on appraisal .....	<b>5</b>	00	00	00
6 Multiply the amounts on line 5 in each column by 30%. Enter the result .....	<b>6</b>	00	00	00
7 Add the amounts on line 6 in each column and enter the total .....	<b>7</b>			00
8 Total from continuation sheets, if applicable.....	<b>8</b>			00
9 Enter the amount of credit passed through from partnerships on Form(s) 331-P, line 3c .....	<b>9</b>			00
10 Enter the amount of credit passed through from S corporations on Form(s) 331-S, line 3c .....	<b>10</b>			00
11 Add lines 7 through 10. Enter the total. This is the current taxable year's Credit for Donation of School Site....	<b>11</b>			00

**Part 2 Partnerships**

A partnership claiming this credit must pass it through to its partners.

- Complete Form 331-P for each partner.
- Provide a completed copy of Form 331-P to each partner.
- Include a copy of each completed Form 331-P with your tax return.
- Keep a copy of each completed Form 331-P for your records.
- Do not complete the remainder of this form.

Continued on page 2 →

Name (as shown on page 1)	EIN
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**Part 3 S Corporation Election and Shareholder's Share of Credit**

12 The S corporation has made an irrevocable election for the taxable year ending MM,DD,YYYY to  
(check only one box):

12a  Claim the credit for donation of school site as shown on Part 1, line 11 (for the taxable year indicated above);

OR

12b  Pass the credit for donation of school site as shown on Part 1, line 11 (for the taxable year indicated above) through to its shareholders.

\_\_\_\_\_  
Signature Title Date

If passing the credit through to the shareholders:

- Complete Form 331-S to each shareholder.
- Provide a copy of completed Form 331-S to each shareholder.
- Include a copy of each completed Form 331-S with your tax return.
- Keep a copy of each completed Form 331-S for your records.

**Part 4 Available Credit Carryover**

	(a) Taxable Year	(b) Original Credit Amount	(c) Amount Previously Used or Expired	(d) Available Carryover: Subtract column (c) from column (b).
13		00	00	00
14		00	00	00
15		00	00	00
16		00	00	00
17		00	00	00
18	Total Available Carryover: Add lines 13 through 17 in column (d). Enter the total.....			18 00

**Part 5 Total Available Credit**

19 Current year's credit: • <i>Individuals, C Corporations, S corporations claiming this credit at the corporate level, or exempt organizations with UBTI:</i> Enter the amount from Part 1, line 11. • <i>Individuals:</i> Also, enter this amount on Form 301, Part 1, line 15, column (a). • <i>C Corporations, S corporations claiming this credit at the corporate level, and exempt organizations with UBTI:</i> Also, enter this amount on Form 300, Part 1, line 10, column (a).....	19	00
20 Available credit carryover from Part 4, line 18, column (d). • <i>Individuals:</i> Also, enter this amount on Form 301, Part 1, line 15, column (b). • <i>C Corporations, S corporations claiming this credit at the corporate level, and exempt organizations with UBTI:</i> Also, enter this amount on Form 300, Part 1, line 10, column (b).....	20	00
21 <b>Total available credit:</b> Add lines 19 and 20. • <i>Individuals:</i> Also, enter this amount on Form 301, Part 1, line 15, column (c). • <i>C Corporations, S corporations claiming this credit at the corporate level, and exempt organizations with UBTI:</i> Also, enter this amount on Form 300, Part 1, line 10, column (c).....	21	00

For the calendar year 2018 or fiscal year beginning [M|,|M|,|D|,|D|2|,|0|,|1|,|8|] and ending [M|,|M|,|D|,|D|Y|,|Y|,|Y|,|Y|].

**Partnerships:**

- Complete Form 331-P for each partner in the partnership **except for** trust or estate partners. However, a partnership ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.
- Provide a copy of the completed form to each partner.
- Keep a copy of each completed Form 331-P for your records.
- Include a copy of each completed Form 331-P with your partnership return.

**Partners:**

- Use this form to complete your own Form 331.
- Include this completed form with your return.
- Keep a copy of this form for your records.

**NOTE:** If you file your tax return on a calendar year basis but this entity files a return on a fiscal year basis (see above), claim this credit on your tax return for the year in which this entity's fiscal year ends.

**Distribution of the Credit**

Complete this section to distribute the credit to each partner in the partnership.

<b>1</b>	(a) Partnership Name	(b) Employer Identification Number (EIN)
<b>2</b>	(a) Partner Name	(b) Taxpayer Identification Number (TIN)
<b>3a</b>	Partnership credit amount from Form 331, Part 1, line 11 .....	<b>3a</b> \$ ..... 00
<b>3b</b>	Partner's ownership percentage .....	<b>3b</b> ..... %
<b>3c</b>	Multiply the amount on line 3a by the percentage on line 3b. Enter the result. This is the partner's portion of the credit.....	<b>3c</b> \$ ..... 00

**Partners:**

The amount reported on line 3c is your portion of this credit. Enter the amount from line 3c on Part 1, line 9 of your own Form 331 to claim this credit.

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For the calendar year 2018 or fiscal year beginning MM,MM,DD,2018 and ending MM,MM,DD,YYYY.

**S Corporations:**

- Complete Form 331-S for each shareholder of the S corporation **except for** trust or estate shareholders. However, an S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.
- Provide a copy of the completed form to each shareholder.
- Keep a copy of each completed Form 331-S for your records.
- Include a copy of each completed Form 331-S with your S corporation return.

**Shareholders:**

- Use this form to complete your own Form 331.
- Include this completed form with your return.
- Keep a copy of this form for your records.

**NOTE:** If you file your tax return on a calendar year basis but this entity files a return on a fiscal year basis (see above), claim this credit on your tax return for the year in which this entity's fiscal year ends.

**Distribution of the Credit**

Complete this section to distribute the credit to shareholders of the S corporation.

<b>1</b>	(a) S corporation Name	(b) Employer Identification Number (EIN)
<b>2</b>	(a) Shareholder Name	(b) Taxpayer Identification Number (TIN)
<b>3a</b>	S corporation credit amount from Form 331, Part 1, line 11 .....	<b>3a</b> \$ ..... 00
<b>3b</b>	Shareholder's ownership percentage .....	<b>3b</b> ..... %
<b>3c</b>	Multiply the amount on line 3a by the percentage on line 3b. Enter the result. This is the shareholder's portion of the credit .....	<b>3c</b> \$ ..... 00
<b>4</b>	Shareholder's portion of the charitable deduction to be excluded.....	<b>4</b> \$ ..... 00

**Shareholder:**

The amount reported on line 3c is your portion of this credit. Enter the amount from line 3c on Part 1, line 10 of your Form 331 to claim this credit. The amount on line 4 is your portion of the itemized deduction for the donation of the school site. Include this amount as an "Other Addition" on your Arizona income tax return.

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**2018 Credit for Donation of School Site**

**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 click on *Reports & Legal Research* then click on *Legal Research* and select a document and a category type from the drop down menus.

**Publications**

To view or print the department's publications, go to our website and click on *Reports & Legal Research*. Then click on *Publications*.

**General Instructions**

This credit provides nonrefundable individual and corporate income tax credits 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.

**To qualify for the credit:**

- The real property and improvements must be located in Arizona.
- The donor must convey the real property and improvements unencumbered and in fee simple, except that there must be a deed restriction and protective covenant related to the use of the property.
- The value of the donated property must be determined by an appraisal as defined in Arizona Revised Statutes (A.R.S.) § 32-3601 that is conducted by an independent party and is paid for by the donee.
- The conveyance shall not violate the provisions of A.R.S. §§ 15-341(D) or 15-183(U).
- The donor must record the appropriate lien on the property donated to an Arizona charter school. The tax credit constitutes a lien on the property. The lien is the amount of the allowable tax credit adjusted by the gross domestic product (GDP) price deflator, as defined in A.R.S. § 41-563, with a maximum of 12.5% over the allowable tax credit.
- An Arizona school district shall not accept the donation unless the school facilities board has reviewed the proposed donation and has issued a written determination that the real property and improvements are suitable as a school site or as a school.

On written request of the donee, the donor must disclose in writing to the donee the amount of the allowable tax credit for the property received by the donee.

**NOTE:** *This tax credit is in lieu of a deduction in the computation of Arizona gross income for the donation of the property for which the credit is claimed.*

- **CORPORATE TAXPAYERS:** *An addition to Arizona gross income is required for the amount of the deduction included in the computation of federal taxable income.*
- **INDIVIDUAL TAXPAYERS:** *The taxpayer cannot claim both the tax credit and an itemized deduction for the donation of a school site. If the taxpayer claims the credit and itemizes deductions on the Arizona return, the taxpayer must exclude the amount of the charitable deduction otherwise allowed for the donation of the school site.*

**EXAMPLE:** *A taxpayer that donates a \$2,000,000 property would receive a credit of \$600,000 (\$2,000,000 x 30%).*

- **IF THE TAXPAYER IS A CORPORATION,** *the addition to Arizona gross income would be \$2,000,000.*
- **IF THE TAXPAYER IS AN INDIVIDUAL THAT ITEMIZES DEDUCTIONS,** *then the charitable contribution deduction must exclude the \$2,000,000 donation.*

**Specific Instructions**

Complete the name and taxpayer identification number (TIN) section at the top of the form. Indicate the period covered by the taxable year. Include the completed form with the tax return.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for a corporation, an exempt organization with UBTI, an S corporation or a partnership is the taxpayer's EIN. Taxpayers that fail to include their TIN may be subject to a penalty.

**NOTE – To claim this credit:**

- **Individual taxpayers,** *complete this credit form and Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture. Include both completed forms with your tax return.*
- **C Corporations, S corporations claiming this credit at the corporate level, and exempt organizations with UBTI,** *complete this credit form and Arizona Form 300, Nonrefundable Corporate Tax Credits and Recapture. Include both completed forms with your tax return.*
- **S corporations electing to pass this credit through to its shareholders,** *complete this credit form and Arizona Form 300, Nonrefundable Corporate Tax Credits and Recapture. Also, complete Form 331-S for each shareholder of the S corporation. Provide each shareholder a copy of his or her completed Form 331-S. Include Form 300, Form 331, and one copy of each completed Form 331-S with your tax return.*
- **Partnerships,** *complete this credit form. Also, complete Form 331-P for each partner of the partnership. Provide each partner a copy of his or her completed Form 331-P. Include Form 331 and one copy of each completed Form 331-P with your tax return.*

## Part 1 - Donated Property Information and Current Taxable Year's Credit Calculation

Enter each donated property for which this credit is claimed in the columns, Property 1, Property 2, or Property 3. If more than three parcels were donated, complete a continuation sheet and include it with this form. Complete lines 1 through 6 for the property listed in each column.

### Line 1 -

Enter the name of the Arizona county in which the donated property is located.

### Line 2 -

Enter the parcel number of the donated property.

### Line 3 -

Enter the date on which the property conveyance was recorded.

### Line 4 -

Enter the recording number of the property conveyance.

### Line 5 -

Enter the value of the donated property based on appraisal.

### Line 6 -

Multiply the amounts in each column of line 5 by 30%.

### Line 7 -

Add the amounts in each column of line 6. Enter the total.

### Line 8 -

Enter the total contribution(s) from any continuation sheets.

### Line 9 -

Enter the amount of credit passed through from partnerships on Form 331-P, line 3(c).

### Line 10 -

Enter the amount of credit passed through from S corporations on Form 331-S, line 3(c).

### Line 11 -

Add lines 7 through 10. Enter the total. This is the current taxable year's Credit for Donation of School Site.

## Part 2 Partnerships

A partnership claiming this credit *must* pass it through to its partners. Skip to the instructions for completing Form 331-P on page 4.

- Complete one Form 331-P for each partner.
- Provide a completed copy of Form 331-P to each partner.
- Include a copy of each completed Form 331-P with your tax return.
- Keep a copy of each completed Form 331-P for your records.
- Do not complete the remainder of this form.

Each partner is entitled to only a *pro rata* share of each credit based on the partner's ownership interest in the partnership. The total of each credit allowed to all partners may not exceed the amount that would have been allowed for a sole owner.

**NOTE:** *Trusts and estates which are partners in a partnership are not eligible to claim these credits. However, the share of a partnership owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of these credits.*

## Part 3 - S Corporation Credit Election and Shareholder's Share of Credit

### Lines 12, 12a, & 12b - S Corporation Credit Election

The S corporation must complete line 12 and line 12a or line 12b. The S corporation must make an irrevocable election either to claim the current taxable year credit at the corporate level or to pass the credit through to its shareholders. The S corporation election is made by:

- Entering the date the S corporation taxable year ends in the box provided on line 12.
- Checking the box on line 12a electing to claim the current taxable year credit at the corporate level; or,
- Checking the box on line 12b to pass the current taxable year credit through to its shareholders.
- The election statement must be signed an officer of the S corporation who is also a signatory to Arizona Form 120S.

If the S corporation elects to claim the current year credit at the corporate level, continue to Part 4.

If the S corporation elects to pass the current year credit through to its shareholders, skip to the instructions for completing Form 331-S on page 4.

If passing this credit through to the shareholders:

- Complete one Form 331-S for each shareholder.
- Provide a copy of completed Form 331-S to each shareholder.
- Include a copy of each completed Form 331-S with your tax return.
- Keep a copy of each completed Form 331-S for your records.

Each S corporation shareholder is entitled to only a *pro rata* share of pass-through credit based on ownership interest in the S corporation. The total of the credit allowed to all shareholders may not exceed the amount that would have been allowed for a sole owner.

**NOTE:** *Trusts and estates which are shareholders of an S corporation are not eligible to claim these credits. However, the share of an S corporation owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of these credits.*



**NOTE to shareholders of an S corporation:** *The credit for donation of school site is in lieu of any deduction pursuant to §170 of the Internal Revenue Code. If you are claiming the credit in Part 1, line 11, you must exclude the amount of the charitable deduction otherwise allowed for the donation of the school site, which is the amount on Form 331-S, line 4. See the example in the NOTE box on page 1 of these instructions.*

#### **Part 4 - Available Credit Carryover**

Complete Part 4 only if the allowable credit for donation of school site for prior taxable years exceeded the Arizona income tax liability for those taxable years. Calculate the total available carryover of the credit for donation of school site on page 2, Part 4, lines 13 through 17.

**S corporations,** *if this credit was claimed at the corporate level in a prior taxable year and there is a carryover amount available, complete Part 4.*

#### **Lines 13 through 17 -**

Complete lines 13 through 17 as follows:

- a) Enter the applicable tax years in column (a).
- b) Enter the amount of the original environmental technology facility credit for each taxable year in column (b).
- c) Enter the amount of the credit for each taxable year that was previously used in column (c).
- d) Subtract the amount for each taxable year in column (b) from the amount for each taxable year in column (c). Enter the difference for each taxable year in column (d).

#### **Line 18 -**

Add the amounts entered in column (d) for lines 13 through 17. Enter the total. This is the total credit carryover available for the current taxable year.

#### **Part 5 - Total Available Credit**

##### **Line 19 – Current Year Credit**

*Individuals, C Corporations, S corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI* - enter the current year's credit from Part 1, line 11.

*Partnerships* - enter "0".

*S corporations that elected to pass the current year credit through to shareholders,* enter "0".

This is the current taxable year's credit for donation of school site.

*Individuals* - Also, enter this amount on Form 301, Part 1, line 15, column (a).

*C Corporations, S corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI* - Also enter this amount on Form 300, Part 1, line 10, column (a).

##### **Line 20 – Available Credit Carryover**

*Individuals, C Corporations, S corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI* - enter the amount from Part 4, line 18, column (d). This is the total available credit carryover.

*Individuals* - Also enter this amount on Form 301, Part 1, line 15, column (b).

*C Corporations, S corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI* - Also, enter this amount on Form 300, Part 1, line 10, column (b).

##### **Line 21 – Total Available Credit**

*Individuals, C Corporations, S corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI* - add line 19 and line 20. Enter the total. This is the total available credit for donation of school site that may be applied to the current taxable year's tax liability.

*Individuals* - Also, enter the total on Form 301, Part 1 line 15, column (c).

*C Corporations, S corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI* - Also, enter the total on Form 300, Part 1, line 10, column (c).

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## Form 331-P, Distribution to Partners of a Partnership

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Enter the taxable year for which this credit is being passed through to your partners.

Complete Form 331-P for each partner of the partnership, *except for* trust or estate partners. However, a partnership ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.

The partnership must furnish each partner with their completed copy of Form 331-P, including additional schedules as needed.

### Part 1 - Distribution of the Credit

To distribute the credit to the partners of the partnership (complete lines 1 through 3c):

#### Line 1

Enter the partnership's name and EIN in the spaces provided.

#### Line 2

Enter the partner's name and TIN in the spaces provided.

#### Line 3a

Enter the amount of this credit from Form 331, Part 1, line 11 for which this partnership was approved.

#### Line 3b

Enter the partner's ownership percentage.

#### Line 3c

Multiply line 3(a) by line 3(b) and enter the result.

**This is the partner's portion of this credit.**

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## Form 331-S, S Corporation Distribution to Shareholders of an S Corporation

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Enter the taxable year for which this credit is being passed through to your shareholders.

Complete Form 331-S for each shareholder of the S corporation, *except for* trust or estate shareholders. However, an S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.

The S corporation must furnish each shareholder with a completed copy of Form 331-S, including additional schedules as needed.

### Part 1 - Distribution of the Credit

To distribute the credit to the S corporation shareholders (complete lines 1 through 3c):

#### Line 1

Enter the S corporation's name and EIN in the spaces provided.

#### Line 2

Enter the shareholder's name and TIN in the spaces provided.

#### Line 3a

Enter the amount of this credit from Form 331, Part 1, line 11 for which the S corporation was approved.

#### Line 3b

Enter the shareholder's ownership percentage.

#### Line 3c

Multiply line 3(a) by line 3(b) and enter the result.

**This is the shareholder's portion of this credit.**

#### Line 4

Enter the shareholder's portion of the expenses for the donation of the property as a school site.

Include with your return.

For the calendar year 2018 or fiscal year beginning   M     M     D     D     2     0     1     8   and ending   M     D     D     Y     Y     Y     Y  .

**All businesses must be certified by the Arizona Commerce Authority and the Department of Revenue before applying for this credit.**

Name as shown on Form 140, 140PY, 140NR, 140X, 99T, 120, 120A, 120S, 120X or 165

Social Security or Employer Identification Number

**Part 1 Healthy Forest Enterprise Information**

- 1 Name of Healthy Forest Enterprise: \_\_\_\_\_
- 2 Employer identification number: \_\_\_\_\_
- 3 Reserved
- 4 Check one box to indicate the year this form represents for claiming the employment credit under A.R.S. §§ 43-1076 or 43-1162:  
 First Year     Second Year     Third Year     Fourth Year     Fifth Year     Sixth Year or more

**Part 2 Average Number of Full-Time Employees**

5 Average number of full-time employees in the healthy forest enterprise during the current taxable year.....	<b>5</b>	
6 Average number of full-time employees in the healthy forest enterprise during the immediately preceding taxable year.....	<b>6</b>	
7 Net increase in average number of full-time employees: Subtract line 6 from line 5. Enter the difference. ....	<b>7</b>	

**Part 3 Net Increase in Qualified Employment Positions**

8 Total number of filled, qualified employment positions created in the current year.....	<b>8</b>	
9 Net increase in average number of full-time employees: Enter the amount from Part 2, line 7.....	<b>9</b>	
10 Net increase in qualified employment positions for this healthy forest enterprise: Enter the lesser of line 8 or line 9.	<b>10</b>	

**Part 4 Limitation on Number of Qualified Employment Positions**

11 Maximum number of filled, qualified employment positions on which a credit may be calculated.....	<b>11</b>	200
12 Maximum number of new qualified employment positions on which you may claim the credit: Enter the lesser of line 10 or line 11.....	<b>12</b>	

**Part 5 Employment Credit Calculation**

	(a) Number of Qualifying Employees	(b) Qualifying Wages	(c) Percentage	(d) Allowable Credit
13 Qualified new employees.....		00	25%	00
14 Previously qualified employees in the second year of continuous employment.....		00	33.33%	00
15 Previously qualified employees in the third year of continuous employment.....		00	50%	00
16 Employment credit passed through from				
<b>16A</b> Partnerships.....			<b>16A</b>	00
<b>16B</b> S corporations. See instructions.....			<b>16B</b>	00
17 Add the amounts in column (d) for lines 13 through 16B. Enter the total. This is the total employment credit.....				00

Continued on page 2 →

Name (as shown on page 1):	EIN:
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**Part 6 Recapture of the Employment Credit**

18 Enter the taxable year in which the certification of the business as a healthy forest enterprise was revoked or terminated...	18	YYYY	
19 Enter the first taxable year in which the employment credit for healthy forest enterprises was allowed .....	19	YYYY	
20 Number of years between when the employment credit was first allowed and when the certification was revoked or terminated .....	20		
21 Enter the recapture percentage based on the number of years entered on line 20. See instructions.....	21		%
22 Enter the total amount of all employment credits previously allowed .....	22		00
23 Recapture of employment credit for healthy forest enterprises. Multiply line 22 by the percentage on line 21. Enter the result	23		00
24 Enter the total amount of the credit subject to recapture passed through to you from:			
24A Partnerships from Form 332-P, Part 3, line 8, and/or .....	24A		00
24B S corporations from Form 332-S, Part 3, line 8 .....	24B		00
25 Add lines 23, 24A, and 24B. Enter the total. This is the total amount of the employment credit subject to recapture.....	25		00

**Part 7 Recapture of the Training Credit**

26 Enter the taxable year in which the certification of the business as a healthy forest enterprise was revoked or terminated...	26	YYYY	
27 Enter the first taxable year in which the training credit for healthy forest enterprises was allowed.....	27	YYYY	
28 Number of years between when the training credit was first allowed and when the certification was revoked or terminated.....	28		
29 Enter the recapture percentage based on the number of years entered on line 28. See instructions.....	29		%
30 Enter the total amount of all training credits previously allowed.....	30		00
31 Recapture of training credit for healthy forest enterprises. Multiply line 30 by the percentage on line 29. Enter the result. ....	31		00
32 Enter the total amount of the credit subject to recapture passed through to you from:			
32A Partnerships from Form 332-P, Part 3, line 11, and/or.....	32A		00
32B S corporations from Form 332-S, Part 3, line 11.....	32B		00
33 Add lines 31, 32A, and 32B. Enter the total. This is the total amount of the training credit subject to recapture.....	33		00

**Part 8 S Corporation Credit Elections**

- 34 The S corporation has made an irrevocable election for the taxable year ending MM, MD, DD, YY, YY, YY to (check only one box):
- 34a  Claim the *employment credit* for healthy forest enterprises, as shown on Part 5, line 17, column (d) (for the taxable year indicated above);
- OR
- 34b  Pass the *employment credit* for healthy forest enterprises, as shown on Part 5, line 17, column (d) (for the taxable year indicated above) through to its shareholders.

\_\_\_\_\_  
Signature Title Date

If electing to claim the credit at the corporate level, continue to Part 10.

If passing the credit through to the shareholders, complete Form 332-S for each shareholder.

- Provide a copy of completed Form 332-S to each shareholder.
- Include a copy of each Form 332-S completed with your tax return.
- Keep a copy of each completed Form 332-S for your records.

**Part 9 Partner’s Share of Credits and Credit Recaptures**

Partnerships qualifying for the credit **must** pass it through to their partners. When passing the credit through to your partners, complete Form 332-P for each partner.

- Provide a copy of completed Form 332-P to each partner.
- Include a copy of each Form 332-P completed with your tax return.
- Keep a copy of each completed Form 332-P for your records.

After completing a Form 332-P for each partner, **STOP**. Do not complete the remainder of this form.

**Part 10 Recapture Summary for Employment Credit**

<b>35</b> Enter the taxable year(s) in which you took an employment credit or credit carryover for a disqualified healthy forest enterprise: _____		
<b>36</b> Enter the total amount of the employment credit originally allowed .....	<b>36</b>	00
<b>37</b> Enter the total amount of the employment credit to be recaptured from Part 6, line 25 .....	<b>37</b>	00
<b>38</b> Subtract line 37 from line 36 and enter the difference. This is the amount of current employment credit allowable.....	<b>38</b>	00
<b>39</b> Amount of employment credit on line 36 that you have claimed on prior years' returns .....	<b>39</b>	00
<b>40</b> Subtract line 39 from line 38 and enter the difference. If the difference is POSITIVE: <ul style="list-style-type: none"> <li>• <i>This is the amount of employment credit carryover you have remaining for use in future years.</i></li> <li>• Adjust the amounts in Part 12, lines 47 through 51, column (d) so the total amount on line 52 equals the amount of the credit carryover remaining for use in future years. See instructions.</li> </ul> If the difference is NEGATIVE: <ul style="list-style-type: none"> <li>• <i>This is the amount of employment credit carryover you must recapture.</i></li> <li>• Adjust the amounts in Part 12, lines 47 through 51, column (d) to "0". There is no carryover amount for the employment credit. See instructions.</li> <li>• <i>Individuals:</i> Also, enter this amount as a POSITIVE number on <i>Form 301, Part 2, line 33.</i> (If you have a recapture of the employment credit <i>and</i> the training credit, add the amounts on Part 10, line 40 and Part 11, line 46. Enter the total on <i>Form 301, Part 2, line 33.</i>)</li> <li>• <i>C Corporations, S corporations that claimed the training credit at the corporate level, and exempt organizations with UBTI:</i> Also enter this amount as a POSITIVE number on <i>Form 300, Part 2, line 24.</i> (If you have a recapture of the employment credit and the training credit, add the amounts on Part 10, line 40 and Part 11, line 46. Enter the total on <i>Form 300, Part 2, line 24.</i>) .....</li> </ul>	<b>40</b>	00

**Part 11 Recapture Summary for Training Credit**

<b>41</b> Enter the taxable year(s) in which you took a training credit or credit carryover for a disqualified healthy forest enterprise: _____		
<b>42</b> Enter the total amount of the training credit originally allowed .....	<b>42</b>	00
<b>43</b> Enter the total amount of the training credit to be recaptured from Part 7, line 33.....	<b>43</b>	00
<b>44</b> Subtract line 43 from line 42 and enter the difference. This is the amount of current training credit allowable.....	<b>44</b>	00
<b>45</b> Amount of credit on line 42 that you have claimed on prior years' returns.....	<b>45</b>	00
<b>46</b> Subtract line 45 from line 44 and enter the difference. If the difference is POSITIVE: <ul style="list-style-type: none"> <li>• <i>This is the amount of training credit carryover you have remaining for use in future years.</i></li> <li>• Adjust the amounts in Part 13, lines 53 through 57, column (d) so the total amount on line 55 equals the amount of the credit carryover remaining for use in future years. See instructions.</li> </ul> If the difference is NEGATIVE: <ul style="list-style-type: none"> <li>• <i>This is the amount of training credit carryover you must recapture.</i></li> <li>• Adjust the amounts in Part 13, lines 53 through 57, column (d) to "0". There is no carryover amount for the employment credit. See instructions.</li> <li>• <i>Individuals:</i> Also, enter this amount as a POSITIVE number on <i>Form 301, Part 2, line 33.</i> (If you have a recapture of the employment credit <i>and</i> the training credit, add the amounts on Part 10, line 40 and Part 11, line 46. Enter the total on <i>Form 301, Part 2, line 33.</i>)</li> <li>• <i>C Corporations, S corporations that claimed the training credit at the corporate level, and exempt organizations with UBTI:</i> Also enter this amount as a POSITIVE number on <i>Form 300, Part 2, line 24.</i> (If you have a recapture of the employment credit and the training credit, add the amounts on Part 10, line 40 and Part 11, line 46. Enter the total on <i>Form 300, Part 2, line 24.</i>) .....</li> </ul>	<b>46</b>	00

Name (as shown on page 1):	EIN:
----------------------------	------

**Part 12 Available Employment Credit Carryover**

	(a) Taxable Year	(b) Original Credit Amount	(c) Amount Previously Used Expired or Recaptured	(d) Available Credit Carryover: Subtract column (c) from column (b).
47		00	00	00
48		00	00	00
49		00	00	00
50		00	00	00
51		00	00	00
52	Total Available Carryover: Add lines 47 through 51 in column (d). Enter the total.....			<b>52</b> 00

**Part 13 Available Training Credit Carryover**

	(a) Taxable Year	(b) Original Credit Amount	(c) Amount Previously Used Expired or Recaptured	(d) Available Credit Carryover: Subtract column (c) from column (b).
53		00	00	00
54		00	00	00
55		00	00	00
56		00	00	00
57		00	00	00
58	Total Available Carryover: Add lines 53 through 57 in column (d). Enter the total.....			<b>58</b> 00

**Part 14 Total Available Credit**

59	Current year's <i>employment credit</i> : <ul style="list-style-type: none"> <li>• <i>Individuals, C Corporations, S corporations claiming this credit at the corporate level, or exempt organizations with UBTI</i>: Enter the amount from Part 5, line 17, column (d)</li> <li>• <i>Partnerships</i>: Enter "0".</li> <li>• <i>S corporations that passed the credit through to shareholders</i>: Enter "0"</li> <li>• <i>Individuals</i>: Also, enter this amount on Form 301, Part 1, line 16, column (a)</li> <li>• <i>Partnerships</i>: Enter "0".</li> <li>• <i>S corporations that passed the credit through to shareholders</i>: Enter "0".</li> <li>• <i>C Corporations, S corporations electing to claim this credit at the corporate level, and exempt organizations with UBTI</i>: Also, enter this amount on Form 300, Part 1, line 11, column (a).....</li> </ul>			
		<b>59</b>	00	00
60	Enter the available <i>employment credit</i> carryover from Part 12, line 52, column (d), if any .....	<b>60</b>	00	00
61	Enter the available <i>training credit</i> carryover from Part 13, line 58, column (d), if any. <ul style="list-style-type: none"> <li>• <i>Individuals</i>: Also enter the total of lines 60 and 61 (total carryover) on Form 301, Part 1, line 16, column (b)</li> <li>• <i>C Corporations, S corporations electing to claim the credit at the corporate level, and exempt organizations with UBTI</i>: Also enter the total of lines 60 and 61 (total carryover) on Form 300, Part 1, line 11, column (b).....</li> </ul>	<b>61</b>	00	00
62	<b>Total available credit</b> : Add lines 59 through 61. <ul style="list-style-type: none"> <li>• <i>Individuals</i>: Also, enter this amount on Form 301, Part 1, line 16, column (c).</li> <li>• <i>C Corporations, S corporations electing to claim this credit at the corporate level, and exempt organizations with UBTI</i>: Also enter this amount on Form 300, Part 1, line 11, column (c).....</li> </ul>	<b>62</b>	00	00

**Form 332-1**

**Qualified Employees of Healthy Forest Enterprise**

**2018**

Complete a Form 332-1 for each qualified employee of the Healthy Forest Enterprise. See instructions for Form 332-1 (included with Instructions for Form 332) about providing the requested information in an alternative format.

1 Employee name: \_\_\_\_\_

2 Employee's taxpayer identification number (TIN) ..... \_\_\_\_\_

3 Did employee reside in Arizona on date of hire? .....  Yes  No

4 Brief description of employee's job duties:  
\_\_\_\_\_  
\_\_\_\_\_

5 Current date of employment ..... | M | M | D | D | Y | Y | Y | Y |

6 If employee was previously employed by the business, list the previous date of employment. See instructions. .... | M | M | D | D | Y | Y | Y | Y |

7a Is the employee in a permanent full time position? .....  Yes  No

7b If the answer to line 7a is "Yes", list the number of hours the employee actually worked during the taxable year ..... \_\_\_\_\_

7c If the answer to line 7b is less than 1550 hours annually, explain:  
\_\_\_\_\_  
\_\_\_\_\_

8 Employee's annual compensation for the taxable year ..... \$ 

	00
--	----

9a Total cost of health insurance provided by employer for employee. See instructions. .... \$ 

	00
--	----

9b Total cost of health insurance for employee paid by employer. See instructions. .... \$ 

	00
--	----

10 Is this employee in a new qualified employment position? .....  Yes  No

11 Check only one box:  First year employee  Second year employee  Third year employee

**Form 332-2** **Qualified Employees for Which You are Taking the Employment Credit** **2018**

	(a) Employee's Name	(b) Social Security Number	(c) Type of Employee Check the appropriate box. This employee is a:			(d) Total Wages Paid to the Employee During the Current Tax Year	(e) Maximum Allowable Wages: Enter the lesser of column (d) or the maximum allowed below.			
			(c1) 1 <sup>st</sup> Year Employee	(c2) 2 <sup>nd</sup> Year Employee	(c3) 3 <sup>rd</sup> Year Employee		(e1) Year 1 \$2000	(e2) Year 2 \$3000	(e3) Year 3 \$3000	
1										
2										
3										
4										
5										
6										
7										
8										
9										
10										
11										
12										
13										
14										
<b>15 TOTAL:</b>										

- For column (c), add the number of employees in each column (c1), (c2) and (c3), and enter the total for each column on line 15.
- For columns (d) and (e), add the amounts in each column and enter the total for each column on line 15 ..... **15**



For the calendar year 2018 or fiscal year beginning [M,M|D,D|2,0,1,8] and ending [M,M|D,D|Y,Y,Y,Y].

**Partnership:**

- Complete Form 332-P for each partner in the partnership **except for** trust or estate partners. However, a partnership ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by grantor. The grantor may claim his or her share of the credit.
- Provide a copy of the completed form and the certification received from the Arizona Department of Revenue to each partner.
- Keep a copy of each completed Form 332-P for your records.
- Include a copy of each completed Form 332-P with your partnership return.

**Partner:**

- Use this form to complete your own Form 332.
- Include this completed form and a copy of the certification received from the Arizona Department of Revenue with your return.
- Keep a copy of this form and certification for your records.

**NOTE:** If you file your tax return on a calendar year basis but this entity files a return on a fiscal year basis (see above), claim this credit on your tax return for the year in which this entity's fiscal year ends.

**Part 1 Partnership and Partner Information**

<b>1</b>	(a) Partnership Name	(b) Employer Identification Number (EIN)	
<b>2</b>	(a) Partner Name	(b) Taxpayer Identification Number (TIN)	(c) Partner Ownership %
<b>3</b>	(a) Healthy Forest Enterprise Name	(b) Healthy Forest Enterprise Employer Identification Number (EIN)	

**Part 2 Distribution of the Credit**

<b>4</b>	Enter the amount of the partnership's <b>employment credit</b> from Form 332, Part 5, line 17, column (d).....	<b>4</b>	00
<b>5</b>	Multiply line 4 by the percentage on line 2(c). Enter the result. This is the partner's portion of the <b>employment credit</b> . • <i>Partners:</i> Enter this amount on <i>your</i> Form 332, Part 5, line 16A, column (d) .....	<b>5</b>	00

**Part 3 Credit Recapture**

<b>6</b>	Enter the total amount of the partnership's <b>employment credit</b> previously passed through to the partner .....	<b>6</b>	00
<b>7</b>	Enter the percentage of the <b>employment credit</b> amount previously passed through that is subject to recapture from Form 332, Part 6, line 21 .....	<b>7</b>	%
<b>8</b>	Multiply line 6 by the percentage on line 7. Enter the result. This is the partner's portion of the <b>employment credit</b> subject to recapture. • <i>Partners:</i> Enter this amount on <i>your</i> Form 332, Part 6, line 24A .....	<b>8</b>	00
<b>9</b>	Enter the total amount of the partnership's <b>training credit</b> previously passed through to the partner .....	<b>9</b>	00
<b>10</b>	Enter the percentage of the <b>training credit</b> previously passed through that is subject to recapture from Form 332, Part 7, line 29.....	<b>10</b>	%
<b>11</b>	Multiply line 9 by the percentage on line 10. Enter the result. This is the partner's portion of the <b>training credit</b> subject to recapture. • <i>Partners:</i> Enter this amount on <i>your</i> Form 332, Part 7, line 32A .....	<b>11</b>	00

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For the calendar year 2018 or fiscal year beginning [M,M|D,D|2,0,1,8] and ending [M,M|D,D|Y,Y,Y,Y].

**S corporation:**

- Complete Form 332-S for each shareholder in the S corporation **except for** trust or estate shareholders. However, an S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by grantor. The grantor may claim his or her share of the credit.
- Provide a copy of the completed form and the certification received from the Arizona Department of Revenue to each shareholder.
- Keep a copy of each completed Form 332-S for your records.
- Include a copy of each completed Form 332-S with your S corporation return.

**Shareholder:**

- Use this form to complete your own Form 332.
- Include this completed form and a copy of the certification received from the Arizona Department of Revenue with your return.
- Keep a copy of this form and certification for your records.

**NOTE:** If you file your tax return on a calendar year basis but this entity files a return on a fiscal year basis (see above), claim this credit on your tax return for the year in which this entity's fiscal year ends.

**Part 1 S corporation and Shareholder Information**

<b>1</b>	(a) S corporation Name	(b) Employer Identification Number (EIN)	
	(a) Shareholder Name	(b) Taxpayer Identification Number (TIN)	(c) Shareholder Ownership % %
<b>2</b>	(a) Healthy Forest Enterprise Name	(b) Healthy Forest Enterprise Employer Identification Number (EIN)	
<b>3</b>			

**Part 2 Distribution of the Credit**

<b>4</b>	Enter the amount of the S corporation's <b>employment credit</b> from Form 332, Part 5, line 17, column (d).....	<b>4</b>		00
<b>5</b>	Multiply line 4 by the percentage on line 2(c). Enter the result. This is the shareholder's portion of the <b>employment credit</b> . • <i>Shareholders:</i> Enter this amount on <i>your</i> Form 332, Part 5, line 16B, column (d) .....	<b>5</b>		00

**Part 3 Credit Recapture**

<b>6</b>	Enter the total amount of the S corporation's <b>employment credit</b> previously passed through to the shareholder.....	<b>6</b>		00
<b>7</b>	Enter the percentage of the <b>employment credit</b> amount previously passed through that is subject to recapture from Form 332, Part 6, line 21 .....	<b>7</b>		%
<b>8</b>	Multiply line 6 by the percentage on line 7. Enter the result. This is the shareholder's portion of this credit subject to recapture. • <i>Shareholders:</i> Enter this amount on <i>your</i> Form 332, Part 6, line 24B .....	<b>8</b>		00
<b>9</b>	Enter the total amount of the S corporation's <b>training credit</b> previously passed through to the shareholder.....	<b>9</b>		00
<b>10</b>	Enter the percentage of the <b>training credit</b> previously passed through that is subject to recapture from Form 332, Part 7, line 29.....	<b>10</b>		%
<b>11</b>	Multiply line 9 by the percentage on line 10. Enter the result. This is the shareholder's portion of this credit subject to recapture. • <i>Shareholders:</i> Enter this amount on <i>your</i> Form 332, Part 7, line 32B .....	<b>11</b>		00

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**2018 Credit for Employment by a Healthy Forest Enterprise**

<b>CREDITS FOR HEALTHY FOREST ENTERPRISES CONTACT INFORMATION</b>	
<b>Arizona Commerce Authority</b>	
•Certification requirements •Program guidelines	•Certification forms
Website: <a href="http://www.azcommerce.com">www.azcommerce.com</a>	
Program Manager	(602) 845-1200
<b>Arizona Department of Revenue</b>	
•Tax forms and instructions	•Information and assistance
Website: <a href="http://www.azdor.gov">www.azdor.gov</a>	
Taxpayer assistance	(602) 255-3381
From area codes 520 and 928, toll-free	(800) 352-4090

**General Instructions**

**Training Credit for Healthy Forest Enterprises**

Former Arizona Revised Statutes (A.R.S.) §§ 43-1076.01 and 43-1162.01 allowed a business that operated a healthy forest enterprise to receive a nonrefundable training credit against individual and corporate income tax liabilities.

The last year the Training Credit could be established was taxable year 2017. The unused portion of valid Training Credits may be carried forward for the remainder of the five-year carryforward period.

**NOTE:** *The cancellation of the Training Credit does not affect the Employment Credit for Healthy Forest Enterprises.*

**Employment Credit for Healthy Forest Enterprises**

A.R.S. §§ 43-1076 and 43-1162 allow a business that operates a healthy forest enterprise to receive a nonrefundable employment credit against individual and corporate income tax.

**NOTE:** *In order to claim the Employment Credit, the business must be a qualified healthy forest enterprise, as certified by the Arizona Commerce Authority (Commerce). The business must provide a copy of its Commerce certification to the department for approval before using the certification to obtain this credit.*

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

Co-owners of a business, including partners in a partnership and shareholders of an S corporation, may each claim only a *pro rata* share of the allowable credits based on the ownership interest. The total of the credits allowed all owners may not exceed the amount that would have been allowed for a sole owner of the business.

If the allowable tax credit exceeds the taxes otherwise due or, if there are no taxes due, the amount of the credit not used to offset taxes may be carried forward for not more than five taxable years as a credit against subsequent years' income tax liabilities.

With respect to the same employees, the credit is in lieu of the credit for New Employment, claimed on Arizona Form 345.

In general, a qualified healthy forest enterprise is a business operation that enhances or sustains forest health, sustains or recovers watershed or improves public safety. A qualified healthy forest enterprise must be primarily engaged in the business of harvesting, transporting or processing of qualifying forest products for commercial use. To obtain information regarding additional criteria for qualification, contact Commerce using the contact information shown above.

The credit is based on the net increase in the number of qualified employment positions created and filled by a business operating a healthy forest enterprise.

The employment credit is computed using the wages of qualified employees of the business and the net increase in the number of qualified employment positions.

Positions occupied by employees that meet the following criteria are considered qualified employment positions.

**NOTE:**

- *If a qualified employment position is filled during the last ninety days of the taxable year, it is considered a new qualified employment position for the next taxable year.*
- *A newly created position is a qualified employment position on the date that it meets all of the requirements for a qualified employment position.*

**EMPLOYEES IN QUALIFIED POSITIONS**

- Must be Arizona residents on their hire date.
- Must be permanent, full-time employees in positions that require at least 1,550 hours per year. The 1,550 hour requirement does not include overtime hours. If forest closures or weather conditions beyond the taxpayer's control result in a shorter period, this would not disqualify the employee so long as the position is still permanent and full-time, and all other qualifications are met.
- Must have duties that primarily involve or directly support the harvesting, transporting or processing of qualifying forest products for commercial use.
- Must be compensated at wages equal to or greater than the wage offer of the county, as computed annually by the Arizona Department of Economic Security research administration division.
- Cannot have been employed by the business within the twelve months preceding their hire date.
- Must have been employed for at least ninety days during the first taxable year. An employee who is hired during the last ninety days of the taxable year shall be considered a new employee during the following taxable year.
- Must have employer-provided health insurance coverage, a portion of which must be paid for by the employer. The employer must pay for at least twenty-five percent of the premium or membership cost of the insurance program in the third year the employer claims the credit for healthy forest enterprises. The employer must pay at least forty percent of this cost in the fourth year it claims the credit, and at least fifty percent of the cost in the fifth year it claims the credit.

## Calculating the Credit

The number of qualified employment positions on which the credit can be computed cannot exceed 200 per year per taxpayer. For example, if a taxpayer has several healthy forest enterprises, the taxpayer would add up the net increase in qualified employment positions for all enterprises and compute the credit on that number, or 200, whichever is the lesser amount. Therefore, although a taxpayer may have more than 200 filled qualified employment positions, the taxpayer must select which of those positions should be used for computing the credit. The same employees who are used to compute the first year credit are used to compute the second and third year credits.

If the net increase is being computed for a group of corporations filing a combined or consolidated Arizona corporate income tax return, that group is considered a single taxpayer and therefore entitled to use no more than 200 positions for its credit calculations. Co-owners of the same enterprise(s) are similarly limited to the lesser of the net increase in qualified employment positions or 200. Each co-owner would get a *pro rata* share of the credits.

**NOTE:** *The number of qualified employment positions determined in the first year will never increase in the second or third year. Only the same positions that were qualified in the first year can be used to compute the credit in the two subsequent tax years.*

Once the taxpayer has determined which employees it will use to compute the credit, the credit amount allowed per employee is applied. Only employee wages incurred during the period the taxpayer has been certified may be used for this calculation. The credit amount per employee depends on the employee's year of employment, as follows.

**First year employees:** The lesser of \$500 or one-fourth of the taxable wages paid to an employee in a qualified employment position in the first year or partial year of employment.

**Second year employees:** The lesser of \$1,000 or one-third of the taxable wages paid to an employee in a qualified employment position in the second year of continuous employment.

**Third year employees:** The lesser of \$1,500 or one-half of the taxable wages paid to an employee in a qualified employment position in the third year of continuous employment.

**NOTE – To claim this credit:**

- **Individual taxpayers,** complete this credit form and Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture. Include both completed forms with your tax return.
- **C Corporations, S corporations claiming this credit at the corporate level, and exempt organizations with UBTI,** complete this credit form and Arizona Form 300, Nonrefundable Corporate Tax Credits and Recapture. Include both completed forms with your tax return.
- **S corporations electing to pass this credit through to its shareholders,** complete this credit form and Arizona

Form 300, Nonrefundable Corporate Tax Credits and Recapture. Also, complete Form 332-S for each shareholder of the S corporation. Provide each shareholder a copy of his or her completed Form 332-S. Include Form 300, Form 332, and one copy of each completed Form 332-S with your tax return.

- **Partnerships,** complete this credit form. Also, complete Form 332-P for each partner of the partnership. Provide each partner a copy of his or her completed Form 332-P. Include Form 332 and one copy of each completed Form 332-P with your tax return.

## Specific Instructions

Complete the name and taxpayer identification number (TIN) section at the top of the form. Indicate the period covered by the taxable year. Include all supporting forms with the tax return.

All returns, statements, and other documents filed with the department require a TIN. The TIN for a corporation, an exempt organization with UBTI, an S corporation, or a partnership is the taxpayer's employer identification number (EIN). The TIN for an individual is the taxpayer's Social Security Number (SSN) or an Internal Revenue Service individual taxpayer identification number. Taxpayers that fail to include their TIN may be subject to a penalty.

### Part 1 - Healthy Forest Enterprises Information

**NOTE:** *Taxpayers claiming only a pass through of this credit from Form 332-P and/or Form 332-S and are claiming the Employment Credit, skip to Part 5, lines 16A and/or 16B, column (d).*

#### Lines 1 and 2 -

Enter the name and TIN of the healthy forest enterprise. For a corporation, an exempt organization with UBTI, a partnership, or an S corporation, use the taxpayer's EIN.

#### Line 3 -

Reserved for future use.

#### Line 4-

Check the box on line 4 to indicate the year this form represents for claiming this credit.

### Part 2 - Average Number of Full-Time Employees

Use these lines to calculate the difference in the average number of full-time employees that worked for the healthy forest enterprise in this taxable year and the average for the immediately preceding taxable year. The worksheet on page 3 can be helpful in figuring the average. The column for each year corresponds to line 5 and line 6 on page 1 of Form 332.

On lines 1 through 12 of the worksheet, enter the number of full-time employees employed at the end of each month of the year indicated. If the enterprise was not in operation in the immediately preceding taxable year, that year's average is zero. Once the worksheet is completed, enter the amounts on page 1 of Form 332.

<b>Average Number of Full-Time Employees Worksheet</b>		(a) Line 5 Current Taxable Year	(b) Line 6 Immediately Preceding Taxable Year
1	January		
2	February		
3	March		
4	April		
5	May		
6	June		
7	July		
8	August		
9	September		
10	October		
11	November		
12	December		
13	Total – add lines 1 through 12.		
14	Total number of months during the taxable year in which the healthy forest enterprise was in business.		
15	Average – divide the amount on line 13 by the amount on line 14.		

**Line 5 -**

Enter the average number of full-time employees in the healthy forest enterprise for the current taxable year from line 15, column (a) of the worksheet above.

**Line 6 -**

Enter the average number of full-time employees in the healthy forest enterprise for the immediately preceding taxable year from line 15, column (b) of the worksheet above.

**Line 7 -**

Subtract the amount on line 6 from the amount on line 5. If the difference contains a decimal, enter the whole number only - do not round up. This is the net increase in the average number of full-time employees. If the difference is zero, the enterprise cannot claim an employment credit for qualified employment positions created during the current taxable year. If the amount is greater than zero, enter the amount. Also, enter the amount in Part 3, line 9.

**Part 3 - Net Increase in Qualified Employment Positions**

**Line 8 -**

Enter the total number of filled qualified employment positions created during the current taxable year.

**NOTE:**

- If a qualified employment position is filled during the last ninety days of the taxable year, it is considered a new qualified employment position for the next taxable year.
- A newly created position is a qualified employment position on the date that it meets all of the requirements for a qualified employment position.

**Line 9 -**

Enter the net increase in average number of full-time employees from Part 2, line 7.

**Line 10 -**

Enter the lesser of line 8 or line 9. This is the increase in qualified employment positions for this healthy forest enterprise.

**Part 4 - Limitation on Number of Qualified Employment Positions**

**Line 12 -**

Compare the amounts on lines 10 and 11. Enter the lesser of line 10 or line 11. This is the maximum number of positions on which you may compute each of the credits.

**NOTE:** Before completing Part 5, lines 13 through 16, complete Forms 332-1 and 332-2. Use additional sheets, if necessary. See the instructions for Forms 332-1 and 332-2 on page 10 of these instructions.

**Part 5 - Employment Credit Calculation**

**Line 13 - Column (a)**

Enter the number of qualified net new employees from Form 332-2, line 15, column (c1). This number cannot exceed the maximum number shown on line 12, Part 4 of Form 332.

**Line 13 - Column (b)**

Enter the total allowable wages for qualified first year employees from Form 332-2, line 15, column (e1).

**Line 13 - Column (d)**

Multiply the amount entered on line 13, column (b) by the percent shown on line 13, column (c). Enter the result on line 13, column (d). This is the allowable credit for qualified new employees.

**Line 14 - Column (a)**

Enter the number of previously qualified employees in the second year of continuous employment from Form 332-2, line 15, column (c2).

**Line 14 - Column (b)**

Enter the total allowable wages for qualified second year employees from Form 332-2, line 15, column (e2).

**Line 14 - Column (d)**

Multiply the amount entered on line 14, column (b) by the percent shown on line 14, column (c). Enter the result on line 14, column (d). This is the allowable credit for previously qualified employees in their second year of continuous employment.

**Line 15 - Column (a)**

Enter the number of previously qualified employees in the third year of continuous employment from Form 332-2, line 15, column (c3).

**Line 15 - Column (b)**

Enter the total allowable wages for qualified third year employees from Form 332-2, line 15, column (e3).

**Line 15 - Column (d)**

Multiply the amount entered on line 15, column (b) by the percent shown on line 15, column (c). Enter the result on line 15, column (d). This is the allowable credit for previously qualified employees in their third year of continuous employment.

**Line 16A - Column (d)**

Enter the amount of the Employment Credit passed through from partnerships on Form 332-P, Part 2, line 5.

**Line 16B - Column (d)**

Enter the amount of the Employment Credit passed through from S corporations on Form 332-S, Part 2, line 5.

**Line 17 -**

Add the amounts on lines 13 through 16 in column (d). Enter the total.

**Part 6 - Recapture of the Employment Credit**

**NOTE:** Taxpayers recapturing *only* a pass through of this credit from Form 332-P and/or Form 332-S who claimed:

- The Employment Credit, skip to Part 6, line 24A or 24B.
- The Training Credit, skip to Part 7, line 32A or 32B.

If your healthy forest enterprise had its qualification for the employment credit terminated or revoked within five taxable years after you first claimed that credit, you must recapture a percentage of the total employment credit you took in all prior years.

If your qualification was revoked due to reasons beyond your control, as determined by Commerce, you do not have to recapture the credit.

If you are required to recapture the employment credit, complete Part 7. If not, skip to Part 8.

**Line 18 -**

Enter the taxable year in which your certification as a healthy forest enterprise was revoked or terminated (i.e. if your taxable year end was 12/31/2016, enter "2016").

**Line 19 -**

Enter the first taxable year in which your employment credit for healthy forest enterprises was allowed (i.e. if your taxable year end was 12/31/2015, enter "2015").

**Line 20 -**

Subtract line 19 from line 18. Enter the difference. This is the number of years between when your employment credit was first allowed and when your certification was revoked.

**Line 21 -**

The amount of credit you must recapture depends on the year you first received the credit, and how long ago it was. Compare the number of years on line 20 to the following table to determine the percentage of your Employment Credit to be recaptured. (For example: If the number on line 20 is "2", the percentage to be recaptured is 80%. If the number on line 20 is "6" or greater, the percentage to be recaptured is "0".) Enter that percentage.

Number of years since receiving the credit:	Percentage to recapture:
1	100%
2	80%
3	60%
4	40%
5	20%
6 or more	0%

**Line 22 -**

Enter the total amount of employment credits that you were previously allowed to claim.

**Line 23 -**

Multiply line 22 by the percentage on line 21. Enter the result.

**Line 24A -**

Enter the total amount of the employment credit subject to recapture passed through to you from partnerships on Form 332-P, Part 3, line 8.

**Line 24B -**

Enter the total amount of the employment credit subject to recapture passed through to you from S corporations on Form 332-S, Part 3, line 8.

**Line 25 -**

Add lines 23 and 24. Enter the total. This is the amount of your employment credit subject to recapture.

**Part 7 - Recapture of the Training Credit**

If your healthy forest enterprise had its qualification for the training credit terminated or revoked within five taxable years after you first claimed that credit, you must recapture a percentage of the total training credit you took in all prior years.

If your qualification was revoked due to reasons beyond your control as determined by Commerce, you do not have to recapture the credit.

If you are required to recapture the training credit, complete Part 8. If not, skip to Part 9.

**Line 26 -**

Enter the taxable year in which your certification as a healthy forest enterprise was revoked or terminated (i.e. if your taxable year end was 12/31/2016, enter "2016").

**Line 27 -**

Enter the first taxable year in which your employment credit for healthy forest enterprises was allowed (i.e. if your taxable year end was 12/31/2015, enter "2015").

**Line 28 -**

Subtract line 27 from line 26. Enter the difference. This is the number of years between when your employment credit was first allowed and when your certification was revoked.

**Line 29 -**

The amount of credit you must recapture depends on the year you first received the credit, and how long ago it was. Compare the number of years on line 28 to the following table to determine the percentage of your



Training Credit to be recaptured. (For example, if the number on line 28 is “3”, the percentage to be recaptured is 60%. If the number on line 28 is “6” or greater, the percentage to be recaptured is “0.”) Enter that percentage.

Number of years since receiving the credit:	Percentage to recapture:
1	100%
2	80%
3	60%
4	40%
5	20%
6 or more	0%

**Line 30 -**

Enter the total amount of training credits that you were previously allowed to claim.

**Line 31 -**

Multiply line 30 by the percentage on line 29. Enter the result.

**Line 32A -**

Enter the amount of training credit subject to recapture that was passed through from partnerships on Form 332-P, Part 3, line 11.

**Line 32B -**

Enter the amount of training credit subject to recapture that was passed through from S corporations on Form 332-S, Part 3, line 11.

**Line 33 -**

Add line 31 and 32. Enter the total. This is the amount of training credit subject to recapture.

**Part 8 - S Corporation Credit Election**

**Line 34 -**

The S corporation must complete line 34 and line 34a or 34b. The S corporation must make an irrevocable election either to claim the current year taxable year credit at the corporate level or to pass the credit through to its shareholders. The S corporation is made by:

- Enter the S corporation’s taxable year end in the box provided on line 34.
- Checking the box on line 34a electing to claim the current year taxable credit at the corporate level; or,
- Checking the box on line 34b electing to claim the pass the current taxable year credit through to its shareholders.
- Each election must be signed by an officer of the S corporation who is also a signatory to Form 120S.

If the S corporation elects to claim the credit at the corporate level, continue to Part 10.

If the S corporation elects to pass this credit through to its shareholders, proceed to the instructions for completing Form 332-S on page 12.

If passing this credit through to the shareholders:

- Complete Form 332-S for each shareholder.
- Provide a copy of completed Form 332-S to each shareholder.

- Include a copy of each completed Form 332-S with your tax return.
- Keep a copy of each completed Form 332-S for your records.

Each S corporation shareholder is entitled to only a *pro rata* share of pass-through each credit based on ownership interest in the S corporation. The total of the each credit allowed to all shareholders may not exceed the amount that would have been allowed for a sole owner.

**NOTE:** *Trusts and estates which are shareholders of S corporations, are not eligible to claim these credits. However, the share of an S corporation owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of these credits.*

**Part 9 - Partner’s Share of Credits and Credit Recaptures**

Partnerships claiming these credits must pass them through to its partners. Proceed to the instructions for completing Form 332-P on page 11.

Each partner is entitled to only a *pro rata* share of each credit based on the partner’s ownership interest in the partnership. The total of each credit allowed to all partners may not exceed the amount that would have been allowed for a sole owner.

**NOTE:** *Trusts and estates which are partners in a partnership are not eligible to claim these credits. However, the share of a partnership owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of these credits.*

**Part 10 - Recapture Summary for Employment Credit**

Use lines 35 through 40 to determine whether you have any allowable employment credit remaining, even if you have to recapture some of it.

**Line 35 -**

Enter the taxable year(s) in which you took an employment credit or credit carryover for the disqualified healthy forest enterprise.

**Line 36 -**

Enter the total amount of employment credit originally allowed for the disqualified healthy forest enterprise.

**Line 37 -**

Enter the amount from Part 6, line 25. This is the total amount of the employment credit to be recaptured.

**Line 38 -**

Subtract line 37 from line 36. Enter the difference. This is the amount of employment credit allowable for the disqualified healthy forest enterprise.

**Line 39 -**

Enter the amount of employment credit on line 36 that you claimed on prior taxable year’s returns.

**Line 40 -**

Subtract line 39 from line 38. Enter the difference.

If the difference is POSITIVE:

- This is the amount of employment credit carryover you have remaining for use in future years.
- Adjust the amounts in column (d) in Part 12, lines 47 through 51 so the total amount on line 52 equals the amount of the credit carryover remaining for use in future years.

If the difference is NEGATIVE:

- This is the amount of employment credit you must recapture.
- Adjust the amounts in Part 12, lines 47 through 51, column (d) to zero, "0." There is no carryover amount for the employment credit.
  - *Individuals* - Also enter this amount as a POSITIVE number on Form 301, Part 2, line 33. (If you have a recapture of the employment credit *and* the training credit, and the amounts on Part 10, line 40 and Part 11, line 46. Enter that total on Form 301, Part 2, line 33.)
  - *C Corporations, S corporations that claimed the training credit at the corporate level, and exempt organizations with UBTI* - Also enter this amount as a POSITIVE number on Form 300, Part 2, line 24. (If you have a recapture of the employment credit *and* the training credit, add the amounts on Part 10, line 40, and Part 11, line 46. Enter the total on Form 300, Part 2, line 24.)

For additional guidance, refer to Examples 1 and 2 following the instructions for line 46.

**Part 11 - Recapture Summary for Training Credit**

Use lines 41 through 46 to determine whether you have any allowable training credit remaining, even if you have to recapture some of it.

**Line 41 -**

Enter the taxable year(s) in which you took a training credit or credit carryover for the disqualified healthy forest enterprise.

**Line 42 -**

Enter the total amount of training credit originally allowed for the disqualified healthy forest enterprise.

**Line 43 -**

Enter the amount from Part 7, line 33. This is the total amount of the training credit to be recaptured.

**Line 44 -**

Subtract line 43 from line 42. Enter the difference. This is the amount of training credit allowable for the disqualified healthy forest enterprise.

**Line 45 -**

Enter the amount of training credit on line 42 that you claimed on prior taxable year's returns.

**Line 46 -**

Subtract line 45 from line 44. Enter the difference.

If the difference is POSITIVE:

- This is the amount of training credit carryover you have remaining for use in future years.
- Adjust the amounts in column (d) in Part 13, lines 53 through 57 so the total amount on line 58 equals the amount of the credit carryover remaining for use in future years.

If the difference is NEGATIVE:

- This is the amount of training credit you must recapture.
- Adjust the amounts in Part 13, lines 53 through 57, column (d) to zero, "0." There is no carryover amount of the employment credit.
  - *Individuals* - Also enter this amount as a POSITIVE number on Form 301, Part 2, line 33. (If you have a recapture of the training credit and the employment credit, add the amounts on Part 10, line 40 and Part 11, line 46. Enter that total on Form 301, Part 2, line 33.)
  - *C Corporations, S corporations that claimed the training credit at the corporate level, and exempt organizations with UBTI* - Also enter this amount as a POSITIVE number on Form 300, Part 2, line 24. (If you have a recapture of the employment credit and the training credit, add the amounts on Part 10, line 40, and Part 11, line 46. Enter the total on Form 300, Part 2, line 24.)

For additional guidance, refer to Examples 1 and 2 on the following pages.

**EXAMPLE 1 (In this example, line 40 is positive):**

Healthy Forest Enterprise A (A) claimed the employment credit on Form 332 for taxable years 2015 through 2017. The amount of credit claimed each year was \$1,000; the total credit claimed is \$3,000. A used \$1,500 of its employment credit, leaving it with a credit carryover of \$1,500 as of taxable year ending 2017.

During 2018, A was notified by the department it was subject to a recapture of 60% of the credit claimed, or \$ 900.

A completes Part 10 of its Form 332 and finds that line 40 is **positive**. This means A still has a carryover of the employment credit in the amount of \$600.

At the end of taxable year 2017, A had an available employment credit carryover amount of \$1,500, shown on the schedule below (from Part 13 of its 2017 taxable year Form 332):

	(a) Taxable Year	(b) Original Credit Amount	(c) Amount Previously Used, Expired, or Recaptured	(d) Available Credit Carryover
47	2015	1,000	500	500
48	2016	1,000	500	500
49	2017	1,000	500	500
50				
51				
52	<b>Total Available Carryover:</b>			<b>1,500</b>

Following the instructions for line 40, A adjusts Part 12, Available Employment Credit Carryover, for the recapture of \$900. Part 12 of its 2018 taxable year Form 332 is shown below:

	(a) Taxable Year	(b) Original Credit Amount	(c) Amount Previously Used, Expired, or Recaptured	(d) Available Credit Carryover
47	2015	1,000	1,000	0
48	2016	1,000	900	100
49	2017	1,000	500	500
50				
51				
52	<b>Total Available Carryover</b>			<b>600</b>

- A increased its 2015 Amount Previously Used (Or Recaptured) by \$500. This eliminated its credit carryover from 2015.
- A increased its 2016 Amount Previously Used (Or Recaptured) by \$400. This reduced its credit carryover for 2016 from \$500 to \$100.
- A's 2017 Available Employment Credit Carryover remains unchanged.
- A has \$600 of Available Employment Credit Carryover it may use on its 2018 taxable year tax return.

**EXAMPLE 2 (In this example, line 40 is negative):**

Healthy Forest Enterprise B (B) claimed the employment credit on Form 332 for taxable years 2015 through 2017. The amount of credit claimed each year was \$1,000; the total credit claimed is \$3,000. B used \$2,500 of its employment credit, leaving it with a credit carryover of \$500 as of taxable year ending 2017.

During 2018, B was notified by the department it was subject to a recapture of 60% of the credit claimed, or \$ 900.

B completes Part 11 of its Form 332 and finds that line 47 is **negative**. This means B has no carryover of the employment credit and must report \$400 as a recapture on Form 300, Part 2, line 24, or Form 301, Part 2, line 33. (See line 40 for instructions).

At the end of taxable year 2017, B had an available employment credit carryover amount of \$500, shown on the schedule below (from Part 14 of its 2017 taxable year Form 332):

	(a) Taxable Year	(b) Original Credit Amount	(c) Amount Previously Used, Expired, or Recaptured	(d) Available Credit Carryover
47	2015	1,000	1,000	0
48	2016	1,000	1,000	0
49	2017	1,000	500	500
50				
51				
52	<b>Total Available Carryover:</b>			<b>500</b>

Following the instructions for line 40, B adjusts Part 12 for the recapture of \$900. Part 12 of its 2018 taxable year Form 332 is shown below:

	(a) Taxable Year	(b) Original Credit Amount	(c) Amount Previously Used, Expired, or Recaptured	(d) Available Credit Carryover
47	2015	1,000	1,000	0
48	2016	1,000	1,000	0
49	2017	1,000	1,000	0
50				
51				
52	<b>Total Available Carryover</b>			<b>0</b>

No adjustment is needed for 2015.

No adjustment is needed for 2016.

B increased its 2017 Amount Previously Used (Or Recaptured) by \$500. This eliminated its Employment Credit carryover for 2017.

B has no credit carryover of the Employment Credit.

## Part 12 - Available Employment Credit Carryover

Use Part 12 to figure your available employment credit carryover. Complete lines 47 through 52 if you claimed the employment credit on a prior taxable year return and your employment credit was more than your tax.

If the allowable tax credit exceeds the taxes otherwise due or, if there are no taxes due, the amount of the credit not used to offset taxes may be carried forward for not more than five taxable years as a credit against subsequent years' income tax liabilities.

**S corporations**, if this portion of the credit was claimed at the corporate level in a prior taxable year and there is a carryover amount available, complete Part 12.

### Lines 47 through 51 -

Enter the following information in the columns indicated on lines 47 through 51:

- a) Taxable Year – the taxable year from which you are carrying over the employment credit.
- b) Original Credit Amount - the amount of the credit you originally computed.
- c) Amount Previously Used – the employment credit from that taxable year you have already used or the amount of the credit that expired.
- d) Available Credit Carryover – Subtract the amount in column (c) from the amount in column (b). Enter the difference. This is the available employment credit carryover available for the current taxable year.

### Line 52 -

Add the amounts on lines 47 through 51 in column (d). Enter the total. This is your available employment credit carryover for the current taxable year.

## Part 13 - Available Training Credit Carryover

**S corporations**, if this portion of the credit was claimed at the corporate level in a prior taxable year and there is a carryover amount available, complete Part 13.

### Lines 53 through 57 -

Use Part 13 to figure your available training credit carryover. Complete lines 53 through 57 if you claimed the training credit on a prior year return and your training credit was more than your tax.

If the allowable tax credit exceeds the taxes otherwise due or, if there are no taxes due, the amount of the credit not used to offset taxes may be carried forward for not more than five taxable years as a credit against subsequent years' income tax liabilities.

Enter the following information in the columns indicated on lines 53 through 57:

- a) Taxable Year – the taxable year from which you are carrying over the training credit.
- b) Original Credit – the amount of the credit you originally computed.

- c) Amount Previously Used the amount of the training credit from that taxable year you have already used or the amount of the credit that expired.
- d) Available Credit Carryover – Subtract the amount in column (c) from the amount in column (b). Enter the difference. This is the available training credit carryover available for the current taxable year.

### Line 58 -

Add the amounts entered on lines 53 through 57 in column (d). Enter the total. This is the available training credit carryover available for the current taxable year.

## Part 14 - Total Available Credit

### Line 59 -

Enter the current year's employment credit.

*Individuals, C Corporations, S corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI* - enter the amount from Part 5, line 17, column (d).

