



## This booklet contains:

- Small Business Income Tax Forms



### CAUTION

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

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

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

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# QUICK AND EASY ACCESS TO TAX HELP AND FORMS



## PERSONAL COMPUTER

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

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



## PHONE

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

## Did You Know?

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

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

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

## WALK-IN SERVICE

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



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

We have offices at the following locations:

### Phoenix

1600 West Monroe Street  
Phoenix, AZ 85007

### Tucson

400 West Congress Street  
Tucson, AZ 85701

### Forms Only:

#### Mesa

55 North Center Street  
Mesa, AZ 85201

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

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# VOLUME 1 CONTENTS

## Individual Tax Forms

Highlights	Individual Income Tax - Highlights .....	1
131	Claim for Refund on Behalf of Deceased Taxpayer.....	3
140	Resident Personal Income Tax Return .....	7
140 Schedule A	Itemized Deduction Adjustments.....	45
140A	Resident Personal Income Tax Return (Short Form).....	49
140EZ	Resident Personal Income Tax Return (EZ Form).....	69
140PY	Part-Year Resident Personal Income Tax Return.....	81
140PY Schedule A(PY)	Itemized Deductions for Part-Year Residents .....	123
140PY Schedule A(PYN)	Itemized Deductions for Part-Year Residents With Nonresident Income .....	127
140NR	Nonresident Personal Income Tax Return .....	135
140NR Schedule A(NR)	Itemized Deductions for Nonresidents .....	173
140ES	Individual Estimated Income Tax Payment (2023) .....	177
140ET	Credit for Increased Excise Taxes .....	131
140PTC	Property Tax Refund (Credit) Claim .....	191
140X	Individual Amended Income Tax Return .....	201
Claim of Right	Arizona Claim of Right - Individual .....	223
200	Request for Innocent Spouse Relief, Separation of Liability and Equitable Relief .....	229
201	Renter's Certificate of Property Taxes Paid .....	241
203	Request for Injured Spouse Protection from Application of Joint Overpayment Against Spouse's Delinquencies and Debts .....	245
204	Application for Filing Extension (Individual) .....	251
221	Underpayment of Estimated Tax by Individuals - Forms 140, 140NR and 140PY.....	255
Tax Tables	Optional Tax Tables .....	263
	Tax Tables X & Y .....	269

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# VOLUME 1 CONTENTS

## Corporation, Partnership, and Exempt Organization Tax Forms

Highlights	Exempt Organization - Highlights.....	271
99M	Arizona Nonprofit Medical Marijuana Dispensary Annual Information Return.....	273
99T	Arizona Exempt Organization Business Income Tax Return.....	279
Highlights	Corporate Income Tax - Highlights.....	293
51	Combined or Consolidated Return Affiliation Schedule.....	295
120	Arizona Corporation Income Tax Return.....	301
120A	Arizona Corporation Income Tax Return (Short Form).....	329
120/165ES	Corporation and Partnership Estimated Tax Payment (2023).....	347
120/165EXT	Application for Automatic Extension of Time to File Corporation, Partnership and Exempt Organization Returns.....	351
120S	Arizona S Corporation Income Tax Return.....	357
120S Schedule K-1	Resident Shareholder's Information Schedule.....	387
120S Schedule K-1(NR)	Nonresident Shareholder's Share of Income and Deductions.....	391
120/PTE-W	Estimated Tax Worksheet for Corporations & Pass-Through Entities (2023).....	397
120X	Arizona Amended Corporation Income Tax Return.....	409
122	Authorization and Consent of Subsidiary Corporation to be Included in a Consolidated Income Tax Return.....	427
Highlights	Partnership - Highlights.....	429
165	Arizona Partnership Income Tax Return.....	431
165 Schedule K-1	Resident and Part-Year Resident Partner's Share of Adjustment to Partnership Income.....	461
165 Schedule K-1(NR)	Arizona Nonresident and Out-of-State Partner's Share of Income and Deductions....	465
165PA	Arizona Partnership Adjustment - Federal Imputed Underpayment Assessment.....	471
165PA Schedule K-1	Resident and Part-Year Resident Partner's Share of Arizona Partnership Adjustment.....	481
165PA Schedule K-1(NR)	Arizona Nonresident and Out-of-State Partner's Share of Arizona Partnership Adjustment.....	485
165PA-X	Amendment to Arizona Form 165PA.....	489
220/PTE	Underpayment of Estimated Tax by Corporations & Pass-Through Entities.....	497
Schedule ACA	Air Carrier Apportionment.....	509
Schedule MSP	Multistate Service Provider Election and Computation.....	511
Claim of Right	Arizona Claim of Right - Corporate.....	515
Schedule DFE	Disallowed Federal Expenses for Marijuana Establishments.....	519

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# VOLUME 2 CONTENTS

## Tax Credit Forms

300	Nonrefundable Corporate Tax Credits and Recapture .....	525
301	Nonrefundable Individual Tax Credits and Recapture .....	531
306	Military Reuse Zone Credit .....	539
308	Credit for Increased Research Activities .....	543
308-P	Credit for Increased Research Activities - Distribution to Partners .....	547
308-S	Credit for Increased Research Activities - Distribution to Individual Shareholders of an S Corporation .....	549
308-I	Credit for Increased Research Activities - Individuals.....	559
309	Credit for Taxes Paid to Another State or Country .....	571
310	Credit for Solar Energy Devices .....	585
312	Agricultural Water Conservation System Credit.....	591
312-P	Agricultural Water Conservation System Credit - Distribution to Partners.....	593
312-S	Agricultural Water Conservation System Credit - Distribution to Shareholders.....	595
315	Pollution Control Credit .....	601
315-P	Pollution Control Credit - Distribution to Partners .....	603
318	Credit for Taxes Paid for Coal Consumed in Generating Electrical Power.....	609
318-P	Credit for Taxes Paid for Coal Consumed in Generating Electrical Power - Distribution to Corporate Partners of a Partnership .....	611
319	Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets .....	615
320	Credit for Employment of TANF Recipients .....	619
320-P	Credit for Employment of TANF Recipients - Distribution to Partners .....	623
321	Credit for Contributions to Qualifying Charitable Organizations .....	631
322	Credit for Contributions Made or Fees Paid to Public Schools.....	639
323	Credit for Contributions to Private School Tuition Organizations.....	647

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# VOLUME 2 CONTENTS

## Tax Credit Forms (continued)

325	Agricultural Pollution Control Equipment Credit .....	655
325-P	Agricultural Pollution Control Equipment Credit - Distribution to Partners .....	657
331	Credit for Donation of School Site .....	663
331-P	Credit for Donation of School Site - Distribution to Partners .....	667
331-S	Credit for Donation of School Site - Distribution to Shareholders .....	669
333	Credit for Employing National Guard Members .....	675
333-P	Credit for Employing National Guard Members - Distribution to Partners .....	679
333-S	Credit for Employing National Guard Members - Distribution to Shareholders .....	681
335	Credit for Corporate Contributions to School Tuition Organizations .....	687
335-P	Credit for Corporate Contributions to School Tuition Organizations - Distribution to Corporate Partners .....	689
335-S	Credit for Corporate Contributions to School Tuition Organizations - Distribution to Individual Shareholders of an S Corporation .....	691
335-I	Credit for Business Contributions by an S Corporation to School Tuition Organizations - Individual .....	697
336	Credit for Solar Energy Devices - Commercial and Industrial Applications .....	701
338	Credit for Investment in Qualified Small Businesses .....	705
338-P	Credit for Investment in Qualified Small Businesses - Distribution to Partners .....	707
338-S	Credit for Investment in Qualified Small Businesses - Distribution to Shareholders ...	709
340	Credit for Donations to the Military Family Relief Fund .....	715
341	Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students with Disabilities .....	717
341-P	Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students with Disabilities - Distribution to Corporate Partners .....	719
341-S	Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students with Disabilities - Distribution to Individual Shareholders of an S Corporation .....	721
341-I	Credit for Business Contributions by an S Corporation to School Tuition Organizations . for Displaced Students or Students with Disabilities - Individual .....	727

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# VOLUME 2 CONTENTS

## Tax Credit Forms (continued)

343	Renewable Energy Production Tax Credit.....	731
343-P	Renewable Energy Production Tax Credit - Distribution to Partners.....	733
343-S	Renewable Energy Production Tax Credit - Distribution to Shareholders.....	735
345	Credit for New Employment.....	741
345-P	Credit for New Employment - Distribution to Partners.....	749
345-S	Credit for New Employment - Distribution to Shareholders.....	751
346	Additional Credit for Increased Research Activities for Basic Research Payments ....	761
346-P	Additional Credit for Increased Research Activities for Basic Research Payments - Distribution to Partners.....	765
346-S	Additional Credit for Increased Research Activities for Basic Research Payments - Distribution to Shareholders.....	767
348	Credit for Contributions to Certified School Tuition Organization - Individuals.....	773
349	Credit for Qualified Facilities.....	781
349-P	Credit for Qualified Facilities - Distribution to Partners.....	783
349-S	Credit for Qualified Facilities - Distribution to Shareholders.....	785
351	Credit for Renewable Energy Investment & Production for Self-Consumption by International Operations Centers.....	793
351-P	Credit for Renewable Energy Investment & Production for Self-Consumption by International Operations Centers -Distribution to Partners.....	795
352	Credit for Contributions to Qualifying Foster Care Charitable Organizations.....	803
353	Healthy Forest Production Tax Credit.....	811
353-P	Healthy Forest Production Tax Credit - Distribution to Partners.....	813
353-S	Healthy Forest Production Tax Credit - Distribution to Shareholders.....	815
354	Affordable Housing Credit.....	821
354-P	Affordable Housing Credit - Distribution to Partners.....	823
354-S	Affordable Housing Credit - Distribution to Shareholders.....	825
355	Credit for Entity-Level Income Tax.....	831

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# VOLUME 2 CONTENTS

## Fiduciary Tax Forms

Highlights	Estates and Trusts - Highlights .....	835
141AZ	Arizona Fiduciary Income Tax Return .....	837
141AZ Schedule K-1	Resident or Part-Year Resident Beneficiary's Share of Fiduciary Adjustment .....	861
141AZ Schedule K-1(NR)	Nonresident Beneficiary's Share of Income and Share of Fiduciary Adjustment .....	867
141AZ ES	Estate or Trust Estimated Income Tax Payment (2023) .....	873
141AZ EXT	Application for Filing Extension (Fiduciary) .....	877
141AZ V	Arizona Fiduciary Payment Voucher .....	881
210	Notice of Assumption of Duties in a Fiduciary Capacity .....	883
Claim of Right	Arizona Claim of Right - Fiduciary .....	887
Tax Table	Tax Table for Estates and Trusts .....	891

## Withholding Tax Forms

Highlights	Withholding - Highlights .....	893
A1-APR	Arizona Annual Payment Withholding Tax Return .....	895
A1-QRT	Arizona Quarterly Withholding Tax Return (2023) .....	905
A1-WP	Payment of Arizona Income Tax Withheld (2023) .....	917
A1-R	Arizona Withholding Reconciliation Return .....	919
A1-E	Employer's Election to Not Withhold Arizona Taxes in December (2023) .....	927
A-4	Employee's Arizona Withholding Election and Employee's Instructions (2023) .....	929
Instructions	Employer's Instructions for Form A-4 .....	931
A-4P	Annuitant's Request for Voluntary Arizona Income Tax Withholding (2023) .....	933
A-4V	Voluntary Withholding Request for Arizona Resident Employed Outside of Arizona (2023) .....	935
WEC	Withholding Exemption Certificate (2023) .....	937

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# VOLUME 3 CONTENTS

## Small Business Income (SBI) Tax Forms

Highlights	Small Business Income - Highlights.....	941
131-SBI	Claim for Refund on Behalf of Deceased Taxpayer for SBI Tax Returns.....	943
140-SBI	Small Business Income Tax Return for Full-Year Residents.....	947
140PY-SBI	Small Business Income Tax Return for Part-Year Residents.....	965
140NR-SBI	Small Business Income Tax Return for Nonresidents.....	983
140ES-SBI	Individual Estimated Income Tax Payment for SBI Tax Returns (2023).....	1001
140X-SBI	Small Business Amended Income Tax Return.....	1003
204-SBI	Extension <b>Payment</b> for SBI Tax Returns.....	1015
221-SBI	Underpayment of Estimated tax - Forms 140-SBI, 140NR-SBI and 140PY-SBI.....	1019
301-SBI	Nonrefundable Individual Tax Credits and Recapture for SBI Tax Returns.....	1027
309-SBI	Credit for Taxes Paid to Another State or Country for SBI Tax Returns.....	1037

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## Due date for Calendar Year Filers

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

## 2022 Arizona Small Business Income (SBI) Tax

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

## 2022 Arizona Small Business Income Estimated Tax Payments

Beginning with tax year 2022, taxpayers filing a Small Business Income tax return are required to make estimated tax payments, if the taxpayer meets the income threshold, and will be subject to the underpayment of estimated tax penalty if any required amount is not made or less than the required amount for each quarter that a payment should have been made. See Form 140ES-SBI to compute the required payments and Form 221-SBI, to determine if the taxpayer is subject to the underpayment penalty.

Form 140ES-SBI is used to compute

## Repealed Individual Tax Credits

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

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

## New Individual Tax Credits

### Affordable Housing Tax Credit (Form 354)

Beginning with tax year 2022, Arizona Revised Statute (A.R.S.) § 43-1074 provides for the Affordable Housing Tax Credit, a nonrefundable credit for projects in Arizona that qualify for the federal low-income housing tax credit under Section 42 of the IRC. The tax credit may be claimed on either the individual's personal income tax return (Form 140, 140NR or 140PY) or the Small Business Income tax return, if filing. (Form 140-SBI, 140NR-SBI or 140PY-SBI) For more information, see Credit Form 354 and instructions.

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

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

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

An individual taxpayer who claims the allowable PTE tax credit on the SBI tax return, must also adjust their Arizona Small Business gross income by adding the amount of the tax payment made by the PTE for which the tax credit is claimed. Arizona Revised Statute § 43-1021.

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*Please print or type.*

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

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

**Part 1** Check the box that applies to you. Check only one box. Be sure to complete Part 3 below.

<u>81</u> PM	<u>80</u> RCVD
--------------	----------------

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

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

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

**Part 3**

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

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

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# 2022 Claim for Refund on Behalf of Deceased Taxpayer

# Arizona Form 131-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 *Reports, Statistics and Legal Research* from the main menu, then click on *Legal Research* and select a *Document Type* and *Category* from the drop down menus.

## Publications

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

## Purpose of Form 131-SBI

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

**NOTE:** Use Form 131 to claim a refund on behalf of a deceased taxpayer for Forms 140, 140NR, 140PY or 140X.

## Who Must File

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

## Lines 1 through 8

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

## Foreign Address

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

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

## Part 1

### Line 9a - Surviving Spouse

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

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

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

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

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

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

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

### Line 9c - Other

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

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

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

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

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

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## **Part 2**

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

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## **Part 3**

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

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## **How to File Form 131-SBI**

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



DO NOT STAPLE ANY ITEMS TO THE RETURN.

Arizona Form 140-SBI

Small Business Income Tax Return for Arizona Full-Year Residents

FOR CALENDAR YEAR 2022

82F Check box 82F if filing under extension OR FISCAL YEAR BEGINNING MM/DD/2022 AND ENDING MM/DD/20YY 66F

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

Spouse's First Name and Middle Initial (if box 95a or 95b checked) Last Name Spouse's Social Security No.

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

City, Town or Post Office State ZIP Code If you are claiming Injured Spouse Protection (Form 203) check 3a 95. Filing Status. Must be the same as Form 140, 140NR or 140PY

Table with 3 columns: Line number, Description, Amount. Includes lines 4-9 for Small Business Income and lines 81-88 for Revenue Use Only.

Table with 3 columns: Line number, Description, Amount. Includes lines 10-27 for Additions Related to Small Business Income.

Table with 3 columns: Line number, Description, Amount. Includes lines 28-46 for Subtractions Related to Small Business Income.

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

Subtractions continued	47 S Corporation shareholders of an AZ Marijuana Establishment, Testing Facilities and for-profit dual licensees: Enter the amount of your pro-rata share of expenses related to the sales of recreational products from Schedule K-1, line 7.....	47		00
	48 Amount of wages or salaries paid or incurred during the tax year and used to claim certain federal tax credits.....	48		00
	49 Exploration expenses deferred before January 1, 1990.....	49		00
Balance of Tax	50 Arizona Small Business Taxable Income. Subtract lines 32 through 49 from line 27. If less than zero, enter "0".....	50		00
	51 Small Business Income Tax: Multiply line 50 by 3.0% (.030) and enter the result.....	51		00
	52 Tax from recapture of credits from Arizona Form 301-SBI, Part 2, line 25.....	52		00
Payments and Refundable Credits	53 Subtotal of tax: Add lines 51 and 52. Enter the total.....	53		00
	54 Nonrefundable Credits from Arizona Form 301-SBI, Part 2, line 46.....	54		00
	55 <b>Balance of Tax:</b> Subtract line 54 from line 53. If line 54 is greater than line 53, enter "0".....	55		00
Tax Due or Overpayment	56 2022 AZ estimated tax payments 56a <input type="text" value="00"/> Claim of Right 56b <input type="text" value="00"/> Add 56a and 56b 56c	56c		00
	57 2022 AZ extension payment (Form 204-SBI).....	57		00
	58 Refundable credits: Check the box(es) and enter the total amount ..... 581 <input type="checkbox"/> 308-I 582 <input type="checkbox"/> 349	58		00
Penalty	59 <b>Total payments and refundable credits:</b> Add lines 56c, 57 and 58. Enter the total.....	59		00
	60 <b>TAX DUE:</b> If line 55 is larger than line 59, subtract line 59 from line 55. Enter amount of tax due. Skip lines 61, 62 and 63.....	60		00
	61 <b>OVERPAYMENT:</b> If line 59 is larger than line 55, subtract line 55 from line 59. Enter amount of overpayment.....	61		00
Refund or Amount Owed	62 Amount of line 61 to be applied to 2023 estimated tax.....	62		00
	63 Balance of overpayment: Subtract line 62 from line 61. Enter the difference .....	63		00
	64 Estimated payment penalty from Form 221-SBI. See instructions.....	64		00
65 651 <input type="checkbox"/> Annualized/Other 652 <input type="checkbox"/> Farmer or Fisherman 653 <input type="checkbox"/> Form 221-SBI included				
66 <b>REFUND:</b> Subtract line 64 from line 63. If less than zero, enter amount owed on line 67 ..... Direct Deposit of Refund: <b>Check box 66A</b> if your deposit will be ultimately placed in a <b>foreign account</b> ; see instructions. 66A <input type="checkbox"/>	66			00
98 C <input type="checkbox"/> Checking or S <input type="checkbox"/> Savings ROUTING NUMBER <input type="text" value=""/> ACCOUNT NUMBER <input type="text" value=""/>				
67 <b>AMOUNT OWED:</b> Add lines 60 and 64. Enter the total Make check payable to Arizona Department of Revenue; <b>write your SSN and "140-SBI" on payment</b> ; and include it with your return.....	67			00

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

**PLEASE SIGN HERE**

→

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

→

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

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

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

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

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

**2022 Small Business Income Tax Return (Residents)**

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

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

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

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

**Income Tax Procedures and Rulings**

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

**Publications**

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

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

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

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

**NOTE: *If you made any 2022 estimated tax payments for the 140-SBI tax return and are not electing to report small business income on the 140-SBI return for tax year 2022, you must file a zero "0" 2022 140-SBI return to claim any overpayment from the 2022 estimated taxes. The overpayment shown on Form 140-SBI tax return will be applied against any tax liability (TAX DUE) shown on the personal income tax return (Form 140). 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 140-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" 140-SBI tax return?**

1. Complete all information on lines 1, 2 and 3.
2. Enter the 2022 total amount of estimated tax payments made with Form 140ES-SBI or made using [AZTaxes.gov](http://AZTaxes.gov) on the following lines.
  - Line 56c (box 56a) - Estimated Tax Payments
  - Line 61 - Overpayment
  - Line 63 - Balance of Overpayment
3. Sign and date the return. If you paid someone to prepare your tax return, that person must also sign and date the return.
4. Include Form 140-SBI return with your timely filed personal income tax return.

**Who Can Use Form 140-SBI?**

Beginning with tax year 2021, full-year **resident individuals** may elect to report their small business income on Arizona Form 140-SBI, *Small Business Income*, for the small business income amount included in their federal adjusted gross income.

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

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

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

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

**What if a Taxpayer Died?**

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

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

## What are the Filing Dates and Penalties?

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

### When Should You File?

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

Your small business tax return's due date is the same as the due date for your Form 140. Your 2022 calendar year small business tax return is due no later than midnight, April 15, 2023. File your return as soon as you can after January 1, 2023, but no later than April 15, 2023. **Because April 15, 2023 falls on a Saturday and April 17 is federal holiday, you have until Tuesday, April 18, 2023 to timely file your 2022 tax return.**

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

### What if You Cannot File on Time?

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

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

*Only use Form 204-SBI to make an extension payment for Form 140-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 18, 2023. See Form 204 for details. You do not have to include a copy of the extension with your return when you file, but make sure that you check box **82F** (above your name) on page 1 of the return. If you must make an extension payment for your small business income tax return, 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 2022 calendar year return by April 18, 2023, your return will not be late. You may also use certain private delivery services designated by the Internal Revenue Service (IRS) to meet the "timely mailing as timely filed" rule. For more information, see "*Mailing Your Return*" at the end of these instructions.

