



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 it will adopt changes made to the federal tax laws in the prior year. **These forms assume the Legislature will adopt all federal law changes made after January 1, 2021. If you use the**

amounts from your 2021 federal tax return to complete your Arizona return and the Legislature does not adopt the 2021 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 and click on the link for 2021 conformity.

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



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Toll-free from
area codes 520 and 928..... (800) 352-4090

Did You Know?

Tax software does all the hard work for you! The software:

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



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You may get forms and information at our Phoenix and Tucson offices. Due to the ongoing COVID-19 Pandemic, ADOR's in-person lobby services are by appointment only. Visit azdor.gov for the latest updates on lobby restrictions.



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.....	5
140	Resident Personal Income Tax Return	9
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	121
140PY Schedule A(PYN)	Itemized Deductions for Part-Year Residents With Nonresident Income	125
140NR	Nonresident Personal Income Tax Return	133
140NR Schedule A(NR)	Itemized Deductions for Nonresidents	169
140ES	Individual Estimated Income Tax Payment (2022)	173
140ET	Credit for Increased Excise Taxes	179
140PTC	Property Tax Refund (Credit) Claim	187
140X	Individual Amended Income Tax Return	197
Claim of Right	Arizona Claim of Right - Individual	219
200	Request for Innocent Spouse Relief and Separation of Liability and Equitable Relief	225
201	Renter's Certificate of Property Taxes Paid	237
203	Request for Injured Spouse Protection from Application of Joint Overpayment Against Spouse's Delinquencies and Debts	241
204	Application for Filing Extension (Individual)	247
221	Underpayment of Estimated Tax by Individuals.....	251
Tax Tables	Optional Tax Tables	259
	Tax Tables X & Y	265

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VOLUME 1 CONTENTS

Corporation, Partnership, and Exempt Organization Tax Forms

Highlights	Exempt Organization - Highlights.....	267
99M	Arizona Nonprofit Medical Marijuana Dispensary Annual Information Return.....	269
99T	Arizona Exempt Organization Business Income Tax Return.....	275
Highlights	Corporate Income Tax - Highlights	289
51	Combined or Consolidated Return Affiliation Schedule	291
120	Arizona Corporation Income Tax Return.....	297
120A	Arizona Corporation Income Tax Return (Short Form)	325
120ES	Corporation Estimated Tax Payment (2022).....	343
120EXT	Application for Automatic Extension of Time to File Corporation, Partnership, and Exempt Organization Returns	345
120S	Arizona S Corporation Income Tax Return	351
120S Schedule K-1	Resident Shareholder's Information Schedule.....	377
120S Schedule K-1(NR)	Nonresident Shareholder's Share of Income and Deductions	381
120W	Estimated Tax Worksheet for Corporations (2022).....	385
120X	Arizona Amended Corporation Income Tax Return	393
122	Authorization and Consent of Subsidiary Corporation to be Included in a Consolidated Income Tax Return.....	411
Highlights	Partnership - Highlights	413
165	Arizona Partnership Income Tax Return.....	415
165 Schedule K-1	Resident and Part-Year Resident Partner's Share of Adjustment to Partnership Income	437
165 Schedule K-1(NR)	Arizona Nonresident and Out-of-State Partner's Share of Income and Deductions....	441
165PA	Arizona Partnership Adjustment – Federal Imputed Underpayment Assessment.....	445
165PA Schedule K-1	Resident and Part-Year Resident Partner's Share of Arizona Partnership Adjustment.....	453
165PA Schedule K-1(NR)	Arizona Nonresident and Out-of-State Partner's Share of Arizona Partnership Adjustment	457
165PA-X	Amendment to Arizona Form 165PA	461
220	Underpayment of Estimated Tax by Corporations	469
Schedule ACA	Air Carrier Apportionment.....	479
Schedule MSP	Multistate Service Provider Election and Computation	481
Claim of Right	Arizona Claim of Right – Corporate	485
Schedule DFE	Disallowed Federal Expenses for Marijuana Establishments	489

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VOLUME 2 CONTENTS

Tax Credit Forms

300	Nonrefundable Corporate Tax Credits and Recapture	495
301	Nonrefundable Individual Tax Credits and Recapture	501
305	Environmental Technology Facility Credit	509
305-P	Environmental Technology Facility Credit – Distribution to Partners	513
306	Military Reuse Zone Credit	523
308	Credit for Increased Research Activities	527
308-P	Credit for Increased Research Activities - Distribution to Partners	531
308-S	Credit for Increased Research Activities - Distribution to Individual Shareholders of an S Corporation	533
308-I	Credit for Increased Research Activities - Individuals	543
309	Credit for Taxes Paid to Another State or Country	555
310	Credit for Solar Energy Devices	569
312	Agricultural Water Conservation System Credit	575
312-P	Agricultural Water Conservation System Credit - Distribution to Partners	577
312-S	Agricultural Water Conservation System Credit - Distribution to Shareholders	579
315	Pollution Control Credit	585
315-P	Pollution Control Credit - Distribution to Partners	589
315-S	Pollution Control Credit - Distribution to Shareholders	591
318	Credit for Taxes Paid for Coal Consumed in Generating Electrical Power	597
318-P	Credit for Taxes Paid for Coal Consumed in Generating Electrical Power - Distribution to Corporate Partners of a Partnership	599
319	Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets	605
320	Credit for Employment of TANF Recipients	609
320-P	Credit for Employment of TANF Recipients - Distribution to Partners	613
321	Credit for Contributions to Qualifying Charitable Organizations	621
322	Credit for Contributions Made or Fees Paid to Public Schools	629
323	Credit for Contributions to Private School Tuition Organizations	637

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VOLUME 2 CONTENTS

Tax Credit Forms (continued)

325	Agricultural Pollution Control Equipment Credit	645
325-P	Agricultural Pollution Control Equipment Credit - Distribution to Partners	647
331	Credit for Donation of School Site	653
331-P	Credit for Donation of School Site – Distribution to Partners	657
331-S	Credit for Donation of School Site – Distribution to Shareholders	659
332	Credits for Healthy Forest Enterprises	669
332-P	Credits for Healthy Forest Enterprises - Distributions to Partners	673
333	Credit for Employing National Guard Members	687
333-P	Credit for Employing National Guard Members - Distribution to Partners	691
333-S	Credit for Employing National Guard Members - Distribution to Shareholders	693
335	Credit for Corporate Contributions to School Tuition Organizations	699
335-P	Credit for Corporate Contributions to School Tuition Organizations - Distribution to Corporate Partners	701
335-S	Credit for Corporate Contributions to School Tuition Organizations - Distribution to Individual Shareholders of an S Corporation	703
335-I	Credit for Business Contributions by an S Corporation to School Tuition Organizations - Individual	709
336	Credit for Solar Energy Devices - Commercial and Industrial Applications	713
338	Credit for Investment in Qualified Small Businesses	717
338-P	Credit for Investment in Qualified Small Businesses - Distribution to Partners	719
338-S	Credit for Investment in Qualified Small Businesses - Distribution to Shareholders ...	721
340	Credit for Donations to the Military Family Relief Fund	727
341	Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students with Disabilities	729
341-P	Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students with Disabilities - Distribution to Corporate Partners	731
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	733
341-I	Credit for Business Contributions by an S Corporation to School Tuition Organizations . for Displaced Students or Students with Disabilities – Individual	739

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VOLUME 2 CONTENTS

Tax Credit Forms (continued)

343	Renewable Energy Production Tax Credit.....	743
343-P	Renewable Energy Production Tax Credit - Distribution to Partners.....	745
343-S	Renewable Energy Production Tax Credit – Distribution to Shareholders	743
345	Credit for New Employment	753
345-P	Credit for New Employment - Distribution to Partners	761
345-S	Credit for New Employment - Distribution to Shareholders	763
346	Additional Credit for Increased Research Activities for Basic Research Payments	773
346-P	Additional Credit for Increased Research Activities for Basic Research Payments - Distribution to Partners.....	777
346-S	Additional Credit for Increased Research Activities for Basic Research Payments - Distribution to Shareholders.....	779
348	Credit for Contributions to Certified School Tuition Organization - Individuals.....	785
349	Credit for Qualified Facilities	793
349-P	Credit for Qualified Facilities - Distribution to Partners	795
349-S	Credit for Qualified Facilities - Distribution to Shareholders	797
351	Credit for Renewable Energy Investment & Production for Self-Consumption by International Operations Centers	805
351-P	Credit for Renewable Energy Investment & Production for Self-Consumption by International Operations Centers -Distribution to Partners	807
352	Credit for Contributions to Qualifying Foster Care Charitable Organizations	815
353	Healthy Forest Production Tax Credit.....	823
353-P	Healthy Forest Production Tax Credit – Distribution to Partners	825
353-S	Healthy Forest Production Tax Credit – Distribution to Shareholders	827

THIS PAGE INTENTIONALLY LEFT BLANK

VOLUME 2 CONTENTS

Fiduciary Tax Forms

Highlights	Estates and Trusts - Highlights	829
141AZ	Arizona Fiduciary Income Tax Return	831
141AZ Schedule K-1	Resident or Part-Year Resident Beneficiary's Share of Fiduciary Adjustment	855
141AZ Schedule K-1(NR)	Nonresident Beneficiary's Share of Income and Share of Fiduciary Adjustment	859
141AZ ES	Estate or Trust Estimated Income Tax Payment (2022)	865
141AZ EXT	Application for Filing Extension (Fiduciary)	869
141AZ V	Arizona Fiduciary Payment Voucher	871
210	Notice of Assumption of Duties in a Fiduciary Capacity	873
Claim of Right	Arizona Claim of Right - Fiduciary	877
Tax Table	Tax Table for Estates and Trusts	881

Withholding Tax Forms

Highlights	Withholding - Highlights	883
A1-APR	Arizona Annual Payment Withholding Tax Return	885
A1-QRT	Arizona Quarterly Withholding Tax Return (2022)	893
A1-WP	Payment of Arizona Income Tax Withheld (2022)	903
A1-R	Arizona Withholding Reconciliation Return	905
A1-E	Employer's Election to Not Withhold Arizona Taxes in December (2022)	911
A-4	Employee's Arizona Withholding Election and Employee's Instructions (2022)	913
Instructions	Employer's Instructions for Form A-4	915
A-4P	Annuitant's Request for Voluntary Arizona Income Tax Withholding (2022)	917
A-4V	Voluntary Withholding Request for Arizona Resident Employed Outside of Arizona (2022)	919
WEC	Withholding Exemption Certificate (2022)	921

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VOLUME 3 CONTENTS

Small Business Income Tax Forms (SBI)

Highlights	Small Business Income - Highlights.....	925
131-SBI	Claim for Refund on Behalf of Deceased Taxpayer for SBI Tax Returns.....	929
140-SBI	Small Business Income Tax Return for Full-Year Residents.....	933
140PY-SBI	Small Business Income Tax Return for Part-Year Residents.....	951
140NR-SBI	Small Business Income Tax Return for Nonresidents.....	969
140ES-SBI	Individual Estimated Income Tax Payment for SBI Tax Returns (2022).....	987
140X-SBI	Small Business Amended Income Tax Return.....	989
204-SBI	Extension Payment for SBI Tax Returns.....	1001
301-SBI	Nonrefundable Individual Tax Credits and Recapture for SBI Tax Returns.....	1005
309-SBI	Credit for Taxes Paid to Another State or Country for SBI Tax Returns.....	1013

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ARIZONA SMALL BUSINESS INCOME TAX

On July 9, 2021 Governor Ducey signed into law [Senate Bill 1783](#) establishing [Title 43 Chapter 17](#) (Small Businesses, which provides for an alternative tax for Arizona small business income. Beginning with tax year 2021, a taxpayer may elect to file a separate **small business income tax return (Form 140-SBI, 140NR-SBI or 140PY-SBI)** to report their share of Arizona small business gross income.

