

2002 Fiduciary Income Tax

NOTE: *Senate bill 1043 (Laws 2002, Chapter 130) amended A.R.S. Title 43, Chapter 13, relating to income taxation of estates and trusts. For taxable years beginning from and after December 31, 2002, the Arizona income tax treatment of estates, trusts, and beneficiaries of estates and trusts will conform to the current federal income tax treatment under the Internal Revenue Code. Additionally, the legislation defines resident and nonresident trusts for purposes of the Arizona income tax. Therefore, taxpayers with short taxable years beginning on or after January 1, 2003 should not use the 2002 Form 141 to file the 2003 short year return. The department will have a 2003 Form 141 available on our Internet site for these taxpayers. For more information, visit our web site at www.revenue.state.az.us.*

Phone Numbers

To obtain tax forms and copies of rulings, or if you have questions, please call one of the following numbers:

Phoenix	(602) 255-3381
From area codes 520 & 928 toll-free	(800) 352-4090
Form orders	(602) 542-4260
Forms by Fax	(602) 542-3756
Recorded Tax Information	
Phoenix	(602) 542-1991
From area codes 520 & 928 toll-free	(800) 845-8192
Hearing impaired TDD user	
Phoenix	(602) 542-4021
From area codes 520 & 928 toll-free	(800) 397-0256

You may also visit our web site at: www.revenue.state.az.us

Who Must File

If an estate or trust has income subject to Arizona tax, the fiduciary, or fiduciaries, must file a return when any of the following apply:

1. The estate's Arizona taxable income for the tax year is \$1,000 or more.
2. The trust's Arizona taxable income for the tax year is \$100 or more.
3. The estate's or trust's gross income for the tax year is \$5,000 or more, regardless of the amount of the taxable income.

The above also applies to bankruptcy estates.

The fiduciary does not have to file a return if the income does not exceed the amounts shown in items 1 through 3 above.

NOTE: *The fiduciary must file a final return for an estate when the fiduciary is requesting a tax certificate required by the probate court. In this case, the fiduciary must file a final return regardless of the estate's income. See instructions for requesting a certificate on page 3.*

Estates

Arizona taxes the income of an estate as follows:

1. If the decedent was an Arizona resident at the time of death, the estate is taxable on the entire net income of the estate.
2. If the decedent was an Arizona nonresident at the time

of death, the estate is taxable on all income derived from Arizona sources.

Trusts

The income of a trust is taxable based on the residence of the fiduciaries and beneficiaries. The following situations will determine the taxable income of a trust:

1. If the fiduciary or fiduciaries are all Arizona residents, the trust is taxable on the trust's net income from all sources. All of the trust's net income is subject to Arizona tax, regardless of the residence of the settlor (grantor) and beneficiaries.
2. If all the beneficiaries are Arizona residents, the trust is taxable on the trust's net income from all sources. All of the trust's net income is subject to Arizona tax, regardless of the residence of the settlor (grantor) and fiduciaries.
3. If the settlor (grantor), the fiduciary, and the beneficiaries are all Arizona nonresidents, the trust is taxable on all income derived from Arizona sources.
4. If there are two or more fiduciaries, and one or more are Arizona residents, and one or more are not, and all the beneficiaries and the settlor (grantor) are not Arizona residents, the trust is taxable on all income derived from Arizona sources. The trust is also taxable on that portion of the net income from all other sources that the number of Arizona resident fiduciaries bears to the total number of fiduciaries.
5. If one or more of the beneficiaries are Arizona residents, and one or more are not, and the fiduciary and settlor (grantor) are not Arizona residents, the trust is taxable on all income derived from Arizona sources. The trust is also taxable on that portion of the net income from all other sources that the trust will eventually distribute to the Arizona resident beneficiary(ies).

Fiduciary Filing Return on Form 140

A personal representative must file a return on Form 140 if any of the following apply:

- The Arizona adjusted gross income of a single decedent was \$5,500 or more.
- The gross income of a single decedent was \$15,000 or more.
- The Arizona adjusted gross income of a married decedent for which the representative will file a separate return was \$5,500 or more.
- The gross income of a married decedent for which the representative will file a separate return was \$15,000 or more.
- The Arizona adjusted gross income of a married decedent and his or her surviving spouse for which a joint return will be filed was \$11,000 or more.
- The gross income of a married decedent and his or her surviving spouse for which a joint return will be filed was \$15,000 or more.

Gross income is gross income as defined under the Internal Revenue Code less income included in gross income that is excluded from Arizona taxation.

Example:

A taxpayer died on June 29, 2002. The decedent had wages of \$9,700 and interest income of \$920 received through the date of death. The personal representative files a final Form 140 for the period January 1, 2002, through June 29, 2002. The personal representative notes on the Form 140 that the taxpayer is deceased as of June 29, 2002. The personal representative reports the wage and interest income of \$10,620 on the Form 140. The personal representative reports all income that the estate receives from June 30, 2002, forward on the Form 141.