*Partnerships* - enter "0".

*S corporations that passed the current year credit through to shareholders* - enter "0".

*Individuals* – Also enter this amount on Form 301, Part 1, line 16, column (a).

*C Corporations, S corporations electing to claim this credit at the corporate level, and exempt organizations with UBTI* - Also enter this amount on Form 300, Part 1, line 11, column (a).

### Line 60 -

Enter the amount of available employment credit carryover from Part 12, line 52, column (d).

### Line 61 -

Enter the amount of available training credit carryover from Part 13, line 58, column (d).

*Individuals* – Also enter the total of lines 60 and 61 on Form 301, Part 1, line 16, column (b).

*C Corporations, S corporations electing to claim this credit at the corporate level, and exempt organizations with UBTI* - Also enter the total of lines 60 and 61 on Form 300, Part 1, line 11, column (b).

### Line 62 -

Add lines 59 through 61 and enter the total.

*Individuals* - enter the total available credit on Arizona Form 301, Part 1, line 16, column (c).

*C Corporations, S corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI* - enter the total available credit on Arizona Form 300, Part 1, line 11, column (c).

**FORM 332-1 QUALIFIED EMPLOYEES**

Alternative formats prescribed by the department may also be used to file this form. For example, the department will accept a hard copy spreadsheet that contains all the requested information or the information may be compiled with a spreadsheet program such as Microsoft Excel and submitted on a CD-ROM or DVD-ROM. The chosen media must be Microsoft Windows compatible. Regardless of the form, the information must be filed on or before the due date of the tax return, including any extensions.

Taxpayers submitting the information on CD-ROM or DVD-ROM should secure the CD-ROM or DVD-ROM in a hard case and include it with the tax return. Arizona Forms 332-1, and 332-2 submitted on CD-ROM or DVD-ROM are part of the income tax return, are subject to the sworn statement on the return that they are true, and correct to the best of the signer's knowledge and belief.

The CD-ROM or DVD-ROM should be labeled as Forms 332-1, or 332-2, with the taxpayer's name, EIN and taxable year listed.

Taxpayers may password protect the CD-ROM or DVD-ROM and email the password separately to MediaLibrarian@azdor.gov. Include "Form(s) 332-1, and/or 332-2" in the subject line of the email. In the body of the email, include the same information that is on the CD-ROM or DVD-ROM label. The department will not return or copy any media.

**CAUTION:** *Taxpayers that substitute the CD-ROM or DVD-ROM do so at their own risk and understand 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.*

Complete one Form 332-1 for each qualified employee. Include the employee's name, SSN, and the date each employee was hired. If an employee's job duties do not involve or directly support the harvesting, transporting or processing of qualifying forest products in a qualified project, the employee is not in a qualified employment position. Do not complete a Form 332-1 for employees that are not in qualified employment positions. These employees should not be listed on Form 332-2, and will not be used to compute the credits.

**FORM 332-1, LINE 6** - complete this line if the employee was previously employed by the business (prior to current employment).

**FORM 332-1, LINES 9a AND 9b** - on line 9a, enter the total amount of the insurance premium or membership cost provided for the employee. If the business is self-insured, list the total amount of a predetermined fixed cost for the employee for an insurance program that is payable whether or not the employee has filed claims. On line 9b, enter the total amount of the insurance premium or membership cost paid by the employer.

**FORM 332-2 QUALIFIED EMPLOYEES FOR WHICH YOU ARE TAKING THE EMPLOYMENT CREDIT**

Complete the requested information for each employee in a qualified employment position for whom you are taking the employment credit. Use Forms 332-1 and 332-2 to complete Part 5, lines 13 through 17 on Form 332.

## Form 332-P, Distribution to Partners of a Partnership

Enter the taxable year from which this credit is being passed through to your partners.

Complete Form 332-P for each partner of the partnership, *except for* trust or estate partners. However, a partnership ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.

The partnership must furnish each partner with their completed copy of Form 332-P, including additional schedules as needed.

### Part 1 - Partnership and Partner Information

#### Line 1 -

Enter the partnership name and EIN in the spaces provided

#### Line 2 -

Enter the partner's name, EIN, TIN, or SSN, and ownership percentage in the spaces provided.

#### Line 3 -

If the name and EIN of the partnership is different from the name and EIN of the Healthy Forest Enterprise, enter the name and EIN of the Healthy Forest Enterprise in the spaces provided. If the name and EIN of the partnership is the same as the name and EIN of the Healthy Forest Enterprise, indicate, "SAME."

### Part 2 - Distribution of the Credit

#### Line 4 -

Enter the amount of the partnership's employment credit from Form 332, Part 5, line 17, column (d).

#### Line 5 -

Multiply line 4 by the percentage on line 2(c). Enter the result. This is the partner's portion of the employment credit.

### Part 3 - Credit Recapture

#### Line 6 -

Enter the total amount of the partnership's employment credit previously passed through to the partner.

#### Line 7 -

Enter the recapture percentage of the employment credit amount previously passed through that is subject to recapture from Form 332, Part 6, line 21.

#### Line 8 -

Multiply line 6 by the percentage on line 7. Enter the result.

- *Partners:* Enter this amount on *your* Form 332, Part 6, line 24A.

This is the partner's portion of the employment credit subject to recapture.

**NOTE:** *If you have recapture amounts for the employment credit from more than one source, calculate each recapture amount separately. Total the amounts subject to recapture and enter that amount on line 8.*

#### Line 9 -

Enter the total amount of the partnership's training credit that was previously passed through to the partner.

#### Line 10 -

Enter the recapture percentage of the training credit amount that was previously passed through that is subject to recapture from Form 332, Part 7, line 29.

#### Line 11 -

Multiply line 9 by the percentage on line 10. Enter the result.

- *Partners:* Enter this amount on *your* Form 332, Part 7, line 32A.

This is the partner's portion of the training credit subject to recapture.

**NOTE:** *If you have recapture amounts for the training credit from more than one source, calculate each recapture amount separately. Total the amounts subject to recapture and enter that amount on line 11.*

*Each partner will use this form to complete his or her own Form 332.*

## Form 332-S, Distribution to Shareholders of an S Corporation

Enter the taxable year from which this credit is being passed through to your shareholders.

Complete Form 332-S for each shareholder of the S corporation, *except for* trust or estate shareholders. However, an S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.

The S corporation must furnish each shareholder with his or her completed copy of Form 332-S, including additional schedules as needed.

### Part 1 - S corporation and Shareholder Information

#### Line 1 -

Enter the S corporation name and EIN in the spaces provided

#### Line 2 -

Enter the shareholder's name, SSN, and ownership percentage in the spaces provided.

#### Line 3 -

If the name and EIN of the S corporation is different from the name and EIN of the Healthy Forest Enterprise, enter the name and EIN of the Healthy Forest Enterprise in the spaces provided. If the name and EIN of the S corporation is the same as the name and EIN of the Healthy Forest Enterprise, indicate, "SAME."

### Part 2 - Distribution of the Credit

#### Line 4 -

Enter the amount of the S corporation's employment credit from Form 332, Part 5, line 7, column (d).

#### Line 5 -

Multiply line 4 by the percentage on line 2(c). Enter the result. This is the shareholder's portion of the employment credit.

### Part 3 - Credit Recapture

#### Line 6 -

Enter the total amount of the S corporation's employment credit previously passed through to the shareholder.

#### Line 7 -

Enter the recapture percentage of the employment credit amount previously passed through that is subject to recapture from Form 332, Part 6, line 21.

#### Line 8 -

Multiply line 6 by the percentage on line 7. Enter the result.

- *Shareholders:* Enter this amount on *your* Form 332, Part 6, line 24B.

This is the shareholder's amount of the employment credit subject to recapture.

**NOTE:** *If you have recapture amounts for the employment credit from more than one source, calculate each recapture amount separately. Total the amounts subject to recapture and enter that amount on line 8.*

#### Line 9 -

Enter the total amount of the S corporation's training credit previously passed through to the shareholder.

#### Line 10 -

Enter the recapture percentage of the training credit amount previously passed through that is subject to recapture from Form 332, Part 7, line 29.

#### Line 11 -

Multiply line 9 by the percentage on line 10. Enter the result.

- *Shareholders:* Enter this amount on *your* Form 332, Part 7, line 32B.

This is the shareholder's amount of the training credit subject to recapture.

**NOTE:** *If you have recapture amounts for the training credit from more than one source, calculate each recapture amount separately. Total the amounts subject to recapture and enter that amount on line 11.*

*The shareholder will use this form to complete his or her own Form 332.*



*Include with your return.*

For the calendar year 2018 or fiscal year beginning MM,DD,2018 and ending MM,DD,YYYY.

Your Name as shown on Form 140, 140PY, 140NR, 140X, 99T, 120, 120A, 120S, 120X or 165	Your Social Security or Employer Identification Number
Spouse's Name as shown on Form 140, 140PY, 140NR, 140X (if a joint return)	Spouse's Social Security Number

**Part 1 Business Information**

- 1 Business name: \_\_\_\_\_
- 2 Business location: \_\_\_\_\_  
\_\_\_\_\_
- 3 Employer Identification Number: \_\_\_\_\_

**Part 2 Credit Computation - All taxpayers must complete Part 2**

4 Number of qualifying employees placed on active duty during the current taxable year .....	4		
5 Credit per employee .....	5	1,000	00
6 Multiply the number on line 4 by the amount on line 5 .....	6		00
7 Amount of pass through credit from Partnership: Enter the amount from Form 333-P, line 4 .....	7		00
8 Amount of pass through credit from S corporation: Enter the amount from Form 333-S, line 4 .....	8		00
9 Total Credit: Add lines 6, 7, and 8. Enter the total .....	9		00

**Part 3 Partner's Share of Credit**

Partnerships:

- Do not complete Part 5 and 6 of Form 333.
- Complete Form 333-P separately for each partner.
- Furnish each partner with a copy of Form 333-P.

**Part 4 S Corporation Credit Election and Shareholder's Share of Credit**

10 The S corporation has made an irrevocable election for the taxable year ending MM,DD,YYYY to (check only one box):

- (a)  Claim the credit for employing national guard members, as shown on Part 2, line 9 for the taxable year mentioned above;
- OR
- (b)  Pass the credit for employing national guard members, as shown on Part 2, line 9 for the taxable year mentioned above, through to its shareholders.

\_\_\_\_\_  
Signature Title Date

- If box (a) is checked, continue to Part 5.
- If box (b) is checked:
  - Complete a separate Form 333-S for each shareholder.
  - Furnish each shareholder with a copy of Form 333-S
  - S corporations that have a carryover available from a credit in a prior year must complete Part 5; and Part 6, lines 18 and 19. If no carryover is available do not complete Part 5 and Part 6.

Continued on page 2 →

Your Name (as shown on page 1)	Your Social Security or Employer Identification Number
--------------------------------	--

**Part 5 Available Credit Carryover**

	(a) Taxable Year from which you are carrying a credit	(b) Original Credit Amount	(c) Amount Previously Used	(d) Available Carryover: Subtract column (c) from column (b).
11	2013	00	00	00
12	2014	00	00	00
13	2015	00	00	00
14	2016	00	00	00
15	2017	00	00	00
16	Total Available Carryover: Add lines 11 through 15, column (d).....			00

**Part 6 Total Available Credit**

17	Current year's credit: • Individuals, C corporations, S corporations that are claiming the credit, or exempt organizations with UBTI: Enter the amount from Part 2, line 9. • Individuals: Also, enter this amount on <i>Arizona Form 301, Part 1, line 17, column (a)</i> . • C corporations, S corporations that are claiming the credit, and exempt organizations with UBTI: Also, enter this amount on <i>Arizona Form 300, Part 1, line 12, column (a)</i> .....	<b>17</b>	00
18	Available carryover from Part 5, line 16, column (d). • Individuals: Also, enter this amount on <i>Arizona Form 301, Part 1, line 17, column (b)</i> . • C corporations, S corporations that are claiming the credit, and exempt organizations with UBTI: Also, enter this amount on <i>Arizona Form 300, Part 1, line 12, column (b)</i> .....	<b>18</b>	00
19	Total Available Credit: Add lines 17 and 18 and enter the total. • Individuals: Also, enter this amount on <i>Arizona Form 301, Part 1, line 17, column (c)</i> . • C corporations, including S corporations that are claiming the credit, and exempt organizations with UBTI: Also, enter this amount on <i>Arizona Form 300, Part 1, line 12, column (c)</i> .....	<b>19</b>	00

**Form 333-1**

**Qualifying Employees**

**2018**

(a) Employee Name	(b) Social Security Number	(c) Date of Hire	(d) Date placed on Active Duty	(e) Was this employee in a full-time employment position when placed on active duty?	(f) Did this employee serve on active duty during the taxable year for training that exceeds the required annual training period, including any activation for federal or state contingencies or emergencies?
1				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
2				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
3				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
4				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
5				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
6				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
7				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
8				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
9				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
10				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
11				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
12				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
13				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
14				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
15				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
16				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No

If you have more than 16 qualifying employees, complete additional schedules and include with the form.

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For the calendar year 2018 or fiscal year beginning MM,DD,2018 and ending MM,DD,YYYY.

**Partnership:**

- Complete Form 333-P for each partner in the partnership **except for** trust or estate partners. However, a partnership ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by grantor. The grantor may claim his or her share of the credit.
- Provide a copy of the completed form and certification received from the Arizona Department of Revenue to each partner.
- Include a copy of Form 333 and a copy of each Form 333-P with your partnership return.
- Keep a copy of each completed 333-P for your records.

**Partner:**

- Use this form to complete *your own* Form 333.
- Include a copy of this form with your return.
- Keep a copy of this form for your records.

**NOTE:** If you file your tax return on a calendar year basis but this entity files a return on a fiscal year basis (see above), claim this credit on your tax return for the year in which the partnership's fiscal year ends.

**Part 1 Partnership and Partner Information**

<b>1</b>	(a) Partnership Name	(b) Employer Identification Number (EIN)	
<b>2</b>	(a) Partner Name	(b) Taxpayer Identification Number (TIN)	(c) Partner Ownership % %

**Part 2 Distribution of the Credit**

<b>3</b> Enter the amount of the partnership's credit from Form 333, Part 2, line 9.....	<b>3</b>		00
<b>4</b> Multiply line 3 by the percentage on line 2(c). Enter the result..... This is the partner's <i>pro rata</i> share of the credit. <i>Partners:</i> Enter this amount on <i>your own</i> Form 333, Part 2, line 7.	<b>4</b>		00

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For the calendar year 2018 or fiscal year beginning [M,M|D,D|2,0,1,8] and ending [M,M|D,D|Y,Y,Y,Y].

**S corporation:**

- Complete Form 333-S for each shareholder in the S corporation **except for** trust or estate shareholders. However, a S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by grantor. The grantor may claim his or her share of the credit.
- Provide a copy of the completed form and certification received from the Arizona Department of Revenue to each shareholder.
- Include a copy of Form 333 and a copy of each Form 333-S with your S corporation return.
- Keep a copy of each completed 333-S for your records.

**Shareholder:**

- Use this form to complete *your own* Form 333.
- Include a copy of this form with your return.
- Keep a copy of this form for your records.

**NOTE:** If you file your tax return on a calendar year basis but this entity files a return on a fiscal year basis (see above), claim this credit on your tax return for the year in which the S corporation's fiscal year ends.

**Part 1 S corporation and Shareholder Information**

<b>1</b>	(a) S corporation Name	(b) Employer Identification Number (EIN)	
	(a) Shareholder Name	(b) Taxpayer Identification Number (TIN)	(c) Shareholder Ownership % %

**Part 2 Distribution of the Credit**

<b>3</b>	Enter the amount of the S corporation's credit from Form 333, Part 2, line 9 .....	<b>3</b>		<b>00</b>
<b>4</b>	Multiply line 3 by the percentage on line 2(c). Enter the result..... This is the shareholder's <i>pro rata</i> share of the credit. <i>Shareholders:</i> Enter this amount on <i>your own</i> Form 333, Part 2, line 8.	<b>4</b>		<b>00</b>

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## 2018 Credit for Employing National Guard Members

**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 click on *Reports and Legal Research* 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 and click on *Reports and Legal Research* then click on *Publications*.

**General Instructions**

**Individuals:** *You must also complete Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture, and include Forms 301 and 333 with your tax return to claim this credit.*

**Corporate taxpayers including exempt organizations with unrelated business taxable income:** *You must also complete Arizona Form 300, Nonrefundable Corporate Tax Credits and Recapture, and include Forms 300 and 333 with your tax return to claim this credit.*

**New Forms for taxable year 2017 returns:**

**Partnerships** *passing the credit through to its partners must also complete and include a separate Form 333-P for each partner receiving a pass-through credit.*

**S corporations** *passing the credit through to its shareholders must also complete and include a separate Form 333-S for each shareholder receiving a pass-through credit.*

Arizona law provides a credit for employers who have an employee that is a member of the Arizona National Guard if the employee is placed on active duty.

The credit is \$1,000 for each employee who is placed on active duty by the Arizona National Guard.

**To qualify for the credit, all of the following must apply:**

- The employee must be a member of the Arizona National Guard.
- The employee must be in a full time equivalent position when the employee is placed on active duty.
- Each member of the Arizona National Guard who is employed must have served during the taxable year on active duty for training that exceeds the required annual training period, including any activation for federal or state contingencies or emergencies.

You may claim the credit only once in any taxable year with respect to each employee who is placed on active duty by the Arizona National Guard. However, you may claim the credit again for that employee in a subsequent year if that employee remains on active duty or is placed again on active duty in a subsequent taxable year.

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

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

**NOTE:**

*Partnerships passing the credit through to its partners must complete Form 333, Parts 1, 2 and 3; and Form 333-P for each partner.*

*S corporations, who elect to pass through the credit to its shareholders, must complete Form 333, Parts 1, 2 and 4; and Form 333-S for each shareholder. If the S corporation has a carryover amount available from claiming the credit in a prior taxable year, the S corporation must also complete Parts 5 and 6 of Form 333.*

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

**Line-by-Line Instructions**

Enter your name and Social Security Number (SSN) or Employer Identification Number (EIN) as shown on Arizona Forms 140, 140PY, 140NR, 140X, 99T, 120, 120A, 120S, 120X, or 165.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for an individual is the taxpayer's SSN or an Internal Revenue Service (IRS) individual taxpayer identification number (ITIN). The TIN for a business is the EIN. Taxpayers that fail to include their identification number may be subject to a penalty.

**Part 1 - Business Information**

Complete lines 1, 2, and 3 for the business that employed the qualifying National Guard Members.

**Lines 1 through 3 -**

Enter the name, address, and EIN of the business that employs qualifying employees.

## Part 2 - Credit Computation

**NOTE:** Before completing Part 2, lines 4 through 6, complete Form 333-1, Qualifying Employees, as instructed on the form. Form 333-1 is a listing of all employees for which you are claiming the credit. If you have more than 16 qualifying employees, complete additional schedule(s) and include with the credit form.

### Lines 4 through 6 -

The credit is \$1,000 for each qualifying employee that is placed on active duty by the Arizona National Guard. Complete lines 4 through 6 as instructed on the form.

### Line 7 -

Enter the amount from Form 333-P, line 4. If you received more than one Form 333-P, add all amounts on line 4 and enter the total.

### Line 8 -

Enter the amount from Form 333-S, line 4. If you received more than one Form 333-S, add all amounts on line 4 and enter the total.

### Line 9 - Total Credit

Add lines 6, 7, and 8. Enter the total.

## Part 3 - Partner's Share of Credit

Partnerships:

- Do not complete Parts 5 and 6 of Form 333.
- Complete Form 333-P, *Credit for Employing National Guard Members – Distribution to Partners*, separately for each partner. Form 333-P is available on our website. The instructions for completing Form 333-P are included on page 3 of these instructions.
- Furnish each partner with a copy of their completed Form 333-P.

## Part 4 - S Corporation Credit Election and Shareholder's Share of Credit

### Line 10 -

The S corporation must complete this portion of Form 333 in order for the S corporation or its shareholders to claim this credit. Each shareholder may claim only a *pro rata* share of the credit based on the shareholder's ownership interest in the S corporation.

The S corporation must make an irrevocable election either to claim the credit (check box a) or to pass the credit through to its shareholders (check box b).

The election statement must be signed by one of the officers of the S corporation who is also a signatory to the Arizona Form 120S.

- If box (a) is checked, continue to Part 5.
- If box (b) is checked:
  - Complete a separate Form 333-S, *Credit for Employing National Guard Members – Distribution*

*to Shareholders*, for each shareholder. Form 333-S is available on our website. The instructions for completing Form 333-S are included on page 3 of these instructions.

- Furnish each shareholder with a copy of their completed Form 333-S.
- S corporations that have a carryover available from a credit in a prior year must complete Part 5 and Part 6, lines 18 and 19. If no carryover is available, do not complete Part 5 and Part 6.

## Part 5 – Available Credit Carryover

### Lines 11 through 16 -

Complete Part 5, lines 11 through 16 to figure your available credit carryover from taxable years 2013 through 2017.

- In column (b), enter the credit originally computed for the taxable year listed in column (a).
- In column (c), enter the amount of the credit from that taxable year which you have already used.
- In column (d), subtract the amount in column (c) from the amount in column (b) and enter the difference.
- Add the amounts entered on lines 11 through 15 in column (d).

Enter the total on line 16, column (d).

## Part 6 - Total Available Credit

### Line 17-

Individuals, C corporations, S corporations claiming the credit, or exempt organizations with UBTI, enter the amount from Part 2, line 9.

- Individuals: Also, enter this amount on Form 301, Part 1, line 17, column (a).
- C corporations, S corporations claiming the credit, and exempt organizations with UBTI claiming the credit: Also, enter this amount on Form 300, Part 1, line 12, column (a)

### Line 18 -

Enter the amount from Part 5, line 16, column (d).

- Individuals: Also, enter this amount on Form 301, Part 1, line 17, column (b).
- Corporations, S corporations claiming the credit, and exempt organizations with UBTI claiming the credit: Also, enter this amount on Form 300, Part 1, line 12, column (b)

## Line 19 -Total Available Credit

Add lines 17 and 18. Enter the total.

- Individuals: Also, enter this amount on Form 301, Part 1, line 17, column (c).
- Corporations, S corporations claiming the credit, and exempt organizations with UBTI claiming the credit: Also, enter this amount on Form 300, Part 1, line 12, column (c).

## **Form 333-P, Credit for Employing National Guard Members - Distribution to Partners**

**NOTE:** Form 333-P is available on the department's website.

### **Instructions for Partnerships passing the credit to partners**

#### **Part 1 – Partnership and Partner Information**

##### **Line 1 (a) and (b) -**

In the space provided, enter the name of the partnership and employer identification number.

##### **Line 2 (a) and (b) -**

In the space provided, enter the partner's name, social security or employer identification number, and ownership percentage.

Each partner is entitled to a *pro rata* share of the credit, based on its ownership percentage.

#### **Part 2 - Distribution of Credit**

##### **Line 3 -**

Enter the partnership's current year's credit from Form 333, Part 2, line 9.

##### **Line 4 -**

Multiply line 3 by the partner's ownership percentage and enter the result.

### **Instructions for Partners receiving Form 333-P**

- Enter the amount from Form 333-P, line 4, on *your own* Form 333, in Part 2, on line 7.  
If you are claiming a pass-through credit from more than one partnership, add all amounts from Forms 333-P, line 4, and enter the total on Form 333, in Part 2, on line 7.
- If the partner is another partnership, it must complete a separate Form 333-P for each partner identifying the partner's *pro rata* share of the pass-through credit amount and qualifying wage expense.
- If the partner is an S corporation and the S corporation elects to pass through the credit to its shareholders, it must also complete a separate Form 333-S for each shareholder identifying the shareholder's *pro rata* share of credit amount and qualifying wage expense.
- If the partner is a C corporation, S corporation (electing to claim the credit), or an exempt organization with UBTI, it must complete its own Form 333 to claim the credit.

**NOTE:** If you file your income tax return on a calendar year basis (January 1, 2018 – December 31, 2018) but the partnership or S corporation passing the credit files its return on a fiscal year basis, claim the pass-through credit on your income tax return for the year in which the partnership or S corporation's fiscal year ends. For example, if the entity's tax year ends in February 2019, claim this credit on your 2019 tax return.

## **Form 333-S, Credit for Employing National Guard Members - Distribution to Shareholders**

**NOTE:** Form 333-S is available on the department's website.

### **Instructions for S corporations passing the credit to shareholders**

#### **Part 1 – S corporation and shareholder Information**

##### **Line 1 (a) and (b) -**

In the space provided, enter the name of the S corporation and employer identification number.

##### **Line 2 (a) and (b) -**

In the space provided, enter the shareholder's name and social security number, and ownership percentage.

Each shareholder is entitled to a *pro rata* share of the credit, based on its ownership percentage.

#### **Part 2 - Distribution of Credit**

##### **Line 3 -**

Enter the S corporation's current year's credit from Form 333, Part 2, line 9.

##### **Line 4 -**

Multiply line 3 by the shareholder's ownership percentage and enter the result.

### **Instructions for Shareholders receiving Form 333-S**

- Enter the amount from Form 333-S, line 4, on *your own* Form 333, in Part 2, on line 8.  
If you are claiming a pass-through credit from more than one S corporation, add all amounts from Forms 333-S, line 4, and enter the total on Form 333, in Part 2, on line 8.

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*Include with your return.*

For the calendar year 2018 or fiscal year beginning MM,DD,2018 and ending MM,DD,YYYY.

Name as shown on Form 99T, 120, 120A, 120S, 120X or 165

Employer Identification Number

**Part 1 Current Taxable Year's Credit Calculation**

	(a) School Tuition Organization Name and Address	(b) Credit Approval Number	(c) Contribution Amount
1			00
2			00
3			00
4			00
5			00
6			00
7			00
8			00
9			00
10			00
11	Current year's contributions: Add lines 1 through 10 and any amounts on additional schedules. Enter the total .....		11 00
12	Flow-through from a partnership from Form 335-P, line 13 .....		12 00
13	Total Current Year's Contributions: Add lines 11 and 12. Enter the total .....		13 00

Continued on page 2 →

Name (as shown on page 1)	EIN
---------------------------	-----

**Part 2 Available Credit Carryover**

	(a) Taxable Year	(b) Original Credit Amount	(c) Amount Previously Used	(d) Available Carryover: Subtract column (c) from column (b).
14		00	00	00
15		00	00	00
16		00	00	00
17		00	00	00
18		00	00	00
19	Total Available Carryover: Add lines 14 through 18 in column (d) .....			00

**Part 3 Total Available Credit**

C Corporations, S corporations claiming this credit at the corporate level, and exempt organizations with UBTI:

20	Total current year's contributions: • Partnerships passing through this credit: Enter "0". • Qualified S corporations electing to pass through this credit: Enter "0". (Complete Part 4 to determine if qualified.) • All others: Enter the amount from line 13. • Also enter this amount on Form 300, Part 1, line 13, column (a).....	20	00
21	Available credit carryover from Part 2, line 19, column (d). • Also enter this amount on Form 300, Part 1, line 13, column (b).....	21	00
22	<b>Total available credit:</b> Add lines 20 and 21. Enter the total. • Also enter this amount on Form 300, Part 1, line 13, column (c).....	22	00

**NOTE:** Partnerships proceed to the instruction box at the bottom of this page. S corporations, continue to Part 4.

**Part 4 S corporation Credit Election**

S corporations may elect to pass this credit through to its shareholders if its combined contributions to School Tuition Organizations and School Tuition Organizations for Displaced Students or Students With Disabilities, Forms 335 and 341, are greater than, or equal to, \$5,000.00.

23	Total contributions from line 11 .....	23	00
24	Total contributions from Form 341, line 11.....	24	00
25	Total contributions: Add lines 23 and 24. Enter the total.....	25	00

26 Is line 25 greater than or equal to \$5,000.00?.....  Yes  No  
 If "Yes", you qualify and may elect to pass this credit through to the individual shareholders of the S corporation.  
 To do this, complete the authorization below.  
 If "No", STOP, the S corporation cannot pass this credit through to its individual shareholders.

27 The S corporation has made an irrevocable election for the taxable year ending MM, DD, YYYY to:  
**(check only one box):**

- 27a  Pass the credit as shown on line 13, for the taxable year indicated above, through to its individual shareholders.  
**OR**  
 27b  Claim this credit as shown on line 13, for the taxable year indicated above, at the corporate level.

\_\_\_\_\_  
 Signature Title Date

S corporations making the election to pass on this credit to its shareholders, proceed to the instructions below.

**INSTRUCTIONS:**

- Partnerships passing this credit through to its corporate partners, complete Form 335-P for each corporate partner, and include a copy of this form with your return. Provide a copy of Form 335-P to each corporate partner.
- S corporations passing this credit through to its individual shareholders, complete Form 335-S for each shareholder, and include a copy of this form with your return. Provide a copy of Form 335-S to each shareholder.

For the calendar year 2018 or fiscal year beginning [M,M|D,D|2,0,1,8] and ending [M,M|D,D|Y,Y,Y,Y].

Partnership Name	Employer Identification Number
------------------	--------------------------------

**Partnerships:**

- Complete Form 335-P for each corporate partner in the partnership.
- Include a copy of this form with your return.
- Provide a copy of this form to the partner.
- Keep one for your records.

**Corporate Partners:**

- Use this form to complete your Form 335.
- Include a copy of this completed form with your Form 335.

Corporate Partner's Name	Employer Identification Number	Ownership Percentage	%
--------------------------	--------------------------------	----------------------	---

	(a) School Tuition Organization Name	(b) Credit Approval Number
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		

<b>11</b> Total contributions to school tuition organizations from Form 335, Part 1, line 13 .....	<b>11</b>		00
<b>12</b> Corporate partner's ownership percentage .....	<b>12</b>		%
<b>13</b> Corporate partner's portion of credit: Multiply line 11 by line 12. Enter the result here and on Form 335, Part 1, line 12. <b>This is the amount of credit available to the corporate partner</b> .....	<b>13</b>		00

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For the calendar year 2018 or fiscal year beginning MM|DD|2018 and ending MM|DD|YYYY.

S corporation Name	Employer Identification Number
--------------------	--------------------------------

**S corporations:**

- Complete Form 335-S for each individual shareholder in the S corporation.
- Include a copy of this form with your return.
- Provide a copy of this form to each individual shareholder.
- Keep one copy for your records.

**Individual Shareholders:**

- Use this form to complete your Form 335-I.
- If you file your tax return on a calendar year basis but the corporation files a return for a fiscal year, claim this credit on your tax return for the year in which the corporation's fiscal year ends. For example, if the corporation's tax year ends in February 2019, claim this credit on your 2019 tax return.

Individual Shareholder's Name	Social Security Number	Ownership Percentage %
-------------------------------	------------------------	---------------------------

	(a) School Tuition Organization Name	(b) Credit Approval Number
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		

<b>11</b> Total contributions to school tuition organizations from Form 335, Part 1, line 13 .....	<b>11</b>		00
<b>12</b> Individual shareholder's ownership percentage .....	<b>12</b>		%
<b>13</b> Individual shareholder's portion of credit: Multiply line 11 by line 12. Enter the result here and on Form 335-I, Part 1, line 11. <b>This is the amount of credit available to the individual shareholder</b> .....	<b>13</b>		00

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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 click on *Reports & Legal Research* then click on *Legal Research* and select a document and a category type from the drop down menus.

**Publications**

To view or print the department's publications, go to our website and click on *Reports & Legal Research*. Then click on *Publications*.

## General Information

This credit provides a nonrefundable corporate income tax credit for contributions made to a school tuition organization (STO), authorized to receive corporate donations, that provides scholarships or grants to qualified schools. This credit must be pre-approved by the Arizona Department of Revenue. The STO must be certified pursuant to Chapter 15 of Title 43 at the time of donation.

Contributions designated for the direct benefit of a specific student will not qualify for the credit.

This credit is in lieu of any deduction taken under Internal Revenue Code § 170 for state tax purposes.

A taxpayer cannot claim this credit and the credit claimed on Form 341 for the same contribution.

The tax credit is equal to the amount the department has pre-approved. Once pre-approved, the taxpayer has 20 days in which to make the contribution to the STO.

The tax credit is available to corporate taxpayers, corporate partners, exempt organizations subject to corporate income tax on unrelated business taxable income (UBTI), or S corporation individual shareholders.

- A partnership may pass this credit through only to its corporate partners, each of which may claim a *pro rata* share of the credit based on their ownership interest.
- An exempt organization may utilize this credit only if it results from activities that generate UBTI.
- An S corporation may claim this credit against income Arizona is taxing at the corporate level, or it may make an irrevocable election to pass this credit through to its individual shareholders.
  - To pass this credit through to its individual shareholders, the S corporation must make minimum contributions of \$5,000 to School Tuition Organizations or to School Tuition Organizations for Displaced Students or Students With Disabilities in a taxable year.
  - Each individual shareholder may claim only a *pro rata* share of the credit based on the individual's ownership interest in the S corporation.

Any *pro rata* shares that would be distributed to non-eligible partners (individual partners in a partnership), or estates or trusts (shareholders in an S corporation) is lost.

The total of the credits allowed to all owners may not exceed the amount that would have been allowed to a sole owner of the business.

If the allowable tax credit exceeds the taxes otherwise due, or if there are no taxes due, the amount of the credit not used to offset taxes may be carried forward for not more than five consecutive taxable years as a credit against subsequent years' income tax liability.

## Claiming the Credit

This credit must be pre-approved by the Arizona Department of Revenue before it can be claimed. The process for obtaining pre-approval for the credit is available on our website: [www.azdor.gov](http://www.azdor.gov). Click on "Tax Credits", then click on "Corporate Tuition Tax Credits."

*Before claiming the credit, obtain a copy of the STO's pre-approved application. Include a copy of the pre-approved application with Form 335. Failure to do so could result in a disallowance of this credit.*

The department will preapprove the credits on a first-come, first-served basis. The pre-approval process works as follows:

- Before making the contribution, the taxpayer notifies the STO of the intended amount.
- The STO requests pre-approval from the Arizona Department of Revenue.
- The Arizona Department of Revenue pre-approves or denies the request within twenty days after it has received the request, and notifies the STO.
- If the request is pre-approved, the STO notifies the taxpayer immediately.
- The taxpayer must make the contribution within twenty days of receiving notice from the STO.

## QUALIFIED SCHOOL TUITION ORGANIZATION REQUIREMENTS

*The STO receiving contributions under this program must be certified pursuant to Chapter 15 of Title 43 at the time of donation.*

*A listing of certified School Tuition Organizations is available at [www.azdor.gov](http://www.azdor.gov). Click on "Tax Credits", then click on "Corporate Tuition Tax Credits", and then click on "School Tuition Organizations Certified to Receive Corporate Donations."*

## Completing the Form

Complete the name and employer identification number (EIN) section at the top of the form. Indicate the period covered by the taxable year. Include the completed form with the tax return.

**NOTE:** If the entity passing this credit through has a different tax year-end than the taxpayer, the taxpayer may only claim this credit on its tax return for that year. For example, if the entity passing this credit through has a tax year end of February 2018, claim this credit on the taxpayer's 2018 return.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for a corporation, an exempt organization with UBTI, an S corporation, or a partnership is the taxpayer's EIN. Taxpayers that fail to include their TIN may be subject to a penalty.

**NOTE – To claim this credit:**

- **Individual taxpayers**, complete Form 335-I and Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture. Include both completed forms with your tax return.
- **C Corporations, S corporations claiming this credit at the corporate level, and exempt organizations with UBTI**, complete this credit form and Arizona Form 300, Nonrefundable Corporate Tax Credits and Recapture. Include both completed forms with your tax return.
- **S corporations electing to pass this credit through to its shareholders**, complete this credit form and Arizona Form 300, Nonrefundable Corporate Tax Credits and Recapture. Also, complete Form 335-S for each shareholder of the S corporation. Provide each shareholder a copy of his or her completed Form 335-S. Include Form 300, Form 335, and one copy of each completed Form 335-S with your tax return.
- **Partnerships**, complete this credit form. Also, complete Form 335-P for each partner of the partnership. Provide each partner a copy of his or her completed Form 335-P. Include Form 335 and one copy of each completed Form 335-P with your tax return.

## Part 1 – Current Taxable Year's Credit Calculation

**Lines 1 through 10:**

- List each STO's name and address in column (a).
- List the credit approval number(s) in column (b).
- List the approved contribution amount(s) in column (c).

**Line 11:**

Add the amounts in column (c) on lines 1 through 10 and enter that amount on line 11.

If contributions are made to more than ten STOs, complete and include additional schedules.

**Line 12:**

Corporate partners (only), enter the amount from Form 335-P, line 13. If none, enter "0."

**Line 13:**

Add the amounts entered on lines 11 and 12. Enter the total.

## Part 2 – Available Credit Carryover

Use Part 2 to calculate the taxpayer's total available credit carryover from prior taxable years.

**S corporations**, if this credit was claimed at the corporate level in a prior taxable year and there is a carryover amount available, complete Part 2.

**Lines 14 through 18:**

- In column (a), enter the taxable year(s) from which the taxpayer is carrying over the credit.
- In column (b), enter the credit originally computed for the taxable year listed in column (a).
- In column (c), enter the amount of the credit from the taxable year that was already used.
- In column (d), subtract the amount in column (c) from column (b). Enter the difference.

**Line 19:**

Add the amounts entered on lines 14 through 18 and enter the amount in column (d).

## Part 3 – Total Available Credit

Use Part 3 to calculate the taxpayer's total available credit for this tax year.

**Line 20:**

- Partnerships passing through this credit to corporate partners, enter "0"
- Qualified S corporations electing to pass this credit through to individual shareholders, enter "0." To determine if the S corporation qualifies to pass this credit through to its individual shareholders, complete Part 4. If the S corporation's total contributions to STOs on Form 335 and/or Form 341 exceed \$5,000, the S corporation qualifies, and may elect, to pass this credit through to its individual shareholders.
- All other corporate entities, (C Corporations, exempt organizations subject to corporate income tax on UBTI, or *S corporations claiming this credit at the corporate level*), enter the amount from line 13.
- Also, enter this amount on Form 300, Line 13, column (a).

**Line 21:**

Enter the amount on line 19, column (d). If the amount is zero, enter "0." Also, enter this amount on Form 300, line 13, column (b).

**Line 22:**

Add lines 20 and 21. Enter the total. This is the taxpayer's total credit for this tax year. Also, enter this amount on Form 300, line 13, column (c).

**Partnerships:** skip Part 4 and proceed to the instructions for completing Form 335-P on page 4.

**S corporations making the election to pass through this credit,** proceed to Part 4.

## **Part 4 – S Corporation Credit Election**

An S corporation may elect to pass this credit through to its individual shareholders.

**NOTE:** *Trusts and estates which are shareholders of S corporations, are not eligible to claim this credit. However, as S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. If the grantor is an individual, he or she may claim his or her share of the credit.*

To pass this credit through to its individual shareholders, the S corporation must have made an aggregate contribution of \$5,000 or more on Forms 335 and 341 during the tax year.

**Line 23:**

Enter the total contributions from line 11.

**Line 24:**

Enter the total contributions from Form 341, line 11.

**Line 25:**

Add lines 23 and 24, enter the total.

**Line 26:**

Is the amount on line 25 greater than, or equal to, \$5,000? If yes, check the “Yes” box and continue to line 27. If no, STOP, the S corporation cannot pass this credit to its individual shareholders.

**Line 27:**

If the S corporation wishes to make an irrevocable election to pass this credit through to its individual shareholders, enter the ending date for this tax year, check the box indicating the S corporation is passing this credit through to its individual shareholders, and have this form signed by an officer of the S corporation who is also a signatory to Arizona Form 120S.

**Proceed to the instructions on page 4 to complete Form 335-S.**

## Form 335-P, Distribution to Corporate Partners of a Partnership

Enter the name of the partnership and EIN at the top of Form 335-P. Enter the corporate partner's name, EIN, and ownership percentage on the next line. (Each corporate partner is entitled to a *pro rata* share of the credit, based on its ownership percentage.)

Complete Form 335-P for *each* corporate partner of the partnership.

### Lines 1 through 10:

- Enter the names of the STO(s) in column (a).
- Enter the Credit Approval Number(s) received in column (b).

If contributions are made to more than ten organizations, complete and include additional schedules.

### Line 11:

Enter the amount of the total current year's contributions from Form 335, Part 1, line 13.

### Line 12:

Enter the corporate partner's ownership percentage of the S corporation.

### Line 13:

Multiply line 11 by line 12. Enter the result. This is the corporate partner's portion of this credit.

The partnership must furnish each corporate partner with its completed copy of Form 335-P, including additional schedules as needed.

The corporate partner will enter the amount on Form 335-P, line 13 on its own Form 335, line 12.

## Form 335-S, Distribution to Individual Shareholders of an S Corporation

Enter the S corporation name and TIN at the top of Form 335-S. Enter the individual shareholder's name, Social Security Number, and ownership percentage on the next line. (Each individual shareholder of the S corporation is entitled to a *pro rata* share of the credit based on his/her ownership percentage.)

Complete Form 335-S for *each* shareholder except for trust or estate shareholders. However, an S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. If the grantor is an individual, he or she may claim his or her share of the credit.

### Lines 1 through 10:

- Enter the names of the STO(s) in column (a).
- Enter the Credit Approval Number(s) received in column (b).

If contributions are made to more than ten organizations, complete and include additional schedules.

### Line 11:

Enter the amount of the total current year's contributions from Form 335, Part 1, line 13.

### Line 12:

Enter the shareholder's ownership percentage of the S corporation.

### Line 13:

Multiply line 11 by line 12. Enter the result. This is the individual shareholder's portion of this credit.

The S corporation must furnish each shareholder with their completed copy of Form 335-S, including additional schedules as needed.

The individual shareholder will use this form to complete Form 335-I.

*Include with your return.*

For the calendar year 2018 or fiscal year beginning [M,M|D,D|2,0,1,8] and ending [M,M|D,D|Y,Y,Y,Y].

Your Name as shown on Form 140, 140NR, 140PY, or 140X	Your Social Security Number
Spouse's Name as shown on Form 140, 140NR, 140PY, or 140X (if a joint return)	Spouse's Social Security Number

**Part 1 School Tuition Organization Information**

Check if you are claiming a pro rata share of credit from more than one S corporation. Complete and include a separate Part 1 for each additional S corporation.

**I am claiming a credit for my pro rata share of contributions made by the S corporation named below to the following school tuition organizations:**

S corporation name: \_\_\_\_\_ EIN: \_\_\_\_\_

If you need more space to list all school tuition organizations for which contributions were made by the S corporations identified above, complete an additional schedule and include it with the credit form.

	(a) School Tuition Organization Name	(b) Credit Approval Number		
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11	Amount of individual shareholder's pro rata share of qualified contributions made to school tuition organizations from the S corporation listed above .....	11		00

Continued on page 2 →

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

**Part 2 Current Year's Credit**

12 Current year's credit: Enter the amount from Part 1, line 11. If you are claiming a current year's credit from more than one S corporation, include the amount(s) on line 11 from each additional Part 1 schedule and enter the total.....	<b>12</b>	00
---	-----------	----

**Part 3 Available Credit Carryover**

	(a) Taxable Year from which you are carrying the credit	(b) Original Credit Amount	(c) Amount Previously Used	(d) Available Carryover: Subtract column (c) from column (b).
13	2015	00	00	00
14	2016	00	00	00
15	2017	00	00	00
16				
17				
18	Total Available Carryover: Add lines 13 through 17, column (d) .....			00

**Part 4 Total Available Credit**

19 Current year's credit: Enter the amount from Part 2, line 12. Also, enter this amount on <i>Arizona Form 301, Part 1, line 18, column (a)</i> .....	<b>19</b>	00
20 Available credit carryover from Part 3, line 18, column (d). Also, enter this amount on <i>Arizona Form 301, Part 1, line 18, column (b)</i> .....	<b>20</b>	00
21 Total Available Credit: Add line 19 and line 20. Also, enter this amount on <i>Arizona Form 301, Part 1, line 18, column (c)</i> .....	<b>21</b>	00



**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 click on *Reports and Legal Research* 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 and click on *Reports and Legal Research* then click on *Publications*.

**General Instructions**

**NOTE:** You *must* also complete Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture, and include Forms 301 and 335-I with your tax return to claim this credit.

Arizona law allows an individual shareholder to claim a nonrefundable tax credit for the *pro rata* amount of contributions made by an S corporation to a school tuition organization (STO).

The S corporation must make an irrevocable election on Arizona Form 335, *Credit for Contributions to School Tuition Organization*, to pass-through the credit to its individual shareholder(s). The S corporation making the election should give you Arizona Form 335-S, *Credit for Corporate Contributions to School Tuition Organizations - Distribution to Shareholders of an S Corporation*, showing your *pro rata* share of the available credit for the taxable year. The amount of the allowable credit you may claim is reported on Form 335-S.

An individual shareholder may claim a corporate STO credit passed through from an S corporation even if the individual is claiming the maximum amount allowed under the two individual private school tuition credits (Arizona Forms 323 and 348.) The corporate STO credit passed through from the S corporation is a different credit that is not subject to the limitations under the two individual private school tuition credits.

**NOTE: Individual Shareholders of an S Corporation with a Fiscal Year-End -** If you file your tax return on a calendar year basis, but the corporation files a return for a fiscal year, claim the credit on your tax return for the year in which the corporation's fiscal year ends. For example, if the corporation's tax year ends in February 2018, claim the credit on your 2018 tax return.

Co-owners of the S corporation may each claim the *pro rata* share of the credit allowed based on the taxpayers ownership interest. The total of the credits allowed all owners of the corporation may not exceed the amount that would have been allowed a sole owner of the business.

If the allowable tax credit exceeds the taxes otherwise due, or if there are no taxes due, you may carry the unused credit forward for a period not to exceed the next five consecutive taxable years' income tax liability.

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

**NOTE:** This tax credit is not allowed if the S corporation or a shareholder designates the contribution to the STO for the direct benefit of any dependent of a shareholder of the corporation claiming a credit under this section or if the corporation or a shareholder designates a student beneficiary as a condition of the contribution to the STO.

The tax credit is not allowed if the S corporation or a shareholder, with the intent to benefit a shareholder's dependent, agrees with one or more other taxpayers to designate reciprocal contributions to school tuition organizations for the direct benefit of the other taxpayer's dependent.

For Arizona purposes, "dependent" has the same meaning provided in § 152 of the Internal Revenue Code. For the purpose of this credit, it does not matter if the shareholder qualifies to take the dependent deduction.

**Specific Instructions**

Enter your name and taxpayer identification number (TIN) as shown on Arizona Forms 140, 140NR, 140PY, or 140X. Indicate the period covered by the taxable year. Include the completed form with the income tax return.

All returns, statements, and other documents filed with the department require a TIN. The TIN for an individual is the taxpayer's Social Security Number (SSN) or an Internal Revenue Service (IRS) individual taxpayer identification number (ITIN). Taxpayers that fail to include their identification number may be subject to a penalty.

**Part 1 - School Tuition Organization Information**

**NOTE:** If you are claiming a *pro rata* share of credit from more than one S corporation, check the box in Part 1. Complete and include a separate Part 1 for each S corporation.

In the space provided, enter the S corporation's name and employer identification number (EIN) for which you are claiming a *pro rata* share of credit for contributions made during the taxable year.

**Lines 1 through 10 -**

On lines 1 through 10, enter the name and credit approval number for **all** STOs the S corporation made a contribution to for which you are claiming a *pro rata* share of credit for the current taxable year.

This information is shown on page 1 of the S corporation's Arizona Form 335-S.

If you need more space to list **all** STOs for which contributions were made by the S corporation, include a separate schedule showing the name and credit approval number for each and include with the credit form.

**Line 11 - Taxpayer's *pro rata* share of contributions made by the S corporation named in Part 1**

Enter the amount from the S corporation's Arizona Form 335-S, line 13.

**Part 2 - Current Year's Credit****Line 12 -**

Enter the amount of your *pro rata* share of the contributions made to the STOs listed in Part 1.

If you are claiming a *pro rata* share of credit from more than one S corporation, add all amounts on line 11 from each separate Part 1, and enter the total.

**Part 3 - Available Credit Carryover****Lines 13 through 18 -**

Complete Part 3, lines 13 through 18 to figure your available credit carryover from taxable years 2015 through 2017 if you claimed this credit and the credit was more than your tax.

- In column (b) enter the credit originally computed for that taxable year listed in column (a).
- In column (c) enter the amount of the credit from that taxable year which you have already used.
- Subtract the amount in column (c) from column (b) and enter the difference in column (d).

Add lines 13 through 17, column (d), and enter the total on line 18, column (d).

**Part 4 - Total Available Credit****Line 19 -**

Enter the amount from Part 2, line 12. Also, enter this amount on Form 301, Part 1, line 18, column (a).

**Line 20 -**

Enter the amount from Part 3, line 18, column (d). Also, enter this amount on Form 301, Part 1, line 18, column (b)

**Line 21 - Total Available Credit**

Add line 19 and line 20. Enter the total. Also, enter this amount on Form 301, Part 1, line 18, column (c).

**All taxpayers: Include with your return. Exempt organizations: See instructions.**

For the calendar year 2018 or fiscal year beginning MM,DD,2018 and ending MM,DD,YYYY.

Your Name as shown on Form 140, 140NR, 140PY, 140X, 99, 99T, 120, 120A, 120S, 120X, 165	Your Social Security or Employer Identification Number
Spouse's Name as shown on Form 140, 140NR, 140PY, 140X (if a joint return)	Spouse's Social Security Number

**Part 1 Eligibility**

- |   |                          |                          |
|---|--------------------------|--------------------------|
|   | <b>YES</b>               | <b>NO</b>                |
| 1 Has the taxpayer made an application with the Arizona Commerce Authority and received an initial certification of the solar energy project? .....1        | <input type="checkbox"/> | <input type="checkbox"/> |
| 2 After the installation of the solar energy device was complete, did the taxpayer receive a Credit Certificate from the Arizona Commerce Authority? .....2 | <input type="checkbox"/> | <input type="checkbox"/> |

If the answer to either question 1 or question 2 is "No", you do not qualify for this credit. In this case, do not complete Form 336.

**Part 2 Credit Computation for Installing Qualifying Devices**

- |   |          |  |
|---|----------|--|
| 3 Enter the total number of devices installed during the taxable year for which the taxpayer is claiming a credit | <b>3</b> |  |
| 4 Enter the total number of buildings on which the taxpayer installed solar energy devices .....                  | <b>4</b> |  |

	(a) <b>BUILDING 1</b>	(b) <b>BUILDING 2</b>	(c) <b>BUILDING 3</b>
5 Address of the building on which the device was installed .....			
6 Arizona Commerce Authority Credit Certificate Number for the device .....			

	BUILDING 1	BUILDING 2	BUILDING 3
7 Enter the installed cost of the device ..... 7	\$                      00	\$                      00	\$                      00
8 Credit Factor..... 8	10%	10%	10%
9 Multiply the amount on line 7 by the percentage on line 8, and enter the result..... 9	\$                      00	\$                      00	\$                      00
10 Maximum Credit Per Building.. 10	\$            25,000.00	\$            25,000.00	\$            25,000.00
11 In columns (a) through (c), enter the smaller of the amount on line 9, or the amount on line 10.. 11	\$                      00	\$                      00	\$                      00
12 Add the amounts on line 11 in each column and enter the total..... 12			00
13 Enter the total from continuation sheets, if applicable..... 13			00
14 Add the amount on line 12 to the amount on line 13. Enter the total ..... 14			00
15 Maximum allowable credit ..... 15			\$            50,000.00
16 Enter the smaller of line 14 or line 15..... 16			00

Continued on page 2 →



Your Name (as shown on page 1)	Your Social Security or Employer Identification Number
--------------------------------	--

**Part 5 Partner's Share of Credit**

Partnerships:

- Complete a separate Form 336-P for each partner.
- Furnish each partner with their completed Form 336-P.

**Part 6 S Corporation Credit Election and Shareholder's Share of Credit**

27 The S corporation has made an irrevocable election for the taxable year ending: MM,MM,DD,YY,YY,YY to (check only one box):

- (a)  Claim the non-transferred credit for solar energy devices as shown in Part 4, line 26, for the taxable year mentioned above.
- OR-**
- (b)  Pass the non-transferred credit for solar energy devices as shown in Part 4, line 26, for the taxable year mentioned above through to its shareholders.

\_\_\_\_\_  
Signature Title Date

- If box (a) is checked, complete Parts 7 and 8.
- If box (b) is checked:
  - Complete a separate Form 336-S for each shareholder. Furnish each shareholder with a copy of their completed Form 336-S.
  - Complete Parts 7 and 8 of Form 336, only, if you have a carryover amount from a credit claimed in a prior year.
  - Include a copy of Form 336 and each Form 336-S with your return.

**Part 7 Available Credit Carryover**

	(a) Taxable Year from which you are carrying a credit	(b) Original Credit Amount	(c) Amount Previously Used	(d) Available Carryover: Subtract column (c) from column (b).
28	2013	00	00	00
29	2014	00	00	00
30	2015	00	00	00
31	2016	00	00	00
32	2017	00	00	00
33	Total Available Carryover: Add lines 28 through 32, column (d), and enter the total.....			00

**Part 8 Total Available Credit**

34	Current year's credit: <ul style="list-style-type: none"> <li>• Individuals, C corporations, S corporations that are claiming the credit, or exempt organizations with UBTI: Enter the amount from Part 4, line 26.</li> <li>• Individuals: Also, enter this amount on <i>Arizona Form 301, Part 1, line 19, column (a)</i>.</li> <li>• C corporations, S corporations that are claiming the credit, and exempt organizations with UBTI: Also, enter this amount on <i>Arizona Form 300, Part 1, line 14, column (a)</i> .....</li> </ul>	<b>34</b>	00
35	Available credit carryover from Part 7, line 33, column (d). <ul style="list-style-type: none"> <li>• Individuals: Also enter this amount on <i>Arizona Form 301, Part 1, line 19, column (b)</i>.</li> <li>• C corporations, S corporations that are claiming the credit, and exempt organizations with UBTI: Also, enter this amount on <i>Arizona Form 300, Part 1, line 14, column (b)</i> .....</li> </ul>	<b>35</b>	00
36	Total Available Credit: Add lines 34 and 35 and enter the total. <ul style="list-style-type: none"> <li>• Individuals: Also, enter this amount on <i>Arizona Form 301, Part 1, line 19, column (c)</i>.</li> <li>• C corporations, S corporations that are claiming the credit, and exempt organizations with UBTI: Also, enter this amount on <i>Arizona Form 300, Part 1, line 14, column (c)</i>.</li> </ul>	<b>36</b>	00

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For the calendar year 2018 or fiscal year beginning MM,DD,2018 and ending MM,DD,YYYY.

**Partnership:**

- Complete Form 336-P for each partner in the partnership **except for** trust or estate partners. However, a partnership ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by grantor. The grantor may claim his or her share of the credit.
- Provide a copy of the completed form to each partner.
- Include a copy of Form 336 and each completed Form 336-P with your partnership return.
- Keep a copy of each completed 336-P for your records.

**Partner:**

- Use this form to complete *your own* Form 336.
- Include a copy of this form with your return.
- Keep a copy of this form for your records.

**NOTE:** If you file your tax return on a calendar year basis but this entity files a return on a fiscal year basis (see above), claim this credit on your tax return for the year in which this entity's fiscal year ends.

**Part 1 Partnership and Partner Information**

<b>1</b>	(a) Partnership Name	(b) Employer Identification Number (EIN)
<b>2</b>	(a) Partner Name	(b) Taxpayer Identification Number (TIN)

**Part 2 Arizona Commerce Authority Credit Certificate Number**

If you are passing through a credit for more than three devices, complete a continuation sheet and include it with this form.

<b>3</b>	Solar Energy Device #1	Solar Energy Device #2	Solar Energy Device #3
----------	------------------------	------------------------	------------------------

**Part 3 Distribution of the Credit**

<b>4</b> Enter the amount of the partnership's credit from Form 336, Part 4, line 26.....	<b>4</b>		00
<b>5</b> Enter the percentage used to compute the allowable pass-through credit. <b>See instructions</b> ...	<b>5</b>		%
<b>6</b> Multiply line 4 by the percentage on line 5 and enter the result ..... This is the partner's <i>pro rata</i> share of the credit.	<b>6</b>		00

*Partners:* Enter this amount on *your own* Form 336, Part 4, line 22

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For the calendar year 2018 or fiscal year beginning MM,DD,2018 and ending MM,DD,YYYY.

**S corporation:**

- Complete Form 336-S for each shareholder in the S corporation **except for** trust or estate shareholders. However, a S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by grantor. The grantor may claim his or her share of the credit.
- Provide a copy of the completed form to each shareholder.
- Include a copy of Form 336 and each completed Form 336-S with your S corporation return.
- Keep a copy of each completed 336-S for your records.

**Shareholder:**

- Use this form to complete *your own* Form 336.
- Include a copy of this form with your return.
- Keep a copy of this form for your records.

**NOTE:** If you file your tax return on a calendar year basis but this entity files a return on a fiscal year basis (see above), claim this credit on your tax return for the year in which this entity's fiscal year ends.

**Part 1 S corporation and Shareholder Information**

<b>1</b>	(a) S corporation Name	(b) Employer Identification Number (EIN)
	(a) Shareholder Name	(b) Taxpayer Identification Number (TIN)

**Part 2 Arizona Commerce Authority Credit Certificate Number**

If you are transferring a credit for more than three devices, complete a continuation sheet and include it with this form.

<b>3</b>	Solar Energy Device #1	Solar Energy Device #2	Solar Energy Device #3

**Part 3 Distribution of the Credit**

<b>4</b>	Enter the amount of the S corporation's credit from Form 336, Part 4, line 26 .....	<b>4</b>		00
<b>5</b>	Enter the percentage used to compute the allowable pass-through credit. <b>See instructions</b> ...	<b>5</b>		%
<b>6</b>	Multiply line 4 by the percentage on line 5 and enter the result ..... This is the shareholder's <i>pro rata</i> share of the credit. <i>Shareholders:</i> Enter this amount on <i>your own</i> Form 336, Part 4, line 23.	<b>6</b>		00

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For the calendar year 2018 or fiscal year beginning MM,DD,DD|2,0,1,8 and ending MM,DD,DD|Y,Y,Y,Y.

**Taxpayer transferring credit to third party (Transferor):**

- Complete Form 336-T for each third party to which you are transferring the credit for an installed solar device.
- Provide each third party a copy of the completed Form 336-T.
- Include a copy of Form 336 and each completed Form 336-T with your income tax return.
- Keep a copy of each completed 336-T for your records.

**Third party receiving credit (Transferee):**

- Use this form to complete *your own* Form 336.
- Include a copy of this form with your return.
- Keep a copy of this form for your records.

**NOTE:** If you file your tax return on a calendar year basis but this entity files a return on a fiscal year basis (see above), claim this credit on your tax return for the year in which this entity's fiscal year ends.

**Part 1 Taxpayer (Transferor) and Third Party (Transferee) Information**

1	(a) Taxpayer Name (Transferor)	(b) Taxpayer Identification (TIN) or Employer Identification Number (EIN)
2	(a) Third Party Name (Transferee)	(b) Taxpayer Identification (TIN) or Employer Identification Number (EIN)

**Part 2 Solar Energy Device Information and Transferred Credit Amount**

If you are transferring a credit for more than three devices, complete a continuation sheet and include it with this form.

	(a) Solar Energy Device #1	(b) Solar Energy Device #2	(c) Solar Energy Device #3	(d) Total Credit Transferred
3 Check all boxes that apply for each device: <i>Every third party receiving a credit must have either financed, installed, or manufactured the device for which the credit is transferred</i> .....	<input type="checkbox"/> Financed <input type="checkbox"/> Installed <input type="checkbox"/> Manufactured	<input type="checkbox"/> Financed <input type="checkbox"/> Installed <input type="checkbox"/> Manufactured	<input type="checkbox"/> Financed <input type="checkbox"/> Installed <input type="checkbox"/> Manufactured	
4 Building identification number from Form 336, Part 2 .....	Building No: _____	Building No: _____	Building No: _____	
5 Enter the Arizona Commerce Authority Credit Certificate Number for the device .....				
6 Enter the amount of Credit Transferred to third party named of line 2(a). <i>This amount must equal the amount entered on Form 336, Part 2, line 11, for that particular device</i> .....	00	00	00	
7 Total credit transferred: Add line 6, columns (a), (b), and (c) and amounts from continuation sheets, if applicable. Enter the total in column (d).....				00

Third party (Transferees): Enter the amount from line 7, column (d), on *your own* Form 336, Part 4, line 21.

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**CONTACTS FOR COMMERCIAL AND INDUSTRIAL  
SOLAR ENERGY TAX CREDIT PROGRAM**

**Arizona Commerce Authority (ACA)**

•Application forms •Program guidelines

Website: [www.azcommerce.com](http://www.azcommerce.com)

Program Manager: (602) 845-1200

**Arizona Department of Revenue**

**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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**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 click on *Reports and Legal Research* 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 and click on *Reports and Legal Research* then click on *Publications*.

**General Instructions**

**Individuals:** *You must also complete Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture, and include Forms 301 and 336 with your tax return to claim this credit.*

**Corporate taxpayers including exempt organizations with unrelated business taxable income:** *You must also complete Arizona Form 300, Nonrefundable Corporate Tax Credits and Recapture, and include Forms 300 and 336 with your tax return to claim this credit.*

**If you are transferring the credit for an installed solar device to a third party, you must also complete a separate Form 336-T for each third party receiving a transferred credit.**

**Partnerships** passing the credit through to its partners must also complete and include a separate **Form 336-P** for each partner receiving a pass-through credit.

**S corporations** passing the credit through to its shareholders must also complete and include a separate **Form 336-S** for each shareholder receiving a pass-through credit.

For taxable years beginning on or after January 1, 2006 through December 31, 2018, Arizona law provides a solar energy credit for a taxpayer that installs one or more solar energy devices for commercial, industrial, or any other nonresidential application in the taxpayer's facility located in Arizona.

The solar energy credit is 10% (.10) of the cost of the installed device. The credit cannot exceed \$25,000 with respect to the same building in the same tax year, or \$50,000 in total credits in any given tax year.

If the allowable tax credit is more than the tax, the taxpayer may carry the unused credit forward for up to the next five consecutive tax years.

**Who May Claim This Credit**

This credit is available to individuals, C corporations and S corporations.

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

**Transfer Credit**

The taxpayer, including a tax exempt organization that would otherwise qualify for the credit, may elect to transfer the credit to the third party that financed, installed, or manufactured the solar energy device. To make this election all taxpayers, including a tax exempt organization that elects to transfer the credit to a third party, must complete Arizona Form 336 and Form 336-T, *Credit for Solar Energy Device – Commercial and Industrial Applications Transferred from Taxpayer to Third Party*, for each third party receiving a transferred credit.

Form 336-T is available on the department's website. The instructions to complete this form are on page 5 of these instructions.

**Pass-through Credit**

A partnership may pass the credit through to its partners. The partnership must complete Form 336, as instructed, and a separate Form 336-P for each partner to pass through the credit. An S corporation may pass the credit through to its shareholders. The S corporation must complete Form 336, as instructed, and a separate Form 336-S for each shareholder to pass through the credit.

If the credit is passed-through, the partners and shareholders may each claim a *pro rata* share of the credit allowed based on the ownership interest or financial investment in the system. The total of the credits allowed all such owners may not exceed the amount that would have allowed a sole owner.

Forms 336-P and 336-S are available on the department's website. The instructions to complete each of these forms begin on page 6 of these instructions.

**Tax Exempt Organizations**

A tax exempt organization, filing only Form 99, and transferring this credit to a third party must complete Parts 1, 2, and 3 of Form 336. The tax exempt organization must furnish each taxpayer, to whom it transfers a credit, a completed copy of Form 336-T.

The exempt organization must mail a copy of each completed form to:

Office of Economic Research and Analysis  
Arizona Department of Revenue  
PO Box 29099  
Phoenix, AZ 85038-9099

**NOTE:** *An exempt organization must mail a copy of each completed form to the above address regardless of whether the organization is required to file Arizona Form 99.*

A tax exempt organization with UBTI, and filing Arizona Form 99T, should do the following:

- Whether or not the credit is claimed by the exempt organization with UBTI, or is transferred by the exempt organization with UBTI to a third party, include a completed Form 336 and Form 336-T with the Form 99T, when filed. If transferring the credit, also include a copy of completed Form 336-T for each third party
- Mail a copy of the completed Form 336 to:  
Office of Economic Research and Analysis  
Arizona Department of Revenue  
PO Box 29099  
Phoenix, AZ 85038-9099

## Credit Eligibility

To be eligible for this credit, the Arizona Commerce Authority (ACA) must have issued the taxpayer a Credit Certificate that includes an identifying number. To obtain a Credit Certificate, the taxpayer must follow the procedures outlined by the ACA. These procedures include the requirement that the taxpayer file an application with the ACA so that the ACA can determine whether the project meets the criteria for the purpose of this tax credit. Once the ACA determines that the project meets the criteria, the ACA will issue an initial certification of the project. To receive a Credit Certificate, the taxpayer must provide additional information to the ACA once the installation is complete. For more information on how to make an application for this credit with the ACA, visit [www.azcommerce.com](http://www.azcommerce.com).

**NOTE:** *A taxpayer cannot claim this credit without a Credit Certificate issued from the ACA. A taxpayer who is transferring or passing through a credit must provide the Credit Certificate Number on each applicable form, 336-T, 336-P, or 336-S.*

## Solar Energy Devices

For the purpose of this credit, a solar energy device means a system or series of mechanisms designed primarily to:

- provide heating,
- provide cooling,
- produce electrical power,
- produce mechanical power,

- provide solar day lighting, or
- provide any combination of the foregoing by means of collecting and transferring solar generated energy into such uses either by active or passive means, including wind generator systems that produce electricity.

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

The person who sells or installs the solar energy device must furnish the taxpayer with an accounting of the cost.

## Line-by-Line Instructions

Enter the names and taxpayer identification numbers (TIN) as shown on Arizona Forms 99, 99T, 140, 140NR, 140PY, 140X, 120, 120A, 120S, 120X, or 165.

If the taxpayer is an exempt organization that is not required to file Arizona Form 99, enter the organization's name and employer identification number (EIN).

Fiscal year basis taxpayers must indicate the period covered by the taxable year. Include the completed form with the tax return. Exempt organizations must file this form as noted under the heading titled "Tax Exempt Organizations."

All returns, statements, and other documents filed with the Department of Revenue (Department) require a taxpayer identification number (TIN). The TIN for an individual is the taxpayer's Social Security Number (SSN) or an Internal Revenue Service (IRS) individual taxpayer identification number (ITIN), or for a business, the EIN.

Paid tax preparers must also include their TIN on forms where requested. Paid preparers who fail to include their TIN may be subject to a penalty.

Missing, incorrect, or unclear identification numbers may cause delays in processing.