#### Late Filing Penalty

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

If you file your Form 140 late, we will charge you a late filing penalty on your Form 140. 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 140-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 140-SBI or latest amended return.
- You are rescinding your election to report small business on Form 140-SBI.

If you amend your small business income tax return, you are required to amend your Form 140, 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 140X 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 140-SBI and 140; **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 2023?

Taxpayers are required to make small business income estimated tax payments (starting with tax year 2022) 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 2023.

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 140.
- 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 140.

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

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

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

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

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

### Foreign Addresses

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

### 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 140-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 140-SBI) must be the same filing status used on your Form 140. For information on determining your filing status, see the instructions for Forms 140.

- 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

### 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 2022 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 140, line 13.

**NOTE:** You must complete lines 4 through 10 on Form 140-SBI to determine the amount to enter on line 13 (Form 140).

### 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 140.

**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 of 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.

**Additions to Income****Line 11 - Fiduciary Adjustment**

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

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

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

**Line 12 - Non-Arizona Municipal Interest**

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

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

If you received tax exempt interest from municipal bonds, keep a schedule listing the payors and the amount received from each payor for your records. You should also keep supporting documents for amounts received from Arizona municipal bonds that are exempt from Arizona income tax. These may be items such as bank statements, brokerage statements, etc.

**Line 13 - Partnership Income Adjustment**

Complete line 13 if you received an Arizona Form 165 Schedule K-1 and line 3 shows a difference between federal and state distributable income.

If the difference reported on line 3 of your Form 165 Schedule K-1 is a positive number, enter that difference as an addition on line 13.

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

**Line 14 - 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 15 - 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, Form 120S Schedule K-1, and Form 141AZ Schedule K-1.

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 16 – Claim of Right Adjustment for Small Business Amounts Repaid in 2022**

**NOTE:** *For lines 16, 17 and 23; 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 2022, make this adjustment here. All other claim of right adjustments should be made on 140 return, page 5, "E".*

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

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

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

#### **Line 17 – 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 2022, 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 2022 Arizona taxable income.
- The amount of the loss carryover included in your federal income is more than the amount allowed to be taken into account for Arizona purposes.

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

#### **Line 18 – Agricultural Water Conservation Expenses Related to the Tax Credit claimed on Arizona Form 312**

If you 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 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) or that is pollution control equipment for which a credit was taken on *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 – 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 credit 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 21 - 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) or 43-1081.01 (Credit 325) or that is pollution control equipment for which a credit was taken *before taxable year 2022* and that is sold or otherwise disposed of during the taxable year exceeds the adjusted basis of the property computed under section 43-1081 (Credit 315) or 43-1081.01 (Credit 325) or for pollution control equipment, the section in which the credit was taken (315), as applicable.

#### **Line 22 - 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 2022 taxable year, include the amount by which the adjusted basis computed under the IRC with respect to that property exceeds the adjusted basis of the property computed under A.R.S. § 43-1074.02.



**Line 23 - 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 24 – Americans with Disabilities Act – Access Expenditures**

If a subtraction is taken on line 43, 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 25 - Entity-Level Income Tax Payment**

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

Enter the total amount of tax paid shown on:

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

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

**Line 26 - 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 - Subtotal**

Add lines 10 through 26. Enter the total

**Subtractions from Income****Lines 28 through 31**

**NOTE:** For lines 28-31; **only** include capital gains or (losses) 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 28-31.

**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) reported 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 32 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 after December 31, 2011, for the purpose of the allowable subtraction on line 32. 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 to report to you your share of the fiduciary adjustment from the trust or estate.

Line 3 of Form 141AZ Schedule K-1 shows your share of the fiduciary adjustment from the estate or trust. If the amount reported on line 3 of your Arizona Form 141AZ Schedule K-1 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 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/or 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, 120S Schedule K-1, and/or 141AZ, Schedule K-1.

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 line 15*

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 (100%) of federal bonus depreciation 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, line 3 that shows a difference between federal and state distributable income.

If the difference reported on line 3 of your Arizona Form 165 Schedule K-1 is a negative number, enter that difference on line 37. **Do not include a minus sign or use parentheses.**

**NOTE:** *If the difference reported on line 3, of your Arizona Form 165 Schedule K-1, is a positive number, enter that amount on line 13.*

### 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 2022 federal income tax return, if the election described in IRC § 172(b)(1)(H) had not been made in the year of the loss. Enter the amount that exceeds the actual net operating loss carry forward that was deducted in arriving at federal adjusted gross income.

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

### Line 40 - Agricultural Crops Given to Arizona Charitable Organizations

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

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

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

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

### Line 41 – Installment Sale Income from Another State Taxed by the Other State in a Prior Year

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

- The income from the sale is included in Arizona Small Business Gross Income (line 10) in 2022.
- You paid income tax to another state on that income in a **prior** tax year.

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

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

### Line 42 – Basis Adjustment for Property Sold or Otherwise Disposed on 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 43 – 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 44 – 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 were reported in 2022.

#### **Line 45 - 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 46 - Sole Proprietorship – Marijuana Establishment, Testing Facilities and Dual Licensees that Elected to Operate on a for-profit Basis**

A sole proprietorship that takes the allowable subtraction for the income of an Arizona Nonprofit Medical Marijuana Dispensary (NMMD) under item “L”, 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 47 - 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, line 7 and/or Schedule K-1(NR), line 20.

#### **Line 48 – 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 2022, include the portion of wages or salaries you paid or incurred during the taxable year equal to the amount of those federal tax credits you received.

#### **Line 49 - 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 50 - Arizona Small Business Taxable Income**

Subtract lines 32 through 49 from line 27. If less than zero, enter "0".

**Line 51 - Small Business Income Tax**

Multiply line 50 by 3.0% (.030) and enter the result.

**Line 52 - 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 25.

**Line 53 – Subtotal of Tax**

Add lines 51 and 52. Enter the total.

**Line 54 - Nonrefundable Credits from Arizona Form 301-SBI**

Complete line 54 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.

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

**Credit for Increased Research Activities - Individuals** You may qualify for this credit if you incurred qualified research expenses for research conducted in Arizona. Use Form 308-I to figure this credit. Be sure to include **only** the nonrefundable portion on Form 140-SBI, line 54.

**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.

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

**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 64, on Form 140-SBI, line 54. The total amount of credits on line 54 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 55 - Balance of Tax**

Subtract line 54 from line 53. If line 54 is greater than line 53, enter "0".

**Line 56 – (Boxes 56a and 56b and Line 56c) 2022 Estimated Tax Payments and Claim of Right Box 56a:**

Enter the amount of 2022 small business income estimated tax payments made for tax year 2022.

**Box 56b:** 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 56b.

**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 56c:** Add boxes 56a and 56b. Enter the total on line 56c.

**Line 57 - 2022 Arizona Extension Payment (Form 204-SBI)**

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

**Line 58 – Refundable Credits**

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

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

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

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

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

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

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

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

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

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

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

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

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

Add lines 56c, 57 and 58. Enter the total.

**Figuring Your Tax Due or Overpayment**

**Line 60 - Tax Due**

If line 55 is larger than line 59, subtract line 59 from line 55 and enter the amount of tax due. Skip lines 61, 62, and 63.

**Line 61 - Overpayment**

If line 59 is larger than line 55, subtract line 55 from line 59 and enter the difference. Complete lines 62 and 63.

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

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

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

**Line 63 - Balance of Overpayment**

Subtract line 62 from line 61 to determine your overpayment balance.

**Line 64 - Estimated Payment Penalty**

**NOTE:** Do not complete Arizona Form 221-SBI, Underpayment of Estimated Tax for Small Business Income, if the amount on Form 140-SBI, line 59 is more than the amount on Form 140-SBI, line 55.

You must have made Arizona Small Business Income estimated tax payments during 2022 if:

Your filing status is:	AND Your Arizona Small Business gross income for 2021 is greater than:	AND Your Arizona Small Business gross income for 2022 is greater than:
Married filing joint	\$150,000	\$150,000
Single	\$75,000	\$75,000
Head of Household	\$75,000	\$75,000
Married filing separate	\$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.

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

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

**If the above applies, check Box 652 on line 65 and do not complete Form 221-SBI.**

**Line 65 (Boxes 651, 652 and 653)**

**Box 651:** 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 652:** check if you are an individual who for federal purposes reports as a farmer or fisherman.

**Box 653:** check if you completed and are including Form 221.

**Figuring Your Refund or Amount Owed**

**Line 66 - Refund**

Subtract line 64 from line 63. Enter your refund on line 66. If less than zero "0" enter amount owed on line 67.

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. Write to: Refund Desk, Arizona Department of Revenue, PO Box 29216, Phoenix, AZ 85038-9216. Include your SSN in your letter.*

**Direct Deposit of Refund**

Complete the direct deposit line if you want us to directly deposit the amount shown on line 66 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 66A if the direct deposit will ultimately be placed in a foreign account. If you check box 66A, 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?**

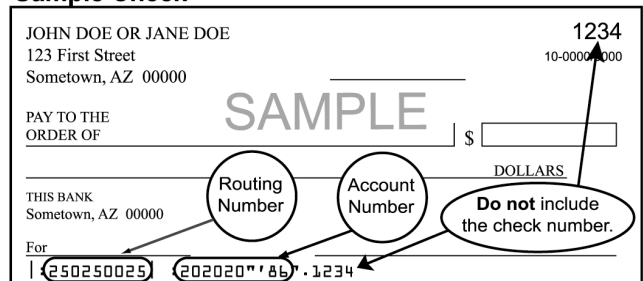
- You will get your refund fast - even faster if you e-file!
- Payment is more secure - there is no check to get lost.
- It is more convenient - no trip to the bank to deposit your check.
- It saves tax dollars. A refund by direct deposit costs less to process than a check.

**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 67 - Amount Owed

Add lines 60 and 64. Enter the amount you owe on line 67. You may pay the amount owed only with a check or money order, electronic check, direct debit through your software vendor or credit card.

#### Check or money order

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

Make your check payable to Arizona Department of Revenue. Write your SSN, Form 140-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 2022. There is no fee to use this method. To make an electronic payment, go to [www.AZTaxes.gov](http://www.AZTaxes.gov) and click on the "Make a Payment" link.

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

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

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

#### Credit card payment

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

will receive a confirmation number. **Please keep this confirmation number as proof of payment.**

#### Installment payments

If you cannot pay the full amount shown on line 67 when you file, you may request to make monthly installment payments. All payment arrangements for individual income tax can be made online at [www.AZTaxes.gov](http://www.AZTaxes.gov), please select the "Request A Payment Plan" option under the Individual Income section." If you cannot pay the full amount shown on line 67, you will be charged interest and may be charged a late payment penalty on the tax not paid by April 18, 2023. To limit the interest and penalty charges pay as much of the tax as possible when you file your return.

#### Sign Your Return

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

#### Mailing Your Return

**NOTE: DO NOT MAIL THIS RETURN SEPARATELY.** *If you are mailing your return to the department, you must include Form 140-SBI with your Form 140, when filed. See the mailing instructions for Form 140 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 on the return.
- Be sure you enter your daytime telephone number in the space provided on the front of your return.
- Check to make sure that your math is correct. A math error can cause delays in processing your return.
- Make sure you filled in all required boxes.
- If you requested a filing extension, make sure that you check box **82F** (above your name) on page 1 of the return.
- Sign your return and have your spouse sign, if filing jointly.
- Write your SSN and tax year on the front of your check or money order. Include your payment with your return.
- **Do not** include correspondence with your return.
- **Include this return with your Arizona Form 140.**



## Where Should I Mail my return?

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

- After applying the overpayment, if there is a net tax due and you are sending a payment mail both returns to:

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

- After applying the overpayment, if there is a net refund mail both returns to:

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

## Make Sure You Put Enough Postage on the Envelope

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

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

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

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

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

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

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

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

## How long to keep your return

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

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

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

## Where's My Refund?

You can check on your refund by visiting [www.azdor.gov](http://www.azdor.gov) or [www.AZTaxes.gov](http://www.AZTaxes.gov) and clicking on "Where's my refund?" or you may call one of the numbers listed on page 1 of these instructions. Before you call, be sure to have a copy of your 2022 tax return on hand. You will need to know your SSN, your filing status, and your 5-digit ZIP Code.

## Contacting the Department

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

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

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

2022 Original return       2022 Amended return

**IMPORTANT**

*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 140-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 140-SBI, line 15.....		00	
3.	Enter the amount of net long-term capital <b>gain</b> derived from investment in qualified small business from assets acquired after December 31, 2011 and included in the subtraction on Arizona Form 140-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 from Form 140-SBI, 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 140-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 140-SBI, line 31.

DO NOT STAPLE ANY ITEMS TO THE RETURN.

82F Check box 82F if filing under extension OR FISCAL YEAR BEGINNING MM/DD/2022 AND ENDING MM/DD/20YY 66F

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

1 Spouse's First Name and Middle Initial (if box 95a or 95b checked) Last Name Spouse's Social Security No.

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

3 City, Town or Post Office State ZIP Code If you are claiming Injured Spouse Protection (Form 203) check 3a 95. Filing Status. Must be the same as Form 140, 140NR or 140PY 95a Married filing joint return 95c Head of Household 95b Married filing separate return 95d Single

Table with 3 columns: Line number, Description, and Amount. Includes lines 4-9 for Small Business Income and line 88 for REVENUE USE ONLY.

Table with 3 columns: Line number, Description, and Amount. Includes lines 10-27 for Additions Related to Small Business Income.

Table with 3 columns: Line number, Description, and Amount. Includes lines 28-44 for Subtractions Related to Small Business Income.

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

Subtractions cont.	45	Agricultural Crops given to Arizona Charitable Organizations.....	45	00
	46	Americans with Disabilities Act - Expenditure expenses.....	46	00
	47	Amount of wages or salaries paid or incurred during the tax year and used to claim certain federal tax credits.....	47	00
	48	Exploration expenses deferred before January 1, 1990.....	48	00
	49	Installment sale income from another state taxed by the other state in a prior year.....	49	00
Balance of Tax	50	Arizona Small Business Taxable Income: Subtract lines 32 through 49 from line 27. If less than zero, enter "0".....	50	00
	51	Small Business Income Tax: Multiply line 50 by 3.0% (.030) and enter the result.....	51	00
	52	Tax from recapture of credits from Arizona Form 301-SBI, Part 2, line 25.....	52	00
	53	Subtotal of tax: Add lines 51 and 52 and enter the total.....	53	00
	54	Nonrefundable Credits from Form 301-SBI, Part 2, line 46.....	54	00
Payments and Refundable Credits	55	<b>Balance of Tax:</b> Subtract line 54 from line 53. If line 54 is greater than line 53, enter zero "0".....	55	00
	56	2022 AZ estimated tax payments 56a <input type="text" value="00"/> Claim of Right 56b <input type="text" value="00"/> Add 56a and 56b 56c	56c	00
	57	2022 AZ extension payment (Form 204-SBI).....	57	00
	58	Refundable credits: Check the box(es) and enter the total amount ..... 581 <input type="checkbox"/> 308-I 582 <input type="checkbox"/> 349	58	00
	59	<b>Total payments and refundable credits:</b> Add lines 56c, 57 and 58. Enter the total.....	59	00
Tax Due or Overpayment	60	<b>TAX DUE:</b> If line 55 is larger than line 59, subtract line 59 from line 55. Enter amount of tax due. Skip lines 61, 62 and 63.....	60	00
	61	<b>OVERPAYMENT:</b> If line 59 is larger than line 55, subtract line 55 from line 59. Enter amount of overpayment.....	61	00
	62	Amount of line 61 to be applied to 2023 estimated tax.....	62	00
	63	Balance of overpayment: Subtract line 62 from line 61. Enter the difference.....	63	00
Penalty	64	Estimated payment penalty from Form 221-SBI. See instructions.....	64	00
	65	651 <input type="checkbox"/> Annualized/Other 652 <input type="checkbox"/> Farmer or Fisherman 653 <input type="checkbox"/> Form 221-SBI included.....		
Refund or Amount Owed	66	<b>REFUND:</b> Subtract line 64 from line 63. If less than zero, enter amount owed on line 67.....	66	00
		<b>Direct Deposit of Refund</b> Check box 66A if your deposit will be ultimately placed in a <b>foreign account</b> ; see instructions. 66A <input type="checkbox"/>		
		ROUTING NUMBER: <input type="text" value="98"/> C <input type="checkbox"/> Checking or S <input type="checkbox"/> Savings ACCOUNT NUMBER: <input type="text"/>		
	67	<b>AMOUNT OWED:</b> Add lines 60 and 64. Enter the total Make check payable to Arizona Department of Revenue; <b>write your SSN and "140PY-SBI" on payment</b> ; and include it with your return.....	67	00

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

**PLEASE SIGN HERE**

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

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

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

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

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

## 2022 Small Business Income Tax Return (Part-year residents)

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

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

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

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

**Income Tax Procedures and Rulings**

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

**Publications**

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

**e-file**

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

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

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

*E-file* today and pay by April 18, 2023 to avoid penalties and interest.

*E-file* through an authorized IRS/DOR *e-file* provider or by using your personal computer and the Internet.

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

\*\* For free *e-file* requirements, 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 140PY-SBI with your Form 140PY, when filed. See the mailing instructions for Form 140PY for assembly order (form sequence) information.

**NOTE:** If you made any 2022 estimated tax payments for the 140PY-SBI tax return and are not electing to report small business income on the 140PY-SBI return for tax year 2022, you must file a zero "0" 2022 140PY-SBI return to claim any overpayment from the 2022 estimated taxes. The overpayment shown on Form 140PY-SBI tax return will be applied against any tax liability (TAX DUE) shown on the personal income tax return (Form 140PY). 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 140PY-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" 140PY-SBI tax return?**

1. Complete all information on lines 1, 2 and 3.
2. Enter the 2022 total amount of estimated tax payments made with Form 140ES-SBI or made using [AZTaxes.gov](http://AZTaxes.gov) on the following lines.
  - Line 56c (box 56a) - Estimated Tax Payments
  - Line 61 - Overpayment
  - Line 63 - Balance of Overpayment
3. Sign and date the return. If you paid someone to prepare your tax return, that person must also sign and date the return.
4. Include Form 140PY-SBI return with your timely filed personal income tax return.

**Who Can Use Form 140PY-SBI?**

Part-year **resident individuals** may elect to report their small business income on Arizona Form 140PY-SBI, *Small Business Income*, for the small business income amount included in their federal adjusted gross income.

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

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

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

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

**What if a Taxpayer Died?**

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

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

## What are the Filing Dates and Penalties?

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

### When Should You File?

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

Your small business tax return's due date is the same as the due date for your Form 140PY. Your 2022 calendar year small business tax return is due no later than midnight, April 15, 2023. File your return as soon as you can after January 1, 2023, but no later than April 15, 2023. **Because April 15, 2023 falls on a weekend and April 17 is a federal holiday, you have until Tuesday, April 18, 2023 to timely file your 2022 tax return.**

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

### What if You Cannot File on Time?

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

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

*Only use Form 204-SBI to make an extension payment for Form 140PY-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 18, 2023. See Form 204 for details. You do not have to include a copy of the extension with your return when you file, but make sure that you check box **82F** (above your name) on page 1 of the return. If you must make an extension payment for your small business income tax return, 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 140PY or Form 140PY-SBI. Use Form 140NR, *Nonresident Personal Income Tax Return*, to report your Arizona 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 2022 calendar year return by April 18, 2023, your return will not be late. You may also use certain private delivery services designated by the Internal Revenue Service (IRS) to meet the "timely mailing as timely filed" rule. For more information, see "*Mailing Your Return*" at the end of these instructions.

### Late Filing Penalty

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

If you file your Form 140PY late, we will charge you a late filing penalty on your Form 140PY. 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 a fraction of a month for which the failure continues. We charge this penalty from the original due date of the return until the date you pay the tax. This penalty cannot exceed a total of 10% (.10) of the unpaid tax.

### Extension Underpayment Penalty

If you file your return under an extension, you must pay 90% (.90) of the tax shown on your return by the return's original due date. If you do not pay this amount, we will charge you a penalty. This penalty is ½ of 1% (.005) of the tax not paid for each 30-day period or a fraction of a 30-day period. We charge this penalty from the original due date of the return until the

date you pay the tax. This penalty cannot exceed 25% (.25) of the unpaid tax. If we charge you the extension underpayment penalty, we will not charge you the late payment penalty under Arizona Revised Statutes (A.R.S.) § 42-1125(D).

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

## Interest

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

## When Should You Amend a Return?

If you need to make changes to your small business tax return after you have filed, **do not** file a new return using Form 140PY-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 140PY-SBI or latest amended return.
- You are rescinding your election to report small business on Form 140PY-SBI.

If you amend your small business income tax return, you are required to amend your Form 140PY, 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 140X 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 140PY-SBI and 140PY; **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 2023?

Taxpayers are required to make small business income estimated tax payments (starting with tax year 2023) 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 2023.