A fiduciary who has charge of the income of an individual must file a return of income on Form 140 if that individual's income meets the filing requirements. Such fiduciaries include guardians of minors and guardians or committees of legally incompetent persons.

Where several fiduciaries exist, a return filed by one of two or more joint fiduciaries is sufficient.

Filing For a Charitable Remainder Trust

Charitable remainder trusts should file on the Arizona Form 141. The fiduciary should indicate that the return is for a charitable remainder trust by checking the appropriate box on line 6.

The trustee should complete Form 141 as follows:

- enter on line 7, the number "0"
- enter on line 11d, the trust's Arizona distributions to beneficiaries
- enter the number "0" on all other lines

The trustee should also complete an Arizona Form 141 Schedule K-1 or Schedule K-1(NR) for each beneficiary. The trustee should attach a copy of each K-1 to the return.

When Should You File?

You must file a return made on a calendar year basis by April 15, 2003. You must file a return made on a fiscal year basis by the 15th day of the fourth month following the close of the fiscal year. Your filing date must be the same for Arizona as it is for federal purposes.

You may request an extension if you know you will not be able to file on time. *An extension does not extend the time to pay the income tax. Failure to pay at least 90 percent of the tax due by the original due date will result in a penalty.* Beginning April 16, Arizona charges interest on any unpaid tax. The extension underpayment penalty is one-half of one percent (.005) of the tax not paid for each 30 day period or fraction of a 30 day period. The extension underpayment penalty cannot exceed 25 percent of the unpaid tax.

To Get a Filing Extension, You Can Either:

1. Apply for a state extension (Form 204). To apply for a state extension, file Arizona Form 204 by April 15. See Form 204 for details. You must attach a copy of the Arizona extension to the back of your return when you file. Also make sure that you check either box 82D or 82F

on page 1 of the return. If you must make a payment, use Arizona Form 204.

2. Use your federal extension - (Federal Form 2758 for estates or federal Form 8736 for trusts). File your Arizona return by the same due date. If you are filing under a federal extension, you do not have to attach a copy of your federal extension to your return, but make sure that you check either box 82D or 82F on page 1 of the return.

Does an Estate or Trust Have to Make Estimated Payments?

An estate or trust does not have to make estimated payments. An estate or trust may elect to make Arizona estimated tax payments on Arizona Form 140ES.

What if You File or Pay Late?

If you file or pay late, the department can charge you interest and penalties on the amount you owe. If the U.S. Post Office postmarks your 2002 calendar return by April 15, 2003, your return will not be late. You may also use certain private delivery services designated by the IRS to meet the "timely mailing as timely filed" rule.

Late Filing Penalty

If you file late, the department can charge you a late filing penalty. This penalty is 4½ percent 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 percent of the tax found to be remaining due.

Late Payment Penalty

If you pay your tax late, the department can charge you a late payment penalty. This penalty is ½ of 1 percent (.005) of the amount shown as tax for each month or fraction of a month for which the failure continues. This penalty cannot exceed a total of 10 percent.

Extension Underpayment Penalty

If you file your return under an extension, you must pay 90 percent of the tax shown on your return by the return's original due date. If you do not pay this amount, the department can charge you a penalty. The department can also charge you this penalty if you do not attach a copy of the Arizona extension to your return when you file. This penalty is ½ of 1 percent (.005) of the tax not paid for each 30 day period or fraction of a 30 day period. The department charges this penalty from the original due date of the return until the date you pay the tax. This penalty cannot exceed 25 percent of the unpaid tax.

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

Interest

The department charges interest on any tax not paid by the due date. The department will charge you interest even if you have an extension. If you have an extension, the department 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.

Amended Returns

If you are filing an amended Form 141, check the amended return box on line 6. Complete the entire return, correct the appropriate line(s) with the new information, and recompute your tax liability. On an attached schedule, explain the reason(s) for the amendment(s) and identify the line(s) and amount(s) being changed on the amended return. Also attach a copy of the amended federal Form 1041.

NOTE: *You must plainly mark an amended return "Amended" by checking the appropriate box on line 6. The period covered by this return must be the same accounting period as covered by the original return. If you are amending a prior year return, use the form for that taxable year.*

Copy of Will or Trust Instrument

Upon the department's request, the fiduciary must submit a copy of the will or trust instrument when the estate's or trust's gross income is \$5,000 or more. The fiduciary must swear that the will or trust instrument is a true and complete copy.

Reporting Payments Made by a Trust or Estate

An estate or trust that paid salaries or wages may have to report those payments to the department. The fiduciary must report distributions to beneficiaries of an estate or trust on Form 141, Schedule K-1 or Schedule K-1(NR).