### Part 1 - Eligibility

#### Lines 1 and 2 -

Answer questions 1 and 2. If you answer "NO" to either question 1 or question 2, **STOP**, you do not qualify for this credit. In this case, do not complete Form 336.

### Part 2 - Credit Computation for Installing Qualifying Devices

#### Lines 3 through 16 -

Use lines 3 through 16 to figure the credit for installing one or more solar energy devices for commercial, industrial, or nonresidential purposes on your business property located in Arizona.

If you have installed more than one device on the same building during the same taxable year, complete your own separate schedule (continuation sheet) for each device installed on that building. The separate sheet should show the information required on lines 5 through 9 for a single device.

Enter the aggregate amount for all devices installed on the same building in the column designated for that building.

Include your separate continuation sheet(s) and Form 336 with your return.

Exempt organizations must file this form as noted under the heading titled "Tax Exempt Organizations."

If you have installed devices on more than three buildings, complete an additional schedule. The additional schedule should show the same information that is shown on the form for the first three buildings.

Complete lines 3 through 16 as instructed on the form.

### Part 3 - Taxpayer's Election to Transfer Credit to Third Party

All taxpayers claiming the credit must complete Part 3. The taxpayer must make an irrevocable election either to claim the credit or to transfer the credit to a third party. The credit may **only** be transferred to a third party that financed, installed or manufactured the solar energy device.

If a taxpayer makes the election to transfer the credit to a third party, the taxpayer must transfer the entire credit allowable for that device to the third party. The taxpayer may not use a portion of the credit and also allow the third party to use a portion of the credit.

However, if the taxpayer has installed more than one device, the taxpayer may claim the credit for one or more devices and transfer the credit for the other device(s) to a third party.

The taxpayer must sign the election statement. If a taxpayer is a corporation, the election must be signed by one of the officers of the corporation who is also a signatory to the Arizona Form 120, Form 120A or Form 120S.

If the taxpayer is a partnership, the election must be signed by a partner who is also a signatory to the Arizona Form 165.

If the taxpayer is a tax exempt organization, the election must be signed by an officer of the organization.

If you have credits for multiple devices that you are transferring to more than one third party, complete a separate Form 336-T, for each third party to which you are transferring a credit.

The taxpayer must furnish each third party with a copy of their completed Form 336-T. The third party will use the information to complete its own Form 336.

#### Line 17 -

- Enter the taxable year ending date in the space provided.
- Check the applicable box to either:
  - (a) **Not transfer** the credit for any solar energy device listed in Part 2, on line 6; *or*
  - (b) **Transfer** the credit for one or more installed devices listed in Part 2, on line 6.

If the taxpayer installed more than one solar energy device, the taxpayer who elects option (b), must also check the applicable box, to either:

- (i) Transfer the credit for **all** devices installed; *or*
- (ii) Transfer the credit for some of the devices installed.

If you elect option (ii) you must list, in the spaces provided, the ACA Certificate number for each device for which you are transferring a credit.

**If box (a) is checked**, also complete Parts 4 through 8, as applicable.

**If box (b) is checked, and**

- You are transferring the credit for **all** solar energy devices listed in Part 2, on line 6:
  - Complete Form 336-T for every qualified third party that you are transferring a credit to for the solar energy device.
  - If you also are claiming a pass-through credit received from a Partnership or S corporation, complete Parts 4, 5, 7, and 8 of Form 336.
  - If you have a carryover amount from a credit claimed in a prior year, also complete Parts 7 and 8 of Form 336.
- You are **not** transferring the credit for **all** solar energy devices listed in Part 2, on line 6:
  - Complete Form 336-T for every qualified third party that you are transferring a credit to for the device.
  - If you are an S corporation, also complete Parts 4 and 6 of Form 336 for the credit that was not transferred.
  - If you are a Partnership, also complete Parts 4 and 5 of Form 336 for the credit that was not transferred.
  - All other taxpayers also complete Parts 4, 7, and 8 of Form 336 for the credit that was not transferred.

### Part 4 - Current Year's Credit

Complete lines 18 through 26, to figure the current year's credit.

#### Line 18 - Credit computed this taxable year

Enter the amount from Part 2, line 16.

#### Line 19 - Credit you transferred to a third party

Enter the amount from Form 336-T, Part 2, line 7. If you transferred a credit to more than one third party, enter the total amount from Part 2, line 7 from all Forms 336-T. If you did not transfer a credit, enter "0."

#### Line 20 -

Subtract line 19 from line 18 and enter the difference.

**Line 21 - Credit transferred to you as a third party**

Enter the amount from Form 336-T, Part 2, line 7. If you received more than one Form 336-T, enter the total amount from Part 2, line 7 from all Forms 336-T. If you did not receive a transfer credit, enter "0."

**Line 22 - Credit passed through to you by a Partnership**

Enter the amount from Form 336-P, line 6. If you received more than one Form 336-P, add all amounts on line 6 and enter the total.

**Line 23 - Credit passed through to you by an S corporation**

Enter the amount from Form 336-S, line 6. If you received more than one Form 336-S, add all amounts on line 6 and enter the total.

**Line 24 -**

Add lines 20 through 23 and enter the total.

**Line 25 - Maximum Allowable Credit**

The current taxable year credit allowed in any given tax year cannot exceed \$50,000. Line 25 limits the amount of credit allowed to be claimed in the current taxable year to the \$50,000 maximum. *This amount does not include any valid carryover amount claimed from a prior tax year.*

**Line 26 - Current year's credit**

Enter the smaller of line 24 or 25.

**Part 5 - Partner's Share of Credit**

Partnerships must complete Form 336, Parts 1 through 4 before completing Part 5 as follows:

1. Complete a separate Form 336-P for each partner. Each partner may claim only a *pro rata* share of the credit based on the partner's ownership interest in the partnership or the amount of the financial investment in the system.
2. The partnership must furnish each partner with a copy of the completed Form 336-P.
3. The partnership must include Form 336 and a copy of each Form 336-P with its tax return

**Part 6 - S Corporation Credit Election and Shareholder's Share of Credit**

The S corporation must complete Form 336, Parts 1 through 4, before completing Part 6.

**Line 27 -**

1. Enter the taxable year ending date in the space provided.
2. The S corporation must make an irrevocable election to either claim the non-transferred credit *or* pass the non-transferred credit through to its shareholders.
  - **Check box (a) to claim** the non-transferred credit for solar energy devices, from Part 4, line 26. If box (a) is checked, complete Parts 7 and 8.

- **Check box (b) to pass-through** the non-transferred credit for solar energy devices, from Part 4, line 26. If box (b) is checked:
  - Complete a separate Form 336-S for each shareholder. Furnish each shareholder with a copy of their completed Form 336-S.
  - Complete Parts 7 and 8 of Form 336, only if you have a carryover amount from a credit claimed in a prior year.
  - Include a copy of Form 336 and each Form 336-S with your return.

Each shareholder must complete Parts 4, 7, and 8.

**Part 7 - Available Credit Carryover****Lines 28 through 33 -**

Use Part 7, lines 28 through 33, to figure your credit carryover from taxable years 2013 through 2017. Complete lines 28 through 33 if you claimed this credit on a return for one of these years and the credit was more than your tax.

- In column (b), enter the credit originally computed for the taxable year.
- In column (c), enter the amount of the credit from that taxable year which you have already used.
- In column (d), subtract the amount in column (c) from the amount in column (b) and enter the difference.
- Add the amounts entered on lines 28 through 32 in column (d).

Enter the total on line 33, column (d).

**Part 8 - Total Available Credit****Line 34 -**

Individuals, C corporations, S corporations claiming the credit, and exempt organizations with UBTI: Enter the amount from Part 4, line 26.

- Individuals: Also, enter this amount on Arizona Form 301, Part 1, line 19, column (a).
- C corporations, S corporations claiming the credit, and exempt organizations with UBTI: Also, enter this amount on Arizona Form 300, Part 1, line 14, column (a).

**Line 35 -**

Enter the amount from Part 7, line 33, column (d).

- Individuals: Also, enter this amount on Form 301, Part 1, line 19, column (b).
- C corporations, S corporations claiming the credit, and exempt organizations with UBTI: Also, enter this amount on Form 300, Part 1, line 14, column (b).

**Line 36 - Total Available Credit**

Add lines 34 and 35. Enter the total.

- Individuals: Also, enter this amount on Form 301, Part 1, line 19, column (c).
- C corporations, S corporations claiming the credit, and exempt organizations with UBTI: Also, enter this amount on Form 300, Part 1, line 14, column (c).



## **Form 336-T, Credit for Solar Energy Devices – Commercial and Industrial Applications Transferred From Taxpayer to Third Parties**

**NOTE:** Form 336-T is available on the department's website.

### **Taxpayer Transferring Credit to Third Party (Transferor):**

- Complete Form 336-T for each third party to which you are transferring the credit for an installed solar device.
- Provide each third party with a copy of the completed Form 336-T.
- Include a copy of Form 336 and each completed Form 336-T with your tax return.
- Keep a copy of each completed form for your records.

### **Third Party receiving credit (Transferee)**

- Use this form to complete your own Form 336.
- Include a copy of this form with your own Form 336. Include both forms with your tax return.
- Keep a copy of each form for your records.

### **Instructions for Transferring Credit to a Third Party**

#### **Part 1 - Taxpayer (Transferor) and Third Party (Transferee) Information**

##### **Line 1 (a) and (b) -**

In the spaces provided, enter the name and taxpayer identification number (SSN or EIN) of the taxpayer who is *transferring* the credit to the third party.

##### **Line 2 (a) and (b) -**

In the spaces provided, enter the name and taxpayer identification number (SSN or EIN) of the third party *receiving* the transferred credit.

#### **Part 2 - Solar Energy Device Information and Credit**

*If you have more than three solar energy devices for which you are transferring a credit, complete a continuation sheet and include it with this form.*

##### **Line 3 -**

You may **only** transfer a credit for a qualifying solar energy device to a third party who either financed, installed, or manufactured the solar energy device. For each solar energy device that you are transferring the credit, check all applicable boxes that applies to the third party receiving the credit.

##### **Line 4 -**

Enter the building number (e.g. 1, 2, 3, etc.) from Form 336, Part 2.

##### **Line 5 -**

Enter the Arizona Commerce Authority Credit Certificate Number for each device listed.

##### **Line 6 -**

Enter the amount of credit transferred to the third party named on line 2(a). *This amount **must** equal the amount entered on Form 336, Part 2, line 11, for that particular device.*

##### **Line 7 - Total Credit Transferred**

Add line 6, columns (a), (b), (c), and all amounts from continuation sheets, if applicable.

Enter the total on line 7, in column (d).

#### **Instructions for Third Party Receiving Form 336-T**

- Enter the amount from line 7, column (d), on your own Form 336, in Part 4, on line 21.

If you received more than one Form 336-T, add the amounts on line 7, column (d) from each form, and enter the total on in Part 4, on line 21.

**NOTE:** If you file your income tax return on a calendar year basis (January 1, 2018 – December 31, 2018) but the Taxpayer transferring the credit files its return on a fiscal year basis, claim the transferred credit on your income tax return for the year in which the Taxpayer's fiscal year ends. For example, if the Taxpayer's tax year ends in February 2019, claim this credit on your 2019 tax return.

## **Form 336-P, Credit for Solar Energy Devices – Commercial and Industrial Applications Distribution to Partners**

**NOTE:** Form 336-P is available on the department's website.

### **Partnership:**

- Complete Form 336-P for each partner in the partnership except for trust or estate partners. However, a partnership ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by grantor. The grantor may claim his or her share of the credit.
- Provide a copy of the completed form to each partner.
- Include a copy of each completed Form 336-P with your partnership return.
- Keep a copy of each completed Form 336-P for your records.

### **Partner:**

- Use this form to complete *your own* Form 336.
- Include a copy of this form with your return.
- Keep a copy of this form for your records.

### **Instructions for Partnerships Passing the Credit to Partners**

#### **Part 1 - Partnership and Partner Information**

##### **Line 1 (a) and (b) -**

In the space provided, enter the name of the partnership and EIN.

##### **Line 2 (a) and (b) -**

In the space provided, enter the partner's name, SSN or EIN, and ownership percentage.

#### **Part 2 - Arizona Commerce Authority Credit Certificate Number**

##### **Line 3 -**

Enter the Arizona Commerce Authority Credit Certificate Number for each device that you are passing through a credit.

If you have more than three devices for which you are passing a credit, include a continuation sheet with the same information as Part 1.

#### **Part 3 - Distribution of Credit**

##### **Line 4 -**

Enter the partnership's current year's credit from Form 336, Part 4, line 26.

##### **Line 5 -**

A partner in a partnership may claim only the *pro rata* share of the allowable credit based on one of the following:

- Ownership interest in the partnership; *or*
- Financial investment in the system.

Enter the percentage used to compute the allowable pass-through credit.

##### **Line 6 -**

Multiply line 4 by the percentage on line 5 and enter the result. This is the partner's *pro rata* share of the pass-through credit.

#### **Instructions for Partners receiving Form 336-P**

- Enter the amount from Form 336-P, line 6, on *your own* Form 336, in Part 4, on line 22.  
If you are claiming a pass-through credit from more than one partnership, add all amounts from Forms 336-P, line 6, and enter the total on Form 336, in Part 4, on 22.
- If the partner is another partnership, it must do the following:
  - Complete its own Form 336, as applicable.
  - Complete a separate Form 336-P for each partner identifying the partner's *pro rata* share of the pass-through credit amount.
- If the partner is an S corporation and the S corporation elects to pass through the credit to its shareholders, it must do the following:
  - Complete its own Form 336, as applicable.
  - Complete a separate Form 336-S for each shareholder identifying the shareholder's *pro rata* share of the pass-through credit amount.
- If the partner is a C corporation, S corporation (electing to claim the credit), or an exempt organization with UBTI, it must complete its own Form 336, as applicable.

**NOTE:** If you file your income tax return on a calendar year basis (January 1, 2018 – December 31, 2018) but the partnership passing the credit files its return on a fiscal year basis, claim the pass-through credit on your income tax return for the year in which the partnership's fiscal year ends. For example, if the partnership's tax year ends in February 2019, claim this credit on your 2019 tax return.

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**Form 336-S, Credit for Solar Energy Devices – Commercial and Industrial Applications Distribution to Shareholders**

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**NOTE:** Form 336-S is available on the department's website.

**S Corporation:**

- Complete Form 336-S for each shareholder in the S corporation except for trust or estate shareholders. However, an S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by grantor. The grantor may claim his or her share of the credit.
- Provide a copy of the completed form to each shareholder.
- Include a copy of each completed Form 336-S with your S corporation return.
- Keep a copy of each completed Form 336-S for your records.

**Shareholder:**

- Use this form to complete your own Form 336.
- Include this completed form with your return.
- Keep a copy of this form for your records.

**Instructions for S corporations Passing the Credit to Shareholders**

**Part 1 - S corporation and Shareholder Information**

**Line 1 (a) and (b) -**

In the space provided, enter the name of the S corporation and EIN.

**Line 2 (a) and (b) -**

In the space provided, enter the shareholder's name, SSN or EIN.

**Part 2 - Arizona Commerce Authority Credit Certificate Number**

**Line 3 -**

Enter the Arizona Commerce Authority Credit Certificate Number for each device that you are passing through a credit.

If you have more than three devices for which you are passing a credit, include a continuation sheet with the same information as Part 1.

**Part 3 - Distribution of Credit**

**Line 4 -**

Enter the S corporation's current year's credit from Form 336, Part 4, line 26.

**Line 5 -**

A shareholder in a S corporation may claim only the *pro rata* share of the allowable credit based on one of the following:

- Ownership interest in the S corporation; *or*
- Financial investment in the system.

Enter the percentage used to compute the allowable pass-through credit.

**Line 6 -**

Multiply line 4 by the percentage on line 5 and enter the result. This is the shareholder's *pro rata* share of the pass-through credit.

**Instructions for Shareholders Receiving Form 336-S**

- Enter the amount from Form 336-S, line 6, on *your own* Form 336, in Part 4, on line 23.  
If you are claiming a pass-through credit from more than one S corporation, add all amounts from Forms 336-S, line 6, and enter the total on Form 336, in Part 4, on 23.
- If the S corporation elects to claim the credit, it must complete its own Form 336, as applicable.
- If the S corporation elects to pass through the credit to its shareholders, it must do the following:
  - Complete its own Form 336, as applicable.
  - Complete a separate Form 336-S for each shareholder identifying the shareholder's *pro rata* share of the pass-through credit amount.

**NOTE:** If you file your income tax return on a calendar year basis (January 1, 2018 – December 31, 2018) but the S corporation passing the credit files its return on a fiscal year basis, claim the pass-through credit on your income tax return for the year in which the S corporation's fiscal year ends. For example, if the S corporation's tax year ends in February 2019, claim this credit on your 2019 tax return.

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*Include with your return.*

For the calendar year 2018 or fiscal year beginning MM,DD,2018 and ending MM,DD,YYYY.

Your Name as shown on Form 140, 140PY, 140NR, 140X, 120S or 165	Your Social Security or Employer Identification Number
Spouse's Name as shown on Form 140, 140PY, 140NR, 140X (if a joint return)	Spouse's Social Security Number

**NOTE:** For the year in which the credit is available, you must file your return claiming the credit by the original due date or the extended due date of your return. If you fail to claim this credit for the taxable year on a timely filed return, the credit for that taxable year expires and no carryover will be allowed.

**Part 1 Current Year's Credit**

<b>1</b> Amount of credit for taxable year 2018 shown on the Arizona Commerce Authority's Authorization of Tax Credits.....	<b>1</b>		00
To be eligible for the credit, you must include a copy of the Arizona Commerce Authority's Authorization of Tax Credits with your return.			
<b>2</b> Amount of pass-through credit from <i>Partnerships</i> : Enter the amount from Form 338-P, Part 2, line 4	<b>2</b>		00
<b>3</b> Amount of pass-through credit from <i>S corporations</i> : Enter the amount from Form 338-S, Part 2, line 4	<b>3</b>		00
<b>4</b> Total Credit: Add lines 1, 2, and 3. Enter the total .....	<b>4</b>		00

**Part 2 Partnership: Individual Partner's Share of Credit**

Partnerships:

- Complete a separate Form 338-P for each partner.
- Furnish each partner with a copy of the completed Form 338-P and copy of Arizona Commerce Authority's Authorization of Tax Credits.

**Part 3 S Corporation: Individual Shareholder's Share of Credit**

S corporations:

- Complete a separate Form 338-S for each individual shareholder.
- Furnish each individual shareholder with a copy of the completed Form 338-S and copy of Arizona Commerce Authority's Authorization of Tax Credits.

**Part 4 Available Credit Carryover**

	(a) Taxable Year from which you are carrying the credit	(b) Original Credit Amount	(c) Amount Previously Used	(d) Available Carryover: Subtract column (c) from column (b).
<b>5</b>	2015	00	00	00
<b>6</b>	2016	00	00	00
<b>7</b>	2017	00	00	00
<b>8</b>	Total Available Carryover: Add lines 5 through 7, column (d). Enter the total			00

**Part 5 Total Available Credit**

<b>9</b> Current year's credit: Enter the amount from Part 1, line 4. Also, enter this amount on <i>Arizona Form 301, Part 1, line 20, column (a)</i> .....	<b>9</b>		00
<b>10</b> Available credit carryover from Part 4, line 8, column (d). Also, enter this amount on <i>Arizona Form 301, Part 1, line 20, column (b)</i> .....	<b>10</b>		00
<b>11</b> Total Available Credit: Add line 9 and line 10. Also, enter this amount on <i>Arizona Form 301, Part 1, line 20, column (c)</i> .....	<b>11</b>		00

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For the calendar year 2018 or fiscal year beginning      M      D      D | 2, 0, 1, 8 | and ending      M      D      D | Y, Y, Y, Y | .

**Partnership:**

- Complete Form 338-P for each individual partner in the partnership. A partnership ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by grantor. The grantor may claim his or her share of the credit.
- Provide a copy of the completed form and certification received from the Arizona Commerce Authority to each partner.
- Include a copy of Form 338 and a copy of each Form 338-P with your partnership return.
- Keep a copy of each completed 338-P for your records.

**Partner:**

- Use this form to complete *your own* Form 338.
- Include this completed form and a copy of the certification from the Arizona Commerce Authority with your return.
- Keep a copy of this form and certification for your records.

**NOTE:** If you file your tax return on a calendar year basis but this entity files a return on a fiscal year basis (see above), claim this credit on your tax return for the year in which this entity's fiscal year ends.

**Part 1 Partnership and Partner Information**

<b>1</b>	(a) Partnership Name	(b) Employer Identification Number (EIN)	
<b>2</b>	(a) Partner Name	(b) Taxpayer Identification Number (TIN)	(c) Partner Ownership % %

**Part 2 Distribution of the Credit**

<b>3</b> Enter the amount of the partnership's credit from Form 338, Part 1, line 4.....	<b>3</b>		00
<b>4</b> Multiply line 3 by the percentage on line 2(c). Enter the result..... This is the partner's <i>pro rata</i> share of the credit. <i>Partners:</i> Enter this amount on <i>your own</i> Form 338, Part 1, line 2.	<b>4</b>		00

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For the calendar year 2018 or fiscal year beginning [M,M|D,D|2,0,1,8] and ending [M,M|D,D|Y,Y,Y,Y].

**S Corporation:**

- Complete Form 338-S for each individual shareholder in the S corporation. An S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by grantor. The grantor may claim his or her share of the credit.
- Provide a copy of the completed form and certification received from the Arizona Department of Revenue to each shareholder.
- Include a copy of Form 338 and a copy of each Form 338-S with your S corporation return.
- Keep a copy of each completed 338-S for your records.

**Shareholder:**

- Use this form to complete *your own* Form 338.
- Include this completed form and a copy of the certification from the Arizona Commerce Authority with your return.
- Keep a copy of this form and certification for your records.

**NOTE:** If you file your tax return on a calendar year basis but this entity files a return on a fiscal year basis (see above), claim this credit on your tax return for the year in which this entity's fiscal year ends.

**Part 1 S Corporation and Shareholder Information**

<b>1</b>	(a) S Corporation Name	(b) Employer Identification Number (EIN)	
	(a) Shareholder Name	(b) Taxpayer Identification Number (TIN)	(c) Shareholder Ownership % %

**Part 2 Distribution of the Credit**

<b>3</b> Enter the amount of the S corporation's credit from Form 338, Part 1, line 4 .....	<b>3</b>		00
<b>4</b> Multiply line 3 by the percentage on line 2(c). Enter the result..... This is the shareholder's <i>pro rata</i> share of the credit.	<b>4</b>		00

*Shareholders:* Enter this amount on *your own* Form 338, Part 1, line 3.

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**CONTACTS FOR QUALIFIED SMALL BUSINESS  
CAPITAL INVESTMENT TAX CREDIT PROGRAM**

**Arizona Commerce Authority (ACA)**

•Application forms •Program guidelines

Website: [www.azcommerce.com](http://www.azcommerce.com)

Program Manager: (602) 845-1200

**Arizona Department of Revenue**

**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 click on *Reports and Legal Research* 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 and click on *Reports and Legal Research* then click on *Publications*.

**General Instructions**

**NOTE:** *You must also complete Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture, and include Forms 301 and 338 with your tax return to claim this credit.*

*Partnerships passing the credit through to its partners must also complete and include a separate Form 338-P for each partner receiving a pass-through credit.*

*S corporations passing the credit through to its shareholders must also complete and include a separate Form 338-S for each shareholder receiving a pass-through credit.*

For taxable years beginning from and after December 31, 2006 through December 31, 2024, Arizona law allows a credit for investments made in qualified small businesses. The amount of the credit is the amount determined and authorized by the Arizona Commerce Authority (ACA).

To claim this credit, you must include a copy of the ACA's *Authorization of Tax Credits* with your income tax return.

You must claim the credit on a timely filed return filed for the tax year in which the credit is available. A timely filed return is a return that you file by the return's original or extended due date. If you fail to timely file a return claiming the credit for a taxable year, the credit expires for that taxable year and there is no carryforward of the expired credit.

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

This credit is available to individuals only. A corporation, including an S corporation, may not claim this credit. However, an S corporation may pass the credit through to its individual shareholders.

A partnership may pass the credit through to its individual partners. The total of the credits allowed all such owners may not exceed the amount that would have been allowed a sole owner.

The basis of any investment with respect to which you claim a credit must be reduced by the amount of the credit claimed with respect to the investment.

**Qualified Small Business Capital  
Investment Program**

The ACA administers the Qualified Small Business Capital Investment program. Tax credits are authorized on a first come, first served basis.

To seek a tax credit under this program, you must submit an application for an *Authorization of Tax Credits* to the ACA. To obtain an *Authorization of Tax Credits*, you must document that each investment and the small business meet the eligibility requirements. The ACA will issue an *Authorization of Tax Credits* after determining eligibility of the investor. For more information about this credit, visit the ACA's website at [www.azcommerce.com](http://www.azcommerce.com).

**Line-by-Line Instructions**

Enter the names and taxpayer identification numbers (TIN) as shown on Arizona Forms 140, 140PY, 140NR, 140X, 120S or 165. Fiscal year basis taxpayers must indicate the period covered by the taxable year. Include the completed form with the tax return.

All returns, statements, and other documents filed with the Department of Revenue require a TIN. The TIN is either a correct Social Security Number (SSN) or an Internal Revenue Service (IRS) individual taxpayer identification number (ITIN), or for a business, the employer identification number (EIN). Taxpayers who fail to include a TIN may be subject to a penalty. Be sure that all required identification numbers are written clearly. Missing, incorrect, or unclear identification numbers may cause delays in processing.

**Part 1 - Current Year's Credit**

**Line 1 -**

Enter the amount of credit shown for the taxable year on the ACA's *Authorization of Tax Credits*. On line 1, enter only the credit available for the current taxable year. You must include a copy of each ACA's *Authorization of Tax Credits* with Form 338 when you file.

**Line 2 -**

If you received a pass-through credit from a partnership, enter the amount from Form 338-P, Part 2, line 4. If you received more than one Form 338-P, add all amounts from Part 2, line 4 and enter the total.

**Line 3 -**

If you received a pass-through credit from an S corporation, enter the amount from Form 338-S, Part 2, line 4. If you received more than one Form 338-S, add all amounts from Part 2, line 4 and enter the total.

**Line 4 -**

Add lines 1, 2, and 3. Enter the total.

**Part 2 - Partnership: Individual Partner's Share of Credit**

A partnership cannot claim this credit, but it may pass the credit through to its individual partners. A partnership passing the credit through to its individual partners must do the following:

- Complete Part 1, line 1 of Form 338.
- Complete a separate Form 338-P for each individual partner. Form 338-P is available on the department's website. Instructions for completing Form 338-P begin on page 3 of these instructions.

Each individual partner may claim only a *pro rata* share of the credit based on the partner's ownership interest in the partnership.

- The partnership must furnish each individual partner with a copy of the completed Form 338-P **and** a copy of the ACA's *Authorization of Tax Credits*.

**Part 3 - S Corporation: Individual Shareholder's Share of Credit**

An S corporation cannot claim this credit, but it may pass the credit through to its individual shareholders. An S corporation passing the credit through to its individual shareholders must do the following:

- Complete Part 1, line 1 of Form 338.
- Complete a separate Form 338-S for each individual shareholder. Form 338-S is available on the department's website. Instructions for completing Form 338-S begin on page 3 of these instructions.

Each individual shareholder may claim only a *pro rata* share of the credit based on the shareholder's ownership interest in the S corporation.

- The S corporation must furnish each individual shareholder with a copy of the completed Form 338-P **and** a copy of the ACA's *Authorization of Tax Credits*.

**Part 4 - Available Credit Carryover****Lines 5 through 8 -**

Use Part 4 to figure your total available credit carryover from taxable years 2015 through 2017. Complete lines 5 through 8 if you claimed this credit on one of these returns and the credit was more than your tax liability.

- In column (b), enter the credit originally computed for the taxable year listed in column (a).
- In column (c), enter the amount of the credit from that taxable year which you have already used.
- In column (d), subtract the amount in column (c) from the amount in column (b) and enter the difference.

Add the amounts on lines 5 through 7 in column (d).

Enter the total on line 8, column (d).

**Part 5 - Total Available Credit****Line 9 -**

- Enter the amount from Part 1, line 4. Also, enter this amount on Form 301, Part 1, line 20, column (a).

**Line 10 -**

Enter the amount from Part 4, line 8, column (d). Also, enter this amount on Form 301, Part 1, line 20, column (b).

**Line 11 - Total Available Credit**

Add the amounts on line 9 and line 10. Enter the total. Also, enter this amount on Form 301, Part 1, line 20, column (c).

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**Form 338-P, Credit for Investment in Qualified Small Business - Distribution to Partners**


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**NOTE:** Form 338-P is available on the department's website.

**Instructions for Partnerships Passing the Credit to Individual Partners**
**Part 1 – Partnership and Partner Information**
**Line 1 (a) and (b) -**

In the space provided, enter the name of the partnership and EIN.

**Line 2 (a), (b) and (c) -**

In the space provided, enter the partner's name, SSN or EIN, and ownership percentage.

Each individual partner is entitled to a *pro rata* share of the credit, based on its ownership percentage.

**Part 2 - Distribution of Credit**
**Line 3 -**

Enter the partnership's current year's credit from Form 338, Part 1, line 4.

**Line 4 -**

Multiply line 3 by the partner's ownership percentage on line 2c and enter the result.

**Instructions for Individual Partners Receiving Form 338-P**

- Enter the amount from Form 338-P, line 4, on *your own* Form 338, in Part 1, on line 2.

If you are claiming a pass-through credit from more than one partnership, add all amounts from Forms 338-P, line 4, and enter the total on Form 338, in Part 1, on line 2.

- If the partner is another partnership, it must complete a separate Form 338-P for each individual partner identifying the partner's *pro rata* share of the pass-through credit amount and qualifying wage expense.
- If the partner is an S corporation, it must also complete a separate Form 338-S for each individual shareholder identifying the shareholder's *pro rata* share of credit amount and qualifying wage expense.

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**Form 338-S, Credit for Investment in Qualified Small Business - Distribution to Shareholders**


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**NOTE:** Form 338-S is available on the department's website.

**Instructions for S corporations Passing the Credit to Individual Shareholders**
**Part 1 – S corporation and Shareholder Information**
**Line 1 (a) and (b) -**

In the space provided, enter the name of the S corporation and EIN.

**Line 2 (a), (b) and (c) -**

In the space provided, enter the shareholder's name and SSN, and ownership percentage.

Each individual shareholder is entitled to a *pro rata* share of the credit, based on its ownership percentage.

**Part 2 - Distribution of Credit**
**Line 3 -**

Enter the S corporation's current year's credit from Form 338, Part 1, line 4.

**Line 4 -**

Multiply line 3 by the shareholder's ownership percentage on line 2c and enter the result.

**Instructions for Individual Shareholders Receiving Form 338-S**

- Enter the amount from Form 338-S, line 4, on *your own* Form 338, in Part 1, on line 3.

If you are claiming a pass-through credit from more than one S corporation, add all amounts from Forms 338-S, line 4, and enter the total on Form 338, in Part 1, on line 3.

**NOTE:** If you file your income tax return on a calendar year basis (January 1, 2018 – December 31, 2018) but the partnership or S corporation passing the credit files its return on a fiscal year basis, claim the pass-through credit on your income tax return for the year in which the partnership or S corporation's fiscal year ends. For example, if the entity's tax year ends in February 2019, claim this credit on your 2019 tax return.

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**Include with your return.**

For the calendar year 2018 or fiscal year beginning MM,DD,2018 and ending MM,DD,YYYY.

Your Name as shown on Form 140, 140NR, 140PY or 140X	Your Social Security Number
Spouse's Name as shown on Form 140, 140NR, 140PY or 140X (if a joint return)	Spouse's Social Security Number

- 1** Did you receive a receipt from the Arizona Department of Veterans' Services that indicates that your contribution qualifies for this credit?..... **1**      **YES**    **NO**  
 If you answered "No," STOP! You do not qualify for this credit.

**NOTE:** If your receipt does not show which account (pre-9/11 or post 9/11) your donation was deposited into, enter the amount of the donation on line 3 (post-9/11 donation).

<b>2</b> Qualified donations made to the pre-9/11 veterans subaccount during 2018 .....	<b>2</b>		<b>00</b>
<b>3</b> Qualified donations made to the post-9/11 veterans subaccount during 2018.....	<b>3</b>		<b>00</b>
<b>4</b> Total qualified donations made during 2018. Add lines 2 and 3. Enter the total.....	<b>4</b>		<b>00</b>
<b>5</b> Single taxpayers or heads of household, enter \$200 here. Married taxpayers filing a joint return, enter \$400 here. Married taxpayers filing a separate return, enter \$200. ....	<b>5</b>		<b>00</b>
<b>6</b> Current year's credit before tax: Enter the smaller of lines 4 or 5. Also, enter this amount on <i>Arizona Form 301, Part 1, line 21, columns (a) and (c)</i> .....	<b>6</b>		<b>00</b>

**Instructions**

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**Publications**

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For more information about the Military Family Relief Fund, visit the Arizona Department of Veterans' Services (ADVS) website at [www.azdvs.gov](http://www.azdvs.gov).

**General Instructions**

**NOTE:** You **must** also complete *Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture, and include Forms 301 and 340 with your tax return to claim this credit.*

Arizona law allowing for a tax credit for cash donations made to the Military Family Relief Fund was extended to taxable year 2026. Beginning in 2018, the ADVS established two subaccounts (pre-9/11 and post-9/11) for which a donor must designate which account the donor wishes the donation to be deposited into. If your donation qualifies for the credit, your credit will be the smaller of 1 through 4.

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

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

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

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

Before you claim this credit, you must have received a receipt from the ADVS. Your receipt must show **all** of the following:

- your full name and address,
- the last four digits of your Social Security Number (SSN),
- the amount you donated,
- the amount designated to each fund (pre-9/11 and/or post-9/11), and
- your donation qualifies for the tax credit.

**Military Family Relief Fund**

The ADVS administers the Military Family Relief Fund. Donations deposited into the pre-9/11 veterans subaccount will be used to provide financial assistance. The service member of an applying family must have been deceased, wounded or injured or become seriously ill on or before September 11, 2001, been deployed from a military base in this state, claimed this state as the service member's home of record, or been a member of the Arizona National guard at the time of deployment. If discharged from

military service, the service member must have been discharged under honorable conditions. The assistance shall be based on financial need up to twenty thousand dollars per family.

Donations deposited into the post-9/11 veterans subaccount will be used to provide financial assistance. The service member of an applying family must have been deceased, wounded or injured or become seriously ill after September 11, 2001, been deployed from a military base in this state, claimed this state as the service member's home of record, or been a member of the Arizona National Guard at the time of deployment. If discharged from military service, the service member must have been discharged under honorable conditions. The assistance shall be based on financial need up to twenty thousand dollars per family.

Your donations may qualify for this income tax credit. Donations will qualify for the credit if the total amount donated during the calendar year has not exceeded one million dollars.

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

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

### Line-by-Line Instructions

Enter your name and SSN as shown on Arizona Forms 140, 140PY, 140NR, or 140X.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for an individual is the taxpayer's SSN or an Internal Revenue Service (IRS) individual taxpayer identification number (ITIN). Taxpayers that fail to include their identification number may be subject to a penalty.

#### Line 1 -

To claim this credit, you must have received a receipt from the ADVS that indicates that your donation qualifies for the credit. Answer the question on line 1.

- If your answer to this question is "No", STOP, you do not qualify for the credit.
- If your answer to this question is "Yes", complete lines 2 through 6.

#### Line 2 -

Enter the amount of qualified donations that you (and if married, your spouse) made to the pre-9/11 veterans subaccount during 2018.

#### Line 3 -

Enter the amount of qualified donations that you (and if married, your spouse) made to the post-9/11 veterans subaccount during 2018.

#### Line 4 -

Enter the total qualified donations you (and if married, you spouse) made during 2018. Add lines 2 and 3. Enter the total.

#### Line 5 -

Single taxpayers or head of household, enter \$200. Married taxpayers filing a joint return, enter \$400. Married taxpayers filing a separate return, enter \$200.

#### Line 6 -

Current year's credit before tax: Enter the smaller of line 4 or 5. If you are filing separate returns, you each may claim only 1/2 of the credit that would have been allowed on a joint return (up to a maximum of \$200 each).

Also, enter this amount on Arizona Form 301, Part 1, line 21, columns (a) and (c).



*Include with your return.*

For the calendar year 2018 or fiscal year beginning MM,DD,2018 and ending MM,DD,YYYY.

Name as shown on Form 99T, 120, 120A, 120S, 120X or 165

Employer Identification Number

**Part 1 Current Taxable Year's Credit Calculation**

	(a) School Tuition Organization Name and Address	(b) Credit Approval Number	(c) Contribution Amount
1			00
2			00
3			00
4			00
5			00
6			00
7			00
8			00
9			00
10			00
11	Current year's contributions: Add lines 1 through 10 and any amounts on additional schedules. Enter the total .....		11 00
12	Flow-through from a partnership <i>from Form 341-P, line 13</i> .....		12 00
13	Total Current Year's Contributions: Add lines 11 and 12. Enter the total .....		13 00

Name (as shown on page 1)	EIN
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**Part 2 Available Credit Carryover**

	(a) Taxable Year	(b) Original Credit Amount	(c) Amount Previously Used	(d) Available Carryover: <small>Subtract column (c) from column (b).</small>
14		00	00	00
15		00	00	00
16		00	00	00
17		00	00	00
18		00	00	00
19	Total Available Carryover: Add lines 14 through 18 in column (d). Enter the total.....			00

**Part 3 Total Available Credit**

C Corporations, S corporations claiming the credit at the corporate level, and exempt organizations with UBTI:

<b>20</b> Total current year's contributions: <ul style="list-style-type: none"> <li>• Partnerships passing through this credit: Enter "0".</li> <li>• Qualified S corporations electing to pass through this credit: Enter "0". (Complete Part 4 to determine if qualified.)</li> <li>• All others: Enter the amount from line 13.</li> <li>• Also enter this amount on Form 300, Part 1, line 15, column (a).....</li> </ul>	<b>20</b>	00
<b>21</b> Available credit carryover from Part 2, line 19, column (d). <ul style="list-style-type: none"> <li>• Also enter this amount on Form 300, Part 1, line 15, column (b).....</li> </ul>	<b>21</b>	00
<b>22</b> <b>Total available credit:</b> Add lines 20 and 21. Enter the total. <ul style="list-style-type: none"> <li>• Also enter this amount on Form 300, Part 1, line 15, column (c).....</li> </ul>	<b>22</b>	00

**NOTE:** Partnerships proceed to the instruction box at the bottom of this page. S corporations, continue to Part 4.

**Part 4 S corporation Credit Election**

S corporations may elect to pass this credit through to its shareholders if its combined contributions to School Tuition Organizations and School Tuition Organizations for Displaced Students or Students With Disabilities, Forms 335 and 341, are greater than, or equal to, \$5,000.00.

23 Total contributions from line 11 .....	<b>23</b>	00	
24 Total contributions from Form 335, line 11.....	<b>24</b>	00	
25 Total contributions: Add lines 23 and 24. Enter the total.....	<b>25</b>	00	

26 Is line 25 greater than or equal to \$5,000.00?.....  **Yes**  **No**  
 If "Yes", you qualify and may elect to pass this credit through to the individual shareholders of the S corporation.  
 To do this, complete the authorization below.  
 If "No", STOP, the S corporation cannot pass this credit through to its individual shareholders.

27 The S corporation has made an irrevocable election for the taxable year ending [M, M | D, D | Y, Y, Y, Y] to:  
**(check only one box):**

- 27a  Pass the credit as shown on line 13, for the taxable year indicated above, through to its individual shareholders.  
**OR**  
 27b  Claim this credit as shown on line 13, for the taxable year indicated above, at the corporate level.

\_\_\_\_\_  
 Signature Title Date

S corporations making the election to pass on this credit to its shareholders, proceed to the instructions below.

**INSTRUCTIONS:**

- Partnerships passing this credit through to its corporate partners, complete Form 341-P for each corporate partner, and include a copy of this form with your return. Provide a copy of Form 341-P to each corporate partner.
- S corporations passing this credit through to its individual shareholders, complete Form 341-S for each shareholder, and include a copy of this form with your return. Provide a copy of Form 341-S to each shareholder.

For the calendar year 2018 or fiscal year beginning [M|,|M|,|D|,|D|2|,|0|,|1|,|8|] and ending [M|,|M|,|D|,|D|,|Y|,|Y|,|Y|,|Y|].

Partnership Name	Employer Identification Number
------------------	--------------------------------

**Partnerships:**

- Complete Form 341-P for each corporate partner in the partnership.
- Include a copy of this form with your return.
- Provide a copy of this form to the partner.
- Keep one copy for your records.

**Corporate Partners:**

- Use this form to complete your Form 341.
- Include a copy of this completed form with your Form 341.

Corporate Partner's Name	Employer Identification Number	Ownership Percentage
		%

	(a) School Tuition Organization Name	(b) Credit Approval Number
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		

<b>11</b> Total contributions to school tuition organizations from Form 341, Part 1, line 13 .....	<b>11</b>		00
<b>12</b> Corporate partner's ownership percentage .....	<b>12</b>		%
<b>13</b> Corporate partner's portion of credit: Multiply line 11 by line 12. Enter the result here <i>and on Form 341, Part 1, line 12. This is the amount of credit available to the corporate partner</i> .....	<b>13</b>		00

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For the calendar year 2018 or fiscal year beginning [M,M|D,D|2,0,1,8] and ending [M,M|D,D|Y,Y,Y,Y].

S corporation Name	Employer Identification Number
--------------------	--------------------------------

**S corporations:**

- Complete Form 341-S for each individual shareholder in the S corporation.
- Include a copy of this form with your return.
- Provide a copy of this form to each individual shareholder.
- Keep one copy for your records.

**Individual Shareholders:**

- Use this form to complete your Form 341-I.
- If you file your tax return on a calendar year basis but the corporation files a return for a fiscal year, claim this credit on your tax return for the year in which the corporation's fiscal year ends. For example, if the corporation's tax year ends in February 2019, claim this credit on your 2019 tax return.

Individual Shareholder's Name	Social Security Number	Ownership Percentage %
-------------------------------	------------------------	---------------------------

	(a) School Tuition Organization Name	(b) Credit Approval Number
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		

11 Total contributions to school tuition organizations from Form 341, Part 1, line 13 .....	11		00
12 Individual shareholder's ownership percentage .....	12		%
13 Individual shareholder's portion of credit: Multiply line 11 by line 12. Enter the result here <i>and on Form 341-I, Part 1, line 11. This is the amount of credit available to the individual shareholder</i> .....	13		00

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# 2018 Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students with Disabilities

**Arizona Form  
341**

## 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 click on *Reports & Legal Research* then click on *Legal Research* and select a document and a category type from the drop down menus.

## Publications

To view or print the department's publications, go to our website and click on *Reports & Legal Research*. Then click on *Publications*.

## General Information

This credit provides a nonrefundable corporate income tax credit for contributions made to a school tuition organization (STO) authorized to receive corporation donations that provides scholarships or grants to displaced students or students with disabilities. This credit must be pre-approved by the Arizona Department of Revenue. The STO must be certified pursuant to Chapter 15 of Title 43 at the time of donation.

Contributions designated for the direct benefit of a specific student will not qualify for the credit.

This credit is in lieu of any deduction taken under Internal Revenue Code § 170 for state tax purposes.

A taxpayer cannot claim this credit and the credit claimed on Form 335 for the same contribution.

The tax credit is equal to the amount the department has pre-approved. Once pre-approved, the taxpayer has 20 days in which to make the contribution to the STO.

The tax credit is available only to corporate taxpayers, corporate partners, exempt organizations subject to corporate income tax on unrelated business taxable income (UBTI), or S corporation individual shareholders.

- A partnership may pass this credit through only to its corporate partners, each of which may claim a *pro rata* share of the credit based on their ownership interest.
- An exempt organization may utilize this credit only if it results from activities that generate UBTI.
- An S corporation may claim this credit against income Arizona is taxing at the corporate level, or it may make an irrevocable election to pass this credit through to its individual shareholders.
  - To pass this credit through to its individual shareholders, the S corporation must make minimum contributions of \$5,000 to School Tuition Organizations or to School Tuition Organizations for Displaced Students or Students With Disabilities in a taxable year.

- Each individual shareholder may claim only a *pro rata* share of the credit based on the individual's ownership interest in the S corporation.

Any *pro rata* shares that would be distributed to non-eligible partners (individual partners in a partnership), or estates or trusts (shareholders in an S corporation) is lost.

The total of the credits allowed to all owners may not exceed the amount that would have been allowed to a sole owner of the business.

If the allowable tax credit exceeds the taxes otherwise due, or if there are no taxes due, the amount of the credit not used to offset taxes may be carried forward for not more than five consecutive taxable years as a credit against subsequent years' income tax liability.

## Claiming the Credit

This credit must be pre-approved by the Arizona Department of Revenue before it can be claimed. The process for obtaining pre-approval for the credit is available on our website: [www.azdor.gov](http://www.azdor.gov). Click on "Tax Credits", then click on "Corporate Tuition Tax Credits."

*Before claiming the credit, obtain a copy of the STO's pre-approved application. Include a copy of the pre-approved application with Form 341. Failure to do so could result in a disallowance of this credit.*

The department will preapprove the credits on a first-come, first-served basis. The pre-approval process works as follows:

- Before making the contribution, the taxpayer notifies the STO of the intended amount.
- The STO requests pre-approval from the Arizona Department of Revenue.
- The Arizona Department of Revenue preapproves or denies the request within twenty days after it has received the request, and notifies the STO.
- If the request is pre-approved, the STO notifies the taxpayer immediately.
- The taxpayer must make the contribution within twenty days of receiving notice from the STO.

## QUALIFIED SCHOOL TUITION ORGANIZATION REQUIREMENTS

*The school tuition organization receiving contributions under this program must be certified pursuant to Chapter 15 of Title 43 at the time of donation*

*A listing of certified School Tuition Organizations is available at [www.azdor.gov](http://www.azdor.gov). Click on "Tax Credits", then click on "Corporate Tuition Tax Credits", and then click on "School Tuition Organizations Certified to Receive Corporate Donations."*

## Completing the Form

Complete the name and employer identification number (EIN) section at the top of the form. Indicate the period covered by the taxable year. Include the completed form with the tax return.

**NOTE:** If the entity passing this credit through has a different tax year-end than the taxpayer, the taxpayer may only claim this credit on its tax return for that year. For example, if the entity passing this credit through has a tax year end of February 2018, claim this credit on the taxpayer's 2018 return.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for a corporation, an exempt organization with UBTI, an S corporation, or a partnership is the taxpayer's EIN. Taxpayers that fail to include their TIN may be subject to a penalty.

**NOTE – To claim this credit:**

- **Individual taxpayers**, complete Form 341-I and Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture. Include both completed forms with your tax return.
- **C Corporations, S corporations claiming this credit at the corporate level, and exempt organizations with UBTI**, complete this credit form and Arizona Form 300, Nonrefundable Corporate Tax Credits and Recapture. Include both completed forms with your tax return.
- **S corporations electing to pass this credit through to its shareholders**, complete this credit form and Arizona Form 300, Nonrefundable Corporate Tax Credits and Recapture. Also, complete Form 341-S for each shareholder of the S corporation. Provide each shareholder a copy of his or her completed Form 341-S. Include Form 300, Form 341, and one copy of each completed Form 341-S with your tax return.
- **Partnerships**, complete this credit form. Also, complete Form 341-P for each partner of the partnership. Provide each partner a copy of his or her completed Form 341-P. Include Form 341 and one copy of each completed Form 341-P with your tax return.

**Part 1 – Current Taxable Year's Credit Calculation**

**Lines 1 through 10:**

- List each STO's name and address in column (a).
- List the credit approval number(s) in column (b).
- List the approved contribution amount in column (c).

**Line 11:**

Add the amounts in column (c) on lines 1 through 10 and enter that amount on line 11.

If contributions are made to more than ten organizations, complete and include additional schedules.

**Line 12:**

Corporate partners (only), enter the amount from Form 341-P, line 13. If none, enter "0".

**Line 13:**

Add the amounts entered on lines 11 and 12. Enter the total.

**Part 2 – Available Credit Carryover**

Use Part 2 to calculate the taxpayer's total available credit carryover from prior taxable years.

**S corporations**, if this credit was claimed at the corporate level in a prior taxable year and there is a carryover amount available, complete Part 2.

**Lines 14 through 18:**

- In column (a), enter the taxable year(s) from which the taxpayer is carrying over the credit
- In column (b), enter the credit originally computed for the taxable year listed in column (a)
- In column (c), enter the amount of the credit from the taxable year which was already used
- In column (d), subtract the amount in column (c) from column (b), enter the difference

**Line 19:**

Add the amounts entered on lines 14 through 18. Enter the total in column(d).

**Part 3 – Total Available Credit**

Use Part 3 to calculate the taxpayer's total available credit for this tax year.

**Line 20:**

- Partnerships passing through this credit to corporate partners, enter "0".
- Qualified S corporations electing to pass this credit through to individual shareholders, enter "0". To determine if the S corporation qualifies to pass this credit through to its individual shareholders, complete Part 4. If the S corporation's total contributions to STOs from Form 335 and/or Form 341 exceed \$5,000, the S corporation qualifies, and may elect, to pass this credit through to its individual shareholders.
- All other corporate entities, (C Corporations, exempt organizations subject to corporate income tax on UBTI, or S corporations claiming this credit at the corporate level), enter the amount from line 13.
- Also, enter this amount on Form 300, Line 15, column (a).

**Line 21:**

Enter the amount on line 19, column (d). If the amount is zero, enter "0". Also, enter this amount on Form 300, line 15, column (b).

**Line 22:**

Add lines 20 and 21. Enter the total. This is the taxpayer's total credit for this tax year. Also, enter this amount on Form 300, line 15, column (c).

**Partnerships:** skip Part 4 and proceed to the instructions for completing Form 341-P on page 4.

**S corporations making the election to pass through this credit,** proceed to Part 4.



## Part 4 – S Corporation Credit Election

An S corporation may elect to pass this credit through to its individual shareholders.

**NOTE:** *Trusts and estates which are shareholders of S corporations, are not eligible to claim this credit. However, as S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. If the grantor is an individual, he or she may claim his or her share of the credit.*

To pass this credit through to its individual shareholders, the S corporation must have made an aggregate contribution of \$5,000 or more on Forms 335 and 341 during the tax year.

**Line 23:**

Enter the total contributions from line 11.

**Line 24:**

Enter the total contributions from Form 335, line 11.

**Line 25:**

Add lines 23 and 24. Enter the total.

**Line 26:**

Is the amount on line 25 greater than, or equal to, \$5,000? If yes, check the “Yes” box and continue to line 27. If no, STOP, the S corporation cannot pass this credit to its individual shareholders.

**Line 27:**

If the S corporation wishes to make an irrevocable election to pass this credit through to its individual shareholders, enter the ending date for this tax year, check the box indicating the S corporation is passing this credit through to its individual shareholders, and have this form signed by an officer of the S corporation who is also a signatory to Arizona Form 120S.

**Proceed to the instructions on page 3 to complete Form 341-S.**

## Form 341-P, Distribution to Corporate Partners of a Partnership

Enter the name of the partnership and EIN at the top of Form 341-P. Enter the corporate partner's name, EIN, and ownership percentage on the next line. (Each corporate partner is entitled to a *pro rata* share of the credit, based on its ownership percentage.)

Complete Form 341-P for *each* corporate partner of the partnership.

### Lines 1 through 10:

- Enter the names of the STO(s) in column (a).
- Enter the Credit Approval Number(s) received in column (b).

If contributions are made to more than ten organizations, complete and include additional schedules.

### Line 11:

Enter the amount of the total current year's contributions from Form 341, Part 1, line 13.

### Line 12:

Enter the corporate partner's ownership percentage of the S corporation.

### Line 13:

Multiply line 11 by line 12. Enter the result. This is the corporate partner's portion of this credit.

The partnership must furnish each corporate partner with its completed copy of Form 341-P, including additional schedules as needed.

The corporate partner will enter the amount on Form 341-P, line 13 on its own Form 341, line 12.

## Form 341-S, Distribution to Individual Shareholders of an S Corporation

Enter the S corporation name and TIN at the top of Form 341-S. Enter the individual shareholder's name, Social Security Number, and ownership percentage on the next line. (Each individual shareholder of the S corporation is entitled to a *pro rata* share of the credit based on his/her ownership percentage.)

Complete Form 341-S for *each* shareholder except for trust or estate shareholders. However, an S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. If the grantor is an individual, he or she may claim his or her share of the credit.

### Lines 1 through 10:

- Enter the names of the STO(s) in column (a).
- Enter the Credit Approval Number(s) received in column (b).

If contributions are made to more than ten organizations, complete and include additional schedules.

### Line 11:

Enter the amount of the total current year's contributions from Form 341, Part 1, line 13.

### Line 12:

Enter the shareholder's ownership percentage of the S corporation.

### Line 13:

Multiply line 11 by line 12. Enter the result. This is the individual shareholder's portion of this credit.

The S Corporation must furnish each shareholder with their copy of Form 341-S, including additional schedules as needed.

The individual shareholder will use this form to complete Form 341-I.

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

*Include with your return.*

For the calendar year 2018 or fiscal year beginning MM,DD,2018 and ending MM,DD,YYYY.

Your Name as shown on Form 140, 140NR, 140PY, or 140X	Your Social Security Number
Spouse's Name as shown on Form 140, 140NR, 140PY, or 140X (if a joint return)	Spouse's Social Security Number

**Part 1 School Tuition Organization Information**

Check if you are claiming a pro rata credit from more than one S corporation. Complete and include a separate Part 1 for each additional S corporation.

**I am claiming a credit for my pro rata share of contributions made by the S corporation named below to the following school tuition organizations:**

S corporation name: \_\_\_\_\_ EIN: \_\_\_\_\_

If you need more space to list all school tuition organizations for which contributions were made by the S corporation identified above, complete an additional schedule and include it with the credit form.

	(a) School Tuition Organization Name	(b) Credit Approval Number
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
11	Amount of individual shareholder's pro rata share of qualified contributions made to school tuition organizations from the S corporation listed above .....	<b>11</b> <span style="float: right;">00</span>

Continued on page 2 →

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

**Part 2 Current Year's Credit**

12 Current year's credit: Enter the amount from Part 1, line 11. If you are claiming a current year's credit from more than one S corporation, add the amount(s) on line 11 from each additional Part 1 schedule and enter the total.....	<b>12</b>		00
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**Part 3 Available Credit Carryover**

	(a) Taxable Year from which you are carrying the credit	(b) Original Credit Amount	(c) Amount Previously Used	(d) Available Carryover: Subtract column (c) from column (b).
13	2015	00	00	00
14	2016	00	00	00
15	2017	00	00	00
16				
17				
18	Total Available Carryover: Add lines 13 through 17, column (d) .....			00

**Part 4 Total Available Credit**

19 Current year's credit: Enter the amount from Part 2, line 12. Also, enter this amount on <i>Arizona Form 301, Part 1, line 22, column (a)</i> .....	<b>19</b>		00
20 Available credit carryover from Part 3, line 18, column (d). Also, enter this amount on <i>Arizona Form 301, Part 1, line 22, column (b)</i> .....	<b>20</b>		00
21 Total Available Credit: Add line 19 and line 20. Also, enter this amount on <i>Arizona Form 301, Part 1, line 22, column (c)</i> .....	<b>21</b>		00

# 2018 Credit for Business Contributions by an S Corporation to School Tuition Organizations for Displaced Students or Students with Disabilities - Individual

**Arizona Form  
341-I**

## 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 click on *Reports and Legal Research* 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 and click on *Reports and Legal Research* then click on *Publications*.

## General Instructions

**NOTE:** You *must* also complete Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture, and include Forms 301 and 341-I with your tax return to claim this credit.

Arizona law allows an individual shareholder to claim a nonrefundable tax credit for the *pro rata* share of contributions made by an S corporation to a school tuition organization (STO).

The S corporation must make an irrevocable election on Arizona Form 341, *Credit for Contributions to School Tuition Organization for Displaced Students or Students with Disabilities*, to pass-through the credit to its individual shareholder(s). The S corporation making the election should give you Arizona Form 341-S, *Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students with Disabilities - Distribution to Shareholders of an S corporation*, showing your *pro rata* share of the available credit for the taxable year. The amount of the allowable credit you may claim is reported on Form 341-S.

An individual shareholder may claim a corporate STO credit passed through from an S corporation even if the individual is claiming the maximum amount allowed under the two individual private school tuition credits (Arizona Forms 323 and 348). The corporate STO credit passed through from the S corporation is a different credit that is not subject to the limitations under the two individual private school tuition credits.

**NOTE: Individual Shareholders of an S corporation with a Fiscal Year-End** - If you file your tax return on a calendar year basis, but the corporation files a return for a fiscal year, claim the credit on your tax return for the year in which the corporation's fiscal year ends. For example, if the corporation's tax year ends in February 2018, claim the credit on your 2018 tax return.

Co-owners of the S corporation may each claim the *pro rata* share of the credit allowed based on the taxpayers ownership interest. The total of the credits allowed all owners of the corporation may not exceed the amount that would have been allowed a sole owner of the business.

If the allowable tax credit exceeds the taxes otherwise due, or if there are no taxes due, you may carry the unused credit forward for a period not to exceed the next five consecutive taxable years' income tax liability.

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

**NOTE:** This tax credit is not allowed if the S corporation or a shareholder designates the contribution to the STO for the direct benefit of any dependent of a shareholder of the corporation claiming a credit under this section or if the corporation or a shareholder designates a student beneficiary as a condition of the contribution to the STO.

The tax credit is not allowed if the S corporation or a shareholder, with the intent to benefit a shareholder's dependent, agrees with one or more other taxpayers to designate reciprocal contributions to school tuition organizations for the direct benefit of the other taxpayer's dependent.

For Arizona purposes, "dependent" has the same meaning provided in section § 152 of the Internal Revenue Code. For the purpose of this credit, it does not matter if the shareholder qualifies to take the dependent deduction.

## Specific Instructions

Enter your name and taxpayer identification number (TIN) as shown on Arizona Forms 140, 140NR, 140PY, or 140X. Indicate the period covered by the taxable year. Include the completed form with the income tax return.

All returns, statements, and other documents filed with the department require a TIN. The TIN for an individual is the taxpayer's Social Security Number (SSN) or for a business, the employer identification number (EIN). Taxpayers that fail to include their identification number may be subject to a penalty.

**Part 1 - School Tuition Organization Information**

**NOTE:** *If you are claiming a pro rata credit from more than one S corporation, check the box in Part 1. Complete and include a separate Part 1 for each S corporation.*

In the space provided, enter the S corporation's name and EIN for which you are claiming a *pro rata* share of credit for contributions made during the taxable year.

**Lines 1 through 10 -**

On lines 1 through 10, enter the name and credit approval number for **all** STOs the S corporation made a contribution to for which you are claiming a *pro rata* share of credit for the current taxable year.

This information is shown on page 1 of the S corporation's Arizona Form 341-S.

If you need additional space to list **all** STOs for which contributions were made by a specific S corporation, include a separate schedule showing the names and credit approval number for each and include with the form.

**Line 11 - Taxpayer's Pro Rata Share of Contributions Made by the S corporation named in Part 1**

Enter the amount from the S corporation's Arizona Form 341-S, line 13.

**Part 2 - Current Year's Credit****Line 12 -**

Enter the amount of your *pro rata* share of the contributions made to the STOs listed in Part 1.

If you are claiming a *pro rata* share of credit from more than one S corporation, add all amounts on line 11 from each separate Part 1, and enter the total.

**Part 3 - Available Credit Carryover****Lines 13 through 18 -**

Complete Part 3, lines 13 through 18 to figure your available credit carryover from taxable years 2015 through 2017 if you claimed this credit and the credit was more than your tax.

- In column (b) enter the credit originally computed for that taxable year listed in column (a).
- In column (c) enter the amount of the credit from that taxable year which you have already used.
- Subtract the amount in column (c) from column (b) and enter the difference in column (d).

Add lines 13 through 17, column (d). Enter the total on line 18, column (d).

**Part 4 - Total Available Credit****Line 19 -**

Enter the amount from Part 2, line 12. Also, enter this amount on Form 301, Part 1, line 22, column (a).

**Line 20 -**

Enter the amount from Part 3, line 18, column (d). Also, enter this amount on Form 301, Part 1, line 22, column (b).

**Line 21 - Total Available Credit**

Add line 19 and line 20. Enter the total. Also, enter this amount on Form 301, Part 1, line 22, column (c).

**Include with your return.**

For the calendar year 2018 or fiscal year beginning [M,M|D,D|2,0,1,8] and ending [M,M|D,D|Y,Y,Y,Y].

Name as shown on Form 140, 140PY, 140NR, 140X, 99T, 120, 120A, 120S, 120X, or 165	Social Security or Employer Identification Number
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**Part 1 Qualification for and Current Taxable Year's Credit**

1 Did you receive a Certificate from the Arizona Department of Revenue? ..... <input type="checkbox"/> Yes <input type="checkbox"/> No If "Yes", include a copy of the Certificate. If "No", skip line 2.			
2 Enter the credit amount on the Certificate from the Arizona Department of Revenue for this taxable year .....	<b>2</b>		00
3 Did an entity from which you are claiming a pass through renewable energy production tax credit receive a Certificate from the Arizona Department of Revenue?..... <input type="checkbox"/> Yes <input type="checkbox"/> No If "Yes", include a copy of the certificate and Form(s) 343-P and/or Form(s) 343-S. If "No", skip lines 4 and 5. If you checked "No" for both line 1 and line 3, do not file this form unless you have carryovers from prior years.			
4 Enter the amount of this credit passed through from partnerships on Form 343-P, line 3c.....	<b>4</b>		00
5 Enter the amount of this credit passed through from S corporations on Form 343-S, line 3c.....	<b>5</b>		00
6 Add lines 2, 4, and 5. Enter the total. <b>This is your current taxable year's Renewable Energy Production Tax Credit</b> .....	<b>6</b>		00

**Part 2 Partnerships**

A partnership claiming this credit must pass it through to its partners.

- Complete Form 343-P for each partner.
- Provide a completed copy of Form 343-P to each partner.
- Include a copy of each completed Form 343-P with your tax return.
- Keep a copy of each completed Form 343-P for your records.
- Do not complete Parts 3 through 5 of this form.

**Part 3 S Corporation Credit Election and Shareholder's Share of Credit**

- 7 The S corporation has made an irrevocable election for the taxable year ending [M,M|D,D|Y,Y,Y,Y] to (check only one box):
- 7a  Claim the renewable energy production tax credit as shown on Part 1, line 6 (for the taxable year indicated above);
- OR**
- 7b  Pass the renewable energy production tax credit as shown on Part 1, line 6 (for the taxable year indicated above) through to its shareholders.

\_\_\_\_\_  
Signature Title Date

If passing the credit through to the shareholders, complete Form 343-S for each shareholder.

- Provide a copy of the completed Form 343-S to each shareholder.
- Include a copy of each completed Form 343-S with your tax return.
- Keep a copy of each completed Form 343-S for your records.

Continued on page 2 →

Name (as shown on page 1)	EIN
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**Part 4 Available Credit Carryover**

	(a) Taxable Year	(b) Original Credit Amount	(c) Amount Previously Used	(d) Available Carryover: Subtract column (c) from column (b).
8		00	00	00
9		00	00	00
10		00	00	00
11		00	00	00
12		00	00	00
13	Total Available Carryover: Add lines 8 through 12 in column (d). Enter the total.....			00

**Part 5 Total Available Credit**

14	Current year's credit: <ul style="list-style-type: none"> <li>• <i>Individuals, C Corporations, S corporations claiming this credit at the corporate level, or exempt organizations with UBTI:</i> Enter the amount from Part 1, line 6.</li> <li>• <i>Individuals:</i> Also, enter this amount on Form 301, Part 1, line 23, column (a).</li> <li>• <i>C Corporations, S corporations claiming this credit at the corporate level, and exempt organizations with UBTI:</i> Also, enter this amount on Form 300, Part 1, line 16, column (a).....</li> </ul>	14	00
15	Available credit carryover from Part 4, line 13, column (d): <ul style="list-style-type: none"> <li>• <i>Individuals:</i> Also, enter this amount on Form 301, Part 1, line 23, column (b).</li> <li>• <i>C Corporations, S corporations claiming this credit at the corporate level, or exempt organizations with UBTI:</i> Also, enter this amount on Form 300, Part 1, line 16, column (b).....</li> </ul>	15	00
16	<b>Total available credit:</b> Add lines 14 and 15 and enter the total. <ul style="list-style-type: none"> <li>• <i>Individuals:</i> Also, enter this amount on Form 301, Part 1, line 23, column (c).</li> <li>• <i>C Corporations, S corporations claiming this credit at the corporate level, or exempt organizations with UBTI:</i> Also, enter this amount on Form 300, Part 1, line 16, column (c).....</li> </ul>	16	00



For the calendar year 2018 or fiscal year beginning [M,M|D,D|2,0,1,8] and ending [M,M|D,D|Y,Y,Y,Y].

**Partnerships:**

- Complete Form 343-P for each partner in the partnership **except for** trust or estate partners. However, a partnership ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.
- Provide a copy of the completed form and the Certificate of Renewable Energy Production Tax Credit received from the Arizona Department of Revenue to each partner.
- Keep a copy of each completed Form 343-P for your records.
- Include a copy of each completed Form 343-P with your partnership return.

**Partners:**

- Use this form to complete your own Form 343.
- Include this completed form and a copy of the Certificate of Renewable Energy Production Tax Credit received from the Arizona Department of Revenue with your return.
- Keep a copy of this form and Certificate for your records.

**NOTE:** If you file your tax return on a calendar year basis but this entity files a return on a fiscal year basis (see above), claim this credit on your tax return for the year in which this entity's fiscal year ends.

**Distribution of the Credit**

Complete this section to distribute the credit to each partner in the partnership.

	(a) Partnership Name	(b) Employer Identification Number (EIN)	
<b>1</b>			
<b>2</b>	(a) Partner Name	(b) Taxpayer Identification Number (TIN)	
<b>3a</b>	Partnership credit amount from Form 343, Part 1, line 6.....	<b>3a</b>	\$ ..... 00
<b>3b</b>	Partner's ownership percentage.....	<b>3b</b>	..... %
<b>3c</b>	Multiply the amount on line 3a by the percentage on line 3b. Enter the result. This is the partner's portion of the credit .....	<b>3c</b>	\$ ..... 00

**Partners:**

The amount reported on line 3c is your portion of this credit. Enter the amount from line 3c on Part 1, line 4 of your own Form 343 to claim this credit.

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For the calendar year 2018 or fiscal year beginning [M, M | D, D | 2, 0, 1, 8] and ending [M, M | D, D | Y, Y, Y, Y].