The election is made separately for *each* tax year and is effective by reporting Arizona small business income on a *timely filed* Arizona small business income tax return (SBI). The SBI tax return will be considered timely if filed together with the taxpayer's regular income tax return on or before the due date (including valid extensions).

A taxpayer who elects to file an SBI tax return is required to make an adjustment reducing their federal adjusted gross income reported on the **regular individual income tax return (Form 140, 140NR or 140PY)** by the total amount of Arizona small business gross income reported on their SBI tax return. The Arizona small business gross income is determined by adding the amounts plus the portion of federal Schedule D that represents capital gains (losses) from the disposition of a non-publicly traded ownership interest or from the disposition of a capital asset used in a trade or business. Only amounts that are included in the taxpayer's federal adjusted gross income may be included in Arizona small business gross income.

Note: For **Arizona nonresidents**, Arizona small business gross income is that portion of federal adjusted gross income that represents small business income from sources within Arizona; for **Arizona part-year residents**, Arizona small business income 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. .

The SBI tax return **must** be filed with the regular income tax return to be accepted. If the taxpayer does not file both returns together, the election may be denied and the adjustment to federal adjusted gross income may be disallowed.

A taxpayer may revoke their election on a timely filed amended Arizona small business tax return (Form 140X-SBI) and corresponding amended Arizona individual income tax return (Form 140X).



Items to consider when filing a Small Business Income tax return

The following is provided to give general information when filing a SBI tax return. For more information relating to required adjustments, allowable tax credits and computing the tax amount, see the SBI instructions before completing the SBI tax return. You may also want to review the instructions for the regular tax return before completing the SBI tax return.

Forms and instructions are available at: <https://azdor.gov/forms/individual>

Due Date (Forms 204 and 204-SBI)

The due date is the same as the due date for a regular individual income tax return. For calendar year filers, the due date is April 15. Because April 15, 2022 falls on a federal holiday, taxpayers have until April 18, 2022 to timely file their 2021 Arizona tax returns.

If you cannot file your SBI return by the due date, a taxpayer may file Form 204, *Application for Filing Extension*, providing an automatic 6-month extension to file both the regular and SBI tax returns. The extension request must be filed on or before the original due date. Taxpayers are not required to file a separate Form 204 for the SBI tax return. Form 204 will also provide the same extension period for the SBI return. Generally, an extension request would allow the taxpayer to file on or before October 15. Because October 15, 2022 falls on a weekend, taxpayers have until October 17, 2022 to timely file their 2021 Arizona tax return(s).

Note: *Keep in mind, an extension request does not provide an extension to pay your small business income taxes. Taxpayers must pay their taxes by the original due date of the return to avoid any late payment penalty.*

ARIZONA SMALL BUSINESS INCOME TAX

Form 204-SBI, *Extension Payment*, is used **only** to remit a required extension payment for the Small Business Income tax return. Do **not** file this form to request an extension of time to file the SBI tax return. For more information see Form 204-SBI.

AZ Form 301-SBI, Nonrefundable Individual Tax Credits and Recapture, for Small Business Income

Most nonrefundable income tax credits available to claim on the regular income tax return are also available to claim on the SBI return. A taxpayer that qualifies for any tax credit shown on page 1 of Form 301-SBI must claim that tax credit on the SBI return and not on the regular individual tax return. The credit cannot be “split” between the two tax returns. However, a taxpayer may “transfer” all or a portion of any nonrefundable tax credit remaining (not used) on the SBI return. To transfer a credit amount, the taxpayer must have a tax liability remaining on their regular income tax return after applying regular return credits against the tax liability shown on the regular individual income tax return. A taxpayer determines if they are eligible to transfer any credit amount and the amount available to transfer by completing page 3 of Form 301-SBI. If the taxpayer transfers any available credit from the 301-SBI, that amount is entered on Form 301. For TY 2021, the transfer amount is reported on Form 301, line 60. For more information, see Forms 301-SBI and 301 and their related instructions.

Note: *Tax credits claimed for qualifying contributions to qualified charitable organizations (Credit Forms 321, 322, 323, 348 and 352) cannot be claimed on Form 301-SBI and must be claimed on the taxpayer’s regular tax return.*

Credit for Income Taxes Paid to Other States (Arizona Credit Form 309-SBI)

SB 1783 (A.R.S. § 43-1701) also establishes a Credit for Income Taxes Paid to Other States, allowed against Arizona smallbusiness income tax liability, for net income taxes imposed by and paid to another state or country on the same Arizona small business taxable income taxed by both Arizona and the other state or country. For more information, see Form 309-SBI.

Small Business Income Estimated Tax Payments

For tax year 2021, a taxpayer is (was) not required to remit SBI estimated tax payments. The department will not assess a penalty for underpayment of estimated taxes on any amount not remitted.

Note: *The taxpayer is still subject to the late payment penalty (including applicable interest) for the amount of taxes not paid by the original due date of the return. The department will not assess a late filing penalty on the SBI tax return. If the taxpayer fails to timely file the SBI tax return (either by the normal due date or extended due date), the election will be denied and the adjustment (decrease to federal adjusted gross income) made on the regular tax return for small business income will be disallowed. In this case, all income is reported on the regular income tax form.*

Beginning with tax year 2022, a taxpayer is required to pay estimated tax in four equal installments (25% of the required annual estimated tax payment) if the taxpayer’s liability is at least \$1,000. Use Form 140ES-SBI, *Individual Estimated Income Tax Payment (Small Business Income Tax Return)*, to remit the required amount of quarterly estimated taxes. Page 2 of Form 140ES-SBI includes a worksheet to determine the required amount of each quarterly tax payments.

For TY 2022, the tax is equal to 3.0% of small business taxable income reported on the SBI tax return.

The amount of the required payment is the lesser of:

- a) 90% of the tax shown on the return for the TY or, if no return is filed, 90 percent of the tax for that year;
- b) 100% of the tax shown on the small business income tax return for the preceding TY — unless the preceding TY was not 12 months; or the small business did not file a return for the preceding TY that indicated a liability.

If the taxpayer fails to remit the required estimated tax payment (Form 204-SBI), the department may assess an underpayment of estimated taxes penalty on any amount not timely remitted.

ARIZONA SMALL BUSINESS INCOME TAX

Composite income tax return in Another State

A small business taxpayer who participates in a composite income tax return in another state may claim a credit for taxes paid to the other state if the taxes paid to the other state are imposed on — and paid directly — by the small business taxpayer and not the entity and if the:

- a) Small business taxpayer makes direct payment to the other state;
- b) Small business taxpayer makes direct payment to the entity filing the composite income tax return;
- c) Entity charges the small business taxpayer's loan account for the amount of the tax; and
- d) Entity reduces the small business taxpayer's capital account.

If the taxpayer claims the credit for taxes paid to a foreign country, to use the conversion rate in effect on the date the taxpayer paid the taxes to the foreign country.

If any taxes paid to another state or country are credited or refunded and the taxpayer has been allowed a credit, to immediately report that fact to DOR.

If any taxes paid to another state or country are credited or refunded, a tax equal to the credit allowed for the taxes credited or refunded by the other state or country to be paid by the taxpayer on notice and demand from DOR



For the purpose of the Small Business Income tax return:

1. "Arizona small business" means an activity that generates Arizona small business gross income.
2. "Arizona small business adjusted gross income" of a resident taxpayer means the Arizona small business gross income subject to the adjustments provided in article 3 of this chapter. A.R.S. § 43-1721 (additions and subtractions to Arizona small business gross income).

NOTE: *In computing Arizona small business adjusted gross income, the additions and subtractions provided in sections 43-1021 and 43-1022 shall be made but only to the extent the additions and subtractions directly relate to Arizona small business gross income. The subtraction for SBI provided in section 43-1022, paragraph 28 may not be included as a subtraction under this chapter.*

Deductions other than those deductions already reflected in the net amounts reported on the federal schedules prescribed in section 43-1701 may not be taken against Arizona small business adjusted gross income in computing Arizona small business taxable income.

3. "Arizona small business gross income" of a resident taxpayer:
 - (a) Means the sum of the amounts, whether positive or negative, that are included in a taxpayer's federal adjusted gross income for the taxable year, computed pursuant to the internal revenue code, and that are reported on the following schedules and forms or on equivalent successor schedules and forms designated by the internal revenue service:
 - (i) Schedule B, interest and ordinary dividends.
 - (ii) Schedule C, profit or loss from business.
 - (iii) Schedule E, supplemental income or loss.
 - (iv) Schedule F, profit or loss from farming.
 - (v) Form 4797, sale of business property.
 - (vi) Form 4835, farm rental income and expenses.
 - (b) Includes any amount reported on schedule D, capital gains and losses, that is recognized with respect to either the taxable disposition of an ownership interest in any entity other than a publicly traded entity, or the taxable disposition of capital assets used in connection with a trade or business activity, including goodwill and going concern value.
4. "Arizona small business taxable income" of a resident taxpayer means the Arizona small business adjusted gross income minus any deductions allowable in article 4 of this chapter.

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Please print or type.

For calendar year decedent was due a refund: 2021, 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.	REVENUE USE ONLY. DO NOT MARK IN THIS AREA. <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 not 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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2021 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.

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 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.*

2021 Claim for Refund on Behalf of Deceased Taxpayer

**Arizona Form
131-SBI**

Part 2

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

Part 3

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

How to File Form 131-SBI

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 CALENDAR YEAR 2021

82F Check box 82F if filing under extension OR FISCAL YEAR BEGINNING MM/DD/2021 AND ENDING MM/DD/20YY 66F

Your First Name and Middle Initial Last Name 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 4 columns: Line number, Description, Amount, and Code. Includes lines 4-9 for Small Business Income.

Table with 4 columns: Line number, Description, Amount, and Code. Includes lines 10-26 for Additions Related to Small Business Income.