Request for Certificate of Payment of Taxes

IMPORTANT: *Make requests for this income tax certificate separately. Do not attach requests for the income tax certificate to Form 141. The department can issue certificates only if required by the probate court.*

Address requests to:

Fiduciary Unit Certificate Request
Arizona Department of Revenue
1600 W Monroe, Room 610
Phoenix AZ 85007-2650

If an estate is being probated, the fiduciary may have to obtain a certificate from the department that shows no income tax is due. The probate court may require this certificate before approving the fiduciary's final account.

Arizona law requires a certificate only when all of the following apply.

1. The estate is subject to probate.
2. The value of the assets of the estate at the decedent's date of death exceeds \$20,000.
3. The estate has a beneficiary that is not an Arizona resident.

In order for the department to issue a certificate, all of the following must be met.

1. The fiduciary has filed Arizona Form 210.
2. A return was filed by or on behalf of the decedent and for the estate for each taxable year in which the

respective incomes of the decedent or estate exceeded the requirements for filing returns.

3. A final Form 141 is filed when the certificate is requested. This return must be filed regardless of the gross or net income for the year. If there is no income, submit a return with "zero" on all lines. If you are filing a final Form 141, mail the final return to: Fiduciary Unit, Arizona Department of Revenue, 1600 W. Monroe, Room 610, Phoenix, AZ 85007-2650
4. The request must contain a statement regarding the status of returns filed by or on behalf of the decedent or for the estate for the four taxable years immediately preceding the date of the request. The fiduciary must make the statement under declaration of perjury. The statement must indicate:

- The years for which returns were filed.
- The years for which the gross and Arizona taxable incomes were less than the amount necessary to require the filing of returns.

Call (602) 542-4643 in Phoenix for further assistance.

Additional Returns or Forms You May Have to File

Form 140, 140PY, or 140NR to report a decedent's income for the period to the date of death.

Form 210 - Notice of Assumption of Duties in a Fiduciary Capacity - Filed on all estates

Form 72 - Application for Waiver of Tax

Form 76 - Arizona Estate Tax Return

Form 204 - Extension of Time to File

Form 140ES - Estimated Tax Payments

Line-by-Line Instructions

Period Covered

The fiduciary must file this return for a calendar year or for a fiscal year ending on the last day of any month other than December (not to exceed 12 months). Your accounting period must be the same for Arizona as it is for federal purposes.

You must adhere to the accounting period established for subsequent years unless you receive written permission to change from the department.

If filing for a fiscal year, enter the beginning and ending month and year.

Lines 1 through 4 -

Enter the name of the estate or trust. Also enter the name, title, address, and zip code of the fiduciary.

Lines 5a and 5b -

If you are filing this return for an estate check box 5a. If you are filing this return for a trust check box 5b. For an estate, enter the decedent's social security number on line 5a and the estate's federal employer identification number on line 5b.

For a trust, enter the federal employer identification number on line 5b.

Line 6 -

Check the box(es) that identify the type of return you are filing.

Line 7 - Federal Taxable Income of Fiduciary

Enter the federal taxable income shown on page 1 of the federal fiduciary return, Form 1041.

If you are filing for a nonresident estate, enter only the amount of federal taxable income from Arizona sources. You must also attach a schedule showing what income was derived from Arizona sources.

If you are filing for a trust, you may also have to modify the amount of federal taxable income reportable to Arizona if the trust has nonresident fiduciaries or beneficiaries. To determine what income to report, see the instructions for "Who Must File" on page 1 of these instructions.

NOTE: *Grantor trusts file only an information return since the income reverts to the grantor. The grantor reports this income on the individual income tax return (Form 140). Do not enter any numerical figures on the face of the return. Go directly to the signature line. The fiduciary should indicate that the return is for a grantor trust by checking the appropriate box on line 6.*

Line 8a - Federal Distribution to Beneficiaries

Enter the total amount of distributions deducted on federal Form 1041.

Line 8b - Federal Fiduciary Exemption

Enter the fiduciary exemption claimed on the federal Form 1041. Enter this amount only to the extent it is included on line 7 of Arizona Form 141.

Line 8c - Arizona Income From Other Fiduciaries

If there is income from another estate or trust, enter the amount from Arizona Form 141, Schedule K-1. If you make an entry here, you will need to subtract the amount of estate or trust income shown on your federal Form 1041, Schedule K-1. See the line 11b instructions for the subtraction.

Line 8d - State or Municipal Bond Interest

Enter any interest income taxable by Arizona from non-Arizona municipal bonds that you did not include as income on the federal return.

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.

