

# 2023 Small Business Income Tax Return (Nonresidents)

## Arizona Form 140NR-SBI

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

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

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

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

### Income Tax Procedures and Rulings

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website select the *About* tab on the home page and select *Legal Research* from the drop-down menu and then click on *Procedures* or *Rulings* from the drop-down menu. Using the Category box, select the tax type and then scroll down to find the *Document ID* or use the *Search Keyword* function to locate the document.

### Publications

To view or print the department's publications, go to our website select the *About* tab on the home page and select *Legal Research* from the drop-down menu and then click on *Publications* from the drop-down menu.

**e-file**

Leave the Paper Behind - **e-file!**

- Quicker Refunds
- Accurate
- Proof of Acceptance
- Free \*\*

No more paper, math errors, or mailing delays when you **e-file!** Get your refund quicker with direct deposit.

**E-file** today and pay by April 15, 2024 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, check out our website at [www.azdor.gov](http://www.azdor.gov).

**AVOID PROCESSING DELAYS: Are you mailing your Arizona Small Business income tax return? If you are mailing your return to the department, you must include Form 140NR-SBI with your Form 140NR, when filed. See the mailing instructions for Form 140NR for assembly order (form sequence) information.**

**NOTE: If you made any 2023 estimated tax payments for the 140NR-SBI tax return and are not electing to report small business income on the 140NR-SBI return for tax year 2023, you must file a zero "0" 2023 140NR-SBI return to claim any overpayment from the 2023 estimated taxes. The overpayment shown on the 140NR-SBI tax return will be applied against any tax liability (TAX DUE) shown on the personal income tax return (Form 140NR). After netting the two returns, the department will either issue a refund or bill the taxpayer for any remaining tax due, if applicable.**

If you do not file a zero 140NR-SBI return to claim only the overpayment from estimated taxes, the processing of the SBI overpayment may be delayed along with any application to your personal income tax liability shown on the return.

### How do I file a zero "0" 140NR-SBI tax return?

1. Complete all information on lines 1, 2 and 3.
2. Select filing status in Box 95
3. On the following lines, enter "0".
  - Line 10, Total Small Business Income
  - Line 27, Subtotal
  - Line 50, Arizona Small Business Taxable Income
  - Line 52, Small Business Income Tax
  - Line 54, Subtotal of Tax
  - Line 56, Balance of Tax
4. Amounts must be entered on the following lines
  - Enter the total amount of estimated tax payments made on Form 140ES-SBI or through AZTaxes.gov during 2023 tax year on line 59c (box 59a) – Estimated Tax Payments.
  - Line 57c (box 57a) - Estimated Tax Payments
  - Line 60: Total Payments
  - Line 62 - Overpayment
  - Line 64 - Balance of Overpayment
  - Line 67: Refund
5. Sign and date the return. If you paid someone to prepare your tax return, that person must also sign and date the return.
6. Include Form 140NR-SBI return with your timely filed personal income tax return.

**If form is not complete or calculation lines are left blank, processing your return may be delayed.**

### Who Can Use Form 140NR-SBI?

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

An individual's SBI is reported on federal Schedules B, C, D, E, F and Form 4797 (for amounts not included on Schedule D).

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

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

Taxpayers make the election by simply completing Form 140NR-SBI reporting their small business income and including the completed form with their Arizona Form 140NR, *Resident Personal Income Tax Return*, when filed. If you do not timely file Form 140NR-SBI with your Form 140NR, your election will be denied **and the subtraction on your Form 140NR will be disallowed.**

***If you are electing to report your small business income on Form 140NR-SBI, be sure to check the box on line 28 (28S) on Form 140NR. If you are not making the election, do not check box 28S or enter an amount on line 28 on Form 140NR.***

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

## What if a Taxpayer Died?

If a taxpayer died before filing a return for 2023, the taxpayer's spouse or personal representative may have to file and sign a return for that taxpayer. A personal representative can be an executor, administrator, or anyone who is in charge of the deceased taxpayer's property.

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

### Claiming a Refund for a Deceased Taxpayer

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

If you are claiming a refund on Form 140NR for a deceased taxpayer, you must also complete Arizona Form 131, *Claim for Refund on Behalf of Deceased Taxpayer*. Place Form 131 behind the last page of Form 140NR. Place Form 131-SBI behind the last page of Form 131-SBI. See the form sequence at the end of the instructions for completing Form 140NR.

## What are the Filing Dates and Penalties?

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

### When Should You File?

**NOTE:** *Your small business income tax return (Form 140NR-SBI) must be timely filed (including extension). If you do not file Form 140NR-SBI timely, your election will be denied and the subtraction on your Form 140NR will be disallowed.*

Your small business tax return's due date is the same as the due date for your Form 140NR. Your 2023 calendar year small business tax return is due no later than midnight, April 15, 2024. File your return as soon as you can after January 1, 2024, but no later than April 15, 2024 **to timely file your 2023 tax return.**

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

## What if You Cannot File on Time?

You may request an automatic 6-month extension if you know you will not be able to file on time. If you request an extension to file your 2023 calendar year tax return, your due date is October 15, 2024 **to timely file your 2023 tax return.**

***If you file Form 204 requesting an extension for your Form 140NR, it will also apply to Form 140NR-SBI. Do not file a separate extension request for Form 140NR-SBI.***

***Only use Form 204-SBI to make an extension payment for Form 140NR-SBI.***

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

## To get a filing extension, you can either

- Apply for a state extension (Arizona Form 204). To apply for a state extension, file Form 204 by April 15, 2024. See Form 204 for details. You do not have to include a copy of the extension with your return when you file, but make sure that you check box **82F** (above your name) on page 1 of the return. If you must make an extension payment, use Arizona Form 204-SBI, or visit [www.AZTaxes.gov](http://www.AZTaxes.gov) to make an electronic payment.
- Use your federal extension (federal Form 4868). File your Arizona return by the same due date. You do not have to include a copy of your federal extension with your return, but make sure that you check box **82F** (above your name) on page 1 of the return.