Table with 4 columns: Line number, Description, Amount, and Code. Includes lines 27-46 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
Balance of Tax	49	Arizona Small Business Taxable Income. Subtract lines 31 through 48 from line 26. If less than zero, enter "0".....	49	00
	50	Small Business Income Tax: Multiply line 49 by 3.5% (.035) and enter the result.....	50	00
	51	Tax from recapture of credits from Arizona Form 301-SBI, Part 2, line 23.....	51	00
	52	Subtotal of tax: Add lines 50 and 51. Enter the total.....	52	00
	53	Nonrefundable Credits from Arizona Form 301-SBI, Part 2, line 43.....	53	00
Payments and Refundable Credits	54	Balance of Tax: Subtract line 53 from line 52. If line 53 is greater than line 52, enter "0".....	54	00
	55	2021 AZ estimated tax payments 55a _____ Claim of Right 55b _____ 00 Add 55a and 55b 55c		00
	56	2021 AZ extension payment (Form 204-SBI).....	56	00
Tax Due or Overpayment	57	Refundable credits: Check the box(es) and enter the total amount 571 <input type="checkbox"/> 308-1 572 <input type="checkbox"/> 349	57	00
	58	Total payments and refundable credits: Add lines 55c, 56 and 57. Enter the total.....	58	00
	59	TAX DUE: If line 54 is larger than line 58, subtract line 58 from line 54. Enter amount of tax due. Skip lines 60, 61 and 62.....	59	00
Penalty	60	OVERPAYMENT: If line 58 is larger than line 54, subtract line 54 from line 58. Enter amount of overpayment.....	60	00
	61	Amount of line 60 to be applied to 2022 estimated tax.....	61	00
	62	Balance of overpayment: Subtract line 61 from line 60. Enter the difference	62	00
Refund or Amount Owed	63	Estimated payment penalty from Form 221-SBI. See instructions.....	63	
	64	641 <input type="checkbox"/> Annualized/Other 642 <input type="checkbox"/> Farmer or Fisherman 643 <input type="checkbox"/> Form 221-SBI included		
	65	REFUND: Subtract line 63 from line 62. 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"/> <input checked="" type="checkbox"/> C <input type="checkbox"/> Checking or SAVINGS <input type="checkbox"/> Savings ROUTING NUMBER _____ ACCOUNT NUMBER _____	65	00
	66	AMOUNT OWED: Add lines 59 and 63. Enter the total Make check payable to Arizona Department of Revenue; write your SSN and "140-SBI" on payment; and include it with your return.....	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 _____

2021 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.

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 column

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** For free *e-file* requirements, check out our website at 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.*

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).

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 2021, 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*. Place the completed Form 131-SBI on top of the **front** of the 140-SBI tax return.

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 2021 calendar year small business tax return is due no later than midnight, April 15, 2022. File your return as soon as you can after January 1, 2022, but no later than April 15, 2022. **Because April 15, 2022 falls on a federal holiday, you have until Monday, April 18, 2022 to timely file your 2021 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 2021 calendar year tax return, your due date is October 15, 2022. **Because October 15, 2022 falls on a**

Saturday, you have until Monday, October 17, 2022 to timely file your 2021 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, 2022. 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 a payment, use Arizona Form 204, or visit 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 2021 calendar year return by April 18, 2022, 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

NOTE: *For tax year 2021, the department will not assess an underpayment of estimated tax penalty for taxpayers who did not make estimated tax payments for Form 140-SBI. Do not complete lines 63 and 64 on your 2021 Form 140-SBI.*

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 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 2022?

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 2022.

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 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 2021 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.

Line 6 – Federal Schedule D

Enter the portion of 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 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 32.*

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 36.*

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

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 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 16 – Claim of Right Adjustment for Small Business Amounts Repaid in 2021

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 2021, 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 2021, you were required to repay amounts held under a claim of right.
- The amount required to be repaid during 2021 was more than \$3,000.
- You took a deduction for the amount repaid on your 2021 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 2021, 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 2021 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 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 related to the tax credits claimed. See Forms 315 and 325 for more information.

Line 20 – Addition to S Corporation Income Due to Claiming Pass-Through Credit (Forms 312 and 315)

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 his or her *pro rata* share of the adjustment. You must include an amount on this line when claiming any of the following Arizona credits:

- Agricultural Water Conservation System Credit (Form 312)
- Pollution Control Credit (Form 315)

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

If you claimed these tax credits, you must adjust your basis for property related to the tax credits claimed. See Forms 315 and 325 for more information.

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 2021 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 - 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

Lines 27 through 31

NOTE: For lines 27-31; **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 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) 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 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 31 for any net long-term capital gain from assets acquired after December 31, 2011, and included in line 6. For more information, see the worksheet at the end of these instructions.

NOTE: 1099-DIV: If Form 1099-DIV did not include the acquisition date of each asset sold within the fund, you cannot verify that the long-term capital gain was from an asset acquired by the Fund was after December 31, 2011, for the

purpose of the allowable subtraction on line 23. 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 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 32.

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 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/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 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, 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 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, 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 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, is a positive number, enter that amount on line 13.*

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 2021 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 2021 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 - 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 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 2021.
- 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 2021.

Do not include any amount that is subject to tax by both Arizona and another state in 2021. 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 2021

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 (NMMMD) 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 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 2021, 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 - Arizona Small Business Taxable Income

Subtract lines 31 through 48 from line 26. If less than zero, enter "0".

Line 50 - Small Business Income Tax

Multiply line 49 by 3.5% (.035) and enter the result.

Line 51 - 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 23

Line 52 – Subtotal of Tax

Add lines 50 and 51. Enter the total.

Line 53 - Nonrefundable Credits from Arizona Form 301-SBI

Complete line 53 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 53.

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

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

Pollution Control Credit You may qualify for this credit if you purchased depreciable property used in a trade or business to reduce or prevent pollution. Use Form 315 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 Employment by a Healthy Forest Enterprise You may qualify for this credit if you had net increases in qualified employment positions in a healthy forest enterprise. Use Form 332 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.

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 43, on Form 140-SBI, line 53. The total amount of credits on line 53 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 54 - Balance of Tax

Subtract line 53 from line 52. If line 53 is greater than line 52, enter "0".

Line 55 – (Boxes 55a and 55b and Line 55c) 2021 Estimated Tax Payments and Claim of Right (boxes 55a and 55b)

Box 55a: For tax year 2021, do **not** enter amount in box 55a.

Box 55b: 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 55b.

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 55c: Enter the amount from box 55b.

Line 56 - 2021 Arizona Extension Payment (Form 204-SBI)

Use this line to report the payment you sent with your 2021 small business income extension payment (Arizona Form 204-SBI) or the electronic extension payment you made using www.AZTaxes.gov.

Line 57 – 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 table to figure the amount to enter on line 57.

2021 - Refundable Credit Worksheet	
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 57.	

Line 58 - Total Payments and Refundable Credits

Add lines 55c, 56 and 57. Enter the total.

Figuring Your Tax Due or Overpayment

Line 59 - Tax Due

If line 54 is larger than line 58, subtract line 58 from line 54 and enter the amount of tax due. Skip lines 60, 61, and 62.

Line 60 - Overpayment

If line 58 is larger than line 54, subtract line 54 from line 58 and enter the difference. Complete lines 61 and 62.

Line 61 - Amount of Line 60 to be Applied to 2022 Estimated Tax

If you want all or part of your overpayment applied to next year's estimated taxes, enter that amount on line 61.

NOTE: If you apply any of the amount shown on line 60 to 2022, you cannot use that amount to pay any tax that is later found to be due for 2021. You also may not claim a refund for that amount until you file your 2022 return.

Line 62 - Balance of Overpayment

Subtract line 61 from line 60 to determine your overpayment balance.

Line 63 - Estimated Payment Penalty

For tax year 2021, do **not** enter an amount on line 63

Line 64 (Boxes 641, 642 and 643)

For tax year 2021, do **not** check boxes 641, 642 or 643.

Figuring Your Refund or Amount Owed

Line 65 - Refund

Subtract line 63 from line 62. Enter your refund on line 65 and skip line 4. If less than zero "0" 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 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 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.

NOTE: 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.

Why use Direct Deposit?

- You will get your refund fast - even faster if you e-file!

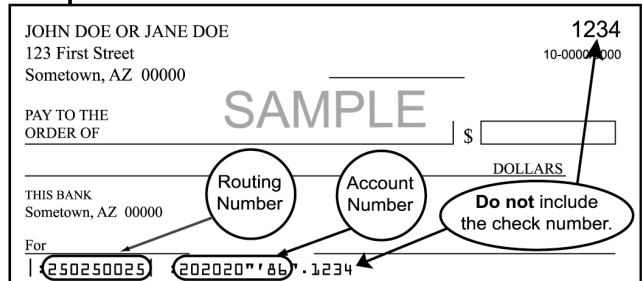
- Payment is more secure - there is no check to get lost.
- It is more convenient - no trip to the bank to deposit your check.
- It saves tax dollars. A refund by direct deposit costs less to process than a check.

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 66 - Amount Owed

Add lines 59 and 63. Enter the amount you owe on line 66. You may pay the amount owed only with a check or money order, electronic check, 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 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 2021. There is no fee to use this method. To make an electronic payment, go to 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 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 66 when you file, you may request to make monthly installment payments. Complete Arizona Form 140-IA and mail the completed form to the address listed on Form 140-IA. **Do not mail Form 140-IA with your income tax return.** You may obtain Arizona Form 140-IA from our website. If you cannot pay the full amount shown on line 66, you will be charged interest and may be charged a late payment penalty on the tax not paid by April 18, 2022. 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 **including a payment with this return**, mail the return to:

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

If you are **expecting a refund, or owe no tax, or owe tax but are not including a payment**, mail the return 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, 2022.

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 or 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 2021 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

2021 Original return 2021 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 (loss) 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 gain 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 33.....	00	
4.	Enter the amount of net long-term capital gain 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 the schedule, "Other Subtractions from Arizona Gross Income", on Form 140, 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 140-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 140-SBI, line 30.

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DO NOT STAPLE ANY ITEMS TO THE RETURN.
Place any required federal and AZ schedules or other documents after Form 140PY-SBI.

82F Check box 82F if filing under extension OR FISCAL YEAR BEGINNING MM/DD/2021 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 columns for line numbers (4-9), descriptions (Federal Schedules B, C, D, E, F, Form 4797), and amounts. Includes a shaded area for 'REVENUE USE ONLY. DO NOT MARK IN THIS AREA.' with boxes 81, 88, and 80.

Table with columns for line numbers (10-26), descriptions (Total Small Business income, Fiduciary Adjustment, Non-Arizona municipal interest, etc.), and amounts.

Table with columns for line numbers (27-44), descriptions (Total net capital gain or (loss), Net operating loss adjustment, etc.), and amounts.