**S Corporations:**

- Complete Form 343-S for each shareholder of the S corporation **except for** trust or estate shareholders. However, an S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.
- Provide a copy of the completed form and the Certificate of Renewable Energy Production Tax Credit received from the Arizona Department of Revenue to each shareholder.
- Keep a copy of each completed Form 343-S for your records.
- Include a copy of each completed Form 343-S with your S corporation return.

**Shareholders:**

- Use this form to complete your own Form 343.
- Include this completed form and a copy of the Certificate of Renewable Energy Production Tax Credit received from the Arizona Department of Revenue with your return.
- Keep a copy of this form and Certificate for your records.

**NOTE:** If you file your tax return on a calendar year basis but this entity files a return on a fiscal year basis (see above), claim this credit on your tax return for the year in which this entity's fiscal year ends.

**Distribution of the Credit**

Complete this section to distribute the credit to shareholders of the S corporation.

<b>1</b>	(a) S corporation Name	(b) Employer Identification Number (EIN)
<b>2</b>	(a) Shareholder Name	(b) Taxpayer Identification Number (TIN)
<b>3a</b>	S corporation credit amount from Form 343, Part 1, line 6.....	\$ <span style="border: 1px solid black; display: inline-block; width: 100px; height: 1.2em; vertical-align: middle;"></span> 00
<b>3b</b>	Shareholder's ownership percentage.....	% <span style="border: 1px solid black; display: inline-block; width: 100px; height: 1.2em; vertical-align: middle;"></span>
<b>3c</b>	Multiply the amount on line 3a by the percentage on line 3b. Enter the result. This is the shareholder's portion of the credit.....	\$ <span style="border: 1px solid black; display: inline-block; width: 100px; height: 1.2em; vertical-align: middle;"></span> 00

**Shareholder:**

The amount reported on line 3c is your portion of this credit. Enter the amount from line 3c on Part 1, line 5 of your Form 343 to claim this credit.

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## 2018 Renewable Energy Production Tax Credit

**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 click on *Reports & Legal Research* then click on *Legal Research* and select a document and a category type from the drop down menus.

**Publications**

To view or print the department's publications, go to our website and click on *Reports & Legal Research*. Then click on *Publications*.

### General Instructions

This credit provides nonrefundable individual and corporate income tax credits for production of electricity by a qualified energy generator that produces electricity using a qualified energy resource.

The qualified energy generator must first produce electricity from and after December 31, 2010, and before January 1, 2021. The credit is effective for taxable years beginning from and after December 31, 2010.

"Qualified energy generator" means a facility that has at least five megawatts generating capacity, that is located on land in Arizona owned or leased by the taxpayer, that produces electricity using a qualified energy resource and that sells electricity to an unrelated entity, unless the electricity is sold to a public service corporation.

"Qualified energy resource" means a resource that generates electricity through the use of only: solar light, solar heat, wind or biomass.

The Department of Revenue (Revenue) will certify credits on a first-come, first-served basis. The entity that holds title to the qualified energy generator must apply between January 2 and January 31 of the year following the calendar year of production. Fiscal year taxpayers will claim the credit on the return for the taxable year in which the calendar year ends.

The amount of total credits Revenue may allow cannot exceed \$20 million in any calendar year. The amount of credit per facility is limited to \$2 million per calendar year, for up to 10 consecutive calendar years. The amount of the credit is based on electricity produced, the qualified energy resource used, the year of production, and Revenue certification.

Revenue will issue a Certificate of Renewable Energy Production Tax Credit (Certificate) to the applicant if it is certified to claim the tax credit. Each taxpayer must include a copy of the Certificate with the return.

Co-owners of a business, including partners in a partnership and shareholders of an S corporation, may each claim only the *pro rata* share of the credit allowed based on the ownership interest. The total of the credits allowed all such owners may not exceed the amount that would have been allowed for a sole owner of the business.

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

The unused portion of this tax credit may be carried forward for five succeeding taxable years.

For more information regarding this credit, review the program guidelines developed by Revenue, available at [www.azdor.gov](http://www.azdor.gov) on the Tax Credits page.

### Specific Instructions

Complete the name and taxpayer identification number (TIN) section at the top of the form. Indicate the period covered by the taxable year. Include the completed form with the tax return.

All returns, statements, and other documents filed with the department require a TIN. The TIN for a corporation, an exempt organization with UBTI, an S corporation, or a partnership is the taxpayer's employer identification number (EIN). The TIN for an individual is the taxpayer's Social Security Number (SSN) or an Internal Revenue Service Individual Taxpayer Identification Number (ITIN). A taxpayer that fails to include its TIN may be subject to a penalty.

**NOTE – To claim this credit:**

- **Individual taxpayers**, complete this credit form and Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture. *Include both completed forms with your tax return.*
- **C Corporations, S corporations claiming this credit at the corporate level, and exempt organizations with UBTI**, complete this credit form and Arizona Form 300, Nonrefundable Corporate Tax Credits and Recapture. *Include both completed forms with your tax return.*
- **S corporations electing to pass this credit through to its shareholders**, complete this credit form and Arizona Form 300, Nonrefundable Corporate Tax Credits and Recapture. *Also, complete Form 343-S for each shareholder of the S corporation. Provide each shareholder a copy of his or her completed Form 343-S. Include Form 300, Form 343, and one copy of each completed Form 343-S with your tax return.*
- **Partnerships**, complete this credit form. *Also, complete Form 343-P for each partner of the partnership. Provide each partner a copy of his or her completed Form 343-P. Include Form 343 and one copy of each completed Form 343-P with your tax return.*

## Part 1 - Qualification for and Current Taxable Year's Credit

### Line 1 -

If the taxpayer received a Certificate from Revenue, check the "Yes" box. Otherwise, check the "No" box and skip line 2.

### Line 2 -

If you checked the "Yes" box on line 1, enter the amount of credit for calendar year 2018 on your Certificate received from Revenue. Fiscal year taxpayers will claim the credit on the return for the taxable year in which the calendar year ends. Be sure to include a copy of your Certificate.

### Line 3 -

If an entity from which you are claiming a pass through renewable energy production tax credit received a Certificate from Revenue, check the "Yes" box. Otherwise, check the "No" box, and skip line 4 and line 5.

If you checked the "No" box for both line 1 and line 3, do not file Form 343, unless you have carryovers from prior years.

### Line 4 -

Enter the amount of this credit passed through from partnerships on Form(s) 343-P, line 3(c).

### Line 5 -

Enter the amount of this credit passed through from S corporations on Form(s) 343-S, line 3(c).

### Line 6 -

Add lines 2, 4, and 5. Enter the total. This is the current taxable year's Renewable Energy Production Tax Credit.

## Part 2 - Partnerships

A partnership claiming this credit *must* pass it through to its partners. Proceed to the instructions for completing Form 343-P on page 4.

- Complete Form 343-P for each partner.
- Provide a completed copy of Form 343-P to each partner.
- Provide a copy of the Certificate of Renewable Energy Production Tax Credit received from Commerce to each partner.
- Include a copy of each completed Form 343-P with your tax return.
- Keep a copy of each completed Form 343-P for your records.
- Do not complete the remainder of this form.

Each partner is entitled to only a *pro rata* share of each credit based on the partner's ownership interest in the partnership. The total of each credit allowed to all partners may not exceed the amount that would have been allowed for a sole owner.

**NOTE:** *Trusts and estates which are partners in a partnership are not eligible to claim these credits. However, the share of a partnership owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of these credits.*

## Part 3 - S Corporation Credit Election and Shareholder's Share of Credit

### Lines 7, 7a, & 7b - S Corporation Credit Election

The S corporation must complete line 7 and line 7a or line 7b. The S corporation must make an irrevocable election to either claim the current taxable year credit at the corporate level, or pass the credit through to its shareholders. The S corporation election is made by:

- Checking the box on line 7a electing to claim the current taxable year credit at the corporate level; or,
- Checking the box on line 7b to pass the current taxable year credit through to its shareholders.

The election statement must be signed by an officer of the S corporation who is also a signatory to Arizona Form 120S.

If the S corporation elects to claim the credit itself, it must complete Part 4 and Part 5 as necessary.

If the S corporation elects to pass this credit through to its shareholders, proceed to the instructions for completing Form 343-S on page 4.

If passing this credit through to the shareholders:

- Complete Form 343-S for each shareholder.
- Provide a copy of completed Form 343-S to each shareholder.
- Provide a copy of the Certificate of Renewable Energy Production Tax Credit received from Commerce to each partner.
- Include a copy of each completed Form 343-S with your tax return.
- Keep a copy of each completed Form 343-S for your records.

Each S corporation shareholder is entitled to only a *pro rata* share of pass through credit based on ownership interest in the S corporation. The total of the credit allowed to all shareholders may not exceed the amount that would have been allowed for a sole owner.

**NOTE:** *Trusts and estates which are shareholders of an S corporation are not eligible to claim these credits. However, the share of an S corporation owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of these credits.*

## Part 4 - Available Credit Carryover

**S corporations, if this credit was claimed at the corporate level in a prior taxable year and there is a carryover amount available, complete Part 4.**

### Lines 8 through 12 -

Use Part 4 to figure your total available credit carryover from prior taxable years. Complete lines 8 through 12, columns (a) through (d), if you claimed the credit on a prior year's return and the credit exceeded your tax liability.

Enter the taxable year(s) from which you are carrying over the credit in column (a) on lines 8 through 12. In column (b), enter the credit originally computed for that taxable year. In column (c), enter the amount of the credit from that taxable year which you have already used. Subtract the amount in

column (c) from the amount in column (b) and enter the difference in column (d).

**Line 13 -**

Add the amounts entered on lines 8 through 12 in column (d). Enter the total. This is the total credit carryover available for the current taxable year.

**Part 5 - Total Available Credit**

**Line 14 -**

Enter the current year's credit.

*Individuals, C Corporations, S corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI* - enter the amount from Part 1, line 6.

*Partnerships* - enter "0".

*S corporations that passed the current year credit through to shareholders* - enter "0".

*Individuals* - enter the total. Also, enter the total on Form 301, Part 1, line 23, column (a).

*C Corporations, S corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI* - enter the total. Also, enter the total on Form 300, Part 1, line 16, column (a).

**Line 15 -**

Enter the available credit carryover from prior years.

*Individuals, C Corporations, S corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI* - enter the amount from Part 4, line 13, column (d).

*Individuals* - enter the total. Also, enter the total on Form 301, Part 1, line 23, column (b).

*C Corporations, S corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI* - enter the total. Also, enter the total on Form 300, Part 1, line 16, column (b).

**Line 16 -**

Add line 14 and line 15. Enter the total. This is the total available renewable energy production tax credit that may be applied to the current year's tax liability.

*Individuals* - enter the total. Also, enter the total on Form 301, Part 1, line 23, column (c).

*C Corporations, S corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI* - enter the total. Also, enter the total on Form 300, Part 1, line 16, column (c).

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## Form 343-P, Distribution to Partners of a Partnership

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Enter the taxable year for which this credit is being passed through to your partners.

Complete Form 343-P for each partner of the partnership, *except for* trust or estate partners. However, a partnership ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.

The partnership must furnish each partner with their completed copy of Form 343-P, including additional schedules as needed.

**NOTE:** *Form 343-P is used to distribute the partnership's share of this credit to its partners.*

### Distribution of the Credit

**To distribute the credit to the partners of the partnership (complete lines 1 through 3):**

#### Line 1

Enter the partnership's name and EIN in the spaces provided.

#### Line 2

Enter the partner's name and TIN in the spaces provided.

#### Line 3a

Enter the amount of this credit from Form 343, Part 1, line 6.

#### Line 3b

Enter the partner's ownership percentage.

#### Line 3c

Multiply line 3a by line 3b and enter the result.

**This is the partner's portion of this credit.**

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## Form 343-S, S Corporation Distribution to Shareholders of an S Corporation

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Enter the taxable year for which this credit is being passed through to your shareholders.

Complete Form 343-S for each shareholder of the S corporation, *except for* trust or estate shareholders. However, an S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.

The S corporation must furnish each shareholder with a completed copy of Form 343-S, including additional schedules as needed.

**NOTE:** *Form 343-S is used to distribute the S corporation's share of this credit to its shareholders.*

### Distribution of the Credit

**To distribute the credit to the S corporation shareholders (complete lines 1 through 3):**

#### Line 1

Enter the S corporation's name and EIN in the spaces provided.

#### Line 2

Enter the shareholder's name and TIN in the spaces provided.

#### Line 3a

Enter the amount of this credit from Form 343, Part 3, line 6.

#### Line 3b

Enter the shareholder's ownership percentage.

#### Line 3c

Multiply line 3a by line 3b and enter the result.

**This is the shareholder's portion of this credit.**



**Include with your return.**

For the calendar year 2018 or fiscal year beginning   M     M     D     D     2     0     1     8   and ending   M     M     D     D     Y     Y     Y     Y  .

Name as shown on Form 140, 140PY, 140NR, 140X, 99T, 120, 120A, 120S, 120X, or 165	Social Security or Employer Identification Number
---	---

**Part 1 Business Information**

1	Business Name
2	Business Location Address — Street
	City State ZIP Code
3	Employer Identification Number

- 4a What type of entity is the business?  
 C Corporation     Exempt Organization     Limited Liability Company (LLC)  
 Partnership     S corporation     Sole Proprietorship
- 4b If the business is an LLC, what is the federal tax classification? Check only one box:  
 C Corporation     Disregarded Entity     Partnership     S corporation

If the business is an LLC, a partnership or an S corporation, include a schedule that lists ownership information including: name, address, TIN, and ownership percentage at the end of the tax year.

**Part 2 Qualification for Credit**

- 5 Did you receive certification from the Arizona Commerce Authority? .....  Yes  No  
 If "Yes", include a copy of the Certification.
- 6 Are you claiming a pass through of this credit from a partnership and/or an S corporation? .....  Yes  No  
 If "Yes", include a copy of Form(s) 345-P and/or Form(s) 345-S.
- 7 If you answered "Yes" to the question on line 5 or on line 6, go to Part 3.  
 If you answered "No" to the questions on line 5 **and** on line 6, **STOP!**  
**YOU ARE NOT ELIGIBLE TO CLAIM THIS CREDIT.**

**Part 3 Current Taxable Year's Credit Calculation**

	(a) Number of Employees	(b) Available Credit: Multiply column (a) by \$3,000.
8 Credit for employees in first year or partial year of employment in a qualified employment position .....	8	00
9 Credit for employees in the second year of continuous employment in a qualified employment position.....	9	00
10 Credit for employees in the third year of continuous employment in a qualified employment position.....	10	00
11 Enter the credit passed through from partnerships on Form(s) 345-P, line 3c .....		00
12 Enter the credit passed through from S corporations on Form(s) 345-S, line 3c .....		00
13 Add lines 8 through 12 in column (b). Enter the total. This is your total current year's credit for New Employment. ....		00

Continued on page 2 →

Name (as shown on page 1)	TIN
---------------------------	-----

**Part 4 Partnerships**

A partnership claiming this credit must pass the credit through to its partners.

- Complete Form 345-P for each partner.
- Provide a completed copy of Form 345-P to each partner.
- Include a copy of each completed Form 345-P with your tax return.
- Keep a copy of each completed Form 345-P for your records.
- Do not complete Parts 5 through 7 of this form.

**Part 5 S Corporation Credit Election and Shareholder's Share of Credit**

**14** The S corporation has made an irrevocable election for the taxable year ending MM, DD, YYYY to  
(check only one box):

**14a**  Claim the credit for new employment as shown on Part 3, line 13 (for the taxable year indicated above);

**OR**

**14b**  Pass the credit for new employment as shown on Part 3, line 13 (for the taxable year indicated above) through to its shareholders.

\_\_\_\_\_  
Signature Title Date

If passing the credit through to the shareholders, complete Form 345 for each shareholder.

- Provide a copy of completed Form 345-S to each shareholder.
- Include a copy of each completed Form 345-S with your tax return.
- Keep a copy of each completed Form 345-S for your records.

**Part 6 Available Credit Carryover**

		(a)	(b)	(c)	(d)	(e)
<b>15</b>	Taxable year .....					
<b>16</b>	Original credit amount	00	00	00	00	00
<b>17</b>	Amount previously used.....	00	00	00	00	00
<b>18</b>	Tentative carryover: Subtract line 17 from line 16.....	00	00	00	00	00
<b>19</b>	Amount disallowed: See instructions.....	00	00	00	00	00
<b>20</b>	Available carryover: Subtract line 19 from line 18.....	00	00	00	00	00
<b>21</b>	Total Available Carryover.....				<b>21</b>	00

Continued on page 3 →

Name (as shown on page 1)	TIN
---------------------------	-----

**Part 7 Total Available Credit**

<p><b>22</b> Current year's credit for new employment:</p> <ul style="list-style-type: none"> <li>• <i>Individuals, C Corporations, S corporations claiming this credit at the corporate level, or exempt organizations with UBTI:</i> Enter the amount from Part 3, line 13, column (b).</li> <li>• <i>Individuals:</i> Also, enter this amount on <i>Form 301, Part 1, line 24, column (a)</i>.</li> <li>• <i>C Corporations, S corporations claiming this credit at the corporate level, and exempt organizations with UBTI:</i> Also, enter this amount on <i>Form 300, Part 1, line 17, column (a)</i> .....</li> </ul>	<b>22</b>	00
<p><b>23</b> Available credit carryover from Part 6, line 21, column (e):</p> <ul style="list-style-type: none"> <li>• <i>Individuals:</i> Also, enter this amount on <i>Form 301, Part 1, line 24, column (b)</i>.</li> <li>• <i>C Corporations, S corporations claiming this credit at the corporate level, and exempt organizations with UBTI:</i> Also, enter this amount on <i>Form 300, Part 1, line 17, column (b)</i> .....</li> </ul>	<b>23</b>	00
<p><b>24 Total available credit:</b> Add lines 22 and 23 and enter the total.</p> <ul style="list-style-type: none"> <li>• <i>Individuals:</i> Also, enter total here and on <i>Form 301, Part 1, line 24, column (c)</i>.</li> <li>• <i>C Corporations, S corporations claiming this credit at the corporate level, and exempt organizations with UBTI:</i> Also, enter total here and on <i>Form 300, Part 1, line 17, column (c)</i> .....</li> </ul>	<b>24</b>	00

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Form 345-1

Employees at Business Location

2018

Complete a Form 345-1 for each employee, whether or not the employee is in a qualified employment position. See instructions

1 Employee name: \_\_\_\_\_

2 Employee's Social Security Number (SSN)..... \_\_\_\_\_

3a What credit year are you claiming for this employee?  First  Second  Third  Not qualified for credit, or fourth year or more

3b Is this employee a replacement of another employee who left a qualified employment position in the second or third year? See instructions .....  Yes  No

3c If the answer to line 3b is "Yes", did the total time the position was vacant from the date the employment position was originally filled to the end of the current tax year total 90 days or less? See instructions .....  Yes  No

3d If the answer to line 3c is "Yes", enter the name of the replaced employee, his or her Social Security Number, and termination date:

Employee Name	Social Security Number	Termination Date
		M M   D D   Y Y Y Y

4a Current date of employment ..... M M | D D | Y Y Y Y

4b Termination date, if the employee was terminated before the end of the taxable year ..... M M | D D | Y Y Y Y

4c If the employee was terminated, is he or she replaced by a new hire in the same qualified employment position?  Yes  No

If the answer is "Yes", enter the name of the new hire, his or her Social Security Number, and hire date:

Employee Name	Social Security Number	Hire Date
		M M   D D   Y Y Y Y

5a If employee was previously employed by the business, list the previous date of employment. See instructions..... M M | D D | Y Y Y Y

5b If employee was previously employed by the business, list the date of separation..... M M | D D | Y Y Y Y

5c Did the employee relocate to this state from out of state? .....  Yes  No

5d If the employee relocated from out of state, enter date of relocation ..... M M | D D | Y Y Y Y

6a Is the employee in a permanent position that consists of at least 1750 hours per year? .....  Yes  No

6b If the answer to line 6a is "Yes", list the number of hours the employee actually worked during the taxable year. .... \_\_\_\_\_

7 Are the employee's job duties performed primarily at the location(s) of the business?.....  Yes  No

8a Employee's annual compensation for the taxable year ..... \$ \_\_\_\_\_ .00

8b Employee's HOURLY wage in dollars and cents..... \$ \_\_\_\_\_ .

9a Total cost of health insurance provided by employer for employee. See instructions. .... \$ \_\_\_\_\_ .00

9b Total cost of health insurance for employee paid by employer. See instructions..... \$ \_\_\_\_\_ .00

10 Is this employee in a new qualified employment position?.....  Yes  No

11a Has this employee been substituted for another employee in a qualified employment position? .....  Yes  No

11b If answer on line 11a is "Yes", list the date of substitution (M M | D D | Y Y Y Y) and indicate whether the individual is a second year employee or a third year employee. See instructions for the qualification before answering this question.

Check only one box:  Second year employee  Third year employee

**Form 345-2**

**Employees in Qualified Employment Positions**

**2018**

	(a) Employee's Name	(b) Social Security Number	(c) Type of Employee			(d) Limitation on Total Number of Credits
			Check the appropriate box. This employee is a:			
			(c1) 1 <sup>st</sup> Year Employee	(c2) 2 <sup>nd</sup> Year Employee	(c3) 3 <sup>rd</sup> Year Employee	
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21						
22						
23						
24	TOTAL: Add lines 1 through 23 including only lines with check marks. Enter the total for each column .....					

If you are claiming more than 23 employees in qualified employment positions, complete additional schedules.

For the calendar year 2018 or fiscal year beginning [M,M|D,D|2,0,1,8] and ending [M,M|D,D|Y,Y,Y,Y].

**Partnerships:**

- Complete Form 345-P for each partner in the partnership **except for** trust or estate partners. However, a partnership ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.
- Provide a copy of the completed form and the Certification of Qualification received from the Arizona Commerce Authority to each partner.
- Keep a copy of each completed Form 345-P for your records.
- Include a copy of each completed Form 345-P with your partnership return.

**Partners:**

- Use this form to complete your own Form 345.
- Include this completed form and a copy of the Certification of Qualification received from the Arizona Commerce Authority with your return.
- Keep a copy of this form and certificate for your records.

**NOTE:** If you file your tax return on a calendar year basis but this entity files a return on a fiscal year basis (see above), claim this credit on your tax return for the year in which this entity's fiscal year ends.

**Distribution of the Credit**

Complete this section to distribute the credit to each partner in the partnership.

<b>1</b>	(a) Partnership Name	(b) Employer Identification Number (EIN)	
	(a) Partner Name	(b) Taxpayer Identification Number (TIN)	
<b>3a</b>	Partnership credit amount from Form 345, Part 3, line 13.....	<b>3a</b>	\$ ..... 00
	Partner's ownership percentage.....	<b>3b</b>	..... %
	Partner's portion of the credit .....	<b>3c</b>	\$ ..... 00

**Partners:**

The amount reported on line 3c is your portion of this credit. Enter the amount from line 3c on Part 3, line 11 of your own Form 345 to claim this credit.

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For the calendar year 2018 or fiscal year beginning MM, DD, 2018 and ending MM, DD, YYYY.

**S Corporations:**

- Complete Form 345-S for each shareholder of the S corporation **except for** trust or estate shareholders. However, an S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.
- Provide a copy of the completed form and the Certification of Qualification received from the Arizona Commerce Authority to each shareholder.
- Keep a copy of each completed Form 345-S for your records.
- Include a copy of each completed Form 345-S with your S corporation return.

**Shareholders:**

- Use this form to complete your own Form 345.
- Include this completed form and a copy of the Certification of Qualification received from the Arizona Commerce Authority with your return.
- Keep a copy of this form and certificate for your records.

**NOTE:** If you file your tax return on a calendar year basis but this entity files a return on a fiscal year basis (see above), claim this credit on your tax return for the year in which this entity's fiscal year ends.

**Distribution of the Credit**

Complete this section to distribute the credit to shareholders of the S corporation.

<b>1</b>	(a) S corporation Name	(b) Employer Identification Number (EIN)	
	(a) Shareholder Name	(b) Taxpayer Identification Number (TIN)	
<b>3a</b>	S corporation credit amount from Form 345, Part 3, line 13.....	\$	00
	Shareholder's ownership percentage.....		%
	Shareholder's portion of the credit .....	\$	00

**Shareholder:**

The amount reported on line 3c is your portion of this credit. Enter the amount from line 3c on Part 3, line 12 of your Form 345 to claim this credit.

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## 2018 Credit for New Employment

### CONTACTS FOR CREDIT FOR NEW EMPLOYMENT

#### Arizona Commerce Authority

•Application forms •Program guidelines

Website: [www.azcommerce.com](http://www.azcommerce.com)

Program Manager (602) 845-1200

#### Arizona Department of Revenue

•Tax forms and instructions •Information and assistance

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

Taxpayer assistance (602) 255-3381

From area codes 520 and 928, toll-free (800) 352-4090

### General Instructions

Arizona Revised Statutes (A.R.S.) §§ 43-1074 and 43-1161 provide nonrefundable individual and corporate income tax credits for net increases in qualified employment positions in Arizona at a business location in Arizona.

This credit is available to individuals, corporate taxpayers, partners in a partnership (except trust and estate partners), and to shareholders of an S corporation (except trust and estate shareholders). Exempt organizations subject to unrelated business taxable income (UBTI) may claim this credit if the credit results from activities that generate UBTI.

Trusts and estates, with the exception of grantor trusts, cannot claim this credit either directly or as a pass through. A grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. As a result, the grantor may claim the credit. The total of the credits may not exceed the amount that would have been allowed for a sole owner of the business.

Co-owners of a business, including partners in a partnership and shareholders of an S corporation, may each claim only the *pro rata* share of the credit allowed based on the ownership interest. The total of the credits allowed all such owners may not exceed the amount that would have been allowed for a sole owner of the business.

**Note for Form 120 filers:** *Taxpayers filing on a combined or consolidated basis are considered to be a single taxpayer for the purposes of the credit for new employment.*

If the documents required to be filed with Commerce or the Arizona Department of Revenue (Revenue) are not timely filed or contain materially false information, the taxpayer is ineligible for the Credit for New Employment (including second and third year credits, and carryovers) and is subject to recovery of the amount of tax credits allowed in preceding taxable years based on the false information, plus penalties and interest.

The Credit for New Employment is in lieu of the employment credit for Healthy Forest Enterprises, claimed on Form 332.

To qualify for the Credit for New Employment:

- *Businesses in an urban location must meet at least one of the following:*
  - Invest at least \$5 million of capital investment and create at least 25 new qualified employment

positions that pay compensation at least equal to 100% of the county median wage as computed annually by Commerce.

- Invest at least \$2.5 million of capital investment and create at least 25 new employment positions that pay compensation at least equal to 125% of the county median wage as computed annually by Commerce.
- Invest at least \$1 million of capital investment and create at least 25 new employment positions that pay compensation at least equal to 150% of the county median wage as computed annually by Commerce.
- Invest at least \$500,000 of capital investment and create at least 25 new employment positions that pay compensation at least equal to 200% of the county median wage as computed annually by Commerce.
- *Businesses in a rural location must meet at least one of the following:*
  - Invest at least \$1 million of capital investment and create at least 5 new employment positions that pay compensation at least equal to 100% of the county median wage as computed annually by Commerce.
  - Invest at least \$500,000 of capital investment and create at least 5 new employment positions that pay compensation at least equal to 125% of the county median wage as computed annually by Commerce.
  - Invest at least \$100,000 of capital investment and create at least 5 new employment positions that pay compensation at least equal to 150% of the county median wage as computed annually by Commerce.

The capital investment and the new qualified employment positions requirements listed above must be accomplished within 12 months after the start of the required capital investment. No credit may be claimed until both requirements are met.

In addition, the qualified employment positions must meet the following requirements:

- Consist of at least 1,750 hours per year of permanent employment.
- The job duties are performed primarily at the location or locations of the business in Arizona.
- The employment provides health insurance coverage for the employee where the employer pays 65% of the premium or membership cost.

The Credit for New Employment for Qualified Employment positions is equal to:

- \$3,000 for each Arizona employee in a qualified employment position in the first year or partial year of employment;
- \$3,000 for each Arizona employee in a qualified employment position for the full taxable year, in the second year of continuous employment;
- \$3,000 for each Arizona employee in a qualified employment position for the full taxable year, in the third year of continuous employment.

The credit is allowed for second and third year employees only for qualified employment positions for which a credit was claimed and allowed in the first year.

**NOTE:** *If a full-time employee in a qualified employment position left during the second or third taxable year that a credit for that position is being claimed, the employee may be replaced with another new full-time employee in the same employment position. That new employee will be treated as being in their second or third full year of continuous employment if: (1) the total time the qualified employment position was vacant from the date the position was originally filled to the end of the current tax year totals 90 days or less; and (2) the new employee meets all of the same requirements the original employee was required to meet. However, only one credit can be claimed for one employee for each qualified employment position, even if there was more than one replacement for the same position during the taxable year.*

If the allowable tax credit exceeds the taxes otherwise due on the claimant's income, or if there are no taxes due, the amount of the credit not used to offset taxes may be carried forward for not more than five taxable years as a credit against subsequent years' income tax liabilities.

**Reporting requirements:** Include a copy of the Certification you received from Commerce. The Certification will state you complied with their reporting requirements and will indicate the number of positions for which you are certified for the taxable year. To claim this credit, you must timely comply with the reporting requirements of both Revenue and Commerce. Do not use the 2018 Form 345 and 345-1 to claim this credit for previous taxable years.

**Aggregate summary:** Complete Form 345, 345-1, and 345-2 for each business location for which you are claiming this credit. If you claim this credit for multiple business locations, complete an aggregated summary Form 345. Do not complete aggregate summaries of Forms 345-1 and 345-2.

If you complete an aggregated Form 345, do NOT complete Part 1 - Business Information.

Include the Forms 345, 345-1, and 345-2 for each business location with the aggregated Form 345.

### Specific Instructions

Complete the name and taxpayer identification number (TIN) section at the top of the form. Indicate the period covered by the taxable year. Include the completed form and all supporting documentation with the tax return.

All returns, statements, and other documents filed with the department require a TIN. The TIN for a corporation, an exempt organization with UBTI, an S corporation, or a partnership is the taxpayer's employer identification number (EIN). The TIN for an individual is the taxpayer's Social Security Number (SSN) or an Internal Revenue Service Individual Taxpayer Identification Number (ITIN). Taxpayers that fail to include their taxpayer identification number may be subject to a penalty.

**NOTE – To claim this credit:**

- *Individual taxpayers, complete this credit form and Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture. Include both completed forms with your tax return.*
- *C Corporations, S corporations claiming this credit at the corporate level, and exempt organizations with UBTI,*

*complete this credit form and Arizona Form 300, Nonrefundable Corporate Tax Credits and Recapture. Include both completed forms with your return.*

- *S corporations electing to pass this credit through to its shareholders, complete this credit form and Arizona Form 300, Nonrefundable Corporate Tax Credits and Recapture. Also, complete Form 345-S for each shareholder of the S corporation. Provide each shareholder a copy of his or her completed Form 345-S. Include Form 300, Form 345, and one copy of each completed Form 345-S with your return.*
- *Partnerships complete this credit form. Also, complete Form 345-P for each partner of the partnership. Provide each partner a copy of his or her completed Form 345-P. Include Form 345 and one copy of each completed Form 345-P with your return.*

### Part 1 - Business Information

#### Lines 1 through 3 -

On lines 1, 2, and 3, enter the name, address, and EIN of the business location.

#### Line 4a and Line 4b -

Check the boxes to answer the questions on line 4a and line 4b. If the business is an LLC, a partnership, or an S corporation, be sure to include a schedule that lists ownership information including: name, address, TIN, and ownership percentage as of the end of the tax year. Include the schedule immediately after Form 345.

**Unless you are claiming only a carryover of this credit from previous taxable years, complete Forms 345-1 and 345-2 before completing the rest of Form 345.**

- Please refer to page 5 for the instructions to complete Form 345-1.
- Please refer to page 6 for the instructions to complete Form 345-2.

### Part 2 - Qualification for Credit and Credit Calculation

#### Line 5 -

If you received a Certification from the Arizona Commerce Authority (Commerce) for this credit, check the "Yes" box. Otherwise, check the "No" box.

#### Line 6 -

If you are claiming a pass through of this credit from a partnership and/or an S corporation, check the "Yes" box. Otherwise, check the "No" box.

#### Line 7 -

- If you answered "Yes" to the question on line 5 or on line 6, go to Part 3. Include a copy of all Form(s) 345-P and/or Form(s) 345-S with this form.
- If you answered "No" to the question on line 5 or on line 6, **STOP! YOU ARE NOT ELIGIBLE TO CLAIM THIS CREDIT.**

### Part 3 - Current Taxable Year's Credit Calculation

#### Line 8 -

Enter the total number of employees in their first year or partial year of employment in a qualified employment position from Form 345-2, line 24, column (c1), in column (a). Multiply the number in column (a) by \$3,000 and enter the result in column (b).

#### Line 9 -

Enter the total number of employees in their second year of continuous employment in a qualified employment position from Form 345-2, line 24, column (c2), in column (a). Multiply the number in column (a) by \$3,000 and enter the result in column (b).

#### Line 10 -

Enter the total number of employees in their third year of continuous employment in a qualified employment position from Form 345-2, line 24, column (c3), in column (a). Multiply the number in column (a) by \$3,000 and enter the result in column (b).

#### Line 11 -

Enter the amount of this credit passed through from partnerships on Form(s) 345-P, line 3(c). If you received a pass through of this credit from more than one partnership, include a schedule indicating the amount of the credit passed through from each partnership.

#### Line 12 -

Enter the credit passed through from S corporations on Form(s) 345-S, line 3(c). If you received a pass through of this credit from more than one S corporation, include a schedule indicating the amount of the credit passed through from each S corporation.

#### Line 13 -

Add lines 8 through 12 in column (b). Enter the total. This is the current year's Credit for New Employment.

### Part 4 - Partnerships

A partnership claiming this credit *must* pass it through to its partners. Proceed to the instructions for completing Form 345-P on page 7.

- Complete Form 345-P for each partner.
- Provide a completed copy of Form 345-P to each partner.
- Include a copy of each completed Form 345-P with your tax return.
- Keep a copy of each completed Form 345-P for your records.
- Do not complete the remainder of this form.

Each partner is entitled to only a *pro rata* share of each credit based on the partner's ownership interest in the partnership. The total of each credit allowed to all partners may not exceed the amount that would have been allowed for a sole owner.

**NOTE:** *Trusts and estates which are partners in a partnership are not eligible to claim these credits. However, the share of a partnership owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of these credits.*

### Part 5 - S Corporation Credit Election and Shareholder's Share of Credit

#### Lines 14, 14a, & 14b -

The S corporation must complete line 14, and line 14a, or line 14b. The S corporation must make an irrevocable election either to claim the current taxable year credit at the corporate level, or to pass the credit through to its shareholders. The S corporation election is made by:

- Entering the date the S corporation taxable year ends in the box provided.
- Checking the box on line 14a electing to claim the current year taxable credit at the corporate level; or,
- Checking the box on line 14b electing to pass the current taxable year credit through to its shareholders.
- The election statement must be signed by an officer of the S corporation who is also a signatory to Arizona Form 120S.

If the S corporation elects to claim the credit at the corporate level, continue to Part 6.

If the S corporation elects to pass this credit through to its shareholders, proceed to the instructions for completing Form 345-S on page 7.

If passing this credit through to the shareholders:

- Complete Form 345-S for each shareholder.
- Provide a copy of completed Form 345-S to each shareholder.
- Include a copy of each completed Form 345-S with your tax return.
- Keep a copy of each completed Form 345-S for your records.

Each S corporation shareholder is entitled to only a *pro rata* share of pass-through credit based on ownership interest in the S corporation. The total of the credit allowed to all shareholders may not exceed the amount that would have been allowed for a sole owner.

**NOTE:** *Trusts and estates which are shareholders of an S corporation are not eligible to claim these credits. However, the share of an S corporation owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of these credits.*

### Part 6 - Available Credit Carryover

**S corporations,** *if this credit was claimed at the corporate level in a prior taxable year and there is a carryover amount available, complete Part 6.*

Use Part 6 to figure your total available credit carryover from prior taxable years. Complete lines 15 through 20 if you claimed the credit on a prior year's return and the credit exceeded your tax liability.

#### Line 15 -

Enter the taxable years from which you are carrying over the credit in columns (a) through (e).

#### Line 16 -

Enter the credit originally computed for the taxable year indicated in columns (a) through (e).

**Line 17 -**

Enter the amount of the credit from the taxable year indicated in columns (a) through (e) that was used in a prior taxable year.

**Line 18 -**

Subtract columns (a) through (e) of line 17 from columns (a) through (e) of line 16. Enter the difference in each column. This is your tentative credit carryover amount.

**Line 19 -**

Enter the amount of the credit from the taxable year indicated in columns (a) through (e) that is disallowed because the business changed ownership.

**Line 20 -**

Subtract columns (a) through (e) of line 19 from columns (a) through (e) of line 18. Enter the difference in each column.

**Line 21 -**

Add the amounts from columns (a) through (e) on line 20. Enter the total. This is the total credit for new employment carryover from prior taxable years.

**Part 7 - Total Available Credit****Line 22 -**

*Individuals, C Corporations, S corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI* - enter the amount from Part 3, line 13, column (b).

*Partnerships* - enter "0".

*S corporations that elected to pass the current year credit through to shareholders* - enter "0".

This is the current year's credit for new employment.

*Individuals* – Also, enter this amount on Form 301, Part 1, line 24, column (a).

*C Corporations, S corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI* – Also, enter this amount on Form 300, Part 1, line 17, column (a).

**Line 23 -**

*Individuals, C Corporations, S corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI* - enter the amount from Part 6, line 21. This is the total available credit carryover for new employment.

*Individuals* – Also, enter this amount on Form 301, Part 1, line 24, column (b).

*C Corporations, S corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI* – Also, enter this amount on Form 300, Part 1, line 17, column (b).

**Line 24 -**

*Individuals, C Corporations, S corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI* - add line 22 and line 23. Enter the total. This is the total available credit for new employment for qualified employment positions that may be applied to the current year's tax liability.

*Individuals* - enter the total. Also, enter the total on Form 301, Part 1, line 24, column (c).

*C Corporations, S corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI* – enter the total. Also, enter the total on Form 300, Part 1, line 17, column (c).

**FORM 345-1**  
**Employees at Business Location**

Complete Form 345-1 for each employee at the business location, WHETHER OR NOT THE EMPLOYEE IS IN A QUALIFIED EMPLOYMENT POSITION.

**NOTE:** A.R.S. § 41-1525(E)(2) provides for the information requested in the Form 345-1 to be submitted in a form prescribed by Revenue, including electronic media. Revenue 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-ROM or DVD (CD/DVD).

The information must be filed on or before the due date of the tax return, including any extensions. Taxpayers submitting the information on CD/DVD should secure the CD/DVD in a hard case and include it with the tax return. Forms 345-1 submitted on CD/DVD are part of the income tax return and are subject to the sworn statement on the return that they are true and correct to the best of the signer's knowledge and belief.

The CD/DVD should be labeled as Form 345-1 with the taxpayer's name, EIN, and taxable year.

Taxpayers may password protect the CD/DVD and email the password separately to MediaLibrarian@azdor.gov. Include "Form 345-1" in the subject line of the email. In the body of the email, include the same information that is on the CD/DVD label. Revenue **will not** return or copy any media.

**CAUTION:** The taxpayer substitutes the CD/DVD at its own risk and understands that the information may need to be provided to Revenue again at a later date if it is not accessible by Revenue for any reason.

**Line 1 -**

Enter the employee's first and last name.

**Line 2 -**

Enter the employee's SSN.

**Line 3a -**

Check the box to indicate the credit year for which you are claiming this employee: "First"; "Second"; "Third"; or "Not qualified for credit, or fourth year or more."

**Line 3b -**

If this employee replaced another employee who left a qualified employment position during the second or third year that you are claiming the credit, check the "Yes" box. If not, check the "No" box.

**Line 3c -**

If you answered "Yes" to the question on line 3b, and the total time this position was vacant from the date the position was originally filled to the end of the current taxable year was 90 days or less, check the "Yes" box. If the position was vacant for more than 90 days, check the "No" box.

**Line 3d -**

If the answer to the question on line 3c is "Yes", enter the name of the replaced employee, his or her SSN, and termination date.

**Example:** XYZ Company began operations on January 1, 2017 and hired Employee A, B, and C at a different time period for the same qualified employment position that qualifies for the credit for new employment. XYZ Company is a calendar year filer.

Employee	Hire Date	Termination Date
Employee A	May 1, 2017	January 31, 2018
Employee B	March 1, 2018	October 31, 2018
Employee C	December 1, 2018	December 31, 2019

Tax year 2017 (credit year 1): XYZ Company was eligible to claim a credit for Employee A for the qualified employment position.

Tax year 2018 (credit year 2): XYZ Company is eligible to claim only one credit for one employee (Employee A, Employee B, **OR** Employee C) for the same qualified employment position. The total time the position was vacant from the date the position was originally filled to the end of the current taxable year totals 58 days (28 days in February plus 30 days in November), which is less than 90 days.

Tax year 2019 (credit year 3): XYZ Company is eligible to claim a credit for Employee C.

**Line 4a -**

Enter the date the employee was hired. If the employee was previously employed, enter the date the employee was re-hired.

**Line 4b -**

If the employee was terminated before the end of the taxable year, enter the employee's termination date.

**Line 4c -**

If the employee was terminated and replaced by a new hire in the same qualified employment position, check the "Yes" box and enter the name of the new hire, his or her SSN and hire date.

Complete these lines 5a and 5b if the employee was previously employed by the business (prior to the current employment).

**Line 5a -**

If the employee was previously employed by the business, enter the date the employee was previously hired.

**Line 5b -**

If the employee was previously employed by the business, enter the employee's date of separation.

**NOTE:** Complete line 5c and line 5d if the employee relocated from out-of-state.

**Line 5c -**

If the employee relocated from out of state, check the "Yes" box. If not, check the "No" box.

**Line 5d -**

If the employee relocated from out of state, enter the date the employee relocated.

**Line 6a -**

Check the "Yes" box if this employee is in a permanent position consisting of at least 1750 hours per year. If this employee is not in a permanent position consisting of at least 1750 hours per year, check the "No" box.

**Line 6b -**

If you checked the “Yes” box on line 6a, enter the number of hours worked by this employee. Include paid time off for holidays, vacation, or sick. Do not include bonuses or overtime.

**Line 7 -**

If this employee’s job duties are performed primarily at the location(s) of your business, check the “Yes” box. If not, check the “No” box.

**Line 8a -**

Enter this employee’s annual compensation for the taxable year.

**Line 8b -**

Enter this employee’s hourly wage rounded to the nearest cent.

**Line 9a -**

Enter the total cost of this employee’s insurance premium or membership cost. If your business is self-insured, enter the predetermined fixed cost for this employee’s insurance coverage.

**NOTE:** *The predetermined fixed cost must be payable whether this employee files a claim or not.*

**Line 9b -**

Enter the total amount of the insurance premium or membership cost you paid as the employer.

**Line 10 -**

If this employee is in a new qualified employment position, check the “Yes” box. If not, check the “No” box.

**Line 11a -**

If this employee was substituted for another employee in a qualified employment position, check the “Yes” box. If not, check the “No” box.

**Line 11b -**

If the “Yes” box on line 11a is checked, enter the date of substitution. Also, check either the box “Second year employee”, or “Third year employee” to indicate this employee is a second year employee or a third year employee.

**NOTE:** *Arizona law does not require that the employee who is claimed in the second or third year of continuous employment be the same employee who was claimed in the first or second year of employment. Therefore, if one of the originally claimed new employees leaves employment, the business can claim the subsequent years’ credits for another employee in a qualified employment position who is in the same year of continuous employment as the departed employee.*

**FORM 345-2**

**Employees in Qualified Employment Positions**

List each employee in a qualified employment position. Do not list employees that are not in a qualified employment position.

**Lines 1 through 23 -**

Complete lines 1 through 23 as follows:

- a) Enter the employee’s name in column (a);
- b) Enter the employee’s SSN in column (b);
- c) If the employee is:
  - A first year employee, check box (c1);
  - A second year employee, check box (c2);
  - A third year employee, check box (c3);
- d) Check box (d) if the employee’s position is included in the count for the credit for Qualified Employment Positions.

**NOTE:**

- *The number of employees for which you are claiming second year credits for this taxable year cannot exceed the number of employees for whom you claimed first year credits in the prior taxable year.*
- *The number of employees for which you are claiming third year credits for this taxable year cannot exceed the number of employees for whom you claimed second year credits in the prior taxable year.*

**Line 24 -**

Count the checkmarks on lines 1 through 23 for each column, (c1) through (c3), only if there is a checkmark in column (d) for that column and line. Enter the count in the corresponding column (c1) through (c3).

- Enter the amount in column (c1) on Form 345, Part 3, line 8, column (a).
- Enter the amount in column (c2) on Form 345, Part 3, line 9, column (a).
- Enter the amount in column (c3) on Form 345, Part 3, line 10, column (a).

**NOTE:** *If you are claiming this credit for more than 23 employees in qualified employment positions for this business location, include additional schedules.*



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### **Form 345-P, Distribution to Partners of a Partnership**

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Enter the taxable year for which this credit is being passed through to your partners.

Complete Form 345-P for each partner of the partnership, *except for* trust or estate partners. However, a partnership ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.

The partnership must furnish each partner with their completed copy of Form 345-P, including additional schedules as needed.

#### **Distribution of the Credit**

##### **Line 1 -**

Enter the partnership name and EIN in the spaces provided.

##### **Line 2 -**

Enter the partner's name and TIN in the spaces provided.

##### **Line 3a -**

Enter the amount of this credit from Form 345, Part 3, line 13.

##### **Line 3b -**

Enter the partner's ownership percentage.

##### **Line 3c -**

Multiply line 3(a) by line 3(b) and enter the result.

**This is the partner's portion of this credit.**

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### **Form 345-S, S Corporation Distribution to Shareholders of an S Corporation**

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Enter the taxable year for which this credit is being passed through to your shareholders.

Complete Form 345-S for each shareholder of the S corporation, *except for* trust or estate shareholders. However, an S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.

The S corporation must furnish each shareholder with a completed copy of Form 345-S, including additional schedules as needed.

#### **Distribution of the Credit**

##### **Line 1 -**

Enter the S corporation name and EIN in the spaces provided.

##### **Line 2 -**

Enter the shareholder's name and TIN in the spaces provided.

##### **Line 3a -**

Enter the amount of this credit from Form 345, Part 3, line 13.

##### **Line 3b -**

Enter the shareholder's ownership percentage.

##### **Line 3c -**

Multiply line 3(a) by line 3(b) and enter the result.

**This is the shareholder's portion of this credit.**

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Name (as shown on page 1)	TIN
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**Part 5 S Corporation Credit Election and Shareholder's Share of Credit**

**13** The S corporation has made an irrevocable election for the taxable year ending MM, DD, YYYY to (check only one box):

- 13a**  Claim the additional credit for increased research activities for basic research payments as shown on Part 3, line 12 (for the taxable year indicated above) at the corporate level;  
**OR**  
**13b**  Pass the additional credit for increased research activities for basic research payments as shown on Part 3, line 12 (for the taxable year indicated above) through to its shareholders.

Signature \_\_\_\_\_ Title \_\_\_\_\_ Date \_\_\_\_\_

**Shareholders:**  
 If passing the credit through to the shareholders, complete Form 346-S for each shareholder.

- Provide a copy of the completed Form 346-S to each shareholder.
- File a copy of each completed Form 346-S with your tax return.
- Keep a copy of each completed Form 346-S for your records.

**Part 6 Available Credit Carryover**

	(a) Taxable Year	(b) Original Credit Amount	(c) Amount Previously Used or Expired	(d) Available Carryover: Subtract column (c) from column (b).
<b>14</b>		00	00	00
<b>15</b>		00	00	00
<b>16</b>		00	00	00
<b>17</b>		00	00	00
<b>18</b>		00	00	00
<b>19</b>	Total Available Carryover: Add lines 14 through 18 in column (d). Enter the total.....			19 00

**Part 7 Total Additional Available Credit for Increased Research Activities for Basic Research Payments**

<p><b>20</b> Current year's credit: Enter the amount from Part 3, line 12.</p> <ul style="list-style-type: none"> <li>• <i>Individuals:</i> Also, enter this amount on Form 301, Part 1, line 25, column (a).</li> <li>• <i>Partnerships:</i> Enter "0".</li> <li>• <i>S corporations that passed the credit through to shareholders:</i> Enter "0".</li> <li>• <i>C Corporations, S corporations electing to claim this credit at the corporate level, and exempt organizations with UBTI:</i> Also, enter this amount on Form 300, Part 1, line 18, column (a) .....</li> </ul>	<b>20</b>	00
<p><b>21</b> Available credit carryover: Enter the amount from Part 6, line 19.</p> <ul style="list-style-type: none"> <li>• <i>Individuals:</i> Also, enter this amount on Form 301, Part 1, line 25, column (b).</li> <li>• <i>C Corporations, S corporations electing to claim this credit at the corporate level, and exempt organizations with UBTI:</i> Also, enter this amount on Form 300, Part 1, line 18, column (b) .....</li> </ul>	<b>21</b>	00
<p><b>22</b> <b>Total available credit:</b> Add lines 20 and 21 and enter the total.</p> <ul style="list-style-type: none"> <li>• <i>Individuals:</i> Also, enter this amount on Form 301, Part 1, line 25, column (c).</li> <li>• <i>C Corporations, S corporations electing to claim this credit at the corporate level, and exempt organizations with UBTI:</i> Also, enter this amount on Form 300, Part 1, line 18, column (c).....</li> </ul>	<b>22</b>	00

For the calendar year 2018 or fiscal year beginning [M,M,D,D|2,0,1,8] and ending [M,M,D,D|Y,Y,Y,Y].

**Partnership:**

- Complete Form 346-P for each partner of the partnership **except for** trust or estate partners. However, a partnership ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.
- Include a copy of this form with your return.
- Provide a copy of the completed form and the Letter of Approval received from the Arizona Department of Revenue to each partner.
- Keep a copy of each completed Form 346-P for your records.

**Partner:**

- Use this form to complete your own Form 346.
- Include this completed form and a copy of the Letter of Approval received from the Arizona Department of Revenue with your return.
- Keep a copy of this form and letters for your records.

**NOTE:** If you file your tax return on a calendar year basis but this entity files a return on a fiscal year basis (see above), claim this credit on your tax return for the year in which this entity's fiscal year ends.

**Part 1 Partnership and Partner Information**

<b>1</b>	(a) Partnership Name	(b) Employer Identification Number (EIN)	
<b>2</b>	(a) Partner Name	(b) Taxpayer Identification Number (TIN)	(c) Proportionate Share %

**Part 2 Distribution of the Credit Passed Through**

<b>3</b>	Enter the total amount of the partnership's credit from Part 3, line 12 of the partnership's Form 346 .....	<b>3</b>	\$		00
<b>4</b>	Partner's portion of the partnership research and development credit: Multiply line 3 by the partner's proportionate share shown on line 2(c). Enter the result.....	<b>4</b>	\$		00

**Partners:** Enter the amount from line 4 on your Form 346, Part 2, line 10.

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For the calendar year 2018 or fiscal year beginning [M,M|D,D|2,0,1,8] and ending [M,M|D,D|Y,Y,Y,Y].

**S Corporation:**

- Complete Form 346-S for each shareholder of the S corporation **except for** trust or estate shareholders. However, an S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.
- Include a copy of this form with your return.
- Provide a copy of the completed form and the Letter of Approval received from the Arizona Department of Revenue to each shareholder.
- Keep a copy of each completed Form 346-S for your records.

**Shareholder:**

- Use this form to complete your own Form 346.
- Include this completed form and a copy of the Letter of Approval received from the Arizona Department of Revenue with your return.
- Keep a copy of this form and certificate for your records.

**NOTE:** If you file your tax return on a calendar year basis but this entity files a return on a fiscal year basis (see above), claim this credit on your tax return for the year in which this entity's fiscal year ends.

**Part 1 S Corporation and Shareholder Information**

<b>1</b>	(a) S corporation Name	(b) Employer Identification Number (EIN)	
<b>2</b>	(a) Shareholder Name	(b) Social Security Number (SSN)	(c) Proportionate Share %

**Part 2 Distribution of the Credit Passed Through**

<b>3</b>	Enter the total amount of the S corporation's credit from Part 3, line 12 of the S corporation's Form 346 .....	<b>3</b>	\$		00
<b>4</b>	Shareholder's portion of the S corporation research and development credit: Multiply line 3 by the shareholder's proportionate share shown on line 2(c). Enter the result. ....	<b>4</b>	\$		00

**Shareholders:** Enter the amount from line 4 on your Form 346, Part 2, line 11.

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# 2018 Additional Credit for Increased Research Activities for Basic Research Payments

## CONTACTS FOR FURTHER INFORMATION REGARDING THE ADDITIONAL CREDIT FOR INCREASED RESEARCH ACTIVITIES FOR BASIC RESEARCH PAYMENTS

### Arizona Commerce Authority

Website: [www.azcommerce.com](http://www.azcommerce.com)

Program Manager (602) 845-1200

### Arizona Department of Revenue

•Tax forms and instructions •Information and assistance

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

Taxpayer assistance (602) 255-3381

From area codes 520 and 928, toll-free (800) 352-4090

## General Instructions

Arizona Revised Statutes §§ 43-1074.01(A)(1)(c) and 43-1168(A)(1)(d) provide an additional income tax credit for increased research activities for basic research payments made to a university under the jurisdiction of the Arizona Board of Regents.

You may be eligible for this credit if you made cash payments in excess of your base period amount to a qualified Arizona university for research conducted in Arizona.

This credit is available to:

- Individuals,
- Corporations,
- Exempt organizations with unrelated business taxable income (UBTI),
- S corporations using this credit to offset tax incurred at the corporate level.
- S corporations or partnerships may pass the credit through to their shareholders or partners.

**NOTE:** For an exempt organization to claim this credit against its UBTI, the credit must result from the activities generating UBTI.

## CLAIMING THE CREDIT

To claim this credit, the taxpayer must first apply for certification from the Arizona Commerce Authority (ACA) that the taxpayer's basic research payments meet the requirements established by statute. Once the taxpayer receives certification from the ACA, the taxpayer then applies to the Arizona Department of Revenue (Revenue) for determination of the amount of the credit the taxpayer is eligible to claim.

## IMPORTANT INFORMATION/CREDIT SUMMARY

- The credit is limited to \$10 million in total credits in a calendar year.
- This credit is in addition to the credit for increased research activities:
  - Claimed by corporations on Arizona Form 308;
  - Claimed by individuals on Arizona Form 308-I.

- This tax credit is allowed in an amount computed pursuant to Internal Revenue Code (IRC) § 41(e), except for:
  - Only basic research payments [defined in IRC § 41(e)] which are made to a university under the jurisdiction of the Arizona Board of Regents are included.
  - The taxpayer must make basic research payments during the taxable year to a university under the jurisdiction of the Arizona Board of Regents, for research completed by the same university.
  - The terms "basic research payments" and "qualified organization base period amount" have the same meanings prescribed by IRC § 41(e), without regard to whether the taxpayer is, or is not, a corporation.
  - The amount of the credit is based on the federal regular credit computation method for basic research payments. Taxpayers cannot use the federal alternative credit computation method. The allowable current taxable year credit is 10% of the excess, if any, of the basic research payments over the qualified organization base period amount for the taxable year.
  - If two or more taxpayers, including shareholders of an S corporation and partners in a partnership, share in the eligible expenses, each taxpayer is eligible to receive a proportionate share of the credit.
  - The termination provisions of IRC § 41 do not apply.
- If the current taxable year's credit exceeds the taxpayer's tax liability for the taxable year, the taxpayer may carry forward the unused credit to the next five consecutive taxable years.
- ***This credit is not refundable.***

**CORPORATE TAXPAYERS:** If two or more members of a unitary group, or an Arizona affiliated group incur qualifying basic research payments, the individual members of the group are not considered separate taxpayers. When a combined return, or a consolidated return is filed, the unitary group, or the Arizona affiliated group is considered a single taxpayer.

## Specific Instructions

Complete the name and taxpayer identification number (TIN) section at the top of the form. Indicate the period covered by the taxable year. Include the completed form with the tax return.

### NOTE:

- All returns, statements, or other documents filed with the department must have the taxpayer's Employer Identification Number (EIN) or TIN indicated on them.
- Taxpayers who fail to include their EIN or TIN may be subject to a penalty.

**NOTE – To claim this credit:**

- **Individual taxpayers**, complete this credit form and Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture. Include both completed forms with your tax return.
- **C Corporations, S corporations claiming this credit at the corporate level, and exempt organizations with UBTI**, complete this credit form and Arizona Form 300, Nonrefundable Corporate Tax Credits and Recapture. Include both completed forms with your tax return.
- **S corporations electing to pass this credit through to its shareholders**, complete this credit form and Arizona Form 300, Nonrefundable Corporate Tax Credits and Recapture. Also, complete Form 346-S for each shareholder of the S corporation. Provide each shareholder a copy of his or her completed Form 346-S. Include Form 300, Form 346, and one copy of each completed Form 346-S with your tax return.
- **Partnerships**, complete this credit form. Also, complete Form 346-P for each partner of the partnership. Provide each partner a copy of his or her completed Form 346-P. Include Form 346 and one copy of each completed Form 346-P with your tax return.

**Part 1 - Qualification for Additional Credit**

**Line 1 -**

If you received a letter of approval from Revenue for this credit, check the “Yes” box. If you did not, check the “No” box and skip line 2.

**Line 2 -**

If you checked the "Yes" box on line 1, enter the credit amount shown on your Letter of Approval from Revenue for taxable year 2018.

**Line 3 -**

If you received a pass through of this credit from a partnership or S corporation on Form 346-P or Form 346-S, check the “Yes” box and include a copy of each form you received. If you did not, check the "No" box.

**Line 4 -**

If you answered “Yes” to the question on line 1 and/or the question on line 3, go to Part 2. Otherwise, go to line 5.

**Line 5 -**

If you answered “No” to the question on line 1 and to the question on line 3, **STOP! YOU ARE NOT ELIGIBLE TO CLAIM THIS CREDIT.**

**Part 2 - Current Taxable Year's Credit Calculation**

**Portion Earned by the Taxpayer**

**Line 6 -**

Enter the basic research payments paid to qualified organizations.

Taxpayers may be eligible for an additional credit for basic research if their payments made in cash to a qualified university under the jurisdiction of the Arizona Board of Regents (pursuant to a written contract) for research conducted in Arizona exceeds their base period amount.

**Line 7 -**

Enter the qualified organization base period amount as defined by IRC § 41(e) that is based on qualified basic research payments.

**NOTE:** The amount on line 7 (but not more than the amount on line 6), although not eligible for the additional basic research credit, may be eligible for the basic research credit for corporations on Form 308 and may be eligible to be treated as contract research expenses on Form 308 or Form 308-I.

**Line 8 -**

If line 6 is greater than line 7, subtract line 7 from line 6 and enter the difference. If line 7 is greater than line 6, enter “0”.

**Line 9 -**

Enter the lesser of 10% of line 8 or the amount on line 2.

**Portion Passed Through From Partnerships or S Corporations**

**NOTE:** If you received a pass through of this credit from more than one partnership and/or S corporation, total the amounts received from all Form(s) 346-P and/or Form(s) 346-S on a separate schedule and include it with this form. Include a copy of each Form 346-P and/or Form 346-S as well as copies of each Letter of Approval you received with your return.

**Line 10 -**

Enter the total amount of this credit passed through from partnerships on Form 346-P, Part 2, line 4

**Line 11 -**

Enter the total amount of this credit passed through from S corporations on Form 346-S, Part 2, line 4.

**Part 3 – Total Current Year’s Credit**

**Line 12 -**

Add the amounts on lines 9 through 11. Enter the total. This is your total current year additional credit for increased research activities for basic research payments.

**Part 4 - Partnerships**

A partnership claiming this credit *must* pass it through to its partners. Skip to the instructions for completing Form 346-P on page 5.

- Complete Form 346-P for each partner.
- Provide a completed copy of Form 346-P to each partner.
- Provide a copy of the Certificate of Renewable Energy Production Tax Credit received from Commerce to each partner.
- Include a copy of each completed Form 346-P with your tax return.
- Keep a copy of each completed Form 346-P for your records.
- Do not complete the remainder of this form.

Each partner is entitled to only a *pro rata* share of each credit based on the partner’s ownership interest in the partnership. The total of each credit allowed to all partners may not exceed the amount that would have been allowed for a sole owner.

**NOTE:** *Trusts and estates that are partners in a partnership are not eligible to claim this credit. However, the share of a partnership owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.*

## Part 5 - S Corporation Credit Election and Shareholder's Share of the Credit

### Lines 13, 13a, & 13b – S Corporation Credit Election

The S corporation must complete line 13 and line 13a or line 13b. The S corporation must make an irrevocable election either to claim the current taxable year credit at the corporate level or to pass the credit through to its shareholders. The S corporation election is made by:

- Entering the date the S corporation taxable year ends.
- Checking the box on line 13a electing to claim the current taxable year credit at the corporate level; or,
- Checking the box on line 13b electing to pass the current taxable year credit through to its shareholders.
- The election statement must be signed by an officer of the S corporation who is also a signatory to Form 120S.

If the S corporation elects to claim the credit at the corporate level, continue to Part 6.

If the S corporation elects to pass this credit through to its shareholders, proceed to the instructions for completing Form 346-S on page 5.

If passing this credit through to the shareholders:

- Complete Form 346-S for each shareholder.
- Provide a copy of completed Form 346-S to each shareholder.
- Include a copy of each completed Form 346-S with your tax return.
- Keep a copy of each completed Form 346-S for your records.

Each S corporation shareholder is entitled to only a *pro rata* share of pass-through credit based on ownership interest in the S corporation. The total of the credit allowed to all shareholders may not exceed the amount that would have been allowed for a sole owner.

**NOTE:** *Trusts and estates that are shareholders of an S corporation are not eligible to claim these credits. However, the share of an S corporation owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of these credits.*

## Part 6 – Available Credit Carryover

**S corporations,** *if this credit was claimed at the corporate level in a prior taxable year and there is a carryover amount available, complete Part 6.*

### Lines 14 through 18

The unused additional credit for increased research activities for basic research payments may be carried forward to the next five consecutive taxable years.

Use Part 6 to calculate the available credit carryover. Complete lines 14 through 18 if you claimed the additional credit on a prior year return and your credit was more than your tax.

If you claimed this credit on a prior year income tax return and your credit was more than your tax, enter this information in the columns provided for lines 14 through 18:

- (a) Taxable year from which you are carrying over the additional credit.
- (b) The amount of the credit originally computed for that taxable year.
- (c) The amount of the credit from that taxable year you have already used.
- (d) Subtract the amount in column (c) from the amount in column (b) and enter the difference.

### Line 19 -

Add the amounts entered on lines 14 through 18 in column (d). Enter the total. This is the available credit carryover available for the current taxable year.

## Part 7 – Total Additional Available Credit for Increased Research Activities for Basic Research Payments

Complete this section to compute the total available additional credit for the taxable year. The total available credit is the sum of the credit for the current taxable year and the available credit carryover(s).

### Line 20 -

Enter the additional credit for the current taxable year from Part 3, line 12.

*Individuals, C Corporations, S corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI* - enter the amount from Part 3, line 12.

*Partnerships* - enter "0".

*S corporations that elected to pass the current year credit through to its shareholders* - enter "0".

*Individuals* - enter the total available credit on Arizona Form 301, Part 1, line 25, column (a).

*C Corporations, S corporations that elected to claim this credit at the corporate level, and exempt organizations with UBTI* - enter the total available credit on Arizona Form 300, Part 1, line 18, column (a).

### Line 21 -

*Individuals, C Corporations, S corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI* - enter the credit carryover amount from Part 6, line 19, column (d).

*Individuals* - enter the total available credit on Arizona Form 301, Part 1, line 25, column (b).

*C Corporations, S corporations that elected to claim this credit at the corporate level, and exempt organizations with UBTI* - enter the total available credit on Arizona Form 300, Part 1, line 18, column (b).

**Line 22 -**

*Individuals, C Corporations, S corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI* - add line 20 and line 21. Enter the total. This is the total available additional credit for increased research activities for basic research payments that may be applied to the current taxable year's tax liability.

*Individuals* - enter the total available credit on Arizona Form 301, Part 1, line 25, column (c).

*C Corporations, S corporations that elected to claim this credit at the corporate level, and exempt organizations with UBTI* - enter the total available credit on Arizona Form 300, Part 1, line 18, column (c).

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## Form 346-P, Distribution to Partners of a Partnership

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Enter the taxable year from which this credit is being passed through to your partners.

Complete a separate Form 346-P for each partner of the partnership, *except for* trust or estate partners. However, a partnership ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.

The partnership must furnish each partner with their completed copy of Form 346-P, including additional schedules as needed.

### Part 1 – Partnership and Partner Information

#### Line 1 –

Enter the partnership name and EIN in the spaces provided.

#### Line 2 –

Enter the partner's name, EIN, TIN, or Social Security Number (SSN), and proportionate share of the credit in the spaces provided.

### Part 2 – Distribution of the Credit Passed Through

#### Line 3 –

Enter the total amount of the partnership's credit for increased research and development from Form 346, Part 3, line 12.

#### Line 4 –

Multiply line 3 by the percentage reported on line 2, column (c). Enter the result. This is the partner's proportionate share of the credit.

*Each partner will use this form to complete his or her own Form 346.*

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## Form 346-S, S Corporation Distribution to Shareholders of an S Corporation

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Enter the taxable year from which this credit is being passed through to your shareholders.

Complete a separate Form 346-S for each shareholder of the S corporation, *except for* trust or estate partners. However, an S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.

The S corporation must furnish each shareholder with his or her completed copy of Form 346-S, including additional schedules as needed.

### Part 1 - S corporation and Shareholder Information

#### Line 1 –

Enter the S corporation name and EIN in the spaces provided.

#### Line 2 –

Enter the shareholder's name, EIN, TIN, or SSN, and proportionate share of the credit in the spaces provided.

### Part 2 – Distribution of the Credit Passed Through

#### Line 3 –

Enter the total amount of the S corporation's credit for increased research and development on Form 346, Part 3, line 12.

#### Line 4 –

Multiply line 3 by the percentage reported on line 2, column (c). Enter the result. This is the shareholder's proportionate share of the credit.

*The shareholder will use this form to complete his or her own Form 346.*

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*For contributions that exceed the maximum allowable credit on Arizona Form 323. Include with your return.*

For the calendar year 2018 or fiscal year beginning [M, M, D, D] 2, 0, 1, 8 and ending [M, M, D, D] Y, Y, Y, Y.