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 AZ Form 221-SBI (2022).

### 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 140PY.
- 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 140PY.
- 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 140PY 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 140PY. If you are filing a joint return, enter your SSNs in the same order as your first names. If your name appears first on the return, make sure your SSN is the first number listed.

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

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

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

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

### Foreign Addresses

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

### 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 140PY-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 140PY-SBI) must be the same filing status used on your Form 140PY. For information on determining your filing status, see the instructions for Forms 140PY.

- 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:** For Arizona part-year residents, Arizona small business income (lines 4 through 9) includes all small business income earned while a resident and only that portion of small business income from Arizona sources during the period of non-residency included in the taxpayer's federal adjusted gross income.

### 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 2022 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 140PY, line 28.

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

### 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 140PY.

**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.

**Additions to Income****Line 11 - Fiduciary Adjustment**

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

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

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

**Line 12 - Non-Arizona Municipal Interest**

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

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

If you received tax exempt interest from municipal bonds, keep a schedule listing the payors and the amount received from each payor for your records. You should also keep supporting documents for amounts received from Arizona municipal bonds that are exempt from Arizona income tax. These may be items such as bank statements, brokerage statements, etc.

**Line 13 - Partnership Income Adjustment**

Complete line 13 if you received an Arizona Form 165 Schedule K-1 and line 3 shows a difference between federal and state distributable income.

If the difference reported on line 3 of your Form 165 Schedule K-1 is a positive number, enter that difference as an addition on line 13.

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

**Line 14 - 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 15 - 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, Form 120S Schedule K-1 and Form 141AZ Schedule K-1.

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 16 – Claim of Right Adjustment for Small Business Amounts Repaid in 2022**

**NOTE:** For lines 16, 17 and 23; *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 2022, make this adjustment here. All other claim of right adjustments should be made on 140PY return, page 5, "E".*

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

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

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

#### **Line 17 – 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 2022, 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 2022 Arizona taxable income.
- The amount of the loss carryover included in your federal income is more than the amount allowed to be taken into account for Arizona purposes.

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

#### **Line 18 – 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 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) or that is pollution control equipment for which a credit was taken on *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 – Addition to S Corporation Income Due to Claiming Pass-Through Credit (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 credit 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 21 - 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) or 43-1081.01 (Credit 325) or that is pollution control equipment for which a credit was taken *before taxable year 2022* and that is sold or otherwise disposed of during the taxable year exceeds the adjusted basis of the property computed under section 43-1081 (Credit 315) or 43-1081.01 (Credit 325) or for pollution control equipment, the section in which the credit was taken (315), as applicable. If you claimed these tax credits, you must adjust your basis for property related to the tax credits claimed.

#### **Line 22 - 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 2022

taxable year, include the amount by which the adjusted basis computed under the IRC with respect to that property exceeds the adjusted basis of the property computed under A.R.S. § 43-1074.02.

**Line 23 - 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 24 – Americans with Disabilities Act – Access Expenditures**

If a subtraction is taken on line 46, 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 25 - Entity-Level Income Tax Payment**

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

Enter the total amount of tax paid shown on:

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

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

**Line 26 - 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 27 - Subtotal**

Add lines 10 through 26. Enter the total

**Subtractions from Income**

**Lines 28 through 32**

**NOTE:** For lines 28-32; **only** include capital gains or (losses) 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 28-31.

**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) reported 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 32 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 32. 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 to report to you your share of the fiduciary adjustment from the trust or estate.

Line 3 of Form 141AZ Schedule K-1 shows your share of the fiduciary adjustment from the estate or trust. If the amount reported on line 3 of your Arizona Form 141AZ Schedule K-1 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 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/or 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, 120S Schedule K-1, and/or 141AZ, Schedule K-1.

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 line 15*

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 (100%) of federal bonus depreciation 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, line 3 that shows a difference between federal and state distributable income.

If the difference reported on line 3 of your Arizona Form 165 Schedule K-1 is a negative number, enter that difference on line 37. **Do not include a minus sign or use parentheses.**

**NOTE:** *If the difference reported on line 3, of your Arizona Form 165 Schedule K-1, is a positive number, enter that amount on line 13.*

### **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 2022 federal income tax return, if the election described in IRC § 172(b)(1)(H) had not been made in the year of the loss. Enter the amount that exceeds the actual net operating loss carry forward that was deducted in arriving at federal adjusted gross income.

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

### **Line 40 – Basis Adjustment for Property Sold or Otherwise Disposed on 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 2022.

### **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**

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 shown on your Form 120S Schedule K-1, line 7 and/or Schedule K-1(NR), line 20.

**Line 45 - Agricultural Crops Given to Arizona Charitable Organizations**

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

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

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

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

**Line 46 – 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 47 – 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 2022, include the portion of wages or salaries you paid or incurred during the taxable year equal to the amount of those federal tax credits you received.

**Line 48 - 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 49 – Installment Sale Income from Another State Taxed by the Other State in a Prior Year**

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

- The income from the sale is included in Arizona Small Business Gross Income (line 10) in 2022.
- You paid income tax to another state on that income in a **prior** tax year.

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

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

**Line 50 - Arizona Small Business Taxable Income**

Subtract lines 32 through 49 from line 27. If less than zero, enter "0".

**Line 51 - Small Business Income Tax**

Multiply line 50 by 3.0% (.030) and enter the result.

**Line 52 - 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 25.

**Line 53 – Subtotal of Tax**

Add lines 51 and 52. Enter the total.

**Line 54 - Nonrefundable Credits from Arizona Form 301-SBI**

Complete line 54 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.

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

**Credit for Increased Research Activities - Individuals**

You may qualify for this credit if you incurred qualified research expenses for research conducted in Arizona. Use Form 308-I- to figure this credit. Be sure to include **only** the nonrefundable portion on Form 140PY-SBI, line 54.

**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.

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

**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 46, on Form 140PY-SBI, line 54. The total amount of credits on line 54 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 55 - Balance of Tax**

Subtract line 54 from line 53. If line 54 is greater than line 53, enter "0".

**Line 56– (Boxes 56a and 56b and Line 56c) 2022 Estimated Tax Payments and Claim of Right**

**Box 56a:** Enter the amount of 2022 small business income estimated tax payments made for tax year 2022

**Box 56b:** 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 56b.

**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 56c:** Add box 56a and 56b. Enter the amount on line 56c.

**Line 57 - 2022 Arizona Extension Payment (Form 204-SBI)**

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

**Line 58 – Refundable Credits**

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

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

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

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

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

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

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

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

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

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

**If you are claiming more than one of the refundable tax credits,** check the appropriate boxes and add the amounts from the credit forms together and enter the total on line 57. You may use the following table to figure the amount to enter on line 57.

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

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

Add lines 56c, 57 and 58. Enter the total.

**Figuring Your Tax Due or Overpayment**

**Line 60 - Tax Due**

If line 55 is larger than line 59, subtract line 59 from line 55 and enter the amount of tax due. Skip lines 61, 62, and 63.

**Line 61 - Overpayment**

If line 59 is larger than line 55, subtract line 55 from line 59 and enter the difference. Complete lines 62 and 63.

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

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

**NOTE:** If you apply any of the amount shown on line 60 to 2023, you cannot use that amount to pay any tax that is later found to be due for 2022. You also may not claim a refund for that amount until you file your 2023 return.

**Line 63 - Balance of Overpayment**

Subtract line 62 from line 61 to determine your overpayment balance.



**Line 64 - Estimated Payment Penalty**

**NOTE:** Do not complete Arizona Form 221-SBI, Underpayment of Estimated Tax for Small Business Income, if the amount on Form 140PY-SBI, line 59 is more than the amount on Form 140PY-SBI, line 55.

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

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 2022 if the following apply:

- You are a calendar year filer. You file your Arizona return by March 1, 2023. You pay in full the amount stated on your return as owed.

**Line 65 (Boxes 651, 652 and 653)**

**Box 651:** check if any of the following applies to you:

- You checked the box on line 1 of Form 221-SBI.
- You completed the annualized income worksheet on Form 221-SBI.
- 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 652:** check if you are an individual who for federal purposes reports as a farmer or fisherman.

**Box 653:** check if you completed and are including Form 221.

**Figuring Your Refund or Amount Owed**

**Line 66 - Refund**

Subtract line 64 from line 63. Enter your refund on line 66 and skip line 67. If less than zero "0" enter amount owed on line 67.

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, Complete Form 822. This form is available at: [azdor.gov/forms/other-forms](http://azdor.gov/forms/other-forms).

**Direct Deposit of Refund**

Complete the direct deposit line if you want us to directly deposit the amount shown on line 66 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 66A if the direct deposit will ultimately be placed in a foreign account. If you check box 66A, 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?**

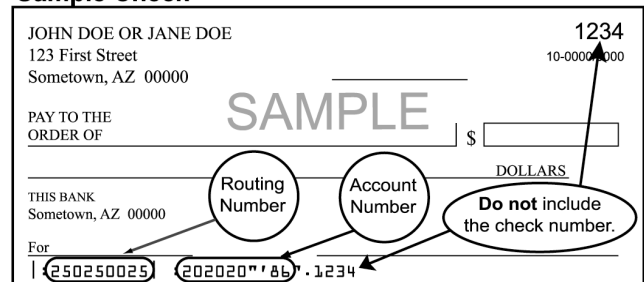
- You will get your refund fast - even faster if you e-file!
- Payment is more secure - there is no check to get lost.
- It is more convenient - no trip to the bank to deposit your check.
- It saves tax dollars. A refund by direct deposit costs less to process than a check.

**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 67 - Amount Owed**

Add lines 60 and 64. Enter the amount you owe on line 67. 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 140PY-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 2022. There is no fee to use this method. To make an electronic payment, go to [www.AZTaxes.gov](http://www.AZTaxes.gov) and click on the "Make a Payment" link.

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

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

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

**Credit card payment**

You can pay with your American Express, Discover, Visa, or MasterCard. Go to [www.AZTaxes.gov](http://www.AZTaxes.gov) and click on the "Make a Payment" link, and choose the credit card option. This will take you to a third party vendor site (provider). The provider

**will charge** you a convenience fee based on the amount of your tax payment. The provider will tell you what the fee is during the transaction; you will have the option to continue or cancel the transaction. If you complete the credit card transaction, you will receive a confirmation number. **Please keep this confirmation number as proof of payment.**

**Installment payments**

If you cannot pay the full amount shown on line 67 when you file, you may request to make monthly installment payments. All payment arrangements for individual income tax can be made online at [www.AZTaxes.gov](http://www.AZTaxes.gov), please select the "Request A Payment Plan" option under the Individual Income section. If you cannot pay the full amount shown on line 67, you will be charged interest and may be charged a late payment penalty on the tax not paid by April 18, 2023. To limit the interest and penalty charges pay as much of the tax as possible when you file your return.

**Sign Your Return**

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

**Mailing Your Return**

**NOTE:** *DO NOT MAIL THIS RETURN SEPARATELY. If you are mailing your return to the department, you must include Form 140PY-SBI with your Form 140PY, when filed. See the mailing instructions for Form 140PY 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 on the return.
- Be sure you enter your daytime telephone number in the space provided on the front of your return.
- Check to make sure that your math is correct. A math error can cause delays in processing your return.
- Make sure you filled in all required boxes.
- If you requested a filing extension, make sure that you check box **82F** (above your name) on page 1 of the return.
- Sign your return and have your spouse sign, if filing jointly.
- Write your SSN and tax year on the front of your check or money order. Include your payment with your return.
- **Do not** include correspondence with your return.
- **Include this return with your Arizona Form 140PY.**

**Where Should I Mail my return?**

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

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

### **Make Sure You Put Enough Postage on the Envelope**

The U.S. Post Office or United States mail service must postmark your return or extension request by midnight April 18, 2023. The term "United States mail" includes any private delivery service designated by the United States Secretary of the Treasury pursuant to IRC § 7502(f) and the term "postmark" includes any date recorded or marked by any such designated delivery service.

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

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

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

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

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

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

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### **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.

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### **Where's My Refund?**

You can check on your refund by visiting [www.azdor.gov](http://www.azdor.gov) or [www.AZTaxes.gov](http://www.AZTaxes.gov) and clicking on "Where's my refund?" or you may call one of the numbers listed on page 1 of these instructions. Before you call, be sure to have a copy of your 2022 tax return on hand. You will need to know your SSN, your filing status, and your 5-digit ZIP Code.

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### **Contacting the Department**

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

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

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

2022 Original return       2022 Amended return

**IMPORTANT**

*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 140PY-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 140PY-SBI, line 15.....		00	
3.	Enter the amount of net long-term capital <b>gain</b> derived from investment in qualified small business from assets acquired after December 31, 2011 and included in the subtraction on Arizona Form 140PY-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 Form 140PY-SBI, 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 140PY-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 140PY-SBI, line 31.

DO NOT STAPLE ANY ITEMS TO THE RETURN.

Arizona Form 140NR-SBI

Small Business Income Tax Return for Arizona Nonresidents

FOR CALENDAR YEAR 2022

82F Check box 82F if filing under extension OR FISCAL YEAR BEGINNING MM/DD/2022 AND ENDING MM/DD/20YY 66F

1 Your First Name and Middle Initial Last Name Your Social Security Number

1 Spouse's First Name and Middle Initial (if box 95a or 95b checked) Last Name Spouse's Social Security No.

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

3 City, Town or Post Office State ZIP Code If you are claiming Injured Spouse Protection (Form 203) check 3a 95. Filing Status. Must be the same as Form 140, 140NR or 140PY 95a Married filing joint return 95c Head of Household 95b Married filing separate return 95d Single

Table with 3 columns: Line number, Description, Amount. Includes lines 4-9 for Small Business Income and 81 PM, 80 RCVD.

Table with 3 columns: Line number, Description, Amount. Includes lines 10-26 for Additions Related to Small Business Income.

Table with 3 columns: Line number, Description, Amount. Includes lines 27-44 for Subtractions Related to Small Business Income.

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

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

Subtractions	45 Amount of wages or salaries paid or incurred during the tax year and used to claim certain federal tax credits.....	45		00
	46 Exploration expenses deferred before January 1, 1990.....	46		00
	47 Americans with Disabilities Act - Expenditure expenses.....	47		00
	48 Arizona Small Business Taxable Income: Subtract lines 31 through 47 from line 26. If less than zero, enter "0".....	48		00
	49 Small Business Income Tax: Multiply line 48 by 3.0% (.030) and enter the result.....	49		00
Balance of Tax	50 Tax from recapture of credits from Arizona Form 301-SBI, Part 2, line 25.....	50		00
	51 Subtotal of tax: Add lines 49 and 50 and enter the total.....	51		00
	52 Nonrefundable Credits from Form 301-SBI, Part 2, line 46.....	52		00
	53 <b>Balance of Tax:</b> Subtract line 52 from line 51. If line 52 is greater than line 51, enter zero "0".....	53		00
Payments and Refundable Credits	54 2022 AZ estimated tax payments 54a <input type="text" value="00"/> Claim of Right 54b <input type="text" value="00"/> Add 54a and 54b 54c	54c		00
	55 2022 AZ extension payment (Form 204-SBI).....	55		00
	56 Refundable credits: Check the box(es) and enter the total amount .....561 <input type="checkbox"/> 308-I 562 <input type="checkbox"/> 349	56		00
	57 <b>Total payments and refundable credits:</b> Add lines 54c, 55 and 56. Enter the total.....	57		00
Tax Due or Overpayment	58 <b>TAX DUE:</b> If line 53 is larger than line 57, subtract line 57 from line 53. Enter amount of tax due. Skip lines 59, 60 and 61.....	58		00
	59 <b>OVERPAYMENT:</b> If line 57 is larger than line 53, subtract line 53 from line 57. Enter amount of overpayment.....	59		00
	60 Amount of line 59 to be applied to 2023 estimated tax.....	60		00
	61 Balance of overpayment: Subtract line 60 from line 59. Enter the difference .....	61		00
Penalty	62 Estimated payment penalty from Form 221-SBI. See instructions.....	62		00
	63 631 <input type="checkbox"/> Annualized/Other 632 <input type="checkbox"/> Farmer or Fisherman 633 <input type="checkbox"/> Form 221-SBI included			
Refund or Amount Owed	64 <b>REFUND:</b> Subtract line 62 from line 61. If less than zero, enter amount owed on line 65.....	64		00
	<b>Direct Deposit of Refund</b> <b>Check box 64A</b> if your deposit will be ultimately placed in a <b>foreign account</b> ; see instructions. 64A <input type="checkbox"/> <input checked="" type="checkbox"/> C <input type="checkbox"/> Checking or      ROUTING NUMBER      ACCOUNT NUMBER <input type="checkbox"/> S <input type="checkbox"/> Savings <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>			
	65 <b>AMOUNT OWED:</b> Add lines 58 and 62. Enter the total      Make check payable to Arizona Department of Revenue; <b>write your SSN and "140NR-SBI" on payment</b> ; and include it with your return.....	65		00

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

PLEASE SIGN HERE	→ YOUR SIGNATURE _____ DATE _____ OCCUPATION _____
	→ SPOUSE'S SIGNATURE _____ DATE _____ SPOUSE'S OCCUPATION _____
	PAID PREPARER'S SIGNATURE _____ DATE _____ FIRM'S NAME (PREPARER'S IF SELF-EMPLOYED) _____
	PAID PREPARER'S STREET ADDRESS _____ PAID PREPARER'S TIN _____
	PAID PREPARER'S CITY _____ STATE _____ ZIP CODE _____ ( ) _____ PAID PREPARER'S PHONE NUMBER _____

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

## 2022 Small Business Income Tax Return (Nonresidents)

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

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

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

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

**Income Tax Procedures and Rulings**

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

**Publications**

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

**e-file**

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

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

No more paper, math errors, or mailing delays when you *e-file!*

Get your refund quicker with direct deposit.

*E-file* today and pay by April 18, 2023 to avoid penalties and interest.

*E-file* through an authorized IRS/DOR *e-file* provider or by using your personal computer and the Internet.

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

\*\* For free *e-file* requirements, 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 2022 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 2022, you must file a zero "0" 2022 140NR-SBI return to claim any overpayment from the 2022 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. Enter the 2022 total amount of estimated tax payments made with Form 140ES-SBI or made using [AZTaxes.gov](http://AZTaxes.gov) on the following lines.
  - Line 54c (box 54a) - Estimated Tax Payments
  - Line 59 - Overpayment
  - Line 61 - Balance of Overpayment
3. Sign and date the return. If you paid someone to prepare your tax return, that person must also sign and date the return.
4. Include Form 140NR-SBI return with your timely filed personal income tax return.

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

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**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.**

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**What if a Taxpayer Died?**

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

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 both forms on top, when mailing the returns. .

## What are the Filing Dates and Penalties?

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

### When Should You File?

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

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

### What if You Cannot File on Time?

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

*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 18, 2023. See Form 204 for details. You do not have to include a copy of the extension with your return when you file, but make sure that you check box **82F** (above your name) on page 1 of the return. If you must make 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 2022 calendar year return by April 18, 2023, your return will not be late. You may also use certain private delivery services designated by the Internal Revenue Service (IRS) to meet the "timely mailing as timely filed" rule. For more information, see "*Mailing Your Return*" at the end of these instructions.

#### Late Filing Penalty

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 2023?

Taxpayers are required to make small business income estimated tax payments (starting with tax year 2022) 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 2023.

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 (2022).

### 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, or unclear.

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

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

### Foreign Addresses

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

### 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 2022 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.

**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 32.*

**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 36.*

**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 35. To figure how much you should subtract, see the instructions for line 35.

**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 34.*

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 2022**

**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 2022, make this adjustment here. All other claim of right adjustments should be made on 140NR return, page 5, "C".

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

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

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

### **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 2022, 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 2022 Arizona taxable income.
- The amount of the loss carryover included in your federal income is more than the amount allowed to be taken into account for Arizona purposes.

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

### **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 - 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) or that is pollution control equipment for which a credit was taken on *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 19 – 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 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) or 43-1081.01 (Credit 325) or that is pollution control equipment for which a credit was taken *before taxable year 2022* and that is sold or otherwise disposed of during the taxable year exceeds the adjusted basis of the property computed under section 43-1081 (Credit 315) or 43-1081.01 (Credit 325) or for pollution control equipment, the section in which the credit was taken (315), as applicable.

### **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 2022 taxable year, include the amount by which the adjusted basis computed under the IRC with respect to that property exceeds the adjusted basis of the property computed under A.R.S. § 43-1074.02.

### **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 46, 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 2022.

Enter the total amount of tax paid shown on:

- Arizona Form 165, Schedule K-1(NR), Part 6, lines 22 and 23.
- Arizona Form 120S, Schedule K-1(NR), Part 6, lines 22 and 23.

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

**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 - Subtotal**

Add lines 10 through 25. Enter the total

**Subtractions from Income**

**NOTE:** As an Arizona nonresident, only include amounts that are from Arizona sources on lines 27 through 47.

**Lines 27 through 31**

For lines 27-31; **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 27, you must complete lines 28 and 29. If you are taking a subtraction on line 31 for any net long-term capital gain from assets acquired after December 31, 2011, you must also complete line 30. If you do not complete lines 27 through 30, you cannot take the subtraction on line 31.