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 - Access Expenditures.....	46	00	
Balance of Tax	47	Amount of wages or salaries paid or incurred during the tax year and used to claim certain federal tax credits.....	47	00	
	48	Installment sale income from another state taxed by the other state in a prior year.....	48	00	
	49	Arizona Small Business Taxable Income. Subtract lines 31 through 48 from line 26. If less than zero, enter "0".....	49	00	
	50	Small Business Income Tax: Multiply line 49 by 3.5% (.035) and enter the result.....	50	00	
	51	Tax from recapture of credits from Arizona Form 301-SBI, Part 2, line 23.....	51	00	
	52	Subtotal of tax: Add lines 50 and 51. Enter the total.....	52	00	
	53	Nonrefundable Credits from Arizona Form 301-SBI, Part 2, line 43.....	53	00	
	54	Balance of Tax: Subtract line 53 from line 52. If line 53 is greater than line 52, enter "0".....	54	00	
	Payments and Refundable Credits	55	2021 AZ estimated tax payments 55a _____ Claim of Right 55b _____ 00 Add 55a and 55b 55c	55c	00
		56	2021 AZ extension payment (Form 204-SBI).....	56	00
57		Refundable credits: Check the box(es) and enter the total amount 571 <input type="checkbox"/> 308-l 572 <input type="checkbox"/> 349 57	57	00	
Tax Due or Overpayment	58	Total payments and refundable credits: Add lines 55c, 56 and 57. Enter the total.....	58	00	
	59	TAX DUE: If line 54 is larger than line 58, subtract line 58 from line 54. Enter amount of tax due. Skip lines 60, 61 and 62.....	59	00	
	60	OVERPAYMENT: If line 58 is larger than line 54, subtract line 54 from line 58. Enter amount of overpayment.....	60	00	
	61	Amount of line 60 to be applied to 2022 estimated tax.....	61	00	
Penalty	62	Balance of overpayment: Subtract line 61 from line 60. Enter the difference	62	00	
	63	Estimated payment penalty from Form 221-SBI. See instructions.....	63		
Refund or Amount Owed	64	641 <input type="checkbox"/> Annualized/Other 642 <input type="checkbox"/> Farmer or Fisherman 643 <input type="checkbox"/> Form 221-SBI included			
	65	REFUND: Subtract line 63 from line 62. If less than zero, enter amount owed on line 66.....	65	00	
		Direct Deposit of Refund Check box 65A if your deposit will be ultimately placed in a foreign account ; see instructions. 65A <input type="checkbox"/>			
		<input checked="" type="checkbox"/> C <input type="checkbox"/> Checking or <input type="checkbox"/> S <input type="checkbox"/> Savings ROUTING NUMBER _____ ACCOUNT NUMBER _____			
	66 AMOUNT OWED: Add lines 59 and 63. Enter the total Make check payable to Arizona Department of Revenue; write your SSN and "140PY-SBI" on payment ; and include it with your return.....	66	00		

PLEASE SIGN HERE

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.

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 140PY-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.

2021 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.

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 column

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Visit our website at 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.

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.

Who Can Use Form 140PY-SBI?

Beginning with tax year 2021, 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).

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 2021, 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*. Place the completed Form 131-SBI on top of the **front** of the 140PY-SBI return.

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 2021 calendar year small business tax return is due no later than midnight, April 15, 2022. File your return as soon as you can after January 1, 2022, but no later than April 15, 2022. **Because April 15, 2022 falls on a federal holiday, you have until Monday, April 18, 2022 to timely file your 2021 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 2021 calendar year tax return, your due date is October 15, 2022. **Because October 15, 2022 falls on a**

Saturday, you have until Monday, October 17, 2022 to timely file your 2021 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, 2022. 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 a payment, use Arizona Form 204, or visit 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 2021 calendar year return by April 18, 2022, 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 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

NOTE: *For tax year 2021, the department will not assess an underpayment of estimated tax penalty for taxpayer’s who did not make estimated tax payments for Form 140PY-SBI. Do not complete lines 63 and 64 on your 2021 Form 140PY-SBI.*

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 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 2022?

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 2022.

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

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 2021 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.

Line 6 – Federal Schedule D

Enter the portion of 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 32.*

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 36.*

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

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 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 16 – Claim of Right Adjustment for Small Business Amounts Repaid in 2021

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 2021, 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 2021, you were required to repay amounts held under a claim of right.
- The amount required to be repaid during 2021 was more than \$3,000.
- You took a deduction for the amount repaid on your 2021 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 2021, 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 2021 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 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 related to the tax credits claimed. See Forms 315 and 325 for more information.

Line 20 – Addition to S Corporation Income Due to Claiming Pass-Through Credit (Forms 312 and 315)

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 his or her *pro rata* share of the adjustment. You must include an amount on this line when claiming any of the following Arizona credits:

- Agricultural Water Conservation System Credit (Form 312)
- Pollution Control Credit (Form 315)

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

If you claimed these tax credits, you must adjust your basis for property related to the tax credits claimed. See Forms 315 and 325 for more information.

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 2021 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 - 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**Lines 27 through 31**

NOTE: For lines 27-31; **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 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) 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 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 31 for any net long-term capital gain from assets acquired after December 31, 2011, and included in line 6. For more information, see the worksheet at the end of these instructions.*

NOTE: *1099-DIV: If Form 1099-DIV did not include the acquisition date of each asset sold within the fund, you cannot verify that the long-term capital gain was from an asset acquired by the Fund was after December 31, 2011, for the purpose of the allowable subtraction on line 23. 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 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 32.

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 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/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 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, 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 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, 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 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, is a positive number, enter that amount on line 13.*

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 2021 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 - 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 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 were reported in 2021

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) 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 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 2021 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 2021, 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 – 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 2021.
- 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 2021.

Do not include any amount that is subject to tax by both Arizona and another state in 2021. In this case, you may be eligible for a tax credit. See Arizona Form 309-SBI for details.

Line 49 - Arizona Small Business Taxable Income

Subtract lines 31 through 48 from line 26. If less than zero, enter "0".

Line 50 - Small Business Income Tax

Multiply line 49 by 3.5% (.035) and enter the result.

Line 51 - 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 23

Line 52 – Subtotal of Tax

Add lines 50 and 51. Enter the total.

Line 53 - Nonrefundable Credits from Arizona Form 301-SBI

Complete line 53 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 53.

Credit for Taxes Paid to Another State or Country

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

Agricultural Water Conservation System Credit

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

Pollution Control Credit

You may qualify for this credit if you purchased depreciable property used in a trade or business to reduce or prevent pollution. Use Form 315 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 Employment by a Healthy Forest Enterprise

You may qualify for this credit if you had net increases in qualified employment positions in a healthy forest enterprise. Use Form 332 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.

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 43, on Form 140PY-SBI, line 53. The total amount of credits on line 53 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 54 - Balance of Tax

Subtract line 53 from line 52. If line 53 is greater than line 52, enter "0".

Line 55 – (Boxes 55a and 55b and Line 55c) 2021 Estimated Tax Payments and Claim of Right

Box 55a: For tax year 2021, do **not** enter amount in box 55a.

Box 55b: 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 55b.

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 55c: Enter the amount from box 55b.

Line 56 - 2021 Arizona Extension Payment (Form 204-SBI)

Use this line to report the payment you sent with your 2021 small business income extension payment (Arizona Form 204-SBI) or the electronic extension payment you made using www.AZTaxes.gov.

Line 57 – 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.

2021 - Refundable Credit Worksheet	
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 57.	

Line 58 - Total Payments and Refundable Credits

Add lines 55c, 56 and 57. Enter the total.

Figuring Your Tax Due or Overpayment

Line 59 - Tax Due

If line 54 is larger than line 58, subtract line 58 from line 54 and enter the amount of tax due. Skip lines 60, 61, and 62.

Line 60 - Overpayment

If line 58 is larger than line 54, subtract line 54 from line 58 and enter the difference. Complete lines 61 and 62.

Line 61 - Amount of Line 60 to be Applied to 2022 Estimated Tax

If you want all or part of your overpayment applied to next year's estimated taxes, enter that amount on line 61.

NOTE: If you apply any of the amount shown on line 60 to 2022, you cannot use that amount to pay any tax that is later found to be due for 2021. You also may not claim a refund for that amount until you file your 2022 return.

Line 62 - Balance of Overpayment

Subtract line 61 from line 60 to determine your overpayment balance.

Line 63 - Estimated Payment Penalty

For tax year 2021, do **not** enter an amount on line 63

Line 64 (Boxes 641, 642 and 643)

For tax year 2021, do **not** check boxes 641, 642 or 643

Figuring Your Refund or Amount Owed

Line 65 - Refund

Subtract line 63 from line 60. Enter your refund on line 65 and skip line 66. If less than zero "0" 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 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 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.

NOTE: 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.

Why use Direct Deposit?

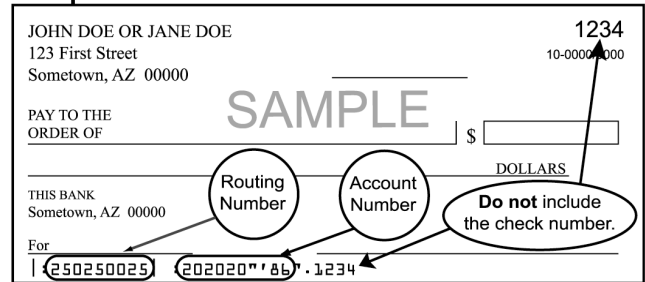
- You will get your refund fast - even faster if you e-file!
- Payment is more secure - there is no check to get lost.
- It is more convenient - no trip to the bank to deposit your check.
- It saves tax dollars. A refund by direct deposit costs less to process than a check.

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 66 - Amount Owed

Add lines 59 and 63. Enter the amount you owe on line 66. You may pay the amount owed only with a check or money order, electronic check, 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 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 2021. There is no fee to use this method. To make an electronic payment, go to 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 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 66 when you file, you may request to make monthly installment payments. Complete Arizona Form 140PY-IA and mail the completed form to the address listed on Form 140PY-IA. **Do not mail**

Form 140PY-IA with your income tax return. You may obtain Arizona Form 140-IA from our website. If you cannot pay the full amount shown on line 66, you will be charged interest and may be charged a late payment penalty on the tax not paid by April 18, 2022. 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 **including a payment with this return**, mail the return to:

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

If you are **expecting a refund, or owe no tax, or owe tax but are not including a payment**, mail the return 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, 2022. 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 or 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 2021 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

2021 Original return 2021 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 (loss) 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 gain 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 33.....		00	
4.	Enter the amount of net long-term capital gain 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 the schedule, "Other Subtractions from Arizona Gross Income", on Form 140PY, 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 140PY-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 140PY-SBI, line 30.

THIS PAGE INTENTIONALLY LEFT BLANK

DO NOT STAPLE ANY ITEMS TO THE RETURN.