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

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

## What if You File or Pay Late?

### Late Payment Penalty

If you pay your small business income tax liability late, we will charge you interest and penalties on the amount you owe. If the U.S. Post Office postmarks your 2023 calendar year return by April 15, 2024, your return will not be late. You may also use certain private delivery services designated by the Internal Revenue Service (IRS) to meet the "timely mailing as timely filed" rule. For more information, see "*Mailing Your Return*" at the end of these instructions.

### Late Filing Penalty

You must file Form 140NR-SBI timely along with your Form 140NR by the original due date (including valid extensions). If you file Form 140NR-SBI late, your small business election will be denied and the return rejected. In addition, the subtraction on Form 140NR return will be disallowed.

In this case, no late filing penalty will be assessed on your small business income tax return. However, the late filing penalty may still be assessed on your Form 140NR return if it was filed late.

If you file your Form 140NR late, we will charge you a late filing penalty on your Form 140NR. This penalty is 4½% (.045) of the tax required to be shown on the return for each month or fraction of a month the return is late. This penalty cannot exceed 25% (.25) of the tax found to be remaining due.

### Late Payment Penalty

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

### Underpayment of Estimated Tax Penalty

If an individual who fails to make the required small business income estimated tax payments is subject to penalty on any estimated tax payment that is late or underpaid. See Form 221-SBI for more information.

### Extension Underpayment Penalty

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

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

### Interest

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

### When Should You Amend a Return?

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

If either of the following applies, file Form 140X-SBI.

- You are changing any amount originally reported on Form 140NR-SBI or latest amended return.
- You are rescinding your election to report small business on Form 140NR-SBI.

If you amend your small business income tax return, you are required to amend your Form 140NR, using Form 140X. For more information, see the instructions for Form 140X.

**If you amend your federal return changing amounts originally reported on federal Schedules B, C, D, E, F and Form 4797 for any year, you must also file an Arizona Form 140X-SBI and 140X for that year.**

If the IRS makes a change to your federal taxable income for any year, you must report that change to Arizona. You must file Form 140X-SBI and 140X within 90 days of the final determination of the IRS. You may use one of the following two options to report this change.

#### Option 1

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

#### Option 2

You may file a copy of the final federal notice with the department within 90 days of the final determination of the IRS.

If you choose this option, you must include a statement in which you must:

1. Request that the department recompute your tax on Forms 140NR-SBI and 140NR; **and**
2. Indicate if you agree or disagree with the federal notice.

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

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

### Do You Need to Make Arizona Estimated Payments For the Small Business Tax Return in 2024?

**NOTE:** *If you will be filing a zero "0" tax return for tax year 2024 only reporting an overpayment of any 2024 estimated/extension payments made you are not required to make estimated small business tax payments for tax year 2024.*

Taxpayers are required to make small business income estimated tax payments if the small business income liability will exceed \$1,000 (small business income tax less allowable tax credits). Taxpayers must pay 90% of current or 100% of

last year's tax liability. The 100% of last year exception only applies if a taxpayer filed a small business income tax return in the prior year.

See Form 140ES-SBI, page 2 to determine if you are required to make estimated tax payments in 2024.

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

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

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

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

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

---

## Line-by-Line Instructions

---

### Tips for Preparing Your Return

- You must complete your federal return before you can start your Arizona small business income tax return.
- Make sure that you enter your Social Security Number (SSN) on your return that you entered on your Form 140NR.
- Complete your return using black ink. If you are married filing a joint return, make sure that you enter your spouse's SSN entered on Form 140NR.
- You **must** round dollar amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down. Do not enter cents.
- If you are mailing your return, see mailing instructions for Form 140NR for the assembly order.
- Make sure you include your daytime telephone number.
- If filing a fiscal year return, fill in the period covered.

---

## Entering Your Name, Address, and SSN

---

### Lines 1, 2, and 3

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

Enter your name, address, and SSN in the space provided as reported on Form 140NR. If you are filing a joint return, enter your SSNs in the same order as your first names. If your name appears first on the return, make sure your SSN is the first number listed.

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

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

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

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

### Foreign Addresses

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

### Identification Numbers for Paid Preparers

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

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

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

### Box 3a - Injured Spouse Protection of Joint Overpayment

Check box 3a **only** if you and your spouse are filing a joint return **and** you or your spouse qualify as an injured spouse and are requesting protection from application of any joint overpayment against the other spouse's delinquencies or debts for back child support, court fees, and fees to counties, cities or educational institutions. **The taxpayer (spouse) requesting injured spouse protection must have made estimated payments on Form 140NR-SBI.**

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

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

---

## Determining Your Filing Status – Line 95 (Boxes 95a through 95d)

---

The filing status that you use on your Arizona small business income tax return (Form 140NR-SBI) must be the same filing status used on your Form 140NR. For information on determining your filing status, see the instructions for Form 140NR.

- Check box 95a if you are married and filing a joint return.
- Check box 95b if you are married and filing a separate return.
- Check box 95c if you are filing as Head of Household.
- Check box 95d if you are filing as single.