Line 8e - Bonus Depreciation Allowed Under I.R.C. § 168(k)

The federal Job Creation and Worker Assistance Act of 2002 (P.L. 107-147), which was signed by President Bush on March 9, 2002, allows businesses to claim a 30% bonus depreciation for qualified capital investments in property

placed in service after September 10, 2001. However, for Arizona income tax purposes, Arizona will not allow the bonus depreciation. Taxpayers that claim the bonus depreciation on the federal income tax return must add the amount claimed for federal purposes to Arizona gross income. Enter the amount of such depreciation claimed on the 2002 federal income tax return here. If you make an entry here, also see the instructions for line 11f.

Line 8f - Other Additions to Federal Taxable Income

Enter any other additions, including those shown below, to federal taxable income. Attach your own schedule.

A. Net Operating Losses

Arizona does not have specific net operating loss provisions for trusts or estates. Arizona conforms to the federal net operating loss provisions. You may have already deducted the net operating loss included on the federal return on a prior year Arizona return. Enter on line 8f of the Arizona return that portion of the net operating loss included in the federal taxable income that has already been taken as a net operating loss for Arizona purposes.

B. Annuity Income in Excess of Contributions

Enter any annuity income received during the tax year to the extent that the sum of the proceeds received from the annuity in all taxable years prior to and including the current tax year exceeds the total consideration premiums paid by you. This applies only to those annuities for which the first payment was received before December 31, 1978.

C. Excess of a Partner's Share of Partnership Taxable Income or Loss

Use this adjustment only if your Arizona Form 165 Schedule K-1 indicates a difference between federal and state distributable income.

If the partnership income shown on your federal return is less than that taxable by Arizona from your Schedule K-1, enter the difference here.

D. Claim of Right Adjustment for Amounts Repaid in 2002

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

1. During 2002, you were required to repay amounts held under a claim of right.
2. The amount required to be repaid during 2002 was more than \$3,000.
3. You took a deduction for the amount repaid on your 2002 federal income tax return.

If the above apply, enter the amount deducted on your federal income tax return.

For more information on the Arizona claim of right provisions, see Arizona Department of Revenue Individual Income Tax Procedure *ITP 95-1*.

E. Claim of Right Adjustment for Amounts Repaid in Prior Taxable Years

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

1. During a year prior to 2002 you were required to repay amounts held under a claim of right.
2. You computed your tax for that prior year under Arizona's claim of right provisions.
3. A net operating loss or capital loss was established due to the repayment made in the prior year.
4. You are entitled to take that net operating loss or capital loss carryover into account when computing your 2002 Arizona taxable income.
5. 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.

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

F. Federal Estate Tax Deduction

Enter the amount of the federal estate tax deduction used in computing federal taxable income on federal Form 1041. Enter this amount only to the extent it is included on line 7 of Arizona Form 141.

G. Other Adjustments

Other special adjustments may be necessary. You may need to make an addition for depreciation or amortization. Call one of the numbers listed on page 1 of these instructions if any of the following apply.

- You sold or disposed of property that was held for the production of income and your basis was computed under the Arizona Income Tax Act of 1954.
- You are still depreciating or amortizing a child care facility for which you claimed a state credit.
- You elected to amortize the basis of a pollution control device or the cost of a child care facility under Arizona law in effect before 1990. You are still deducting amortization or depreciation for that device or facility on your federal income tax return.

Subtractions From Income

You may only subtract those items for which statutory authority exists. Without such authority you cannot take a subtraction. If you have any questions concerning subtractions from income, call one of the numbers listed on page 1 of these instructions.

NOTE: *You cannot subtract any amount that is allocable to income excluded from Arizona taxable income.*

Subtractions From Federal Taxable Income

Line 11a - Interest Received on U.S. Obligations

Enter the amount of interest income from U.S. Government obligations included on line 7. U.S. Government obligations

include obligations such as U.S. 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 Arizona gross income, you must reduce the subtraction by such expenses.

NOTE: *Do not subtract interest earned on FNMA or GNMA bonds since this interest is taxable by Arizona. For details, see the department's income tax ruling, ITR 02-1.*

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 more information, see Arizona Department of Revenue Income Tax Rulings *ITR 96-2* and *ITR 96-3*.

Line 11b - Federal Income From Other Fiduciaries

If the estate or trust is the beneficiary of another estate or trust, enter the beneficiary's share of the trust or estate income recognized under the Internal Revenue Code. Enter this amount only to the extent it is included on line 7 of Arizona Form 141.

Line 11c - Arizona Estate Tax Deduction

Enter the apportionate share of the Arizona estate tax related to income in respect of the decedent to the extent that income is included on line 7 of Form 141.

Line 11d - Distribution to Beneficiaries Determined Under Arizona Law

Enter the combined totals of the beneficiaries' shares of distributable income determined under Arizona law.