Your Name as shown on Form 140, 140NR, 140PY or 140X	Your Social Security Number
Spouse's Name as shown on Form 140, 140NR, 140PY or 140X (if joint return)	Spouse's Social Security Number

**Before you can claim this credit, you must claim the maximum allowable credit on Arizona Form 323, Credit for Contributions to Private School Tuition Organizations.** If you made cash contributions totaling more than the maximum allowable credit on Form 323, you may claim a credit on Form 348 for some or all of those cash contributions that exceed the maximum allowable credit on Form 323.  
**If you have a carryover amount(s) from a credit claimed on Form 348 from prior tax year(s),** you do not have to claim the maximum allowable credit on Form 323 to **only** claim a carryover amount available on Form 348. See instructions under "Notice to All Taxpayers".

**Part 1 Eligibility**

- 1a** Are you claiming a current year's credit on your 2018 Form 323 for cash contributions to private school tuition organizations?..... **1a** **YES** **NO**
- If you answered, "No", skip line 1b and go to line 1c.
  - If you answered, "Yes", complete line 1b.
- 1b** Did you make cash contributions in excess of the allowable credit claimed on Form 323? See Form 323, Part 4, line 25 **1b**
- If you answered, "No", go to line 1c.
  - If you answered, "Yes", complete this form to claim an allowable credit for the amount of cash contributions that exceed the amount of the allowable credit claimed on Form 323.
- 1c** Are you claiming only a carryover from Form 348 from prior tax year? ..... **1c**
- If you answered, "No", to lines 1a, 1b, and 1c, **STOP**, do not complete this form.
  - If you answered, "Yes", to line 1c, skip Part 2 and complete Part 3 and Part 4.

**Part 2 Current Year's Credit**

- A.** Cash contributions made January 1, 2018, through December 31, 2018. You must list all contributions claimed on Form 323.
- If you are married and filing separate returns, be sure to include **all** cash contributions made by you and your spouse.
  - Do not include those contributions for which you or your spouse claimed a credit on the 2017 tax return.
  - If you made cash contributions to more than three certified school tuition organizations, complete the Continuation Sheet on page 3 and include it with the credit form.

	(a) Name of Certified School Tuition Organizations to which you made cash contributions:	(b) Street Address	(c) City, State	(d) Cash Contribution Made
<b>2</b>				00
<b>3</b>				00
<b>4</b>				00
<b>5</b>	If you made contributions to more than three certified school tuition organizations, enter the amount from line 5h of the Continuation Sheet, otherwise enter "0" .....			<b>5</b> 00
<b>6</b>	Total contributions made to certified school tuition organizations during 2018: Add lines 2 through 5, column (d).....			<b>6</b> 00

- B.** Cash contributions made January 1, 2019, through April 15, 2019, for which you or your spouse are claiming a credit on the 2018 tax return. You must list all contributions claimed on Form 323.
- If you are married and filing separate returns, be sure to include **all** cash contributions made by you and your spouse.
  - If you made cash contributions to more than three certified school tuition organizations, complete the Continuation Sheet on page 3 and include it with the credit form.

	(a) Name of Certified School Tuition Organizations to which you made cash contributions:	(b) Street Address	(c) City, State	(d) Cash Contribution Made
<b>7</b>				00
<b>8</b>				00
<b>9</b>				00

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

**Part 2 (Continued)**

<b>10</b> If you made contributions to more than three certified school tuition organizations, enter the amount from line 10h of the Continuation Sheet, otherwise enter "0" .....	<b>10</b>		00
<b>11</b> Total contributions made to certified school tuition organizations January 1, 2019, through April 15, 2019, for which you are claiming a credit on your 2018 return: Add lines 7 through 10, column (d)...	<b>11</b>		00
<b>12</b> All Taxpayers: Add lines 6 and 11. Enter the total .....	<b>12</b>		00
<b>13</b> Maximum allowable credit claimed on Form 323 for the current taxable year: • Single taxpayer; and heads of household; enter \$555 • All married taxpayers, enter \$1,110.....	<b>13</b>		00
<b>14</b> Potential credit: Subtract line 13 from line 12, and enter the difference.....	<b>14</b>		00
<b>15</b> Maximum allowable credit on Form 348 for the current taxable year: • Single taxpayers or heads of household, enter \$552. • All married taxpayers, enter \$1,103 .....	<b>15</b>		00
<b>16</b> Current year's credit to claim on Form 348: Enter the smaller of line 14 or line 15. In most cases, if you are married and filing a separate return, enter <i>one-half</i> of the smaller of line 14 or line 15.....	<b>16</b>		00

**Part 3 Available Credit Carryover**

	(a) Taxable Year from which you are carrying the credit	(b) Original Credit Amount	(c) Amount Previously Used	(d) Available Carryover: Subtract column (c) from column (b).
<b>17</b>	2013	00	00	00
<b>18</b>	2014	00	00	00
<b>19</b>	2015	00	00	00
<b>20</b>	2016	00	00	00
<b>21</b>	2017	00	00	00
<b>22</b>	Total Available Carryover: Add lines 17 through 21 in column (d) .....			00

**Part 4 Total Available Credit**

<b>23</b> Current year's credit: Enter the amount from Part 2, line 16. Also, enter this amount on <i>Arizona Form 301, Part 1, line 26, column (a)</i> .....	<b>23</b>		00
<b>24</b> Available credit carryover from Part 3, line 22, column (d). Also, enter this amount on <i>Arizona Form 301, Part 1, line 26, column (b)</i> .....	<b>24</b>		00
<b>25</b> Total Available Credit: Add line 23 and line 24. Also, enter this amount on <i>Arizona Form 301, Part 1, line 26, column (c)</i> .....	<b>25</b>		00



Your Name (as shown on page 1)	Your Social Security Number
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**AZ Form 348- Credit for Contributions to  
Certified School Tuition Organizations - Individuals  
Continuation Sheet**

**Part 1 - Continued**      **Current Year's Credit**

*If you need more space to list all certified school tuition organizations, complete additional sheets and enter those totals on the appropriate line(s) on page 1.*

**A. Cash contributions made January 1, 2018, through December 31, 2018.**

	(a) Name of Certified School Tuition Organizations to which you made cash contributions:	(b) Street Address	(c) City, State	(d) Cash Contribution Made
5a				00
5b				00
5c				00
5d				00
5e				00
5f				00
5g				00
5h Add all amounts in column (d) and enter the total. Also, enter this amount on page 1, line 5.....				<b>5h</b> 00

**B. Cash contributions made January 1, 2019, through April 15, 2019.**

	(a) Name of Certified School Tuition Organizations to which you made cash contributions:	(b) Street Address	(c) City, State	(d) Cash Contribution Made
10a				00
10b				00
10c				00
10d				00
10e				00
10f				00
10g				00
10h Add all amounts in column (d) and enter the total. Also, enter this amount on page 1, line 10.....				<b>10h</b> 00

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# 2018 Credit for Contributions to Certified School Tuition Organization - Individuals

(For contributions that exceed the maximum allowable credit on Arizona Form 323)

**Arizona Form  
348**

## 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 click on *Reports and Legal Research* 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 and click on *Reports and Legal Research* then click on *Publications*.

**NOTE:** You *must* also complete Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture, and include Forms 301 and 348 with your tax return to claim this credit.

## Notice to All Taxpayers

**NOTE:** To claim a current year's credit on Form 348, you *must* first claim the maximum current year's credit allowed on Arizona Form 323, Credit for Contributions to Private School Tuition Organizations. The amount of credit you must claim on Form 323 depends on your filing status. See Form 323 for these amounts.

*If you have a carryover amount from a credit claimed on Form 348 from prior tax years, you do not have to claim the maximum allowable credit on Form 323 to only use a carryover amount on Form 348. If you are claiming only a carryover amount on Form 348, and are not claiming any current year's credit on Form 323, submit only Forms 301 and 348.*

*For an example of how to calculate the current year credit and carryover credit, if any, see the last page of these instructions.*

## Arizona Form 348 Credit Carryover Amount from Prior Tax Years

If you claimed an allowable credit on Form 348 on your 2013, through 2017 tax returns and your tax liability was less than your allowable credit; you may have a carryover amount available.

You may use the available credit carryover amount to reduce your 2018 tax liability even if you do not claim a credit on Form 323 for 2018.

## General Instructions

Arizona law provides an individual income tax credit for the voluntary cash contributions made to a certified School Tuition Organization (STO) in order to improve education by raising tuition scholarships for children in Arizona.

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

The amount of current year's contributions that may be claimed on Form 348 is computed **after** the maximum credit is claimed on Form 323 and is based on the excess amount of contributions shown on Form 323, Part 4, line 25.

For 2018, the maximum amount of credit on Form 348 that a taxpayer can establish for the current taxable year is \$552 for single taxpayers or heads of household. For married taxpayers that file a joint return, the maximum amount of credit that a taxpayer can establish for the current taxable year is \$1,103. In most cases, for married taxpayers who file separate returns, each spouse may claim only **one-half** (½) of the credit that would have been allowed on a joint return.

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

A cash contribution for which a credit is claimed that is made on or before the fifteenth day of the fourth month following the close of the taxable year may be applied to either the current or preceding taxable year and is considered to have been made on the last day of that taxable year.

**FOR CALENDAR YEAR FILERS:** Credit eligible cash contributions made to a certified STO from January 1, 2019, to April 15, 2019, may be claimed as a tax credit on either the 2018 or 2019 Arizona income tax return.

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

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

If you claim this credit in 2018 for a contribution made from January 1, 2019, to April 15, 2019, you must make an adjustment on your Arizona Form 140 Schedule A, Form 140PY Schedule A(PY) or A(PYN), or Form 140NR Schedule A(NR) filed in 2019.

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

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

A “*qualified school*” means a preschool that offers services to students with disabilities, nongovernmental primary or a secondary school that is located in Arizona. The school cannot discriminate on the basis of race, color, handicap, familial status, or national origin and requires all teaching staff and personnel that have unsupervised contact with students to be fingerprinted.

A qualified school does not include a charter school or programs operated by a charter school. The primary school must begin with kindergarten and the secondary school must end with grade 12.

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

- hearing impairment,
- visual impairment,
- developmental delay,
- preschool severe delay, or
- speech and/or language impairment.

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

To qualify for the credit, all contributions must be made to a certified STO. To determine if your contributions made in 2018 and/or 2019, qualify for this credit, you should verify that the STO you made a contribution to is certified. For a list of STOs certified to receive contributions for the individual income tax credit, see the department’s website.

Your contribution to the STO will not qualify for the credit if you designate the contribution for the direct benefit of your dependent. For Arizona purposes, “dependent” has the same meaning provided in section § 152 of the IRC. For purpose of this credit, it does not matter if you qualify to take the dependent deduction.

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

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

- the name and address of the STO,
- the name of the taxpayer,
- the amount paid, and
- the date paid.

Please keep this receipt with your tax records.

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

## Line-by-Line Instructions

Enter your name and Social Security Number (SSN) as shown on Arizona Forms 140, 140PY, 140NR, or 140X.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for an individual is the taxpayer’s SSN or an Internal Revenue Service (IRS) individual taxpayer identification number (ITIN). Taxpayers that fail to include their identification number may be subject to a penalty.

### Part 1 – Eligibility

#### Lines 1a through 1c -

For lines 1a through 1c, answer the questions and follow the instructions on the form.

### Part 2 - Current Year’s Credit

#### A. Cash contributions made January 1, 2018, through December 31, 2018

**NOTE:** *If you are married and filing separate returns, be sure to include all cash contributions made by you and your spouse. You must also include **all** STOs to which you and your spouse, if married, made contributions to and for which you or your spouse are claiming a 2018 credit on Form 323.*

#### Lines 2, 3 and 4 -

Enter the following for each certified STO to which you made contributions from January 1, 2018, through December 31, 2018, and for which you are claiming a current year’s credit on your return.

- name of the certified STO,
- street address of the certified STO,
- location (city and state) of the certified STO, and
- the amount of cash contributions made from January 1, 2018, through December 31, 2018.

*Do **not** include those contributions that you made from January 1, 2018, through April 17, 2018, for which you or your spouse claimed a credit on the 2017 tax return.*

If you made cash contributions to more than three certified STOs, complete the Continuation Sheet on page 3, and include it with the credit form.

**Line 5 -**

Enter the amount from line 5h of the Continuation Sheet; otherwise enter "0".

**Line 6**

Add lines 2 through 5, column (d) and enter the total.

**Lines, 7, 8, and 9 -**

**NOTE:** *If you are married and filing separate returns, be sure to include all cash contributions made by you and your spouse.*

*You must also include all STOs to which you and your spouse, if married, made contributions to and for which you or your spouse are claiming a 2018 credit on Form 323.*

Enter the following for each certified STO to which you made contributions from January 1, 2019, through April 15, 2019, and for which you are claiming a current year's credit on your return.

- name of the certified STO,
- street address of the certified STO,
- location (city and state) of the certified STO, and
- the amount of cash contributions made from January 1, 2019 through April 15, 2019.

If you made cash contributions to more than three certified STOs, complete the Continuation Sheet on page 3 of the form, and include it with the credit form.

**Line 10 -**

Enter the amount from page 3, line 10h, of the Continuation Sheet; otherwise enter "0".

**Line 11 -**

All taxpayers: Add lines 7 through 10. Enter the total.

**Line 12 -**

Add lines 6 and 11 and enter the total.

**Line 13 - Maximum Credit Claimed on Form 323**

- Single taxpayers and taxpayers filing as heads of household enter \$555.
- All married taxpayers enter \$1,110.

**Line 14 - Potential Credit**

Subtract line 13 from line 12, and enter the difference.

**Line 15 - Maximum Allowable Credit on Form 348**

- Single taxpayers and taxpayers filing as heads of household enter \$552
- All married taxpayers enter \$1,103.

**Line 16 - Current Year's Credit to Claim on Form 348**

Enter the smaller of line 14 or line 15. If you are married filing a separate return but could have filed a joint return, you may take only one-half (½) of the total credit that would have been allowed on a joint return, up to a maximum of \$552. In this case, enter one-half (½) of the smaller of line 14 or line 15.

**Part 3 - Available Credit Carryover**

**NOTE:** *Arizona law requires that a taxpayer must claim the maximum credit amount allowed on Arizona Form 323 before claiming a credit for excess contributions on Form 348.*

*However, you do not have to claim a current year credit on Form 323 to **only** claim a credit carryover amount from prior taxable years on Form 348.*

**Lines 17 through 22 -**

Complete lines 17 through 22 to figure your available credit carryover from taxable years 2013 through 2017, if you claimed the credit on a return for one of these years, and the credit was more than your tax.

- In column (b), enter the credit originally computed for that taxable year listed in column (a).
- In column (c), enter the amount of the credit from that taxable year which you have already used.
- In column (d), subtract the amount in column (c) from column (b) and enter the difference.
- Add the amounts on lines 17 through 21 in column (d).

Enter the total on line 22, column (d).

**Part 4 - Total Available Credit****Line 23 -**

Enter the amount from Part 2, line 16. Also, enter this amount on Form 301, Part 1, line 26, column (a).

**Line 24 -**

Enter the amount from Part 3, line 22, column (d). Also, enter this amount on Form 301, Part 1, line 26, column (b).

**Line 25 -**

Add line 23 and line 24. Also, enter this amount on Form 301, Part 1, line 26, column (c).

**NOTE:** *To claim this credit, you **must** first claim the maximum credit allowed on Arizona Form 323, Credit for Contributions to Private School Tuition Organizations.*

*The amount of credit you must claim on Form 323 depends on your filing status. See Form 323 for these amounts.*

**EXAMPLE:** During 2018, Mary, a single person, gave \$1400 to a certified STO. Mary's tax liability for 2018 is \$400. Mary claimed the maximum credit amount of \$552 allowed on Arizona Form 323.

Since Mary made a contribution that totaled more than the allowable credit on Arizona form 323, she may claim a credit, up to the maximum amount allowed, on Form 348 (for 2018, \$552 for single or head or household; or \$1,103 for married filing joint.)

For 2018, Mary would compute her **available current year's credit** for Form 348 as follows:

2018 total contributions made	\$ 1,400
Credit claimed on Form 323 for tax year 2018	<u>(\$ 555)</u>
Contributions eligible to use for computing Form 348 credit	\$ 845
Maximum credit on Form 348 that Mary may claim	<u>\$ 552</u>
Contributions exceeding the allowable credit. Mary may not use the amount of the gift, \$293, which was more than the allowable \$552 credit (\$845 minus \$552 to figure her credit on Form 348.	\$ 293

Once Mary computes her credit, she must then determine how much of that credit may be applied to the current year's tax and how much, if any, may be carried over to a future year.

In this case, Mary has already applied a credit (from Arizona Form 323) against her total tax liability of \$400. Therefore, Mary will have a \$552 carryover on Form 348 for the next taxable year.

Mary will compute her **2018 carryover credit** amount as follows:

Current Year's Credit	\$ 552
Mary's 2018 tax liability	\$ 400
Tax credit used – from Arizona Form 323	<u>(\$ 400)</u>
Balance of tax	<u>\$ 0</u>
Amount of current year credit used from Form 348 to off-set taxes	<u>\$ 0</u>
Amount of current year credit from Form 348 available to carryover to next year.	<u>\$ 552</u>

*Include this completed form and the Certification of Qualification from the Arizona Commerce Authority with your return.*

For the calendar year 2018 or fiscal year beginning MM,DD,2018 and ending MM,DD,YYYY.

Name as shown on Form 140, 140PY, 140NR, 140X, 99T, 120, 120A, 120S, 120X, or 165	Social Security or Employer Identification Number
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**Part 1 Listing of Post-Approved Qualified Facilities and Apportioned Credit Amount**

List qualified facilities for which you are entitled to claim a credit during this taxable year. If you have more than two facilities, include additional schedules. See instructions.

(a) Arizona Commerce Authority Post-Approval Information			(b) Apportioned Credit Amount	
(a)1 Allocation Year	(a)2 Post-Approval Date	(a)3 Post-Approval Number		
1	YYYY MM,DD,YYYY			00
2	YYYY MM,DD,YYYY			00
3	Enter the total from all additional schedules.....		3	00
4	Enter the total amount of this credit passed through from partnerships on Form 349-P, Part 1, line 3c.....		4	00
5	Enter the total amount of this credit passed through from S corporations on Form 349-S, Part 1, line 3c.....		5	00
6	Subtotal: Add lines 1 through 5, column (b). Enter the total. This is your total apportioned credit amount.....		6	00

**Part 2 Full-Time Employment Positions Vacant More Than 150 Days**

List the number of full-time employment positions which were vacant for more than 150 days since the credit was approved. If positions were vacant at more than two facilities, include additional schedules. See instructions.

(a) Allocation Year	(b) Post-Approval Number	(c) Number of Employees	(d) Reduction	(e) Total
7			\$4,000.00	00
8			\$4,000.00	00
9	Total from all additional schedules.....		9	00
10	Subtotal: Add lines 7 through 9, column (e). Enter the total. This is the amount of your credit reduction.....		10	00

**Part 3 Net Credit**

11	Subtract the amount on line 10 from the amount on line 6. Enter the difference. If less than zero, enter "0".....	11	00
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**Part 4 Credit Recapture**

12	Date on which the certification of the business as a qualified facility was terminated or revoked.....	12	MM,DD,YYYY
13	Total recapture of apportioned credit for qualified facilities: Enter the total amount(s) of the credit(s) previously claimed for the facility(ies) whose certification was terminated or revoked. If more than one certification has been terminated or revoked, enter the total amount.....	13	00
14	Enter the partner's portion of this credit to be recaptured from Form 349-P, Part 2, line 7.....	14	00
15	Enter the S corporation shareholder's portion of this credit to be recaptured from Form 349-S, Part 2, line 7.....	15	00
16	Add lines 13 through 15. Enter the total. This is your total recapture amount.....	16	00

Continued on page 2 →

Name (as shown on page 1)	EIN
---------------------------	-----

**Part 5 S Corporation Credit Election**

17 The S corporation has made an irrevocable election for the taxable year ending MM, DD, YYYY to  
**(check only one box):**

17a  Claim the credit for qualified facilities as shown in Part 3, line 11 (for the taxable year indicated above);

OR

17b  Pass the credit for qualified facilities as shown in Part 3, line 11 (for the taxable year indicated above), through to its shareholders.

Signature \_\_\_\_\_ Title \_\_\_\_\_ Date \_\_\_\_\_

If passing the credit through to the shareholders, complete Form 349-S for each shareholder.

- Provide a completed copy of Form 349-S to each shareholder.
- Include a copy of each completed Form 349-S with your tax return.
- Keep a copy of each completed Form 349-S for your records.

**Part 6 Partnerships**

Partnerships passing the credit through to its partners, complete Form 349-P for each partner.

- Provide a completed copy of Form 349-P to each partner.
- Include a copy of each completed Form 349-P with your tax return.
- Keep a copy of each completed Form 349-P for your records.

**Part 7 Credit Recapture Summary**

18 Enter the taxable year(s) in which you took a credit for a business as a qualified facility whose certification has been terminated or revoked:

\_\_\_\_\_

19 Total amount of credit recaptured:

- *Individuals, C Corporations, S corporations, and exempt organizations with UBTI:* Enter the amount from Part 4, line 16.
- *Individuals:* Also, enter this amount on Form 301, Part 2, line 34.
- *C Corporations, S corporations that claimed this credit at the corporate level, and exempt organizations with UBTI:* Also, enter this amount on Form 300, Part 2, line 25.....

<b>19</b>		<b>00</b>

**Part 8 Total Apportioned Credit Claimed This Taxable Year**

20 Total apportioned credit for qualified facilities:

- *Individuals, C Corporations, S corporations claiming this credit at the corporate level, and exempt organizations with UBTI:* Enter the amount from Part 3, line 11.
- *Partnerships:* Enter "0".
- *S corporations electing to pass this credit through to individual shareholders:* Enter "0".
- *Individuals:* Also, enter this amount on Form 140, line 58; or Form 140NR, line 66; or Form 140PY, line 68; or Form 140X, line 43.
- *C Corporations:* Also, enter this amount on Form 120, line 22; or Form 120A, line 14; or Form 120X, line 22(c).
- *Exempt organizations with UBTI:* Also, enter this amount on Form 99T, line 12.
- *S corporations that claimed this credit at the corporate level:* Also, enter this amount on Form 120S, line 18.....

<b>20</b>		<b>00</b>



For the calendar year 2018 or fiscal year beginning MM,MM,DD,2018 and ending MM,MM,DD,YYYY.

**Partnerships:**

- Complete Form 349-P for each partner in the partnership **except for** trust or estate partners. However, a partnership ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.
- Provide a copy of the completed form and the Certification of Qualification received from the Arizona Commerce Authority to each partner.
- Keep a copy of each completed Form 349-P for your records.
- Include a copy of each completed Form 349-P with your partnership return.

**Partners:**

- Use this form to complete your own Form 349.
- Include this completed form and a copy of the Certification of Qualification received from the Arizona Commerce Authority with your return.
- Keep a copy of this form and certificate for your records.

**NOTE:** If you file your tax return on a calendar year basis but this entity files a return on a fiscal year basis (see above), claim this credit on your tax return for the year in which this entity's fiscal year ends.

**Part 1 Distribution of the Credit**

Complete Part 1 to distribute the credit to each partner in the partnership.

<b>1</b>	(a) Partnership Name	(b) Employer Identification Number (EIN)	(c) Post-Approval Number
<b>2</b>	(a) Partner Name	(b) Taxpayer Identification Number (TIN)	
<b>3a</b>	Partnership credit amount from Form 349, Part 3, line 11 .....		<b>3a</b> \$ <input type="text"/> 00
<b>3b</b>	Partner's ownership percentage.....		<b>3b</b> <input type="text"/> %
<b>3c</b>	Multiply the amount on line 3a by the percentage on line 3b. Enter the result. This is the partner's portion of the credit.....		<b>3c</b> \$ <input type="text"/> 00

**Partners:**

The amount reported on line 3c is your portion of this credit. Enter the amount from line 3c on Part 1, line 4 of your own Form 349 to claim this credit.

**Part 2 Notification of Credit Recapture**

Complete Part 2 to notify each partner in the partnership of their share of the credit to be recaptured.

<b>4</b>	(a) Partnership Name	(b) Employer Identification Number (EIN)
<b>5</b>	(a) Partner Name	(b) Taxpayer Identification Number (TIN)
<b>6</b>	(a) Post-Approval Number	(b) Date the Certification was Terminated or Revoked <u>MM,MM,DD,YYYY</u>
<b>7</b>	Partner's portion of the credit to be recaptured .....	
	<b>7</b>	\$ <input type="text"/> 00

**Partners:**

The amount reported on line 7 is your portion of this credit to be recaptured. Enter the amount from line 7 on Part 4, line 14 of your own Form 349.

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For the calendar year 2018 or fiscal year beginning MM, DD, 2018 and ending MM, DD, YYYY.

**S Corporations:**

- Complete Form 349-S for each shareholder of the S corporation **except for** trust or estate shareholders. However, an S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.
- Provide a copy of the completed form and the Certification of Qualification received from the Arizona Commerce Authority to each shareholder.
- Keep a copy of each completed Form 349-S for your records.
- Include a copy of each completed Form 349-S with your S corporation return.

**Shareholders:**

- Use this form to complete your own Form 349.
- Include this completed form and a copy of the Certification of Qualification received from the Arizona Commerce Authority with your return.
- Keep a copy of this form and certificate for your records.

**NOTE:** If you file your tax return on a calendar year basis but this entity files a return on a fiscal year basis (see above), claim this credit on your tax return for the year in which this entity's fiscal year ends.

**Part 1 Distribution of the Credit**

Complete Part 1 to distribute the credit to shareholders of the S corporation.

<b>1</b>	(a) S corporation Name	(b) Employer Identification Number (EIN)	(c) Post-Approval Number
<b>2</b>	(a) Shareholder Name	(b) Taxpayer Identification Number (TIN)	
<b>3a</b>	S corporation credit amount from Form 349, Part 3, line 11 .....	<b>3a</b>	\$ <input type="text"/> 00
<b>3b</b>	Shareholder's ownership percentage .....	<b>3b</b>	<input type="text"/> %
<b>3c</b>	Multiply the amount on line 3a by the percentage on line 3b. Enter the result. This is the shareholder's portion of the credit. ....	<b>3c</b>	\$ <input type="text"/> 00

**Shareholder:**

The amount reported on line 3c is your portion of this credit. Enter the amount from line 3c on Part 1, line 5 of your Form 349 to claim this credit.

**Part 2 Notification of Credit Recapture**

Complete Part 2 to notify each shareholder of the S corporation of his or her share of the credit to be recaptured.

<b>4</b>	(a) S corporation Name	(b) Employer Identification Number (EIN)
<b>5</b>	(a) Shareholder Name	(b) Taxpayer Identification Number (TIN)
<b>6</b>	(a) Post-Approval Number	(b) Date the Certification was Terminated or Revoked <u>MM, DD, YYYY</u>
<b>7</b>	Shareholder's portion of the credit to be recaptured .....	<b>7</b> \$ <input type="text"/> 00

**Shareholder:**

The amount reported on line 7 is your portion of this credit to be recaptured. Enter the amount from line 7 on Part 4, line 15 of your Form 349.

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## 2018 Credit for Qualified Facilities

### CONTACTS FOR QUALIFIED FACILITY TAX INCENTIVES PROGRAM

#### Arizona Commerce Authority

•Application forms •Program guidelines

Website: [www.azcommerce.com](http://www.azcommerce.com)

Program Manager (602) 845-1200

#### Arizona Department of Revenue

•Tax forms and instructions •Information and assistance

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

Taxpayer assistance (602) 255-3381

From area codes 520 and 928, toll-free (800) 352-4090

### General Instructions

Arizona Revised Statutes (A.R.S.) §§ 43-1083.03 and 43-1164.04 provide refundable individual and corporate income tax credits for expanding or locating a qualified facility in this state.

A “qualified facility” means a facility in this state that devotes at least 80% of the property and payroll at the facility to one or more of the following:

- Qualified manufacturing,
- Qualified headquarters,
- Qualified research.

This credit is effective for taxable years beginning from and after December 31, 2012, through December 31, 2022, and is limited to 10% of the lesser of:

- The taxpayer's total capital investment in the qualified facility, or,
- \$200,000 for each net new full-time employment position at the qualified facility.

The credit is apportioned and claimed in five equal annual installments in each of five consecutive taxable years and is in lieu of the credit for New Employment claimed on Form 345, with respect to the same employment positions.

To claim this credit a business must apply for, and receive pre-approval from the Arizona Commerce Authority (Commerce). Commerce cannot pre-approve income tax credits for any one taxpayer in excess of \$30 million in any calendar year. Commerce cannot pre-approve income tax credits in excess of \$70 million annually between this credit and the credit for renewable energy claimed on Form 342.

Once pre-approval is received, the business must incur at least \$250,000 in qualifying investment within 12 months of pre-approval.

The tax year of pre-approval determines the “allocation year.” The allocation year is the calendar year to which the credit was applied to the annual credit cap.

The business must enter into a managed review with Commerce prior to applying for post-approval. The business must obtain post-approval from Commerce prior to claiming the credit. The first fifth of the apportioned credit is claimed on the tax return that includes the post-approval date.

For example, Company A, is a calendar year filer. Company A received pre-approval from Commerce for a

qualified facility on March 11, 2017, and received its post-approval on March 14, 2018. Because Company A completed everything necessary to earn the credit in calendar year 2018, the first fifth of the credit must be claimed on the tax return for calendar year 2018.

**NOTE:** Each fifth of the credit for qualified facilities must be claimed on a timely filed original income tax return, including extensions. If you do not claim this credit on a timely filed original return, you cannot claim this credit on an amended return. **Failing to claim this credit on a timely filed return will result in loss of this credit for that taxable year.**

**The taxpayer may claim all five annual installments of a credit that was preapproved before January 1, 2023 by the Arizona Commerce Authority notwithstanding any intervening repeal or other termination of the credit.**

The amount of the credit for qualified facilities a taxpayer may claim can never exceed the amount indicated on the post-approval from Commerce.

**NOTE:** The business must submit a copy of the Certification of Qualification (Certification) from Commerce with Form 349 when claiming the credit.

Co-owners of a business, including partners in a partnership and shareholders of an S corporation, may each claim only the *pro rata* share of the apportioned credit based on ownership interest. The total of the apportioned credits allowed to all such owners may not exceed the amount that would have been allowed for a sole owner of the business.

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

### Credit Recapture

During the pre-approval process with Commerce, the applicant must consent to adjustment or recapture of the income tax credit in the case of noncompliance with A.R.S. § 41-1512.

If, within five taxable years after first receiving the credit for qualified facilities, the Certification is rescinded by Commerce, the taxpayer is disqualified from the apportioned credits for subsequent taxable years and may be subject to recapture.

On a determination that the taxpayer has committed fraud or relocated outside of this state within five taxable years of first receiving a credit, all credits previously allowed are subject to recapture.

The recapture of the credit is computed by increasing the amount of taxes imposed in the year following the year of termination or revocation by the full amount of all credits previously allowed.

### Specific Instructions

Complete the name and taxpayer identification number (TIN) section at the top of the form. Indicate the period covered by the taxable year. Include the completed form with the tax return.

All returns, statements, and other documents filed with the department require a TIN. The TIN for a corporation, an S corporation, an exempt organization with UBTI, or a partnership is the taxpayer's employer identification number (EIN). The TIN for an individual is the taxpayer's Social Security Number or an Internal Revenue Service individual taxpayer identification number. A taxpayer that fails to include its TIN may be subject to a penalty.

### Part 1 - Listing of Post-Approved Qualified Facilities and Apportioned Credit Amount

List the qualified facilities for which you are entitled to claim a credit for this taxable year. The first fifth of the credit(s) for qualified facilities must be claimed on the tax return that includes the post-approval date and must be filed timely, including any extensions.

#### Lines 1 and 2 -

Enter the following information in the columns indicated on lines 1 and 2:

- (a)1 Allocation Year – the calendar year to which the credit was applied to the annual credit cap. This date will be noted on the post-approval document received from Commerce.
- (a)2 Post-Approval Date – the date Commerce issued the Post-Approval for the qualified facility.
- (a)3 Post-Approval Number – the priority placement number issued to each facility by Commerce.
- (b) Apportioned Credit Amount – list the apportioned credit amount (one-fifth per year for 5 years) indicated on the Post-Approval for the qualified facility.

#### Line 3 -

If you received this credit from more than two qualified facilities, include a separate schedule providing the same information required for lines 1 and 2. Total the credit(s) on a separate schedule, and include it with this form. Enter that total on line 3.

**Note to lines 4 and 5:** *If you received a pass through of this credit from more than one partnership and/or S corporation, total the amounts received from all Forms 349-P and/or Forms 349-S and enter the amount. Include a copy of each Form 349-P and/or Form 349-S you received with your return.*

#### Line 4 -

Enter the total amount of this credit passed through from partnerships on Form 349-P, line 3c

#### Line 5 -

Enter the total amount of this credit passed through from S corporations on Form 349-S, line 3c.

#### Line 6 -

Add the amounts in column (b) of lines 1 through 5. Enter the total.

### Part 2 - Full-Time Employment Positions Vacant More than 150 Days

#### Lines 7 and 8 -

If you had full-time employment positions that were vacant for more than 150 days since this credit was approved, enter

the requested information in the columns provided for lines 7 and 8:

- (a) Allocation Year – the calendar year to which the credit was originally applied to the annual credit cap.
- (b) Post-Approval Number – the priority placement number issued to the facility by Commerce.
- (c) Number of Employees – the total number of employees at the facility for which the position(s) was vacant for more than 150 days since the credit was approved.
- (d) Reduction – \$4,000.
- (e) Total – multiply the amount in column (c) by \$4,000 [column (d)]. Enter the result.

#### Line 9 -

If you had more than two facilities with full-time employment positions vacant for more than 150 days, include a separate schedule providing the same information required for lines 7 and 8. Total the amounts on the included schedule. Enter that total.

#### Line 10 -

Add the amounts in column (e) of lines 7 through 9. Enter the total.

### Part 3 - Net Credit

#### Line 11 -

Subtract the amount on line 10 from the amount on line 6. Enter the difference. If less than zero, enter "0".

### Part 4 - Credit Recapture

#### Line 12 -

Enter the date on which the certification of the business as a qualified facility was terminated or revoked.

#### Line 13 -

Enter the total amount(s) of the credit(s) previously claimed by you for the facility(ies) whose certification was terminated or revoked. If more than one certification was terminated or revoked, enter the total amount. Include a schedule providing the detailed amount(s) of credit being recaptured.

**Note to lines 14 and 15:** *If you received a credit recapture from more than one partnership and/or S corporation, total the amount(s) of credit recapture passed through from all Forms 349-P and/or Forms 349-S and enter the total. Include a copy of each Form 349-P and/or Form 349-S you received with your return.*

#### Line 14 -

Enter the partner's portion of this credit to be recaptured from Form 349-P, Part 2, line 7.

#### Line 15 -

Enter the S corporation shareholder's portion of this credit to be recaptured from Form 349-S, Part 2, line 7.

#### Line 16 -

Add lines 13 through 15. Enter the total. This is your total recapture amount.

## Part 5 - S Corporation Credit Election and Shareholder's Share of Credit and Credit Recapture

### Lines 17, 17a, & 17b – S Corporation Credit Election

The S corporation must complete line 17 and line 17a or line 17b. The S corporation must make an irrevocable election either to claim the current taxable year credit at the corporate level or to pass the credit through to its shareholders. The S corporation election is made by:

- Entering the date the S corporation taxable year ends in the box provided.
- Checking the box on line 17a electing to claim the current taxable year credit at the corporate level; or,
- Checking the box on line 17b electing to pass the current taxable year credit through to its shareholders.
- The election statement must be signed by one of the officers of the S corporation who is also a signatory to Arizona Form 120S.

If the S corporation elects to claim the credit at the corporate level, continue to Part 7.

If the S corporation elects to pass this credit through to its shareholders, proceed to the instructions for completing Form 349-S on page 5.

If passing this credit through to the shareholders:

- Complete Form 349-S for each shareholder.
- Provide each shareholder with a copy of his or her completed Form 349-S.
- Include a copy of each completed Form 349-S with your tax return.
- Keep a copy of each completed Form 349-S for your records.

Each S corporation shareholder is entitled to only a *pro rata* share of pass-through credit based on ownership interest in the S corporation. The total of the credit allowed to all shareholders may not exceed the amount that would have been allowed for a sole owner.

**NOTE:** *Trusts and estates that are shareholders of S corporations, are not eligible to claim this credit. However, the share of an S corporation owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.*

## Part 6 - Partner's Share of Credit and Credit Recapture

A partnership claiming this credit *must* pass it through to its partners. Skip to the instructions for completing Form 349-P on page 4.

- Complete Form 349-P for each partner.
- Provide a completed copy of Form 349-P to each partner.
- Provide a copy of the Certificate of Renewable Energy Production Tax Credit received from Commerce to each partner.
- Include a copy of each completed Form 349-P with your tax return.

- Keep a copy of each completed Form 349-P for your records.
- Do not complete the remainder of this form.

Each partner is entitled to only a *pro rata* share of each credit based on the partner's ownership interest in the partnership. The total of each credit allowed to all partners may not exceed the amount that would have been allowed for a sole owner.

**NOTE:** *Trusts and estates that are partners in a partnership are not eligible to claim this credit. However, the share of a partnership owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.*

## Part 7 - Credit Recapture Summary

### Line 18 -

Enter the taxable year(s) for which you claimed a credit for a business as a qualified facility whose certification has been terminated or revoked.

### Line 19 -

Enter the total amount of this credit originally claimed on prior returns.

*Individuals, C Corporations, S corporations that claimed the credit at the corporate level, and exempt organizations with UBTI:* Enter the amount from Part 4, line 16.

*Individuals:* Also, enter this amount on Form 301, Part 2, line 34.

*C Corporations, S corporations that claimed the credit at the corporate level, and exempt organizations with UBTI:* Also, enter this amount on Form 300, Part 2, line 25.

## Part 8 - Total Apportioned Credit Claimed This Taxable Year

### Line 20 -

Enter the current year's apportioned credit for qualified facilities.

*Individuals, C Corporations, S corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI -* enter the amount from Part 3, line 11.

*Partnerships -* enter "0".

*S corporations that passed the credit through to individual shareholders -* enter "0".

Enter this amount and check the box for Form 349 on your tax return as instructed below:

*Individuals -* Also, enter the amount on Form 140, line 58; or Form 140NR, line 66; or Form 140PY, line 68; or Form 140X, line 43.

*C Corporations -* Also, enter the amount on Form 120, line 22; or Form 120A, line 14; or Form 120X, line 22c.

*Exempt organizations with UBTI -* Also, enter the amount on Form 99T, line 12.

*S corporations that elected to claim the credit at the corporate level -* Also, enter the amount on Form 120S, line 18.

## Form 349-P, Distribution to Partners of a Partnership

Enter the taxable year for which this credit is being passed through to your partners.

Complete Form 349-P for each partner of the partnership, *except for* trust or estate partners. However, a partnership ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.

The partnership must furnish each partner with their completed copy of Form 349-P, including additional schedules as needed.

**NOTE:** *Form 349-P can be used to distribute the partnership's share of this credit to its partners, or it can be used to notify the partners of the amount of the credit to be recaptured.*

### Part 1 - Distribution of the Credit

To distribute the credit to the partners of the partnership (complete lines 1 through 3):

#### Line 1

Enter the partnership name, EIN, and the post-approval received from Commerce in the spaces provided.

#### Line 2

Enter the partner's name and TIN in the spaces provided.

#### Line 3a

Enter the amount of this credit from the partnership's Form 349, Part 3, line 11.

#### Line 3b

Enter the partner's ownership percentage.

#### Line 3c

Multiply line 3a by line 3b and enter the result.

**This is the partner's portion of the credit.**

### Part 2 - Notification of Credit Recapture

To notify the partners of the amount of the credit that must be recaptured (complete lines 4 through 7):

#### Line 4

Enter the partnership's name and EIN in the spaces provided.

#### Line 5

Enter the partner's name and TIN in the spaces provided.

#### Line 6

Enter the post-approval number received from Commerce and the date the certification was terminated or revoked in the spaces provided.

#### Line 7

Enter the total amount of the credit(s) previously passed through to the partner for the facility(ies) whose certification was terminated or revoked. This is the partner's portion of the credit to be recaptured.

**This is the partner's portion of the credit to be recaptured.**



## Form 349-S, Distribution to Shareholders of an S Corporation

Enter the taxable year for which this credit is being passed through to your shareholders.

Complete Form 349-S for each shareholder of the S corporation, *except for* trust or estate shareholders. However, an S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.

The S corporation must furnish each shareholder with a completed copy of Form 349-S, including additional schedules as needed.

**NOTE:** *Form 349-S can be used to distribute the S corporation's share of this credit to its shareholders, or it can be used to notify the shareholders of the amount of the credit to be recaptured.*

### Part 1 - Distribution of the Credit

**To distribute the credit to the S corporation shareholders (complete lines 1 through 3):**

#### Line 1

Enter the S corporation name, EIN, and the post-approval number received from Commerce in the spaces provided.

#### Line 2

Enter the shareholder's name and TIN in the spaces provided.

#### Line 3a

Enter the amount of this credit from Form 349, Part 3, line 11.

#### Line 3b

Enter the shareholder's ownership percentage.

#### Line 3c

Multiply line 3a by line 3b and enter the result.

**This is the shareholder's portion of the credit.**

### Part 2 Notification of Credit Recapture

**To notify the shareholders of the amount of the credit that must be recaptured (complete lines 4 through 7):**

#### Line 4

Enter the S corporation name and EIN in the spaces provided.

#### Line 5

Enter the shareholder's name and TIN in the spaces provided.

#### Line 6

Enter the post-approval number received from Commerce and the date the certification was terminated or revoked in the spaces provided.

#### Line 7

Enter the total amount of the credit(s) previously passed through to the shareholder for the facility(ies) whose certification was terminated or revoked. This is the shareholder's portion of the credit to be recaptured.

**This is the shareholder's portion of the credit to be recaptured.**

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*Include this completed form and the certification from the Arizona Department of Revenue with your return.*

For the calendar year 2018 or fiscal year beginning [M,M|D,D|2,0,1,8] and ending [M,M|D,D|Y,Y,Y,Y].

Name as shown on Form 140, 140PY, 140NR, 140X, 99T, 120, 120A, 120S, 120X, or 165	Social Security or Employer Identification Number
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**Part 1 Qualification for and Current Taxable Year's Credit**

<p><b>1</b> Did you receive a certificate from the Arizona Department of Revenue for this credit? ..... <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><b>a</b> If "Yes", proceed to line 2. Include a copy of the certificate.</p> <p><b>b</b> If "No", skip to line 4.</p>				
<b>2</b> Enter the facility code .....				
<b>3</b> Enter the credit amount authorized on the certificate .....	<b>3</b>		00	
<p><b>4</b> Did you receive a Form 351-P or Form 351-S?..... <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><b>a</b> If "Yes", include a copy of Form 351-P or Form 351-S and proceed to line 5.</p> <p><b>b</b> If "No", skip to Part 2.</p>				
<b>5</b> Enter the facility code on Form 351-P or 351-S ..				
<b>6</b> Enter the name of the pass-through entity and its EIN:				
<b>a</b> Name: _____				
<b>b</b> EIN: _____				
<b>7</b> Enter your portion of the credit from Form 351-P, line 3(c), or Form 351-S, line 3(c).....	<b>7</b>		00	
<b>8</b> Add lines 3 and 7 and enter the total.....	<b>8</b>		00	
<b>9</b> Enter the lesser of line 8 or \$5,000,000.00. <b>This is the current year's amount of your credit</b> .....	<b>9</b>			00

**Part 2 Credit Recapture**

**NOTE:** If you are a partnership or S corporation that passed the credit through to partners or shareholders, do not complete Part 2. You will report the recapture to the partners or shareholders on either Form 351-P or Form 351-S.

<p><b>10</b> Did you receive a notice from the Arizona Department of Revenue during the year that your credit is subject to recapture..... <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><b>a</b> If "Yes", proceed to line 11. Include a copy of the notice.</p> <p><b>b</b> If "No", skip to line 17.</p>				
<b>11</b> Enter the facility code .....				
<b>12</b> Enter the tax year(s) you claimed the credit: _____				
<b>13</b> Enter the total credit amount subject to recapture as shown on the notice from the Arizona Department of Revenue .....	<b>13</b>		00	
<b>14</b> Enter the amount of credit carryover that remains unused.....	<b>14</b>		00	
<b>15</b> Subtract line 14 from line 13 and enter the difference. If line 15 is less than zero, see instructions .....	<b>15</b>		00	
<b>16</b> Enter the greater of line 15 or "0". <b>This is the amount of your direct recapture</b> .....	<b>16</b>			00

Continued on page 2 →

**Part 2 Credit Recapture (continued)**

<p>17 Did you receive a notice of recapture on Form 351-P or Form 351-S? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><b>a</b> If "Yes", proceed to line 18. Include a copy of Form 351-P or 351-S.</p> <p><b>b</b> If "No", skip to Part 3.</p> <p>18 <b>a</b> Enter the facility code from Form 351-P, line 1(c), or Form 351-S line 1(c): _____</p> <p><b>b</b> Name of partnership or S corporation: _____</p> <p><b>c</b> EIN: _____</p> <p>19 Enter the tax year(s) you claimed the credit: _____</p> <p>20 Enter the total amount of the credit subject to recapture passed through to you from partnerships and/or S corporations from Form 351-P, Part 2, line 7, and/or Form 351-S, Part 2, line 7 .....</p> <p>21 Enter the total amount of unused credit carryover(s) .....</p> <p>22 Subtract line 21 from line 20 and enter the difference. If line 22 is less than zero, see instructions .....</p> <p>23 Enter the greater of line 22 or "0". <b>This is the amount of recapture passed through to you from an S corporation or a partnership</b> .....</p> <p>24 Add lines 16 and 23 and enter the total on line 24. <b>This is your total recapture amount.</b></p> <ul style="list-style-type: none"> <li>• <i>Individuals:</i> Also, enter this amount on Form 301, Part 2, line 35 .....</li> <li>• <i>C Corporations, S corporations who claimed this credit at the corporate level, and exempt organizations with UBTI:</i> Also, enter this amount on Form 300, Part 2, line 26 .....</li> </ul>	<p>20</p> <p>21</p> <p>22</p> <p>23</p>	<p>00</p> <p>00</p> <p>00</p> <p>00</p>			
	<b>24</b>	00			00

**Part 3 Available Credit Carryover**

	(a)	(b)	(c)	(d)	(e)
Taxable Year Ending:	M M D D Y Y	M M D D Y Y	M M D D Y Y	M M D D Y Y	
25 Original credit amount.....	00	00	00	00	
26 Minus amount previously used.....	00	00	00	00	
27 Net available carryover.....	00	00	00	00	
28 Minus carryover disqualified.....	00	00	00	00	
29 Total available carryover for each year	00	00	00	00	
30 Total Available Carryover: Add columns (a) through (d) of line 29. Enter the total .....					00

**Part 4 Total Available Credit**

<p>31 Total current year's credit: Enter the amount from Part 1, line 9.</p> <ul style="list-style-type: none"> <li>• <i>Individuals:</i> Also, enter this amount on Form 301, Part 1, line 27, column (a).</li> <li>• <i>Partnerships:</i> Enter "0".</li> <li>• <i>S corporations that passed the credit through to shareholders:</i> Enter "0".</li> <li>• <i>C Corporations, S corporations claiming this credit at the corporate level, and exempt organizations with UBTI:</i> Also, enter this amount on Form 300, Part 1, line 19, column (a) .....</li> </ul> <p>32 Available credit carryover: Enter the amount from Part 3, line 30.</p> <ul style="list-style-type: none"> <li>• <i>Individuals:</i> Also, enter this amount on Form 301, Part 1, line 27, column (b).</li> <li>• <i>C Corporations, S corporations claiming this credit at the corporate level, and exempt organizations with UBTI:</i> Also, enter this amount on Form 300, Part 1, line 19, column (b) .....</li> </ul> <p>33 <b>Total available credit:</b> Add line 31 and line 32 and enter the total on line 33.</p> <ul style="list-style-type: none"> <li>• <i>Individuals:</i> Also, enter this amount on Form 301, Part 1, line 27, column (c).</li> <li>• <i>C Corporations, S corporations claiming this credit at the corporate level, and exempt organizations with UBTI:</i> Also, enter this amount on Form 300, Part 1, line 19, column (c) .....</li> </ul>	<p>31</p> <p>32</p> <p>33</p>	<p>00</p> <p>00</p> <p>00</p>		
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Name (as shown on page 1)	EIN
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**Part 5 S corporation Credit Election and Shareholder's Share of Credit**

34 The S corporation has made an irrevocable election for the taxable year ending MM, DD, YYYY to  
(check only one box):

34a  Claim the credit, as shown on Part 1, line 9 (for the taxable year indicated above);  
OR

34b  Pass the credit, as shown on Part 1, line 9 (for the taxable year indicated above) through to its shareholders.

\_\_\_\_\_  
Signature Title Date

If passing the credit through to the shareholders, complete Form 351-S for each individual shareholder.

- Provide a copy of completed Form 351-S to each shareholder.
- Include a copy of each completed Form 351-S with your tax return.
- Keep a copy of each completed Form 351-S for your records.

**Part 6 Partner's Share of Credit**

If passing this credit through to your partners, complete Form 351-P for each partner.

- Provide a copy of completed Form 351-P to each partner.
- Include a copy of each completed Form 351-P with your tax return.
- Keep a copy of each completed Form 351-P for your records.

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For the calendar year 2018 or fiscal year beginning [M|,|M|D|,|D|]2,0,1,8 and ending [M|,|M|D|,|D|]Y,Y,Y,Y.

**Partnerships:**

- Complete Form 351-P for each partner in the partnership.
- Provide a copy of the completed form and the certificate received from the Arizona Department of Revenue to each partner.
- Keep a copy of each completed Form 351-P for your records.

**Partners:**

- Use this form to complete your own Form 351.
- Include this completed form and a copy of the certificate received from the Arizona Department of Revenue with your return.
- Keep a copy of this form and certificate for your records.

**NOTE:** If you file your tax return on a calendar year basis but this entity files a return on a fiscal year basis (see above), claim this credit on your tax return for the year in which this entity's fiscal year ends.

**Part 1 Distribution of the Credit**

Complete this portion to distribute the credit to each partner in the partnership.

<b>1</b>	(a) Partnership Name	(b) Employer Identification Number (EIN)	(c) Facility Code
<b>2</b>	(a) Partner Name	(b) Taxpayer Identification Number (TIN)	
<b>3a</b>	Partnership credit amount from Form 351, Part 1, line 9.....	<b>3a</b>	\$ 00
<b>3b</b>	Partner's ownership percentage.....	<b>3b</b>	%
<b>3c</b>	Multiply the amount on line 3a by the percentage on line 3b. Enter the result. This is the partner's portion of the credit.....	<b>3c</b>	\$ 00

**Partners:** Enter the amount from line 3c on your Form 351, Part 1, line 7.

**Part 2 Distribution of the Credit Recapture**

Complete this portion to notify each partner in the partnership of their share of the credit to be recaptured.

<b>4</b>	(a) Partnership Name	(b) Employer Identification Number (EIN)	
<b>5</b>	(a) Partner Name	(b) Taxpayer Identification Number (TIN)	
<b>6</b>	(a) Facility Code	(b) Tax Year(s) Passed Through to This Partner	
<b>7</b>	Partner's portion of the credit subject to recapture.....	<b>7</b>	\$ 00

**Partners:** Enter the amount from line 7 on your Form 351, Part 2, line 20.

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For the calendar year 2018 or fiscal year beginning [M,M|D,D|2,0,1,8] and ending [M,M|D,D|Y,Y,Y,Y].

**S corporations** passing this credit through to S corporation individual shareholders:

- Complete Form 351-S for each individual shareholder of the S corporation.
- Provide a copy of the completed form and the certificate received from the Arizona Department of Revenue to each individual shareholder.
- Keep a copy of each completed Form 351-S for your records.

**Individual Shareholders:**

- Use this form to complete your own Form 351.
- Include this completed form and a copy of the certificate received from the Arizona Department of Revenue with your return.
- Keep a copy of this form and certificate for your records.

**NOTE:** If you file your tax return on a calendar year basis but this entity files a return on a fiscal year basis (see above), claim this credit on your tax return for the year in which this entity's fiscal year ends.

**Part 1 Distribution of the Credit**

Complete this portion to distribute the credit to the individual shareholders of the S corporation.

<b>1</b>	(a) S corporation Name	(b) Employer Identification Number (EIN)	(c) Facility Code
<b>2</b>	(a) Individual Shareholder Name	(b) Taxpayer Identification Number (TIN)	
<b>3a</b>	S corporation credit amount from Form 351, Part 1, line 9.....		<b>3a</b> \$ 00
<b>3b</b>	Shareholder's ownership percentage.....		<b>3b</b> %
<b>3c</b>	Multiply the amount on line 3a by the percentage on line 3b. Enter the result. This is the shareholder's portion of the credit. ....		<b>3c</b> \$ 00

**Individual Shareholders:** Enter the amount from line 3c on your Form 351, Part 1, line 7.

**Part 2 Distribution of the Credit Recapture**

Complete this portion to notify each individual shareholder in the S corporation of his or her share of the credit to be recaptured.

<b>4</b>	(a) S corporation Name	(b) Employer Identification Number (EIN)	
<b>5</b>	(a) Individual Shareholder Name	(b) Taxpayer Identification Number (TIN)	
<b>6</b>	(a) Facility Code	(b) Tax Year(s) Credit Passed Through to This Individual Shareholder	
<b>7</b>	Individual shareholder's portion of the credit subject to recapture .....		<b>7</b> \$ 00

**Individual Shareholders:** Enter the amount from line 7 on your Form 351, Part 2, line 20.

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# 2018 Credit for Renewable Energy Investment and Production for Self-Consumption by International Operations Centers

## Arizona Form 351

### 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 click on *Reports & Legal Research* then click on *Legal Research* and select a document and a category type from the drop down menus.

### Publications

To view or print the department's publications, go to our website and click on *Reports & Legal Research*. Then click on *Publications*.

- The energy produced must be used for self-consumption
- By the fifth year the facility is in operation, at least 51 percent of the energy produced must be used for self-consumption in Arizona.

This credit is available to corporate taxpayers, exempt organizations subject to unrelated business taxable income (UBTI), partners in a partnership, and to shareholders of an S corporation. The total of the credits may not exceed the amount that would have been allowed for a sole owner of the business.

If the current taxable year's credit exceeds the taxpayer's tax liability for the taxable year, the taxpayer may carry forward the unused credit to the next five consecutive taxable years. No credit, other than carryovers generated properly, may be claimed for any taxable year beginning after December 31, 2025.

## General Information

This credit provides nonrefundable individual and corporate income tax credits 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 an International Operations Centers. The credit authorized is \$5 million per year for five years. The initial credit is claimed in the year the facility becomes operational.

## Claiming this Credit

To claim this credit, a taxpayer must apply to the Arizona Department of Revenue (Department) for certification. The department reviews and pre-approves the taxpayer for the credit on a first-come, first-served basis. The maximum amount of this credit a taxpayer can receive is \$5,000,000 per tax year. The department may not authorize tax credits under A.R.S. §§ 43-1083.04 and 43-1164.05 that exceed, in the aggregate, a total of \$10 million for any calendar year.

The taxpayer must submit a request for final certification to the department within 30 days after the renewable energy facility for which authorization was given becomes operational. See the program guidelines at [www.azdor.gov](http://www.azdor.gov) under the "Tax Credits" section.

The taxpayer must qualify for this credit as an International Operations Center (IOC).

### To qualify, a taxpayer must:

- Invest at least \$100 million in one or more renewable energy facilities in Arizona.
- The minimum investment of \$100 million must be completed within a 3-year period beginning on the date the initial application is received by the department or by December 31, 2018, whichever is earlier.
- Invest \$1.25 billion in the IOC within 10 years after being certified by the Arizona Commerce Authority (ACA).

## Credit Recapture

If an IOC taxpayer fails to make the \$1.25 billion investment in the center within the 10 years after certification, this credit is recaptured in inverse proportion to the total capital investment made in the IOC by the \$1.25 billion. The recapture must be made on the taxpayer's income tax return for the taxable year in which it is first known that the required investment would not be made within the required time or the taxable year in which the certification was revoked.

### Example:

Ten years after its certification, an IOC taxpayer invested \$900 million in its center and claimed \$25 million for this credit (\$5,000,000 per year for 5 years.) The IOC taxpayer will determine its credit recapture by subtracting its total investment (\$900 million) from the required investment (\$1.25 billion) and dividing that amount by the required investment.

### IOC Example (continued):

IOC taxpayer invests \$900 million in 10 years.

IOC Example (continued from page 1):

Required investment amount is \$1.25 billion.

Required Investment	\$1,250,000,000
Total Investment	\$ 900,000,000
Amount not invested	\$ 350,000,000
Amount not invested	\$ 350,000,000
Required Investment	\$1,250,000,000
Percentage not invested	28%

### Calculate Credit Recapture

Total Credit Claimed	\$25,000,000
Percentage (above)	28%
<b>Amount to Recapture</b>	<b>\$ 7,000,000</b>

The IOC taxpayer will report a credit recapture on its income tax return of \$7 million.

## Specific Instructions

Complete the name and taxpayer identification number (TIN) section at the top of the form. Indicate the period covered by the taxable year. Include the completed form and all supporting documentation with the tax return.

All returns, statements, and other documents filed with the department require a TIN. The TIN for a corporation, an exempt organization with UBTI, an S corporation, or a partnership is the taxpayer's employer identification number (EIN). The TIN for an individual is the taxpayer's Social Security Number (SSN) or an Internal Revenue Service individual taxpayer identification number. Taxpayers that fail to include their TIN may be subject to a penalty.

### NOTE – To claim this credit:

- **Individual taxpayers**, complete this credit form and Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture. Include both completed forms with your tax return.
- **C Corporations, S corporations claiming this credit at the corporate level, and exempt organizations with UBTI**, complete this credit form and Arizona Form 300, Nonrefundable Corporate Tax Credits and Recapture. Include both completed forms with your tax return.
- **S corporations electing to pass this credit through to its shareholders**, complete this credit form and Arizona Form 300, Nonrefundable Corporate Tax Credits and Recapture. Also, complete Form 351-S for each shareholder of the S corporation. Provide each shareholder a copy of his or her completed Form 351-S. Include Form 300, Form 351, and one copy of each completed Form 351-S with your tax return.
- **Partnerships**, complete this credit form. Also, complete Form 351-P for each partner of the partnership. Provide each partner a copy of his or her completed Form 351-P. Include Form 351 and one copy of each completed Form 351-P with your tax return.

## Part 1 – Qualification for and Current Taxable Year's Credit

### Line 1 -

If you received any certificate(s) directly from the department, check the "Yes" box and include a copy of the certificate. If you did not, check the "No" box and skip to line 4.

### Line 2 -

Enter the facility code for which you received the credit.

### Line 3 -

Enter the total amount of the credit authorized by the certificate.

### Line 4 -

If you received a Form 351-S or a Form 351-P, check the "Yes" box and include a copy of the form. If you did not, check the "No" box and skip to Part 2.

### Line 5 -

Enter the facility code indicated on Form 351-S or Form 351-P.

### Line 6 -

Enter the name and EIN of the company passing the credit through to you.

### Line 7 -

Enter your portion of the credit indicated on Form 351-S or Form 351-P. If you receive this credit from more than one partnership and/or S corporation, enter the total of all credits passed through from partnerships and/or S corporations.

**NOTE:** *If you are a partner or shareholder in multiple entities receiving this tax credit, total the amounts received from all partnerships and/or S corporations on Form(s) 351-P and/or Form(s) 351-S and enter the total. Include a copy of each Form 351-P and/or Form 351-S you received with your return.*

### Line 8 -

Add lines 3 and 7 and enter the total.

### Line 9 -

Enter the lesser of line 8 or \$5,000,000. This is your current year's total tax credit. This amount cannot exceed \$5 million.

**NOTE:** *The maximum credit allowed per taxpayer per taxable year is \$5 million.*

## Part 2 – Credit Recapture

**NOTE:** *If you are a partnership or S corporation that passed the credit through to partners or shareholders, do not complete Part 2. You will report the recapture to the partners or shareholders on either Form 351-P or Form 351-S.*

### Line 10 -

If you received a notice from the department that your credit is subject to recapture, check the "Yes" box, and include a copy of the notice. If you did not, check the "No" box and skip to line 17.

### Line 11 -

Enter the facility code indicated on the certificate.

### Line 12 -

Enter the taxable year(s) in which you took a credit or credit carryover as an IOC.

### Line 13 -

Enter the credit amount previously authorized by the department.

### Line 14 -

Enter the amount of credit carryover that remains unused.

### Line 15 -

Subtract line 14 from line 13 and enter the amount.

### Is line 15 less than zero?

If you subtract line 14 from line 13 and your result is less than zero, you may be eligible to use a portion of your credit carryforward.

To determine the amount of credit carryforward you can use, subtract line 13 from line 14. The difference is the amount of this credit you can carry forward.

**EXAMPLE:**

On your Form 351, line 13 is \$5,000,000 and line 14 is \$4,000,000. If you subtract line 14 from line 13, the result is negative (\$1,000,000).

As instructed above, you then subtract line 13, \$5,000,000, from line 14, \$4,000,000. The difference is \$1,000,000.

This is the amount of this credit you can carry forward.

**Line 16 -**

Enter the greater of line 15 or "0". This is the amount of your direct recapture.

**NOTE:** If you are a partner or shareholder in multiple entities receiving this tax credit, total the amounts received from all partnerships and/or S corporations on Form(s) 351-P and/or Form(s) 351-S and enter the total. Include a copy of each Form 351-P and/or Form 351-S you received with your return.

**Line 17 -**

If you received a notice of recapture on Form 351-S or 351-P, check the "Yes" box and include a copy of the form. If you did not, check the "No" box and skip to Part 3.

**Line 18 -**

Enter the name and EIN of the partnership or S corporation who sent you the notice of recapture.

**Line 19 -**

Enter the tax year(s) you claimed the credit.

**Line 20 -**

Enter the total amount of the credit subject to recapture passed through to you on Form 351-P, Part 2, line 7 and/or Form 351-S, Part 2, line 7.

**Line 21 -**

Enter the amount of the credit carryover that remains unused.

**Line 22 -**

Subtract line 21 from line 20 and enter the difference.

**Is line 22 less than zero?**

If you subtract line 21 from line 20 and the difference is less than zero, you may be eligible to use a portion of your credit carryforward.

To determine the amount of credit carryforward you can use, subtract line 20 from line 21. The difference is the amount of this credit you can carry forward.

**EXAMPLE:**

On your Form 351, line 21 is \$5,000,000 and line 20 is \$4,000,000. If you subtract line 21 from line 20, the difference is negative (\$1,000,000).

As instructed above, you then subtract line 20, \$5,000,000, from line 21, \$4,000,000. The result is \$1,000,000.

This is the amount of credit you can carry forward.

**Line 23 -**

Enter the greater of line 22 or "0". This is the amount of the credit recapture passed through to you from an S corporation or a partnership.

**Line 24 -**

Add lines 16 and 23 and enter the total.

**This is your total recapture amount.**

- Individuals enter this amount on Form 301, line 35.
- C Corporations, S corporations that elected to claim this credit at the corporate level, and exempt organizations with UBTI, enter this amount on Form 300, line 26.

**Part 3 – Available Credit Carryover**

Use Part 3 to figure your total available credit carryover from prior taxable years. Columns (a) through (c) represent the tax years for which you claimed this credit. Complete lines 25 through 29, columns (a) through (c), if you claimed the credit on a prior year's return and the credit exceeded your tax liability.

**S corporations**, if this credit was claimed at the corporate level in a prior taxable year and there is a carryover amount available, complete Part 3.

**NOTE:** This credit has a five year carryforward. You have five years in which to apply this credit to your Arizona taxes.

**Line 25 -**

Enter the amount of the credit originally computed for the first year you claimed the credit.

**Line 26 -**

Enter the amount of the credit you previously claimed on an earlier tax return.

**Line 27 -**

Subtract line 26 from line 25 and enter the difference. This is your net available credit carryover.

**Line 28 -**

Enter the amount of this credit carryover that was disqualified.

**Line 29 -**

Subtract line 28 from line 27 and enter the difference.

**Line 30 -**

Add lines 29(a) through (c) and enter the total. **This is your total available credit carryover.**

**Part 4 – Total Available Credit****Line 31**

Enter the amount from Part 1, line 9.

*Individuals, C Corporations, S corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI* - enter the amount from line 9. This is your total current year's credit. It is the sum of the current year's credit that you established and also the pass-through credit you received in the current year.

*Partnerships* - enter "0".

*S corporations that passed the current year credit through to shareholders* - enter "0".

*Individuals* - also enter this amount on Form 301, line 27, column (a).

*C Corporations, S corporation that elected to claim this credit at the corporate level, and exempt organizations with UBTI* - also enter this amount on Form 300, line 19, column (a).

**Line 32 -**

Enter the amount from Part 3, line 30.

*Individuals, C Corporations, S corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI* - enter the amount from Part 3, line 30. This is your total available credit carryover for renewable energy investment and production for international operations centers.

*Individuals* - also enter this amount on Form 301, Part 1, line 27, column (b).

*C Corporations, S corporations that elected to claim this credit at the corporate level, and exempt organizations with UBTI* - also enter this amount on Form 300, Part 1, line 19, column (b).

**Line 33 -**

Add lines 31 and 32. Enter the total.

*Individuals, C Corporations, S corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI* - add line 31 and line 32, enter the total. This is the total available credit that may be applied to the current year's tax liability.

*Individuals* - also enter this amount on Form 301, Part 1, line 27, column (c).

*C Corporations, S corporations that elected to claim this credit at the corporate level, and exempt organizations with UBTI* - also enter this amount on Form 300, Part 1, line 19, column(c).

**Part 5 - S Corporation Credit Election**

**Lines 34, 34a, & 34b – S Corporation Credit Election**

**PASSING THIS CREDIT THROUGH TO SHAREHOLDERS OF AN S CORPORATION**

The S corporation must complete line 34. The S corporation must make an irrevocable election either to claim the current taxable year credit at the corporate level, or to pass the current taxable year credit through to its shareholders.

**NOTE:** *Trusts and estates that are shareholders of S corporations are NOT eligible to claim this credit on their Arizona returns. However, the ownership share of an S corporation that is disregarded for federal income tax purposes is treated as owned by the grantor. If the grantor is an individual, he or she may claim his or her share of the credit.*

An S corporation must complete its own Form 351, Parts 1 through 5 (as necessary) to pass this credit through to its shareholders.

To Complete Part 5, the S corporation must:

- Enter the ending date for this tax year.
- Check the box on line 34a electing to claim the current taxable year credit at the corporate level; or
- Check the box on line 34b electing to pass the current taxable year credit through to its shareholders.
- Have the form signed by an officer of the S corporation who is also a signatory on Form 120S.