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

## **Totaling Your Income**

**NOTE:** *As an Arizona nonresident, only include amounts that are from Arizona sources on lines 4 through 9.*

### **Lines 4 through 9**

You must complete your federal return (Schedules B, C, D, E, F and Form 4797) before you enter an amount on lines 4 through 9. You must complete a 2023 federal return to determine your federal adjusted gross income, even if you are not filing a federal return.

Arizona uses federal Schedules B, C, D, E, F and Form 4797 as a starting point to determine your Arizona small business taxable income and the adjustment taken on Form 140NR, line 28.

**NOTE:** *You must complete lines 4 through 10 on Form 140NR-SBI to determine the amount to enter Form 140NR, line 28.*

### **Line 4 – Federal Schedule B**

Enter the amount of your interest and ordinary dividends income reported on your federal Schedule B and included in federal adjusted gross income.

### **Line 5a – Federal Schedule C**

Enter the amount of your profit or loss from business reported on your federal Schedule C and included in federal adjusted gross income.

### **Line 5b**

Enter your NAICS code shown on your Federal Schedule C. If you have more than one Schedule C, enter the NAICS code from Schedule C with highest gross receipts.

### **Line 6 – Federal Schedule D**

Enter the portion of net capital gains or losses that are included in federal schedule D and federal adjusted gross income (FAGI) that are from the sale of an ownership interest in a non-publicly traded entity or the disposition of capital assets used in connection with a trade or business activity (including goodwill and going concern value). All other capital gains or losses that were included in FAGI should be reported on Form 140NR.

### **Line 7a – Federal Schedule E**

Enter the amount of supplemental income and loss reported on your federal Schedule E and included in federal adjusted gross income.

**NOTE:** *The amount entered on line 7a should equal the sum of lines 7b through 7f.*

### **Line 7b – Rental Real Estate, Royalties**

Enter the total amount from income or loss from rental real estate and royalties reported on your federal Schedule E, Part I and included in federal adjusted gross income.

### **Line 7c – Income or Loss from Partnerships and S Corporations**

Enter the total amount of partnership and S Corporations income or loss reported on your federal Schedule E, Part II and included in federal adjusted gross income.

### **Line 7d – Income or Loss from Estates and Trusts**

Enter the total amount of estate and trusts income or loss reported on your federal Schedule E, Part III and included in federal adjusted gross income.

### **Line 7e – Income or Loss from Real Estate Mortgage Investment Conduits (REMICs)**

Enter the total amount of REMIC income or loss reported on your federal Schedule E, Part IV and included in federal adjusted gross income.

### **Line 7f – Income or Loss from Farm Rental**

Enter the total amount of farm rental income or loss from federal form 4835 that is reported on your federal Schedule E, Part V and included in federal adjusted gross income.

### **Line 8 – Federal Schedule F**

Enter the amount of profit or loss from farming that is reported on federal Schedule F and included in federal adjusted gross income.

### **Line 9 – Federal Form 4797**

Enter the amounts reported on federal Form 4797 that are not reported on federal Schedule D. These amounts are reported on federal Schedule 1. Enter only those amounts reported on federal Schedule 1 and included in federal adjusted gross income.

### **Line 10 - Total Small Business Income**

Add lines 4, 5a, 6, 7a, 8 and 9. Enter the total.

*Total amount entered on line 10 is also reported on Form 140NR, line 28.*

### **Additions to Income**

**NOTE:** *As an Arizona nonresident, only include amounts that are from Arizona sources on lines 11 through 25.*

### **Line 11 - Fiduciary Adjustment**

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

Line 3 of Form 141AZ Schedule K-1(NR) shows your share of the fiduciary adjustment from the estate or trust. If the amount reported on line 3 of your Form 141AZ Schedule K-1(NR) is a positive number, enter that amount on line 11.

**NOTE:** *If the amount reported on line 3 of your Form 141AZ Schedule K-1(NR) is a negative number, enter that amount on line 33.*

### **Line 12 - Partnership Income Adjustment**

Complete line 12 if you received an Arizona Form 165 Schedule K-1(NR) and line 3 shows a difference between federal and state distributable income. If the difference

reported on line 3 of your Form 165 Schedule K-1(NR) is a positive number, enter that difference as an addition on line 12.

**NOTE:** *If the difference reported on line 3 of your Form 165 Schedule K-1(NR) is a negative number, enter the difference on line 37.*

### Line 13 - Total Federal Depreciation

Enter the total amount of depreciation deducted on your federal return. If you make an entry here, you should also take a subtraction on line 36. To figure how much you should subtract, see the instructions for line 36.

### Line 14 - Net Capital (Loss) from Exchange of One Kind of Legal Tender for Another Kind of Legal Tender

**NOTE:** *Only claim the addition on this return if the net capital loss to which the addition relates to the Arizona Small Business Income Tax Return.*

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

Enter the amount of any net capital (loss) included in line 6 for the taxable year that is derived from the exchange of one kind of legal tender for another kind of legal tender.

**NOTE:** *If the amount from all sources results in a net capital gain from the exchange of one kind of tender for another kind of tender, enter that amount on line 35.*

For the purposes of this paragraph:

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

"Specie" means coins having precious metal content.

### Line 15 – Claim of Right Adjustment for Small Business Amounts Repaid in 2023

**NOTE:** *For lines 15, 16 and 22; if the income required to be paid back under the claim of right is the type of income that would be included in lines 4 through 9 if the income was reported in 2023, make this adjustment here. All other claim of right adjustments should be made on 140NR return, page 5.*

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

- During 2023, you were required to repay amounts held under a claim of right.
- The amount required to be repaid during 2023 was more than \$3,000.
- You took a deduction for the amount repaid on your 2023 federal income tax return.