NOTE: *There is no provision in Arizona law to distribute losses.*

Line 11e - Construction of an Energy Efficient Residence

For taxable years beginning from and after December 31, 2001, through December 31, 2010, Arizona law allows a subtraction for an energy efficient residence. The subtraction is allowed for selling one or more new energy efficient residences located in Arizona. The subtraction is equal to 5% of the sales price excluding commissions, taxes, interest, points, and other brokerage, finance and escrow charges. The subtraction cannot exceed \$5,000 for each new qualifying residence.

The taxpayer that builds the new residence may claim the subtraction when the taxpayer first sells the residence. However, the seller may elect to transfer the subtraction to the buyer.

For more information, see Arizona Department of Revenue Income Tax Procedure *ITP 02-1*.

Enter the number of residences for which you are claiming a subtraction on line 11e1, then enter the amount of the subtraction on line 11e.

Line 11f - Other Subtractions From Federal Taxable Income

Enter the following other subtractions from federal taxable income. Attach your own schedule.

IMPORTANT: *You may not duplicate the deduction of administration expenses. The estate may deduct these expenses on the income tax return only if the estate files with the department a statement in duplicate that indicates all of the following.*

1. *The estate has not taken these expenses as a deduction on the estate tax return.*
2. *The estate will not claim these expenses as a deduction on the estate tax return.*

A. Exclusion for U.S. Government, Arizona State, or Local Government Pensions

If the estate or trust received pension income from any of the sources listed below, subtract the amount received or \$2,500, whichever is less. Only include amounts which the estate or trust reported as income on the federal return.

Public pensions from the following sources qualify for this subtraction:

- The United States Government Service Retirement and Disability Fund
- The United States Foreign Service Retirement and Disability System
- Retired or retainer pay of the uniformed services of the United States
- Any other retirement system or plan established by federal law

NOTE: *This applies only to those retirement plans authorized and enacted into the U.S. Code. This does not apply to a retirement plan that is only regulated by federal law (i.e., plans which must meet certain federal criteria to be qualified plans).*

- The Arizona State Retirement System
- The Arizona State Retirement Plan
- The Corrections Officer Retirement Plan
- The Public Safety Personnel Retirement Plan
- The Elected Officials' Retirement Plan
- A retirement plan established for employees of a county, city, or town in Arizona
- An optional retirement program established by the Arizona Board of Regents under Arizona Revised Statutes
- An optional retirement program established by an Arizona community college district

NOTE: *Public retirement pensions from states other than Arizona do not qualify for this subtraction.*

B. Refunds From Other States

Enter any state income tax refunds received from states other than Arizona. Enter this amount only to the extent it is included on line 7 of Arizona Form 141.

C. Annuity Income, First Payment Received Prior to December 31, 1978

Arizona allows a trust or estate to subtract the amount of annuity income included in the trust's or estate's federal income pursuant to Internal Revenue Code § 72 if the first payment with respect to such annuity was received prior to December 31, 1978.

D. Qualified Wood Stove, Wood Fireplace, or Gas Fired Fireplace

Arizona law provides a subtraction for converting an existing fireplace to a qualified wood stove, qualified wood fireplace, or gas fired fireplace and non-optional equipment directly related to its operation. You may subtract up to \$500 for converting an existing fireplace on property located in Arizona to a qualified wood stove, qualified wood fireplace, or gas fired fireplace.

E. Claim of Right Adjustment for Amounts Repaid in Prior Taxable Years

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

1. During a year prior to 2002 you were required to repay amounts held under a claim of right.
2. You computed your tax for that prior year under Arizona's claim of right provisions.
3. A net operating loss or capital loss was established due to the repayment made in the prior year.
4. You are entitled to take that net operating loss or capital loss carryover into account when computing your 2002 Arizona taxable income.
5. The amount of the loss carryover allowed to be taken into account for Arizona purposes is more than the amount included in your federal income.

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

F. Certain Expenses Not Allowed For Federal Purposes

You may subtract some expenses that you cannot deduct on your federal return when you claim certain federal tax credits. These federal tax credits are:

- The federal work opportunity credit
- The empowerment zone employment credit
- The credit for employer-paid social security taxes on employee cash tips
- The Indian employment credit

If you received any of the above federal tax credits for 2002, enter 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.

G. Income of a Trust Established as a Medical Savings Account

Arizona law provides a subtraction of income earned during the taxable year by a trust established as a medical savings account. Subtract such amounts only to the extent the trust included the income in Arizona gross income.

H. Employer Contributions Made to Employee Medical Savings Accounts

If you are an employer, you may subtract the amount contributed to your employees' medical savings accounts that are established under Arizona law. You can subtract these contributions only to the extent not deductible for federal income tax purposes. You can subtract these contributions only to the extent included in your Arizona gross income.