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 27-29.

**Line 27 - Total Net Capital Gain or (Loss)**

Enter the amount included in line 6.

**Line 28 - 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 28.

**Line 29 - 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 29.

**Line 30 - 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 31 - Net Long-Term Capital Gain Subtraction From Income for Assets Acquired After December 31, 2011.**

Multiply the amount on line 30 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 33) or the net capital gain from the exchange of one kind of legal tender for another kind of legal tender (line 34), 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 30 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 30.*

*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 30.*

**Line 32 – 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 32.

**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 33 - 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 33, enter the amount of the allowable subtraction.

**Line 34 - 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 35 - 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 (100%) of federal bonus depreciation pursuant to IRC § 168(k).

Add all of the amounts together and enter the total on line 35.

### Line 36 – 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 37 - 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 38 - 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 2022 federal income tax return, if the election described in IRC § 172(b)(1)(H) had not been made in the year of the loss. Enter the amount that exceeds the actual net operating loss carry forward that was deducted in arriving at federal adjusted gross income.

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

### Line 39 - Agricultural Crops Given to Arizona Charitable Organizations

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

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

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

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

### 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 2022

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

**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 - Arizona Small Business Taxable Income**

Subtract lines 31 through 47 from line 26. If less than zero, enter “0”.

**Line 49 - Small Business Income Tax**

Multiply line 47 by 3.0% (.030) and enter the result.

**Line 50 - 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 25

**Line 51 – Subtotal of Tax**

Add lines 49 and 50. Enter the total.



**Line 52 - Nonrefundable Credits from Arizona Form 301-SBI**

Complete line 52 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.

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

**Credit for Increased Research Activities - Individuals** You may qualify for this credit if you incurred qualified research expenses for research conducted in Arizona. Use Form 308-I- to figure this credit. Be sure to include **only** the nonrefundable portion on Form 140NR-SBI, line 52.

**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.

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

**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 46, on Form 140NR-SBI, line 52. The total amount of credits on line 52 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 53 - Balance of Tax**

Subtract line 52 from line 51. If line 52 is greater than line 51, enter "0".

**Line 54 – (Boxes 54a and 54b and Line 54c) 2022 Estimated Tax Payments and Claim of Right**

**Box 54a:** Enter the amount of 2022 small business income estimated tax payments made for tax year 2022.

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

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

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

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

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

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

**Line 56 – Refundable Credits**

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

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

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

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

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

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

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

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

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

You must include a copy of your "Certificate of Qualification" from the ACA and Form 349 with your tax return to claim this credit. If you are claiming a refund of the qualified facilities

credit from Form 349, enter the amount from Form 349, Part 8, line 20.

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

<b>2022 - Refundable Credit Worksheet</b>	
1. Enter the refundable credit from Form 308-I, Part 7, line 38.	
2. Enter the refundable credit from Form 349, Part 8, line 20.	
3. Add the amounts on lines 1 and 2. Enter the total here and on line 56.	

**Line 57 - Total Payments and Refundable Credits**

Add lines 54c, 55 and 56. Enter the total.

**Figuring Your Tax Due or Overpayment**

**Line 58 - Tax Due**

If line 53 is larger than line 57, subtract line 57 from line 53 and enter the amount of tax due. Skip lines 59, 60, and 61.

**Line 59 - Overpayment**

If line 57 is larger than line 53, subtract line 53 from line 57 and enter the difference. Complete lines 60 and 61.

**Line 60 - Amount of Line 59 to be Applied to 2023 Estimated Tax**

If you want all or part of your overpayment applied to next year's estimated taxes, enter that amount on line 60.

**NOTE:** If you apply any of the amount shown on line 59 to 2023, you cannot use that amount to pay any tax that is later found to be due for 2022. You also may not claim a refund for that amount until you file your 2023 return.

**Line 61 - Balance of Overpayment**

Subtract line 60 from line 59 to determine your overpayment balance.

**Line 62 - 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 57 is more than the amount on Form 140NR-SBI, line 53.

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

Married filing separate	\$75,000	\$75,000
Head of Household	\$75,000	\$75,000

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 2022 if the following apply:

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

**If the above applies, check Box 632 on line 63 and do not complete Form 221-SBI.**

**Line 63 (Boxes 631, 632 and 633)**

**Box 631:** 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 632:** check if you are an individual who for federal purposes reports as a farmer or fisherman.

**Box 633:** check if you completed and are including Form 221.

**Figuring Your Refund or Amount Owed**

**Line 64 - Refund**

Subtract line 62 from line 61. Enter your refund on line 64 and skip line 65. If less than zero "0" enter amount owed on line 65.

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

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

**Direct Deposit of Refund**

Complete the direct deposit line if you want us to directly deposit the amount shown on line 64 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 64A if the direct deposit will ultimately be placed in a foreign account. If you check box 64A, 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?**

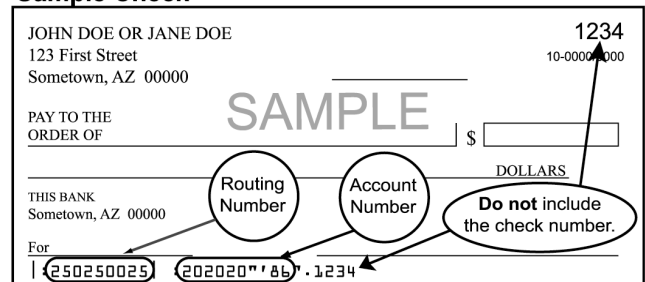
- You will get your refund fast - even faster if you e-file!
- Payment is more secure - there is no check to get lost.
- It is more convenient - no trip to the bank to deposit your check.
- It saves tax dollars. A refund by direct deposit costs less to process than a check.

**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 65 - Amount Owed**

Add lines 58 and 62. Enter the amount you owe on line 65. 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 2022. There is no fee to use this method. To make an electronic payment, go to [www.AZTaxes.gov](http://www.AZTaxes.gov) and click on the "Make a Payment" link.

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

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

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

**Credit card payment**

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

**Installment payments**

If you cannot pay the full amount shown on line 65 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 65, you will be charged interest and may be charged a late payment penalty on the tax not paid by April 18, 2023. To limit the interest and penalty charges pay as much of the tax as possible when you file your return.

**Sign Your Return**

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

**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 on the return.
- Be sure you enter your daytime telephone number in the space provided on the front of your return.
- Check to make sure that your math is correct. A math error can cause delays in processing your return.
- Make sure you filled in all required boxes.
- If you requested a filing extension, make sure that you check box **82F** (above your name) on page 1 of the return.
- Sign your return and have your spouse sign, if filing jointly.
- Write your SSN and tax year on the front of your check or money order. Include your payment with your return.
- **Do not** include correspondence with your return.
- **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 and you are sending a payment mail both returns to  
Arizona Department of Revenue  
PO Box 52016  
Phoenix, AZ 85072-2016

- After applying the overpayment, if there is a net refund mail both returns to

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

### **Make Sure You Put Enough Postage on the Envelope**

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

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

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

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

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

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

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

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

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### **How long to keep your return**

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

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

In some cases, the limitation period is longer than four years. The period is six years from when you file a return if you 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.

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### **Where is My Refund?**

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You can check on your refund by visiting [www.azdor.gov](http://www.azdor.gov) or [www.AZTaxes.gov](http://www.AZTaxes.gov) and clicking on "Where's my refund?" or you may call one of the numbers listed on page 1 of these instructions. Before you call, be sure to have a copy of your 2022 tax return on hand. You will need to know your SSN, your filing status, and your 5-digit ZIP Code.

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### **Contacting the Department**

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

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

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

2022 Original return       2022 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 33.....	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 34.....	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 30.
- 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 30.

DO NOT STAPLE ANY ITEMS TO THE FORM.

Arizona Form **140ES-SBI**

**Individual Estimated Income Tax Payment  
Small Business Income Tax Return**

FOR CALENDAR YEAR  
**2023**

This estimated payment is for tax year ending December 31, 2023, or for tax year ending: MMDD 20 YY

1 Your First Name and Middle Initial		Last Name		Enter your SSN(s)	Your Social Security Number	
1 Spouse's First Name and Middle Initial (if filing joint)		Last Name			Spouse's Social Security No.	
2 Current Home Address - number and street, rural route				Apt. No.	Daytime Phone (with area code)	
3 City, Town or Post Office				State	ZIP Code	

REVENUE USE ONLY. DO NOT MARK IN THIS AREA.

88	81 PM	80 RCVD
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- STOP** • DO NOT USE THIS FORM TO MAKE DELINQUENT INCOME TAX PAYMENTS.
- Use this form only for mailing estimated payments.

1 **Payment:** You must round your estimated payment to a whole dollar (no cents).  
 Enter the amount of **payment enclosed** ..... \$

2 **Check only one box** for the quarter for which this payment is made.  
 Do not select more than one quarter. You must submit a separate form for *each quarter* for which a payment is made.

Payment for **calendar year filers** are due as follows:

<input type="checkbox"/>	1st Quarter – January to March   Due date is <b>April 15, 2023</b> . <i>Because April 15, 2023 falls on a Saturday and April 17, 2023 is a federal holiday, you have until Tuesday, April 18, 2023 to make this payment.</i>
<input type="checkbox"/>	2nd Quarter – April to June   Due date is <b>June 15, 2023</b> .
<input type="checkbox"/>	3rd Quarter – July to September   Due date is <b>September 15, 2023</b> .
<input type="checkbox"/>	4th Quarter – October to December   Due date is <b>January 15, 2024</b> . <i>Because Monday, January 15, 2024 is a holiday, you have until Tuesday, January 16, 2024 to make this payment.</i>

Payment for **fiscal year filers** are due as follows:

<input type="checkbox"/>	1st Quarter – 15th day of the <b>fourth</b> month of the current fiscal year.
<input type="checkbox"/>	2nd Quarter – 15th day of the <b>sixth</b> month of the current fiscal year.
<input type="checkbox"/>	3rd Quarter – 15th day of the <b>ninth</b> month of the current fiscal year.
<input type="checkbox"/>	4th Quarter – 15th day of the <b>first</b> month of the next fiscal year.

If any of the due dates fall on a Saturday, Sunday, or legal holiday, you may make the required payment for that quarter by midnight on the next business day following that day.

If you are mailing this payment:

**To ensure proper application of this payment**, be sure that you:

- ✓ Complete and submit this form in its entirety. Do not cut this page in half.
- ✓ Make your check or money order payable to Arizona Department of Revenue.
- ✓ Write your SSN, "Tax Year 2023" and "140ES-SBI" on your payment.
- ✓ Include your payment with this form.
- ✓ **Mail to** Arizona Department of Revenue, PO Box 29085, Phoenix, AZ 85038-9085.

Be sure to review your estimated income and adjust your payments as necessary during the year.

If you are making an electronic payment

**You can make this estimated payment by eCheck or credit card!**  
 American Express ♦ Visa ♦ Discover Card ♦ MasterCard  
**www.AZTaxes.gov**

- ✓ Click on "Make a Payment" and select "140ES-SBI" as the Payment Type.
- ✓ Do not mail this form. We will apply this payment to your account.

# Worksheet for Computing Estimated Payments for Individuals

For use with Arizona Form 140ES-SBI

## Step 1 Estimated Arizona Taxable Income

1 Use the estimated tax worksheet attached to IRS Form 1040ES and enter the portion reported on federal Schedules B, C, D (amounts related to small business income), E, F and Form 4797 (if not reported on Schedule D)..... 1 

	00
--	----

## Step 2 Additions

Below are common items of income that are not taxable under the Internal Revenue Code but are taxable under Arizona Revised Statutes.

Estimate amounts related to your small business income and enter in the spaces provided:

2 Non-Arizona municipal interest..... 2 

	00
--	----

3 Other additions to income. See instructions..... 3 

	00
--	----

4 Total additions to income: Add lines 2 and 3 ..... 4 

	00
--	----

5 Add line 1 and line 4..... 5 

	00
--	----

## Step 3 Subtractions

6 Interest income on obligations of the United States (e.g. U.S. savings bonds, treasury bills, etc.)..... 6 

	00
--	----

7 Total subtraction: Enter the amount from line 6..... 7 

	00
--	----

8 Subtract line 7 from line 5..... 8 

	00
--	----

## Step 4 Estimated Arizona Income Tax

9 Multiply the amount on line 8 by 3.0% (.03) to calculate your Arizona estimated tax liability. Enter your estimated tax liability here..... 9 

	00
--	----

10 Credits. (see instructions)..... 10 

	00
--	----

11 Subtract line 10 from line 9. Enter the difference. If line 10 is more than line 9, enter "0".

- If line 11 is "0", STOP. Based on amounts entered on lines 1 through 10, you do not need to make 2023 estimated payments.
- If there is an amount on line 11, complete lines 12 through 15 to calculate your required estimated tax payment(s)..... 11 

	00
--	----

12 Enter 90% (.90) of line 11 ..... 12 

	00
--	----

13 Enter the preceding year's Arizona tax liability if you were required to file and did file a return for the preceding year, otherwise skip this line..... 13 

	00
--	----

14 If you entered an amount on line 13, enter the smaller of line 13 or line 12. Otherwise, enter the amount from line 13 and base estimated payment on this amount..... 14 

	00
--	----

15 If the first payment you are required to make is due April 18, 2023, enter 1/4 of line 25 (minus any 2022 overpayment that you are applying to this installment) here and on your 140ES-SBI ..... 15 

	00
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DO NOT STAPLE ANY ITEMS TO THE RETURN.

Arizona Form 140X-SBI

Small Business Amended Income Tax Return For Forms 140-SBI, 140NR-SBI and 140PY-SBI

FOR CALENDAR YEAR 2022

OR FISCAL YEAR BEGINNING MM, DD, 20, 22 AND ENDING MM, DD, 20, YY. 66F

Personal information section including name, address, and social security numbers.

City, Town or Post Office, State, ZIP Code, and Filing Status section.

Table for Small Business Income (lines 4-9) with columns for description, amount, and tax status.

Table for Additions Related to Small Business Income (lines 10-27) including total small business income and various adjustments.

Table for Subtractions Related to Small Business Income (lines 28-47) including capital gains, depreciation, and other adjustments.

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

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

Subtractions continued	48 S Corporation shareholders of an AZ Marijuana Establishment, Testing Facilities and for-profit dual licensees: enter the amount of your pro-rata share of expenses related to the sales of recreational products from Schedule. K-1, line 7 and/or Schedule K-1(NR), line 20.....	48	00
	49 Exploration expenses deferred before January 1, 1990.....	49	00
Balance of Tax	50 Arizona Small Business Taxable Income. Subtract lines 32 through 49 from line 27. If less than zero, enter "0" .....	50	00
	51 Small Business Income Tax: Multiply line 50 by 3.0% (.030) and enter the result.....	51	00
	52 Tax from recapture of credits from Arizona Form 301-SBI, Part 2, line 25.....	52	00
	53 Subtotal of tax: Add lines 51 and 52. Enter the total.....	53	00
Payments and Refundable Credits	54 Nonrefundable Credits from Arizona Form 301-SBI, Part 2, line 46.....	54	00
	55 Balance of Tax: Subtract line 54 from line 53. If line 54 is greater than line 53, enter "0".....	55	00
	56 2022 AZ estimated tax payments 56a <input type="text" value="00"/> Claim of Right 56b <input type="text" value="00"/> Add 56a and 56b 56c	56	00
	57 2022 AZ extension payment (Form 204-SBI) .....	57	00
	58 Refundable credits: Check the box(es) and enter the total amount ..... 581 <input type="checkbox"/> 308-I 582 <input type="checkbox"/> 349	58	00
	59 Payment made with original return plus all payments made after it was filed.....	59	00
Overpayment	60 Total payments and refundable credits: Add lines 56c, 57, 58 and 59. Enter the total.....	60	00
	61 Overpayment from original return or as later adjusted. See instructions.....	61	00
	62 Balance of credits: Subtract line 61 from line 60.....	62	00
	63 OVERPAYMENT: If line 55 is less than line 62, subtract line 55 from line 62. Enter amount of overpayment .....	63	00
Refund or Amount Owed	64 Amount of line 63 to be applied to 2023 estimated tax.....	64	00
	65 REFUND: Subtract line 64 from line 63. If less than zero, enter amount owed on line 66 ..... Direct Deposit of Refund: Check box 65A if your deposit will be ultimately placed in a foreign account; see instructions. 65A <input type="checkbox"/>	65	00
	66 AMOUNT OWED: If line 55 is more than line 62, subtract line 62 from line 55. Enter amount owed..... Sign and date your return. If you paid someone to prepare your return, that person must also sign and date the return. The paid preparer must provide their street address, Paid Preparer TIN and phone number.	66	00

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

**PLEASE SIGN HERE**

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

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

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

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

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

- If you are sending a payment with this return, mail to:  
Arizona Department of Revenue  
PO Box 52016  
Phoenix, AZ 85072-2016  
Include the payment with Form 140X-SBI. Write your SSN, Form 140X-SBI 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

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

**Complete Parts 1(A) and 1(B), Part 2 and Part 3 to report changes made to your original tax return or most recent amended tax return and the reason(s) for each change.**

**NOTE:** If you are rescinding your small business election, check box 67R  and complete Form 140X-SBI and Form 140X. Include Form 140X-SBI with your amended income tax return (Form 140X), when filed. See the instructions for Form 140X-SBI for information to rescind your small business election.

**INCOME, DEDUCTIONS, CREDITS:** In column (a), list the items you are changing. In column (b), enter the amount claimed on your original return or most recent amended return. In column (c), enter the amount of the change. In column (d), enter the corrected amount for the item you are changing.

	(a) INCOME, DEDUCTIONS, AND CREDITS YOU ARE CHANGING	(b) ORIGINAL AMOUNT REPORTED	(c) AMOUNT TO ADD OR SUBTRACT	(d) CORRECTED AMOUNT
<b>PART 1 (A)</b>	<b>67a</b> _____	\$ _____	\$ _____	\$ _____
	<b>67b</b> _____	\$ _____	\$ _____	\$ _____
	<b>67c</b> _____	\$ _____	\$ _____	\$ _____

**NET CAPITAL GAIN OR (LOSS):** If you are changing any amount on lines 68a through 68e, complete columns (b), (c), and (d).

	(a) ITEM	(b) ORIGINAL AMOUNT REPORTED	(c) AMOUNT TO ADD OR SUBTRACT	(d) CORRECTED AMOUNT
<b>PART 1 (B)</b>	<b>68a Total net capital gain or (loss)</b> reported on Form 140-SBI, line 28; Form 140NR-SBI, line 27; or Form 140PY-SBI, line 28 .....	\$ _____	\$ _____	\$ _____
	<b>68b Total net short-term capital gain or (loss)</b> reported on Form 140-SBI, line 29; Form 140NR-SBI, line 28; or Form 140PY-SBI, line 29.....	\$ _____	\$ _____	\$ _____
	<b>68c Total net long-term capital gain or (loss)</b> reported on Form 140-SBI, line 30; Form 140NR-SBI, line 29; or Form 140PY-SBI, line 30.....	\$ _____	\$ _____	\$ _____
	<b>68d Net long-term capital gains from assets acquired after December 31, 2011</b> reported on Form 140-SBI, line 31; Form 140NR-SBI, line 30; or Form 140PY-SBI, line 31.....	\$ _____	\$ _____	\$ _____
	<b>68e Amount of allowable subtraction</b> reported on Form 140-SBI, line 32; Form 140NR-SBI, line 31; or Form 140PY-SBI, line 32.....	\$ _____	\$ _____	\$ _____

**69 REASON FOR THE CHANGE:** Give the reason for each change listed in Part 1 (A) and B):

<b>PART 2</b>	<hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>
---------------	---

Check box 70a  if your address on this amended return is not the same as it was on your original return (or latest return filed). Complete Part 3 with your current address.

<b>PART 3</b>	<b>70b</b> Name	<b>70c</b> Number and Street, R.R.	Apt. No.
	<b>70d</b> City, Town or Post Office	State	ZIP Code

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# 2022 Small Business Amended Income Tax Return For Forms 140-SBI, 140NR-SBI and 140PY-SBI

# Arizona Form 140X-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 *Reports, Statistics and Legal Research* from the main menu then click on *Legal Research* and select a *Document Type* and *Category* from the drop down menus.

## Publications

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

## Who Should Use Form 140X-SBI?

Use the 2022 Arizona Form 140X-SBI to correct a small business income tax (Arizona Form 140-SBI, 140NR-SBI, or 140PY-SBI) for taxable year 2022, only.

If you are amending a return for any other tax year, use the amended return (Form 140X-SBI) that is available for that specific tax year.

The department will compute the interest and either include it in your refund or bill you for the amount due.

Form 140X-SBI will be your new tax return. This return will change your original return to include the new information. The entries you make on Form 140X-SBI are the entries you would have made on your original small business income tax return had it been done correctly.

## Purpose of Form 140X-SBI?

1. Form 140X-SBI is used to rescind a previous election made on the original income tax return. If you are rescinding your election:

- Complete Form 140X-SBI and enter "0" on lines 4 through 53.
- Complete Form 140X and enter the correct amount of adjustment for small business income on Form 140X (Residents, line 18 and check box 55R on page 2 of Form 140X);(Nonresidents and Part-year residents, line 21 and check box 55R on page2 of Form 140X )

2. Form 140X-SBI is also used to correct amounts previously reported on your small business income tax form.

- If you change any amount previously reported on lines 4 through 10, enter the correct amount(s). You must also complete and file Form 140X and correct the amount of

adjustment (subtraction) for small business income (Residents, line 18 and check box 18C); (Nonresidents and Part-year residents, line 21 and check box 21C).

