

**Same-sex married couples and Arizona filing requirements**

For Federal tax purposes, Rev. Rul. 2013-17 provides that the Internal Revenue Service (IRS) will recognize a marriage of same-sex individuals that was validly entered into in a state whose laws authorize the marriage of two individuals of the same sex. This applies even if the married couple is domiciled in a state that does not recognize the validity of same-sex marriages.

The Arizona Constitution defines marriage as the union of one man and one woman. A person who is married to a person of the same sex cannot file an Arizona income tax return using the filing status of married filing jointly or married filing separately. For more information, see the notice, *2013 Arizona Individual Income Tax Filing Requirements for Same-Sex Couples*, on our website at [www.azdor.gov](http://www.azdor.gov).

**2013 Arizona Standard Deduction Indexed for Inflation**

For 2013, the Arizona standard deduction has been indexed for inflation. For a single taxpayer or a married taxpayer filing a separate return the amount is \$4,945. For a head of household or a married couple filing a joint return the amount is \$9,883.

**Subtraction for Net Long-Term Capital Gains From Assets Acquired after December 31, 2011.**

Beginning in 2013, you may take a subtraction from Arizona gross income for a percentage of any net long-term capital gain included in a resident's federal adjusted gross income (Arizona gross income for nonresidents) that is derived from assets acquired *after* December 31, 2011, pursuant to A.R.S. § 43-1022(35). (Laws 2012, Ch. 343)

Laws 2013, Ch. 114, added language to make it clear that assets acquired through gift or at the death of a transferor will be considered "acquired" when the asset was acquired by the transferor. If the date cannot be verified then a subtraction is not allowed. Taxpayers must complete a worksheet included in the tax form instructions to take this subtraction.

**Subtraction for Long-Term Care Insurance Premiums**

Beginning in 2013, you may subtract the amount of qualifying premium costs for long-term care insurance. You may take this subtraction only if you are *not* claiming itemized deductions for the taxable year. (Laws 2012, Ch. 351)

**Subtraction for Arizona Long-Term Health Care Savings Accounts (AZLTHSA)**

Beginning in 2013, you may subtract amounts you paid into a long-term health care savings account established under Arizona laws. An individual may set up the Arizona long-term health care savings account with an account Administrator who will manage the account. The total amount you may subtract is equal to the amount of your contributions that are included in your federal adjusted gross income. For more information regarding the subtraction for contributions made to a long-term health care savings account, see A.R.S. § 43-1032.

If you made a withdrawal from your Arizona long-term health care savings account during 2013 for purposes other than to

pay for qualified long-term health care expenses, you must pay a withdrawal penalty. The penalty is equal to 10% (.10) of the amount of the withdrawal. You must remit this penalty with your income tax return filed for the year in which you made the withdrawal. (Laws 2012, Ch. 351)

**Qualified IRC § 179 Expenses Deducted in Computing Federal Taxable Income**

Recent legislation removed the \$25,000 cap on the allowable subtraction from Arizona gross income of the value of qualifying property purchased and placed in service in a taxable year beginning from and after January 1, 2013. For Arizona purposes, taxpayers who took a deduction in computing federal taxable income under IRC § 179 are no longer required to adjust the amount of the deduction taken on the Arizona return.

Taxpayers who made this adjustment for qualified purchases placed in service in a taxable year ending on or before December 31, 2012, may continue to take a subtraction of one-fifth (20%) of the adjustment required in the year in which the adjustment was made and each of the following four taxable years. (Laws 2013, Ch. 256)

**Subtraction for IRC § 529 College Savings Plans**

The amount of the allowable subtraction from Arizona gross income for amounts contributed into a college savings plan established pursuant to IRC § 529 increased. For single taxpayers or heads of household, the amount is \$2,000. For married taxpayers filing a joint return, the amount is \$4,000.