I. Agricultural Crops Given to Charitable Organizations

Arizona law allows a subtraction for qualified crop gifts made during 2002 to one or more charitable organizations. To take this subtraction, the estate or trust must be engaged in the business of farming or processing agricultural crops. The crop must be grown in Arizona. The gift must be made to a charitable organization located in Arizona that is exempt from Arizona tax.

The subtraction is the greater of 80 percent of the wholesale market price or 80 percent of the most recent sale price for the crop given.

To determine if your crop gift qualifies for this subtraction, see Arizona Department of Revenue Procedure, *ITP 93-2*.

J. Installment Sale Income From Another State Taxed by the Other State in a Prior Taxable Year

You may subtract any income from an installment sale that has been properly subjected to income tax in another state in a prior tax year. Enter the amount of such income included in Arizona gross income in the current taxable year.

K. Subtraction for World War II Victims

You may subtract distributions made to the trust or estate for the decedent's or settlor's persecution or the persecution of the decedent's or settlor's ancestors by Nazi Germany or any other Axis regime for racial, religious or political reasons. If the trust or estate is the first recipient of such distributions, enter the amount of the distributions that you had to include in the trust's or estate's federal taxable income.

You may also subtract items of income that are attributable to, derived from or related to assets that were stolen or hidden from or lost to the decedent or settlor if the decedent or settlor was persecuted by Nazi Germany or any other Axis regime for racial, religious or political reasons before, during or immediately after World War II. If the trust or estate is the first recipient of such income, enter the amount of income that you had to include in the trust's or estate's federal adjusted gross income.

L. Adjustment for Bonus Depreciation Allowed Under I.R.C. § 168(k) Added to Arizona Gross Income.

If the trust or estate added the 30% special depreciation allowed under I.R.C. § 168(k) to Arizona gross income, the

trust or estate may adjust the amount of regular annual depreciation claimed on the federal return for that asset. The trust or estate may subtract an amount equal to three-sevenths of the amount of regular annual depreciation claimed on the federal return for that asset.

For example: Trust A places a five-year useful life asset costing \$9,000 in service on January 1, 2002 and deducts \$2,700 ($\$9,000 \times 30\%$) of special depreciation and \$1,260 ($\$9,000 - \$2,700 \times 20\%$) of regular annual depreciation on the federal return. On the Arizona return, Trust A must add the \$2,700 of special depreciation to Arizona income (on line 8e), but Trust A may then take a subtraction of \$540. Trust A figures the amount to subtract on the Arizona return as follows:

Trust A multiplies the amount of regular annual depreciation claimed on the federal return for this asset by three-sevenths ($\$1,260 \times 3/7 = \540).

Trust A should compute this subtraction for each year that it deducts regular depreciation for this asset on its federal return.

M. Depreciation Adjustment for Property Sold or Otherwise Disposed of During the Taxable Year

If you sold or otherwise disposed of property that you acquired and put into service after September 10, 2001, you may have an additional subtraction for Arizona purposes if all of the following apply to you.

1. In the year of acquisition, you made an addition to income for the 30% bonus depreciation claimed on your federal return.
2. You sold or otherwise disposed of that property during the taxable year.
3. The depreciation allowed for Arizona purposes (for all taxable years for which depreciation was claimed) was less than what would have been allowed under I.R.C. § 167(a) without regard to I.R.C. § 168(k).

If 1 through 3 above apply to you, calculate the amount of depreciation you would have been allowed had you chosen not to claim the 30% bonus depreciation. If this amount is greater than the amount of depreciation you have actually claimed for this asset on your Arizona returns, you may claim a subtraction for the difference.

NOTE: *This is not an adjustment for the difference in basis caused by the effect of the 30% bonus depreciation allowed on the federal return.*

N. Other Adjustments

Other special adjustments may be necessary. Call one of the numbers listed on page 1 of these instructions if any of the following apply.

- You sold or disposed of property that was held for the production of income and your basis was computed under the Arizona Income Tax Act of 1954.
- You deferred exploration expenses determined under Internal Revenue Code section 617 in a taxable year ending before January 1, 1990, and you have not previously taken a subtraction for those expenses.

Line 12 - Total Subtractions

Add lines 11a through 11f.

Line 13 - Adjusted Gross Income

Subtract line 12 from line 10.

Line 14 - Exemption

If this return is for an estate, enter \$1,000.

If this return is for a trust, enter \$100.

Tax Computation**Line 16 - Tax Amount**

Compute the tax on the amount on line 15 from the tax rate table on page 10 of these instructions.

Lines 17 and 18 - Clean Elections Fund Tax Reduction

You may designate \$5 of the tax go to the Clean Elections Fund and may also reduce the tax on line 16 by up to \$5.