***You must file both amended returns in the same envelope, when filed.***

Your amended 140X-SBI will become your new small business income tax return. Be sure to complete ***all lines*** on the amended return.

- If you are not correcting any amounts listed on line 4 through 10 (including filing status) and are only changing an amount previously reported on lines 11 through 47, complete Form 140X-SBI with the correct amounts.

In this case, you are not required to complete and file Form 140X along with Form 140X-SBI.

## What Will I Need To Complete Form 140X-SBI?

To complete Form 140X-SBI, you will need the following:

- A copy of the 2022 small business income tax return you are amending, including supporting forms, schedules, and worksheets.
- Any notices you received from the Internal Revenue Service (IRS) relating to your small business income (federal Schedules B, C, D, E, F and Form 4797) or the department for the tax year you are amending.
- Instructions for the return you are amending. If you have any questions about income items or subtractions, you should refer to the 2022 instructions for your original return. If you do not have the instructions for the form you are amending, you can find them online at our website.

**Allow 8 to 12 weeks for your Form 140X-SBI to process.**

***You cannot e-file your Arizona amended tax return. You must mail your amended income tax return to the department using the address listed on Form 140X-SBI.***

**AVOID PROCESSING DELAYS:** *For the proper assembly order, see the mailing instructions for the return you are amending.*

## When Should I File an Amended Return?

You can file Form 140X-SBI only after filing an original return.

You should file your amended return ***after*** your original return has processed. If you are filing Form 140X-SBI for a refund, you must generally file within four years from the date you filed the original return.

If you amend your federal return for 2022 to change the amounts you originally reported from federal Schedules B, C, D, E, F and Form 4797, you must also file an Arizona Form 140X-SBI for 2022.

In this case, you will also be required to file Form 140X to correct the amount of the allowable subtraction taken on your original return (Form 140, 140NR or 140PY) for small business income.

If the IRS makes a change to your federal taxable income for 2022, you must report that change to Arizona. You must file the Form 140X within 90 days of the final determination of the IRS. You may use one of the following two options to report this change.

#### Option 1

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

#### Option 2

You may file a copy of the final federal notice with the department within 90 days of the final determination of the IRS. If you choose Option 2, you must include a statement in which you must:

1. request that the department recompute your tax, *and*
2. indicate if you agree or disagree with the federal notice.

If you do not agree with the federal notice, you must also include any documents that show why you do not agree.

If you choose Option 2, mail the federal notice and any other documents to

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

### When Should I Pay any Tax Owed?

Payment is due in full at the time you file your amended return. If paying by check, make your check payable to Arizona Department of Revenue. Enter your Social Security Number (SSN), Form 140X-SBI and tax year on the front of your check. To make an electronic payment, visit [www.AZTaxes.gov](http://www.AZTaxes.gov).

### What if a Taxpayer Died?

If you are a surviving spouse amending a joint return, enter the word "Deceased" after the decedent's name. Also enter the date of death after the decedent's name. Sign your name. Enter "Filing as Surviving Spouse" in the area for the deceased spouse's signature. (If someone else serves as personal representative for your spouse's estate, he or she must also sign the return.)

If a refund is due, complete Arizona Form 131-SBI, *Claim for Refund on Behalf of Deceased Taxpayer*. Include this form on top of your amended return. For more information see Form 131-SBI and its instructions.

## Penalties

We will impose a late payment penalty on your amended return if **all** of the following apply:

- you file your amended return after the due date of your original return,
- there is tax due on your amended return, and
- you do not pay that tax when you file the amended return.

Even if you do pay the tax due when you file your amended return, we may impose a late payment penalty if any of the following apply:

- you are under audit by the department, or
- the department has requested or demanded that you file an amended income tax return.

We will also impose a late filing penalty if you did not file your original return on time. These penalties apply to taxes due and remaining unpaid after the due date of the original return. Combined late filing and late payment penalties can go up to 25% (.25) of the unpaid tax.

## Interest

We charge interest on any tax not paid by the due date even if you have an extension. We charge interest from the original due date to the date of payment. The Arizona rate of interest is the same as the federal rate. Contact one of the phone numbers listed on page 1 for the current interest rate.

## General Instructions

**NOTE:** You must round dollar amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.

The line numbers on the Arizona Form 140X-SBI do not match the line numbers on Arizona's small business income tax forms. The proper line on which to enter your change(s) will depend on the nature of the change and the form you are amending. To decide where to enter your changes, use the line descriptions from your original return.

For specific information about tax rates, additions, and subtractions, see the form instructions for the year you are amending.

## Tax Year

File this form to amend only a 2022 tax return. If you are amending a return for a fiscal year, enter the beginning and ending dates of the fiscal tax year.

## Entering Your Name, Address, and Social Security Number (SSN)

### Lines 1, 2 and 3

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

If you are changing your filing status from married filing separate to married filing joint and your spouse did not file an original return, enter your name and SSN first.

If you are changing your filing status from married filing separate to married filing joint, you must include your spouse's name and SSN on the second line 1.

Make sure that you put your SSN on every return, statement, or document that you file with the department. Make sure that all SSNs are clear and correct.

You may be subject to a penalty if you fail to include your SSN. It may take longer to process your return if SSNs are missing, incorrect, or unclear.

### 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.

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

Check box 3a *only* if you and your spouse are filing a joint return (check box 95a) and you or your spouse qualify as an injured spouse and are requesting protection from application of any *additional* joint overpayment shown on your amended return against the other spouse's delinquencies or debts for back child support, court fees, and fees to counties, cities or educational institutions.

### Filing Status

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

If you are single you must file as single or if qualified you may file as head of household (see the instructions for the original form you are amending). Check the box for the filing status you are using on this amended return.

**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 amended tax returns, when filed. Place the completed form on top of your amended tax income tax returns. *For more information, see the instructions for Form 203.*

**NOTE:** *If you file an amended return, you cannot request protection from offset of any overpayment shown on your original (or last filed amended) income tax return.*

### Changing from a joint return to a separate return

If you have an amount due from the joint return that you want to amend, you must pay that amount before you can change your filing status to married filing separate. If we have issued a proposed assessment for that joint return, you must also pay that amount before you can change your filing status.

### Changing from a separate return to a joint return

If you or your spouse have an amount due from a separate return that you want to amend, you must pay that amount before you can change your filing status to married filing joint. If we have issued a proposed assessment for either separate return, you must also pay that amount before you can change your filing status.

If you and your spouse are changing from separate returns to a joint return, begin by combining the amounts from your return as originally filed or as previously adjusted (either by you or the department) and the amounts from your spouse's return as originally filed or adjusted. Then make your changes to the combined amounts.

If your spouse did not file an original return, include your spouse's income, deductions, credits, etc., to determine the amounts to enter on the appropriate lines of this form.

Generally, if you file a joint return, both you and your spouse have joint and several liability. This means both of you are responsible for the tax and any interest or penalties due on the return, as well as any amount that may become due later. If one spouse does not pay the tax due, the other may have to.

If filing an amended joint tax return, both of you must sign and date Form 140X-SBI.

**NOTE:** *If you change your filing status on this amended return, you must also amend your original tax return (Form 140, 140NR or 140PY) and change your filing status on that return using Form 140X.*

### Line-by-Line Instructions

#### Lines 4 through 9

**NOTE:** *If you are not changing an amount originally reported on lines 4 through 9 on your small business income tax return, enter the amounts originally reported on lines 4 through 9. If you are changing an amount on any of these lines, enter the corrected amount on that specific line.*

#### Line 4 – Federal Schedule B

Enter the amount of your interest and ordinary income related to small business 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 related to small business income 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.

#### Line 6 – Federal Schedule D

Enter the only the amount of capital gains or losses related to small business income reported on your federal Schedule D. **Do not include those capital gains or losses from personal assets.**

**Line 7 – Federal Schedule E**

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

**Line 8 – Federal Schedule F**

Enter the amount of profit or loss from farming that is related small business income 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 related to small business income 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.

**Additions Related to Small Business Income****Lines 11 through 26**

**NOTE:** Form 140X-SBI lists all additions available on a small business income tax return. As a nonresident or part-year resident, some of the additions listed may not be applicable to the small business income tax form you are amending. See your original small business income tax form and instructions to determine which additions apply to you on this amended return.

**Line 27 – Subtotal**

Add lines 10 through 26. Enter the total.

**Subtractions Related to Small Business Income****Lines 28 through 49**

**NOTE:** Form 140X-SBI lists all subtractions available on a small business income tax return. As a nonresident or part-year resident, some of the subtractions listed may not be applicable to the small business income tax form you are amending. See your original small business income tax form and instructions to determine which subtractions apply to you on your amended small business income tax return.

**Line 50 –Arizona Small Business Taxable Income**

Subtract lines 32 through 49 from line 27. If less than zero, enter “0”.

**Line 51 - Small Business Income Tax**

Multiply line 50 by 3.0% (.030). Enter the result.

**Line 52 - Tax From Recapture of Credits (AZ Form 301-SBI)**

Enter the amount of recapture tax from Arizona Form 301-SBI, Part 2, line 25. If you do not have a tax from recapture of tax credits, enter zero “0”.

Include a copy of your Form 301-SBI with your amended return.

**Line 53 - Subtotal of Tax**

Add lines 51 and 52. Enter the total.

**Line 54 - Nonrefundable Credits from Form 301-SBI**

Enter the amount from Form 301-SBI, Part 2, line 46.

**Line 55 Balance of Tax**

Subtract line 54 from line 53. If line 54 is greater than line 53, enter “0”.

**Line 56 (Boxes 56a, 56b and 56c)**

**Box 56a:** Enter the amount of estimated tax payments made for tax year 2022.

**Box 56b:** Enter the amount from your *Arizona Claim of Right - Individual* form, line 8.

If you completed more than one *Arizona Claim of Right - Individual* form for the current taxable year, add all amounts on line 8 and enter the total in box 56b.

**Line 56c**

Add boxes 56a and 56b and enter the total on line 56c.

**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 57 – 2022 Extension Payment**

If you made an extension payment for your small business return on Form 204-SBI or made an electronic extension payment on AZTaxes.gov, enter the amount of extension payment made.

**Line 58 - Other Refundable Credits**

- If you claimed a refund of the increased research activities credit from Form 308-I, for 2022, enter that credit.
- If you claimed a refund of the qualified facilities credit from Form 349, for 2022, enter that credit.

Enter the correct amount(s) you are claiming on this amended return. If you are claiming refundable credits from more than one form, add the amounts from all forms together and enter the total. **If you enter an amount on this line, be sure you check the box or boxes to show which credits you are claiming.** Also, be sure to include the credit form(s) with your return when you file.

**Line 59 - Payment With Original Small Business Income Tax Return (Plus All Additional Payments After It Was Filed)**

You may use the following worksheet to help you figure the amount of the payments that you should enter on line 59.



**NOTE:** Do not include payments reported on lines 56 and 57 here.

Payment Worksheet		
Payments	Date of Payment	Amount
1. Payment with original return		
2. Payment		
3. Payment		
4. Payment		
5. Add lines 1 through 4. Enter the total here and also on Form 140X-SBI, line 59.		.00

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

Add lines 56c, 57, 58 and 59. Enter the total.

**Line 61 - Overpayment from Original Return**

If your original (or most recent amended) return for 2022 resulted in an overpayment of taxes, enter the overpayment amount. On your original return, you reported this amount on the following line.

2022 Arizona Small Business Income Tax Return	
Form	Line
140-SBI	61
140NR-SBI	59
140PY-SBI	61

**NOTE:** If the department changed amounts on your original small business income tax return, use those amounts. If the department changed amounts on an earlier filed amended small business income tax return, use those amounts.

Your overpayment may have been distributed or applied by one of the following means.

- You have received all or a portion of the overpayment in the form of a refund.
- You may have applied all or a portion of the overpayment to your next years estimated income taxes.
- All or a portion of your refund may have been paid to a government agency, court, county, or an incorporated city or town for an obligation owed to that court, county, city, town or agency (e.g., prior year taxes, child support, etc.).

Regardless of how the overpayment was distributed or applied, enter the overpayment amount.

**Line 62 - Balance of Credits**

Subtract line 61 from line 60. Enter the difference.

**Line 63 - Overpayment**

If line 55 is less than line 62, subtract line 55 from line 62. Enter the amount of Overpayment.

**Line 64 - Amount of Line 63 to be Applied to 2023 Estimated Taxes**

If you are filing this amended return prior to the original due date of your 2022 return and you want all or part of the amount on line 63 applied to your 2023 estimated taxes, enter

that amount. If you want all of the amount on line 63 refunded, enter zero, "0".

**Line 65 - Refund**

Subtract line 64 from line 63. If less than zero, enter amount owed on line 66.

If you owe money to any Arizona state agency, court, county, incorporated city or town and certain federal agencies, your refund may go to pay some of the debt.

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

**Direct Deposit of Refund**

Complete this line if you want us to directly deposit the amount shown on line 65 into your account at a bank or other financial institution (such as a mutual fund, brokerage firm or credit union) instead of sending you a check.

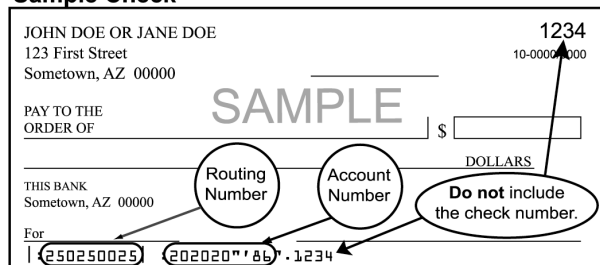
Check the box on line 65A if the direct deposit will ultimately be placed in a foreign account. If you check box 65A, do not enter your routing or account numbers. If this box is checked, we will not direct deposit your refund. We will mail you a check instead.

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

**Routing Number**

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

**Sample Check**



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

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

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

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

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

**Line 66 - Amount Owed**

If line 55 is more than line 62, you owe additional tax. Subtract line 62 from line 55 and enter the amount owed. You may pay only with a check, electronic check, money order, or credit card. The department will bill you for any interest and penalty due.

**Check or Money Order**

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

Make your check payable to Arizona Department of Revenue. Write your SSN, Form 140X-SBI and tax year on the front of your check or money order and include your payment with Form 140X-SBI.

The department cannot accept checks or money orders in foreign currency. You must make payment in U.S. dollars.

**Electronic Payment from Your Checking or Savings Account**

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

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

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

**Credit card payment**

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

**Page 3 Instructions - Parts 1 (A) and (B); Parts 2 and 3****Part 1 (A) - Income, Deductions, and Credits  
Lines 67a, 67b and 67c -**

**NOTE:** *If you are rescinding your small business election, check box 67R. You must also complete Form 140X and include that return with your amended Form 140X-SBI, when filed. See the instructions for completing Form 140X to rescind your election.*

**Explanation of Changes (Income, Deductions and Credits)**

We need to know what items you are changing on your small business income tax return. We also need to know the amount of each change.

**NOTE:** *If you are making changes to any net capital gain or (loss) information reported on your income tax return, complete Part 1 (B) for those changes.*

**Column (a)**

In column (a), list each item you are changing.

**Column (b)**

In column (b), enter the amount reported on your original return or the most recently amended return for the tax year you are amending. If the department changed amounts on your original return, use the changed amounts. If the department changed amounts on an earlier filed amended return, use those amounts.

**Column (c)**

In column (c), enter the amount you are *adding to* (+) or *subtracting from* (-) the amount in column (b).

**Column (d)**

In column (d), enter the corrected amount (b+c=d or b-c=d).

**Part 1 (B) - Net Capital Gain or (Loss)****Lines 68a, 68b, 68c, 68d and 68e -****Explanation of Changes**

If you need to change any amount(s) previously reported for any net capital gain or (loss), complete columns (b), (c), and (d) on the appropriate lines.

**Column (a)**

Column (a), lists each applicable capital gain item.

**Column (b)**

In column (b), enter the amount reported on your original return or the most recently amended return for the tax year you are amending. If the department changed amounts on your original return, use the changed amounts. If the department changed amounts on an earlier filed amended return, use those amounts.

**Column (c)**

In column (c), enter the amount you are *adding to (+) or subtracting from (-)* the amount in column (b).

**Column (d)**

In column (d), enter the corrected amount ( $b+c=d$  or  $b-c=d$ ).

**Part 2 - Reason for Changes****Line 69 -**

We need to know why you are filing Form 140X-SBI. For example:

- Are you rescinding your small business income election?
- Did you receive an IRS notice that changed your federal return?
- Did you amend your federal income tax return?
- Did you forget to claim a tax credit?
- Did you forget to take a subtraction from income or make an addition to income?
- Did you forget to claim an exemption?
- Do you need to correct information regarding any net short-term or net long-term capital gains information?

In Part 2, list the line reference from page 1 and page 2 for which you are reporting a change. Give the reason for each change and include any supporting document required. If you received a notice from the IRS, include a copy of that notice.

**ID Numbers for Paid Preparers**

If you pay someone to prepare your return, that person must also include an ID number where requested.

A paid preparer may use any of the following:

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

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

**Part 3 - Address on Original Return**

Check box 70a if your address on this amended return is not the same as it was on your original return (or latest return filed). Complete Part 3 with your current address.

**NOTE:** *Be sure to sign and date your amended return on page 2. If you paid someone to prepare your return, that person must also sign and date the return. The paid preparer must provide their street address, Paid Preparer TIN and phone number (on page 2).*

**Mailing Your Arizona Amended Return**

**REMINDER:** *For the proper assembly order, see the mailing instructions for the return you are amending.*

***If you are amending your Small Business Income tax return or rescinding your Small Business Income election, be sure to include Form 140X-SBI with Form 140X. Place Form 140X-SBI on top of your Form 140X.***

Before you mail your return, make a copy of your return. Also make a copy of any documents that you are including with your return. Keep the copies for your records. Be sure that you mail the original and not a copy.

The department cannot accept checks or money orders in foreign currency. You must make payment in U.S. dollars.

To avoid delays, if you are amending more than one tax return, please use a separate envelope for each return.

- Include all other required documents after your return. Please do not use tape.
- Make certain you have included **all** required documents and/or schedules.
- If you completed Form 203, be sure to check box 3a on page 1 of your return. Place Form 203 on top of your return.

**Which forms must be included with my amended small business income tax return, when filed?**

You must include any form that is changed or was not included with your original tax return. Do **not** include a copy of your original tax return or a copy of the federal tax return.

**Instructions Before Mailing**

- **DO NOT STAPLE YOUR RETURN. DO NOT STAPLE ANY DOCUMENTS, SCHEDULES, OR PAYMENTS TO THE RETURN.**
- Sign your return and mail it to the address listed below. If you are filing a joint amended return, both you and your spouse must sign.
- Be sure you enter your daytime telephone number in the space provided on the front of your return.
- Check to make sure that your math is correct. A math error can cause delays in processing your return.
- Make sure your **NAME** is on the return.
- Write your **SSN** and tax year on the front of your check.

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

**Where Should I Mail My Amended Return?**

Make sure you put enough postage on your envelope.

**If you are sending a payment** with this return, mail the amended return to

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

Make check payable to Arizona Department of Revenue. Write your SSN, Form 140X-SBI and tax year on your payment.

**If you are expecting a refund, or owe no tax, or owe tax but are not sending a payment,** mail your amended return to

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

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### **How Long to Keep Your Return**

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You must keep your records as long as they may be needed for the administration of any provision of Arizona tax law.

Generally, this means you must keep records that support items shown on your return until the period of limitations for that return runs out.

The period of limitations is the period of time in which you can amend your return to claim a credit or refund or the department can assess additional tax.

A period of limitations is the limited time after which no legal action can be brought. Usually, this is four years from the date the return was due or filed.

In some cases, the limitation period is longer than four years. The period is six years from when you file a return if you underreport the income shown on that return by more than 25% (.25). The department can bring an action at any time if a return is false or fraudulent, or you do not file a return.

To find out more about what records you should keep, get federal Publication 552 at [www.irs.gov](http://www.irs.gov).

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### **Contacting the Department**

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

You may use Arizona Form 285, *General Disclosure/Representation Authorization Form*, to authorize the department to release confidential information to your appointee. See Form 285 for details.

DO NOT STAPLE ANY ITEMS TO THE RETURN.