**NOTE:** *If you have more than 10 shareholders, create a similar worksheet to pass through the credit amount. Include that schedule with your return.*

*To pass this credit amount through to your shareholders - enter the tax year(s) on the notice you received from the Department or from Forms 351-P or 351-S you received.*

**Using the table below, complete lines 1 – 10 as follows:**

- Enter each shareholder’s name in column (a).
- Enter the shareholder’s corresponding ownership percentage of the S corporation in column (b).
- Enter the total credit amount from the certificate or Form 351 you received in each line of the worksheet in column (c).
- Multiply column (b) by column (c) and enter the result in column (d) for each shareholder.

The amounts indicated in column (d) are the respective shareholder’s portion of this credit.

Enter the amount(s ) from column (d) in each respective shareholder’s Form 351-S, line 3(c).

**Total:**

Add the amounts in column (d) and enter the total. This amount will equal the credit amount on the certificate you received from the Department.

To complete the pass through of this credit, the S corporation must complete Form 351-S for each shareholder, and:

- Provide each shareholder with their respective copy of Form 351-S,
- Include a copy of each completed Form 351-S with its tax return, and
- Keep a copy of each Form 351-S for its records.

The shareholder will then complete his or her own Form 351 to claim this credit.

**NOTE:** *Each S corporation shareholder is entitled to only a pro rata share of pass-through credit based on ownership interest in the S corporation. The total of the credit allowed to all shareholders may not exceed the amount that would have been allowed for a sole owner.*

**Use this worksheet to figure the amount of the credit to be passed through to each shareholder.**

Tax Year	(a) Shareholder	(b) Ownership %	(c) Credit Amount	(d) Shareholder’s Portion
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
<b>Total</b>				\$

**RECAPTURE OF THIS CREDIT PASSED THROUGH TO SHAREHOLDERS OF AN S CORPORATION**

If you passed this credit through to your shareholders in a previous tax year and then received a notice from the Arizona Department of Revenue that your credit is subject to recapture during this year, you must pass the amount(s) subject to recapture through to your shareholders who received the original credit.

This credit was passed through to your shareholders based on their ownership percentage (per year). The recapture amount is based on a percentage of the total credit passed through to all shareholders. You will receive a notice of recapture from the department indicating the percentage of this credit that is subject to recapture. You must notify your shareholders of their portion of this amount.

To notify your shareholders of their respective amount(s) of this credit that is subject to recapture from them:

- A. Determine the amount of credit passed through to each shareholder for all years of the credit.
- B. Multiply the amount in A (above) by the recapture percentage (provided by Arizona Department of Revenue).
- C. Complete Part 2 of Form 351-S for each shareholder informing him/her of the amount of this credit subject to recapture.

**Example:**

*S Corporation claimed this credit for five years, 1 through 5. Each year, S Corporation claimed the maximum amount, \$5M. The total credit claimed was \$25M.*

*During the time S Corporation claimed this credit, it had 5 shareholders:*

- *Shareholder A owned 20% of S Corporation for each year, 1 through 5*
- *Shareholder B owned 20% of S Corporation for each year 1 through 5*
- *Shareholder C owned 20% of S Corporation for years 1 through 3; in year 4, Shareholder C sold his ownership percentage of S Corporation to Shareholder D*
- *Shareholder D owned 20% of S Corporation for years 1 through 3; for years 4 and 5, Shareholder D owned 40% of Partnership*
- *Shareholder E owned 20% of S Corporation for each year 1 through 5.*

*During year 7, S Corporation received a notice from the Department indicating 40%, or \$10Million of its credit is subject to recapture.*

*Using the 351-S Forms it completed for years 1 through 5, S Corporation determined it passed through the following amounts of credits to each of its shareholders for these years:*

<b>Shareholder</b>	<b>Total Credit Passed Through</b>
Shareholder A	\$ 5,000,000
Shareholder B	\$ 5,000,000
Shareholder C	\$ 3,000,000
Shareholder D	\$ 7,000,000
Shareholder E	\$ 5,000,000
<b>Total Credit</b>	<b>\$25,000,000</b>

*Multiplying each shareholder’s amount of credit “passed through” by the recapture percentage, 40%, S corporation determined the credit amount(s) subject to recapture for each shareholder is:*

<b>Shareholder:</b>	<b>Credit Passed Through</b>	<b>Recapture %</b>	<b>Shareholder Credit Subject to Recapture</b>
Shareholder A	\$ 5,000,000	40%	\$ 2,000,000
Shareholder B	\$ 5,000,000	40%	\$ 2,000,000
Shareholder C	\$ 3,000,000	40%	\$ 1,200,000
Shareholder D	\$ 7,000,000	40%	\$ 2,800,000
Shareholder E	\$ 5,000,000	40%	\$ 2,000,000
<b>Total Credit</b>	<b>\$25,000,000</b>	<b>40%</b>	<b>\$10,000,000</b>

*S corporation completed Form 351-S for each shareholder above informing him or her of the amount of this credit that is subject to recapture.*



**Part 6 - Partner's Portion of Credit**

**PASSING THIS CREDIT THROUGH TO PARTNERS OF A PARTNERSHIP**

Partnerships must pass this credit through to its individual and/or corporate partners.

**NOTE:** *Trusts and estates that are partners of a partnership are NOT eligible to claim this credit on their Arizona returns. However, the ownership share of a partnership that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.*

A partnership must complete its own Form 351, Parts 1 through 4 (as necessary) to pass this credit through to its partners.

**NOTE:** *If you have more than 10 partners, create a similar worksheet to pass through the credit amount. Include that amount with your return.*

**To pass this credit amount through to your partners** - enter the Tax Year(s) on the notice you received from the Department or from Forms 351-P you received.

**Using the table below, complete lines 1 – 10 as follows:**

- Enter each partner's name in column (a)
- Enter the partner's corresponding ownership percentage of the partnership in column (b)

- Enter the total credit amount from the certificate or Form 351 you received in each line of the worksheet in column (c).
- Multiply column (b) by column (c) enter the result in column (d) for each partner

**The amounts indicated in column (d) are the respective partner's portion of this credit.**

Enter the amount(s) from column (d) in each respective partner's Form 351-P, line 3(c).

**Total:**

Add the amounts in column (d) and enter the total. This amount will equal the credit amount on the certificate you received from the Department.

To complete the pass through of this credit, the partnership must complete Form 351-P for each partner, and:

- Provide each partner with their respective copy of Form 351-P,
- Include a copy of each completed Form 351-P with its tax return, and
- Keep a copy of each completed Form 351-P for its records.

The partner will then complete its own Form 351 to claim this credit.

**NOTE:** *Each partner is entitled to only a pro rata share of the credit based on the partner's ownership interest in the partnership. The total of the credit allowed to all partners may not exceed the amount that would have been allowed for a sole owner.*

**Use this worksheet to figure the amount of the credit to be passed through to each partner.**

Tax Year	(a) Partner	(b) Ownership %	(c) Credit Amount	(d) Partner's Portion
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
<b>Total</b>				<b>\$</b>

**RECAPTURE OF THIS CREDIT PASSED THROUGH TO PARTNERS OF A PARTNERSHIP**

If you passed this credit through to your partners in a previous tax year and then received a notice from the Arizona Department of Revenue that your credit is subject to recapture during this year, you must pass the amount(s) subject to recapture through to your partners that received the credit.

This credit was passed through to your partners based on their ownership percentage (per year). The recapture amount is based on a percentage of the total credit passed through to all partners. You will receive a notice of recapture from the Department indicating the percentage of this credit that is subject to recapture. You must notify your shareholders of their portion of this amount.

To notify your partners of their respective amount(s) of this credit that is subject to recapture from them:

- A. Determine the amount of credit passed through to each partner for all years of the credit
- B. Multiply the amount in A (above) by the recapture percentage (provided by Arizona Department of Revenue)
- C. Complete Part 2 of Form 351-P for each partner informing him/her of the amount of this credit subject to recapture.

**Example:**

Partnership claimed this credit for five years, 1 through 5. Each year, Partnership claimed the maximum amount, \$5M. The total credit claimed was \$25M.

During the time Partnership claimed this credit, it had 5 Partners:

- Partner A owned 20% of Partnership for each year, 1 through 5
- Partner B owned 20% of Partnership for each year 1 through 5
- Partner C owned 20% of Partnership for years 1 through 3; in year 4, Partner C sold his ownership percentage of Partnership to Partner D
- Partner D owned 20% of Partnership for years 1 through 3; for years 4 and 5, Partner D owned 40% of Partnership
- Partner E owned 20% of Partnership for each year 1 through 5.

During year 7, Partnership received a notice from the Department indicating 40%, or \$10Million of its credit is subject to recapture.

Using the 351-P Forms it completed for years 1 through 5, Partnership determined it passed through the following amounts of credits to each of its partners for these years:

<b>Partner</b>	<b>Total Credit Passed Through</b>
Partner A	\$ 5,000,000
Partner B	\$ 5,000,000
Partner C	\$ 3,000,000
Partner D	\$ 7,000,000
Partner E	\$ 5,000,000
<b>Total Credit</b>	<b>\$25,000,000</b>

Multiplying each partner’s amount of credit “passed through” by the recapture percentage, 40%, Partnership determined the credit amount(s) subject to recapture for each individual partner is:

<b>Partner:</b>	<b>Credit Amount</b>	<b>Recapture %</b>	<b>Subject to Recapture</b>
Partner A	\$ 5,000,000	40%	\$ 2,000,000
Partner B	\$ 5,000,000	40%	\$ 2,000,000
Partner C	\$ 3,000,000	40%	\$ 1,200,000
Partner D	\$ 7,000,000	40%	\$ 2,800,000
Partner E	\$ 5,000,000	40%	\$ 2,000,000
<b>Total Credit</b>	<b>\$25,000,000</b>	<b>40%</b>	<b>\$10,000,000</b>

Partnership completed Form 351-P for each partner above informing him or her of the amount of this credit that is subject to recapture.

## Form 351-S, Distribution to Shareholders of an S Corporation

Indicate the taxable year for which this credit is being passed through to your shareholders.

Complete Form 351-S for each shareholder except for trust or estate shareholders. However, an S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. If the grantor is an individual, he or she may claim his or her share of the credit.

**NOTE:**

*S corporations use Form 351-S to notify each shareholder of their share of:*

- *The credit to be claimed, or*
- *The credit subject to recapture.*

**To distribute the credit to the S corporation shareholders (complete lines 1 through 3):**

**Line 1**

- a) Enter the S corporation name
- b) Enter the S corporation's EIN
- c) Enter the facility code for which this credit was received.

**Line 2**

- a) Enter the shareholder's name
- b) Enter the shareholder's TIN

**Line 3a, 3b, and 3c**

- a) Enter the amount of this credit for which the S corporation was approved from Part 1, line 9.
- b) Enter the shareholder's ownership percentage
- c) Multiply line 3(a) by line 3(b) and enter the result.

**This is the shareholder's portion of this credit.**

**To distribute the recapture amount to the S corporation shareholders (complete lines 4 through 7):**

**Line 4**

- a) Enter the S corporation name
- b) Enter the S corporation EIN

**Line 5**

- a) Enter the shareholder's name
- b) Enter the shareholder's TIN

**Line 6**

- a) Enter the facility code for which this credit was originally approved
- b) Enter the tax year(s) for which this credit was originally approved

**Line 7**

Enter the shareholder's portion of the credit subject to recapture from the worksheet in the instructions.

**This is the shareholder's portion of the credit subject to recapture.**

## Form 351-P, Distribution to Partners of a Partnership

Indicate the taxable year for which this credit is being passed through to your partners.

Complete Form 351-P for each partner except for trust or estate partners. However, a partnership ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.

**NOTE:**

*Partnerships use Form 351-P to notify each partner of their share of:*

- *The credit to be claimed, or*
- *The credit subject to recapture.*

**To distribute the credit to the partners of the partnership (complete lines 1 through 3):**

**Line 1**

- a) Enter the partnership name
- b) Enter the partnership's EIN
- c) Enter the facility code for which this credit was received.

**Line 2**

- a) Enter the partner's name
- b) Enter the partner's TIN

**Line 3a, 3b, and 3c**

- a) Enter the amount of this credit for which the partnership was approved from Part 1, line 9.
- b) Enter the partner's ownership percentage
- c) Multiply line 3(a) by line 3(b) and enter the result.

**This is the partner's portion of this credit.**

**To distribute the recapture amount to the partners of the partnership (complete lines 4 through 7):**

**Line 4**

- a) Enter the partnership name
- b) Enter the partnership EIN

**Line 5**

- a) Enter the partner's name
- b) Enter the partner's TIN

**Line 6**

- a) Enter the facility code for which this credit was originally approved
- b) Enter the tax year(s) for which this credit was originally approved

**Line 7**

Enter the partner's portion of the credit subject to recapture from the worksheet in the instructions.

**This is the partner's portion of the credit subject to recapture.**

*Include with your return.*

For the calendar year 2018 or fiscal year beginning MM,DD,2018 and ending MM,DD,YYYY.

Your Name as shown on Form 140, 140NR, 140PY or 140X	Your Social Security Number
Spouse's Name as shown on Form 140, 140NR, 140PY or 140X (if joint return)	Spouse's Social Security Number

**Part 1 Current Year's Credit**

**A. Cash contributions made January 1, 2018, through December 31, 2018.**

- If you are married and filing separate returns, be sure to include **all** cash contributions made by you and your spouse.
- Do **not** include those contributions for which you and your spouse claimed a credit on the 2017 tax return.
- **Do not include cash contributions made to qualifying non-foster care charitable organizations.** Those contributions must be claimed on Arizona Form 321.
- If you made cash contributions to more than three foster care charitable organizations, complete the Continuation Sheet on page 3 and include it with the credit form.

(a) Qualifying Foster Care Charity Code	(b) Name of Qualifying Foster Care Charity to which you made cash contributions	(c) Cash Contributions
1		00
2		00
3		00
4	If you made contributions to more than three qualifying foster care charitable organizations, enter the amount from line 4h of the Continuation Sheet, otherwise enter "0" .....	00
5	Total contributions made to qualifying foster care charitable organizations during 2018: Add lines 1 through 4, column (c).....	00

**B. Cash contributions made January 1, 2019, through April 15, 2019 for which you or your spouse are claiming a credit on the 2018 tax return.**

- If you are married and filing separate returns, be sure to include **all** cash contributions made by you and your spouse.
- **Do not include cash contributions made to qualifying non-foster care charitable organizations.** Those contributions must be claimed on Arizona Form 321.
- If you made cash contributions to more than three foster care charitable organizations, complete the Continuation Sheet on page 3 and include it with the credit form.

(a) Qualifying Foster Care Charity Code	(b) Name of Qualifying Foster Care Charity to which you made cash contributions	(c) Cash Contributions
6		00
7		00
8		00
9	If you made contributions to more than three qualifying foster care charitable organizations, enter the amount from line 9h of the Continuation Sheet, otherwise enter "0" .....	00
10	Total contributions made to the qualifying foster care charitable organizations January 1, 2019, through April 15, 2019, for which you are claiming a credit on your 2018 return: Add lines 6 through 9, column (c).....	00
11	Add lines 5 and 10. Enter the total. ....	00
12	Single taxpayers or heads of household, enter \$500. Married taxpayers, enter \$1,000 .....	00
13	Total current year's credit: Enter the smaller of line 11 or line 12. In most cases, if you are married filing a separate return, enter one-half of the smaller of line 11 or line 12. See instructions .....	00

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

**Part 2 Available Credit Carryover**

If you have a carryover amount available from a prior year for contributions for which you claimed on Arizona Form 321, you **must** claim those carryover amounts on Form 321.

	(a) Taxable Year from which you are carrying the credit	(b) Original Credit Amount	(c) Amount Previously Used	(d) Available Carryover: Subtract column (c) from column (b).
<b>14</b>	2016	00	00	00
<b>15</b>	2017	00	00	00
<b>16</b>				
<b>17</b>				
<b>18</b>				
<b>19</b>	Total Available Carryover: Add lines 14 through 18, column (d). Enter amount from line 14, column (d).....			00

**Part 3 Total Available Credit**

<b>20</b>	Current year's credit: Enter the amount from Part 1, line 13. Also, enter this amount on <i>Arizona Form 301, Part 1, line 28, column (a)</i> .....	<b>20</b>	00
<b>21</b>	Available credit carryover: Enter the amount from Part 2, line 19, column (d) Also, enter this amount on <i>Arizona Form 301, Part 1, line 28, column (b)</i> .....	<b>21</b>	00
<b>22</b>	Total Available Credit: Add line 20 and line 21. Also, enter this amount on <i>Arizona Form 301, Part 1, line 28, column (c)</i> .....	<b>22</b>	00

Your Name (as shown on page 1)

Your Social Security Number

### AZ Form 352- Credit for Contributions to Qualifying Foster Care Charitable Organizations Continuation Sheet

**Part 1 - Continued**      **Current Year's Credit**

*If you need more space to list all foster care charities, complete additional sheets and enter those totals on the appropriate line(s) on page 1.*

**A. Cash contributions made January 1, 2018, through December 31, 2018.**

	(a) Qualifying Foster Care Charity Code	(b) Name of Qualifying Foster Care Charity to which you made cash contributions	(c) Cash Contributions
4a	_____		00
4b	_____		00
4c	_____		00
4d	_____		00
4e	_____		00
4f	_____		00
4g	_____		00
4h Add all amounts in column (c) and enter the total. Also, enter this amount on page 1, line 4.....			00

**B. Cash contributions made January 1, 2019, through April 15, 2019.**

	(a) Qualifying Foster Care Charity Code	(b) Name of Qualifying Foster Care Charity to which you made cash contributions	(c) Cash Contributions
9a	_____		00
9b	_____		00
9c	_____		00
9d	_____		00
9e	_____		00
9f	_____		00
9g	_____		00
9h Add all amounts in column (c) and enter the total. Also, enter this amount on page 1, line 9.....			00

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# 2018 Credit for Contributions To Qualifying Foster Care Charitable Organizations

## Arizona Form 352

### 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 click on *Reports and Legal Research* 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 and click on *Reports and Legal Research* then click on *Publications*.

## General Instructions

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

Arizona law provides a **separate** credit for cash contributions made to qualifying foster care charitable organizations (QFCO).

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

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

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

A cash contribution for which a credit is claimed and that is made on or before the fifteenth day of the fourth month following the close of the taxable year may be applied to either the current or preceding taxable year and is considered to have been made on the last day of that taxable year.

For calendar year filers, credit eligible cash contributions made to a QFCO from January 1, 2019, through April 15, 2019, may be used as a tax credit on either your 2018 or 2019 Arizona income tax return.

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

If you claim this credit in 2018 for a cash contribution made from January 1, 2019, through April 15, 2019, you must make an adjustment on your Arizona Form 140 Schedule A, Form 140PY Schedule A(PY) or A(PYN), or Form 140NR Schedule A(NR) filed in 2019.

The maximum amount of credit that a taxpayer can establish for the current taxable year is \$500 for single taxpayers or heads of household. For married taxpayers filing a joint return, the maximum amount of credit that a taxpayer can establish for the current taxable year is \$1,000. In most cases, for married taxpayers who file separate returns, each spouse may claim only **one-half** (½) of the total credit that would have been allowed on a joint return up to \$500.

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

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

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

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

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

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

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

### What is a QFCO?

A QFCO is a qualifying charitable organization that each operating year provides services to at least two hundred qualified individuals in Arizona. The charity must spend at

least 50% of its budget on services to qualified individuals in this state.

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

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

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

### How Can I Tell if a Foster Care Charity Qualifies?

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

To see a list of qualifying foster care charities, visit our website and click on *Tax Credits* and select *Contributions to QCOs and QFCOs*.

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

For Arizona tax credit purposes, the department assigns a code (a 5 digit identification number) to each QFCO and the UCO fund (for example: 12345). If your donation receipt did not include the foster care charity's code, the department's list of qualifying charities includes the code assigned to each charity and the UCO fund code.

Be sure to enter the code number, in column (a), for each qualifying foster care charity for which you and your spouse made cash contributions.

## Line-by-Line Instructions

Enter your name and Social Security Number (SSN) as shown on Arizona Forms 140, 140PY, 140NR, or 140X.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for an individual is the taxpayer's SSN or an Internal Revenue Service (IRS) individual taxpayer identification number (ITIN). Taxpayers that fail to include their identification number may be subject to a penalty.

### Part 1 - Current Year's Credit

#### A. Cash contributions made January 1, 2018, through December 31, 2018

##### Lines 1, 2, and 3 -

**NOTE:** If you are married and filing separate returns, be sure to include all cash contributions made by you and your spouse.

Enter the following for each QFCO you or your spouse made cash contributions or paid fees from January 1, 2018, through

December 31, 2018, for which you or your spouse are claiming a credit on the 2018 tax return:

- Column (a): the five digit code number of the qualifying QFCO or the UCO fund code (example: 23456);
- Column (b): the name of the QFCO or the UCO fund name; and
- Column (c): the amount of cash contributions made during 2018.

*Do not include those cash contributions that you or your spouse made from January 1, 2018, through April 17, 2018, for which you or your spouse claimed a credit on the 2017 tax return.*

**NOTE:** For contributions made to an Umbrella Charitable Organization, the Qualifying Charitable Organization Code and name of the qualifying charity are reported on the tax form. If a fund is designated, the Umbrella Charitable Organization Fund Code and the name of the fund are reported on the tax form.

If you made cash contributions to more than three QFCOs, complete the Continuation Sheet on page 3 of the form and include it with the credit form

##### Line 4 -

Enter the amount from line 4h of the continuation Sheet; otherwise enter "0".

##### Lines 5

Add lines 1 through 4, column (c). Enter the total.

#### B. Cash contributions made January 1, 2019, through April 17, 2019

##### Lines 6, 7, and 8 -

**NOTE:** If you are married and filing separate returns, be sure to include all cash contributions made by you and your spouse.

Enter the following for each QFCO you or your spouse made cash contributions from January 1, 2019, through April 15, 2019, for which you or your spouse are claiming a credit on the 2018 tax return:

- Column (a): the five digit code number of the QFCO or UCO fund code (example: 23456);
- Column (b): the name of the QFCO or the UCO fund name; and
- Column (c): the amount of cash contributions made from January 1, 2019, through April 15, 2019.

**NOTE:** For contributions made to an Umbrella Charitable Organization, the Qualifying Charitable Organization Code and name of the qualifying charity are reported on the tax form. If a fund is designated, the Umbrella Charitable Organization Fund Code and the name of the fund are reported on the tax form.

If you made cash contributions to more than three QFCOs, complete the Continuation Sheet on page 3 of the form and include it with the credit form.

**Line 9 -**

Enter the amount from line 9h of the Continuation Sheet; otherwise enter "0".

**Line 10 -**

Add lines 6 through 9, column (c). Enter the total.

**Line 11 -**

Add lines 5 and 10. Enter the total.

**Line 12 -**

Single taxpayers and taxpayers filing as head of household enter \$500. Married taxpayers enter \$1,000.

**Line 13 - Current Year's Credit**

Enter the smaller of line 11 or line 12.

If you are married filing a separate return, but you could have filed a joint return, you may take only  $\frac{1}{2}$  of the total credit that you and your spouse would have been allowed to take on a joint return, up to a maximum of \$500. In this case, enter  $\frac{1}{2}$  of the smaller of line 11 or line 12.

**Part 2 - Available Credit Carryover**

**NOTE:** *If you have a carryover amount available from taxable years ending on or before December 31, 2015, for cash contributions made to QFCOs for which you claimed a credit on Form 321, you **must** claim any available carryover amount from those contributions on Form 321.*

**Lines 14 through 19 –**

Use lines 14 through 19 to figure your total available credit carryover from taxable years 2016 and 2017 if you claimed this credit on these returns and the credit was more than your tax.

**NOTE:** *You may carry over only that portion of the credit that you do not apply to tax. You cannot carry over any amount that you gave that was more than the maximum amount allowed as a credit.*

**For example:** During 2018, Mary, a single person, gave \$600 to a qualified foster care charity. For 2018, Mary is allowed a maximum credit of \$500. Mary's 2018 tax is \$250. Mary can apply \$250 of the credit to her 2018 tax liability and carryover \$250 of the unused \$500 credit to 2019.

Mary cannot claim any credit for the \$100 gift that was more than the allowable credit (\$600 minus allowable credit of \$500).

- In column (b), enter the credit originally computed for 2016 and 2017 in column (a).
- In column (c), enter the amount of the credit which you have already used.
- In column (d), subtract the amount in column (c) from column (b) and enter the difference in column (d).

Enter the carryover amount on line 19, column (d).

**Part 3 - Total Available Credit****Lines 20 through 22 -**

Use lines 20 through 22 to figure your total available credit for the taxable year.

**Line 20 -**

Enter the amount from Part 1, line 13. Also, enter this amount on Arizona Form 301, Part 1, line 28, column (a).

**Line 21 -**

Enter the amount from Part 2, line 19, column (d). Also enter this amount on Form 301, Part 1, line 28, column (b).

**Line 22 - Total Available Credit**

Add line 20 and line 21. Enter the total. Also, enter this amount on Form 301, Part 1, line 28, column (c).

**THIS PAGE INTENTIONALLY LEFT BLANK**

DO NOT STAPLE ANY ITEMS TO THE RETURN.

For the calendar year 2018 or fiscal year beginning MM, DD, 2018 and ending MM, DD, YYYY. 66

82E Check box 82E if filing under extension

1 Print Name of Estate or Trust Employer Identification Number (required)

2 Print Name and Title of Fiduciary

3 Address of Fiduciary - number and street, or rural route REVENUE USE ONLY. DO NOT MARK IN THIS AREA. 88

4 City, Town or Post Office State ZIP Code

Daytime Phone Number of Fiduciary/Representative - include area code

Check ONLY ONE box:

5a Resident Estate 5c Resident Trust 5b Nonresident Estate 5d Nonresident Trust

81 PM 80 RCVD

Check applicable box(es). For boxes A through H, check ONLY ONE box:

6 1 Amended Return A Decedent's Estate D Simple Trust G Qualified Funeral Trust - Separate Return 2 Final Return B Bankruptcy Estate E Complex Trust H Qualified Funeral Trust - Composite Return 3 Initial Return C Grantor Trust F Charitable Remainder Trust Number of QFTs participating in Composite Return

Table with 30 rows for tax calculations: 7 Federal taxable income, 8 Net fiduciary adjustment, 9 Net fiduciary adjustment allocated to beneficiaries, 10 Net fiduciary adjustment allocated to fiduciary, 11 Subtotal, 12a-12b Electing Small Business Trust (ESBT) income, 13 Add lines 11, 12a, and 12b, 14a-14b Undistributed net capital gain, 15a-15d Net long-term capital gain, 15e Multiply the amount on line 15d by 25%, 16 Arizona taxable income, 17 Tax on amount on line 16, 18 Credit for taxes paid to other states or countries, 19 Balance of tax, 20 AZ estimated tax payments, 21 Payment with extension, 22 AZ income tax withheld, 23 Payment with original return, 24 Total payments, 25 Refund from original return, 26 Balance of payments, 27 BALANCE DUE, 28 REFUND DUE, 29 Amount of line 28 to be applied to your 2019 estimated tax, 30 Balance of refund/overpayment.

Direct Deposit of Refund: Check box 30A if your deposit will be ultimately placed in a foreign account; see instructions. 30A C Checking or S Savings ROUTING NUMBER ACCOUNT NUMBER

**SCHEDULE A Nonresident Estate or Trust Source Income Schedule**

Only nonresident estates and nonresident trusts complete Schedule A. Arizona resident estates and Arizona resident trusts should not complete Schedule A.

**A1** Income (specify type):

		FEDERAL COLUMN		ARIZONA COLUMN	
<b>A1(a)</b>	_____	<b>A1(a)</b>	00		00
<b>A1(b)</b>	_____	<b>A1(b)</b>	00		00
<b>A1(c)</b>	_____	<b>A1(c)</b>	00		00
<b>A1(d)</b>	_____	<b>A1(d)</b>	00		00
<b>A1(e)</b>	_____	<b>A1(e)</b>	00		00
<b>A1(f)</b>	_____	<b>A1(f)</b>	00		00
<b>A1(g)</b>	_____	<b>A1(g)</b>	00		00
<b>A2</b>	Total Income: Add lines A1(a) through A1(g) .....	<b>A2</b>	00		00
<b>A3</b> Deductions (specify):					
<b>A3(a)</b>	_____	<b>A3(a)</b>	00		00
<b>A3(b)</b>	_____	<b>A3(b)</b>	00		00
<b>A3(c)</b>	_____	<b>A3(c)</b>	00		00
<b>A3(d)</b>	_____	<b>A3(d)</b>	00		00
<b>A3(e)</b>	_____	<b>A3(e)</b>	00		00
<b>A3(f)</b>	_____	<b>A3(f)</b>	00		00
<b>A3(g)</b>	_____	<b>A3(g)</b>	00		00
<b>A4</b>	Total deductions: Add lines A3(a) through A3(g).....	<b>A4</b>	00		00
<b>A5</b>	<b>Federal Taxable Income:</b> Subtract line A4 from line A2 in the Federal column .....	<b>A5</b>	00		00
<b>A6</b>	<b>Arizona Gross Income:</b> Subtract line A4 from line A2 in the Arizona column. Enter the difference here and also on Form 141AZ, page 1, line 7 .....	<b>A6</b>			00

**SCHEDULE B Fiduciary Adjustment**

**Fiduciary adjustment increasing federal taxable income**

<b>B1</b>	Positive Arizona fiduciary adjustment from another estate or trust .....	<b>B1</b>	00
<b>B2</b>	Non-Arizona municipal bond interest .....	<b>B2</b>	00
<b>B3</b>	Other additions to federal taxable income. See instructions .....	<b>B3</b>	00
<b>B4</b>	Total: Add lines B1 through B3.....	<b>B4</b>	00

**Fiduciary adjustment decreasing federal taxable income**

<b>B5</b>	Negative Arizona fiduciary adjustment from another estate or trust .....	<b>B5</b>	00
<b>B6</b>	Interest received on U.S. obligations .....	<b>B6</b>	00
<b>B7</b>	Refunds from other states.....	<b>B7</b>	00
<b>B8</b>	Reserved.....	<b>B8</b>	00
<b>B9</b>	Other subtractions from federal taxable income. See instructions .....	<b>B9</b>	00
<b>B10</b>	Total: Add lines B5 through B9.....	<b>B10</b>	00
<b>B11</b>	<b>Net adjustment:</b> Subtract line B10 from line B4. If the result is a negative number, enter the difference in brackets. Also, enter the difference on Form 141AZ, page 1, line 8 and on Schedule C, line C14 .....	<b>B11</b>	00

Name of Estate or Trust (as shown on page 1)	Employer Identification Number
--	--------------------------------

**SCHEDULE C Fiduciary Adjustment Allocation**

The Arizona fiduciary adjustment is allocated among the beneficiaries and the fiduciary in proportion to their share of the federal distributable net income.

	(a) Beneficiary	(b) Share of Federal Distributable Net Income		(c) Percent	
C1		\$	00		%
C2		\$	00		%
C3		\$	00		%
C4		\$	00		%
C5		\$	00		%
C6		\$	00		%
C7		\$	00		%
C8		\$	00		%
C9		\$	00		%
C10		\$	00		%
C11	Subtotal: If more than 10 beneficiaries, include an additional schedule.....	C11 \$	00		%
C12	Fiduciary.....	C12 \$	00		%
C13	<b>Total:</b> Add lines C11 and C12. This should total the federal distributable net income.....	C13 \$	00		100 %
C14	Enter the fiduciary adjustment from Form 141AZ, Schedule B, line B11 here and also on Form 141AZ Schedule K-1, line 1 or Form 141AZ Schedule K-1(NR), line 3 .....	C14			00
C15	Multiply the amount on line C14 by the percentage on line C11. Enter the result here and also on Form 141AZ, page 1, line 9 .....	C15			00
C16	Multiply the amount on line C14 by the percentage on line C12. Enter the result here and also on Form 141AZ, page 1, line 10.....	C16			00

**SCHEDULE D Federal Distributable Net Income From Arizona Sources**

Complete Schedule D only if the estate or trust has nonresident beneficiaries. Use the information in Schedule D to complete Form 141AZ, Schedule K-1(NR). Do not complete Schedule D if all of the beneficiaries are Arizona residents.

	(a)	(b) FEDERAL		(c) ARIZONA	
D1	Dividends.....	D1	00		00
D2	Interest.....	D2	00		00
D3	Partnership/fiduciary income .....	D3	00		00
D4	Net rents and royalties.....	D4	00		00
D5	Net profit (loss) business .....	D5	00		00
D6	Other income.....	D6	00		00
D7	Total: Add lines D1 through D6.....	D7	00		00
D8	Expenses.....	D8	00		00
D9	Federal distributable income: Subtract line D8 from line D7 and enter the difference here. Also, enter the amount from column (c) on Form 141AZ, Schedule K-1(NR), line 1.....	D9	00		00

Name of Estate or Trust (as shown on page 1)	Employer Identification Number
--	--------------------------------

**SCHEDULE E Questions**

- E1** Check the box if this return is for a short taxable year.....
- E2** Date of decedent's death or date the trust was established .....   M  M  D  D  Y  Y  Y  Y
- E3** Have Arizona income tax returns been filed for the four (4) years preceding date of death?.....  YES  NO
- If "No", please explain: \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- E4** Was a fiduciary return filed for the preceding taxable year?.....  YES  NO
- E5** Check the box to indicate whether this return was prepared on a cash or accrual basis:.....  CASH  ACCRUAL
- E6** Has the federal government made an additional assessment on the income of this estate in the last four (4) years? ...  YES  NO
- If "Yes", submit a detailed report with this return.
- E7** If return is for a grantor trust, enter the name and address of the grantor.  
If grantor died before filing this return, check here  and do not complete E7.
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

<b>PLEASE SIGN BELOW</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.			
➔ _____	DATE _____	➔ _____	DATE _____
SIGNATURE OF FIDUCIARY OR OFFICER REPRESENTING FIDUCIARY		PAID PREPARER'S SIGNATURE	
➔ _____	DATE _____	FIRM NAME OF PAID PREPARER (PREPARER'S NAME IF SELF-EMPLOYED)	
SIGNATURE OF PERSON OTHER THAN TAXPAYER OR AGENT			
STREET ADDRESS OF FIDUCIARY OR OFFICER		STREET ADDRESS OF PAID PREPARER	
CITY _____	STATE _____ ZIP CODE _____	CITY _____	STATE _____ ZIP CODE _____
EMPLOYER OR FIRM NAME OF FIDUCIARY/OFFICER, IF ANY		PHONE NO. (include area code)	PAID PREPARER'S TIN

- 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 141AZ.**  
Make check payable to Arizona Department of Revenue and include your EIN 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 to:  
Arizona Department of Revenue, PO Box 52138, Phoenix, AZ 85072-2138.

NOTE: If an estate is being probated, the fiduciary may have to obtain a certificate from the department that shows no income tax is due. See page 3 of the instructions for details. Make requests for an income tax certificate separately. Do not include requests for the income tax certificate with Form 141AZ.



**2018 Arizona Fiduciary Income Tax Return**

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

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

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

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](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 click on *Reports and Legal Research* 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 and click on *Reports and Legal Research* then click on *Publications*.

**NOTICE FOR FIDUCIARY 2017 RETURN FILERS:**

*Trusts or estates required to file federal Form 1041 and that had Internal Revenue Code (IRC) Section 965 repatriation income for tax year 2017 that was not distributed to beneficiaries, may need to make an adjustment on their Arizona Form 141AZ to report the income to Arizona.*

*The net IRC section 965 amount should be included in the amount on line B3 "other additions to federal taxable income" on Arizona Form 141AZ.*

*The net IRC section 965 amount can be determined by subtracting line 3 from line 1 of the IRC Transition Tax Statement filed with federal Form 1041.*

*If the Arizona Form 141AZ for 2017 has already been filed without making this adjustment, file a corrected Arizona Form 141AZ and check the box indicating that you are filing an amended return.*

** Leave the Paper Behind - e-file!**

- **Quicker Refunds**
- **Accurate**
- **Proof of Acceptance**
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No more paper, math errors, or mailing delays if you *e-file!*

Get your refund quicker with direct deposit.

*E-file* today, pay by April 15, 2019, 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).

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

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

**General Information**

**Estates**

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

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

**Trusts**

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

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

**Who Must File**

The fiduciary, or fiduciaries, must file a return for an estate or trust if one of the following applies:

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

This also applies to bankruptcy estates.

The fiduciary does not have to file a return if the income does not exceed the amounts shown in items 1 or 2.

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

## Fiduciary Filing Return on Arizona Form 140

A personal representative must file a return on Arizona Form 140 if any of the following apply:

- The gross income of a single decedent was \$15,000 or more.
- The Arizona adjusted gross income of a single decedent was \$5,500 or more.
- The Arizona adjusted gross income of a married decedent for which the representative will file a separate return was \$5,500 or more.
- The gross income of a married decedent for which the representative will file a separate return was \$15,000 or more.
- The Arizona adjusted gross income of a married decedent and his or her surviving spouse for which a joint return will be filed was \$11,000 or more.
- The gross income of a married decedent and his or her surviving spouse for which a joint return will be filed was \$15,000 or more.

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

**For Example:** *A taxpayer died on June 29, 2018. The decedent had wages of \$9,700 and interest income of \$920 received through the date of death. The personal representative files a final Arizona Form 140 for the period January 1, 2018, through June 29, 2018. The personal representative notes on the Form 140 that the taxpayer is deceased as of June 29, 2018. The personal representative reports the wage and interest income of \$10,620 on the Form 140. The personal representative reports all income that the estate receives from June 30, 2018, forward on the Form 141AZ.*

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

## Filing for a Charitable Remainder Trust

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

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

## Grantor Trusts

Grantor trusts file only an information return since the income reverts to the grantor. The grantor reports this income on the individual income tax return (Arizona Form 140). The fiduciary should indicate that the return is for a grantor trust

by checking the appropriate box on line 6. Do not enter any numerical figures on the face of the return. Go directly to the signature line.

## Qualified Subchapter S Trusts (QSST)

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

## Qualified Funeral Trusts (QFT)

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

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

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

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

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

## Where Should You Mail the Return?

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

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

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

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

## When Should You File?

Your 2018 calendar year tax return is due no later than midnight, April 15, 2019. You must file a return made on a fiscal year basis by the 15th day of the fourth month following the close of the fiscal year. Your original filing date must be the same for Arizona as it is for federal purposes.

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

**NOTE:** *Arizona will grant a 5½-month extension. For more information, see the department's ruling, FTR 16-1, Extension for Estates and Trusts Filing.*

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

### To Get a Filing Extension, You Can Either

1. Apply for a state extension (Form 141AZ EXT). To apply for an automatic 5½-month state extension, file Form 141AZ EXT by April 15, 2019. See Form 141AZ EXT for details. You do not have to include a copy of the extension with your return when you file, but make sure that you check extension box **82E** (above the estate or trust name) on page 1 of the return. If you must make a payment, use Form 141AZ EXT.
2. Use your federal extension. File your Arizona return by the same due date. You do not have to include a copy of the extension with your return, but make sure that you check extension box **82E** (above the estate or trust name) on page 1 of the return.

A **Qualified Funeral Trust** using a federal extension (Form 7004) to file its federal Form 1041-QFT will be allowed the same extension period (6-months) to file Form 141AZ. For calendar year filers, the return due date will be October 15, 2019.

### Does an Estate or Trust Have to Make Estimated Payments?

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

### What if You File or Pay Late?

If you file or pay late, we will charge you interest and penalties on the amount you owe. If the U.S. Post Office postmarks your 2018 calendar return by April 15, 2019, your return will not be late.

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

## Late Filing Penalty

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

## Late Payment Penalty

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

## Extension Underpayment Penalty

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

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

## Interest

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

## Amended Returns

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

On a separate schedule, explain the reason(s) for the amendment(s) and identify the line(s) and amount(s) being changed on the amended return. Also, include a copy of the amended federal Form 1041.

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

## Copy of Will or Trust Instrument

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

## Reporting Payments Made by an Estate or Trust

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

## Request for Certificate of Payment of Taxes

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

Mail requests to:

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

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

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

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

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

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

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

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

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

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

incomes were less than the amount necessary to require the filing of returns.

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

## Additional Arizona Returns or Forms You May Have to File

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

## Line-by-Line Instructions

### Period Covered

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

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

If filing for a fiscal year, enter the beginning and ending dates.

### Lines 1 through 4 -

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

### Foreign Addresses

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

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

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

### Line 6 -

- Boxes 1, 2, and 3: Check the box(es) to identify the return type.
- Boxes A through H: Check **only** one box to identify the entity type.  
*If you check Box H (Qualified Funeral Trust – Composite Return), be sure to enter the number of QFTs participating in the composite return.*

### Line 7 - Federal Taxable Income of Fiduciary

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

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

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

## Schedule A - Nonresident Estate or Trust Source Income Schedule

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

*Resident estates and resident trusts skip Schedule A.*

### Federal Column

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

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

### Arizona Column

Enter that part of each item of income and deductions reported in the federal column that is derived from Arizona sources. Intangible income will not be considered to be from Arizona sources except where it is part of a business, trade, or occupation carried on in Arizona.

## Schedule B - Fiduciary Adjustment

### Fiduciary adjustment increasing federal taxable income

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

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

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

#### Line B2 - Non-Arizona Municipal Bond Interest

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

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

#### Line B3 - Other Additions to Federal Taxable Income

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

#### A. Total Depreciation Included in Arizona Gross Income

Include the amount of depreciation deducted on the federal return that is included in Arizona gross income. If you make

an entry here, also see the instructions for line B9, "*Other Subtractions From Federal Taxable Income.*"

### B. Net Operating Losses

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

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

Usually, Arizona conforms to the federal net operating loss and the carryback provisions. Arizona, however, did not conform to the special federal net operating loss rules for 2008 and 2009. Under the special rules for 2008 and 2009, a taxpayer could have elected to carry the net operating loss back for 3, 4, or 5 years, instead of the normal 2 years.

This election would have been allowed under IRC § 172(b)(1)(H) as amended by the American Recovery and Reinvestment Act of 2009 or the Worker, Homeownership, and Business Assistance Act of 2009. If a taxpayer deducted a federal net operating loss carryback under the federal American Recovery and Reinvestment Act of 2009 or the federal Worker, Homeownership, and Business Assistance Act of 2009, see the instructions for line B9, (K).

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

### C. Annuity Income in Excess of Contributions

Make this adjustment if both of the following apply.

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

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

#### Resident Estates and Trusts:

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

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

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

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

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

#### **Nonresident Estates and Trusts**

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

If the difference reported on line 17, column (c), of your Arizona Form 165 Schedule K-1(NR), is a positive number, include that difference as an addition on line B3.

**NOTE:** *If the difference reported on line 17, column (c), of your Arizona Form 165 Schedule K-1(NR), is a negative number, enter that difference as a subtraction on line B9.*

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

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

#### **E. Claim of Right Adjustment for Amounts Repaid in 2018**

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

1. During 2018, the estate or trust was required to repay amounts held under a claim of right.
2. The amount required to be repaid was subject to Arizona income tax in the year included in income.
3. The amount required to be repaid during 2018 was more than \$3,000.
4. The estate or trust took a deduction for the amount repaid on its 2018 federal income tax return.
5. The deduction taken on the estate or trust's federal income tax return is reflected in the Arizona taxable income.

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

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

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

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

1. During a year prior to 2018, the estate or trust was required to repay amounts held under a claim of right.
2. The estate or trust computed its tax for that prior year under Arizona's claim of right provisions.

3. A net operating loss or capital loss was established due to the repayment made in the prior year.
4. The estate or trust is entitled to take that net operating loss or capital loss carryover into account when computing its 2018 Arizona taxable income.
5. The amount of the loss carryover included in the estate or trust's federal income is more than the amount allowed to be taken into account for Arizona purposes.

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

#### **G. Nonqualified Withdrawals from 529 College Savings Plans**

Make this adjustment if both of the following apply.

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

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

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

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

#### **H. Original Issue Discount (OID) on Reacquisition of Debt Instrument**

For federal purposes, when an estate or trust made the special election to defer discharge of indebtedness (DOI) income under IRC § 108(i), the estate or trust was not allowed to take a deduction with respect to the portion of any OID that accrued with respect to that DOI income, during the income deferral period. In this case, the estate or trust had to deduct the aggregate amount of the OID deductions disallowed ratably over a 5-year period, beginning with the period in which the income was includible in federal adjusted gross income.

Arizona did not adopt the federal provisions requiring an estate or trust to defer the OID deduction in cases where the estate or trust federally deferred the DOI income.

For Arizona purposes, the estate or trust had to report the DOI income from a debt reacquisition in the year in which it reacquired the debt, and it was allowed to subtract any OID related to that DOI income in the year the OID accrued.

(See the instructions for “Other Subtractions from Federal Taxable Income” line B9, (L).) If the estate or trust’s federal taxable income includes a deduction for any accrued OID already subtracted for Arizona purposes, make an addition to Arizona income for the amount of deferred OID deducted on the federal return. Generally, this addition will apply to taxable years 2014 through 2018. On line B3, include the amount of any previously deferred OID deducted in computing the estate or trust’s 2018 federal taxable income, to the extent that the amount was previously subtracted from Arizona taxable income.

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

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

#### **J. Americans with Disabilities Act Access Expenditures**

If a subtraction is taken on Schedule B, line B9, for the full amount of eligible access expenditures paid or incurred during the taxable year to comply with the requirements of the Americans with Disabilities Act of 1990 or Title 41, Chapter 9, Article 8, any amount of eligible access expenditures that is recognized under the internal revenue code, including any amount that is amortized according to federal amortization schedules, and that is included in computing taxable income for the current taxable year must be added to Arizona gross income. (A.R.S. § 43-1021)

#### **K. Other Adjustments**

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

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

#### **Line B4 - Total Adjustments Increasing Federal Taxable Income**

Add lines B1 through B3. Enter the total.

#### **Fiduciary Adjustment Decreasing Federal Taxable Income**

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

You may only subtract those items for which statutory authority exists. Without such authority, you cannot take

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

**NOTE:** *You cannot subtract any amount that is allocable to income excluded from Arizona taxable income.*

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

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

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

#### **Line B6 - Interest Received on U.S. Obligations**

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

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

#### **Line B7 - Refunds From Other States**

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

#### **Line B8 – Reserved**

Do not enter an amount on line B8.

#### **Line B9 - Other Subtractions from Federal Taxable Income**

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

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

**This subtraction does not apply to nonresident estates or trusts.**

If the estate or trust received pension income from any of the sources listed below, subtract the amount received or \$2,500,

whichever is less. Only include amounts which the estate or trust reported as income on the federal return.

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

- the United States Government Service Retirement and Disability Fund,
- the United States Foreign Service Retirement and Disability System,
- retired or retainer pay of the uniformed services of the United States,
- any other retirement system or plan established by federal law,

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

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

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

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

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

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

You may subtract up to \$500 for converting an existing fireplace on property located in Arizona to a qualified wood stove, qualified wood fireplace, or gas fired fireplace.

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

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

1. During a year prior to 2018, the estate or trust was required to repay amounts held under a claim of right.
2. The estate or trust computed its tax for that prior year under Arizona's claim of right provisions.
3. A net operating loss or capital loss was established due to the repayment made in the prior year.
4. The estate or trust is entitled to take that net operating loss or capital loss carryover into account when computing its 2018 Arizona taxable income.

5. The amount of the loss carryover allowed to be taken into account for Arizona purposes is more than the amount included in your federal income.

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

**D. Certain Expenses Not Allowed For Federal Purposes**

The estate or trust may subtract some expenses that it cannot deduct on its federal return when the estate or trust claims certain federal tax credits. These federal tax credits include the following:

- the federal work opportunity credit
- the empowerment zone employment credit
- the credit for employer-paid social security taxes on employee cash tips; and
- the Indian employment credit.

If the estate or trust claimed any of these federal tax credits for 2018, include the portion of wages or salaries it paid or incurred during the taxable year equal to the amount of those federal tax credits it received.

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

**E. Agricultural Crops Given to Charitable Organizations**

Arizona allows a subtraction for qualified crop gifts made during 2018 to one or more charitable organizations. To take this subtraction, **all** of the following must apply:

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

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

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

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

**This subtraction does not apply to nonresident estates or trusts.**

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



**G. Subtraction for World War II Victims**

The estate or trust may subtract distributions made to it for the decedent or settlor's persecution by Nazi Germany or any other Axis regime for racial, religious, or political reasons. The estate or trust may also subtract distributions made for the persecution of the ancestors of the decedent or settlor. If the estate or trust is the first recipient of such distributions, include the amount of the distributions that it had to include in the estate or trust's federal taxable income.

The estate or trust may also subtract certain items of income, if the decedent or settlor was persecuted by Nazi Germany or any other Axis regime for racial, religious, or political reasons before, during, or immediately after World War II. The income must be attributable to, derived from, or related to assets that were stolen or hidden from the decedent or settlor. If the estate or trust is the first recipient of such income, include the amount of income that it had to include in the estate or trust's federal taxable income.

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

**H. Recalculated Arizona Depreciation****Resident Estate or Trust**

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

**For assets placed in service during taxable years beginning from and after December 31, 2012 through December 31, 2013**, include the amount of the subtraction for these assets depends on the method you used to compute the depreciation for these assets.

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

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

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

**For assets placed in service in taxable years beginning from and after December 31, 2016**, include the total amount of depreciation attributable to assets used in an Arizona business allowable pursuant to IRC § 167(a) for the taxable year computed as if the bonus depreciation is the full amount of federal bonus depreciation pursuant to IRC § 168(k).

Add all amounts together and enter the total on line B9.

**Nonresident Estate or Trust**

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

**For assets placed in service during taxable years beginning from and after December 31, 2012 through December 31, 2013**, include the amount of the subtraction for these assets depends on the method you used to compute the depreciation for these assets. Enter the total amount of depreciation attributable to assets used in an Arizona business.

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

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

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

**For assets placed in service in taxable years beginning from and after December 31, 2016**, include the total amount of depreciation attributable to assets used in an Arizona business allowable pursuant to IRC § 167(a) for the taxable year computed as if the bonus depreciation is the full amount of federal bonus depreciation pursuant to IRC § 168(k).

Add all amounts together and enter the total on line B9.

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

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

**J. Federal Estate Taxes Paid by an Estate**

An estate may subtract the amount of federal estate tax paid by the estate in the current taxable year. Include the amount of federal estate taxes paid in 2018.

**K. Net Operating Loss Adjustment**

This subtraction applies to only those estates or trusts that made an election under the special federal net operating loss rules for 2008 and 2009. Under these federal rules for 2008 and 2009, an estate or trust could have elected to carry the net operating loss back for 3, 4, or 5 years, instead of the normal 2 years.

This election would have been allowed under IRC § 172(b)(1)(H) as amended by the American Recovery and Reinvestment Act of 2009 or the Worker, Homeownership, and Business Assistance Act of 2009.

Arizona did not adopt the special federal net operating loss rules for losses incurred during 2008 or 2009. For Arizona purposes, estates or trusts must deduct a net operating loss as if the loss was computed under IRC § 172 in effect prior to the enactment of those special rules.

**Resident Estate or Trust**

If the estate or trust made an election to deduct a 2008 or 2009 federal net operating loss under IRC § 172(b)(1)(H), the estate or trust may have to enter an amount here. Figure how much of the net operating loss carry forward would have been allowed as a deduction on the estate or trust's 2018 federal income tax return, if the election described in IRC § 172(b)(1)(H) had not been made in the year of the loss. On line B9, include the amount that exceeds the actual net operating loss carry forward that was deducted in arriving at federal taxable income.

**Nonresident Estate or Trust**

Figure how much of the net operating loss carry forward would have been allowed as a deduction on the estate or trust's 2018 federal income tax return, if the election described in IRC § 172(b)(1)(H) had not been made in the year of the loss. Then figure how much of the carry forward computed under that method was derived from Arizona source losses. The amount the estate or trust may take as a subtraction is the difference between the amount of Arizona source net operating loss carryover allowable as a deduction for federal purposes under the *as if* calculation and the amount of the Arizona source net operating loss deduction actually taken for federal purposes that the estate or trust included in its Arizona gross income. On line B9, include the amount of allowable Arizona source loss carry forward deduction that exceeds the actual amount of Arizona source net operating loss carry forward deduction that was deducted in arriving at Arizona gross income.

**NOTE:** *As an Arizona nonresident estate or trust, the estate or trust may have had a loss from prior year Arizona business operations. However, the loss cannot offset this year's income unless the as if calculation results in an Arizona source net operating loss deduction for federal purposes. The estate or*

*trust can only take this subtraction if the as if federal net operating loss deduction for 2018 includes Arizona source losses that have not been absorbed by non-Arizona income in any intervening years. The estate or trust cannot subtract any amount of that net operating loss that has been absorbed by non-Arizona income in any intervening years. The estate or trust also cannot take a subtraction for any amount that has already been deducted for Arizona purposes.*

**L. Previously Deferred Discharge of Indebtedness (DOI) Income Adjustment**

Generally, when a loan is settled for less than the amount owed, DOI income is realized by the debtor and usually must be included in the debtor's gross income. The amount of DOI income is generally equal to the amount of loan forgiveness. DOI income also occurs when a debtor repurchases its own debt at a discount (a price lower than the adjusted basis issue price of the debt instrument). In debt repurchase transactions, the amount of DOI income is generally equal to the difference between the adjusted issue price and the price paid for the debt instrument.

For federal purposes, an estate or trust may have made a special election for taxable years 2009 or 2010 to include DOI income in connection with the reacquisition of a business debt instrument, ratably over a 5-year period.

An estate or trust that made this election will generally include this income in federal taxable income beginning with the 2014 taxable year. An estate or trust would have made the federal election under IRC § 108(i) as added by the American Recovery and Reinvestment Act of 2009. Arizona did not adopt the special federal DOI income deferral provisions for the 2009 or 2010 taxable year.

For Arizona purposes, if a taxpayer made the federal election to defer the inclusion of DOI income under IRC § 108(i), the estate or trust was required to add the amount of deferred DOI income to Arizona income for the year for which the estate or trust made the election. If the estate or trust made the required addition to Arizona income on the Arizona return filed for the year in which the estate or trust reacquired the debt instrument (2009 or 2010), Arizona will not tax that DOI income twice.

In the year in which the estate or trust includes that deferred DOI income in federal taxable income, the estate or trust may take a subtraction for the amount included for that year.

**Resident Estate or Trust**

On line B9, include the amount of previously deferred DOI income included in federal taxable income for the current taxable year to the extent that the amount was previously added to the Arizona income.

**Nonresident Estate or Trust**

On line B9, include the amount of previously deferred Arizona source DOI that the estate or trust included in its Arizona gross income for the current taxable year to the extent that the amount was previously added to the estate or trust's Arizona income.

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

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

### **N. Excess of a Partner's Share of Partnership Taxable Income or Loss**

#### **Resident Estate or Trust**

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

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

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

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

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

#### **Nonresident Estate or Trust**

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

If the difference reported on line 17, column (c), of your Arizona Form 165 Schedule K-1(NR), is a negative number, include that difference as a subtraction on line B9.

**NOTE:** *If the difference reported on line 17, column (c), of your Arizona Form 165 Schedule K-1(NR), is a positive number, enter that difference as an addition on line on B3.*

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

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

### **O. Americans with Disabilities Act Access Expenditures**

For taxable years beginning from and after December 31, 2017, 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:

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

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

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

### **P. Other Adjustments**

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

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

### **Line B10 - Total Adjustments Decreasing Federal Taxable Income**

Add lines B5 through B9. Enter the total.

### **Line B11 - Net Fiduciary Adjustment**

Subtract the amount on line B10 from the amount on line B4. If the result is a negative number, enter the result in brackets. Also, enter the result on Form 141AZ, line 8.

## **Schedule C - Fiduciary Adjustment Allocation**

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

### **Lines C1 through C10 -**

In column (a), enter the name of each beneficiary. In column (b), enter each beneficiary's share of the federal distributable net income. In column (c), enter the percentage of the estate or trust to be distributed to each beneficiary in accordance

with the documents or laws controlling distribution of the estate or trust. If the estate or trust has more than 10 beneficiaries, complete an additional schedule. The schedule should show the same information required on lines C1 through C10.

**Line C11 -**

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

**Line C12 -**

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

**Lines C13 through C16 -**

Complete lines C13 through C16 as instructed on the form.

**Schedule D - Federal Distributable Net Income From Arizona Sources**

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

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

**Lines D1 through D9 -**

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

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

**Schedule E - Questions**

Answer the questions on lines E1 through E7.

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

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

**Line 8 - Net Fiduciary Adjustment**

Enter the amount from Form 141AZ, Schedule B, line B11. If a negative number, enter that number in brackets.

**Line 9 - Net Fiduciary Adjustment Allocated to Beneficiaries**

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

**Line 10 - Net Fiduciary Adjustment Allocated to Fiduciary**

Enter the amount from Form 141AZ, Schedule C, line C16

**Line 11 - Subtotal**

Complete line 11 as instructed on page 1 of the form.

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

Enter the federal taxable income of Electing Small Business Trusts (ESBT) from the IRC § 641(c) worksheet included with your federal Form 1041. Include a copy of the worksheet with the Arizona return. A nonresident trust should enter the amount of ESBT income received from the S corporation that was derived from sources within Arizona.

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

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

For taxable years beginning from and after December 31, 2017, enter the amount of any net capital (loss) included in Arizona gross income for the taxable year that is derived from the exchange of one kind of legal tender for another kind of legal tender.

**NOTE:** *If the amount from all sources results in a net capital gain from the exchange of one kind of legal tender for another kind of legal tender, enter that amount on line 14b.*

For the purposes of this subtraction:

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

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

**Line 13 -**

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

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

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

To qualify for this subtraction, the investment in the qualified small business must have been made after the ACA certified the company as a qualified small business and before the company's certification expiration date. An investment made prior to certification or after the expiration of certification

does not qualify for this subtraction. See the ACA's website, Small Business Incentives: Angel Investment, for a list of certified businesses and their certification dates.

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

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

For taxable years beginning from and after December 31, 2017, enter the amount of any net capital gain included in Arizona gross income for the taxable year that is derived from the exchange of one kind of legal tender for another kind of legal tender.

**NOTE:** *If the amount from all sources results in a net capital (loss) from the exchange of one kind of legal tender for another kind of legal tender, enter that amount on line 12b.*

For the purposes of this subtraction:

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

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

**CAUTION:** *If any amount entered on line 14a or line 14b includes a long-term capital gain from an investment made after December 31, 2011, you cannot include that portion 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. For more information, see the instructions on page 19 for the amount to enter on line 13, columns (c) through (e) on the net long-term capital gain worksheet at the end of these instructions.*

**Lines 15a through 15e - Net Capital Gain or (Loss) and Net Long-Term Capital Gain Subtraction for assets acquired after December 31, 2011.**

The estate or trust may subtract a percentage of any net long-term capital gain included in the federal taxable income of a resident estate or trust (or the Arizona gross income of a nonresident estate or trust) that is derived from an investment in an asset acquired after December 31, 2011. For 2018, the percentage is 25% (.25).

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

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

**Line 15a - Total Net Capital Gain or (loss)**

Enter the total net capital gain or (loss) reported on the Capital Gain or (Loss) line on page 1 of the estate or trust's federal return. This amount should be reported in federal taxable income.

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

Enter the total amount of net short-term capital gain or (loss) reported on the Capital Gain or (Loss) line on page 1 of the estate or trust's federal return. This amount should be reported in federal taxable income.

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

If you did not complete the worksheet at the end of these instructions, subtract line 15b from line 15a and enter the difference.

If you completed the worksheet at the end of these instructions, enter the total net long-term capital gain or (loss) from the worksheet on line 14, column (a).

**Line 15d - 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 the estate or trust does not have a net long-term capital gain from assets acquired after December 31, 2011, enter "0".

If you completed the worksheet at the end of these instructions, enter the total net long-term capital gain from assets acquired after December 31, 2011, from the worksheet, line 14, column (d).

Only include net long-term capital gain 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 that it was acquired by the gift-giver deceased individual.

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

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

**Line 16 - Arizona Taxable Income**

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

**Line 17 - Tax Amount**

Compute the tax on the amount on line 16 from the tax table at the end of these instructions.

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

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

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

1. The credit is allowed only for the proportion of the taxes paid to the other state or country that the income taxable

to Arizona and also subject to tax in the other state or country bears to the entire income on which the taxes paid to the other state or country are imposed.

2. The credit cannot exceed the proportion of the tax payable to Arizona that the income subject to tax in the other state or country and also taxable to Arizona bears to the entire income that is taxable to Arizona.
3. The credit is not allowed for taxes paid to the other state or country on income from sources within Arizona.

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

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

#### Line 19 - Balance of Tax

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

### Payments

#### Line 20 (Boxes a, b and c) - Arizona Estimated Tax Payments; Arizona Claim of Right

Use this line if you did any of the following:

- made 2018 estimated tax payments to Arizona, or
- recomputed a prior year's tax under Arizona Claim of Right provisions. You must also complete and include the Arizona Claim of Right schedule with your income tax return. If you fail to complete and include the schedule, the amount of your claim may be denied. The schedule is available on the department's website at [www.azdor.gov](http://www.azdor.gov).

**Box 20a:** Enter the total amount of estimated taxes paid and/or applied to the estate or trust's 2018 taxes.

**Box 20b:** Enter the amount from your *Arizona Claim of Right* schedule, line 8.

If you completed more than one Claim of Right schedule for the current taxable year, add all amounts on line 8 and enter the total in box 20b.

**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 20c:** Add the amounts in box 20a and box 20b and enter the total on line 20c.

#### Line 21 - Payment With Extension

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

#### Line 22 - Arizona Income Tax Withheld

Use line 22 to claim a credit for any Arizona income tax withheld (and not repaid) by:

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

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

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

#### Line 23 - Payment With Original Return (if amending)

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

#### Line 24 - Total Payments

Add lines 20 through 23. Enter the total.

#### Line 25 - Refund From Original Return (if amending)

Enter any refunds received from your original filing.

#### Line 26 - Balance of Payments

Subtract line 25 from line 24. Enter the difference.

### Overpayment or Balance Due

#### Line 27 - Balance Due

If line 19 is greater than line 26, subtract line 26 from line 19. The estate or trust owes this amount. You may pay the balance due only with a check, money order, or electronic check.

#### Check or money order

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

#### 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 2018. 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.

**Line 28 - Refund Due**

If line 26 is greater than line 19, subtract line 19 from line 26. This is the amount Arizona owes the estate or trust.

**Line 29 - Amount of Line 28 to be Applied to 2019 Estimated Tax**

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

**Line 30 - Balance of Refund/Overpayment**

Subtract line 29 from line 28. Enter the difference.

**TAX TIP:** *If the estate or trust's address changes before it receives its refund let the department know. Write to: Refund Desk, Arizona Department of Revenue, PO Box 29216, Phoenix, AZ 85038-9216. Include the EIN in the letter.*

**Direct Deposit of Refund**

Complete the direct deposit line if you want us to directly deposit the amount shown on line 30 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 30A if the direct deposit will ultimately be placed in a foreign account. If you check box 30A, do not enter your routing or account numbers. If this box is checked, we will not direct deposit your refund. We will send you a check instead.*

**Why use Direct Deposit?**

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

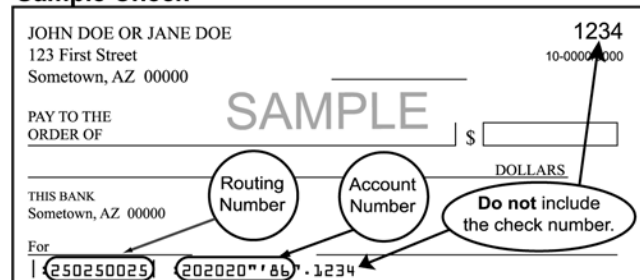
**NOTE:** *We are not responsible for a lost refund if you enter the wrong account information. Check with your financial institution to get the correct routing and account numbers and to make sure your direct deposit will be accepted.*

**Routing Number**

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

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

**Sample Check**



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

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

**Account Number**

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

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

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

**Declaration**

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

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

**Filing Reminder to Fiduciary Filers**

1. **Do not staple the return. Do not staple any document, schedule or payment to the return.**
2. Be sure to use the correct year's form to file the return. Also, be sure to clearly mark the period covered by the return.
3. Enter the correct EIN on the return.
4. If the estate or trust is ready to file but has not yet received an EIN, it may file the return. Let us know what the number is as soon as it is received.

Mail the correspondence to:

Customer Care  
 Arizona Department of Revenue  
 PO Box 29086  
 Phoenix, AZ 85038-9086

5. Write the estate or trust's EIN and tax year on the front of all checks and correspondence. Include the check with the return.

6. Do **not** attach correspondence to the back of the return. Mail all correspondence separate from returns to:

Customer Care  
 Arizona Department of Revenue  
 PO Box 29086  
 Phoenix, AZ 85038-9086

7. When filing returns that generate a refund due to any previous payments (i.e., amount paid with extension, amount paid as estimated payment, amount paid with original returns), it may speed up the refund process if a copy of the canceled check of the previous payment accompanies the return generating the refund.

8. If the estate or trust is a fiscal year filer (for periods not ending on December 31), use the Tax Table for the prior year. Example: If filing for April 1, 2017, to

March 31, 2018, use the 2017 Tax Table. If this return is for a short taxable year, use the 2018 Tax Table. Example: If filing for June 1, 2018, to November 30, 2018, use the 2018 Tax Table.

9. If the income is taxable but deductions bring the return to zero, make sure all necessary lines are filled in to support this declaration.
10. Grantor trusts file an information return using Form 141AZ showing no numerical figures for lines 7 through 30. Taxable income on a grantor trust reverts to the grantor. The grantor reports this income on the Arizona individual income tax return. The fiduciary should indicate that the return is for a grantor trust by checking the appropriate box on line 6.
11. When filing an amended Form 141AZ return, be sure the return is marked as an amended return. You must plainly mark an amended return "amended" by checking the appropriate box on line 6. If amending the 2018 return use the 2018 form. If amending a different tax year, use the Form 141AZ for that tax year.
12. File returns on time to avoid late filing and/or late payment penalties. Returns are due on the 15<sup>th</sup> day of the fourth (4<sup>th</sup>) month from the date the tax period ends.

### **Make sure you put enough postage on the envelope**

The U.S. Post Office or United States mail service must postmark your return or extension request by midnight April 15, 2019.

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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## **Taxpayer Identification Numbers**

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

Taxpayers who fail to include the proper TIN may be subject to a penalty. Please check the return to be sure that all required identification numbers are accurate and written clearly. Missing, incorrect, or unclear identification numbers may cause delays in processing the returns.

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## **Paid Preparers Identification Number**

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If you pay someone else to prepare your return, that person must also include an identification number where requested.