If the above apply, include the amount deducted on your federal income tax return. For more information on the Arizona claim of right provisions, see the department's procedure,

ITP 16-1, *Procedure for Individuals Who Restore Substantial Amounts Held under a Claim of Right.*

### Line 16 – Claim of Right Adjustment for Small Business Amounts Repaid in Prior Years

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

- During a year prior to 2023, you were required to repay small business income amounts held under a claim of right.
- You computed your tax for that prior year under Arizona's claim of right provisions.
- A net operating loss or capital loss was established due to the repayment made in the prior year.
- You are entitled to take that net operating loss or capital loss carryover into account when computing your 2023 Arizona taxable income.
- The amount of the loss carryover included in your federal income is more than the amount allowed to be taken into account for Arizona purposes.

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

### Line 17 – Agricultural Water Conservation Expenses Related to the Tax Credit claimed on Arizona Form 312

If you are claiming a credit on Arizona Form 312 on Form 301-SBI, enter the amount expenses related to the tax credit claimed. See Credit Form 312 for more information.

### Line 18 – Addition to S Corporation Income Due to Claiming Pass-Through Credit on Form 312

Shareholders of an S corporation who claim a credit passed through from an S corporation on Form 301-SBI must make an addition to income for the amount of expenses disallowed by reason of claiming the credit.

An S Corporation that passes the following credits through to its shareholders must notify each shareholder of their *pro rata* share of the adjustment. You must include an amount on this line when claiming the Agricultural Water Conservation System Credit (Form 312). See Credit Form 312 for more information.

### Line 19 - Depreciation or Amortization Related to the Tax Credits Claimed on Arizona Forms 315 and 325

If you claimed these tax credits, you must adjust your depreciation or amortization computed under the internal revenue code with respect to property for which a credit was taken under either section 43-1081.01 (credit 325) *before taxable year 2022* or that is pollution control equipment for which a credit was taken *before taxable year 2022* (315) that exceeds the amount of depreciation or amortization computed pursuant to the internal revenue code on the Arizona adjusted basis of the property.

### Line 20 - Basis Adjustment for Property Claimed as a Credit on Forms 315 and 325 that is Sold or Disposed of During the Tax Year

You must make an adjustment for the amount by which the adjusted basis computed under the internal revenue code with respect to property for which a credit was claimed under



section 43-1081 (Credit 315) *before taxable year 2022* or 43-1081.01 (Credit 325) for which a credit was taken *before taxable year 2022* and that is sold or otherwise disposed of during 2023 exceeds the adjusted basis of the property computed under section 43-1081 (Credit 315) or 43-1081.01 (Credit 325).

**Line 21 - Basis Adjustment for Property Claimed as a Credit on Form 338 that is Sold or Disposed of During the Tax Year**

If you claim this credit for an investment in a qualified small business, you must adjust your basis in the investment by the amount of the credit claimed. You must report this difference in basis on the Arizona return that you file for the taxable year in which you sell or otherwise dispose of the investment. If you sold or otherwise disposed of the investment during the 2023 taxable year, include the amount by which the adjusted basis computed under the IRC with respect to that property exceeds the adjusted basis of the property computed under A.R.S. § 43-1074.02.

**Line 22 - Adjustment for Net Operating Loss due to Claim of Right**

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

**Line 23 – Americans with Disabilities Act – Access Expenditures**

If a subtraction is taken on line 47, for the full amount of eligible business access expenditures paid or incurred during the taxable year to comply with the Americans with Disabilities Act of 1990 or A.R.S Title 41, chapter 9, article 8; you must make an addition to Arizona gross income for any amount that is included in the computation of federal adjusted gross income for the current year, plus any federally amortized amounts.

**Line 24 - Entity-Level Income Tax Payment**

If you are claiming the income tax credit on Form 355, *Credit for Entity-Level Income Tax Paid on Your Behalf from a Partnership and/or an S Corporation*, you must add the amount deducted by the partnership and/or S Corporation for the amount of Arizona income tax paid on your behalf in 2023.

Enter the total amount of tax paid shown on:

- Arizona Form 165, Schedule K-1(NR), Part 8, lines 24 to 27.
- Arizona Form 120S, Schedule K-1(NR), Part 6, lines 22 to 25.

**NOTE:** Enter the tax amount **actually paid** by the Partnership or S Corporation **in 2023**. Tax amounts paid in 2024 for tax year 2023 will be added-back on your 2024 tax return. These payments include any 4<sup>th</sup> QTR estimated taxes paid in January 2024 and any 2024 tax payments made with the Entity's tax return on your behalf.

**Line 25 - Sole Proprietorship loss of an AZ Nonprofit Medical Marijuana Dispensary included in Schedule C.**

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

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

**Line 26 – Credit for Motion Picture Production Costs (Form 334)**

If you are claiming a credit on Form 334, *Credit for Motion Picture Production Costs*, you must make an adjustment (addition) to your Arizona gross income for the amount of any motion picture production costs that was deducted pursuant to the Internal Revenue Code (IRC) for which a tax credit is claimed on Form 334.

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

**Line 27 - Subtotal**

Add lines 10 through 26. Enter the total

**Subtractions from Income**

**NOTE:** As an Arizona nonresident, only include amounts that are from Arizona sources on lines 28-50.

**Lines 28 through 32**

For lines 28-32; **only** include capital gains or (losses) from Arizona sources on these lines if the capital gain or (loss) was included in line 6.