Arizona Form  
**204-SBI**

**Extension Payment**  
For Tax Year 2022 Small Business Income Tax Returns Only

FOR  
CALENDAR YEAR  
**2022**

For the calendar year 2022 or fiscal year beginning MM,DD,YY 2,0,2,2 and ending MM,DD,YY 66

<b>1</b> Your First Name and Middle Initial	Last Name	<b>Enter your SSN(s).</b>	Your Social Security Number
<b>1</b> Spouse's First Name and Middle Initial (if filing joint)	Last Name		Spouse's Social Security No.
<b>2</b> Current Home Address - number and street, rural route		Apt. No.	Daytime Phone (with area code) <b>94</b>
<b>3</b> City, Town or Post Office		State	ZIP Code
			<b>REVENUE USE ONLY. DO NOT MARK IN THIS AREA.</b>
			<b>88</b>
<b>Check only <u>one</u> box:</b>			
<input type="checkbox"/> Full-Year Resident - Form 140-SBI			
<input type="checkbox"/> Part-Year Resident - Form 140PY-SBI			
<input type="checkbox"/> Nonresident - Form 140NR-SBI			
		<b>81</b> PM	<b>80</b> RCVD

**Complete this form only if you are making an extension payment for your Small Business Income Tax Return.**

If you are ***not*** making an extension tax payment for your Small Business Income tax return, **do not complete this form.** You must complete Form 204, *Application for Filing Extension*, on or before the original due date, to request an automatic 6-month extension to file your small business income tax return.

Filing Form 204 to request an automatic 6-month extension for your income tax return (Form 140, 140PY or 140NR) will also provide an automatic 6-month extension to file your Small Business Income tax return (Form 140-SBI, 140PY-SBI or Form 140NR-SBI).

1 Small Business Income tax liability for 2022. You may estimate this amount.....	<b>1</b>		00
2 Arizona estimated tax payments for 2022 .....	<b>2</b>	00	
3 Credits you will claim on your 2022 return. See Arizona Form 301-SBI for a list of credits. ....	<b>3</b>	00	
4 Add lines 2 and 3.....	<b>4</b>	00	
5 <b>Balance of Tax:</b> Subtract line 4 from line 1.....	<b>5</b>		00
6 Enter amount of extension payment enclosed..... <b>PAYMENT ENCLOSED ▶</b>	<b>6</b>		00

- **Make check payable to Arizona Department of Revenue; write your SSN, Form 204-SBI and tax year on your payment.**
- **Include your payment with this form.**

• **IMPORTANT:** If you are filing under an extension using a federal extension or if you filed Form 204 but are making an Arizona extension *payment by credit card or electronic payment*, **do not mail Form 204-SBI** to us. We will apply your extension tax payment to your account.

• If you **are** sending a payment with this form, mail to Arizona Department of Revenue,  
PO Box 29085, Phoenix, AZ 85038-9085.

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## 2022 Extension Payment for Individuals filing Forms 140-SBI, 140NR-SBI or 140PY-SBI

## Arizona Form 204-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 *Reports, Statistics and Legal Research* from the main menu then click on *Legal Research* and select a *Document Type* and *Category* from the drop down menus.

### Publications

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

## Purpose of Form 204-SBI

Use Arizona Form 204-SBI *only* to make an extension payment for your Small Business Income Tax Return (140-SBI, 140NR-SBI or 140PY-SBI). If you are not making an extension payment for your small business income tax return do not file this form.

Do *not* use Form 204-SBI to request an extension to your Arizona Small Business Income Tax Return. If you filed Form 204, *Application for Filing Extension*, to request an extension to file your income tax return (Forms 140, 140NR or 140PY) Form 204 will also provide an automatic 6-month extension to file your Small Business Income Tax Return. For more information see Form 204 for the required due date to file Form 204 to request an automatic 6-month period extension to file your tax return(s).

## Completing Form 204-SBI

### Lines 1, 2 and 3

### Foreign Address

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

## Making Your Payment For Your Small Business Income Tax Return

An extension does not extend the time to pay your income tax. You must still pay your tax liability by April 18, 2023 or by the original due date of your return.

If you do not pay at least 90% (.90) of the income tax liability disclosed by your return by the return's original due date, you will be subject to the extension underpayment penalty. We charge interest from the original due date to the date of payment.

**Extension Underpayment Penalty:** We impose this penalty if you do not pay at least 90% (.90) of the income tax liability shown on your return filed under an extension by the return's original due date. The extension underpayment penalty is ½ of 1% (.005) of the income tax not paid for each 30-day period or fraction of a 30-day period. We impose this penalty from the original due date of the return until you pay the tax. The extension underpayment penalty cannot exceed 25% (.25) of the unpaid income tax. If we charge you the extension underpayment penalty, we will not charge you the late payment penalty under Arizona Revised Statutes § 42-1125(D).

Mail your **payment** with this form to:

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

The department will not return a copy of the Form 204-SBI to you. Be sure to keep a copy of the completed Form 204-SBI.

Individuals may make extension payments by check, electronic check, money order, or credit card.

## Check or Money Order

If paying by check or money order, make your check or money order payable to Arizona Department of Revenue.

**Write your SSN, Form 204-SBI and Tax Year 2022** on the **front** of your check or money order.

Include your check or money order with Form 204-SBI.

## Electronic Payment From Your Checking or Savings Account

You can make an electronic payment from your checking or savings account to pay your balance due for 2022. There is no fee to use this method. To make an electronic payment, go to [www.AZTaxes.gov](http://www.AZTaxes.gov) and click on the "Make a Payment" link.

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

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

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

## Credit Card Payment

You can pay with your Visa, MasterCard, Discover, or American Express credit card. Go to [www.AZTaxes.gov](http://www.AZTaxes.gov) and click on the "Make a Payment" link and choose the

credit card option. This will take you to a third party vendor site (provider). The provider **will charge** you a convenience fee based on the amount of your tax payment. The provider will tell you what the fee is during the transaction; you will have the option to continue or cancel the transaction. If you complete the credit card transaction, you will receive a confirmation number. **Please keep this confirmation number as proof of payment.**

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### **Instructions Before Mailing**

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Make sure that you have completed all of the information requested on the **front** of the form.

To avoid an extension underpayment penalty, make sure you pay at least 90% (.90) of your Arizona tax liability.



Name (first, middle initial, last) If joint return, also give spouse's name and middle initial

Social Security Number

**Part A Calculation of Underpayment**

1	I am claiming an exception from the imposition of the estimated payment penalty because I qualified for federal relief under IRC § 6654. Check box and see instructions.....	1	<input type="checkbox"/>
2	Amount of tax for 2022 from Form 140-SBI, Form 140NR-SBI, or Form 140PY-SBI .....	2	00
3	Tax credits claimed on your 2022 Arizona Small Business Income tax return .....	3	00
4	Subtract line 3 from line 2. If less than \$1,000, stop here. You do not owe the penalty. Do not file Form 221-SBI.....	4	00
5	Multiply line 4 by 90% (.90) .....	5	00
6	Enter the immediately preceding year's tax liability after tax credits. See instructions .....	6	00
7	<b>Required Annual Payment:</b> Enter the lesser of line 5 or line 6.....	7	00

8	Payment Due Date.....	8	(a) Apr-15-2022	(b) Jun-15-2022	(c) Sep-15-2022	(d) Jan-15-2023
9	Divide the amount on line 7 by the number of payments required for the year (usually four). Enter the result in appropriate columns. <input type="checkbox"/> Check this box if you use any other installment method. If you annualize, complete the worksheet on page 2 of this form and enter the amount from line 15 of that worksheet in each column of line 9 .....	9				
10	Small Business Income Estimated tax paid. See instructions .....	10				
<b>You must complete lines 11 through 13 of one column before going to line 11 of the next column.</b>						
11	Overpayment: See instructions.....	11				
12	Add lines 10 and 11.....	12				
13	<b>Underpayment:</b> Subtract line 12 from line 9; or <b>Overpayment:</b> Subtract line 9 from line 12 .....	13				

**Part B Underpayment of Estimated Tax Penalty**

14	<b>Rate Period One: 4%</b> (Apr-15-22 through Jun-30-22) Computation starting date for this period .....	14	Apr-15-22	Jun-15-22			
15	Number of days after the date on line 14 through the date the amount on line 13 was paid or June 30, 2022 whichever is earlier .....	15	Days:	Days:			
16	Underpayment on line 13 × $\frac{\text{Number of days on line 15}}{365} \times 4\%$ .....	16					
17	<b>Rate Period Two: 5%</b> (Jul-1-22 through Sep-30-22) Computation starting date for this period .....	17	Jun-30-22	Jun-30-22	Sep-15-22		
18	Number of days after the date on line 17 through the date the amount on line 13 was paid or September 30, 2022 whichever is earlier .....	18	Days:	Days:	Days:		
19	Underpayment on line 13 × $\frac{\text{Number of days on line 18}}{365} \times 5\%$ .....	19					
20	<b>Rate Period Three: 6%</b> (Oct-1-22 through Dec-31-22) Computation starting date for this period .....	20	Sep-30-22	Sep-30-22	Sep-30-22		
21	Number of days after the date on line 20 through the date the amount on line 13 was paid or December 31, 2022 whichever is earlier .....	21	Days:	Days:	Days:		
22	Underpayment on line 13 × $\frac{\text{Number of days on line 21}}{365} \times 6\%$ .....	22					
23	<b>Rate Period Four: *%</b> (Jan-1-23 through Apr-15-23) Computation starting date for this period .....	23	Dec-31-22	Dec-31-22	Dec-31-22	Jan-15-23	
24	Number of days after the date on line 24 through the date the amount on line 13 was paid or April 15, 2023 whichever is earlier.....	24	Days:	Days:	Days:	Days:	
25	$\frac{\text{Underpayment on line 13 plus any penalty from Rate Period 1, 2, and 3 if the underpayment is unpaid as of Jan-1-23}}{\text{Number of days on line 26}} \times *%$ .....	25					
26	<b>Penalty:</b> Column (a) - Add lines 16, 19, 22, 25. Enter total on line 26 of col. (a). Column (b) - Add lines 16, 19, 22, 25. Enter total on line 26 of col. (b). Column (c) - Add lines 19, 22, 25. Enter total on line 26 of col. (c). Column (d) - Enter the amount from column (d), line 25.....	26					
27	<b>Penalty Limitation.</b> In columns (a) through (d), list the smaller of line 13 x 10% or the amount from line 26.....	27					
28	<b>Total Penalty</b> - Add line 27, (a) through (d).....	28a		00	<input type="checkbox"/> Waiver request	28b	00
					28c		00

Your Name (as shown on page 1)

Your Social Security Number

### Annualized Income Installment Worksheet

Complete lines 1 through 23 of one column before completing the next column.

	Jan-1-22 to Mar-31-22	Jan-1-22 to May-31-22	Jan-1-22 to Aug-31-22	Jan-1-22 to Dec-31-22
1 Enter your Arizona Small Business taxable income for each period ..... 1				
2 Annualization amounts..... 2	4.0	2.4	1.5	1.0
3 Annualized income: Multiply line 1 by line 2..... 3				
4 Multiply line 3 by 3.0%..... 4				
5 For each period, enter the amount of tax credits allowed on your Arizona Form 140-SBI, Form 140PY-SBI, or Form 140NR-SBI ..... 5				
6 Subtract line 5 from line 4. If zero or less, enter "0"..... 6				
7 Applicable percentages ..... 7	22.5%	45%	67.5%	90%
8 Multiply line 6 by line 7 ..... 8				
9 Enter the combined amounts of line 15 from all preceding columns..... 9				
10 Subtract line 9 from line 8. If less than zero, enter "0" ..... 10				
11 Divide line 7 from page 1, of this Form 221-SBI, by four (4), and enter the result in each column..... 11				
12 Enter the amount from line 14 of the preceding column of this worksheet..... 12				
13 Add lines 11 and 12, and enter the total ..... 13				
14 If line 13 is more than line 10, subtract line 10 from line 13. Otherwise, enter "0"..... 14				
15 Enter the smaller of line 10 or line 12 here and on page 1, line 9..... 15				

# 2022 Underpayment of Estimated Tax by Individuals for Forms 140-SBI, 140PY-SBI and 140NR-SBI

# Arizona Form 221-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 *Reports, Statistics and Legal Research* from the main menu then click on *Legal Research* and select a *Document Type* and *Category* from the drop down menus.

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

## Purpose of Form

Certain taxpayers must make estimated income tax payments. The department will charge a penalty if a person fails to make any required payment.

Use Arizona Form 221-SBI to figure if you paid enough Arizona estimated income tax for Form 140-SBI, 140PY-SBI or 140NR-SBI. Also, use this form to see if you are subject to penalty for any late or underpaid payment.

## Am I Subject to the Penalty?

You are subject to the penalty if you had to make Arizona estimated payments, but did not pay the right amount or made a payment late.

You must have made estimated payments during 2022 if the following apply:		
Your filing status is:	AND Your Arizona gross income for 2021 was greater than:	AND Your Arizona gross income for 2022 is greater than:
Single	\$75,000	\$75,000
Married Filing Joint	\$150,000	\$150,000
Married Filing Separate	\$75,000	\$75,000
Head of Household	\$75,000	\$75,000

What is my Arizona small business gross income for estimated payment purposes?	
If you are a:	Your Arizona gross small business income is:
Full year Arizona resident	This amount is found on line 10 of your 2021 and 2022 Arizona Form 140-SBI.
Part year Arizona resident	This amount is found on line 10 of your 2021 and 2022 Arizona Form 140PY-SBI.
Arizona nonresident	This amount is found on line 10 of your 2021 and 2022 Arizona Form 140NR-SBI.

If your Arizona gross income was less than the prescribed thresholds for either 2021 or 2022, you are not subject to the penalty. The threshold amounts were amended for tax year 2022. For the threshold amount effective for 2021, see the instructions for the form filed for 2021. For 2022, see the instructions for the form you are filing for 2022.

## Should I Complete This Form?

If you had to make Arizona estimated payments during 2022, you must complete this form unless one of the following applies.

- Your 2022 Arizona small business income tax liability is less than \$1,000. This is the amount of tax shown on your return reduced by any allowable tax credits that you are claiming on your small business income tax return.
- You report as a farmer or fisherman for federal purposes and you are a calendar year filer **and**:
  1. You file your Arizona return by March 1, 2023.
  2. You pay in full the amount stated as payable on the return.
- You report as a farmer or fisherman for federal purposes and you are a fiscal year filer **and**:
  1. You file your Arizona return on or before the first day of the third month after the end of the fiscal year.
  2. You pay in full the amount stated as payable on the return.

If any of the items above apply to you, you do not have to complete Form 221-SBI. Otherwise, complete this form to see if you are subject to the penalty. If you have to complete Form 221-SBI, you must include the completed Form 221-SBI with your Arizona Form 140-SBI, 140PY-SBI, or 140NR-SBI.

If you had to make estimated payments, your payments must total either 90% of the tax due for 2022, or 100% of the tax due for 2021.

You can use your 2021 tax to figure the amount of payments that you must have made during 2022 only if you filed a 2021 Arizona Small Business Income tax return.

## Part A - Calculation of Underpayment

If you file an amended return, *Arizona Form 140X-SBI*, by the due date of your original return, use the amounts shown on your amended return to figure your underpayment. If you file an amended return after the due date, use the amounts shown on your original return. For more information, see the department's ruling, ITR 02-4, *Amended Return's Effect on the Estimated Tax Payment Underpayment Penalty*.

### Line 1

Complete line 1 if you are claiming an exception from the penalty because you qualified for federal relief under Internal Revenue Code § 6654.

You may claim either an exception from the penalty, or you may claim a penalty waiver.

## Penalty Exceptions

You will not have to pay the penalty if either item below applies.

- You had no federal tax liability for 2021. You were also a U.S. citizen or resident of the U.S. for the entire year and your 2021 tax return was (or would have been had you been required to file) for a full 12 months.
- The total tax shown on your 2022 federal income tax return minus your federal withholding is less than \$1,000.

To request a penalty exception because either item above applies, do the following:

- Check the box on line 1;
- Do not** complete the rest of Form 221-SBI.
- Include Form 221-SBI with Arizona Form 140-SBI, Form 140PY-SBI, or Form 140NR-SBI.

## Penalty Waivers

If you have an underpayment on line 15, the department will waive all or part of the penalty for that underpayment if the department determines that either item below applies:

- The underpayment was due to a casualty, disaster, or other unusual circumstances, and it would be inequitable to impose the penalty.
- In 2021 or 2022, you retired after age 62 or became disabled, and your underpayment was due to reasonable cause.

To request a waiver for an underpayment described in either item above, do the following.

- Check the box on line 1.
- Complete Form 221-SBI through line 27 without regard to the waiver.
- Add line 27, columns (a) through (d) and enter the total on line 28, box 28a.
  - Enter the amount you want waived on line 28, box 28b.
  - Subtract the amount in box 28b from the total penalty you figured without regard to the waiver (box 28a).
  - Enter the result on line 28, box 28c.

- Include Form 221-SBI and a statement with your return explaining why you could not meet the estimated tax requirements. Also, show the time period for which you are requesting a waiver.

**If you are asking for a penalty waiver due to a casualty, disaster, or other unusual condition**, include documentation such as copies of police and insurance company reports.

**If you are asking for a penalty waiver due to retirement or disability**, include documentation that shows your retirement date (and your age on that date) or the date you became disabled.

### Lines 2 through 15

Complete lines 2 through 15 to see if you underpaid your 2022 estimated income tax payments.

### Line 2

Enter your 2022 small business income tax liability from Arizona Form 140-SBI, line 53, or Form 140PY-SBI, line 53, or Form 140NR-SBI, line 51.

**NOTE:** *If you compute your tax liability under the claim of right provisions enter the net tax liability as computed under the claim of right provisions.*

### Line 3

Enter tax credits claimed on your 2022 Arizona small business income tax return.

### Line 4

Subtract line 3 from line 2. If less than \$1,000, stop here. You do not owe the penalty. Do not file Form 221-SBI.

### Line 5

Multiply the amount on line 4 by 90% (.90). Enter the result.

### Line 6

Enter the immediately preceding year's small business income tax liability (after tax credits). Only enter an amount on line 6 if you filed an Arizona small business income tax return for 2021. **If you did not file an Arizona small business income tax return for 2021, skip this line.**

### Line 7

If you completed line 6, enter the smaller of line 5 or line 6. If you did not complete line 6, enter the amount from line 5.

### Line 8

In columns (a) through (d), enter the due dates for your federal estimated income tax payments. Enter a date here only if these dates are different from the preprinted dates.

### Line 9

Divide the amount on line 7 by four (4). Enter the result in each column. In some cases, you did not have to make your payments in four equal installments. If you did not have to make your payments in four equal installments, check the box and enter the amount of your required payment(s) in the proper column. You did not have to make payments in four equal installments if you made your payments under any of the following methods.

- **The annualized income installment method.** If you use the annualized income installment method, complete the worksheet on Form 221-SBI, page 2. Also, enter the amount from line 15 of that worksheet in each column of line 9. If you use the annualized income installment method, you must check the box on line 9.
- **File and pay by January 31, 2023.** If you file your Arizona return by January 31, 2023 and pay in full the amount stated on the return as payable, you do not have to make the fourth estimated tax payment. Fiscal year filers must file and pay by the last day of the month following the close of the fiscal year.
- **Farmer or fisherman.** If you report as a farmer or fisherman for federal purposes, you only have to make one installment for a taxable year. The due date for this installment for a calendar year filer was January 15, 2023.
- The due date for a fiscal year filer is the 15th day of the first month after the end of the fiscal year. You do not have to make this payment if you file your Arizona return on or before March 1, 2023 and pay in full the amount stated on the return as payable. Fiscal year filers must file and pay on or before the first day of the third month after the end of the fiscal year.
- **Nonresident alien.** If you are an individual who elects to be treated as a nonresident alien on the federal income tax return, you may make three estimated payments. The due dates for these installments were June 15, 2022, September 15, 2022 and January 15, 2023. The first installment must have equaled 50% of the total required payments.

### Line 10 - Estimated Tax Paid and Withheld

Enter the estimated tax payments you made plus any Arizona income tax withheld for that quarter.

In column (a), enter the tax payments you made by April 15, 2022 that were for the 2022 tax year.

In column (b), enter payments you made after April 15, 2022 through June 15, 2022.

In column (c), enter payments you made after June 15, 2022 through September 15, 2022.

In column (d), enter payments you made after September 15, 2022 through January 15, 2023.

When figuring your payment dates and the amounts to enter on line 12 of each column, apply the following rules:

1. Include  $\frac{1}{4}$  (25%) of your Arizona income tax withheld in each column. The department considers you to have paid  $\frac{1}{4}$  (25%) of Arizona income tax withheld on each payment due date unless you can show otherwise.
2. Include in your estimated tax payments any Arizona overpayment of tax from your 2021 return that you elected to apply to your Arizona 2022 estimated tax. You should report this amount in column (a).
3. If you file your return and pay the tax due by January 31, 2023, include on line 12, column (d), the amount of tax you pay with your return. In this case, you will not owe a penalty for the payment due by January 31, 2023.

**NOTE:** If line 10 equals or is more than line 9 in all columns, you do not owe a penalty. Do not complete the rest of this form. You must include a copy of this form with your return.

### Lines 11 through 13 - Overpayments or Underpayments

To determine if you have an overpayment or underpayment for each payment period:

1. you must complete lines 11 through 13 for one payment period before you go to line 11 of the next period, and
2. you must complete lines 11 through 13 for all columns before completing Part B, lines 14 through 28.

If you have an overpayment on line 13 for the period, you may apply it to a prior period underpayment to stop the accrual of penalty on that underpayment.

If you apply an overpayment in this manner, use the date the overpayment was paid when you figure the penalty on the underpayment on line 13. You may then carry the remainder of the overpayment forward to line 11 of the next period.