A paid preparer may use any of the following

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

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



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

2018 Original return       2018 Amended return

Long-Term Capital Gain or (loss) as reported on federal Schedule D (or other form or schedule) <i>Enter the total net long-term capital gains or (losses) from the following forms in each applicable column. See page 18 for instructions.</i>		(a) Total net long-term capital gain or (loss) included in Arizona gross income from all assets ( <b>see instructions</b> )	(b) Net long-term capital gain or (loss) included in column (a) from assets acquired <i>before</i> January 1, 2012	(c) Net long-term capital gain or (loss) included in column (a) from assets acquired <i>after</i> December 31, 2011	(d) Amount from column (c) taxable to the estate or trust (amount that is undistributed to beneficiaries)	(e) Amount from column (c) distributed to all beneficiaries
1	Long-term capital gain or (loss) amounts reported directly on federal Schedule(s) D and D-1 ( <i>combine</i> the amounts and enter the result).					
2	Form(s) 2439 <i>Notice to Shareholder of Undistributed Long-Term Capital Gains</i>					
3	Form(s) 4684 <i>Casualties and Thefts</i>					
4	Form(s) 6252 <i>Installment Sale Income</i>					
5	Form(s) 6781 <i>Gains and Losses from Sec. 1256 Contracts and Straddles</i>					
6	Form(s) 8824 <i>Like-Kind Exchanges</i>					
7	Partnerships, S corporations, and other estates and trusts – from Arizona 120S Schedule K-1; Arizona 165 Schedule K-1; and 141AZ Schedule K-1					
8	Form(s) 4797 Sales of Business Property (Gain in Part I)					
9	Form(s) 1099-DIV <i>Dividends and Distributions</i>					
10	Subtotal: for each column, <i>combine</i> the amounts and enter the total.					
11	Long-term capital loss carryover - See the instructions for the amount(s) to enter, if any, in each applicable column.					
12	Subtract line 11 from line 10 and enter the difference in each applicable column.					
13a	For amount to enter on line 13a, columns(c) through (e), see the worksheet instructions.					
13b	For amount to enter on line 13b, columns(c) through (e), see the worksheet instructions.					
13c	For amount to enter on line 13c, columns(c) through (e), see the worksheet instructions.					
14	Net long-term capital gain or (loss): see the instructions for amounts to enter on line 14, columns.					

## Instructions For Completing The Worksheet For The Subtraction From Arizona Gross Income For The Net Long-Term Capital Gain From Assets Acquired After December 31, 2011.

### Purpose of the Worksheet

The estate or trust may subtract a percentage of any undistributed net long-term capital gain included in its federal taxable income (resident estate or trust) or its Arizona gross income (nonresident estate or trust) that is from an investment in an asset acquired after December 31, 2011. The worksheet is used to identify a *qualified* asset. For purpose of this subtraction, “qualified” means a capital asset acquired after December 31, 2011 and held for more than one year.

To take the allowable subtraction, you must know whether the capital gain or (loss) is considered short-term or long-term. Only the net long-term capital gain from qualified assets is used to compute the allowable subtraction. For more information about determining whether a gain or (loss) is short term or long term, see federal *Publication 544* at [www.irs.gov](http://www.irs.gov).

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 included in column (b) of the worksheet as a capital gain from an 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 this Worksheet?

Complete the worksheet to compute the allowable subtraction if the estate or trust has a net long-term capital gain included in federal taxable income (resident estate or trust) or its Arizona gross income (nonresident estate or trust) and the gain includes assets purchased *after* December 31, 2011.

Do *not* complete this worksheet if either of the following applies.

- The estate or trust does not have any capital gains to report for the current tax year; or
- The estate or trust does not have any net capital gain from qualified asset(s) acquired *after* December 31, 2011, to report for the current tax year.

### General Instructions

1. Check the box if this worksheet is for an original or an amended return.
2. Keep this worksheet for the estate or trust’s records.

### Line-by-Line instructions for completing the worksheet

Lines 1 through 8, lists the federal forms reported on Schedule D (Form 1041). Line 9 identifies the total capital gain distributions reported on Form(s) 1099-DIV.

- **Column (a)** is the total amount of *net* long-term capital gains or (losses) included in Arizona gross income. For a resident estate or trust, the Arizona gross income is the

federal taxable income. For a nonresident estate or trust, the Arizona gross income is that part of the federal taxable income derived from Arizona sources.

- **Column (b)** is the amount of the long-term capital gains or (losses), included in column (a) for assets acquired *before* January 1, 2012.
- **Column (c)** is the amount of the long-term capital gains or (losses), included in column (a) for assets acquired *after* December 31, 2011.
- **Column (d)** is the amount of the long-term capital gains or (losses) for assets acquired *after* December 31, 2011, taxable to the estate or trust.
- **Column (e)** is the amount of the long-term capital gains or (losses) for assets acquired *after* December 31, 2011, distributed to all beneficiaries.

### Lines 1 through 8 - Capital Gains or (Losses) Reported on Federal Schedule D

Enter the long-term capital gain or (loss) from the federal form listed that was reported on the estate or trust federal Schedule D and included in federal taxable income (resident estate or trust) or its Arizona gross income (nonresident estate or trust).

### Line 9 - Form(s) 1099-DIV Dividends and Distributions

Enter the long-term capital gain or (loss) reported on Form(s) 1099-DIV and included in the estate or trust’s federal taxable income (resident estate or trust) or its Arizona gross income (nonresident estate or trust).

Capital gains listed on a 1099-DIV are gains passed on from a fund, such as a mutual fund, from the sale of assets within the fund. Generally, such funds do not provide the information needed to determine when the asset that was sold was acquired. In this situation, the capital gains will be considered as acquired before January 1, 2012, and would not qualify for this subtraction.

**NOTE:** *Some taxpayers are not required to file Schedule D. In these cases, the long-term capital gains or (losses) are reported directly on the taxpayer’s income tax return. Enter those items on line 9.*

### Line 10 - Subtotal

For each column, combine the amounts listed on lines 1 through 9 and enter the result.

### Line 11 - Long-Term Capital Loss Carryover

- Column (a), enter the total amount of long-term capital loss carryover *actually used* on the federal return for the current table year.
- Column (b), enter the portion from column (a) that is from assets acquired before January 1, 2012.
- Column (c), enter the portion from column (a) that is from assets acquired after December 31, 2011.

### Line 12 -

Subtract line 11 from line 10 and enter the difference in each applicable column.

**Line 13a -**

Did you take a subtraction, on Form AZ141, line 14a, for any net capital gain derived from investment in a qualified small business that is included in federal adjusted gross income for the taxable year?

- If “No”, enter “0” on line 13a, columns (c), (d), and (e) and go to lines 13b and 13c.
- If “Yes”, does that amount include any net long-term capital gain from an investment made *after* December 31, 2011?
  - If “No”, enter “0” on line 13a, column (c), (d) and (e) and go to lines 13b and 13c.
  - If “Yes”, enter on line 13a, columns (c), (d), and (e) the amount(s) of any net long-term capital gain from an investment made *after* December 31, 2011, and included in the amount subtracted on Arizona Form AZ141, line 14a. Go to lines 13b and 13c of the worksheet.

**Lines 13b and 13c - Capital Gain or (Loss) from the Exchange of one Kind of Legal Tender for Another Kind of Legal Tender**

To determine the amounts to enter on lines 13b and 13c in columns (c), (d) and (e), answer the following questions.

**Question 1.** Did you make an addition, on Form AZ141, line 12b, for any *net capital (loss)* from the exchange of one kind of legal tender for another kind of legal tender?

- If “No”, go to Question #2.
- If “Yes”, complete the following table:

(A)	(B)	(C)
Total Net Capital Gain	Net Capital Gain or (loss) from legal tender acquired <i>before</i> January 1, 2012	Net Capital Gain or (loss) from legal tender acquired <i>after</i> December 31, 2011
.00	.00	.00

- If column (C) is a net capital gain, enter the amount on line 13b, column (c) and complete columns (d) and (e). Go to line 14
- If column (C) is a net capital (loss), enter the amount on line 13c, column (c), *as a positive* and complete columns (d) and (e). Go to line 14.

**Question 2.** Did you take a subtraction, on Form AZ141, line 14b, for any net capital gain from the exchange of one kind of legal tender for another kind of legal tender and included in federal adjusted gross income for the taxable year?

- If “No”, enter “0” on line 13b, column (c), (d), and (e). Go to line 14.
- If “Yes”, complete the following table:

(A)	(B)	(C)
Total Net Capital Gain	Net Capital Gain or (loss) from legal tender acquired <i>before</i> January 1, 2012	Net Capital Gain or (loss) from legal tender acquired <i>after</i> December 31, 2011
.00	.00	.00

- If column (C) is a net capital gain, enter the amount on line 13b, column (c) and complete columns (d) and (e). Go to line 14.
- If column (C) is a net capital (loss), enter the amount on line 13c, column (c) *as positive and complete columns* (d) and (e). Go to line 14.

**Line 14 - Net Long-Term Capital Gain or (Loss)**

- For column (a), enter the amount from line 12, column (a).
- For column (b), enter the amount from line 12, column (b).
- For column (c), compute the following:

Line 12, column (c), minus the *sum of* lines 13a and 13b, column (c) plus line 13c, column (c).  
*[Line 12, col. (c), minus (13a + 13b) plus line 13c]*

You may use the schedule below to compute the amount to enter on line 14, column (c).

1. Enter the amount from Line 12, column (c), of the worksheet.	\$	00
2. Enter the sum of lines 13a and 13b, column (c) of the worksheet	\$	00
3. Subtract line 2 from line 1 above.	\$	00
4. Enter the amount on line 13(c), column (d).	\$	00
5. Add lines 3 and 4 above.	\$	00

- For column (d), enter the amount included in column (c) that is undistributed to beneficiaries.
- For column (e), enter the amount included in column (c) that is distributed to beneficiaries.

**Total net long-term capital gain or (loss):**

- Enter the amount on line 14, column (a) on Form 141AZ line 15(c).

**Net long-term capital gain or (loss) from assets acquired after December 31, 2011:**

- If the result for line 14, column (d) is a net capital gain, enter the result on Form 141AZ, page 1, line 15d.
- If the amount on line 14, column (d) is a net capital loss, the estate or trust cannot take a subtraction for any net long-term capital gain from assets acquired after December 31, 2011.

**NOTE:** Follow the instructions on Form 141AZ Schedule K-1, Part 2; or Schedule K-1(NR), Part 3, for amounts to report to the beneficiaries.

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**Example of the computation of Arizona fiduciary income tax, resident beneficiary's Arizona fiduciary adjustment, and nonresident beneficiary's Arizona source income.**


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

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

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

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

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

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

Federal taxable income	\$ 11,957
Modifications increasing federal taxable income: Non-Arizona municipal bond interest	\$ 2,476
Modifications decreasing federal taxable income: U.S. Government Interest	<u>\$ 8,700</u>
Net Modifications	\$(6,224)
Allocated to the estate @ 26.86%	<u>\$ (1,672)</u>
Arizona taxable income	<u>\$ 10,285</u>

**June Jones income reportable to Arizona is figured as follows:**

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

Arizona source income is figured as follows:

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

This can be verified as follows:

**June's share of income \$12,000**

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

\* Share of fees allocated to rental income

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

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

**2018 Tax Table for Estate or Trust**

(a)		(b)	(c)	(d)	(e)	(f)
If taxable income from Form 141AZ, page 1, line 16 is:		Enter the amount from Form 141AZ, page 1, line 16	Multiply the amount entered in column (b) by	Enter the result	Subtract	Tax Round the difference and enter this amount on Form 141AZ, page 1, line 17
<b>Over</b>	<b>But not over</b>					
\$0	\$10,602	X	.0259 =	-	0 =	
\$10,602	\$26,501	X	.0288 =	-	\$ 31.00 =	
\$26,501	\$53,000	X	.0336 =	-	\$ 158.00 =	
\$53,000	\$158,996	X	.0424 =	-	\$ 624.00 =	
\$158,996	and over	X	.0454 =	-	\$ 1,101.00 =	

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For the calendar year 2018 or fiscal year beginning [M,M|D,D|2,0,1,8] and ending [M,M|D,D|Y,Y,Y,Y].

Name of Estate or Trust	Estate or Trust Employer Identification Number (EIN)
Beneficiary's Name	Fiduciary's Name
Beneficiary's I.D. Number	Fiduciary's Address - number and street, or rural route
Beneficiary's Address - number and street, or rural route	Fiduciary's City, Town or Post Office      State      ZIP Code
Beneficiary's City, Town or Post Office      State      ZIP Code	Fiduciary's Phone Number – include area code
Beneficiary's Daytime Phone Number – include area code	

**Part 1 Beneficiary's Share of Fiduciary Adjustment**

1 Net fiduciary adjustment to be allocated: Enter the amount from Form 141AZ, Schedule C, line C14.....	1		00
2 Percent of beneficiary's share of federal distributable income from Form 141AZ, Schedule C .....	2		%
3 Multiply the amount on line 1 by the percent on line 2, and enter the result .....	3		00

**Full-year Resident Individual Beneficiaries:**

- If the amount on line 3 is a positive number, enter this amount as an *Other Addition* to income on Arizona Form 140, page 1, line 17.
- If the amount on line 3 is a negative number, enter this amount as an *Other Subtraction* from income on Arizona Form 140, page 1, line 36.

**Part-year Resident Individual Beneficiaries:**

- If the amount on line 3 is a positive number, enter that portion of line 3 allocable to estate or trust income taxable by Arizona as an *Other Addition* to income on Arizona Form 140PY, page 1, line 30.
- If the amount on line 3 is a negative number, enter that portion of line 3 allocable to estate or trust income taxable by Arizona as an *Other Subtraction* from income on Arizona Form 140PY, page 2, line 46.

Continued on page 2 →

**Part 2 Net Long-Term Capital Gain Subtraction – Information Schedule**

**INSTRUCTIONS FOR THE FIDUCIARY:**

Arizona requires individual taxpayers to make certain adjustments to their federal adjusted gross income in order to compute their Arizona taxable income.

- **Lines 4 and 5:** If the beneficiary’s federal 1041 K-1 includes a **distributed share** of the entity’s net short-term capital gain or net long-term capital gain, complete line 4, column (b); and line 5, columns (b) through (d).
- **Lines 6 and 7:** If this is the final return for the estate or trust and a capital loss carryover amount was distributed to the beneficiary, complete line 6, column (b); and line 7, columns (b) through (d).
- **Lines 8 and 9:** If any of the amounts reported on line 5, columns (c) and (d) include a net long-term gain or (loss) from (1) **an investment in an Arizona Qualified Small Business**; or (2) the **exchange of one kind of legal tender for another kind of legal tender**, complete lines 8 and 9, columns (b) through (e). *In column (b), enter only the net capital gain or (loss) from all short-term and long-term investments in the Arizona qualified small business and the exchange of legal tender.*

(a)  Item	(b)  Amount reported on federal Schedule K-1	(c) Net <i>long-term</i> capital gain or (loss) included in column (b) from assets acquired <i>before</i> January 1, 2012	(d) Net <i>long-term</i> capital gain or (loss) included in column (b) from assets acquired <i>after</i> December 31, 2011	
<b>4</b> Total net short-term capital gain or (loss) from Form 141AZ, page 1, line 15b distributed to the beneficiary.....	<b>4</b>			
<b>5</b> Total net long-term capital gain or (loss) from Form 141AZ, page 1, line 15c distributed to the beneficiary.....	<b>5</b>			
<b>6</b> Short-term capital loss carryover(s) distributed to the beneficiary upon termination of the estate or trust.....	<b>6</b>			
<b>7</b> Long-term capital loss carryover(s) distributed to the beneficiary upon termination of the estate or trust.....	<b>7</b>			

(a)  Item	(b)  Net Capital Gain or (loss)	(c) Net <i>long-term</i> capital gain or (loss) included in column (b) from assets acquired <i>before</i> January 1, 2012	(d) Net <i>long-term</i> capital gain or (loss) included in column (b) from assets acquired <i>after</i> December 31, 2011	
<b>8</b> Net capital gain or (loss) from investment in an Arizona qualified small business.....	<b>8</b>			
<b>9</b> Net capital gain or (loss) from the exchange of one kind of legal tender for another kind of legal tender.....	<b>9</b>			

**INSTRUCTIONS FOR THE INDIVIDUAL BENEFICIARY:**

The beneficiary **must** complete the worksheet, *Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired After December 31, 2011*, to determine the allowable subtraction. The worksheet is included in the instructions for the resident and part-year resident income tax return (Arizona Forms 140 and 140PY).

**Full-year residents:** The amounts entered in column (d) on lines 5, 8, and 9, are used to compute the allowable subtraction on the net long-term capital gain worksheet. For more information, see the worksheet instructions for Form 140.

- For an amount entered on line 8, column (b); see the instructions for line 24 on Form 140.
- For an amount entered on line 9, column (b); see the instructions for lines 16 and 25 on Form 140.

**Part-year residents:** The amounts entered in column (d) on lines 5, 8, and 9, that are included in your Arizona gross income are used to compute the allowable subtraction on the net long-term capital gain worksheet. For more information, see the worksheet instructions for Form 140PY.

- For an amount entered on line 8, column (b); see the instructions for line 37 on Form 140PY.
- For an amount entered on line 9, column (b); see the instructions for lines 29 and 38 on Form 140PY.

**INSTRUCTIONS FOR THE FIDUCIARY BENEFICIARY:**

If the net long-term capital gain or (loss) on line 5, is taxed at the estate or trust level, use the information above to complete the Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired After December 31, 2011, included in the instructions of Form 141AZ for the estate or trust.

The amounts entered in column (d) on lines 5, 8, and 9, are used to compute the allowable subtraction on the net long-term capital gain worksheet. For more information, see the worksheet instructions for Form 141AZ.

- For an amount entered on line 8, column (b); see the instructions for line 14a on Form 141AZ.
- For an amount entered on line 9, column (b); see the instructions for lines 12b and 14b on Form 141AZ.



# 2018 Resident or Part-Year Resident Beneficiary's Share of Fiduciary Adjustment

# Arizona Schedule 141AZ K-1

## 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 click on *Reports and Legal Research* 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 and click on *Reports and Legal Research* then click on *Publications*.

## General Instructions for Fiduciary

Complete Form 141AZ Schedule K-1, for each resident or part-year resident beneficiary.

### File one copy of each Schedule K-1 with Form 141AZ.

Provide all beneficiaries with a copy of their Schedule K-1. Keep a copy for your records.

### Foreign Addresses

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

## Line-by-Line Instructions

### Part 1 - Beneficiary's Share of Fiduciary Adjustment

#### Instructions for Fiduciary

##### Line 1 -

Enter the net fiduciary adjustment to be allocated to beneficiaries from Form 141AZ Schedule C, line C14. If this is a negative amount, enter the amount in brackets.

##### Line 2 -

Enter the percentage of the beneficiary's share of federal distributable net income from Form 141AZ, Schedule C.

##### Line 3 -

Multiply line 1 by the percentage on line 2. Enter the result. If the result is a negative number, enter the number in brackets. This is the beneficiary's share of the fiduciary adjustment.

#### Instructions for Beneficiary

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

Do not file this Schedule K-1 with your return. Keep this Schedule K-1 with your records. The fiduciary filed a copy of this form with the department.

### Resident Beneficiary

Line 3 shows your share of the fiduciary adjustment from the estate or trust. If the amount on line 3 is a positive number, you must report this amount as an *addition to income* on your Arizona return. If you are an individual, report this amount as an *Other Addition* to income on your Arizona Form 140, line 17.

If the amount on line 3 is a negative number, you must report this amount as a *subtraction from income* on your Arizona return. If you are an individual, report this amount as an *Other Subtraction* from income on your Arizona Form 140, line 36.

### Part-Year Resident Beneficiary

If you are a part-year resident individual, report estate or trust income received while you were an Arizona resident. Also, report estate or trust income received from Arizona sources while you were a nonresident. Report this income on Arizona Form 140PY, page 1, line 21 (ARIZONA column). The amount that you should report on your Form 140PY, line 21 (FEDERAL column) is the amount from your federal income tax return.

If the amount on line 3 is a positive number, enter that portion of line 3 that is allocable to estate or trust income taxable by Arizona on Form 140PY, line 30.

If the amount on line 3 is a negative number, enter that portion of line 3 that is allocable to estate or trust income taxable by Arizona on Form 140PY, line 46.

### Part 2 - 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 from assets acquired after December 31, 2011, and included in the individual taxpayer's federal adjusted gross income or the estate or trust's federal taxable income.

#### Instructions for Fiduciary

##### Lines 4 through 9 -

If the **individual** beneficiary's federal Schedule K-1 (Form 1041) includes an amount for any net capital gain or (loss), complete lines 4 through 9 as instructed on page 2 of Form 141AZ Schedule K-1.

#### Instructions for Beneficiaries

Follow the instructions on page 2 of Form 141AZ, Schedule K-1.

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For the calendar year 2018 or fiscal year beginning MM|DD|2018 and ending MM|DD|YYYY.

Name of Estate or Trust	Estate or Trust Employer Identification Number (EIN)
Beneficiary's Name	Fiduciary's Name
Beneficiary's I.D. Number	Fiduciary's Address - number and street, or rural route
Beneficiary's Address - number and street, or rural route	Fiduciary's City, Town or Post Office      State      ZIP Code
Beneficiary's City, Town or Post Office      State      ZIP Code	Fiduciary's Phone Number – include area code
Beneficiary's Daytime Phone Number – include area code	

**Part 1 Arizona Nonresident Beneficiary's Share of Federal Distributable Income From Arizona Sources**

1 Federal distributable net income from Arizona sources: Enter the amount from Form 141AZ, Schedule D, line D9, column (c).....	1		00
2 Beneficiary's share of the amount entered on line 1: Nonresident individual beneficiaries, also enter this amount on Form 140NR, page 1, line 21, "ARIZONA" column .....	2		00

**Part 2 Arizona Nonresident Beneficiary's Share of Fiduciary Adjustment Related to Arizona Source Income**

3 Net fiduciary adjustment to be allocated: Enter the amount from Form 141AZ, Schedule C, line C14 .....	3		00
4 Amount on line 3 related to Arizona source income allocated to all nonresident beneficiaries.....	4		00
5 Beneficiary's share of the amount entered on line 4 .....	5		00

- If the amount on line 5 is a positive number, enter this amount as an *Other Addition* to income on Arizona Form 140NR, page 1, line 31.
- If the amount on line 5 is a negative number, enter this amount as an *Other Subtraction* from income on Arizona Form 140NR, page 2, line 47.

Continued on page 2 →

Name of Estate or Trust (as shown on page 1)	Employer Identification Number
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**Part 3 Net Long-Term Capital Gain Subtraction – Information Schedule**

**INSTRUCTIONS FOR THE FIDUCIARY:**

Arizona requires individual taxpayers to make certain adjustments to their federal adjusted gross income in order to compute their Arizona taxable income.

- **Lines 6 and 7:** If the beneficiary’s federal 1041 K-1 includes a **distributed share** of the entity’s net short-term capital gain or net long-term capital gain, complete line 6, columns (b) and (c); and line 7, columns (b) through (e).
- **Lines 8 and 9:** If this is the final return for the estate or trust and a capital loss carryover amount was distributed to the beneficiary, complete line 8, columns (b) and (c); and line 9, columns (b) through (e).
- **Lines 10 and 11:** If any of the amounts reported on line 7, columns (d) and (e) include a net long-term gain or (loss) from (1) **an investment in an Arizona Qualified Small Business**; or (2) the **exchange of one kind of legal tender for another kind of legal tender**, complete lines 10 and 11, columns (b) through (e). *In column (b), enter only the net capital gain or (loss) from all short-term and long-term investments in the Arizona qualified small business and the exchange of legal tender.*

(a) Item	(b) Amount reported on federal Schedule K-1	(c) Amount included in column (b) from Arizona sources	(d) Net long-term capital gain or (loss) included in column (c) from assets acquired before January 1, 2012	(e) Net long-term capital gain or (loss) included in column (c) from assets acquired after December 31, 2011
<b>6</b> Total net short-term capital gain or (loss) from Form 141AZ, page 1, line 15b distributed to the beneficiary..... <b>6</b>				
<b>7</b> Total net long-term capital gain or (loss) from Form 141AZ, page 1, line 15c distributed to beneficiary..... <b>7</b>				
<b>8</b> Short-term capital loss carryover(s) distributed to the beneficiary upon termination of the estate or trust..... <b>8</b>				
<b>9</b> Long-term capital loss carryover(s) distributed to the beneficiary upon termination of the estate or trust..... <b>9</b>				

(a) Item	(b) Net Capital Gain or (loss)	(c) Amount included in column (b) from Arizona sources	(d) Net long-term capital gain or (loss) included in column (c) from assets acquired before January 1, 2012	(e) Net long-term capital gain or (loss) included in column (c) from assets acquired after December 31, 2011
<b>10</b> Net capital gain or (loss) from investment in an Arizona qualified small business..... <b>10</b>				
<b>11</b> Net capital gain or (loss) from the exchange of one kind of legal tender for another kind of legal tender..... <b>11</b>				

**INSTRUCTIONS FOR AN INDIVIDUAL BENEFICIARY:**

The beneficiary **must** complete the worksheet, *Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired After December 31, 2011*, to determine the allowable subtraction. The worksheet is included in the instructions for the nonresident income tax return [Arizona Form 140(NR)].

**Nonresidents:** The amounts entered in column (e) on lines 7, 10, and 11, are used to compute the allowable subtraction on the net long-term capital gain worksheet. For more information, see the worksheet instructions for Form 140(NR).

- For an amount entered on line 10, column (b); see the instructions for line 38 on Form 140(NR).
- For an amount entered on line 11, column (b); see the instructions for lines 30 and 39 on Form 140(NR).

**INSTRUCTIONS FOR THE FIDUCIARY BENEFICIARY:**

If the net long-term capital gain (loss) on Part 3, line 7, above, is taxed at the estate or trust level, use the information above to complete the *Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired After December 31, 2011*, included in the instructions of Form 141AZ for the estate or trust.

Name of Estate or Trust (as shown on page 1)	Employer Identification Number
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If the net long-term capital gain (loss) on Part 3, line 7, above, is distributed to the beneficiary, use the information above to complete the *Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired After December 31, 2011*, included in the instructions of Form 141AZ. The worksheet will assist the estate or trust in completing the *Net Long-Term Capital Gain Subtraction – Information Schedule* on Form 141AZ, Schedule K-1 or Schedule K-1(NR), for each beneficiary.

The amounts entered in column (d) on lines 7, 10, and 11, are used to compute the allowable subtraction on the net long-term capital gain worksheet. For more information, see the worksheet instructions for Form 141AZ.

- For an amount entered on line 10, column (b); see the instructions for line 14a, Form 141AZ.
- For an amount entered on line 11, column (b); see the instructions for lines 12b and 14b, Form 141AZ.

**INSTRUCTIONS FOR THE PARTNERSHIP OR S CORPORATION BENEFICIARY:**

The information in Part 3, above, should be used to complete the *Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired After December 31, 2011*, included in the instructions of Arizona Form 165 or Arizona Form 120S. 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.

**INSTRUCTIONS FOR THE C CORPORATION OR EXEMPT ORGANIZATION BENEFICIARY:**

A subtraction is not allowed for a C corporation or an exempt organization. The information in Part 3, above, is informational only, and not required to be reported by the C corporation or exempt organization.

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# 2018 Nonresident Beneficiary's Share of Income and Share of Fiduciary Adjustment

# Arizona Schedule 141AZ K-1 (NR)

## 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 click on *Reports and Legal Research* 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 and click on *Reports and Legal Research* then click on *Publications*.

## General Instructions for Fiduciary

Complete a Form 141AZ Schedule K-1(NR), for each nonresident beneficiary.

## File one copy of each Schedule K-1(NR) with the fiduciary's Form 141AZ.

Provide all nonresident beneficiaries with a copy of their Schedule K-1(NR). Keep a copy for your records.

## Foreign Addresses

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

## Line-by-Line Instructions

### Part 1 - Beneficiary's Share of Federal Distributable Net Income From Arizona Sources

#### Instructions for Fiduciary

##### Line 1 -

Enter the federal distributable net income from Arizona sources. Enter the amount from Form 141AZ, Schedule D, line D9, column (c).

##### Line 2 -

Enter the beneficiary's share of federal distributable net income from Arizona sources.

### Part 2 - Beneficiary's Share of Fiduciary Adjustment Related to Arizona Source Income

##### Line 3 -

Enter the net fiduciary adjustment to be allocated to the beneficiaries from Form 141AZ, Schedule C, line C14. If this is a negative amount, enter the amount in brackets.

##### Line 4 -

Enter the amount of line 3 related to Arizona source income that is allocated to **all** nonresident beneficiaries.

##### Line 5 -

Enter the amount of line 4 allocated to the beneficiary. If the result is a negative number, enter the number in brackets.

This is the beneficiary's share of the fiduciary adjustment.

## Instructions for Nonresident Beneficiary

The fiduciary uses Form 141AZ Schedule K-1(NR), to report to you your share of the federal distributable income from Arizona sources and your share of fiduciary adjustment from the estate or trust.

Do not file this Schedule K-1(NR) with your return. Keep this Schedule K-1(NR) with your records. The fiduciary filed a copy of this form with the department.

Nonresident individual beneficiaries should enter the amount from Form 141AZ Schedule K-1(NR), line 2, on Arizona Form 140NR, line 21, in the ARIZONA column.

Line 5 shows your share of the fiduciary adjustment from the estate or trust. If the amount on line 5 is a positive number, you must report this amount as an *addition to income* on your Arizona return. If you are a nonresident individual, report this amount as an *Other Addition* to income on your Arizona Form 140NR, line 31.

If the amount on line 5 is a negative number, you must report this amount as a *subtraction from income* on your Arizona return. If you are a nonresident individual, report this amount as an *Other Subtraction* from income on your Arizona Form 140NR, line 47.

## Part 3 - 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 from assets acquired after December 31, 2011, and included in the individual's Arizona gross income or the estate or trust's Arizona gross income.

## Instructions for Fiduciary

### Lines 6 through 11 -

If the **individual** beneficiary's federal Schedule K-1 (Form 1041) includes an amount for any net long-term capital gain or (loss) from Arizona sources, complete lines 6 through 11 as instructed on pages 2 and 3 of Form 141AZ Schedule K-1(NR).

## Instructions for Beneficiaries

Follow the instructions on pages 2 and 3 of Form 141AZ Schedule K-1 (NR).

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# 2019 Estate or Trust Estimated Income Tax Payment Instructions

# Arizona Form 141AZ ES

## 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 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 and click on *Reports and Legal Research* then click on *Publications*.

## Who Should Use Form 141AZ ES

A fiduciary making a voluntary estimated payment on behalf of an estate or a trust should use Form 141AZ ES.

## Voluntary Payments

Estates and trusts are not required to make Arizona estimated income tax payments. An estate or a trust may choose to make voluntary estimated income tax payments.

## General Information

- Please type or print the estate or trust's employer identification number (EIN).
- Complete Form 141AZ ES 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 the 2018 tax table to help estimate this year's tax liability.
- If the fiduciary has a foreign address, enter the information in the following order: city, province or state, and country. Follow the country's practice for entering the postal code. Do not abbreviate the country name.

## Sending Your Payment

Fiduciaries filing Form 141AZ ES making estimated payments must make those payments by check or money order.

## Check or money order

Include the estate or trust's EIN and tax year on the check or money order. Make your check payable to Arizona Department of Revenue and include it with the return. Mail the check along with Form 141AZ ES 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.

Record of Estimated Income Tax Payments		
	Date Made	Amount
Amount of 2018 overpayment applied to 2019 estimated tax		
Payment # 1		
Payment # 2		
Payment # 3		
Payment # 4		
Total:		

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DO NOT STAPLE ANY ITEMS TO THE FORM.

For the calendar year 2018 or fiscal year beginning MM,DD,2018 and ending MM,DD,YYYY **66**

<b>1</b>	Print Name of Estate or Trust	Employer Identification Number (required)
<b>2</b>	Print Name and Title of Fiduciary	
<b>3</b>	Address of Fiduciary - number and street, or rural route	<b>REVENUE USE ONLY. DO NOT MARK IN THIS AREA.</b> <b>88</b>
<b>4</b>	City, Town or Post Office                      State                      ZIP Code	
Daytime Phone Number of Fiduciary/Representative – include area code		
		<b>81</b> PM
		<b>80</b> RCVD

All extension requests must be postmarked on or before the original due date of the return, unless the original due date falls on a Saturday, Sunday, or legal holiday. In that case, your request must be postmarked on or before the business day following that Saturday, Sunday, or legal holiday. If you are a calendar year filer, your request for a 2018 filing extension must be postmarked on or before April 15, 2019.

Arizona will grant an automatic 5½-month extension to fiduciaries filing Form 141AZ. Arizona will accept a valid federal extension for the period covered by the federal extension. This includes the automatic 5½-month fiduciary federal filing extension.

CHECK ONE BOX:	Fiscal Tax Year Ending	Return Due Date*
<input type="checkbox"/> <b>Fiduciary Calendar Year Filers:</b>		
This is a request for an automatic 5½-month filing extension .....		September 30, 2019
<input type="checkbox"/> <b>Fiduciary Fiscal Year Filers:</b>		
Enter taxable year-end date and 5½-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. <i>*NOTE: A Qualified Funeral Trust using a federal extension (Form 7004) will be allowed the same extension period (6-months) to file Form 141AZ. For calendar year filers, the return due date will be October 15, 2019.</i>		

<b>1</b> Tax liability for 2018. You may estimate this amount .....	<b>1</b>		00
<b>2</b> Arizona estimated tax payments for 2018 .....	<b>2</b>		00
<b>3 Balance of Tax:</b> Subtract line 2 from line 1 .....	<b>3</b>		00
<b>4</b> Enter the amount of payment. Round your payment to the nearest dollar .....	<b>4</b>		00

- Make check payable to Arizona Department of Revenue.
- **Write the estate or trust's EIN and 2018 extension on the payment.**
- Include the payment with Form 141AZ EXT.
  
- 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.

# 2018 Application for Filing Extension For Fiduciary Returns

# Arizona Form 141AZ EXT

## 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 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 and click on *Reports and Legal Research* then click on *Publications*.

## Purpose of Form

Fiduciaries use Form 141AZ EXT to apply for an automatic 5½-month extension to file an estate or trust income tax return on Form 141AZ.

Also use Form 141AZ EXT to remit an extension payment whether you are requesting an Arizona extension or using a valid federal extension.

Arizona will accept your federal extension for the period covered by the federal extension.

**NOTE:** A *Qualified Funeral Trust using a federal extension (Form 7004)* will be allowed the same extension period (6-months) to file Form 141AZ. For calendar year filers, the extended due date for the return is October 15, 2019.

Enter the estate or trust's federal employer identification number (EIN) in the space provided

## Foreign Addresses

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

## When to File

You must file Form 141AZ EXT by the original due date of the return. For 2018 calendar year filers, the due date is April 15, 2019.

Complete Form 141AZ EXT to request an automatic 5½-month extension (fiduciaries filing Form 141AZ). Mark your envelope "Extension Request."

**An extension does not extend the time to pay your income tax.** You must still pay your tax liability by April 15, 2019 (or by the original due date of your return). If you do not pay at least 90% (.90) of the 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:** The estate or trust may be charged this penalty if it does not pay at least 90% of the tax liability shown on your return filed under an extension by the return's original due date. 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 impose this penalty from the original due date of the return until the tax is paid. This penalty cannot exceed 25% of the unpaid tax.

If we charge you the extension underpayment penalty, we will not charge you the late payment penalty under Arizona Revised Statutes § 42-1125(D).

## Making Your Payment

### Check or money order

Fiduciaries filing Form 141AZ EXT must make extension payments by check or money order.

Make your check or money order payable to Arizona Department of Revenue. Write the estate or trust's EIN and **2018 extension** on the **front** of the check or money order. Include the check or money order with Form 141AZ EXT.

## Instructions Before Mailing

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% of your Arizona tax liability.

## Mailing Instructions

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

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

If you are **not sending a payment** with this request, mail the request to:

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

The department will not return a copy of the Form 141AZ EXT to you.

Be sure to keep a copy of the completed Form 141AZ EXT for your record.



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**Notice of Assumption of Duties  
in a Fiduciary Capacity**

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

For Assistance:  
• Call: (602) 716-7809 or  
• Email: Fiduciary@azdor.gov.

Notice is hereby given of the assumption of duties in a fiduciary capacity in the estate named below pursuant to A.R.S. § 43-1366.

Section 1 Decedent Information			
Full Name of Decedent	Decedent's Social Security Number	Decedent's Date of Death M M D D Y Y Y Y	
	Estate's Employer I.D. Number	Decedent's Date of Birth M M D D Y Y Y Y	
Full Name of Spouse	Spouse's Social Security Number	If spouse is deceased, Date of Death M M D D Y Y Y Y	
Last known home address of decedent – number and street	City, Town or Post Office	State	ZIP Code
Date domicile was established in Arizona (If nonresident, describe Arizona property on a separate schedule): M M D D Y Y Y Y			
Mailing Address – if different from home address	City, Town or Post Office	State	ZIP Code

Section 2 Fiduciary Information			
Name of Fiduciary	Telephone Number (with area code)		
Address – number and street	City, Town or Post Office	State	ZIP Code

Section 3 Probate Information			
County in which estate is being probated	Probate Number	Date of Fiduciary's Appointment M M D D Y Y Y Y	
Name of Attorney	Telephone Number (with area code)		
Address – number and street	City, Town or Post Office	State	ZIP Code

Section 4 Estate Information			
Approximate Value of Entire Gross Estate \$	Approximate Value of Probate Estate \$		
Name of Beneficiary (Include additional sheet if necessary to list additional beneficiaries.)	Beneficiary's Social Security Number		
Address of Beneficiary – number and street	City, Town or Post Office	State	ZIP Code

Section 5 Termination of Fiduciary Relationship	
Complete this section only if you are terminating a prior notice of a fiduciary relationship.	
If you are terminating a prior notice concerning fiduciary relationships on file with the Arizona Department of Revenue, check this box.....	<input type="checkbox"/>
Enter the date the fiduciary capacity was terminated: M M D D Y Y Y Y	

Signature		
_____	_____	_____
SIGNATURE OF FIDUCIARY	TITLE	DATE

NOTE: Tax information on file with the department is confidential. If the fiduciary wants the department to discuss tax matters with someone other than the fiduciary, the fiduciary must authorize the department to release confidential information to that person. If a fiduciary wishes to authorize an individual to represent or perform certain acts on behalf of the entity, a Power of Attorney must be filed and signed by the fiduciary acting in the position of the taxpayer. Use Arizona Form 285 for this purpose. Form 285 may be filed with Form 210. You may obtain Form 285 from our website at [www.azdor.gov](http://www.azdor.gov)  
ADOR 10124 (18)

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# Notice of Assumption of Duties in a Fiduciary Capacity

# Arizona Form 210

## 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
Department's Fiduciary Unit	(602) 716-7809

## 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 click on *Reports and Legal Research* 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 and click on *Reports and Legal Research* then click on *Publications*.

## Purpose of Form

Use Form 210 to notify the Arizona Department of Revenue of a fiduciary relationship for a decedent's estate. A fiduciary for a decedent's estate may be any of the following:

- an executor,
- an administrator,
- a personal representative, or
- a person in possession of property of a decedent.

## Who Should File

The fiduciary should file Form 210 to notify the department of either of the following:

- the creation of a fiduciary relationship for a decedent's estate, or
- the termination of a fiduciary relationship for a decedent's estate.

## Instructions

### Section 1: Decedent Information

Enter the decedent's name, address, and Social Security Number (SSN). Enter the estate's identification number, if applicable. Enter the dates of the decedent's death and birth, and the date decedent established domicile in Arizona. If the decedent was a nonresident, describe the decedent's Arizona property on a separate schedule. If applicable, provide the name of the decedent's spouse, the spouse's SSN, and, if deceased, the spouse's date of death.

### Foreign Addresses

If the decedent had 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 2: Fiduciary Information

Enter the fiduciary's name, address, and telephone number.

If the fiduciary is an entity, include the name and phone number of an individual for contact purposes regarding non-confidential tax matters.

If a fiduciary wishes to authorize an individual to represent or perform certain acts on behalf of the entity, a Power of Attorney must be filed and signed by the fiduciary acting in the position of the taxpayer. Use Arizona Form 285 for this purpose. Form 285 may be filed with Form 210.

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

### Section 3: Probate Information

Complete this section only if the decedent's estate is being probated.

- Enter the name of the county in which probate proceedings are being conducted.
- Enter the probate number, the date of the fiduciary's appointment, and the name, address, and telephone number of the attorney for the estate.

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

1. The estate is subject to probate.
  2. On the date of death, the value of the assets of the estate exceeded \$20,000.
  3. The estate has a beneficiary that is not an Arizona resident.
- To obtain a certificate from the department, **all** of the following must be met.

1. A written request for a certificate must be submitted. The request must contain a statement regarding the status of returns filed by or on behalf of the decedent or for the estate for the four taxable years immediately preceding the date of the request. The fiduciary must make the statement under declaration of perjury. The statement must indicate the following:

- the years for which returns were filed, and
- the years for which the gross and Arizona taxable incomes were less than the amount necessary to require the filing of returns.

2. A return was filed by or on behalf of the decedent and for the estate for each taxable year in which the respective incomes of the decedent or estate exceeded the requirements for filing returns.

3. A final return (Form 141AZ) is filed when the certificate is requested. This return must be filed regardless of the gross or net income for the year. If there is no income, file a return with zero "0" on all lines.
4. The fiduciary has filed Form 210.

#### **Section 4: Estate Information**

Enter the approximate gross value of the decedent's entire estate. If the estate is being probated, also enter the approximate value of the probate estate. Enter the name, address, and SSN of each beneficiary of the estate. Include an extra sheet, if necessary.

#### **Section 5: Termination of Fiduciary Relationship**

Complete this section only if you are terminating a prior notice of assumption of duties in a fiduciary capacity on file with the department.

#### **Signature of Fiduciary**

Sign and date the completed Form 210. Include a title describing your role as a fiduciary (executor, administrator, personal representative, etc.)

#### **Contacting the Department**

Tax information on file with the department is confidential. If the fiduciary wants the department to discuss tax matters with someone other than the fiduciary, the fiduciary must authorize the department to release confidential information to that person. Use Arizona Form 285 to do the following:

- Authorize the department to release confidential information to your appointee.
- Authorize an individual to represent or perform certain acts on behalf of the entity.

Form 285 may be filed with Form 210.

#### **Mailing Form 210**

**DO NOT STAPLE ANY DOCUMENTS, SCHEDULES OR PAYMENT TO THE FORM 210.**

Mail your completed Form 210 to:

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

#### **Contacting the Department's Fiduciary Unit**

If you have any questions or need help with Form 210, call the department at (602) 716-7809 or email the Fiduciary Unit at [www.Fiduciary@azdor.gov](mailto:www.Fiduciary@azdor.gov).

OR FISCAL YEAR BEGINNING MM/DD/2018 AND ENDING MM/DD/YYYY 66F

**Include this form with your return.**

Print Name of Estate or Trust	Employee Identification Number
Print Name and Title of Fiduciary	

If the fiduciary figures the estate or trust's 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. For more information on Arizona's claim of right provisions, see the department's procedure, ITP 16-1.

**Part 1 General Information**

<b>1</b> Enter the <b>total</b> amount of <b>all income</b> that was <b>repaid</b> during the 2018 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. The estate or trust does 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 2018 from income that was reported in more than one prior tax year? <i>If the answer is "Yes", you must complete and include with your 2018 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>	<b>2</b>	Yes <input type="checkbox"/> No <input type="checkbox"/>													
<b>3</b> List <b>each</b> prior taxable year end that included income that was included in line 1: <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;">MM/DD/YYYY</td> <td style="text-align: center;">MM/DD/YYYY</td> <td style="text-align: center;">MM/DD/YYYY</td> <td style="text-align: center;">MM/DD/YYYY</td> <td style="text-align: center;">MM/DD/YYYY</td> <td style="text-align: center;">MM/DD/YYYY</td> </tr> </tbody> </table>	3a	3b	3c	3d	3e	3f	MM/DD/YYYY	MM/DD/YYYY	MM/DD/YYYY	MM/DD/YYYY	MM/DD/YYYY	MM/DD/YYYY	<b>3</b>		
3a	3b	3c	3d	3e	3f										
MM/DD/YYYY	MM/DD/YYYY	MM/DD/YYYY	MM/DD/YYYY	MM/DD/YYYY	MM/DD/YYYY										
<b>4</b> Did the estate or trust take a deduction instead of a credit for the claim of right on the 2018 federal income tax return? ..... <i>If the answer is "Yes," you must include the amount on line 1 as an "Other Additions to federal Income" on Form 141AZ, Schedule B, line B3.</i>	<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 2018 .....	<b>7</b>		00
<b>8</b> Subtract line 7 from 6. Enter the difference .....	<b>8</b>		00

This is the estate or trust's claim of right credit for the current tax year. Enter the amount shown on line 8 on the estate or trust's income tax return, Form 141AZ, line 20, box 20b.

*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.*

**Part 3 Explanation of the estate or trust's claim of right for the prior tax year entered on line 5. Show how the fiduciary 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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## 2018 Arizona Claim of Right - Fiduciary

**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 click on *Legal Research* 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 and click on *Reports and Legal Research* then click on *Publications*.

## **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:** An estate or trust received income during 2015. In 2018 the estate or trust received a letter from the business that paid the income stating there was a mistake and the income amount paid during 2015 was more than the estate or trust should have received. The estate or trust must now pay the overpaid amount back to the business.

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, the estate or trust 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, the estate or trust may be able to deduct the amount repaid from the income for the year in which it was repaid. Or, if the amount the estate or trust repaid is more than \$3,000, it may be able to claim a credit against the tax for the year in which it 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, the estate or trust cannot take a deduction, but must claim a "credit."

When the estate or trust figures whether the amount it repaid was more or less than \$3,000, it must consider the **total** amount being repaid during the year. Each instance of repayment 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 the estate or trust figures its 2018 income tax under Arizona's claim of right provisions, complete an Arizona Claim of Right form and include it with the estate or trust's 2018 income tax return.

The fiduciary **must** complete and include a separate form for each prior tax year for which the fiduciary 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*.

## **How to complete an Arizona Claim of Right Form**

- If the total amount repaid during 2018 was from income that was reported in only **one prior tax year**, the fiduciary must file one form, completing Parts 1, 2, and 3.
- If the total amount repaid during 2018 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 2015, 2016 and 2017, complete Parts 1, 2, and 3 for tax year 2015. *Be sure to enter the **total income** that was repaid for **all prior tax years** when completing Part 1, line 1, for taxable year 2015.*

For tax years 2016 and 2017, 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 the estate or trust **repaid** during the 2018 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**. The estate or trust does 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 2018 was from income that was reported in **more than one prior tax year**.

If you checked "Yes" you **must** complete and include with the estate or trust's 2018 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, MM/DD/YYYY, list each prior taxable year end that included income that was repaid in 2018 and included in income under claim of right.

**Line 4 -**

If the estate or trust took a deduction on its federal return instead of claiming a credit, check the box, "Yes."

The estate or trust cannot take both a deduction and claim a credit on its Arizona return for the amounts repaid and included in income under a claim of right. Because the deduction is included in the computation of its federal taxable income, it must add-back the amount of the income entered on line 1 as an "*Other Addition to Income*" on its income tax return, Form 141AZ, Schedule B, line B3.

**Part 2 - Decrease in Prior Year's Tax**

**Line 5 -**

Using the format, MM/DD/YYYY, enter the prior taxable year end date for which the estate or trust is completing this form. If the fiduciary is 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 the estate or trust's tax for the tax year listed on line 5 without including the income that it repaid in 2018.

**Line 8 -**

Subtract line 7 from line 6 and enter the difference.

This is the estate or trust's claim of right credit for the current tax year. Enter the amount shown on line 8 on its current year's income tax return, Form 141AZ, line 20, box 20b.

If the estate or trust is completing more than one Claim of Right form, add all amounts on line 8 and enter the total on the tax return.

**Part 3 - Explanation**

Complete Part 3 explaining the estate or trust's claim of right. Show how it figured the amounts in Part 2. If more space is needed, continue on page 2 of the form or provide its own schedule.

**How does the Estate or Trust file a Claim of Right form?**

Complete and include the Arizona Claim of Right form with its tax return, when filed.

If it fails to complete and include this form with its tax return, the claim may be denied. Keep a copy for the estate or trust's record.

If the estate or trust is completing more than one Claim of Right form include all forms with the estate or trust's tax return.



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# 2018 WITHHOLDING HIGHLIGHTS

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## Withholding Return Due Dates

The due date for filing and Form A1-APR or Form A1-R is January 31 of the following year. Any payment due with these reconciliation forms is also January 31 of the following year.

## Arizona Form A1-C

Employers that permitted employees to reduce their income tax withholding and have those amounts forwarded to qualifying organizations are no longer required to submit Arizona Form A1-C, *Arizona Charitable Withholding Statement* to the department.

Employers **must** continue to report contributions made by their employees to qualifying organizations, school tuition organizations, and/or public schools. (Those employers may use the optional Arizona Form A1-QTC, *Quarterly Payment of Reduced Withholding for Tax Credits*, or their own form or letterhead.)

## Electronic Funds Transfer

Employers whose 2018 Arizona withholding tax liability was \$20,000 or more, or that expect a 2019 withholding tax liability of \$10,000 or more, must make Arizona tax payments by electronic funds transfer (EFT). Employers required to make estimated tax payments by EFT must complete the department's electronic funds transfer authorization agreement at least 30 days prior to their first transaction. Go to AZTaxes.gov to register. Click "Enroll to File and Pay Online." Complete the New User Registration form as directed.

**NOTE:** *Taxpayers required to make tax 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.*

Employers whose 2018 Arizona withholding tax liability was less than \$20,000, or who expect a 2019 withholding tax liability of less than \$10,000, may elect to participate in EFT.

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**DO NOT FILE MORE THAN ONE ORIGINAL FORM A1-APR PER EIN PER YEAR.**  
**Form A1-APR is due on or before January 31, 2019.**  
**If you file Form A1-QRT, do not file this form.**

**Part 1 Taxpayer Information**

Name	Employer Identification Number (EIN)
Number and street or PO Box	
City or town, state and ZIP Code	<b>REVENUE USE ONLY. DO NOT MARK IN THIS AREA.</b> <b>88</b>
Business telephone number (with area code)	

**Check box if:**

**A**  Amended Return    **B**  Address Change    **C**  Final Return (CANCEL ACCOUNT)

If this is your final return, the department will cancel your withholding account. Enter the date final wages were paid and complete Part 6 ..... MM/DD/YYYY

**D**  Check this box if return is an early-filed return for calendar year 2019 due to an account cancellation during 2019.

**E**  Check this box if cancellation was due to a merger or acquisition and surviving employer is filing Forms W-2.

<b>81</b> PM	<b>66</b> RCVD
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**Part 2 Arizona Withholding Tax Liability**

**1** Total Annual Withholding Tax Liability from all sources: Enter the total amount withheld during the calendar year ..... **1**

**Part 3 Tax Payments (See instructions.)**

**2** Withholding tax payments previously made for 2018 ..... **2**

**3** Amount of tax paid when filing extension request ..... **3**

**4** Total payments ..... **4**

**5** **Balance of tax due:** If line 1 is larger than line 4, subtract line 4 from line 1. Enter the difference. This is the balance of tax due. Skip line 6. Non-EFT payment must accompany return ..... **5**

**6** **Overpayment of tax:** If line 4 is larger than line 1, subtract line 1 from line 4. Enter the difference. This is the overpayment of tax ..... **6**

**Part 4 Federal Form Transmittal Information**

**7** Total amount of Arizona income tax withheld as shown on federal Forms W-2, W-2c, W-2G, and 1099-R for 2018 ..... **7**

**8** Total Arizona wages paid to employees for 2018 ..... **8**

**9** Total number of employees paid Arizona wages for 2018 ..... **9**

**10** Total number of federal Forms W-2, W-2c, W-2G, and 1099-R ..... **10**

**Instructions:** If line 1 does not equal line 7, you have misreported your annual tax withholdings OR you have misreported your employee wage withholdings.

<b>Declaration</b>	Under penalties of perjury, I declare that I have examined this return and to the best of my knowledge and belief, it is a true, complete and correct return.		
	<b>Please Sign Here</b>		
<b>Paid Preparer's Use Only</b>	TAXPAYER'S SIGNATURE	DATE	BUSINESS PHONE NUMBER
	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 PHONE NUMBER.
	CITY	STATE	ZIP CODE

Name (as shown on page 1)	EIN
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**Part 5 Amended Form A1-APR**

If you checked the box "Amended Return" in Part 1, explain why an amended Form A1-APR is being filed:

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**Part 6 Final Form A1-APR**

If you checked the box "Final Return" in Part 1, check the box that indicates why this is a final return:

- 11  Reorganization or change in business entity (example: from corporation to partnership).
- 12  Business sold.
- 13  Business stopped paying wages and will not have any employees in the future.
- 14  Business permanently closed.
- 15  Business has only leased or temporary agency employees.
- 16  Other (specify reason): \_\_\_\_\_
  
- 17  Check this box if records will be kept at a location different from the address shown in Part 1.  
 Name: \_\_\_\_\_  
 Number and Street: \_\_\_\_\_  
 City: \_\_\_\_\_ State: \_\_\_\_\_ ZIP Code: \_\_\_\_\_
  
- 18  Check this box if there is a successor employer.  
 Name: \_\_\_\_\_ EIN: \_\_\_\_\_  
 Number and Street: \_\_\_\_\_  
 City: \_\_\_\_\_ State: \_\_\_\_\_ ZIP Code: \_\_\_\_\_

**Part 7 Payment and Submission of Form A1-APR**

- ▶ **Make check payable to:** Arizona Department of Revenue. Include EIN on payment.
- ▶ **Mail return and payment to:** Arizona Department of Revenue, PO Box 29009, Phoenix, AZ 85038-9009

**2018 Arizona Annual Payment Withholding Tax Return**

**For information or help, call one of these numbers:**

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).

**Withholding 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 click on *Reports & Legal Research* then click on *Legal Research* and select a document and a category type from the drop down menus.

**Publications**

To view or print the department's publications, go to our website and click on *Reports & Legal Research*. Then click on *Publications*.

**General Information**

Arizona law requires employers to withhold Arizona income tax from wages paid for services performed in Arizona, unless those wages are exempt from Arizona income tax withholding. Arizona income tax may also be withheld from pensions and gambling winnings.

Each employer pays the tax withheld to the department using the deposit schedule that applies to that employer.

**Purpose of Form**

**Why is Form A1-APR Filed?**

Employers and other entities that pay Arizona income tax withheld on an annual basis must file Form A1-APR to pay the income tax withheld and to reconcile their payments for the year.

File one Form A1-APR per EIN per year regardless of the source of the withholding.

Form A1-APR may be filed electronically or the employer may file a paper Form A1-APR. If a paper Form A1-APR is filed, use Form A1-APR to transmit federal Form(s) W-2, W-2c, W-2G (with Arizona withholding) and 1099-R (with Arizona withholding).

If Form A1-APR is filed electronically, use Form A1-T to transmit federal Form(s) W-2, Form(s) W-2c, Form W-2 G (with Arizona withholding), and Form(s) 1099-R (with Arizona Withholding).

Form A1-APR may also be used as the written notice that the business is cancelling its withholding registration.

**NOTE:** For details about other returns and forms that may be required, see the department's procedure WTP 16-2, What Withholding Tax Forms and Returns to File and When to File Them.

**What Withholding Payments are Reconciled Using This Form?**

All Arizona withholding amounts averaging less than \$200 per quarter are reconciled using this form. Arizona law requires all amounts withheld be treated as if the withholding was from wages paid to an employee.

**NOTE:** If you file federal Form 941 or Form 944 to report federal withholding on Arizona wages and federal Form 945 to report federal withholding on Arizona non-wage payments for the same Employer Identification Number (EIN), AND your total Arizona withholding amounts are less than \$200 per quarter, file one A1-APR to report and reconcile your total Arizona withholding for the year, regardless of the source of that withholding. Do not file more than one original A1-APR for the same EIN for the calendar year.

**Who May File Form A1-APR?**

Employers that qualify to use the annual deposit schedule file Form A1-APR.

**NOTE:** An employer that uses the annual deposit schedule does not file Form A1-QRT or Form A1-R. This employer files Form A1-APR instead.

**Who May Use the Annual Deposit Schedule?**

**NOTE:** Only an employer that qualifies to make its withholding payment on an annual basis should use Form A1-APR. If the employer files Form A1-QRT or Form A1-R, do not file Form A1-APR.

For an employer to qualify to make its withholding payment on an annual basis, the employer must have been in business for at least a full calendar year and must have met the following conditions:

- Established a history of withholding by filing quarterly returns for at least the 4 preceding calendar quarters.
- Had a withholding liability of more than zero ("0") for at least 1 of the previous 4 quarters.
- Had average quarterly Arizona tax withholding of \$200 or less in the last 4 quarters. This will be met if the total amount withheld in that period is \$800 or less.
- Timely filed Form A1-QRT and timely paid its Arizona withholding for at least 3 out of the last 4 preceding quarters.
- Filed Form A1-QRT for all preceding quarters.
- Filed the annual reconciliation tax return (Form A1-R) for all prior calendar years.
- Timely filed Form A1-R for the immediately preceding calendar year.
- Paid all amounts due [has no balance due (tax, penalty, or interest) for any prior quarter].

An employer may continue to make its Arizona withholding payments on an annual basis for the succeeding calendar year if all of the following conditions are met:

- The average amount of Arizona income taxes withheld by the employer in the four preceding calendar quarters does not exceed \$200.
- The employer has timely filed the annual payment tax return (Form A1-APR) and has timely made its annual Arizona withholding payment for the preceding calendar year.

If an employer does not meet all of the qualifying conditions to continue making its Arizona withholding payments on an annual basis for the succeeding calendar year:

- That employer must determine its Arizona withholding payment schedule for succeeding calendar quarters according to the Arizona Withholding Liability/Payment Schedule section of Form A1-QRT instructions; and

- That employer shall file quarterly tax returns (Form A1-QRT) for the succeeding calendar quarters.

### Due Date for Payment and Filing Form A1-APR

Period in Which Wages Paid	Form A1-APR and Payment Due By
January - December	January 31 of the following year
<i>If the due date falls on a Saturday, Sunday, or a legal holiday, the return will be considered timely if filed on the next business day. (See General Tax Ruling [GTR] 16-1, Timely Filing of Income or Withholding Tax Returns Through the United States Mail, or GTR 16-2, Timely Filing of Income or Withholding Tax Return – Holidays and Weekends.)</i>	

### Payment of Tax

The entire amount of tax must be paid by the original due date of Form A1-APR. The tax must be paid by the original due date even if the employer has been granted an extension of time to file Form A1-APR.

**NOTE:** *If the due date falls on a Saturday, Sunday, or a legal holiday, the payment will be considered timely if made on the next business day.*

### Can you get an extension of time to file Form A1-APR?

You may apply for a 30-day extension of time to file Form A1-APR. When asking for an extension, you must show good cause. You must file the extension request as soon as you know that you need an extension. The extension request must be mailed on or before January 31. For details on how to request an extension, see the department's procedure, WTP 11-1, *Procedure for Requesting Extension of the Filing Deadline for Annual Withholding Tax Returns*.

If you are making a payment with an extension request, you must make that payment with a completed Form A1-WP. Show that the payment is for the 4<sup>th</sup> Quarter of the year for which you requested the extension.

### Sending Federal Forms W-2, W-2c, W-2G, and 1099-R to the Department

An employer may send Forms W-2, W-2c, W-2G, and 1099-R to the department by attaching paper copies or optical media to Form A1-APR.

**NOTE:** *Only Forms 1099-R that indicate Arizona income tax was withheld are required to be submitted to the department.*

If the employer files a paper Form A1-APR, it must send federal Forms W-2, W-2c, W-2G, and 1099-R (either paper copies or optical media) to the department with Form A1-APR.

If the employer electronically files Form A1-APR, it must send federal Forms W-2, W-2c, W-2G, and 1099-R (either paper copies or optical media) to the department using Form A1-T.

**NOTE:** *If you filed Form A1-APR electronically, do not include a paper copy of Form A1-APR with the CD/DVD containing optical media. Instead, submit the CD/DVD with Form A1-T.*

### Optical media

Label the CD-ROM or DVD (CD/DVD) with the employer's name, EIN, calendar year, and Form W-2 or Form 1099 (or both, whichever applies). If the CD/DVD is password protected, note that on the label and indicate the email address from which you

will be sending the password to the department. Email the password separately to MediaLibrarian@azdor.gov. Include "Form W-2" or "Form 1099" (or both, whichever applies) in the subject line of the email. In the body of the email, include the same information that is on the CD/DVD label.

### The department will not return or copy any CD/DVD.

Employers submitting the information on CD/DVD should secure the CD/DVD in a hard case and include it with Form A1-APR or Form A1-T.

For more details on sending in federal forms using optical media, see the department's publication, Pub. 701, *Optical Media Reporting*.

**CAUTION:** *The employer submits the CD/DVD at its own risk. If the department cannot access the information on the CD/DVD for any reason, the employer may need to provide the information again.*

### What To Do If You Close Your business

When your business is sold, discontinued, converted to a new form, or all your employees are dismissed, you must notify the department by filing a final return and request the department close your withholding account. Until you request the department cancel your withholding account, your withholding return(s) will continue to be due.

### Penalties and Interest

#### A. 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.

#### B. 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).

**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.*

**NOTE:** *If the penalties in both A and B apply, the maximum combined penalty cannot be more than 25%.*

#### C. Additional Failure to Pay Penalty

We may charge an additional penalty if the amount of tax required to be withheld is not paid by the date set for its payment. This amount may be determined by either the employer or the department. This penalty is 25% (.25) of the amount of tax required to be withheld and paid to the department.

#### D. Payroll Service Company Penalty

A payroll service company (PSC) **must** make withholding payments electronically. A PSC must also file Form

A1-APR electronically. A PSC is subject to a \$25 penalty for each failure to make withholding payments electronically. A PSC is also subject to a \$25 penalty for each failure to file withholding returns electronically. Multiple \$25 penalties could apply to the same client on one return.

#### E. Interest

We charge interest on any tax not paid by the due date. The Arizona interest rate is the same as the federal rate imposed on individual taxpayers.

### Specific Instructions

You may file a paper Form A1-APR, or you may file Form A1-APR electronically. To file Form A1-APR online, the business must be registered to use [www.AZTaxes.gov](http://www.AZTaxes.gov). When filing and paying online, the employer does not have to file a paper return with the department. If you are using a PSC, that company must file your A1-APR electronically.

#### Part 1 - Taxpayer Information

##### Name and Address

Enter the employer's name, address, and telephone number in the spaces provided.

If the employer 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.**

##### Employer Identification Number (EIN) and Paid Preparer Taxpayer Identification Number (PTIN)

Enter the employer's EIN. If the employer does not have an EIN, it must get one from the Internal Revenue Service.

Paid preparers must provide a Tax Identification Number (TIN). Taxpayers and their paid preparers that fail to include their EIN or 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; or
- The individual preparer's social security number (SSN).

##### Check Boxes:

##### A. Amended Return

If this is an amended Form A1-APR, check Box A, "Amended Return". Explain why you are amending the return in Part 5. Include the corrected copies of Forms W-2, W-2c, W-2 G, and 1099-R with your amended Form A1-APR.

**NOTE:** An amended Form A1-APR can only be electronically filed through [www.AZTaxes.gov](http://www.AZTaxes.gov) by a PSC or by an employer filing through a registered transmitter. All other employers required to file an amended Form A1-APR must file a paper return.

##### B. Address Change

If you had an address change since you last filed Form A1-APR, check Box B, "Address Change" and enter your current address in Part 1.

##### C. Final Return

If this is a final return, check the Box C, "Final Return (CANCEL ACCOUNT)" to request the department cancel

your withholding account. Enter the date final wages were paid. Complete Part 6 to indicate the reason for cancelling your account. Complete the remainder of your return to report your Arizona income tax withholding for the year in which your account was closed. Include state copies of Form(s) W-2, W-2c, W-2G (with Arizona withholding), and 1099-R (with Arizona withholding).

##### D. Early-Filed Return

Check Box D if you cancelled your withholding account during 2019 and are filing your final return during 2019.

##### E. Cancellation Due to Merger or Acquisition

Check Box E if you cancelled your withholding account due to a merger or acquisition and the surviving employer is filing Forms W-2 for the year.

#### Part 2 - Arizona Withholding Tax Liability

##### Line 1 -

Enter the amount of Arizona income tax withheld for the calendar year. Include all amounts withheld, even though you have not yet paid those amounts. The total entered on line 1 should equal the amount entered on line 7.

#### Part 3 - Tax Payments

##### Line 2 -

Enter the amount of all payments made for 2018. Do not enter any amount paid with an extension request.

##### Line 3 -

Enter any payment made with an extension request. If filing with an extension, attach a copy of the extension request to the front of Form A1-APR.

##### Line 4 -

Add lines 2 and 3. Enter the total.

*If you are amending Form A1-APR check Box A.* Add lines 2 and 3. Subtract any previous amount that was refunded or for which you received a credit.

##### Line 5 -

If line 1 is more than line 4, subtract line 4 from line 1. Enter the difference. **This is the amount of tax due.**

You can pay by check, e-check, money order, or credit card. If you owe any penalty or interest, the department will calculate these amounts and mail a billing notice after the return is processed.

If you are filing an amended return and that return shows a balance due, enclose the amount due with the amended return. You may also pay through [www.AZTaxes.gov](http://www.AZTaxes.gov) if you are registered. The department will send you a bill for any interest or penalty due once the amended return is processed.

##### Check or Money Order

Make checks payable to Arizona Department of Revenue. Include the employer's EIN on the front of the check or money order. *Include the check or money order with the return.*

##### Internet Payments

Go to [www.AZTaxes.gov](http://www.AZTaxes.gov) to register or to make payments over the Internet.

**Electronic payment from checking or savings account**

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. 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.

**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. 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.

**Line 6 -**

If line 4 is more than line 1, subtract line 1 from line 4. Enter the difference.

***This is the amount of overpayment.*** An overpayment will first be applied to any unpaid tax. This may include tax due for another tax type. If the overpayment is more than any unpaid tax, or if the employer does not have an unpaid balance of tax, a refund will be issued. A refund will not be issued once the overpayment is applied to a tax balance.

**Part 4 - Federal Form Transmittal Information****Line 7 -**

Enter the total amount of income tax withheld from Arizona wages paid to employees for 2018. This amount must be the same as shown on federal Forms W-2, W-2c, W-2G, and 1099-R.

**Line 8 -**

Enter the total amount of Arizona wages paid to employees for 2018. This amount must be the same as shown on federal Forms W-2, W-2c, W-2G, and 1099-R.

**Line 9 -**

Enter the total number of employees paid Arizona wages for 2018.

**Line 10 -**

Enter the total number of federal Forms W-2, W-2c, W-2G, and 1099-R submitted with this return.

**Part 5 - Amended Form A1-APR**

If this is an amended return, please explain why you are amending Form A1-APR.