Arizona Form 140NR-SBI

Small Business Income Tax Return

FOR CALENDAR YEAR 2021

82F Check box 82F if filing under extension OR FISCAL YEAR BEGINNING MM/DD/2021 AND ENDING MM/DD/20YY 66F

Your First Name and Middle Initial Last Name 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.

Table with 3 columns: Line number, Description, Amount. Includes lines 10-25 for Additions Related to Small Business Income.

Table with 3 columns: Line number, Description, Amount. Includes lines 26-44 for Subtractions Related to Small Business Income.

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	Americans with Disabilities Act - Access Expenditures.....	46	00
	47	Arizona Small Business Taxable Income. Subtract lines 30 through 46 from line 25. If less than zero, enter "0".....	47	00
	48	Small Business Income Tax: Multiply line 47 by 3.5% (.035) and enter the result.....	48	00
Balance of Tax	49	Tax from recapture of credits from Arizona Form 301-SBI, Part 2, line 23.....	49	00
	50	Subtotal of tax: Add lines 48 and 49. Enter the total.....	50	00
	51	Nonrefundable Credits from Arizona Form 301-SBI, Part 2, line 43.....	51	00
	52	Balance of Tax: Subtract line 51 from line 50. If line 51 is greater than line 50, enter "0".....	52	00
Payments and Refundable Credits	53	2021 AZ estimated tax payments 53a <input type="text"/> Claim of Right 53b <input type="text"/> 00 Add 53a and 53b 53c	53c	00
	54	2021 AZ extension payment (Form 204-SBI).....	54	00
	55	Refundable credits: Check the box(es) and enter the total amount551 <input type="checkbox"/> 308-I 552 <input type="checkbox"/> 349	55	00
	56	Total payments and refundable credits: Add lines 53c, 54 and 55. Enter the total.....	56	00
Tax Due or Overpayment	57	TAX DUE: If line 52 is larger than line 56, subtract line 56 from line 52. Enter amount of tax due. Skip lines 58, 59 and 60.....	57	00
	58	OVERPAYMENT: If line 56 is larger than line 52, subtract line 52 from line 56. Enter amount of overpayment.....	58	00
	59	Amount of line 58 to be applied to 2022 estimated tax.....	59	00
	60	Balance of overpayment: Subtract line 59 from line 58. Enter the difference	60	00
Penalty	61	Estimated payment penalty from Form 221-SBI. See instructions.....	61	
	62	621 <input type="checkbox"/> Annualized/Other 622 <input type="checkbox"/> Farmer or Fisherman 623 <input type="checkbox"/> Form 221-SBI included		
Refund or Amount Owed	63	REFUND: Subtract line 61 from line 60. If less than zero, enter amount owed on line 64	63	00
		Direct Deposit of Refund Check box 63A if your deposit will be ultimately placed in a foreign account; see instructions. 63A <input type="checkbox"/>		
		<input checked="" type="checkbox"/> C <input type="checkbox"/> Checking or <input type="checkbox"/> S <input type="checkbox"/> Savings		
	ROUTING NUMBER <input type="text"/>	ACCOUNT NUMBER <input type="text"/>		
	64	AMOUNT OWED: Add lines 57 and 61. Enter the total Make check payable to Arizona Department of Revenue; write your SSN and "140NR-SBI" on payment; and include it with your return.....	64	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.

2021 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.

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 column

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- **Accurate**
- **Proof of Acceptance**
- **Free ****

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Get your refund quicker with direct deposit.

E-file today and pay by April 18, 2022 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 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.

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.*

Who Can Use Form 140NR-SBI?

Beginning with tax year 2021, **nonresident individuals** may elect to report their small business income on Arizona Form 140NR-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).

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.**

What if a Taxpayer Died?

If a taxpayer died before filing a return for 2021, 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*. Place the completed Form 131-SBI on top of the **front** of the 140NR-SBI return.

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 2021 calendar year small business tax return is due no later than midnight, April 15, 2022. File your return as soon as you can after January 1, 2022, but no later than April 15, 2022. **Because April 15, 2022 falls on a federal holiday, you have until Monday, April 18, 2022 to timely file your 2021 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 2021 calendar year tax return, your due date is October 15, 2022. **Because October 15, 2022 falls on a**

Saturday, you have until Monday, October 17, 2022 to timely file your 2021 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, 2022. 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 a payment, use Arizona Form 204, or visit 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 2021 calendar year return by April 18, 2022, 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.

Extension Underpayment Penalty

NOTE: *For tax year 2021, the department will not assess an extension underpayment penalty for taxpayer’s who did not make extension payments for Form 140NR-SBI. Do not complete lines 63 and 64 on your 2021 Form 140NR-SBI.*

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 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 a 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 2022?

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 2022.

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 2021 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.

Line 6 – Federal Schedule D

Enter the portion of 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 24.*

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 31.*

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 35.*

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 34. To figure how much you should subtract, see the instructions for line 34.

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 33.*

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 2021

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 2021, 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 2021, you were required to repay amounts held under a claim of right.
- The amount required to be repaid during 2021 was more than \$3,000.
- You took a deduction for the amount repaid on your 2021 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 2021, 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 2021 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 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 related to the tax credits claimed. See Forms 315 and 325 for more information.

Line 19 – Addition to S Corporation Income Due to Claiming Pass-Through Credit (Forms 312 and 315)

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 his or her *pro rata* share of the adjustment. You must include an amount on this line when claiming any of the following Arizona credits:

- Agricultural Water Conservation System Credit (Form 312)
- Pollution Control Credit (Form 315)

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

If you claimed these tax credits, you must adjust your basis for property related to the tax credits claimed. See Forms 315 and 325 for more information.

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 2021 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 - 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 25 - Subtotal

Add lines 10 through 24. Enter the total

Subtractions from Income

NOTE: *As an Arizona nonresident, only include amounts that are from Arizona sources on lines 27 through 46.*

Lines 26 through 30

NOTE: *For lines 27-30; 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 26, you must complete lines 27 and 28. If you are taking a subtraction on line 30 for any net long-term capital gain from assets acquired after December 31, 2011, you must also complete line 29. If you do not complete lines 26 through 29, you cannot take the subtraction on line 30.*

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 26-28.

Line 26 - Total Net Capital Gain or (Loss)

Enter the amount included in line 6.

Line 27 - 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 27.

Line 28 - 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 28.

Line 29 - 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 30 - Net Long-Term Capital Gain Subtraction From Income for Assets Acquired After December 31, 2011.

Multiply the amount on line 29 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 32) or the net capital gain from the exchange of one kind of legal tender for another kind of legal tender (line 33), 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 30. 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 31 - 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 31.

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 32 - 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 32, enter the amount of the allowable subtraction.

Line 33 - 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 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 34 - 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 34.

Line 35 – 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 35. **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 36 - 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 37 - 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 2021 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 38 - Agricultural Crops Given to Arizona Charitable Organizations

Arizona law allows a subtraction for qualified crop gifts made during 2021 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 39 - 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 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 were reported in 2021

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) 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 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(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 2021, 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 – 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 - Arizona Small Business Taxable Income

Subtract lines 30 through 46 from line 25. If less than zero, enter “0”.

Line 48 - Small Business Income Tax

Multiply line 47 by 3.5% (.035) and enter the result.

Line 49 - 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 23

Line 50 – Subtotal of Tax

Add lines 48 and 49. Enter the total.

Line 51 - Nonrefundable Credits from Arizona Form 301-SBI

Complete line 51 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 51.

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

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

Pollution Control Credit You may qualify for this credit if you purchased depreciable property used in a trade or business to reduce or prevent pollution. Use Form 315 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 Employment by a Healthy Forest Enterprise You may qualify for this credit if you had net increases in qualified employment positions in a healthy forest enterprise. Use Form 332 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.

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 43, on Form 140NR-SBI, line 51. The total amount of credits on line 51 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 52 - Balance of Tax

Subtract line 51 from line 50. If line 51 is greater than line 50, enter "0".

Line 53 – (Boxes 53a and 53b and Line 53c) 2021 Estimated Tax Payments and Claim of Right (boxes 53a and 53b)

Box 53a: For tax year 2021, do **not** enter amount in box 53a.

Box 53b: 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 53b.

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 53c: Enter the amount from box 53b.

Line 54 - 2021 Arizona Extension Payment (Form 204-SBI)

Use this line to report the payment you sent with your 2021 small business income extension payment (Arizona Form 204-SBI) or the electronic extension payment you made using www.AZTaxes.gov.

Line 55 – 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 55. You may use the table to figure the amount to enter on line 55.

2021 - Refundable Credit Worksheet	
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 55.	

Line 56 - Total Payments and Refundable Credits

Add lines 53c, 54 and 55. Enter the total.

Figuring Your Tax Due or Overpayment

Line 57 - Tax Due

If line 52 is larger than line 56, subtract line 56 from line 52 and enter the amount of tax due. Skip lines 58, 59, and 60.

Line 58 - Overpayment

If line 56 is larger than line 52, subtract line 52 from line 56 and enter the difference. Complete lines 59 and 60.

Line 59 - Amount of Line 58 to be Applied to 2022 Estimated Tax

If you want all or part of your overpayment applied to next year's estimated taxes, enter that amount on line 59.

NOTE: If you apply any of the amount shown on line 58 to 2022, you cannot use that amount to pay any tax that is later found to be due for 2021. You also may not claim a refund for that amount until you file your 2022 return.

Line 60 - Balance of Overpayment

Subtract line 59 from line 58 to determine your overpayment balance.

Line 61 - Estimated Payment Penalty

For tax year 2021, do **not** enter an amount on line 61

Line 62 (Boxes 621, 622 and 623)

For tax year 2021, do **not** check boxes 621, 622 or 623

Figuring Your Refund or Amount Owed

Line 63 - Refund

Subtract line 61 from line 60. Enter your refund on line 63 and skip line 64. If less than zero "0" enter amount owed on line 64.

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 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 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.

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

JOHN DOE OR JANE DOE
123 First Street
Sometown, AZ 00000

PAY TO THE ORDER OF SAMPLE \$ 1234 DOLLARS

THIS BANK Sometown, AZ 00000

For 250250025 20202086 - 1234

Do not include the check number.

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 64 - Amount Owed

Add lines 57 and 61. Enter the amount you owe on line 64. You may pay the amount owed only with a check or money order, electronic check, 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 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 2021. There is no fee to use this method. To make an electronic payment, go to 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 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 64 when you file, you may request to make monthly installment payments. Complete Arizona Form 140-IA and mail the completed form to the address listed on Form 140-IA. **Do not mail Form 140-IA with your income tax return.** You may obtain Arizona Form 140-IA from our website. If you cannot pay the full amount shown on line 80, you will be charged interest and may be charged a late payment penalty on the tax not paid by April 18, 2022. 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 **including a payment with this return**, mail the return to:

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

If you are **expecting a refund, or owe no tax, or owe tax but are not including a payment**, mail the return 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, 2022.