**NOTE:** If you enter an amount on line 28, you must complete lines 29 and 30. If you are taking a subtraction on line 32 for any net long-term capital gain from assets acquired after December 31, 2011, you must also complete line 31. If you do not complete lines 28 through 31, you cannot take the subtraction on line 32.

You may subtract 25% (.25) of any net long-term capital gain included in your federal Schedule D from small business income and included in line 6 that is derived from an investment in an asset acquired after December 31, 2011.

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

**NOTE:** If you do not have any net capital gain or (loss) to report, enter zero, "0" on lines 28-30.

**Line 28 - Total Net Capital Gain or (Loss)**

Enter the amount included in line 6.

**Line 29 - Total Net Short-Term Capital Gain or (Loss)**

Enter the total amount of net short-term capital gain or (loss) included in line 6

**NOTE:** *If you are not required to report dividend distributions and/or short-term capital gains from mutual funds on federal Form Schedule D, do not include the short-term capital gain distributed by the mutual fund on line 29.*

**Line 30 - Total Net Long-Term Capital Gain or (Loss)**

Enter the total amount of net long-term capital gain or (loss) included in line 6.

If your net long-term capital gain (loss) is limited to an amount reported on Form 1099-DIV and you were not required to complete federal Schedule D, enter the amount shown on Form 1099-DIV on line 30.

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

**NOTE:** *Only include net long-term capital gains on this line if it can be verified that the small business income asset was acquired after December 31, 2011. If the date of acquisition cannot be determined, the asset is considered to have been acquired before January 1, 2012. For purposes of this line, an asset acquired by gift or inheritance is considered acquired on the date it was acquired by the gift-giver or the deceased individual.*

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

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

**Line 32 - Net Long-Term Capital Gain Subtraction From Income for Assets Acquired After December 31, 2011.**

Multiply the amount on line 31 by 25% and enter the result.

**CAUTION:** *If you take a subtraction for the net capital gain derived from investment in a qualified business (line 34) or the net capital gain from the exchange of one kind of legal tender for another kind of legal tender (line 35), that includes any long-term capital gain from an investment made after December 31, 2011 you cannot include that portion in your computation of the allowable subtraction on line 31 for any net long-term capital gain from assets acquired after December 31, 2011 and included in line 6. For more information, see the worksheet at the end of these instructions.*

**NOTE:** *1099-DIV: If Form 1099-DIV did not include the acquisition date of each asset sold within the fund, you cannot verify that the long-term capital gain was from an asset acquired by the Fund was after December 31, 2011 for the purpose of the allowable subtraction on line 31. In this case, you may want to contact the Fund Administrator and request to obtain the acquisition date of each asset sold within the fund.*

*If the Administrator does not provide you with the specific date(s), then those assets cannot be included on line 31.*

*1099-B: Form 1099-B generally includes your purchase date of the fund including acquisition dates of assets included in your portion of the fund when reporting short-term or long-term capital gains or (losses). In this case, you would know the specific date the asset was acquired and those assets may be included on line 31.*

**Line 33 - Fiduciary Adjustment (Negative) from Arizona Form 141AZ K-1**

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

Line 3 of Form 141AZ Schedule K-1(NR) shows your share of the fiduciary adjustment from the estate or trust. If the amount reported on line 3 of your Arizona Form 141AZ Schedule K-1(NR) is a negative number, enter the amount on line 33.

**NOTE:** *If the amount reported on line 3 of your Arizona Form 141AZ Schedule K-1(NR) is a positive number, enter that amount on line 11.*

**Line 34 - Net Capital Gain from Investment in an Arizona Qualified Small Business**

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

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

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

On line 34, enter the amount of the allowable subtraction.

**Line 35 - Net Capital Gain from the Exchange of One Kind of Legal Tender for Another Kind of Legal Tender**

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

Enter the amount of any **net** capital gain included in line 6 for the taxable year that is derived from the exchange of one kind of legal tender for another kind of legal tender.



**NOTE:** *If the amount from all sources results in a net capital (loss) from the exchange of one kind of tender for another kind of tender, enter that amount on 14*

For the purposes of this subtraction:

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

"Specie" means coins having precious metal content.

### Line 36 - Recalculated Arizona Depreciation

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

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

**For assets placed in service during taxable years beginning from and after December 31, 2012 through December 31, 2013,** the amount of the subtraction for these assets depends on the method used to compute the depreciation for these assets.

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

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

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

Add all of the amounts together and enter the total on line 36.

### Line 37 – Partnership Income Adjustment)

Use this adjustment if you received an Arizona Form 165 Schedule K-1(NR), line 3 that shows a difference between federal and state distributable income.

If the difference reported on line 3 of your Arizona Form 165 Schedule K-1(NR) is a negative number, enter that difference on line 36. **Do not include a minus sign or use parentheses.**

**NOTE:** *If the difference reported on line 3, of your Arizona Form 165 Schedule K-1(NR), is a positive number, enter that amount on line 12.*

### Line 38 - Interest on U.S. Obligations

Enter the amount of interest income from U.S. Government obligations included as income on your federal return. U.S. Government obligations include obligations such as savings bonds and treasury bills. You cannot deduct any interest or other related expenses incurred to purchase or carry the obligations. If such expenses are included in your Arizona gross income, you must reduce the subtraction by such expenses.