**Credit for Contributions to Qualifying Charitable Organizations (formerly known as Credit for Contributions to Charities That Provide Assistance to the Working Poor)**

Beginning in 2013, you are no longer required to itemized deductions in order to claim a credit for contributions made to a qualifying charitable organization. (Laws 2013, Ch. 236)

Beginning in 2013, the maximum credit has been increased for cash contributions made to a qualified foster care charitable organization that is also a qualified charitable organization. If you made a cash contribution to a qualified foster care charitable organization, you can increase the maximum credit allowed from \$200 to \$400 (\$400 to \$800 for married filing joint). If you made cash contributions to **both** types of charities during the taxable year, the **total maximum** credit allowed for the taxable year is \$400 for single taxpayers or heads of household. For married taxpayers, the **total maximum** credit allowed for the taxable year is \$800. For more information see AZ Form 321. (Laws 2013, Ch. 9)

**Credit for Contributions to Private School Tuition Organization Indexed for Inflation**

For 2013, the amount of the allowable credit for contributions to private school tuition organizations was adjusted for inflation purposes. The maximum credit for single taxpayers or heads of household is \$517. For married taxpayers that file a joint return, the maximum credit is \$1,034. For more information, see AZ Form 323.

**Credit for Contributions Made to Certified School Tuition Organizations indexed for Inflation**

For 2013, the amount of the allowable credit for contributions to certified school tuition organizations was adjusted for inflation purposes. The maximum credit for single taxpayers or heads of household is \$514. For married taxpayers that file a joint return, the maximum credit is \$1,028. For more information, see AZ Form 348.

**Refundable Credit for Qualified Facilities**

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 Arizona Commerce Authority. Co-owners of a business, including partners in a partnership and shareholders of an S corporation, may each claim only the pro rata share of the credit allowed based on the ownership interest. For more information, see AZ Form 349.

**Refundable Credit for Qualified FAA Settlement Payments Rolled Over Into a Traditional IRA**

Each year, Arizona determines whether it will conform to tax law changes enacted by the federal government during the previous year.

For 2013, Arizona did not conform to the retroactive provision of Section 1106 of Public Law 112-95 (the FAA Modernization and Reform Act of 2012) relating to payments made by airline carriers to qualified airline employees (and surviving spouses).

For federal tax purposes, under Public Law 112-95, a qualified airline employee (and surviving spouse) who received a settlement payment from an airline company in bankruptcy was permitted to roll over that amount into a traditional IRA. An individual making such a rollover contribution may exclude the contributed airline payment amount from gross income in the taxable year in which the airline payment amount was paid. The provision would apply whether or not the settlement payment had previously been rolled over into a Roth IRA. The rollover to a traditional IRA must have occurred within 180 days of the bill's enactment date of February 14, 2012.

Taxpayers who wanted to take advantage of this provision must have made the transfer by August 13, 2012, and filed an amended federal income tax return to claim the deduction for the IRA contribution by April 15, 2013. Individuals were required to amend their federal tax returns to receive any overpayment as a result of the qualified rollover(s). This provision was retroactive to tax years 2001 through 2011.

Instead of conforming to the retroactive provision, any taxpayer that would have received a refund of Arizona income tax for taxable years 2001 through 2011, if Arizona had conformed to that retroactive provision, is allowed a refundable income tax credit on his or her 2013 *timely filed* income tax return. The credit is based on the amount of refund you would have received if you amended your Arizona tax returns for taxable years 2001 through 2011. For more information, see AZ Form 350. (Laws 2013, Ch. 65)

**Voluntary Donation - Solutions Teams Assigned to Schools (formerly known as Aid to Education Fund)**

Laws 2013, Ch. 251 made various changes to the Arizona Revised Statutes relating to school finance. A.R.S. § 43-617 was amended which resulted in a name change of the *Aid to Education Fund* to *Solutions Teams Assigned to Schools Fund*.

Contributions received through the voluntary donation check-off box are transferred to the state board of education, which shall credit the amount of the contribution to the assistance for education fund. The state board of education will distribute those contributions to the Department of Education to fund solutions teams assigned to schools.