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 or 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 2021 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

2021 Original return 2021 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 (loss) 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 gain 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 32.....	00	
4.	Enter the amount of net long-term capital gain 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 the schedule, "Other Subtractions from Arizona Gross Income", on Form 140NR, line 33.....	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 29.
- If the amount on line 5 is zero or negative, you do not qualify to take the allowable subtraction. Enter "0" on Form 140NR, line 29.

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DO NOT STAPLE ANY ITEMS TO THE FORM.

This estimated payment is for tax year ending December 31, 2022, or for tax year ending: MM/DD/20YY

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		

- 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 April 15, 2022. <i>Because April 15, 2022 is a federal holiday, you have until April 18, 2022 to make this payment.</i>
<input type="checkbox"/>	2nd Quarter – April to June Due date is June 15, 2022.
<input type="checkbox"/>	3rd Quarter – July to September Due date is September 15, 2022.
<input type="checkbox"/>	4th Quarter – October to December Due date is January 15, 2023. <i>Because January 15, 2023 falls on a Sunday and January 16, 2023 is a holiday, you have until January 17, 2023 to make this payment.</i>

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

<input type="checkbox"/>	1st Quarter – 15th day of the fourth month of the current fiscal year.
<input type="checkbox"/>	2nd Quarter – 15th day of the sixth month of the current fiscal year.
<input type="checkbox"/>	3rd Quarter – 15th day of the ninth month of the current fiscal year.
<input type="checkbox"/>	4th Quarter – 15th day of the first 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 2022" 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
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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 6..... 8

	00
--	----

Step 4 Estimated Arizona Income Tax

9 Multiply the amount on line 8 by 3.5% (.035) 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 2022 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, 2022, enter 1/4 of line 25 (minus any 2021 overpayment that you are applying to this installment) here and on your 140ES-SBI 15

	00
--	----

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 2021

OR FISCAL YEAR BEGINNING MM/DD/2021 AND ENDING MM/DD/20YY 66F

Your First Name and Middle Initial Last Name 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 Filing Status. Must be the same as Form 140, 140NR or 140PY

95a Married filing joint return 95b Head of Household 95c Married filing separate return 95d Single

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

Table with 3 columns: Line number, Description, Amount. Includes lines 10-25 for Additions Related to Small Business Income.

Table with 3 columns: Line number, Description, Amount. Includes lines 26-46 for Subtractions Related to Small Business Income.

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	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 and/or Schedule K-1(NR), line 20	47	00
	48 Arizona Small Business Taxable Income. Subtract lines 30 through 47 from line 25. If less than zero, enter "0"	48	00
Balance of Tax	49 Small Business Income Tax: Multiply line 48 by 3.5% (.035) and enter the result.....	49	00
	50 Tax from recapture of credits from Arizona Form 301-SBI, Part 2, line 23.....	50	00
Payments and Refundable Credits	51 Subtotal of tax: Add lines 49 and 50. Enter the total.....	51	00
	52 Nonrefundable Credits from Arizona Form 301-SBI, Part 2, line 43.....	52	00
Tax Due or Overpayment	53 Balance of Tax: Subtract line 52 from line 51. If line 52 is greater than line 51, enter "0".....	53	00
	54 2021 AZ estimated tax payments 54a _____ Claim of Right 54b _____ 00 Add 54a and 54b 54c _____	54c	00
Refund or Amount Owed	55 2021 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 _____	56	00
	57 Payment made with original return plus all payments made after it was filed.....	57	00
	58 Total payments and refundable credits: Add lines 54c, 55, 56 and 57. Enter the total.....	58	00
	59 Overpayment from original return or as later adjusted. See instructions.....	59	00
	60 Balance of credits: Subtract line 59 from line 58.....	60	00
	61 OVERPAYMENT: If line 53 is less than line 60, subtract line 53 from line 60. Enter amount of overpayment	61	00
	62 Amount of line 61 to be applied to 2022 estimated tax.....	62	00
	63 REFUND: Subtract line 62 from line 61. If less than zero, enter amount owed on line 64	63	00
	Direct Deposit of Refund: Check box 63A if your deposit will be ultimately placed in a foreign account; see instructions. 63A <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		
	64 AMOUNT OWED: If line 53 is more than line 60, subtract line 60 from line 53. Enter amount owed.....	64	00

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.

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
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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 65R 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
PART 1 (A)	65a _____	\$	\$	\$
	65b _____	\$	\$	\$
	65c _____	\$	\$	\$

NET CAPITAL GAIN OR (LOSS): If you are changing any amount on lines 66a through 66e, complete columns (b), (c), and (d).

	(a) ITEM	(b) ORIGINAL AMOUNT REPORTED	(c) AMOUNT TO ADD OR SUBTRACT	(d) CORRECTED AMOUNT
PART 1 (B)	66a Total net capital gain or (loss) reported on Form 140-SBI, line 27; Form 140NR-SBI, line 26; or Form 140PY-SBI, line 27	\$	\$	\$
	66b Total net short-term capital gain or (loss) reported on Form 140-SBI, line 28; Form 140NR-SBI, line 27; or Form 140PY-SBI, line 28.....	\$	\$	\$
	66c Total net long-term capital gain or (loss) reported on Form 140-SBI, line 29; Form 140NR-SBI, line 28; or Form 140PY-SBI, line 29.....	\$	\$	\$
	66d Net long-term capital gains from assets acquired after December 31, 2011 reported on Form 140-SBI, line 30; Form 140NR-SBI, line 29; or Form 140PY-SBI, line 30.....	\$	\$	\$
	66e Amount of allowable subtraction reported on Form 140, line 31; Form 140NR, line 30; or Form 140PY, line 31	\$	\$	\$

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

PART 2

Check box 68a 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.

PART 3	68b Name	68c Number and Street, R.R.	Apt. No.
	68d City, Town or Post Office	State	ZIP Code

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2021 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.

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 column.

Who Should Use Form 140X-SBI?

Use the 2021 Arizona Form 140X-SBI to correct a small business income tax (Arizona Form 140-SBI, 140NR-SBI, or 140PY-SBI) for **taxable year 2021, 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 2021 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 2021 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.

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 2021 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 2021.

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 2021, 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. 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.

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.

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, *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 2021 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 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 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 24**

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 25 – Subtotal

Add lines 10 through 24. Enter the total.

Subtractions Related to Small Business Income**Lines 26 through 47**

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 48 –Arizona Small Business Taxable Income

Subtract lines 30 through 47 from line 25. If less than zero, enter "0".

Line 49 - Small Business Income Tax

Multiply line 48 by 3.5% (.035). Enter the result.

Line 50 - Tax From Recapture of Credits (AZ Form 301-SBI)

Enter the amount of recapture tax from Arizona Form 301-SBI, Part 2, line 23. 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 51 - Subtotal of Tax

Add lines 49 and 50. Enter the total.

Line 52 - Nonrefundable Credits from Form 301-SBI

Enter the amount from Form 301-SBI, Part 2, line 43.

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)

Box 54a: For tax year 2021, do **not** enter an amount in box 54a.

Box 54b: 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 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 55 – 2021 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 56 - Other Refundable Credits

- If you claimed a refund of the increased research activities credit from Form 308-I, for 2021, enter that credit.
- If you claimed a refund of the qualified facilities credit from Form 349, for 2021, 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 57 - 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 57.

NOTE: Do not include payments reported on line 54 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 57.		.00

Line 58 - Total Payments and Refundable Credits

Add lines 54c, 55, 56 and 57. Enter the total.

Line 59 - Overpayment from Original Return

If your original (or most recent amended) return for 2021 resulted in an overpayment of taxes, enter the overpayment amount. On your original return, you reported this amount on the following line.

2021 Arizona Small Business Income Tax Return	
Form	Line
140-SBI	60
140NR-SBI	58
140PY-SBI	58

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 60 - Balance of Credits

Subtract line 59 from line 58. Enter the difference.

Line 61 - Overpayment

If line 53 is less than line 60, subtract line 53 from line 60. Enter the amount of Overpayment.

Line 62 - Amount of Line 61 to be Applied to 2022 Estimated Taxes

If you are filing this amended return prior to the original due date of your 2021 return and you want all or part of the amount on line 61 applied to your 2022 estimated taxes, enter that amount. If you want all of the amount on line 61 refunded, enter zero, "0".

Line 63 - Refund

Subtract line 62 from line 61. If less than zero, enter amount owed on line 64.

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. 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 this line if you want us to directly deposit the amount shown on line 63 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.

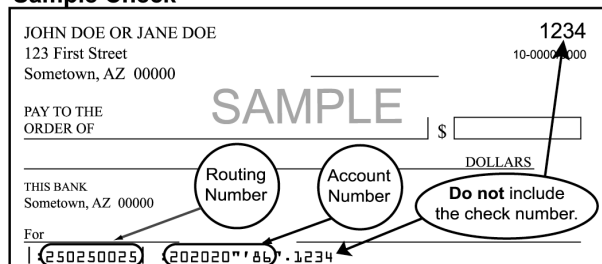
Check the box on line 63A if the direct deposit will ultimately be placed in a foreign account. If you check box 63A, do not enter your routing or account numbers. If this box is checked, we will not direct deposit your refund. We will mail you a check instead.

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 64 - Amount Owed

If line 53 is more than line 60, you owe additional tax. Subtract line 60 from line 53 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 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 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 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 2 Instructions - Parts 1 (A) and (B); Parts 2 and 3

Part 1 (A) - Income, Deductions, and Credits Lines 65a, 65b and 65c -

NOTE: *If you are rescinding your small business election, check box 65R. 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 66a, 66b, 66c, 66d and 66e -

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 67 -**

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

- Receive an IRS notice that changed your federal return?
- Amend your federal income tax return?
- Forget to claim a tax credit?
- Forget to take a subtraction from income or make an addition to income?
- Forget to claim an exemption?
- 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 68a 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

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 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.

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, *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 2021 Small Business Income Tax Returns Only

FOR CALENDAR YEAR
2021

For the calendar year 2021 or fiscal year beginning MM,DD,YY 2,0,2,1 and ending MM,DD,YY 2,0,Y,Y. **66**

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) 94
3 City, Town or Post Office		State	ZIP Code
			REVENUE USE ONLY. DO NOT MARK IN THIS AREA.
			88
Check only <u>one</u> box:			
<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			
		81 PM	80 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 2021. You may estimate this amount.....	1		00
2 Arizona estimated tax payments for 2021	2	00	
3 Credits you will claim on your 2021 return. See Arizona Form 301-SBI for a list of credits.	3	00	
4 Add lines 2 and 3.....	4	00	
5 Balance of Tax: Subtract line 4 from line 1.....	5		00
6 Enter amount of extension payment enclosed.....	6	PAYMENT ENCLOSED ▶	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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2021 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.

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 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, 2022 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 2021 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 2021. There is no fee to use this method. To make an electronic payment, go to 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 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.**

Instructions Before Mailing

Make sure that you have completed all of the information requested on the **front** of the form.