If you do not choose to stop the accrual of penalty on a prior underpayment, you may carry the entire overpayment forward to line 11 of the next period.

### Part B - Underpayment of Estimated Tax Penalty

Compute the penalty by applying the applicable rate to each underpayment. Compute the penalty for the number of days that the underpayment remained unpaid.

The penalty is equal to the interest that would accrue on the underpayment. The penalty cannot be more than 10% of the underpayment. Calculate this penalty like interest.

**Do not round penalty amounts calculated in Part B, lines 16, 19, 22, and 25 to the nearest whole dollar.**

The penalty rates are established at various times during the year. The rate for the first quarter of 2023 (January 1, 2023 through March 31, 2023) was not established by the time the department printed this form.

To get the interest rate that applies from January 1, 2023 to April 15, 2023, call one of the numbers listed on page 1 of these instructions.

**NOTE:** If you have not paid the underpayment by December 31, 2022 the outstanding penalty that relates to that underpayment will compound on January 1, 2023.

Use lines 14 through 27 to compute the penalty for each rate period. On the following tables (1 through 4), list your payments to figure the penalty applicable to these installments. List any amount that you pay with your tax return as a payment. Use the date you file your return as the payment date, unless you file late. In that case, use April 15, 2023.

TABLE 1	
Payments after 4/15/2022 through 6/30/2022	
Date	Payment

TABLE 2	
Payments after 6/30/2022 through 9/30/2022	
Date	Payment

TABLE 3	
Payments after 9/30/2022 through 12/31/2022	
Date	Payment

TABLE 4	
Payments after 12/31/2022 through 4/15/2023	
Date	Payment

**Chart of Total Days per Period**

If an underpayment remained unpaid for an entire period, use the chart below to determine the number of days to enter on line 15, columns (a) and (b), line 18, columns (a), (b), and (c), line 21, columns (a), (b), and (c), and line 24 columns (a), (b), (c), and (d).

Rate Period	(a)	(b)	(c)	(d)
1 (line 15)	76	15		
2 (line 18)	92	92	15	
3 (line 21)	92	92	92	
4 (line 24)	105	105	105	90

For example, if you have an underpayment on line 13, column (a), but show no payments, you would enter "76" on line 15.

**Rate Period 1**

**Lines 14 through 16**

Enter on line 15, column (a) the number of days from 4/15/2022 to the date of the first payment listed in Table 1. If no payments are listed, enter "76."

**If You Listed a Payment in Table 1**

On a separate sheet of paper, apply the payment to the underpayment shown on line 13. The underpayment for the computation on line 16 is the amount of the payment applied to the line 13 underpayment. If the payment is more than the underpayment, apply only an amount equal to the underpayment and use that amount for the line 16 computation.

**If You Did Not List Any Payments in Table 1**

The underpayment is the whole underpayment balance since the entire underpayment was unpaid for the whole rate period.

**Determine if You Need to Make More Computations**

Use the following information to see if you need to make more computations.

1. The payment listed in the table reduced the underpayment to zero. You do not need to make any further computations for column (a). Calculate the penalty for any other underpayments shown in columns (b) through (d) of line 13.
2. You did not list any payments in the table. You will need to calculate the penalty for rate periods 2, 3, and 4. To do this, complete column (a) of lines 18, 19, 21, 22, 24, and 25.
3. The payment listed in the table did not reduce the underpayment to zero, and no other payments are listed. Make another computation on lines 18, 19, 21, 22, 24, and 25 to calculate the penalty on the underpayment balance that remained unpaid for the entire rate period. In this case, enter another number in the space for lines 15 and 16, as follows:

On line 15, enter "76." This is the total number of days in the first rate period (see the chart).

On line 16, make the computation and enter the result. The "underpayment" in this computation is the balance of the underpayment remaining in the period.

4. Other payments are listed in the table and the first payment was not enough to reduce the underpayment to zero. Make a separate computation for each payment listed until the underpayment is reduced to zero. If there is still an underpayment balance after applying all of the payments, you will need to calculate the penalty on the balance of the underpayment in the same manner as explained in number 2 above.

**Rate Periods 2, 3, and 4**

**Lines 17 through 25**

If an underpayment balance remains after applying any payments in Table 1, compute the penalty attributable to that balance on lines 18 and 19, then if necessary, on lines 21 and 22 and 24 and 25.

Use the same steps as explained under the section, *Rate Period 1*, but use the date and penalty rate shown on lines 18 and 19, or lines 21 and 22, or lines 24 and 25.

1. When figuring the penalty for rate period 2, be sure to use only the payments listed in Table 2.
2. When figuring the penalty for rate period 3, be sure to use only the payments listed in Table 3.
3. When figuring the penalty for rate period 4, be sure to use only the payments listed in Table 4.

**NOTE:** *Penalty compounds annually on January 1 of each year. Add any penalty outstanding on that date to the principal amount of the tax (installment underpayment/late payment). The amount added to the principal becomes a part of the principal and accrues penalty until paid.*

#### **Lines 26 and 27**

For amounts to enter on line 26, columns (a) through (d), and line 27, follow the instructions on the form.

#### **Line 28 (Boxes a, b, and c) - Total Penalty**

**Box 28a:** Add line 27, columns (a) through (d) and enter the total.

**Box 28b:** If you are requesting a waiver of any penalty amount, check the box and enter that amount in box 28b.

**Box 28c:** Subtract box 28b from box 28a and enter the difference.

Also, enter the amount in box 28c on Arizona Form 140-SBI, line 64, or Form 140PY-SBI, line 64, or Form 140NR-SBI, line 62.

**NOTE:** *You **must** round the total penalty amount (box 28c) to the nearest whole dollar.*

### **Annualized Income Installment Worksheet**

If your income varied during the year because, for example, you operated your business on a seasonal basis, you may be able to lower or eliminate the amount of one or more required installments by using the annualized income installment method.

Use the Annualized Income Installment Worksheet on page 2 of Form 221-SBI, to figure the amounts to enter on line 9 of Form 221-SBI.

If you use the Annualized Income Installment Worksheet for any payment due date, you must use it for all payment due dates. To figure the amount of each required installment, the worksheet automatically selects the smaller of the annualized income installment or the regular installment (increased by the amount saved by using the annualized income installment method in figuring any earlier installments).

For more information about the annualized income installment method, see federal Publication 505.

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**Include with your return.**

For the calendar year 2022 or fiscal year beginning MM,DD,2022 and ending MM,DD,YYYY.

Your Name as shown on Form 140-SBI, 140PY-SBI, 140NR-SBI or 140X-SBI	Your Social Security Number
Spouse's Name as shown on Form 140-SBI, 140PY-SBI, 140NR-SBI or 140X-SBI (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 Military Reuse Zone Credit..... Form 306 ▶	1			00
2 Credit for Increased Research Activities – Individuals..... Form 308-I ▶	2			00
3 Credit for Taxes Paid to Another State or Country..... Form 309-SBI ▶	3			00
4 Agricultural Water Conservation System Credit ..... Form 312 ▶	4			00
5 Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets ..... Form 319 ▶	5			00
6 Agricultural Pollution Control Equipment Credit ..... Form 325 ▶	6			00
7 Credit for Donation of School Site ..... Form 331 ▶	7			00
8 Credit for Employing National Guard Members..... Form 333 ▶	8			00
9 Credit for Business Contributions by an S Corporation to School Tuition Organizations - Individual ..... Form 335-I ▶	9			00
10 Credit for Solar Energy Devices – Commercial and Industrial Applications..... Form 336 ▶	10			00
11 Credit for Investment in Qualified Small Businesses..... Form 338 ▶	11			00
12 Credit for Business Contributions by an S Corporation to School Tuition Organizations for Displaced Students or Students with Disabilities - Individual ..... Form 341-I ▶	12			00
13 Renewable Energy Production Tax Credit..... Form 343 ▶	13			00
14 Credit for New Employment..... Form 345 ▶	14			00
15 Additional Credit for Increased Research Activities for Basic Research Payments ..... Form 346 ▶	15			00
16 Healthy Forest Production Tax Credit..... Form 353 ▶	16			00
17 Affordable Housing Tax Credit..... Form 354 ▶	17			00
18 Credit for Entity-Level Income Tax..... Form 355 ▶	18			00
19 Reserved.....	19			
<b>20 Total available nonrefundable tax credits:</b> Add lines 1 through 18.....	<b>20</b>			<b>00</b>

Continued on page 2 →



**You must include Form 301-SBI and the corresponding credit form(s) for which you computed your credit(s) with your Small Business Income tax return.**

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

**Part 2 Application of Tax Credits and Recapture:** Enter tax, recapture tax, and tax credits used this taxable year.

21 Tax from Form 140-SBI, line 51; or Form 140PY-SBI, line 51; or Form 140NR-SBI, line 49; or Form 140X-SBI, line 51.....	21		00
22 Tax from Recapture of Credit for Qualified Facilities from Form 349, Part 7, line 19 .....	22		00
23 Tax from Recapture of Credit for Affordable Housing from Form 354, Part 2, line 12.....	23		00
24 Reserved. Do not enter an amount on this line.....	24		
25 Recapture Total: Add lines 22 and 23. Enter here and on Form 140-SBI, line 52; or Form 140PY-SBI, line 52; or Form 140NR-SBI, line 50; or Form 140X-SBI, line 52.....	25		00
26 Total: Add lines 21 and 25 .....	26		00

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

27 Military Reuse Zone Credit.....Form 306 ▶	27		00
28 Credit for Increased Research Activities – Individuals..... Form 308-I ▶	28		00
29 Credit for Taxes Paid to Another State or Country.....Form 309-SBI ▶	29		00
30 Agricultural Water Conservation System Credit .....Form 312 ▶	30		00
31 Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets .....Form 319 ▶	31		00
32 Agricultural Pollution Control Equipment Credit .....Form 325 ▶	32		00
33 Credit for Donation of School Site .....Form 331 ▶	33		00
34 Credit for Employing National Guard Members.....Form 333 ▶	34		00
35 Credit for Business Contribution by an S Corporation to School Tuition Organizations - Individual ..... Form 335-I ▶	35		00
36 Credit for Solar Energy Devices – Commercial and Industrial Applications .....Form 336 ▶	36		00
37 Credit for Investment in Qualified Small Businesses.....Form 338 ▶	37		00
38 Credit for Business Contributions by an S Corporation to School Tuition Organizations for Displaced Students or Students with Disabilities - Individual.. Form 341-I ▶	38		00
39 Renewable Energy Production Tax Credit.....Form 343 ▶	39		00
40 Credit for New Employment.....Form 345 ▶	40		00
41 Additional Credit for Increased Research Activities for Basic Research Payments..Form 346 ▶	41		00
42 Healthy Forest Production Tax Credit.....Form 353 ▶	42		00
43 Affordable Housing Tax Credit.....Form 354 ▶	43		00
44 Credit for Entity-Level Income Tax.....Form 355 ▶	44		00
45 Reserved.....	45		
46 <b>Total Tax Credits Used:</b> Add lines 27 through 44. Enter this amount on Form 140-SBI, line 54; or Form 140PY-SBI line 54; or Form 140NR-SBI, line 52 or Form 140X-SBI, line 54. <b>Total credits used cannot be more than line 26.....</b>	46		00

Continued on page 3 →

**Part 3 Amount of tax credits from Form 301-SBI available to use on Form 301.**

Only complete this section if the both of the following are true:

- The total available credits on Form 301-SBI, Part 1, line 20, exceeds the total tax credits used from Form 301-SBI, Part 2, line 46.
- The balance of tax on Form 140, 140PY, 140NR or 140X after applying the non-refundable credits from Form 301 is greater than "0".

<b>47</b>	Enter the tax amount from Form 301, line 35.....	<b>47</b>	00	
<b>48</b>	Enter the total credits used from Form 301, line 62.....	<b>48</b>	00	
<b>49</b>	Subtract line 48 from line 47. Enter the difference.....	<b>49</b>	00	

If line 49 is zero or less, **STOP!** Do not complete the following table.

If the amount on line 49 is greater than zero, complete the table below to determine the amount of credit to enter on Form 301, line 63.

		Column (a)		Column (b)	
		Available credit from Part 1, column (c) minus credit used in Part 2. Enter the difference.		Amount in column (a) transferred to Form 301, line 63.	
<b>50</b>	Military Reuse Zone Credit.....Form 306 ▶	<b>50</b>	00		00
<b>51</b>	Credit for Increased Research Activities – Individuals..... Form 308-I ▶	<b>51</b>	00		00
<b>52</b>	Credit for Taxes Paid to Another State or Country.....Form 309-SBI ▶	<b>52</b>	00		00
<b>53</b>	Agricultural Water Conservation System Credit .....Form 312 ▶	<b>53</b>	00		00
<b>54</b>	Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets.....Form 319 ▶	<b>54</b>	00		00
<b>55</b>	Agricultural Pollution Control Equipment Credit .....Form 325 ▶	<b>55</b>	00		00
<b>56</b>	Credit for Donation of School Site .....Form 331 ▶	<b>56</b>	00		00
<b>57</b>	Credit for Employing National Guard Members.....Form 333 ▶	<b>57</b>	00		00
<b>58</b>	Credit for Business Contribution by an S Corporation to School Tuition Organizations - Individual ..... Form 335-I ▶	<b>58</b>	00		00
<b>59</b>	Credit for Solar Energy Devices – Commercial and Industrial Applications .....Form 336 ▶	<b>59</b>	00		00
<b>60</b>	Credit for Investment in Qualified Small Businesses.....Form 338 ▶	<b>60</b>	00		00
<b>61</b>	Credit for Business Contributions by an S Corporation to School Tuition Organizations for Displaced Students with Disabilities - Individual..... Form 341-I ▶	<b>61</b>	00		00
<b>62</b>	Renewable Energy Production Tax Credit.....Form 343 ▶	<b>62</b>	00		00
<b>63</b>	Credit for New Employment.....Form 345 ▶	<b>63</b>	00		00
<b>64</b>	Additional Credit for Increased Research Activities for Basic Research Payments.. Form 346 ▶	<b>64</b>	00		00
<b>65</b>	Healthy Forest Production Tax Credit..... Form 353 ▶	<b>65</b>	00		00
<b>66</b>	Affordable Housing Tax Credit.....Form 354 ▶	<b>66</b>	00		00
<b>67</b>	Credit for Entity-Level Income Tax.....Form 355 ▶	<b>67</b>	00		00
<b>68</b>	Reserved.....	<b>68</b>			
<b>69</b>	<b>Total Credits transferred to Form 301, line 63.</b> Add lines 50 through 67, column (b), and enter the amount. <b>Amount cannot be greater than line 49.</b> .....	<b>69</b>			00

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# 2022 Nonrefundable Individual Tax Credits and Recapture

# Arizona Form 301-SBI

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

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

## Tax forms, instructions, and other tax information

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

## Income Tax Procedures and Rulings

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

## Publications

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

## General Instructions

You must complete and include Arizona Form 301-SBI and the credit form(s) with your Arizona Small Business Income Tax return to claim nonrefundable.

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.

**If you don't meet one of the exceptions below and do not complete and include Form 301-SBI and all required tax credit forms with your income tax return, your claim for tax credit(s) may be denied.**

## When Form 301-SBI is Not Required

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

- 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 Form 140-SBI, 140PY-SBI, 140NR-SBI, or 140X-SBI.

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 18 complete columns (a), (b) and (c) for each of the following credits available to you this taxable year.

### Line 1 - 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 2 - 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 34(d).

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 68.

Column (b): Enter the amount from Form 308-I, line 69.

Column (c): Enter the amount from Form 308-I, line 70.

### Line 3 - Credit for Taxes Paid to Another State or Country

Column (a): Enter the amount from Form 309-SBI, line 17.

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

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

### Line 4 - 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 5 - 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 8.

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

### Line 6 - Agricultural Pollution Control Equipment Credit

Column (a): Enter the amount from Form 325, line 25.

Column (b): Enter the amount from Form 325, line 26.

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

### Line 7 - 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 8 - 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 9 - 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 10 - Credit for Solar Energy Devices - Commercial and Industrial Applications**

Column (a): Do not enter an amount in column (a).  
 Column (b): Enter the amount from Form 336, line 4.  
 Column (c): Enter the amount from column (b).

**Line 11 - 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 12 - 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 13 - 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 14 - 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 15 - 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 16 - Healthy Forest Production Tax Credit**

Column (a): Enter the amount from Form 353, line 15.  
 Column (b): Enter the amount from Form 353, line 16.  
 Column (c): Enter the amount from Form 353, line 17.

**Line 17 - Affordable Housing Credit**

Column (a): Enter the amount from Form 354, line 20.  
 Column (b): Do not enter an amount in column (b).  
 Column (c): Enter the amount from Form 354, line 22.

**Line 18 - Credit for Entity-Level Income Tax**

Column (a): Enter the amount from Form 355, line 11.  
 Column (b): Do not enter an amount in column (b).  
 Column (c): Enter the amount from Form 355, line 13.

**Line 19 – Reserved**

Do not enter an amount on this line.

**Line 20 - Total Available Nonrefundable Tax Credits**

For column (c), add lines 1 through 18. 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 21 -**

Enter the amount of tax from your income tax form.

If you file Form:	Enter the amount from line:
140-SBI	51
140PY-SBI	51
140NR-SBI	49
140X-SBI	50

**Line 22 – Qualified Facilities Recapture Tax**

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

**Line 23 – Affordable Housing Recapture Tax**

Enter the amount of tax from recapture of the credit for Qualified Facilities from Form 354, Part 2, line 12.

**Line 24 – Reserved**

Do not enter an amount on this line.

**Line 25 - Recapture Total**

Add lines 22 and 23. Enter the total here and on your income tax form.

If you file Form:	Enter the amount on line:
140-SBI	52
140PY-SBI	52
140NR-SBI	50
140X-SBI	51

**Line 26 - Subtotal**

Add lines 21 and 25. Enter the total here.

## **Nonrefundable Tax Credits Used This Taxable Year**

*The total amount of tax credits you use cannot exceed the amount entered on line 26* 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. The amount entered on each of lines 27-44 cannot exceed the Total Available Credit amount on the corresponding lines on Form 301-SBI, page 1, column (c).

### **Line 27 - Military Reuse Zone Credit**

The amount you enter on line 27 cannot exceed the amount from Form 301-SBI, line 1, column (c). 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 28 - Credit for Increased Research Activities - Individuals**

The amount you enter on line 28 cannot exceed the amount from Form 301-SBI, line 2, column (c). 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.

**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 28d**). Enter the refundable portion of the credit (the amount from Form 308-I, **Part 7, line 38**) on Form 140-SBI, line 58; or Form 140NR-SBI, line 56; or Form 140PY-SBI, line 58; or Form 140X, line 58.

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 29 - Credit for Taxes Paid to Another State or Country**

The amount you enter on line 29 cannot exceed the amount from Form 301-SBI, line 3, column (c). There is no carry forward of the unused portion of this tax credit. See Form 309-SBI for details. Enter the amount used.

### **Line 30 - Agricultural Water Conservation System Credit**

The amount you entered on line 30 cannot exceed the amount from Form 301-SBI, line 4, column (c). 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 31 - Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets**

The amount you enter on line 31 cannot exceed the amount from Form 301-SBI, line 5, column (c). 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 32 - Agricultural Pollution Control Equipment Credit**

The amount you enter on line 32 cannot exceed the amount from Form 301-SBI, line 6, column (c). 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 33 - Credit for Donation of School Site**

The amount you enter on line 33 cannot exceed the amount from Form 301-SBI, line 7, column (c). 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 34 - Credit for Employing National Guard Members**

The amount you enter on line 34 cannot exceed the amount from Form 301-SBI, line 8, column (c). 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 35 - Credit for Business Contributions by an S Corporation to School Tuition Organizations - Individual**

The amount you enter on line 35 cannot exceed the amount from Form 301-SBI, line 9, column (c). 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 36 - Credit for Solar Energy Devices - Commercial and Industrial Applications**

The amount you enter on line 36 cannot exceed the amount from Form 301-SBI, line 10, column (c). 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 37 - Credit for Investment in Qualified Small Businesses**

The amount you enter on line 37 cannot exceed the amount from Form 301-SBI, line 11 column (c). 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 38 - Credit for Business Contributions by an S Corporation to School Tuition Organizations for Displaced Students or Students with Disabilities - Individual**

The amount you enter on line 38 cannot exceed the amount from Form 301-SBI, line 12, column (c). 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 39 - Renewable Energy Production Tax Credit**

The amount you enter on line 39 cannot exceed the amount from Form 301-SBI, line 13, column (c). 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 40 - Credit for New Employment**

The amount you enter on line 40 cannot exceed the amount from Form 301-SBI, line 14, column (c). 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 41 - Additional Credit for Increased Research Activities for Basic Research Payments**

The amount you enter on line 41 cannot exceed the amount from Form 301-SBI, line 15, column (c). 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 42 - Healthy Forest Production Credit**

The amount you enter on line 42 cannot exceed the amount from Form 301-SBI, line 16, column (c). You may carry the unused portion of this tax credit forward for five succeeding taxable years. See Form 353 for details. Enter the amount used.