To make this designation, check box 17.

If you checked box 17 and the amount on Form 141, page 1, line 16 is \$10 or more, enter \$5 on line 18. If the amount on line 16 is less than \$10, complete the following worksheet.

Clean Elections Fund Tax Reduction Worksheet	
1. Enter the amount of tax from Form 141, page 1, line 16.	
2. If you checked box 17, enter \$5.	
3. Balance of tax eligible for tax reduction. Subtract line 2 from line 1. If less than zero, enter zero "0".	
4. Tax reduction. Enter the smaller of line 3 or \$5. Also enter this amount on Form 141, page 1, line 18.	

Line 20 - Credit for Taxes Paid to Other States or Countries

If both Arizona and another state or country consider an estate or trust to be a resident, Arizona will allow the estate or trust a tax credit against the Arizona income tax liability for taxes paid to the other state or country.

For the purpose of this credit, Arizona considers an estate or trust to be a resident of the state or country legally entitled to tax the income of the estate or trust regardless of whether the estate or trust derives income from sources in that state or country.

The credit allowed on the Arizona fiduciary return is subject to the following conditions:

1. The credit is allowed only for the proportion of the taxes paid to the other state or country that the income taxable to Arizona and also subject to tax in the other state or country bears to the entire income on which the taxes paid to the other state or country are imposed.
2. The credit cannot exceed the proportion of the tax payable to Arizona that the income subject to tax in the other state or country and also taxable to Arizona bears to the entire income that is taxable to Arizona.

NOTE: An Arizona resident estate or trust may claim this tax credit only if it is also a resident of another state or country and subject to taxation of income regardless of the source in both jurisdictions.

If claiming this tax credit, you must attach the following items to the Arizona Form 141:

1. A copy of the other state or country's income tax return.
2. A schedule showing how the credit was calculated.

Line 22 - Clean Elections Fund Tax Credit

NOTE: Amounts designated to the Clean Elections Fund on Form 141, page 1, lines 17 and 18 do not qualify for the credit. Do not include those amounts here.

If the trust or estate made a contribution to the Citizens Clean Elections Fund, the trust or estate may claim a credit for those contributions.

For 2002, the trust or estate may claim a credit for:

- Donations the trust or estate made directly to the fund during 2002.
- A donation the trust or estate made to the fund on its 2001 income tax return filed in 2002.

The trust or estate may not claim a credit on its 2002 return for a donation made to the fund on its 2002 return. If the trust or estate makes a donation to the fund with its 2002 return, the trust or estate may claim a credit for that donation on its 2003 return.

Complete the worksheet below to figure the credit.

Worksheet for Calculating the 2002 Clean Elections Fund Tax Credit	
1. Enter the amount the trust or estate donated directly to the fund during 2002.	
2. Enter the amount the trust or estate donated to the fund with its 2001 tax return.	
3. Add line 1 and line 2. Enter the total.	
4. Enter the amount from Form 141, line 21.	
5. Multiply line 4 by 20% (.20).	
6. Enter \$530.	\$530
7. Enter the larger of line 5 or line 6.	
8. Enter the smaller of line 3, line 4, or line 7 here and also on Form 141, line 22.	

Payments**Line 24 - Arizona Estimated Tax Payments**

If you made any estimated tax payments to the State of Arizona for 2002, enter that amount.

Line 25 - Payments With Extension

Enter the amount of payment made with an extension request (Form 204).

Line 26 - Arizona Income Tax Withheld

Use line 26 to claim a credit for any Arizona income tax withheld (and not repaid) by; (a) an employer on wages and salaries of a decedent received by the decedent's estate; (b) a payer of certain gambling winnings (e.g., state lottery winnings); or (c) a payer of distributions from pensions, annuities, retirement or profit-sharing plans received by a decedent's estate or trust. Attach a copy of Form W-2 or Form W-2G, or Form 1099-R to the back of the last page of the return.

Line 27 - Payment With Original Return (if amending)

Enter the payment sent with the original Form 141 return. Also include any additional tax payments made after the return was filed.

Line 28 - Total Payments

Add lines 24 through 27. Enter the total.

Also, do the following if you computed your 2002 tax under Arizona's claim of right provisions.

1. Write "ARS 43-1029" and the amount of the prior year tax reduction in the space to the left of your total payment amount.
2. Include the credit for the prior year tax reduction in the total entered on line 28.
3. Attach a schedule explaining the amounts repaid and the computation of the tax reduction for the prior year(s).

For more information on Arizona's claim of right provisions, see Individual Income Tax Procedure *ITP 95-1*.

Line 29 - Refund From Original Return (if amending)

Enter any refunds received from your original filing.