To avoid an extension underpayment penalty, make sure you pay at least 90% (.90) of your Arizona tax liability.

Include with your return.

For the calendar year 2021 or fiscal year beginning MM,DD,2021 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 Pollution Control Credit..... Form 315 ▶	5			00
6 Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets Form 319 ▶	6			00
7 Agricultural Pollution Control Equipment Credit Form 325 ▶	7			00
8 Credit for Donation of School Site Form 331 ▶	8			00
9 Credit for Employment by Healthy Forest Enterprises Form 332 ▶	9			00
10 Credit for Employing National Guard Members..... Form 333 ▶	10			00
11 Credit for Business Contributions by an S Corporation to School Tuition Organizations - Individual Form 335-I ▶	11			00
12 Credit for Solar Energy Devices – Commercial and Industrial Applications..... Form 336 ▶	12			00
13 Credit for Investment in Qualified Small Businesses..... Form 338 ▶	13			00
14 Credit for Business Contributions by an S Corporation to School Tuition Organizations for Displaced Students or Students with Disabilities - Individual Form 341-I ▶	14			00
15 Renewable Energy Production Tax Credit..... Form 343 ▶	15			00
16 Credit for New Employment..... Form 345 ▶	16			00
17 Additional Credit for Increased Research Activities for Basic Research Payments Form 346 ▶	17			00
18 Healthy Forest Production Tax Credit..... Form 353 ▶	18			00
19 Total available nonrefundable tax credits: Add lines 1 through 18.....	19			00

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.

20 Tax from Form 140-SBI, line 50; or Form 140PY-SBI, line 50; or Form 140NR-SBI, line 48; or Form 140X-SBI, line 49.....	20		00
21 Tax from Recapture of Credits for Healthy Forest Enterprises from Form 332, Part 9, line 39, and Part 10, line 45.....	21		
22 Tax from Recapture of Credit for Qualified Facilities from Form 349, Part 7, line 19	22		
23 Recapture Total: Add lines 21 and 22. Enter here and on Form 140-SBI, line 51; or Form 140PY-SBI, line 51; or Form 140NR-SBI, line 49; or Form 140X-SBI, line 50.....	23		00
24 Total: Add lines 20 and 23	24		00

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

25 Military Reuse Zone Credit.....Form 306 ▶	25		00
26 Credit for Increased Research Activities – Individuals..... Form 308-I ▶	26		00
27 Credit for Taxes Paid to Another State or Country.....Form 309-SBI ▶	27		00
28 Agricultural Water Conservation System CreditForm 312 ▶	28		00
29 Pollution Control CreditForm 315 ▶	29		00
30 Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge OutletsForm 319 ▶	30		00
31 Agricultural Pollution Control Equipment CreditForm 325 ▶	31		00
32 Credit for Donation of School SiteForm 331 ▶	32		00
33 Credit for Employment by Healthy Forest EnterprisesForm 332 ▶	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 ApplicationsForm 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 Total Tax Credits Used: Add lines 25 through 42. Enter this amount on Form 140-SBI, line 53; or Form 140PY-SBI line 53; or Form 140NR-SBI, line 51; or Form 140X-SBI, line 52. Total credits used cannot be more than line 24.....	43		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 19, exceeds the total tax credits used from Form 301-SBI, Part 2, line 43.
- The balance of tax on Form 140, 140PY, 140NR or 140X after applying the non-refundable credits from Form 301 is greater than "0".

44	Enter the tax amount from Form 301, line 33.....	44	00	
45	Enter the total credits used from Form 301, line 59.....	45	00	
46	Subtract line 45 from line 44. Enter the difference.....	46	00	

If line 46 is zero or less, **STOP!** Do not complete the following table.

If the amount on line 46 is greater than zero, complete the table below to determine the amount of credit to enter on Form 301, line 60.

		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 60.
47 Military Reuse Zone Credit.....Form 306 ▶	47	00		00
48 Credit for Increased Research Activities – Individuals..... Form 308-I ▶	48	00		00
49 Credit for Taxes Paid to Another State or Country.....Form 309-SBI ▶	49	00		00
50 Agricultural Water Conservation System CreditForm 312 ▶	50	00		00
51 Pollution Control CreditForm 315 ▶	51	00		00
52 Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets.....Form 319 ▶	52	00		00
53 Agricultural Pollution Control Equipment CreditForm 325 ▶	53	00		00
54 Credit for Donation of School SiteForm 331 ▶	54	00		00
55 Credit for Employment by Healthy Forest EnterprisesForm 332 ▶	55	00		00
56 Credit for Employing National Guard Members.....Form 333 ▶	56	00		00
57 Credit for Business Contribution by an S Corporation to School Tuition Organizations - Individual Form 335-I ▶	57	00		00
58 Credit for Solar Energy Devices – Commercial and Industrial ApplicationsForm 336 ▶	58	00		00
59 Credit for Investment in Qualified Small Businesses.....Form 338 ▶	59	00		00
60 Credit for Business Contributions by an S Corporation to School Tuition Organizations for Displaced Students with Disabilities - Individual..... Form 341-I ▶	60	00		00
61 Renewable Energy Production Tax Credit.....Form 343 ▶	61	00		00
62 Credit for New Employment.....Form 345 ▶	62	00		00
63 Additional Credit for Increased Research Activities for Basic Research Payments.. Form 346 ▶	63	00		00
64 Healthy Forest Production Tax Credit..... Form 353 ▶	64	00		00
65 Total Credits transferred to Form 301, line 60. Add lines 47 through 64, column (b), and enter the amount. Amount cannot be greater than line 46.	65			00

2021 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.

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 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 28(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 57.

Column (b): Enter the amount from Form 308-I, line 58.

Column (c): Enter the amount from Form 308-I, line 59.

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 - Pollution Control Credit

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

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

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

Line 6 - Credit for 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 7 - 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 8 - Credit for Donation of School Site

Column (a): Enter the amount from Form 331, line 17.
 Column (b): Enter the amount from Form 331, line 18.
 Column (c): Enter the amount from Form 331, line 19.

Line 9 - Credit for Employment by Healthy Forest Enterprises

Column (a): Enter the amount from Form 332, line 55.
 Column (b): Enter the sum of lines 56 and 57 from Form 332.
 Column (c): Enter the amount from Form 332, line 58.

Line 10 - 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 11 - 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 12 - 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 5.
 Column (c): Enter the amount from column (b).

Line 13 - 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 14 - 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 15 - 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 16 - 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 17 - 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 18 - Healthy Forest Production Tax Credit

Column (a): Enter the amount from Form 353, line 9.

Column (b): Do not enter an amount in column (b).
 Column (c): Enter the amount from Form 353, line 10.

Line 19 - 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 20 -

Enter the amount of tax from your income tax form.

If you file Form:	Enter the amount from line:
140-SBI	50
140PY-SBI	50
140NR-SBI	48
140X-SBI	49

Line 21 -

Enter the amount of tax from recapture of the credits for Healthy Forest Enterprises. Use the following worksheet to calculate the amount of recapture to enter on line 21.

Healthy Forest Recapture Tax Worksheet	
1. Enter the tax from recapture of the <u>employment</u> credit from Form 332, Part 9, line 39.	
2. Enter the tax from recapture of the <u>training</u> credit from Form 332, Part 10, line 45.	
3. Add lines 1 and line 2. Enter the total here and on Form 301-SBI, line 21.	

Line 22 -

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

Line 23 - Recapture Total

Add lines 21 and 22. Enter the total here and on your income tax form.

If you file Form:	Enter the amount on line:
140-SBI	51
140PY-SBI	51
140NR-SBI	49
140X-SBI	50

Line 24 - Subtotal

Add lines 20 and 23. 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 24. 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 25-42 cannot exceed the Total Available Credit amount on the corresponding lines on Form 301-SBI, page 1, column (c).

Line 25 - Military Reuse Zone Credit

The amount you enter on line 25 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 26 - Credit for Increased Research Activities - Individuals

The amount you enter on line 26 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 57; or Form 140NR-SBI, line 55; or Form 140PY-SBI, line 55; or Form 140X, line 56.

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 27 - Credit for Taxes Paid to Another State or Country

The amount you enter on line 27 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 28 - Agricultural Water Conservation System Credit

The amount you entered on line 28 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 29 - Pollution Control Credit

The amount you enter on line 29 cannot exceed the amount from Form 301-SBI, line 5, column (c). You may carry the unused portion of this credit forward for five succeeding taxable years. See Form 315 for details. Enter the amount used.

Line 30 - Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets

The amount you enter on line 30 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 319 for details. Enter the amount used.

Line 31 - Agricultural Pollution Control Equipment Credit

The amount you enter on line 31 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 325 for details. Enter the amount used.

Line 32 - Credit for Donation of School Site

The amount you enter on line 32 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 331 for details. Enter the amount used.

Line 33 - Credit for Employment by Healthy Forest Enterprises

The amount you enter on line 33 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 332 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 10, 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 11, 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 12, 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 13 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 14, 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 15, 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 16, 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 17, 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 18, 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 - Tax Credits Used

Add lines 25 through 42 and enter the total here.

Part 3: Amount of tax credits from Form 301-SBI Available to 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 19, exceeds the total tax credits used on Form 301-SBI, Part 2, line 43.
- 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 44 through 46

Completed lines 44-46 to determine if you have a tax liability remaining after applying your non-refundable tax credits on your regular income tax return.

Lines 47 through 64

If line 46 is greater than zero, "0", complete lines 47 through 64 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 65 – Total Credits Transferred to Form 301, line 60.

Add lines 47-64 and enter the total in column (b) and on Form 301, line 60. **Amount on line 65 cannot be greater than line 46.**

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 2022 return that you will file in 2023. 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 2022 credit forms that you will file in 2023.
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 2021	(d) Credit Used for 2021	(e) Credit Transferred to Form 301	(f) Carryover Available for 2022
	YES	NO				
On lines 1 through 4 below, enter the form number of the credit(s) available to you for 2021.	May the unused portion from the credit listed in column (a) be carried forward? (See the applicable credit form for carry forward information.) Check either yes or no. If the answer is no, do not complete columns (c) through (f) for that line.		On lines 1 through 4 below, enter the amount of each credit <i>available</i> to you for 2021. Take these amounts from Form 301-SBI, lines 1 through 18.	On lines 1 through 4 below, enter the amount of each credit <i>used</i> on Form 301-SBI for 2021. Take these amounts from Form 301, lines 47 through 64.	On lines 1 through 4 below, enter the amount of each credit <i>transferred from Form 301-SBI to Form 301</i> for 2021. Enter the amounts from Part 3, lines 47 through 64, 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 2022, providing carryover may be carried to 2022. Use this amount when completing the appropriate carryover amount(s) on the 2022 credit form(s).
	1.					
2.			.00	.00	.00	.00
3.			.00	.00	.00	.00
4.			.00	.00	.00	.00

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 2021 or fiscal year beginning [M, M | D, D | 2, 0, 2, 1] 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 2021

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)
1 Description of income item(s) from Arizona small business income tax return. List each item separately.			
	(a)	(b)	(c)
2 Amount of income from item listed on line 1 reportable to both Arizona and the other state or country.....	\$ 00	\$ 00	\$ 00
3 Portion of income on line 2 included in Arizona small business adjusted gross income.....	\$ 00	\$ 00	\$ 00
4 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
5 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
6 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	\$ 00	\$ 00

Part 2 Computation of Other State or Country Tax Credit (Read specific line instructions for Part 2 before completing this part.)