**Part 6 - Final Form A1-APR****Lines 11 through 16 -**

If you checked Box "C", "Final Return (CANCEL ACCOUNT)", check the box in Part 6 that explains why this is a final return. If the reason is not provided, check "Other" and enter your own explanation.

**Line 17 -**

Check the box and provide name and location of your records if they will be kept at a location different from the address you provided in Part 1.

**Line 18 -**

Check the box and provide the name and address of the successor employer, if any.

**Part 7 - Payment and Submission of Return****Filing Form A1-APR**

If filing a paper return, mail Form A1-APR and any required attachments to:

Arizona Department of Revenue  
PO Box 29009  
Phoenix AZ 85038-9009

For details on how the department normally determines if a return has been filed timely, see the department's ruling, GTR 16-1, *Timely Filing of Income or Withholding Tax Returns Through the United States Mail*.

If payment is due, make check payable to:

Arizona Department of Revenue.

*Include the taxpayer's EIN on the check.*

**Who Must Sign Form A1-APR**

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.

Form A1-APR 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). Enter the paid preparer's TIN, which is the firm's EIN or the individual paid preparer's SSN.



**DO NOT file more than one original A1-QRT per EIN per quarter.**

**Part 1 Taxpayer Information**

Name	Employer Identification Number (EIN)		
Number and street or PO Box	QUARTER AND YEAR Q   Y, Y, Y, Y		
City or town, state and ZIP Code	↑ Enter Quarter (1, 2, 3 or 4) and four digits of year. See instructions.		
Business telephone number (with area code)	<b>REVENUE USE ONLY. DO NOT MARK IN THIS AREA.</b> <b>88</b>		
<b>Check box if:</b> <b>A</b> <input type="checkbox"/> Amended Return <b>B</b> <input type="checkbox"/> Address Change <b>C</b> <input type="checkbox"/> Final Return (CANCEL ACCOUNT) If this is your final return, the department will cancel your withholding account. Enter the date final wages were paid and complete Part 6 ..... M M   D D   Y Y, Y, Y <b>D</b> <input type="checkbox"/> Check this box if this form is being filed by the surviving employer and the periods covered by this return are for less than three (3) months. Also enter the following: Predecessor Employer Name ..... Predecessor Employer EIN.....			
<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td style="width:60%;"><b>81</b> PM</td> <td><b>66</b> RCVD</td> </tr> </table>		<b>81</b> PM	<b>66</b> RCVD
<b>81</b> PM	<b>66</b> RCVD		
<b>E</b> Total Arizona payroll for this quarter..... \$ <input style="width:100px;" type="text"/> <b>F</b> Total number of employees paid Arizona wages for this quarter..... <input style="width:100px;" type="text"/>			

**Part 2 Tax Liability Schedule** Include all withholding amounts from all sources (i.e. wages & salary, pensions & annuities, gambling winnings, etc.). See instructions.

**A. Quarterly Deposit Schedule: Complete if prior 4 quarter average was not more than \$1,500.**

**A1** Tax Liability. Enter the total amount withheld during the quarter. Also enter this amount on Part 3, line 1 ..... **A1**

Complete Section A above **OR** Section B below; **DO NOT COMPLETE BOTH.**

**B. Monthly or Semi-Weekly/Next Day Deposit Schedule: Complete if prior 4 quarter average was greater than \$1,500.**

Semi-weekly depositors and taxpayers with a next-day tax deposit obligation during the quarter, **CHECK THIS BOX** and complete Part 4.

For lines B1 through B3, enter the total amount withheld for each month in the quarter.

<b>B1</b> Month 1 Liability.....	<b>B1</b>	<input style="width:100px;" type="text"/>
<b>B2</b> Month 2 Liability.....	<b>B2</b>	<input style="width:100px;" type="text"/>
<b>B3</b> Month 3 Liability.....	<b>B3</b>	<input style="width:100px;" type="text"/>
<b>B4</b> Total. Enter this amount on Part 3, line 1.....	<b>B4</b>	<input style="width:100px;" type="text"/>

**Part 3 Tax Computation** (See instructions.)

1 Liability: Enter the amount from line A1 or line B4 .....	<b>1</b>	<input style="width:100px;" type="text"/>
2 Payments made during this quarter. ....	<b>2</b>	<input style="width:100px;" type="text"/>
3 <b>Total Amount Due:</b> Subtract line 2 from line 1. Enter the difference. Use a minus sign to indicate a negative amount. ....	<b>3</b>	<input style="width:100px;" type="text"/>

<b>Declaration</b>	Under penalties of perjury, I declare that I have examined this return and to the best of my knowledge and belief, it is a true, complete and correct return.		
<b>Please Sign Here</b>	TAXPAYER'S SIGNATURE _____	DATE _____	BUSINESS TELEPHONE NUMBER _____
	PAID PREPARER'S SIGNATURE _____	DATE _____	PAID PREPARER'S PTIN _____
<b>Paid Preparer's Use Only</b>	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 _____

▶ **Make check payable to:** Arizona Department of Revenue. Include EIN on payment.  
 ▶ **Mail return and payment to:** Arizona Department of Revenue, PO Box 29009, Phoenix, AZ 85038-9009

**Part 4 Semi-Weekly/Next Day Deposit Schedule**

A. First Month of Quarter (Days of the Month)					
1 <input type="checkbox"/>	8 <input type="checkbox"/>	15 <input type="checkbox"/>	22 <input type="checkbox"/>	29 <input type="checkbox"/>	<b>Check a box only if you had a next-banking day deposit obligation.</b>
2 <input type="checkbox"/>	9 <input type="checkbox"/>	16 <input type="checkbox"/>	23 <input type="checkbox"/>	30 <input type="checkbox"/>	
3 <input type="checkbox"/>	10 <input type="checkbox"/>	17 <input type="checkbox"/>	24 <input type="checkbox"/>	31 <input type="checkbox"/>	
4 <input type="checkbox"/>	11 <input type="checkbox"/>	18 <input type="checkbox"/>	25 <input type="checkbox"/>		
5 <input type="checkbox"/>	12 <input type="checkbox"/>	19 <input type="checkbox"/>	26 <input type="checkbox"/>		
6 <input type="checkbox"/>	13 <input type="checkbox"/>	20 <input type="checkbox"/>	27 <input type="checkbox"/>		
7 <input type="checkbox"/>	14 <input type="checkbox"/>	21 <input type="checkbox"/>	28 <input type="checkbox"/>		
Month 1 Liability: Enter total here and on Part 2, line B1.....					\$

B. Second Month of Quarter (Days of the Month)					
1 <input type="checkbox"/>	8 <input type="checkbox"/>	15 <input type="checkbox"/>	22 <input type="checkbox"/>	29 <input type="checkbox"/>	<b>Check a box only if you had a next-banking day deposit obligation.</b>
2 <input type="checkbox"/>	9 <input type="checkbox"/>	16 <input type="checkbox"/>	23 <input type="checkbox"/>	30 <input type="checkbox"/>	
3 <input type="checkbox"/>	10 <input type="checkbox"/>	17 <input type="checkbox"/>	24 <input type="checkbox"/>	31 <input type="checkbox"/>	
4 <input type="checkbox"/>	11 <input type="checkbox"/>	18 <input type="checkbox"/>	25 <input type="checkbox"/>		
5 <input type="checkbox"/>	12 <input type="checkbox"/>	19 <input type="checkbox"/>	26 <input type="checkbox"/>		
6 <input type="checkbox"/>	13 <input type="checkbox"/>	20 <input type="checkbox"/>	27 <input type="checkbox"/>		
7 <input type="checkbox"/>	14 <input type="checkbox"/>	21 <input type="checkbox"/>	28 <input type="checkbox"/>		
Month 2 Liability: Enter total here and on Part 2, line B2.....					\$

C. Third Month of Quarter (Days of the Month)					
1 <input type="checkbox"/>	8 <input type="checkbox"/>	15 <input type="checkbox"/>	22 <input type="checkbox"/>	29 <input type="checkbox"/>	<b>Check a box only if you had a next-banking day deposit obligation.</b>
2 <input type="checkbox"/>	9 <input type="checkbox"/>	16 <input type="checkbox"/>	23 <input type="checkbox"/>	30 <input type="checkbox"/>	
3 <input type="checkbox"/>	10 <input type="checkbox"/>	17 <input type="checkbox"/>	24 <input type="checkbox"/>	31 <input type="checkbox"/>	
4 <input type="checkbox"/>	11 <input type="checkbox"/>	18 <input type="checkbox"/>	25 <input type="checkbox"/>		
5 <input type="checkbox"/>	12 <input type="checkbox"/>	19 <input type="checkbox"/>	26 <input type="checkbox"/>		
6 <input type="checkbox"/>	13 <input type="checkbox"/>	20 <input type="checkbox"/>	27 <input type="checkbox"/>		
7 <input type="checkbox"/>	14 <input type="checkbox"/>	21 <input type="checkbox"/>	28 <input type="checkbox"/>		
Month 3 Liability: Enter total here and on Part 2, line B3.....					\$

**Part 5 Amended Form A1-QRT Return Information**

If you checked the box "Amended Return" in Part 1, explain why an amended Form A1-QRT is being filed (include additional sheets, if necessary):

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Part 6 Final Form A1-QRT**

If you checked the box "Final Return" in Part 1, check the box that indicates why this is a final return:

- 1  Reorganization or change in business entity (example: from corporation to partnership).
- 2  Business sold.
- 3  Business stopped paying wages and will not have any employees in the future.
- 4  Business permanently closed.
- 5  Business has only leased or temporary agency employees.
- 6  Other (specify reason): \_\_\_\_\_
  
- 7  Check this box if records will be kept at a location different from the address shown in Part 1.
  - Name: \_\_\_\_\_
  - Number and Street: \_\_\_\_\_
  - City: \_\_\_\_\_ State: \_\_\_\_\_ ZIP Code: \_\_\_\_\_
  
- 8  Check this box if there is a successor employer.
  - Name: \_\_\_\_\_ EIN: \_\_\_\_\_
  - Number and Street: \_\_\_\_\_
  - City: \_\_\_\_\_ State: \_\_\_\_\_ ZIP Code: \_\_\_\_\_

**Arizona Quarterly Withholding Tax Return**

**For information or help, call one of these numbers:**

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).

**Withholding 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 click on *Reports & Legal Research* then click on *Legal Research* and select a document and a category type from the drop down menus.

**Publications**

To view or print the department's publications, go to our website and click on *Reports & Legal Research*. Then click on *Publications*.

**Purpose of Form**

Employers and other entities that make Arizona withholding tax payments on a quarterly, semi-weekly, or the next day basis, must file Form A1-QRT to reconcile their payments for the calendar quarter.

Form A1-QRT is also used as:

- The payment transmittal form for payments made on a quarterly basis when those payments are made by check or money order, or,
- The written notification to the department that the business is cancelling its withholding registration.

Form A1-QRT may be filed electronically or the employer may file a paper Form A1-QRT.

A Payroll Service Company (PSC) filing Form A1-QRT on behalf of an employer must file Form A1-QRT electronically.

**NOTE:** An employer must file Form A1-QRT for every quarter. This includes quarters in which the employer has not withheld any Arizona tax. For those quarters, the employer must file a Form A1-QRT that shows zero withholding liability. These returns must be filed until the employer cancels its withholding registration by filing a final Form A1-QRT. The only exception is for employers that qualify to file and pay on an annual basis (Form A1-APR).

**General Information**

Arizona law requires employers to withhold Arizona income tax from:

- The payment of wages, salary, or bonus to any employee whose compensation is for services performed within Arizona, unless those wages are exempt from Arizona income tax withholding,
- The premature withdrawal of state and local retirement contributions,
- Payments of prize winnings subject to federal withholding under Internal Revenue Code (IRC) §§ 1441 or 3402(q) from:
  - The Arizona state lottery commission, or,
  - Arizona sanctioned horse or dog racing.

At the request of the individual receiving the payment, Arizona income tax may be withheld from the following:

- Retired or retainer pay for service in the military or naval forces of the United States;
- Payments under the United States civil service retirement system from the United States government service retirement and disability fund;
- Pensions;
- Traditional Individual Retirement Accounts;
- Any other annuity;
- Unemployment compensation; and
- Out-of-state wages earned by an Arizona resident, if the employer and the employee agree to withhold Arizona income tax.

For additional information on withholding requirements, refer to the Employer's Instructions for the Employee's Arizona Withholding Election (Form A-4 Instructions).

**NOTE:** Arizona law states that all amounts withheld are to be treated as if the withholding was from wages paid to an employee.

Each employer pays the tax withheld to the department using the deposit schedule that applies to that employer.

**What withholding payments are reconciled using this form?**

All Arizona withholding amounts averaging more than \$200 per quarter regardless of the source of those amounts are reconciled using this form.

File one Form A1-QRT per Employer Identification Number (EIN) for all Arizona income tax withheld regardless of the source of the Arizona withholding.

**NOTE:** If you file federal Form 941 to report federal withholding on Arizona wages and federal Form 945 to report federal withholding on Arizona non-wage payments for the same EIN, file one A1-QRT to reconcile the total Arizona withholding for the quarter. Do not file more than one original A1-QRT for the same EIN for the same quarter.

**Arizona Withholding Deposit Schedules**

For Arizona withholding tax purposes, several deposit schedules may apply. The schedule that an employer must use depends on the amount of Arizona tax withheld. These schedules are based on the average amount withheld during the prior 4 quarter period. The employer must compute this average at the start of each new quarter. The deposit schedule that may apply for one quarter may not be the same schedule that applies to the next.

**NOTE:** Employers whose Arizona withholding tax liability for the 2018 calendar year was \$10,000 or more must make Arizona withholding tax payments using EFT. See the section "Payment of Tax, Penalties, and Interest" on page 5 for additional information.

## Explanation of Deposit Schedules

The Arizona deposit schedules are as follows:

Previous 4 Quarter Arizona Withholding Average	Arizona Deposit Schedule
\$1,500 or less	<b>Quarterly</b> (May deposit on an annual basis if 4 quarter average is \$200 or less and other criteria met)
More than \$1,500	<b>Same time as Federal</b> (Monthly, Semi-weekly, Next Business Day)

**NOTE:** For help in figuring out your quarterly averages and which deposit schedule to use, see WTP 16-2, What Withholding Tax Forms and Returns to File and When to File Them.

### Annual Deposit Schedule

**NOTE:** An employer that uses the annual deposit schedule does not file Form A1-QRT. This employer files Form A1-APR instead.

Some employers may qualify to make one annual Arizona withholding payment. The employer must have been in business for at least a year and must have established a specified filing and payment history. The employer must also have an average quarterly Arizona tax withholding of \$200 or less for the 4 preceding calendar quarters. For complete details, see the instructions for the *Annual Payment Withholding Tax Return, Arizona Form A1-APR*.

The payment due date for the annual deposit schedule is:

Period in Which Wages Paid	Arizona Payment Due By
January – December	January 31 of the following year
<i>If the due date falls on a Saturday, Sunday, or a legal holiday, the payment will be timely if made on the next banking day.</i>	

### Quarterly Deposit Schedule

An employer that does not qualify to make one annual Arizona withholding payment and its income tax withheld during the prior 4 quarters was not greater than \$1,500, must use the quarterly deposit schedule.

The payment due dates for the quarterly deposit schedule are:

Quarter in Which Wages Paid	Arizona Payment Due By
1st	April 30
2nd	July 31
3rd	October 31
4th	January 31
<i>If the due date falls on a Saturday, Sunday, or a legal holiday, the payment will be considered timely if made on the next banking day.</i>	

### Monthly or Semi-Weekly Deposit Schedule (Same Time as Federal Deposit Schedule)

When an employer's prior 4 quarter average of Arizona income tax withheld is more than \$1,500, the employer must

pay its Arizona income tax withheld at the same time it pays its federal tax.

For federal purposes, there are two deposit schedules, monthly and semi-weekly. Before the start of each calendar year, the employer must decide which of the two deposit schedules it must use. The terms "monthly deposit schedule" and "semi-weekly deposit schedule" do not refer to how often a business pays wages. These terms refer to which set of deposit rules the employer must use. The deposit rules are based on the dates when wages are paid (cash basis); not on when tax liabilities are accrued for accounting purposes.

### Federal Monthly Deposit Schedule

For federal purposes, this schedule applies when the total federal tax reported for the federal lookback period was \$50,000 or less. Following the monthly deposit schedule, an employer must deposit its taxes for wages paid during the month by the 15<sup>th</sup> day of the following month. An Arizona employer whose prior 4 quarter average is more than \$1,500, who uses this schedule for federal purposes must also deposit the Arizona tax withheld by the 15<sup>th</sup> day of the following month.

**NOTE:** If the due date falls on Saturday, Sunday, or a legal holiday, the payment is considered timely if made on the next banking day.

### Federal Semi-weekly Deposit Schedule

This schedule applies when the employer's total federal tax reported for the federal lookback period was more than \$50,000. An Arizona employer whose prior 4 quarter average is more than \$1,500, who uses semi-weekly deposit schedule for federal purposes must use this same schedule to pay its Arizona tax. Use the table below to determine when you must make your deposit(s).

### Semi-weekly Deposit Schedule

Day of the Week Wages Paid	Payment Due By
Wednesday, Thursday or Friday	The following Wednesday
Saturday, Sunday, Monday or Tuesday	The following Friday
<i>If the due date falls on a Saturday, Sunday, or a legal holiday, the withholding payment is timely if made on the next banking day.</i>	

### Federal Next Business Day Deposit

When the employer accumulates a federal tax liability of \$100,000 or more on any day during a federal deposit period, the employer must deposit its tax by the close of the next business day. This applies whether the employer is a monthly or semi-weekly schedule depositor.

An Arizona employer whose prior 4 quarter average is more than \$1,500, that must deposit its federal tax by the close of the next business day, must also deposit its Arizona tax by the close of the next business day. If an employer is a monthly depositor, that employer will become a semi-weekly depositor when it incurs a next day deposit obligation. The employer will remain a semi-weekly depositor for the remainder of the calendar year and for the following calendar year.

## General Instructions

You may file a paper Form A1-QRT, or you may file Form A1-QRT electronically. To file Form A1-QRT online, your business must be registered to use [www.AZTaxes.gov](http://www.AZTaxes.gov). To register, visit [www.AZTaxes.gov](http://www.AZTaxes.gov), and click on “Enroll to File and Pay Online.”

When filing and paying online do not file a paper return with the department. If you are using a Payroll Service Company (PSC), that company must file your A1-QRT electronically.

### EIN and Paid Preparer TIN

All withholding returns filed with the department require the employer’s EIN. Paid preparers must provide a taxpayer identification number (TIN). Taxpayers and their paid preparers that fail to include their EIN or 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 of the preparer’s employer; or,
- The preparer’s social security number (SSN).

### What are the due dates for filing Form A1-QRT?

Form A1-QRT is due as follows:

Quarter	Form A1-QRT Due Date	*Form A1-QRT Extended Due Date
1 (January - March)	April 30	May 10
2 (April - June)	July 31	August 10
3 (July - September)	October 31	November 10
4 (October - December)	January 31	February 10

If any due date falls on a Saturday, Sunday or legal holiday, the return will be considered timely if it is filed by the next business day. (See *General Tax Ruling [GTR] 16-1, Timely Filing of Income or Withholding Tax Returns Through the United States Mail* or *GTR 16-2, Timely Filing of Income or Withholding Tax Return – Holidays and Weekends*.)

\*Extended due dates for Form A1-QRT are available to employers who have made every payment on time during the prior quarter. These employers may have 10 additional days in which to file their A1-QRT.

### Filing an amended return

To amend a previously filed Form A1-QRT, check Box A, “Amended Return” and complete the form using your corrected withholding information. Complete Part 5 to explain why you are amended your return.

If you amend a return for a quarter in a prior calendar year, you must also file an amended Form A1-R for that year. Include the state copies of the federal Forms W-2, W-2c, or corrected copies of Forms W-2G and 1099-R with the amended Form A1-R.

### What to do if you close your business

When your business is sold, discontinued, converted to a new form, or all your employees are dismissed, you must notify the department by filing a final return and request the department close your withholding account. Until you request the

department cancel your withholding account, your withholding return(s) will continue to be due.

### Payroll Service Companies

You may use a Payroll Service Company (PSC) to file your Form A1-QRT. If you use a PSC, that company must file your A1-QRT electronically.

### Penalties and Interest

#### Late Filing Penalty

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

#### Late Payment Penalty

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

**NOTE:** *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.

**NOTE:** *If the penalties in both A and B apply, the maximum combined penalty cannot be more than 25%.*

#### Additional Failure to Pay Penalty

We may charge an additional penalty if the amount of tax required to be withheld is not paid by the date set for its payment. This amount may be determined by either the employer or the department. This penalty is 25% (.25) of the amount of tax required to be withheld and paid to the department.

#### Payroll Service Company Penalty

A PSC **must** make withholding payments electronically. A PSC must also file Form A1-QRT electronically. A PSC is subject to a \$25 penalty for each failure to make withholding payments electronically. A PSC is also subject to a \$25 penalty for each failure to file withholding returns electronically. Multiple \$25 penalties could apply to the same client on one return. For example, if Client A is required to make 4 payments in the 3rd quarter, and none of the payments are made electronically, the PSC would be subject to four \$25 penalties, totaling \$100. If the PSC files a paper Form A1-QRT for Client A, the PSC will be charged another penalty of \$25. The PSC would owe a grand total of \$125 in penalties related to Client A for the 3rd quarter.

#### Interest

We charge interest on any tax not paid by the due date. The Arizona interest rate is the same as the federal rate imposed on individual taxpayers.

**Specific Instructions**

**Part 1 - Taxpayer Information**

**Name, Address, Phone Number and Address Change Box**

Type or print the employer's name, address, and phone number in the spaces provided.

If the employer 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.**

**Employer Identification Number (EIN)**

Enter the employer's EIN. If the employer does not have an EIN, it must get one from the Internal Revenue Service.

**Quarter and Year**

Enter the quarter and the year for which Form A1-QRT is being filed. For this purpose, the term "quarter" refers to a calendar quarter based on a calendar year. Each quarter is comprised of three months and each quarter contains the months shown in the following chart.

Quarter	Months in Quarter
1st	January through March
2nd	April through June
3rd	July through September
4th	October through December

**Check Boxes:**

**A. Amended Return**

If this is an amended Form A1-QRT, check Box A, "Amended Return" on page 1. Complete Part 5 to explain why you are amending this return.

If you amend a return for a quarter in a prior calendar year, you must also file an amended Form A1-R for that year. Include the state copies of the federal Forms W-2, W-2c, or corrected copies of Forms W-2G and 1099-R with the amended Form A1-R.

**NOTE:** An amended Form A1-QRT can only be electronically filed through [www.AZTaxes.gov](http://www.AZTaxes.gov) by a PSC or by an employer filing through a registered transmitter. All other employers required to file an amended Form A1-QRT must file a paper return.

**B. Address Change**

If you changed your address since you last filed Form A1-QRT, enter your current address in Part 1 and check Box B, "Address Change."

**C. Final Return**

If this is a final return, check Box C, "Final Return (CANCEL ACCOUNT) to request that the department cancel your withholding account. . Enter the date final wages were paid. Complete Part 6 to indicate the reason for the cancellation. Complete the remainder of your return to report your Arizona income tax withholding liability for the period(s) in which your account was closed.

**NOTE:** You must also file a final Form A1-R. Refer to the instructions for Form A1-R for assistance in filing your final Form A1-R.

**D. Surviving Employer**

If you file this return as the surviving employer and the period(s) covered by this return are for less than three months, check Box D. Also, enter the Predecessor Employer Name and EIN in the spaces provided.

**Line E - Total Arizona Payroll for the Quarter**

Enter the total gross Arizona payroll for this calendar quarter. This is the amount of wages paid to employees who are subject to Arizona withholding.

**Line F - Total Number of Employees paid Arizona Wages for this Quarter**

Enter the number of employees on your payroll for the quarter who received wages, tips, or other compensation this quarter. Include only employees who are subject to Arizona withholding.

This includes:

1. An employee who had Arizona withholding deducted from his or her wages in this calendar quarter; and
2. An employee whose wages were for services performed in Arizona, but the employee filed an election to not have any Arizona withholding deducted from his or her wages.

Do not include annuity recipients, independent contractors or pension recipients.

**Part 2 - Tax Liability Schedule**

Complete section A, Quarterly Deposit Schedule, or section B, Monthly or Semi-Weekly Deposit Schedule. **DO NOT** complete both.

Include all withholding amounts from all sources. Arizona law requires all amounts withheld from pensions and annuities, gambling winnings, unemployment compensation, etc., be treated as if the withholding was from wages paid to an employee. File one Form A1-QRT per EIN for the same quarter for all Arizona income tax withheld regardless of the source of the Arizona withholding.

**Section A**

Complete section A if the average amount of your Arizona tax withheld for the prior 4 quarters was greater than \$200, but not more than \$1,500.

**Line A1**

Enter the tax amount withheld for the quarter on line A1. Also, enter this amount in Part 3, line 1. Do not complete Section B. Continue to Part 3. Do not complete Part 4.

**NOTE:** If you are a monthly depositor and incur a next-day deposit requirement during the quarter, you become a semi-weekly depositor for the remainder of the quarter.

**Section B**

Complete section B if the average amount of your Arizona tax withheld for the prior 4 quarters was greater than \$1,500.

Arizona employers whose prior 4 quarter average of Arizona income tax withheld is more than \$1,500 must pay its Arizona income tax withheld to the department at the same time it pays

its federal income tax withheld, monthly, semi-weekly, or next day.

If you are a semi-weekly depositor, or you incurred a next-day liability, check the box and complete Part 4 before completing Part 2.

Complete Part 4 only for the months in which you had a semi-weekly deposit or had a next-day deposit requirement.

### Lines B1 through B3

Enter the tax amount withheld for each month of the quarter. If you are a semi-weekly depositor, or had a next day liability, enter the amount(s) in Part 4, Schedules A, B, and C on lines B1 through B3.

### Line B4

Total the amounts on lines B1 through B3. Enter the total. This is the total amount withheld for the quarter.

## Part 3 - Tax Computation

### Line 1 - Liability (Arizona Tax Withheld or Amount Required to be Withheld During the Quarter)

#### • Quarterly Depositors

Enter the amount from Part 2, Section A, line A1.

#### • Monthly and Semi-weekly Depositors

Enter the amount from Part 2, Section B, line B4.

### Line 2 - Payments Made for the Quarter

Enter the total amount of payments made for this quarter. If no payments were made prior to filing this return, enter "0".

Do not include any payment that is made with this return (or for this return, if you are making a payment for an amount due for this return).

### Line 3 - Total Amount Due

Subtract the amount on line 2 from the amount on line 1. Enter the difference.

**If line 3 is a positive number, this is the amount of tax due.** You can pay by check, money order, e-check, or credit card. If you owe any penalty or interest, the department will calculate these amounts and mail a billing notice after the return is processed. The entire amount of tax must be paid by the due date of Form A1-QRT.

If you are filing an amended return and that return shows a balance due, enclose the amount due with the amended return, unless the payment must be made by EFT. If payments must be made by EFT, make the payment for the balance due by EFT. The department will send you a bill for any interest or penalty due once the amended return is processed.

**If line 3 is a negative number (an amount less than zero), this is the overpayment for the quarter.** Use a minus sign to indicate a negative amount. After the return is processed and payments are confirmed, the overpayment will be applied to any outstanding liabilities, possibly in another tax type. If the overpayment exceeds the outstanding liabilities or the employer has no outstanding liabilities, a refund check will be issued and mailed to the employer. A refund will not be issued once the overpayment is applied to a liability.

## Payment of Tax, Penalties, and Interest

The entire amount of tax, penalties, and interest is due by the original due date of the return. Employers whose Arizona withholding tax liability for the 2018 calendar year was \$10,000 or more must make Arizona withholding tax payments using EFT. Employers required to make withholding tax payments by EFT must complete the department's electronic funds transfer authorization agreement at least 30 days prior to their first transaction. Go to AZTaxes.gov to register. Click on "Enroll to File and Pay Online." Complete the New User Registration form as directed.

Employers whose Arizona withholding tax liability for the 2018 calendar year was less than \$10,000 may pay by check, e-check, money order, or credit card. Or they may elect to participate in EFT. Participants in the program must complete the department's EFT authorization agreement at least 30 days prior to their first transaction.

**NOTE:** 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.

### Check or Money Order

Make checks payable to Arizona Department of Revenue. Include the employer's EIN on the front of the check or money order. *Include the check or money order with the return.*

### Internet Payments

Employers must be registered with the department before they can pay taxes online. Go to [www.AZTaxes.gov](http://www.AZTaxes.gov) to register and make payments over the Internet.

### Electronic payment from checking or savings account

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. 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.

### 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. 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.

## Part 4 – Semi-Weekly/Next-Day Deposit Schedule

If you checked the box in Part 2, Schedule B, complete Part 4 for each month you are required to make withholding deposits on a semi-weekly schedule or you are required to make a federal next day deposit.

Enter the amount of Arizona withholding tax liability on the day (of the month) the liability was incurred. Do not enter the amount of the withholding payment(s). Enter the total withholding liability for the month on the line labeled "Month 1, 2, or 3."

**EXAMPLE:** *Taxpayer R is a semi-weekly depositor. It incurred an Arizona tax withholding liability on the following dates in January 2019: January 3 - \$1,500; January 17 - \$1,750; and January 31 - \$1,600. In Schedule A, R enters \$1,500 on line 3; R enters \$1,750 on line 17; and R enters \$1,600 on line 31. On the line labeled "Month 1 Liability." R enters the total tax liability for January 2019 - \$4,850. R also enters this amount on Part 2, Schedule B, line B1.*

**Taxpayers With Next-Day Obligations:** If you have a next-day obligation, check the box to the right of the day on which you incurred a next-day withholding obligation. If you do not have a next-day obligation, do not check the box.

**EXAMPLE:** *Taxpayer R incurred an Arizona withholding tax liability on the following dates in February 2019: February 14 - \$2,350, and February 28 - \$1,950. In addition, R incurred a federal next-day obligation on February 14. In Schedule B, R enters \$2,350 on line 14, and checks the box on line 14 to indicate it incurred a next-day liability. R enters its February 28 liability on line 28 and does not check the box on line 28 because it did not incur a next-day liability. R enters its liability for February 2019 - \$4,300 on the line labeled "Month 2 Liability". R also enters this amount on Part 2, Schedule B, line B2.*

## Part 5 - Amended Return Information

If this is an amended return, explain why you are amending Form A1-QRT.

## Part 6 - Reason for Cancellation

### Lines 11 through 16 -

If you checked the Box "C", "Final Return (CANCEL ACCOUNT)", check the box that explains why this is your final return. If the reason is not provided, check "Other" and enter your own explanation.

### Line 17 –

Check the box and provide name and location of your records if they will be kept at a different location from the address you provided in Part 1.

### Line 18 –

Check the box and provide the name and address of the successor employer, if any.

## Who Must Sign Form A1-QRT

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.

Form A1-QRT 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). Enter the paid preparer's TIN, which is the firm's EIN or the individual paid preparer's SSN.



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

Employer Identification Number (EIN)		
Qtr	Year	Amount of Payment
Q	Y Y Y Y	Dollars Cents

Enter Quarter (1, 2, 3, or 4)  
 Four digits of year for which payment is made.

Taxpayer Information
Name
Number and street or PO Box
City or town, state and ZIP Code
Business telephone number (with area code)

<b>REVENUE USE ONLY. DO NOT MARK IN THIS AREA.</b>	
<b>88</b>	
<b>81</b> PM	<b>66</b> RCVD

**IMPORTANT:** Arizona law requires certain taxpayers to make withholding tax payments at the same time as federal withholding deposits are due. Failure to make payment may result in a 25% penalty in addition to other penalties and interest required by law.

Return Top Portion with Payment

- Make check payable to: Arizona Department of Revenue and include EIN on payment.
- Mail top portion with payment to: Arizona Department of Revenue, PO Box 29085, Phoenix, AZ 85038-9085.

Instructions

Employers required to make more than one Arizona withholding payment per calendar quarter use Form A1-WP to transmit Arizona withholding payments to the department. *Employers required to make quarterly withholding payments should not use this form. Employers making withholding payments by electronic funds transfer or on the Internet should not use this form.*

**Internet payments:** Employers that register may make their withholding payments on the Internet with e-check or credit card. There is a fee to pay by credit card. Visit [www.AZTaxes.gov](http://www.AZTaxes.gov) for further information.

**Electronic Funds Transfer (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 regarding electronic funds transfer.

Employers whose Arizona withholding tax liability for calendar year 2018 was \$10,000 or more, and who anticipate their 2019 withholding tax liability to be \$10,000 or more, must make Arizona withholding payments via the electronic funds transfer program. *If the employer makes its withholding payments by electronic funds transfer (EFT), the employer should not submit Form A1-WP to the department.*

**NOTE:** Employers required to make withholding 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).

Employers whose Arizona withholding tax liability for calendar year 2018 was less than \$10,000 may elect voluntary participation in the electronic funds transfer program.

Participants in the Electronic Funds Transfer program must enroll online at [www.AZTaxes.gov](http://www.AZTaxes.gov) at least 30 days prior to the first applicable transaction.

**Taxpayer Information**

Type or print the name, address, and phone number in the boxes in the Taxpayer Information section. 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.**

**Employer Identification Number (EIN)**

Enter the EIN. An EIN can be obtained from the Internal Revenue Service.

**Quarter and Year**

The charts below identify which months or payments are included in each quarter:

For these months:	Enter this number for the quarter:
January, February, March	1
April, May, June	2
July, August, September	3
October, November, December	4

For this payment:	Enter this number for the quarter:
Extension payment for Form A1-APR	4

Enter the quarter from one of the charts above. Enter the four-digit year.

**Amount of Payment**

Enter the amount of payment enclosed.

**NOTE:** Do not submit Form A1-WP if the payment is zero or no payment is enclosed. Do not submit Form A1-WP to list prior payments made during the quarter. Do not submit Form A1-WP for a negative amount (to apply a credit as a payment or to claim a credit as an overpayment).

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**Complete this form only if you file Form A1-QRT.** Arizona Form A1-R is an information return. Do not submit any liability owed or try to claim refunds with this return. To submit additional liability or claim a refund, file amended quarterly withholding tax Form(s) A1-QRT. **Form A1-R is due on or before January 31, 2019.**

**Part 1 Taxpayer Information**

Name	Employer Identification Number (EIN)	
Number and street or PO Box	<b>REVENUE USE ONLY. DO NOT MARK IN THIS AREA.</b> <b>88</b>	
City or town, state and ZIP Code		
Business telephone number (with area code)		
<p><b>Check box if:</b> <b>A</b> <input type="checkbox"/> Amended Return <b>B</b> <input type="checkbox"/> Address Change</p> <p><b>C</b> <input type="checkbox"/> Check this box if return is an early-filed return for calendar year 2019 due to an account cancellation during 2019.</p> <p><b>D</b> <input type="checkbox"/> Check this box if cancellation was due to a merger or acquisition and surviving employer is filing Forms W-2.</p> <p><b>E</b> <input type="checkbox"/> Check this box if this form is being filed by the surviving employer and the amount on line 10 is less than the amount on line 1 because the difference was remitted by the predecessor employer. Also enter the following:                  Predecessor Employer Name..... _____                  Predecessor Employer EIN..... _____</p>		<b>81</b> PM
		<b>66</b> RCVD

**Part 2 Federal Transmittal Information**

1 Total Arizona Tax Withheld per federal Forms W-2, W-2c, W-2G and 1099-R for 2018 .....	1	
2 Total Arizona wages paid to employees for 2018 .....	2	
3 Total number of employees paid Arizona wages in 2018.....	3	
4 Total number of federal Forms W-2, W-2c, W-2G, and 1099-R submitted to the department .....	4	
5 Information Return Penalty .....	5	00

**Part 3 Annual Summary of Amounts Reported on 2018 Arizona Forms A1-QRT**

		Liability Reported
6 First Quarter .....	6	
7 Second Quarter .....	7	
8 Third Quarter .....	8	
9 Fourth Quarter .....	9	
10 Total Annual Withholding Reported .....	10	

**Part 4 Explain Why an Amended Form A1-R is Being Filed (include additional sheet, if necessary)**

\_\_\_\_\_

\_\_\_\_\_

<b>Declaration</b>	Under penalties of perjury, I declare that I have examined this return and to the best of my knowledge and belief, it is a true, complete and correct return.		
<b>Please Sign Here</b>	_____	_____	_____
	TAXPAYER'S SIGNATURE	DATE	BUSINESS TELEPHONE NUMBER
<b>Paid Preparer's Use Only</b>	_____	_____	_____
	PAID PREPARER'S SIGNATURE	DATE	PAID PREPARER'S PTIN
	_____		_____
	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 return to: Arizona Department of Revenue, PO Box 29009, Phoenix, AZ 85038-9009**

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**2018 Arizona Withholding Reconciliation Return**

**For information or help, call one of these numbers:**

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).

**Withholding 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 click on *Reports & Legal Research* then click on *Legal Research* and select a document and a category type from the drop down menus.

**Publications**

To view or print the department's publications, go to our website and click on *Reports & Legal Research*. Then click on *Publications*.

**General Instructions**

**Why is Form A1-R filed?**

Form A1-R is an annual return filed to summarize the total compensation paid and tax withheld for each employee during the calendar year.

**Who Must File Form A1-R**

Employers that file Form A1-QRT must file Form A1-R to reconcile the amount of tax withheld during the year to the amount of tax liability reported during the year.

Form A1-R is also used to transmit federal Forms W-2, W-2c, W-2G (with Arizona withholding) and 1099-R (with Arizona withholding).

**NOTE:** *Employers that file Form A1-APR, Arizona Annual Payment Withholding Tax Return, should not file Form A1-R.*

**IMPORTANT:** *Arizona Form A1-R is an information return. Do not submit any amount(s) owed or try to claim a refund with this return. To pay additional amounts, or claim a refund, file amended quarterly withholding tax Forms A1-QRT.*

**When is Form A1-R Due?**

Period in Which Wages Paid	Form A1-R Due By
January - December	January 31 of the following year
<i>If the due date falls on a Saturday, Sunday, or a legal holiday, the return will be considered timely if filed on the next business day. (See General Tax Ruling [GTR] 16-1, Timely Filing of Income or Withholding Tax Returns Through the United States Mail, or GTR 16-2, Timely Filing of Income or Withholding Tax Return – Holidays and Weekends.)</i>	

**Filing Original Returns**

File this form only on a calendar year basis.

If a paper Form A1-R is filed, attach federal Forms W-2, W-2c, W-2G (with Arizona withholding) and 1099-R (with Arizona withholding) to Form A1-R.

If Form A1-R is filed electronically, use Form A1-T to transmit federal Forms W-2, W-2c, W-2G (with Arizona withholding), and 1099-R (with Arizona withholding).

If you cancelled your withholding account during 2019, you may use this form to file your final reconciliation for 2019 before its normal due date of January 31, 2020. If you are filing an early return for 2019, check the box to indicate that this is an early return for 2019.

**Extension of Time to File a Return**

You may apply for a 30-day extension of time to file Form A1-R. When asking for an extension, you must show good cause. You must file the extension request as soon as you know that you need an extension. The extension request must be mailed on or before January 31. For details on how to request an extension, see WTP 11-1, *Procedure for Requesting Extension of the Filing Deadline for Annual Withholding Tax Returns*.

If you are filing under an extension, include a copy of the extension with Form A1-R.

**Filing Amended Returns**

If this is an amended Form A1-R, check the "Amended Return" box. Enter the amended amounts in all areas of the form, and explain why an amended return is being filed in Part 4. Include amended federal Forms W-2, W-2c, W-2G, and/or 1099-R with the amended return.

**What to do if you close your business**

When your business is sold, discontinued, converted to a new form, or all your employees are dismissed, you must notify the department by filing a final return and request the department close your withholding account. Until you request the department cancel your withholding account, your withholding return(s) will continue to be due.

**To file your final A1-R:**

- Check Box C if you are submitting this form during calendar year 2019 due to an account cancellation during 2019.
- Check Box D if you are cancelling your withholding account due to a merger or acquisition and the surviving employer is filing Forms W-2.
- Complete the remainder of the return to report your Arizona income tax withholding liability for the year in which your account was closed.

Include state copies of Forms W-2, W-2c, W-2G (with Arizona withholding), and 1099-R (with Arizona withholding).

**Penalties**

This form is an information return. The penalty for failing to file, filing late (including extensions) or filing an incomplete return is \$100 for each month or fraction of a month, that the failure continues. The maximum penalty is \$500.

**Sending Federal Forms W-2, W-2c, W-2G (with Arizona withholding), and 1099-R (with Arizona withholding) to the Department**

An employer may send Forms W-2, W-2c, W-2G (with Arizona withholding), and 1099-R (with Arizona withholding) to the department by attaching paper copies or optical media to Form A1-R.

**NOTE:** Only Forms 1099-R that indicate Arizona income tax was withheld are required to be submitted to the department.

If the employer is filing a paper Form A1-R, it must send federal Forms W-2, W-2c, W-2G, and 1099-R (either paper copies or optical media) to the department with Form A1-R.

If the employer is electronically filing Form A1-R, it must send federal Forms W-2, W-2c, W-2G, and 1099-R (either paper copies or optical media) to the department using Form A1-T.

**NOTE:** If you filed Form A1-R electronically, do not include a paper copy of Form A1-R with the CD/DVD containing optical media. Instead, submit the CD/DVD with Form A1-T.

### Optical media

Label the CD-ROM or DVD (CD/DVD) with the employer's name, Employer Identification Number (EIN), calendar year and Form W-2 or Form 1099 (or both, whichever applies). If the CD/DVD is password protected, note that on the label and indicate the email address from which you will be sending the password to the department. Email the password separately to MediaLibrarian@azdor.gov. Include "Form W-2" or "Form 1099" (or both, whichever applies) in the subject line of the email. In the body of the email, include the same information that is on the CD/DVD label.

### The department will not return or copy any CD/DVD.

Employers submitting the information on CD/DVD should secure the CD/DVD in a hard case and include it with Form A1-R or Form A1-T.

For more details on sending in federal forms using optical media, see the department's publication, Pub. 701, *Optical Media Reporting*.

**CAUTION:** The employer submits the CD/DVD at its own risk. If the department cannot access the information on the CD/DVD for any reason, the employer may need to provide the information again.

## Specific Instructions

### Part 1 – Taxpayer Information

- All returns, statements, or other documents filed with the department must have the taxpayer's Employer Identification Number (EIN) or taxpayer identification number (TIN) indicated on them.
- Taxpayers who fail to include their EIN or TIN may be subject to a penalty.
- Paid tax return preparers must include their TIN where requested.
- The TIN for a paid tax return preparer is:
  - The preparer's PTIN;
  - The EIN of the preparer's employer; or
  - The individual preparer's social security number (SSN).
- Paid tax return preparers who fail to include their TIN may be subject to a penalty.

### Employer Information

Enter the employer's name, EIN, address, and telephone number in the spaces provided.

If the employer 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 Boxes:

#### A. Amended Return

If this is an amended Form A1-R, check Box A, "Amended Return". Explain why you are amending the return in Part 4. Include the corrected copies of Forms W-2, W-2c, W-2G (with Arizona withholding), and 1099-R (with Arizona withholding) with your amended Form A1-R.

#### B. Address Change

If you had an address change since you last filed Form A1-R, check Box B, "Address Change" and enter your current address in Part 1.

#### C. Early-Filed Return

Check Box C if you cancelled your withholding account during 2019 and are filing your final return during 2019.

#### D. Cancellation Due to Merger or Acquisition

Check Box D if you cancelled your withholding account due to a merger or acquisition and the surviving employer is filing Forms W-2.

#### E. Surviving Employer is Filing Form A1-R

Check Box E if Form A1-R is being filed by the surviving employer and the amount on line 1 is less than the amount on line 10 because the difference was remitted by the predecessor employer. Also, enter the predecessor employer name and EIN in the spaces provided.

## Part 2 – Federal Transmittal Information

### Line 1 –

Enter the total Arizona income tax withheld from Arizona wages paid to employees for 2018. This amount must be the same as shown on federal Forms W-2, W-2c, W-2G, or 1099-R.

### Line 2 –

Enter the total Arizona wages paid to employees for 2018.

### Line 3 –

Enter the number of employees paid Arizona wages in 2018.

### Line 4 –

Enter the total number of federal Forms W-2, W-2c, W-2G, or 1099-R submitted to the department.

### Line 5 –

Form A1-R 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 employer files this return after its due date (including extensions), enter the amount of the penalty on this line. Payments of the penalty can be made by check or money order, e-check, or credit card.

## Tax Payments

### Electronic Funds Transfer (EFT)

Employers whose Arizona withholding tax liability for the 2017 calendar year was \$20,000 or more must make Arizona withholding tax payments using EFT. Employers required to

make withholding tax payments by EFT must complete the department's electronic funds transfer authorization agreement at least 30 days prior to their first transaction. Go to AZTaxes.gov to register. Click "Enroll to File and Pay Online." Complete the New User Registration form as directed.

Employers whose Arizona withholding tax liability for the 2017 calendar year was less than \$20,000 may pay by check, e-check, money order, or credit card. Or they may elect to participate in EFT. Participants in the program must complete the department's EFT authorization agreement at least 30 days prior to their first transaction.

**NOTE:** 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.

#### Check or Money Order

Make checks payable to Arizona Department of Revenue. Include the employer's EIN on the front of the check or money order. *Include the check or money order with the return.*

#### Internet Payments

Go to www.AZTaxes.gov to register or to make payments over the Internet.

#### Electronic payment from checking or savings account

Payments can be made electronically from a checking or savings account. Go to www.AZTaxes.gov 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. 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.

#### Credit card payment

Payments can be made by American Express, Discover, MasterCard, or Visa credit cards. Go to www.AZTaxes.gov and choose the credit card option. This will take you to the website of the credit card payment service provider. 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.

### Part 3 - Annual Summary of Amounts Reported on 2018 Arizona Forms A1-QRT

#### Lines 6 through 10 –

On lines 6 through 9, enter the amount of tax reported on Form A1-QRT for each quarter. Add the amounts on lines 6 through 9 and enter the total on line 10. The amount entered on line 10 should equal the amount reported on line 1.

If you are filing Form A1-R as a surviving employer (as a result of a merger or acquisition), and the amount on line 1 is more than the amount on line 10 because amounts were remitted by the prior employer, check the box near the top of

Form A1-R to indicate that. Also, enter the name and EIN of the predecessor employer in the space provided.

### Part 4 – Explain Why an Amended Form A1-R is Being Filed

If this is an amended return, explain why you are amending Form A1-R.

#### Underpayment of Tax for 2018

If you find that you have underpaid your tax for 2018, you must file an amended Form A1-QRT for each quarter for which there was an underpayment.

You must send in a separate payment with each amended Form A1-QRT. The department will calculate the amount of interest and any applicable penalties and send a billing notice after the amended return is processed.

#### Overpayment of Tax for 2018

If you find that you have overpaid your tax for 2018, you must file an amended Form A1-QRT for each quarter for which there was an overpayment.

An overpayment will first be applied to any unpaid tax. This may include tax due for another tax type. If the overpayment is more than any unpaid tax, or if the employer does not have an unpaid balance of tax, a refund will be issued. A refund will not be issued once the overpayment is applied to a tax liability.

#### Where to Mail Form A1-R

Mail Form A1-R along with Forms W-2, W-2c, W-2G (with Arizona withholding), and 1099-R (with Arizona withholding) to:

Arizona Department of Revenue  
PO Box 29009  
Phoenix, AZ 85038-9009

### Who Must Sign Form A1-R

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.

Form A1-R 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). Enter the paid preparer's TIN, which is the firm's EIN or the individual paid preparer's SSN.

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Name		Employer Identification Number	
Address – number and street or rural route			
City or Town		State	ZIP Code

Number of Arizona employees: \_\_\_\_\_

- Election is hereby made to not withhold Arizona taxes from compensation paid to employees during the month of December 2019, and certification is made that all employees have been notified of this and given the option of completing a new Arizona Form A-4 to change the withholding election for the rest of the year.

I certify that I am authorized to make and have made the election marked above.

\_\_\_\_\_  
SIGNATURE

\_\_\_\_\_  
PHONE NUMBER (with area code)

\_\_\_\_\_  
DATE

### General Instructions

#### Purpose of Form A1-E

Form A1-E is to be used by Arizona employers to elect to **not** withhold Arizona taxes from compensation paid to employees during December. If you make this election, it applies to **all** employees.

#### Action Required

- Notify all your employees in writing, informing them of your election to not withhold Arizona taxes from their December 2019 wages and informing them that they can, if they wish, complete Arizona Form A-4 to adjust their Arizona withholding election to compensate for the change in their annual withholding amount.
- Complete Form A1-E and mail it by July 1, 2019. **You only need to submit one Form A1-E for all employees.**

#### Deadline

Form A1-E must be filed and all employees notified by July 1, 2019.

#### Where to Mail Form A1-E

Mail Form A1-E to:

**OFFICE OF ECONOMIC RESEARCH AND ANALYSIS  
ARIZONA DEPARTMENT OF REVENUE  
PO BOX 29099  
PHOENIX, AZ 85038-9099**

#### Duration of this Election

This election is valid for December 2019 only.

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Type or print your Full Name		Your Social Security Number	
Home Address – number and street or rural route			
City or Town		State	ZIP Code

**Choose either box 1 or box 2:**

- 1** Withhold from gross taxable wages at the percentage checked (**check only one percentage**):
- 0.8%   
  1.3%   
  1.8%   
  2.7%   
  3.6%   
  4.2%   
  5.1%
- Check this box and enter an extra amount to be withheld from each paycheck ..... \$
- 2** I elect an Arizona withholding percentage of zero, and I certify that I expect to have no Arizona tax liability for the current taxable year.

I certify that I have made the election marked above.	
SIGNATURE	DATE

**Employee's Instructions**

Arizona law requires your employer to withhold Arizona income tax from your wages for work done in Arizona. The amount withheld is applied to your Arizona income tax due when you file your tax return. The amount withheld is a percentage of your gross taxable wages from every paycheck. You may also have your employer withhold an extra amount from each paycheck. Complete this form to select a percentage and any extra amount to be withheld from each paycheck.

**What are my "Gross Taxable Wages"?**

For withholding purposes, your "gross taxable wages" are the wages that will generally be in box 1 of your federal Form W-2. It is your gross wages less any pretax deductions, such as your share of health insurance premiums.

**New Employees**

Complete this form within the first five days of your employment to select an Arizona withholding percentage. You may also have your employer withhold an extra amount from each paycheck. If you do not file this form, the department requires your employer to withhold 2.7% of your gross taxable wages.

**Current Employees**

If you want to change your current amount withheld, you must file this form to change the Arizona withholding percentage to change the extra amount withheld.

**What Should I do With Form A-4?**

Give your completed Form A-4 to your employer.

**Electing a Withholding Percentage of Zero**

You may elect an Arizona withholding percentage of zero if you expect to have no Arizona income tax liability for the current year. Arizona tax liability is gross tax liability less any tax credits, such as the family tax credit, school tax credits, or credits for taxes paid to other states. If you make this election, your employer will not withhold Arizona income tax from your wages for payroll periods beginning after the date you file the form. Zero withholding does not relieve you from paying Arizona income taxes that might be due at the time you file your Arizona income tax return. If you have an Arizona tax liability when you file your return or if at any time during the current year conditions change so that you expect to have a tax liability, you should promptly file a new Form A-4 and choose a withholding percentage that applies to you.

**Voluntary Withholding Election by Certain Nonresident Employees**

Compensation earned by nonresidents while physically working in Arizona for temporary periods is subject to Arizona income tax. However, under Arizona law, compensation paid to certain nonresident employees is not subject to Arizona income tax withholding. These nonresident employees need to review their situations and determine if they should elect to have Arizona income taxes withheld from their Arizona source compensation. Nonresident employees may request that their employer withhold Arizona income taxes by completing this form to elect Arizona income tax withholding.

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# Employer's Instructions for the Employee's Arizona Withholding Election

## Arizona Form A-4

### For information or help, call one of these numbers:

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).

### Withholding 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 click on *Reports & Legal Research* then click on *Legal Research* and select a document and a category type from the drop down menus.

### Publications

To view or print the department's publications, go to our website and click on *Reports & Legal Research*. Then click on *Publications*.

Arizona employers are required to make Form A-4 available to employees at all times and to inform them of Arizona's withholding election options.

Arizona income tax withholding is a percentage of gross taxable wages. "Gross taxable wages" is the amount that meets the federal definition of "wages." Generally, it is the amount included in box 1 of the employee's federal Form W-2 at the end of the calendar year.

Employees elect the percentage of their gross taxable wages they wish to be withheld. They may also elect to have an extra amount withheld from each paycheck.

### COMPLETING ARIZONA FORM A-4

- All employees are required to complete Form A-4.
- New employees must complete Form A-4 within 5 days of employment. If the employee fails to complete the form, the employer must withhold 2.7% of the employee's wages until the employer receives a completed Form A-4 from that employee.
- Current employees must complete an updated Form A-4 to elect a different Arizona withholding percentage or to change any extra amount to be withheld from his or her paycheck.
- An employee may elect an Arizona withholding percentage of zero if that employee expects to have no Arizona income tax liability for the current taxable year.
  - o If an employee makes this election, his or her employer will not withhold Arizona tax from his or her paycheck for all payroll periods beginning after the date of the employee's election.
  - o Each employee claiming to be exempt from Arizona withholding must renew this election annually.
- A qualifying nonresident employee may use Form A-4 to elect to have a percentage of his or her wages withheld to be applied to his or her Arizona income tax liability.

### EMPLOYMENT REQUIRING WITHHOLDING

*Withholding tax shall be deducted from the compensation of:*

- Wages paid to an Arizona resident whose compensation is for services performed within this state.
- Wages paid to a nonresident employee who is in this state solely for athletic or entertainment purposes.

- Wages paid to part-time or seasonal agricultural employees whose principal duties are operating any mechanically-driven device in such operations.
- Wages paid to a non-resident who is in this state for 60 or more days in a calendar year for the purpose of performing a service that will benefit the employer or a related entity.

### EMPLOYMENT FOR WHICH WITHHOLDING MAY BE ELECTED

- A nonresident Arizona employee in this state for less than 60 days may elect to have Arizona withholding amounts subtracted from his or her paycheck and the employer must withhold tax based on the employee's election to do so.
- An out of state business may elect to withhold tax from the nonresident employee before the 60 day limitation has elapsed.

### EMPLOYMENT EXCLUDED FROM WITHHOLDING

**NOTE:** *An employee exempted from withholding tax may not be exempted from paying Arizona income tax.*

*No withholding amount shall be deducted from:*

- Wages paid to an employee of a common carrier when that employee is a nonresident of Arizona and regularly performs services inside and outside the state.
- Wages paid for domestic service in a private home.
- Wages paid for casual labor not in the course of the employer's trade or business.
- Wages paid for part-time or seasonal agricultural labor whose services to the employer consist solely of labor in connection with the planting, cultivating, harvesting or field packing of seasonal agricultural crops.
- Wages paid to a nonresident of Arizona who is solely in this state on a temporary basis for the purpose of performing disaster recovery from a declared disaster during a disaster period.
- Wages paid to a nonresident of Arizona engaged in any phase of motion picture production, if the employer applies for an exemption from the withholding provisions, and the department determines that the nonresident would be allowed a credit for taxes paid to his or her state of residency or domicile.
- Wages paid to a nonresident of Arizona who is:
  - o An employee of an individual, fiduciary, partnership, corporation, or limited liability company having property, payroll and sales in this state, or of a related entity having more than fifty percent direct or indirect common ownership.
  - o Physically present in this state for less than sixty (60) days in a calendar year for the purpose of performing a service that will benefit the employer or the related entity. For purposes of determining the number of days of service in this state, days spent in the following activities are not included:
    - In transit
    - Engaging in personal activities
    - Participating in training or professional development activities or attending meetings that are not directly connected to the Arizona operations of the employer or related entity.

A “related entity having more than 50 percent direct or indirect common ownership” means that the related entities are more than 50 percent owned by the same interests. The following examples demonstrate three different situations in which the nonresident employee performs services in Arizona for less than 60 days during the calendar year.

**Example 1:**

Corporation A is the U.S. domestic parent of Corporation B, a wholly owned foreign subsidiary corporation. Corporation A has property, payroll and sales in Arizona. Corporation B operates in China. It has no Arizona property, payroll and sales. R is an employee of B and is not a resident of Arizona. R perform services for B in Arizona for 45 days during calendar year 2018.

**Example 2:**

Corporation F, based in California, is the common parent of Corporation W. Corporation F does not have property, payroll and sales in Arizona. Corporation W has property, payroll, and sales in Arizona. L is an employee of F and is not an Arizona resident. L performs services for F in Arizona for 55 days during calendar year 2018.

**Example 3:**

D owns 60 percent of Corporation K and 51 percent of Corporation S. N owns 40 percent of Corporation K and 49 percent of Corporation S. Corporation S has property, payroll and sales in Arizona. Corporation K is based in California and has no Arizona property, payroll, and sales. T is an employee of K and is not a resident of Arizona. T performs services for K in Arizona for 35 days during calendar year 2018.

Type or print your Full Name			Your Social Security Number
Home Address – number and street or rural route			Annuity Contract Claim or I.D. Number
City or Town	State	ZIP Code	Telephone Number (with area code)

**Check either box 1 or box 2:**

- 1** I elect to have Arizona income taxes withheld from my annuity or pension payments as authorized by A.R.S. § 43-404. Withhold from the taxable amount of distribution at the percentage checked (**check only one percentage**):
- 0.8%       1.3%       1.8%       2.7%       3.6%       4.2%       5.1%
- Check this box and enter an extra amount to be withheld per distribution..... \$
- 2** I elect to terminate my prior election for voluntary Arizona income tax withholding from my annuity or pension payments as authorized by A.R.S. § 43-404.

I certify that I have made the election marked above.

---

SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_

**General Instructions**

**Who May Use Form A-4P**

You may use this form to request Arizona income tax withholding if you receive regularly scheduled payments from pensions or annuities that are included in your Arizona gross income from any of the following:

- Retired or retainer pay for service in the military or naval forces of the United States,
- Payments received under the United States civil service retirement system from the United States government service retirement and disability fund,
- Pensions,
- Traditional Individual Retirement Accounts, or
- Any other annuity.

You may NOT elect to have Arizona income tax withheld from the following:

- Any payments NOT received at regular intervals (non-periodic payments),
- Lump sum distributions,
- Roth Individual Retirement Account distributions,
- Veteran's Administration annuities, or
- Railroad Retirement pensions.

**Where to Mail Form A-4P**

Mail Form A-4P to the payor of your annuity or pension. Do not mail Form A-4P to the Arizona Department of Revenue.

**Duration of Voluntary Arizona Withholding Election**

The payor of your pension or annuity will withhold Arizona income tax from your payments until you notify the payor to change or terminate Arizona withholding.

**How to Terminate a Voluntary Arizona Withholding Election**

You may terminate your voluntary Arizona withholding election at any time. You may use Form A-4P to terminate Arizona withholding or you may send a written notice to the payor of your pension or annuity requesting termination of withholding.

**Statement of Income Tax Withheld**

The payor of your pension or annuity will provide you with a statement listing the total amount of your pension or annuity payments and the total amount of Arizona income tax withheld from these payments for the calendar year 2019. You will receive this statement from the payor of your pension or annuity early in 2020.

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Type or print your Full Name		Your Social Security Number	
Home Address – number and street or rural route			
City or Town	State	ZIP Code	

**Check either box 1 or box 2:**

- 1** I am an Arizona resident employed outside of Arizona. I elect to have Arizona income taxes withheld from my compensation paid for services performed outside of Arizona for my employer as authorized by A.R.S. § 43-408. Withhold from gross taxable wages at the percentage checked (**check only one percentage**):
- 0.8%     1.3%     1.8%     2.7%     3.6%     4.2%     5.1%
- Check this box and enter an extra amount to be withheld per paycheck..... \$
- 2** I am an Arizona resident employed outside of Arizona. I elect to terminate my prior election for voluntary Arizona income tax withholding from my compensation paid for services performed outside of Arizona for my employer.

I certify that I have made the election marked above.

---

EMPLOYEE'S SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_

**General Instructions**

**Who May Use Form A-4V**

Arizona Form A-4V is for Arizona resident employees who are performing work outside of Arizona. Use this form to request that your employer withhold Arizona income taxes from your wages for work done outside of Arizona. This amount is applied to your Arizona income tax due when you file your return. Your employer is not required by statute to grant your request.

If your employer agrees to withhold Arizona income tax from your wages, Arizona withholding is a percentage of your gross taxable wages of every paycheck. You may also have your employer withhold an extra amount from each paycheck.

**What are my "Gross Taxable Wages"?**

For withholding purposes, "gross taxable wages" are the wages from each paycheck that will generally be in box 1 of your federal Form W-2. It is your gross wages less any pretax deductions, such as your share of health insurance premiums.

**What Should I do With Form A-4V?**

Complete this form to request that your employer withhold Arizona income tax from your wages and elect an Arizona withholding percentage and any additional amount to be withheld from each paycheck. Give your completed form to your employer.

**Employer Certification**

\_\_\_\_\_, the employer of an Arizona resident,  
(NAME OF EMPLOYER – COMPANY OR INDIVIDUAL)

\_\_\_\_\_, whose compensation is for services performed outside of Arizona,  
(EMPLOYEE'S NAME)

has agreed to withhold Arizona income taxes from the employee's compensation as authorized by A.R.S. § 43-408. As stated in A.R.S. § 43-408(B), the employer understands and agrees that the employer and the employee are subject to the provisions of Chapter 4 of Title 43 of the Arizona Revised Statutes, as if the employer were required to withhold Arizona income taxes from such compensation.

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SIGNATURE OF OFFICER, SOLE PROPRIETOR, OR AGENT \_\_\_\_\_ TITLE \_\_\_\_\_ DATE \_\_\_\_\_

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## 2019 Employee Withholding Exemption Certificate

**For information or help, call one of these numbers:**

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).

**Withholding 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 click on *Reports & Legal Research* then click on *Legal Research* and select a document and a category type from the drop down menus.

**Publications**

To view or print the department's publications, go to our website and click on *Reports & Legal Research*. Then click on *Publications*.

### Why is Form WEC Used?

Your employer must withhold Arizona income tax from your wages that you earn while working in Arizona. Tax must be withheld unless your wages are exempt from withholding.

Wages paid to certain people are exempt from Arizona withholding. People who are earning these types of wages use Form WEC to let their employer know to not withhold.

### Who May Use Form WEC?

You may use Form WEC if you are a:

- Qualified Native American;
- Qualified Military Spouse;
- Qualified Arizona Nonresident.

**NOTE:** Do not use Form WEC to make a zero withholding election. You must make this election on Form A-4.

#### Native Americans

If you are a Native American, your wages are exempt from Arizona withholding if you:

1. Live on the reservation;
2. Work on that reservation;  
AND
3. Are an affiliated and enrolled member of the tribe for which that reservation was established.

Any wages earned off the reservation for work done in Arizona are subject to Arizona withholding.

For more details see the department's ruling, ITR 96-4, *Income Taxation of Indians and Spouses*.

#### Military Spouses

The federal Military Spouses Residency Relief Act provides tax relief for qualifying spouses. Under this Act, wages earned in Arizona by a qualifying spouse are not deemed to be income for work done in Arizona. Those wages are exempt from Arizona withholding.

If you are married to a servicemember and you earn wages in Arizona, those wages are exempt from Arizona withholding if:

1. Your spouse is a member of the armed forces and is in Arizona in compliance with military orders;
2. You are in Arizona solely to be with your spouse;  
AND
3. You maintain a domicile in another state, which is the same state that is the domicile of your spouse.

For more details, see the department's publication, Pub. 705, *Spouses of Active Duty Military Members*.

#### Nonresidents

If you are a nonresident working in Arizona, you may claim an exemption from Arizona income tax withholding if you are:

1. A resident of one of the following states:  
California, Indiana, Oregon, or Virginia;  
AND
2. Allowed to claim a tax credit against your Arizona tax for taxes paid to your state of residence on Form 140NR filed for the year.

For more details about how to claim this tax credit, see Arizona Form 309, *Credit for Taxes Paid to Another State or Country*.

### When Should I Complete Form WEC?

You should complete Form WEC as soon as you qualify for the exemption. Give the completed Form WEC to your employer.

To keep your exemption from year to year, you must file a new Form WEC at the beginning of each calendar year. You must also provide required documentation with each annual Form WEC.

### Will I Have to File an Arizona Income Tax Return if I am Exempt from Arizona Withholding?

Even though your wages may be exempt from Arizona tax withholding, you may still have to file an Arizona income tax return.

#### Native Americans

If you have any wages or other income earned off the reservation you may be subject to Arizona income tax on that income. If you are subject to Arizona income tax and you meet the Arizona filing requirements, you will need to file an Arizona income tax return.

For more details, see the department's income tax ruling ITR 96-4, *Income Taxation of Indians and Spouses*.

#### Military Spouses

If you or your spouse have any other income subject to Arizona income tax and you meet the Arizona filing requirements, you will need to file an Arizona income tax return. See Arizona Form 140NR for more details.

**Nonresidents**

You will have to file Arizona Form 140NR, if you meet the Arizona filing requirements. For complete details, see Arizona Form 140NR.

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**Part 1 - Native American Withholding Exemption**


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Complete Part 1 if you are claiming the exemption because you are a qualifying Native American. Skip Parts 2, 3 and 4.

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**Part 2 - Nonresident Military Spouse Withholding Exemption**


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Complete Part 2 if you are claiming the exemption because you are a qualifying spouse of a military member. Skip Parts 1, 3 and 4.

You must give your employer a copy of your military spouse identification and your spouse's last Leave and Earnings Statement (LES).

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**Part 3 - Nonresident Withholding Exemption**


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Complete Part 3 if you are claiming the exemption because you are a qualifying nonresident. Skip Parts 1, 2 and 4.

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**Part 4 - Termination**


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If your situation changes and you no longer qualify for the withholding exemption, complete a new Form WEC to let your employer know.

Complete Part 4. Skip Parts 1, 2 and 3. Also, complete Arizona Form A-4 to elect a withholding percentage. Give both the completed Form WEC and Arizona Form A-4 to your employer so that your employer can start to withhold the proper amount of Arizona tax from your wages.

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**Part 5 - Signatures**


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**Employee**

You must sign the completed Form WEC to certify that you are entitled to the exemption you are claiming.

**Employer**

You must sign the completed Form WEC to certify that you:

1. Have looked at any required documents;
2. Confirm that the employee is working on the reservation named in Part 1, if the employee is claiming the exemption under Part 1.

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**Where to File Form WEC**


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**Employee**

Give the completed Form WEC to your employer. Be sure to keep a copy for your records.

**Employer**

Keep the completed Form WEC and any required attachments for your records. **Do not** send a copy of the completed Form WEC to the department. You will only need to provide a copy to the department if we request it.

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