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

**NOTE:** *Do not subtract interest earned on Fannie Mae (FNMA) or Ginnie Mae (GNMA) bonds since this interest is taxable by Arizona. For details, see the department's ruling, ITR 06-1, Obligations of the United States Government, Federal Agencies, and United States Territories.*

Do not subtract any amount received from a qualified pension plan that invests in U.S. Government obligations. Do not subtract any amount received from an IRA that invests in U.S. Government obligations. These amounts are not interest income. For details, see the department's rulings, ITR 96-2, *Pension Plan Distributions Derived from Investment in U.S. Government Obligations*; and ITR 96-3, *Distributions Comprised of Income Earned by the IRA*.

### Line 39 - Net Operating Loss Adjustment For Losses incurred in 2008 or 2009

Arizona did not adopt the special federal net operating loss rules for losses incurred during 2008 or 2009. For Arizona purposes, you must deduct a net operating loss as if the loss was computed under IRC §172 in effect prior to the enactment of those special rules. If you made an election to deduct your 2008 or 2009 federal net operating loss under IRC § 172(b)(1)(H), you may have to enter an amount here. Figure how much of the net operating loss carry forward would have been allowed as a deduction on your 2023 federal income tax return, if the election described in IRC § 172(b)(1)(H) had not been made in the year of the loss. Enter the amount that exceeds the actual net operating loss carry forward that was deducted in arriving at federal adjusted gross income.

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

**Line 40 – Basis Adjustment for Property Sold or Otherwise Disposed of During the Tax Year**

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

**Line 41 – Claim of Right Adjustment for Amounts Repaid in Prior Years**

You may subtract the income required to be paid back under the claim of right that is included in lines 4 through 9 if the income was reported in 2023.

**Line 42 - Sole Proprietorship Income of an Arizona Nonprofit Medical Marijuana Dispensary Included in Federal Adjusted Gross Income**

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

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

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

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

**Line 43 - Sole Proprietorship – Marijuana Establishment, Testing Facilities and Dual Licensees that Elected to Operate on a for-profit Basis**

**NOTE:** *A sole proprietorship that takes the allowable subtraction for the income of an Arizona Nonprofit Medical Marijuana Dispensary (NMMD) on line 42, cannot take this allowable subtraction.*

A Sole Proprietorship or disregarded LLC that operates a marijuana establishment, marijuana testing facility, or dual licensee that elects to operate on a for-profit basis, enter the **total amount of ordinary and necessary expenses** reported on **Arizona Schedule DFE, Disallowed Federal Expense Schedule for Marijuana Establishments, line 16. Include this schedule with your tax return, when filed.**

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

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

**Line 44 - S Corporation Shareholders – Marijuana Establishment, Testing Facilities and Dual Licensees that Elected to Operate on a For-profit Basis**

Enter the amount of your pro-rata share of ordinary and necessary expenses related to the sales of recreational use products as shown on your Form 120S Schedule K-1(NR), line 20.

**Line 45 – Amount of Wages or Salaries Paid or Incurred During the Tax Year and Used to Claim Certain Federal Tax Credits**

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

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

If you received any of the above federal tax credits for 2023, include the portion of wages or salaries you paid or incurred during the taxable year equal to the amount of those federal tax credits you received.

**Line 46 - Exploration Expenses Deferred before January 1, 1990**

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

**Line 47 - Americans with Disabilities Act – Access Expenditures**

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

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

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

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

#### **Line 48 - Agricultural Crops Given to Arizona Charitable Organizations**

Arizona law allows a subtraction for qualified crop gifts made during 2023 to one or more charitable organizations. To take this subtraction, **all** of the following must apply:

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

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

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

#### **Line 49 – Virtual Currency and Non-Fungible Tokens**

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

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

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

#### **Line 50 - Gas Fees or Non-Fungible Token Basis**

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

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

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

#### **Line 51 - Arizona Small Business Taxable Income**

Subtract lines 32 through 50 from line 27. If less than zero, enter "0".

#### **Line 52 - Small Business Income Tax**

Multiply line 51 by 2.5% (.025) and enter the result.

#### **Line 53 - Tax From Recapture of Credits From Arizona Form 301-SBI**

Enter the amount of tax due from recapture of the credits from Arizona Form 301-SBI, Part 2, line 24.

#### **Line 54 – Subtotal of Tax**

Add lines 52 and 53. Enter the total.

#### **Line 55 - Nonrefundable Credits from Arizona Form 301-SBI**

Complete line 55 if you claim any of the following credits. Also make sure that you complete and include Form 301-SBI and the appropriate credit form or forms with your return.

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

You may qualify for this credit if you incurred qualified research expenses for research conducted in Arizona. Use Form 308-I- to figure this credit. Be sure to include **only** the nonrefundable portion on Form 140NR-SBI, line 55.

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

You may qualify for this credit if you paid tax to Arizona and another state or country on the same income. Use Form 309-SBI to figure your credit.

##### **Agricultural Water Conservation System Credit**

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

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

##### **Agricultural Pollution Control Equipment Credit**

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

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

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

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

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

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

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

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

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

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

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

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

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

Compute your credit(s) on the appropriate form(s). Complete Arizona Form 301-SBI and enter the amount from Form 301-SBI, Part 2, line 44, on Form 140NR-SBI, line 55. The total amount of credits on line 55 cannot reduce your tax below zero. These credits are nonrefundable credits.

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

#### **Line 56 - Balance of Tax**

Subtract line 55 from line 54. If line 55 is greater than line 54, enter "0".

#### **Line 57 – (Boxes 57a and 57b and Line 57c) 2023 Estimated Tax Payments and Claim of Right**

**Box 57a:** Enter the amount of 2023 small business income estimated tax payments made for tax year 2023.

**Box 57b:** If you completed an *Arizona Claim of Right-Individual tax* form, enter the amount from line 8.

If you completed more than one claim of right form for the current taxable year, add all amounts on line 8 and enter the total in box 57b.