Line 31 - Voluntary Gifts to the Citizens Clean Elections Fund

NOTE: *If the trust or estate makes a gift, the trust or estate cannot change the amount of that gift later on an amended return.*

The trust or estate may give some or all of its refund to the Citizens Clean Elections Fund. The trust or estate may also send in additional money with its return. If the trust or estate sends in additional money with its return, include that amount on line 32. Enter the amount donated on line 31.

If the trust or estate makes a donation to the fund with its 2002 return filed in 2003, the trust or estate may claim a credit for that donation on its 2003 return.

The Citizens Clean Elections Fund provides funding to each participating candidate who qualifies for campaign funding.

Overpayment or Balance Due**Line 32 - Balance Due**

Subtract line 30 from line 23. If making a donation on line 31, also add that amount to the amount entered on line 32.

This is the amount you owe. Make your check payable to the Arizona Department of Revenue. Be sure to write the social security number (for estates) or the federal employer identification number (for trusts) on the front of the check.

Line 33 - Refund Due

Subtract lines 23 and 31 from line 30. This is the amount the State of Arizona owes you.

Line 34 - Amount of Line 33 to be Applied to Your 2003 Estimated Tax

If you want all or part of the refund applied to next year's Arizona estimated taxes, enter that amount.

Page 2 Questions

Answer questions 1 through 8 on page 2.

Declaration

The individual or authorized officer of the organization receiving or having custody, control, or management of the income of the estate or trust must sign the declaration. If two or more individuals act jointly as fiduciaries, any one of them may sign the declaration.

Filing Reminder to Fiduciary Filers

1. Be sure to use the correct year's form to file your return. Also be sure to clearly mark the period covered by the return.
2. Enter the correct social security number and/or federal employer identification number on the return. If Form 140 was also filed for the same taxpayer, please use same name and social security number.
3. If you are ready to file but have not yet received a federal identification number, you may file the return. Let us know what the number is as soon as you receive it. Send your correspondence to: Fiduciary Unit, Arizona Department of Revenue, 1600 W. Monroe, Phoenix AZ 85007-2650.
4. Put a social security number or federal identification number on front of all checks and correspondence.
5. Send all correspondence separate from returns to: Fiduciary Unit, Arizona Department of Revenue, 1600 W Monroe, Phoenix, AZ 85007-2650. Do not attach correspondence to the back of returns.
6. When filing returns that generate a refund due to any previous payments (i.e., amount paid with extension, amount paid as estimated payment, amount paid with original returns), it may speed the refund process if a copy of the canceled check of the previous payment accompanies the return generating the refund.
7. If you are a fiscal year filer (for periods not ending in December), use Tax Rate Table for the prior year. Example: If filing for April 1, 2001, to March 31, 2002, use the 2001 Tax Rate table. If this return is for a short taxable year, use the 2002 Tax Rate Table. Example: If filing for June 13, 2002, to November 21, 2002, use the 2002 Tax Rate Table.

8. If your income is taxable but deductions bring your return to zero, make sure all necessary lines are filled in to support this declaration.
9. Grantor trusts file an information return using Form 141 showing no numerical figures for lines 7 through 34. Taxable income on a grantor trust reverts to the grantor. The grantor reports this income on the individual income tax return. The fiduciary should indicate that the return is for a grantor trust by checking the appropriate box on line 6.
10. When filing an amended Form 141 return, be sure the return is marked as an amended return. Also be sure to enter the year you are amending.

You must plainly mark an amended return "amended" by checking the appropriate box on line 6.

11. File returns on time to avoid late filing and/or late payment penalties. Returns are due on the 15th day of the fourth (4th) month from the date the tax period ends.

Taxpayer Identification Number

All returns, statements, and other documents filed with the Department of Revenue require a taxpayer identification number (TIN). The TIN is either a correct social security number or, for a business, the federal employer identification number. Paid tax preparers must also include their TIN on forms where requested. Taxpayers and paid preparers who fail to include the proper TIN may be subject to a penalty. Please check the return to be sure that all required identification numbers are accurate and written clearly. Missing, incorrect, or unclear identification numbers may cause delays in processing the returns.

2002 Tax Rate Table for Estate or Trust

(a)		(b)	(c)			(d)		(e)		(f)
If taxable income from Form 141, page 1, line 15 is:		Enter the amount from Form 141, page 1, line 15	Multiply the amount entered in column (b) by		Enter the result		Subtract		Tax	Enter this amount on Form 141, page 1, line 16
Over	But not over									
\$0	\$10,000	X	.0287	=	-	0	=			
\$10,000	\$25,000	X	.0320	=	-	\$ 33	=			
\$25,000	\$50,000	X	.0374	=	-	\$ 168	=			
\$50,000	\$150,000	X	.0472	=	-	\$ 658	=			
\$150,000	and over	X	.0504	=	-	\$ 1,138	=			