7 Arizona tax liability less any credits from Form 301-SBI (except other state tax credit).....	7		00
8 Amount from Part 1, line 6.....	8		00
9 Entire income upon which Arizona small business income tax is imposed. See instructions.....	9		00
10 Divide the amount on line 8 by the amount on line 9 (cannot be greater than one).....	10	.	00
11 Multiply the amount on line 7 by the decimal on line 10.....	11		00
12 Income tax paid to: Name of other state or country. See Instructions. 12a []	12b		00
13 Amount from Part 1, line 6.....	13		00
14 Entire income upon which other state or country's income tax is imposed. See instructions.....	14		00
15 Divide the amount on line 13 by the amount on line 14 (cannot be greater than one).....	15	.	00
16 Multiply the amount on line 12 by the decimal on line 15.....	16		00
17 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, and on Arizona Form 301-SBI, Part 1, line 3, column (a).....	17		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 9 of the instructions.

		(a) Amount from 2021 federal return that meets the definition of Arizona small business gross income.	(b) Amount entered in column (a) reported on your 2021 Small Business tax return.	(c) Amount entered in column (a) reported on your 2021 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.
1	Interest & Ordinary Dividends from Federal Schedule B.....	\$ 00	\$ 00	\$ 00	\$ 00
2	Business income or (loss) from Federal Schedule C.....	\$ 00	\$ 00	\$ 00	\$ 00
3	Portion of Schedule D gains (or losses) included in the definition of Arizona small business gross income. See instructions.....	\$ 00	\$ 00	\$ 00	\$ 00
4	Rents, royalties, partnerships, estates, trusts, small business corporations and residual interest in REMICs from Federal Schedule E....	\$ 00	\$ 00	\$ 00	\$ 00
5	Profit or Loss from Farming from Federal Schedule F.....	\$ 00	\$ 00	\$ 00	\$ 00
6	Sales of Business Property from Federal Schedule 4797 that are not included in Schedule D.....	\$ 00	\$ 00	\$ 00	\$ 00
7	Total Arizona Small Business Gross Income: Add lines 1 through 6.....	\$ 00	\$ 00	\$ 00	\$ 00

2021 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.

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 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.

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 2021 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 2021.

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.

Important: As an Arizona resident, nonresident returns filed with the following states **DO NOT QUALIFY** for the credit on the Arizona return:

Alaska, California, Florida, Indiana, Nevada, New Hampshire, Oregon, South Dakota, Tennessee, Texas, Virginia, Washington and Wyoming.

You may be able to claim a credit for taxes paid to Arizona on the nonresident return filed with any of those states listed above.

Nonresident

A credit against Arizona 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.

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 2021 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 2021

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 ½ of the self-employment tax related to that income (\$3,532) and by the amount of self-employed health insurance deduction (\$6,000). Therefore, only \$40,468 [\$50,000 – (\$3,532 + \$6,000)] of the \$50,000 Schedule C income is included in Taxpayer A's Arizona gross income.

Arizona law requires no further additions or subtractions related to this Schedule C income included in Taxpayer A's Arizona gross income. Therefore, the amount of Schedule C income included in Taxpayer A's Arizona adjusted gross income would be \$40,468. Taxpayer A would enter \$40,468 on line 3.

Line 4

Enter that portion of 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 ½ of the self-employment tax related to that income (\$3,532) and by the amount of self-employed health insurance deduction (\$6,000). Taxpayer A was required to make these same adjustments on the return filed to State P. Therefore, only \$40,468 [$\$50,000 - (\$3,532 + \$6,000)$] of the \$50,000 Schedule C income is included in State P's equivalent of Arizona gross income.

Additionally, State P law allows Taxpayer A to subtract an additional \$2,000 of depreciation related to the Schedule C income. Therefore, the amount of Schedule C income included in State P's equivalent of Arizona adjusted gross income would be \$38,468 ($\$40,468 - \$2,000$). Taxpayer A would enter \$38,468 on line 4.

NOTE: *If you are claiming a credit for taxes paid to another country, and that country withheld at the source, and you are not required to file a return with that country, enter the amount of income subject to tax in that foreign country.*

Line 5

Enter the smaller of the amount entered on line 3 or line 4. This is the amount of income from that item which is subject to tax by both Arizona and the other state or country.

Line 6

Add line 5, columns (a) through (c). This is the total 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 2021, your Arizona tax liability prior to tax credits can be found on the following line number.

Arizona Form	Line Number
140-SBI	50
140PY-SBI	46
140NR-SBI	45
140X-SBI	49

NOTE: If you are taking other tax credits, you must reduce your Arizona tax by the amount of those other tax credits. For the purpose of this computation, be sure to reduce your Arizona tax by both refundable and nonrefundable credits.

Line 8

Enter amount from Part 1, line 6.

Line 9 - Entire Income Upon Which Arizona Tax is Imposed

Enter your entire 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.

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

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.

The example beginning on page 7 illustrates how an Arizona resident figures the entire income subject to tax in the other state or country.

If you have questions concerning what amount to enter on line 14, call one of the phone numbers listed at the beginning of these instructions.

Lines 15 and 16

Follow the instructions on the form for lines 15 and 16.

Line 17

Enter the smaller of line 11 or line 16. If this is the only state or country for which you are claiming a credit, also enter this amount on Arizona Form 301-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

Complete page 2, *Schedule of Income Allocation*, **only** if you are a full-year Arizona resident who is also considered a resident of another state under the laws of that other state.

All other taxpayers skip page 2, *Schedule of Income Allocation*.

NOTE: *If you are a full-year Arizona resident that is also considered to be a resident of another state under the laws of that other state, you must complete the Schedule of Income Allocation on page 2 of Form 309-SBI before you complete page 1 of Form 309-SBI.*

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	AL	Indiana	IN	Missouri	MO	Pennsylvania	PA
Arkansas	AR	Iowa	IA	Montana	MT	Rhode Island	RI
California	CA	Kansas	KS	Nebraska	NE	South Carolina	SC
Colorado	CO	Kentucky	KY	New Jersey	NJ	Utah	UT
Connecticut	CT	Louisiana	LA	New Mexico	NM	Vermont	VT
Delaware	DE	Maine	ME	New York	NY	Virginia	VA
District of Columbia	DC	Maryland	MD	North Carolina	NC	West Virginia	WV
Georgia	GA	Massachusetts	MA	North Dakota	ND	Wisconsin	WI
Hawaii	HI	Michigan	MI	Ohio	OH		
Idaho	ID	Minnesota	MN	Oklahoma	OK		
Illinois	IL	Mississippi	MS	Oregon	OR		

CONTENTS OF BOOKLET X, VOLUMES 1, 2 AND 3

FORM	VOL.	PAGE
A1-APR	2	885
A1-E	2	911
A1-QRT	2	893
A1-R	2	905
A1-WP	2	903
A-4	2	913
A-4 Employer Instructions	2	915
A-4P	2	917
A-4V	2	919
Claim of Right - Individual	1	219
Claim of Right - Corporate	1	485
Claim of Right - Fiduciary	1	877
Highlights - Corporate Income Tax	1	289
Highlights - Estates and Trusts	2	829
Highlights - Exempt Organization	1	267
Highlights - Individual Income Tax	1	1
Highlights - Partnership	1	413
Highlights - Withholding	2	883
Highlights - Small Business Income	3	925
Schedule ACA	1	479
Schedule DFE	1	489
Schedule MSP	1	481
Tax Table - Optional	1	259
Tax Tables X & Y	1	265
Tax Table - Estates and Trusts	2	881
WEC	2	921
51	1	291
99M	1	269
99T	1	275
120	1	297

FORM	VOL.	PAGE
120A	1	325
120ES	1	343
120EXT	1	345
120S	1	351
120S Schedule K-1	1	377
120S Schedule K-1(NR)	1	381
120W	1	385
120X	1	393
122	1	411
131	1	5
131-SBI	3	929
140	1	9
140-SBI	3	933
140 Schedule A	1	45
140A	1	49
140ES	1	173
140ES-SBI	3	987
140ET	1	179
140EZ	1	69
140NR	1	133
140NR-SBI	3	969
140NR Schedule A(NR)	1	169
140PTC	1	187
140PY	1	81
140PY-SBI	3	951
140PY Schedule A(PY)	1	131
140PY Schedule A(PYN)	1	125
140X	1	197
140X-SBI	3	989
141AZ	2	831
141AZ ES	2	865
141AZ EXT	2	869
141AZ Schedule K-1	2	855
141AZ Schedule K-1(NR)	2	859
141AZ V	2	871

FORM	VOL.	PAGE
165	1	415
165 Schedule K-1	1	437
165 Schedule K-1(NR)	1	441
165PA	1	445
165PA Schedule K-1	1	453
165PA Schedule K-1(NR)	1	457
165PA-X	1	461
200	1	225
201	1	237
203	1	241
204	1	247
204-SBI	3	1001
210	2	873
220	1	469
221	1	251
300	2	495
301	2	501
301-SBI	3	1005
305	2	509
305-P	2	513
306	2	523
308	2	527
308-I	2	543
308-P	2	531
308-S	2	533
309	2	555
309-SBI	3	1013
310	2	569
312	2	575
312-P	2	577
312-S	2	591
315	2	585
315-P	2	589
315-S	2	591
318	2	597
318-P	2	599
319	2	605

CONTENTS OF BOOKLET X, VOLUMES 1, 2 AND 3

FORM	VOL.	PAGE
320	2	609
320-P	2	613
321	2	621
322	2	629
323	2	637
325	2	645
325-P	2	647
331	2	653
331-P	2	657
331-S	2	659
332	2	665
332-P	2	673
333	2	687
333-P	2	691
333-S	2	693
335	2	699
335-I	2	709
335-P	2	701
335-S	2	703
336	2	713
338	2	717
338-P	2	719
338-S	2	721
340	2	727
341	2	729
341-I	2	739
341-P	2	631
341-S	2	633
343	2	743
343-P	2	745
343-S	2	747
345	2	753
345-P	2	761
345-S	2	763
346	2	773
346-P	2	777
346-S	2	779
348	2	785
349	2	793
349-P	2	795

FORM	VOL.	PAGE
349-S	2	797
351	2	805
351-P	2	807
352	2	815
353	2	823
353-P	2	825
353-S	2	827