**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 57c:** Add box 57a and box 57b. Enter the total amount on line 57c.

#### **Line 58 - 2023 Arizona Extension Payment (Form 204-SBI)**

Use this line to report the payment you sent with your 2023 small business income extension payment (Form 204-SBI) or the electronic extension payment you made using [www.AZTaxes.gov](http://www.AZTaxes.gov).

#### **Line 59 – Refundable Credits**

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

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

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

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

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

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

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

**Credit for Motion Picture Production Costs (Arizona Form 334)**

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

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

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

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

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

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

If you are claiming more than one of the refundable tax credits, check the appropriate boxes and add the amounts from the credit forms together and enter the total on line 56. You may use the table to figure the amount to enter on line 59.

2023 - Refundable Credit Worksheet	
1. Enter the refundable credit from Form 308-I, Part 7, line 38.	
2. Enter the refundable credit from Form 334, Part 1, line 6.	
3. Enter the refundable credit from Form 349, Part 8, line 20.	
4. Add the amounts on lines 1, 2 and 3. Enter the total here and on line 59.	

**Line 60 - Total Payments and Refundable Credits**

Add lines 57c, 58 and 59. Enter the total.

**Figuring Your Tax Due or Overpayment**

**Line 61 - Tax Due**

If line 56 is larger than line 60, subtract line 60 from line 56 and enter the amount of tax due. Skip lines 62, 63 and 64.

**Line 62 - Overpayment**

If line 60 is larger than line 56, subtract line 56 from line 60 and enter the difference. Complete lines 63 and 64.

**Line 63 - Amount of Line 62 to be Applied to 2024 Estimated Tax**

If you want all or part of your overpayment applied to next year's estimated taxes, enter that amount on line 63.

**NOTE:** *If you apply any of the amount shown on line 62 to 2024, you cannot use that amount to pay any tax that is later found to be due for 2023. You also may not claim a refund for that amount until you file your 2024 return.*

**Line 64 - Balance of Overpayment**

Subtract line 63 from line 62 to determine your overpayment balance.

**Line 65 - Estimated Payment Penalty**

**NOTE:** *Do not complete Arizona Form 221-SBI, Underpayment of Estimated Tax for Small Business Income, if the amount on Form 140NR-SBI, line 60 is more than the amount on Form 140NR-SBI, line 56.*

You must have made Arizona Small Business Income estimated tax payments during 2023 if:		
Your filing status is:	AND Your Arizona Small Business gross income for 2022 is greater than:	AND Your Arizona Small Business gross income for 2023 is greater than:
Single	\$75,000	\$75,000
Married filing joint	\$150,000	\$150,000
Married filing separate	\$75,000	\$75,000
Head of Household	\$75,000	\$75,000

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

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

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

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

If you report as a farmer or fisherman for federal purposes, you were not required to make estimated payments during 2023 if the following apply:

- *You are a calendar year filer.* You file your Arizona return by March 1, 2024. You pay in full the amount stated on your return as owed.
- *You are a fiscal year filer.* You file your Arizona return by the first day of the third month after the end of your fiscal year. You pay in full the amount stated on your return as owed.

**If the above applies, check Box 662 on line 66 and do not complete Form 221-SBI.**

**Line 66 (Boxes 661, 662 and 663)**

**Box 661:** check if any of the following applies to you:

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

**Box 662:** check if you are an individual who for federal purposes reports as a farmer or fisherman.

**Box 663:** check if you completed and are including Form 221-SBI.

**Figuring Your Refund or Amount Owed**

**Line 67 - Refund**

Subtract line 65 from line 64. Enter your refund on line 67 and skip line 68. If less than zero "0" enter amount owed on line 68.

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

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

**Direct Deposit of Refund**

Complete the direct deposit line if you want us to directly deposit the amount shown on line 67 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 67A if the direct deposit will ultimately be placed in a foreign account. If you check box 67A, do not enter your routing or account numbers. If this box is checked, we will not direct deposit your refund. We will mail you a check instead.*

**Why use Direct Deposit?**

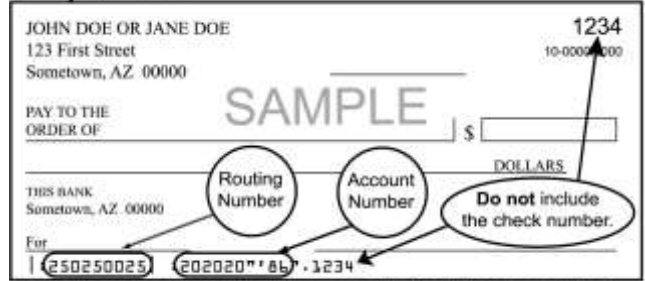
- You will get your refund fast - even faster if you e-file!
- Payment is more secure - there is no check to get lost.
- It is more convenient - no trip to the bank to deposit your check.
- It saves tax dollars. A refund by direct deposit costs less to process than a check.

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

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

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

**Sample Check**



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

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

**Account Number**

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

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

**Line 68 - Amount Owed**

Add lines 61 and 65. Enter the amount you owe on line 68. You may pay the amount owed only with a check or money order, electronic check, direct debit through your software vendor or credit card.

**Check or money order**

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

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

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



## Electronic payment from your checking or savings account

You can make an electronic payment from your checking or savings account to pay your balance due for 2023. There is no fee to use this method. To make an electronic payment, go to [www.AZTaxes.gov](http://www.AZTaxes.gov) and click on the "Make a Payment" link.

