

2015 Agricultural Pollution Control Equipment Credit

Obtain additional information or assistance by calling one of the numbers listed below:

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

Obtain tax rulings, tax procedures, tax forms and instructions, and other tax information by accessing the department's website at www.azdor.gov.

General Instructions

Arizona Revised Statutes (A.R.S.) §§ 43-1081.01 and 43-1170.01 provide nonrefundable individual and corporate income tax credits for expenses that a taxpayer incurred during the taxable year to purchase agricultural pollution control equipment.

To Qualify for the Credit:

- The taxpayer must be involved in the commercial production of livestock, livestock products or agricultural, horticultural, viticultural or floricultural crops or products; AND

The taxpayer must purchase tangible personal property that is primarily used in the taxpayer's trade or business in Arizona to control or prevent pollution.

- Property eligible for the tax credit includes only that portion of the property directly used, constructed, or installed in Arizona to prevent, monitor, or reduce air, water, or land pollution.
- Qualifying property includes a portion of a structure, building, installation, excavation, machine, equipment, or device, and any attachment to, or addition to, or reconstruction, replacement, or improvement of that property.

Amounts that qualify for the credit must be includible in the taxpayer's adjusted basis for the property. The adjusted basis of any property for which the taxpayer has claimed a credit must be reduced by the amount of credit claimed for that property.

The amount of the credit is equal to 25% of the cost of the property. The maximum credit that a taxpayer may claim in a taxable year is \$25,000.

The agricultural pollution control equipment credit allowed under A.R.S. §§ 43-1081.01 or 43-1170.01 (claimed on Arizona Form 325) is in lieu of the pollution control credit under A.R.S. §§ 43-1081 or 43-1170 (claimed on Arizona Form 315) with respect to the same equipment or expense.

Co-owners of a business, including partners in a partnership and shareholders of an S corporation, may each claim only the pro rata share of the credit allowed based on the ownership interest. The total of the credits allowed all such owners may not exceed the amount that would have been allowed for a sole owner of the business.

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

If the allowable tax credit exceeds the taxes otherwise due or, if there are no taxes due, the amount of the credit not used to offset taxes may be carried forward for not more than five taxable years as a credit against subsequent years' income tax liabilities.

Specific Instructions

Complete the name and taxpayer identification number section at the top of the form. Indicate the period covered by the taxable year. Include the completed form with the tax return.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for a corporation, an exempt organization with UBTI, an S corporation, or a partnership is the taxpayer's employer identification number. The TIN for an individual is the taxpayer's social security number or an Internal Revenue Service individual taxpayer identification number. Taxpayers that fail to include their TIN may be subject to a penalty.

Part 1 - Schedule of Equipment and Current Taxable Year's Credit Calculation

Lines 1 through 10 -

Column (a): Enter the date that the property was placed in service or the date it is expected to be placed in service in Arizona.

Column (b): Enter a brief description of the property used in the taxpayer's business in Arizona to control or prevent pollution.

Column (c): Enter the cost of that portion of the property directly used to reduce pollution incurred during this taxable year.

If there are more than 10 items of qualifying property, complete additional schedules. Include the completed schedules with Form 325.

Line 11 -

Add lines 1 through 10 in column (c) and enter the total.

Line 12 -

Enter the aggregate column (c) totals from additional schedules.

Line 13 -

Add lines 11 and 12 and enter the total. This is the total cost incurred during this taxable year of all items of property for which the taxpayer is claiming the credit.

Line 14 -

Multiply line 13 by 25% (.25) and enter the result.

Line 16 -

Enter the lesser of line 14 or line 15. This is the allowable credit for the current taxable year.

Part 2 - S Corporation Credit Election and Shareholder's Share of Credit

Line 17 - S Corporation Credit Election

S corporations must complete line 17. The S corporation must make an irrevocable election to either claim the credit or 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 Arizona Form 120S.

Lines 18 through 20 -

If the S corporation elects to pass the credit through to its shareholders, it must also complete lines 18 through 20.

The S corporation must complete Part 1. Then, complete Part 2, lines 18 through 20, separately for each shareholder.

If the S corporation passes the credit through to its shareholders, it must notify each shareholder of the shareholder's pro rata share of the adjustment to income required by the difference between the federal depreciable basis and the Arizona depreciable basis of the property for which the credit is claimed. The S corporation must also notify the shareholder of the shareholder's pro rata share of any difference in gain or loss on the sale or other disposition of the property due to the difference in basis.

Each S corporation shareholder is entitled to only a pro rata share of pass-through credit based on ownership interest in the S corporation. The total of the credit allowed to all shareholders may not exceed the amount that would have been allowed for a sole owner.

The S corporation must furnish each shareholder with a copy of pages 1 and 2 of Form 325. Each shareholder must complete Part 4 and Part 5.

Part 3 - Partner's Share of Credit

Lines 21 through 23 -

Partnerships must complete Part 1. Then, complete Part 3, lines 21 through 23, separately for each partner.

Each partner is entitled to only a pro rata share of the credit based on the partner's ownership interest in the partnership. The total of the credit allowed to all partners may not exceed the amount that would have been allowed for a sole owner.

The partnership must furnish each partner with a copy of pages 1 and 2 of Form 325. Each partner must complete Part 4 and Part 5.

Part 4 - Available Credit Carryover

Complete Part 4 only if the allowable agricultural pollution control equipment credit for prior taxable years exceeded the Arizona income tax liability for those taxable years. Calculate the total available carryover of the agricultural pollution control equipment credit on page 2, Part 4, lines 24 through 29.

Enter the taxable years from which the credit is carried over in column (a) on lines 24 through 28. In column (b), enter the credit originally computed for that taxable year. In column (c), enter the amount of the credit from that taxable year which has already been used. Subtract the amount in column (c) from the amount in column (b) and enter the difference in column (d). Add the amounts entered on lines 24 through 28 in column (d). Enter the total on line 29, column (d).

Part 5 - Total Available Credit

Line 30 -

Enter the current year's agricultural pollution control equipment credit.

Individuals, exempt organizations with UBTI, and corporations (including S corporations that elected to claim the credit) - enter the current year's credit from Part 1, line 16.

S corporation shareholders - enter the credit from Part 2, line 20.

Partners of a partnership - enter the credit from Part 3, line 23.

Line 31 -

Enter the amount from Part 4, line 29, column (d). This is the total available credit carryover.

Line 32 -

Add line 30 and line 31. This is the total available agricultural pollution control equipment credit that may be applied to the current taxable year's tax liability.

Corporations, exempt organizations with UBTI, and S corporations - enter the total here and on Form 300, Part 1, line 9, column (c).

Individuals - enter the total here and Form 301, Part 1, line 15, column (c).