

2014 Credit for Qualified Health Insurance Plans

Phone Numbers

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 *Legal Research* then click on *Procedures* or *Rulings* and select a tax type from the drop down menu.

Publications and Brochures

To view or print the department's publications and brochures, go to our website and click on *Publications*.

General Instructions

For taxable years beginning on or after January 1, 2012 through December 31, 2014, Arizona law provides a credit for employers who provide qualified health insurance plans or contributions to health savings accounts (HSA) for its employees who are Arizona residents.

This credit is available to individuals, corporations, and S corporations. A partnership may pass the credit through to its partners. An S corporation may pass the credit through to its shareholders. The total of the credits allowed all of the owners of the business may not exceed the amount that would have been allowed for a sole owner of the business.

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

To be eligible, the HSA must be an HSA that is established under Internal Revenue Code (IRC) § 223. A qualified health insurance plan is a high deductible plan that includes catastrophic health care coverage and that is established in conjunction with an HSA.

The amount of the credit is \$360 for every qualified employee who is enrolled in the qualified health insurance plan.

You cannot take a deduction for the same expenses for which you claim a credit. You must add-back the amount of expenses claimed for the taxable year to your Arizona gross income.

If the allowable credit exceeds your income tax liability, you may carry over any unused amount to the next three consecutive taxable years' income tax liability.

To qualify for the credit, the employer must:

1. Have not provided health insurance coverage to its employees for the 90 days immediately preceding the offer of the qualified health insurance plan in the taxable year in which the employer initially claims the credit.

2. Offer the qualified health insurance plan to every employee.
3. Pay at least \$360 during the taxable year for health insurance premiums or contributions to a health savings account for every qualified employee who is enrolled in the qualified health insurance plan.
4. Provide the health insurance plan to the enrolled employee for at least twelve (12) consecutive months.
5. Employ at least 2 and not more than 50 employees who are residents of Arizona.

Line-by-Line Instructions

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

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

Part 1 - Business Information

Lines 1 through 3-

Enter the name, address, and employer identification number of the business that employs qualifying employees.

Part 2 - Credit Computation

Before completing lines 4 through 6, complete Arizona Form 347-1. This is a list of all qualified employees for which you are claiming the credit. If you have more than 20 qualified employees, include a separate schedule.

Form 347-1 Qualified Employees for Which You Are Claiming a Credit

An eligible employee is an employee that is an Arizona resident who was not offered health insurance coverage for 90 days preceding the offer of the qualified health insurance plan. Although an employer must offer the qualified health insurance plan to every employee, list only those enrolled employees that qualify. For each employee who qualifies, provide the following information.

- In column (a), enter the qualified employee's name. The employee must be an Arizona resident.
- In column (b), enter the qualified employee's social security number.
- In column (c), enter the total amount the employer paid for the employee's qualified health insurance plan plus any amount contributed to the employee's health savings account. If the amount is less than \$360, the employee does not qualify.

Enter the total number of qualified employees you are claiming for this credit on Form 347-1, line 21 and on Form 347, Part 2, page 1, line 4.

Lines 4 through 6 -

Complete lines 4 through 6 as instructed on the form.

Part 3 - S Corporation Credit Election and Shareholder's Share of Credit

Line 7 -

The S corporation must complete this portion of Form 347 in order for the S corporation or its shareholders to claim this credit. The S corporation must make an irrevocable election either to claim the credit or to pass the credit through to its shareholders. The election statement must be signed by one of the officers of the S corporation who is also a signatory to the Arizona Form 120S.

Lines 8 through 10 -

If the S corporation elects to pass the credit through to its shareholders, it must also complete lines 8 through 10.

S corporations must complete Form 347, Parts 1 through 3. The S corporation must complete Part 3, lines 8 through 10, separately for each shareholder. Each shareholder may claim only a pro rata share of the credit based on the shareholder's ownership interest in the S corporation. The S corporation must furnish each shareholder with a copy of pages 1 and 2 of Form 347.

Each shareholder must complete Parts 5 and 6 of Form 347.

Part 4 - Partner's Share of Credit

Lines 11 through 13 -

Partnerships must complete Form 347, Parts 1 and 2. Then complete Part 4, lines 11 through 13, separately for each partner. Each partner may claim only a pro rata share of the credit based on the partner's ownership interest in the partnership. The partnership must furnish each partner with a copy of pages 1 and 2 of Form 347.

Each partner must complete Parts 5 and 6.

Part 5 - Available Credit Carryover

Lines 14 through 17 -

Use Part 5 to figure your total available credit carryover from taxable years 2012 and 2013.

Complete line 14 to figure your available credit carryover from taxable years 2012 and 2013 if you claimed the credit on your 2012 and/or 2013 return, and the credit was more than your tax.

- In column (b), enter the credit originally computed for the taxable year listed in column (a).
- In column (c), enter the amount of the credit from that taxable year which you have already used.
- In column (d), subtract the amount in column (c) from the amount in column (b) and enter the difference.
- Add the amounts entered on lines 14 through 16 in column (d).

Enter the total on line 17, column (d).

Part 6 - Total Available Credit

Line 18 -

Individuals, corporations, S corporations claiming the credit, or exempt organizations with UBTI, enter the amount from Part 2, line 6.

S corporation shareholders, enter the amount from Part 3, line 10.

Partners of a partnership, enter the amount from Part 4, line 13.

Line 19 -

Enter the amount from Part 5, line 17, column (d).

Line 20 -

Add lines 18 and 19. Enter the total.

Corporations, including S corporations claiming the credit and exempt organizations with UBTI, also enter the total available credit on Arizona Form 300, Part 1, line 22, column (c).

Individuals, also enter the total available credit on Arizona Form 301, Part 1, line 28, column (c).