**Line 43 - Affordable Housing Credit**

The amount you enter on line 43 cannot exceed the amount from Form 301-SBI, line 17, column (c). You may carry the unused portion of this tax credit forward for five succeeding taxable years. See Form 354 for details. Enter the amount used.

**Line 44 – Credit for Entity-Level Income Tax**

The amount you enter on line 44 cannot exceed the amount from Form 301-SBI, line 18, column (c). You may carry the unused portion of this tax credit forward for five succeeding taxable years. See Form 355 for details. Enter the amount used.

**Line 45 – Reserved**

Do not enter an amount on this line

**Line 46 - Tax Credits Used**

Add lines 27 through 44 and enter the total here.

Also enter this amount on your small business income tax form.

If you file Form:	Enter the amount on line:
140-SBI	54
140PY-SBI	54
140NR-SBI	52
140X-SBI	54

Total credits used cannot be more than line 26.

**Part 3: Amount of tax credits from Form 301-SBI Available to Transfer (use) on Form 301**

Taxpayers filing Form 301-SBI may transfer certain unused credits to Form 301 to use on their individual income tax return.

Complete this section if both of the following are true:

- The total available credits on Form 301-SBI, Part 1, line 20, exceeds the total tax credits used on Form 301-SBI, Part 2, line 46.
- The balance of tax on Form 140, 140PY, 140NR or 140X after applying the non-refundable credits from Form 301 is greater than “0”.

**Lines 47 through 49**

Completed lines 47-49 to determine if you have a tax liability remaining after applying your non-refundable tax credits on your regular income tax return.

**Lines 50 through 69**

If line 49 is greater than zero, “0”, complete lines 50 through 69 to report the amount of credits available to transfer to Form 301.

- Column (a): Enter the available credit from Part 1, column (c) minus credit used in Part 2. Enter the difference.
- Column (b): Enter the amount for each credit that you are transferring to Form 301.

**Line 68 – Reserved**

Do not enter an amount on this line.

**Line 69 – Total Credits Transferred to Form 301, line 63.**

Add lines 50-67 and enter the total in column (b) and on Form 301, line 63. **Amount on line 69 cannot be greater than line 49.**

**Credit Carryover Worksheet**

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

Keep the worksheet with your records and use the information to complete your 2023 return that you will file in 2024. 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.



**301-SBI Credit Carryover Worksheet**

Keep this worksheet with your records. Use this information to complete your 2023 credit forms that you will file in 2024.

**Note:** For Credit Form 308-I: Do not include the 308-I in the schedule if you received the excess as a refundable credit. In this case, there is no carryover available.

(a) Credit Type		(b) Carryover?		(c) Credit Available for 2022	(d) Credit Used for 2022	(e) Credit Transferred to Form 301	(f) Carryover Available for 2023
On lines 1 through 10 below, enter the form number of the credit(s) available to you for 2022.		May the unused portion from the credit listed in column (a) be carried forward? (See the applicable credit form for carry forward information.)		On lines 1 through 10 below, enter the amount of each credit <i>available</i> to you for 2022.  Take these amounts from Form 301-SBI, lines 1 through 18.	On lines 1 through 10 below, enter the amount of each credit <i>used</i> on Form 301-SBI for 2022.  Take these amounts from Form 301-SBI, lines 27 through 44.	On lines 1 through 10 below, enter the amount of each credit <i>transferred from Form 301-SBI to Form 301</i> for 2022. Enter the amounts from Part 3, lines 50 through 67, column (b).	For each line on which you have entered an amount, subtract the amount in column (e) from the amount in column (d). This is the amount of each credit that you may carryover to 2023, providing carryover may be carried to 2023.  Use this amount when completing the appropriate carryover amount(s) on the 2023 credit form(s).
		YES	NO				
1.				.00	.00	.00	.00
2.				.00	.00	.00	.00
3.				.00	.00	.00	.00
4.				.00	.00	.00	.00
5.				.00	.00	.00	.00
6.				.00	.00	.00	.00
7.				.00	.00	.00	.00
8.				.00	.00	.00	.00
9.				.00	.00	.00	.00
10.				.00	.00	.00	.00

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*Include with your return. A separate form must be filed for each state or country for which a credit is claimed.*

For the calendar year 2022 or fiscal year beginning [M,M|D,D|2,0,2,2] and ending [M,M|D,D|Y,Y,Y,Y].

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

**Part 1 Computation of Income Subject to Tax by Both Arizona and the Other State or Country During 2022**

**A. Other State:** If claiming a credit for taxes paid to another state, enter the two-letter abbreviation for that state.

See last page of the instructions for a list of state abbreviations ..... [ ]

**B. Other Country:** If claiming a credit for taxes paid to another country, enter the country name [ ]

If claiming a credit for taxes paid to more than one country, see instructions.

	(a)	(b)	(c)
<b>1</b> Description of income item(s) from Arizona small business income tax return. List each item separately.			
<b>2</b> Amount of income from item listed on line 1 reportable to both Arizona and the other state or country.....	\$ 00	\$ 00	\$ 00
<b>3</b> Portion of income on line 2 included in Arizona small business adjusted gross income.....	\$ 00	\$ 00	\$ 00
<b>4</b> Portion of income on line 2 included in the other state or country's equivalent of Arizona small business adjusted gross income.....	\$ 00	\$ 00	\$ 00
<b>5</b> Small business income subject to tax by both Arizona and the other state or country. Enter the smaller of the amount entered on line 3 or line 4.....	\$ 00	\$ 00	\$ 00
<b>6</b> Total small business income subject to tax in both Arizona and the other state or country. Add line 5, columns (a), (b), and (c). Include total from additional schedules. If less than zero, enter "0".....			\$ 00

**Part 2 Computation of Other State or Country Tax Credit** Lines 10 and 15: Enter decimal amount to four places. (x.xxxx)

(Read specific line instructions for Part 2 before completing this part.)

<b>7</b> Arizona tax liability less any credits from Form 301-SBI (except other state tax credit).....	<b>7</b>		00
<b>8</b> Amount from Part 1, line 6.....	<b>8</b>		00
<b>9</b> Entire income upon which Arizona small business income tax is imposed. See instructions.....	<b>9</b>		00
<b>10</b> Divide the amount on line 8 by the amount on line 9 (cannot be greater than one).....	<b>10</b>	.	00
<b>11</b> Multiply the amount on line 7 by the decimal on line 10.....	<b>11</b>		00
<b>12</b> Income tax paid to: Name of other state or country. See Instructions. <b>12a</b> .....	<b>12b</b>		00
<b>13</b> Amount from Part 1, line 6.....	<b>13</b>		00
<b>14</b> Entire income upon which other state or country's income tax is imposed. See instructions.....	<b>14</b>		00
<b>15</b> Divide the amount on line 13 by the amount on line 14 (cannot be greater than one).....	<b>15</b>	.	00
<b>16</b> Multiply the amount on line 12 by the decimal on line 15.....	<b>16</b>		00
<b>17</b> Allowable credit for taxes paid to the above named other state or country: If claiming a credit from more than one state or country, see instructions. Enter the smaller of line 11 or line 16 on line 17. Also, enter this amount on Arizona Form 301-SBI, Part 1, line 3, column (a).....	<b>17</b>		00

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

### 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 5 of the instructions.

		(a) Amount from 2022 federal return that meets the definition of Arizona small business gross income.	(b) Amount entered in column (a) reported on your 2022 Small Business tax return.	(c) Amount entered in column (a) reported on your 2022 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>	Interest & Ordinary Dividends from Federal Schedule B.....	\$ 00	\$ 00	\$ 00	\$ 00
<b>2</b>	Business income or (loss) from Federal Schedule C.....	\$ 00	\$ 00	\$ 00	\$ 00
<b>3</b>	Portion of Schedule D gains (or losses) included in the definition of Arizona small business gross income. See instructions.....	\$ 00	\$ 00	\$ 00	\$ 00
<b>4</b>	Rents, royalties, partnerships, estates, trusts, small business corporations and residual interest in REMICs from Federal Schedule E....	\$ 00	\$ 00	\$ 00	\$ 00
<b>5</b>	Profit or Loss from Farming from Federal Schedule F.....	\$ 00	\$ 00	\$ 00	\$ 00
<b>6</b>	Sales of Business Property from Federal Schedule 4797 that are not included in Schedule D.....	\$ 00	\$ 00	\$ 00	\$ 00
<b>7</b>	<b>Total Arizona Small Business Gross Income: Add lines 1 through 6.....</b>	<b>\$ 00</b>	<b>\$ 00</b>	<b>\$ 00</b>	<b>\$ 00</b>

## 2022 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, Statistics and Legal Research* from the main menu, then click on *Legal Research* and select a *Document Type* and *Category* from the drop down menus.

### Publications

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

### Purpose of Form

Use Arizona Form 309-SBI to figure your credit for taxes paid to Arizona and another state or country on the same small business income. If claiming a credit for more than one state or country, complete a separate Form 309-SBI for **each** state or country.

**NOTE:** *If you are claiming a credit on Form 301 or 301-SBI for taxes paid to another state or county for the amount of taxes paid by a partnership or S corporation that elected to pay taxes at the entity level, the allowable tax credit on Form 309-SBI may not exceed the amount that would have been allowed if the income were taxed at the individual level and not taxed at the entity level. For more information, see Arizona Revised Statute § 43-1071(G).*

If you are claiming a credit for taxes paid to more than one foreign country for small business income received from an investment in a regulated investment company (RIC) including, but not limited to, mutual funds, exchange trade funds (ETF), and real estate investment trusts (REITS), see Income Tax Procedure (ITP) 20-1, *Procedure for Calculating Credit for Taxes Paid to Another Country by Arizona Resident Individuals*, for additional instructions.

**NOTE:** *Individuals claiming this credit must also complete Arizona Form 301-SBI, Nonrefundable Individual Tax Credits and Recapture, and include Form 301-SBI and Form(s) 309-SBI with your tax return to claim this credit.*

If you are not sure what amounts you should enter on Form 309-SBI, 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 2022 Arizona small business income tax return.
2. You paid a **net** income tax related to small business income to another qualified state or country for 2022.

If you are claiming a credit for small business income 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-SBI. You must complete Form 309-SBI 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 small business 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.*

### Are You Claiming Other Arizona Tax Credits?

A.R.S. § 43-1731 provides that residents shall be allowed a credit against the taxes imposed by Title 43, Chapter 17, for net income taxes imposed by and paid to another state or county on income taxable under this chapter.

“Taxes payable under this chapter” means the income tax imposed by this state on the taxpayer's taxable income as defined under section 43-1001 minus any tax credit amount claimed for the taxable year under this article but not including the credit amount under this section.”

Therefore, Arizona will only allow a taxpayer to claim the credit for taxes paid to another state or country *after* applying all other available credits.

To determine if you have any remaining tax liability in which to apply the credit for taxes paid to another state or country, use the following rules when applying other tax credits.

- First, apply any credits that cannot be carried over or refunded.
- Second, apply any credits that can be carried over for a limited duration.
- Third, apply refundable credits

If there remains an income tax liability after applying those credits, then you may apply the credit for taxes paid to another state or country.

## Arizona Resident

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

- The small business 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 small business 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, District of Columbia (see note below), 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.

**NOTE:** Only income tax paid under the District of Columbia's Unincorporated Business Franchise Tax qualifies for the credit. The tax must be paid by an individual and not the business entity for the credit to qualify.

### For tax year 2022, as an Arizona resident, nonresident returns filed with the following states qualify for the credit for the pass-through taxes paid on behalf of the Arizona resident.

Alabama, Arkansas, Colorado, Connecticut, District of Columbia, Georgia, Idaho, Illinois, Kansas, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri (beginning in 2023), New Jersey, New Mexico, New York, North Carolina, Ohio, Oklahoma, Rhode Island, South Carolina, Utah, and Wisconsin.

**Important:** As an Arizona resident, nonresidents returns filed with the following states DO NOT QUALIFY for the PTE tax credit on the Arizona return:

California, Oregon and Virginia.

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 small business 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 nonresidents on income derived from sources within the other state or country.
- The other state or country allows Arizona nonresidents 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.

### Arizona nonresidents who file resident returns with the following states qualify for the PTE credit.

- California, 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 small business 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 2022 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 small business income taxes for net income taxes imposed by and paid to that other state if the following apply:

- The other state taxes the small business income of the Arizona resident and does not allow the Arizona resident a credit for taxes imposed on small business 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-SBI before you complete page 1 of Form 309-SBI.*

### 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.*
- Copy of brokerage statement, if applicable.
- 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-SBI, Form 140NR-SBI, Form 140PY-SBI, or Form 140X-SBI.

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 2022

A. 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.

B. If you are claiming a credit for income taxes paid to another country, enter the name of that country on the line provided. *See note on page 3.*

**NOTE:** *If you are claiming a credit for taxes paid to more than one foreign country for income received from an investment in a regulated investment company (RIC) including, but not limited to, mutual funds, exchange trade funds (ETF), and real estate investment trusts (REITS), enter "Various" in Part 1, on line B.*

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 small business income must be taxed by both Arizona and the other state or country.
2. The small business income must have its source within the other state or country.

#### For a nonresident:

1. The same small business income must be taxed by both Arizona and the other state or country.
2. The small business income must have its source within Arizona.

#### Lines 1 through 6

Provide a breakdown of your small business income which is subject to tax in both Arizona and the other state or country. Complete lines 1 through 5 separately for each small business 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-SBI before you complete Part 1, lines 1 through 6 of Form 309-SBI.*

#### Line 1

Identify the small business 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. 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 small business 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.

**NOTE:** *If you are claiming a credit for taxes paid to more than one foreign country for income received from an investment in a regulated investment company (RIC) including, but not limited to, mutual funds, exchange trade funds (ETF), and real estate investment trusts (REITS), enter the total amount of income received on line 2, column (a).*

**Line 3**

Enter that portion of small business 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 small 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 1/2 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 small business 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 small 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 one-half of the self-employment tax related to that income (\$3,532) and by the amount of self-employment and by the amount of 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 amount of \$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.

**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 small business 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 example on page 5.*

**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 2022, your Arizona tax liability prior to tax credits can be found on the following line number.	
Arizona Form	Line Number
140-SBI	51
140PY-SBI	51
140NR-SBI	49
140X-SBI	51

**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.*

If you received distributed income from a partnership and/or S Corporation (the Entity) reported on Schedule K-1 or K-1(NR)



and the Entity elected to pay Entity-Level Income Tax on your pro-rata share of the distributed income, enter the total taxes paid from the following:

- tax amount paid on your Arizona Small Business Income tax form (see box above); and
- your pro-rata share of the tax paid by the Entity on your behalf. This tax amount cannot exceed the amount of the Arizona individual income tax that would be paid if the taxpayer had opted out of paying tax at the entity-level.

#### Line 8

Enter amount from Part 1, line 6.

#### Line 9 - Entire Income Upon Which Arizona Tax is Imposed

Enter your entire small business income upon which Arizona tax is imposed.

#### 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 small business 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 small business amount for the period in which you were a nonresident. These figures are not separately stated on any particular line on your Arizona Form 140PY-SBI.

#### Lines 10 and 11

Follow the instructions on the form for lines 10 and 11.

#### Line 12

12a. Enter the name of the other state or country.

12b. Enter the amount of small business 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.

If you received distributed income from a partnership and/or S Corporation (the Entity) reported on Schedule K-1 or K-1(NR) and the Entity elected to pay Entity-Level Income Tax on your pro-rata share of the distributed income, enter the total taxes paid by the Entity on your behalf. This tax amount is limited to the amount actually paid by the Entity or the amount of the other state's individual income tax had the Entity not elected to pay the tax at the entity level, whichever is less.

#### 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 small business income upon which the other state or country's income tax is imposed. This is the other state or country's equivalent of Arizona small business

income, such income must include items of income and loss. 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.*

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-SBI, Part 1, line 3, 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-SBI on Arizona Form 301-SBI, Part 1, line 3, column (a).

### Form 309-SBI, Page 2 – Schedule of Income Allocation Instructions

**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-SBI before you complete page 1 of Form 309-SBI.*

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*.

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 (page 1) of Form 309-SBI.

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 7 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.

**List of State Abbreviations**

State		State		State		State	
Alabama	<b>AL</b>	Indiana	<b>IN</b>	Missouri	<b>MO</b>	Pennsylvania	<b>PA</b>
Arkansas	<b>AR</b>	Iowa	<b>IA</b>	Montana	<b>MT</b>	Rhode Island	<b>RI</b>
California	<b>CA</b>	Kansas	<b>KS</b>	Nebraska	<b>NE</b>	South Carolina	<b>SC</b>
Colorado	<b>CO</b>	Kentucky	<b>KY</b>	New Jersey	<b>NJ</b>	Utah	<b>UT</b>
Connecticut	<b>CT</b>	Louisiana	<b>LA</b>	New Mexico	<b>NM</b>	Vermont	<b>VT</b>
Delaware	<b>DE</b>	Maine	<b>ME</b>	New York	<b>NY</b>	Virginia	<b>VA</b>
District of Columbia	<b>DC</b>	Maryland	<b>MD</b>	North Carolina	<b>NC</b>	West Virginia	<b>WV</b>
Georgia	<b>GA</b>	Massachusetts	<b>MA</b>	North Dakota	<b>ND</b>	Wisconsin	<b>WI</b>
Hawaii	<b>HI</b>	Michigan	<b>MI</b>	Ohio	<b>OH</b>		
Idaho	<b>ID</b>	Minnesota	<b>MN</b>	Oklahoma	<b>OK</b>		
Illinois	<b>IL</b>	Mississippi	<b>MS</b>	Oregon	<b>OR</b>		

# CONTENTS OF BOOKLET X, VOLUMES 1, 2 AND 3

FORM	VOL.	PAGE
A1-APR	2	895
A1-E	2	927
A1-QRT	2	905
A1-R	2	919
A1-WP	2	917
A-4	2	929
A-4 Employer Instructions	2	931
A-4P	2	933
A-4V	2	935
Claim of Right - Individual	1	223
Claim of Right - Corporate	1	513
Claim of Right - Fiduciary	1	887
Highlights - Corporate Income Tax	1	293
Highlights - Estates and Trusts	2	835
Highlights - Exempt Organization	1	271
Highlights - Individual Income Tax	1	1
Highlights - Partnership	1	429
Highlights - Withholding	2	893
Highlights - Small Business Income	3	941
Schedule ACA	1	509
Schedule DFE	1	519
Schedule MSP	1	511
Tax Table - Optional	1	263
Tax Tables X & Y	1	269
Tax Table - Estates and Trusts	2	891
WEC	2	937
51	1	295
99M	1	273
99T	1	279
120	1	301

FORM	VOL.	PAGE
120A	1	329
120/165ES	1	347
120/165EXT	1	351
120S	1	357
120S Schedule K-1	1	389
120S Schedule K-1(NR)	1	391
120/PTE-W	1	397
120X	1	409
122	1	427
131	1	3
131-SBI	3	943
140	1	7
140-SBI	3	947
140 Schedule A	1	45
140A	1	49
140ES	1	177
140ES-SBI	3	1001
140ET	1	131
140EZ	1	69
140NR	1	135
140NR-SBI	3	983
140NR Schedule A(NR)	1	173
140PTC	1	191
140PY	1	81
140PY-SBI	3	965
140PY Schedule A(PY)	1	123
140PY Schedule A(PYN)	1	127
140X	1	201
140X-SBI	3	1003
141AZ	2	837
141AZ ES	2	873
141AZ EXT	2	877
141AZ Schedule K-1	2	861
141AZ Schedule K-1(NR)	2	867
141AZ V	2	881
165	1	431

FORM	VOL.	PAGE
165 Schedule K-1	1	461
165 Schedule K-1(NR)	1	465
165PA	1	471
165PA Schedule K-1	1	481
165PA Schedule K-1(NR)	1	485
165PA-X	1	489
200	1	229
201	1	241
203	1	245
204	1	251
204-SBI	3	1015
210	2	883
220/PTE	1	497
221	1	255
221-SBI	3	1019
300	2	525
301	2	531
301-SBI	3	1027
306	2	539
308	2	543
308-I	2	559
308-P	2	547
308-S	2	549
309	2	571
309-SBI	3	1037
310	2	585
312	2	591
312-P	2	593
312-S	2	595
315	2	601
315-P	2	603
318	2	609
318-P	2	611
319	2	615
320	2	619
320-P	2	623
321	2	631

---

---

# CONTENTS OF BOOKLET X, VOLUMES 1, 2 AND 3

FORM	VOL.	PAGE
322	2	639
323	2	647
325	2	655
325-P	2	657
331	2	663
331-P	2	667
331-S	2	669
333	2	675
333-P	2	679
333-S	2	681
335	2	687
335-I	2	697
335-P	2	689
335-S	2	691
336	2	701
338	2	705
338-P	2	707
338-S	2	709
340	2	713
341	2	717
341-I	2	727
341-P	2	719
341-S	2	721
343	2	731
343-P	2	733
343-S	2	735
345	2	741
345-P	2	749
345-S	2	751
346	2	761
346-P	2	765
346-S	2	767
348	2	773
349	2	781
349-P	2	783
349-S	2	785
351	2	793
351-P	2	795
352	2	803
353	2	811

FORM	VOL.	PAGE
353-P	2	813
353-S	2	815
354	2	821
354-P	2	823
354-S	2	825
355	2	831