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

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

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

## Credit card payment

You can pay with your American Express, Discover, Visa, or MasterCard. Go to [www.AZTaxes.gov](http://www.AZTaxes.gov) and click on the "Make a Payment" link, and choose the credit card option. This will take you to a third-party vendor site (provider). The provider **will charge** you a convenience fee based on the amount of your tax payment. The provider will tell you what the fee is during the transaction; you will have the option to continue or cancel the transaction. If you complete the credit card transaction, you will receive a confirmation number. **Please keep this confirmation number as proof of payment.**

## Installment payments

If you cannot pay the full amount shown on line 68 when you file, you may request to make monthly installment payments. All payment arrangements for individual income can be made online at [www.AZTaxes.gov](http://www.AZTaxes.gov), please select the "Request A Payment Plan" option under the Individual Income section." If you cannot pay the full amount shown on line 68, you will be charged interest and may be charged a late payment penalty on the tax not paid by April 15, 2024. To limit the interest and penalty charges pay as much of the tax as possible when you file your return.

## Sign Your Return

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

If a paid preparer completes the return for you, the paid preparer must also sign the return and provide the paid preparer information listed in the Signature box on page 2 of the return.

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

## Mailing Your Return

**NOTE: DO NOT MAIL THIS RETURN SEPARATELY.** *If you are mailing your return to the department, you must include Form 140NR-SBI with your Form 140NR, when filed. See the mailing instructions for Form 140NR for assembly order (form sequence) information.*

## Instructions Before Mailing

- **Do not staple your return. Do not staple any documents, schedules, or payment to your return.**
- Make sure your **NAME** and **SSN** are legible on the return.
- Be sure you enter your daytime telephone number in box 94 on page 1 of your return.
- Check to make sure that your math is correct. A math error can cause delays in processing your return.
- Make sure you filled in all required boxes.
- If you requested a filing extension, make sure that you check box **82F** (above your name) on page 1 of both the 140NR-SBI and 140NR tax returns.
- Sign your return and have your spouse sign, if filing jointly.
- Write your SSN and tax year on the front of your check or money order. Include your payment with your return.
- **Do not** include correspondence with your return.
- **Include this return with your Arizona Form 140NR.**

## Where Should I Mail my return?

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

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

## Make Sure You Put Enough Postage on the Envelope

The U.S. Post Office or United States mail service must postmark your return or extension request by midnight April 15, 2024.

The term "United States mail" includes any private delivery service designated by the United States Secretary of the

Treasury pursuant to IRC § 7502(f) and the term “postmark” includes any date recorded or marked by any such designated delivery service.

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

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

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

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

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

For more information, see the department’s ruling, GTR 16-1, *Timely Filing of Income or Withholding Tax Returns Through the United States Mail*.

---

## How long to keep your return

---

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

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

In some cases, the limitation period is longer than four years. The period is six years from when you file a return if you under report the income shown on that return by more than 25% (.25). The department can bring an action at any time if a return is false or fraudulent, or if you do not file a return. To find out more about what records you should keep, get federal Publication 552.

---

## Where is My Refund?

---

You can check on your refund by visiting [www.azdor.gov](http://www.azdor.gov) or [www.AZTaxes.gov](http://www.AZTaxes.gov) and clicking on “Where’s my refund?” or you may call one of the numbers listed on page 1 of these instructions. Before you call, be sure to have a copy of your 2023 tax return on hand. You will need to know your SSN, your filing status, and your 5-digit ZIP Code.

---

## Contacting the Department

---

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

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

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

2023 Original return       2023 Amended return

**IMPORTANT**

*Only include a subtraction on this return if the net capital gain to which the subtraction relates is included on this return.*

- If you cannot determine the acquisition date of an asset, including mutual funds, the long-term capital gain from that asset does not qualify for the allowable subtraction. For the purpose of the allowable subtraction, these assets are considered to have been acquired before January 1, 2012.
- An asset acquired by gift or inheritance is considered acquired on the date it was acquired by gift-giver or the deceased individual.
- If you receive Form(s) 165 Schedule K-1 from a partnership, 120S Schedule K-1 from an S Corporation or 141AZ Schedule K-1 from an estate or trust, be sure to include those qualifying net long-term capital gain amounts in your computation.

**Do not include any short-term capital gains or (losses) in this worksheet.**

1.	Enter the total net long-term capital gain or (loss) from assets acquired after December 31, 2011 and included on page 1, line 6 of Form 140NR-SBI.....			00
2.	Enter the amount of net long-term capital <b>(loss)</b> derived from the exchange of one kind of legal tender for another kind of legal tender from assets acquired after December 31, 2011, and included on Form 140NR-SBI, line 14.....		00	
3.	Enter the amount of net long-term capital <b>gain</b> derived from investment in qualified small business from assets acquired after December 31, 2011 and included in the subtraction on Arizona Form 140NR-SBI, line 34.....		00	
4.	Enter the amount of net long-term capital <b>gain</b> derived from the exchange of one kind of legal tender for another kind of legal tender from assets acquired after December 31, 2011, and included on line 35.....		00	
5.	(Line 1 + line 2) minus (line 3 + line 4). Enter the difference.....			00

- If the amount on line 5 is positive, you have a net long-term capital gain from assets acquired *after* December 31, 2011. Enter the amount on Form 140NR-SBI, line 31.
- If the amount on line 5 is zero or negative, you do not qualify to take the allowable subtraction. Enter "0" on Form 140NR-SBI, line 31.